

# **PETERSHILL PARTNERS PLC**

**(the “Company”)**

## **TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE (THE “COMMITTEE”)**

**Approved by the Board on 18 November 2024**

### **1. THE COMMITTEE’S ROLE AND RESPONSIBILITIES**

#### ***Financial reporting***

- 1.1 To monitor the integrity of the Company’s financial statements, including its annual and half-yearly reports, and any other formal announcements relating to its financial performance.
- 1.2 To monitor, review and report to the Board on significant financial reporting issues and judgements made in connection with the preparation of the Company’s financial statements and any other formal announcements relating to its financial performance (having regard to matters communicated to it by the auditor).
- 1.3 To review related information presented with the financial statements, including the strategic report and corporate governance statements relating to the audit and to risk management.
- 1.4 To review and challenge where necessary:
  - (a) significant accounting policies and any changes to them;
  - (b) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (c) whether the Company has adopted appropriate accounting policies and where necessary made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
  - (d) the clarity and completeness of disclosures in the financial statements and whether the disclosures are set properly in context;
  - (e) all material information presented with the financial statements, such as the strategic report, the corporate governance statement (insofar as it relates to the audit and risk management) and statements related to internal control, risk management, viability and going concern.
- 1.5 To assess the effectiveness of the Company’s financial reporting procedures.
- 1.6 Where the Committee is not satisfied with any aspect of the Company’s financial reporting, to report its views to the Board.
- 1.7 To advise (where requested by 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 position and performance, business model and strategy.

- 1.8 To review if practicable other statements containing financial information that require Board approval.
- 1.9 To oversee the development and reporting of the Company's tax strategy and make recommendations to the Board.
- 1.10 The Chairman to consider disclosure and governance matters relating to financial reporting in consultation with the Operator in the first instance, and to then consider the engagement of the wider Board if necessary.

***External audit***

- 1.11 To be responsible for the selection and appointment procedures for an external auditor, and consider and make recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, on the appointment, re-appointment, resignation or removal of the external auditor.
- 1.12 To initiate and conduct any competitive tender process undertaken by the Company for the provision of external audit services. In respect of such tender process, to:
  - (a) ensure that at least once every ten years the audit services contract is put out to tender 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
  - (b) oversee the selection process and provide (or oversee the provision of) such access as is necessary to information and individuals during the duration of the tendering process to such tendering firms.
- 1.13 To oversee the relationship with the external auditor, including but not limited to:
  - (a) negotiating and approving the terms of engagement of and remuneration to be paid to the external auditor in respect of audit services, ensuring that the fees are appropriate to enable an effective and high-quality audit to be conducted;
  - (b) reviewing and agreeing the engagement letter issued by the external auditor at the start of each audit and the scope of the external audit, arranging additional work as appropriate. To ensure that appropriate plans are in place for the annual audit at the start of each annual audit cycle, in particular considering whether the auditor's work plan is consistent with the scope of the audit engagement, having regard to materiality, resources and the seniority, expertise and experience of the audit team;
  - (c) influencing the appointment of the individual identified by the external auditor as being primarily responsible for the conduct of the audit;
  - (d) developing and implementing policy on the engagement of the external auditor to supply non-audit services and approving any non-audit services provided by the external auditor;
  - (e) reviewing and monitoring the external auditor's independence and objectivity, including the impact of the supply of any non-audit services by the auditor, and the effectiveness of the audit process, taking into account relevant legal, ethical, professional and regulatory requirements and all relationships with the external auditor and its network firms as a whole in order to satisfy itself that

there are no relationships between the external auditor and the Company and/or the Company's operator (the *Operator*) and/or the Company's administrator (the *Administrator*) (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

- (f) discussing with the external auditor threats to independence and how those threats are mitigated;
  - (g) monitoring the external auditor's compliance with ethical standards, the level of fees the Company pays to the external auditor in proportion to the overall fee income of the external audit firm (or relevant part of it), and related regulatory requirements;
  - (h) obtaining and reviewing annually external auditor information about its policies and procedures for maintaining independence and monitoring compliance with relevant requirements, including in relation to rotation of audit partners and staff;
  - (i) annually assessing and reporting to the Board on the external auditor's qualifications, expertise, resources, independence and objectivity and the effectiveness of the audit process, with a recommendation on whether to propose to shareholders that the external auditor be reappointed; and
  - (j) evaluating the risks to the quality and effectiveness of the financial reporting process, especially in light of the auditor's communications with the Committee.
- 1.14 To investigate the issues leading to any resignation of an external auditor and decide whether any action is required.
- 1.15 To review audit representation letters before signature, considering in particular any representation on a non-standard matter.
- 1.16 To meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and meet the external auditor at least once a year without any representative of the Operator or the Administrator present to discuss the auditor's remit and any issues arising from the audit.
- 1.17 To review the findings of the audit and the auditor's report with the external auditor, including but not limited to:
- (a) major issues that arose during the audit, both resolved and unresolved;
  - (b) how the external auditor addressed risks to audit quality;
  - (c) key accounting and audit judgements;
  - (d) the level of errors identified during the audit; and
  - (e) the effectiveness of the audit.
- 1.18 To review and monitor the Board's and/or the Operator's and/or the Administrator's responsiveness to the external auditor's findings and recommendations.

- 1.19 To assess the effectiveness of the external audit process and the quality of the external audit, taking into consideration relevant UK professional and regulatory requirements, including but not limited to:
- (a) understanding how risks to audit quality are identified and addressed;
  - (b) reviewing the external auditor's compliance with the audit plan;
  - (c) taking the views of key officers, the Administrator and the Operator on the conduct of the audit, including the reliance the external auditor placed on the work of the Administrator;
  - (d) reviewing and monitoring the external auditor's management letter and its other communications with the Committee; and
  - (e) following the FRC's Audit Committees and the External Audit: Minimum Standard when reviewing the effectiveness of the external audit process.

***Internal control and risk management systems***

- 1.20 To advise the Board on the Company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take in order to achieve its long-term strategic objectives.
- 1.21 To monitor and review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems, including by reviewing annually the internal controls and risk management systems of the Operator and the Administrator. The monitoring and review should cover all material controls, including financial, operational, reporting and compliance controls and, from accounting period beginning after 1 January 2026, the Annual Report should include:
- A description of how the effectiveness of the framework is monitored and reviewed;
  - A declaration of effectiveness of the material controls as at the balance sheet date; and
  - A description of any material controls which have not operated as effectively as at the balance sheet date, the action taken or proposed, to improve them and any action taken to address previously reported issues.
- 1.22 To promote and review sound risk management and internal control systems, including operational and compliance controls.
- 1.23 To monitor and keep under review the policies and overall process for identifying and assessing business risks and managing their impact on the Company.
- 1.24 To monitor and keep under review the risk exposures of the Company and the Company's capability and procedures to identify and manage new and emerging risks.
- 1.25 To advise the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance

of the Company, and taking independent external advice where appropriate and available.

- 1.26 To review and approve the statements to be made in the annual report concerning internal controls and risk management systems.
- 1.27 To review the effectiveness of the Operator's and Administrator's internal audit function in the context of the Company's overall risk management systems.
- 1.28 To review annual reports on the Company from the Operator's and Administrator's risk, internal audit and compliance function.
- 1.29 To consider annually whether there is a need for an internal audit function and to explain the reasons for the absence of such a function in the annual report.
- 1.30 To review the controls over the operation and effectiveness of the Administrator.

#### ***Whistleblowing, fraud, bribery and other compliance***

- 1.31 To review the Company's arrangements for its contractors to raise concerns, in confidence, about possible improprieties in financial reporting or other matters, with the aim of ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.
- 1.32 To review the Company's policies and procedures for preventing and detecting fraud, its systems and controls for preventing bribery, its code of corporate conduct/business ethics and its policies for ensuring that the Company complies with relevant regulatory and legal requirements, receive reports and consider appropriate action.
- 1.33 To review the Operator's and Administrator's procedures for detecting fraud, their systems and controls for preventing bribery, their codes of corporate conduct/business ethics and their policies for ensuring that they comply with relevant regulatory and legal requirements and receive reports on non-compliance.

#### ***Shareholder engagement***

- 1.34 To seek effective engagement through the Committee chair with shareholders on significant matters related to the areas of the Committee's responsibilities.

## **2. COMPOSITION AND QUORUM**

2.1 The Committee must have at least three members. Members of the Committee are appointed by the Board on the recommendation of the nomination committee in consultation with the chair of the Committee. All members of the Committee must be independent non-executive directors. If the Board decides that a member of the Committee is no longer independent, that member will cease to be a member of the Committee. The chair of the Board may be a member of, but not chair, the Committee provided he or she was considered independent on appointment.

2.2 At least one member of the Committee must have been determined by the Board to have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the Company operates.

2.3 The Board appoints the chair of the Committee. In the absence of the Committee chair and/or an appointed deputy, the remaining members present may elect one of the independent non-executive directors present to chair the meeting.

2.4 The quorum necessary for the transaction of business is two members. Only members of the Committee have the right to attend Committee meetings, but the Committee may invite others (including representatives of the Operator and/or the Administrator, the external auditor and other interested persons) to attend all or part of any meeting if it thinks it is appropriate or necessary, but such others shall not count for quorum. The external auditors will be invited to attend meetings of the Audit and Risk Committee on a regular basis.

2.5 Appointments to the Committee are for a period of up to three years, extendable for two further three-year periods, provided the director remains independent and still meets the criteria for membership of the Committee.

2.6 The secretary will ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The relevant member of the Committee will not be counted towards the quorum and he/she must abstain from voting on any resolution of the Committee in which he/she and/or his/her associates have a material interest.

2.7 A duly convened meeting of the Committee at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### **3. MEETING ADMINISTRATION**

3.1 The Committee must meet as often as it deems necessary but in any case at least four times a year, at appropriate times in the financial reporting and audit cycle, at such times and places determined by the Committee chair. The Committee must approve the annual calendar of its meetings. Additional meetings may be requested by any member of the Committee or the Company's external auditor, if they consider it necessary. The Committee may hold meetings by telephone or using any other method of electronic communication, and may take decisions without a meeting by unanimous written consent, when the chair considers this to be necessary or desirable.

3.2 Meetings of the Committee are called by the secretary of the Committee at the request of the Committee chair or at the request of the external or internal auditor.

3.3 Unless otherwise agreed by all Committee members, notice of each meeting confirming the venue, time and date (and dial-in details if required) of the meeting must be sent, with an agenda of the items to be discussed and any supporting papers, to each member of the Committee, any other person required to attend the meeting and all other non-executive directors as soon as practicable, and in any event no later than five business days before the date of the meeting.

3.4 Outside the formal meeting programme, the Committee chair must maintain a dialogue with key individuals involved in the Company's governance including the Chairman of the Board, the Operator, the Administrator and the external auditor.

### **4. SECRETARY**

4.1 The company secretary or such person as the Committee nominates shall act as the secretary of the Committee and shall attend all meetings.

4.2 The secretary must ensure that the Committee receives information and materials in a timely manner to enable full and proper consideration to be given to them.

4.3 The secretary must minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

4.4 Draft minutes of Committee meetings must be sent promptly to all members of the Committee. Once approved, minutes must be sent to all members of the Board, unless the chair of the Committee thinks it is inappropriate to do so.

## **5. SELF-EVALUATION**

The Committee must review its own performance, composition and terms of reference at least once a year and recommend to the Board any changes it considers necessary or desirable.

## **6. REPORTING RESPONSIBILITIES**

6.1 After each Committee meeting, the chair of the Committee must report formally to the Board on the Committee's proceedings. This report must include:

- (a) the significant issues that it considered in relation to the financial statements and how these were addressed;
- (b) its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
- (c) any other issue on which the Board has asked for the Committee's opinion, identifying any matters in respect of which it considers that improvement is needed, whether the subject of a specific request by the Board or not, and make recommendations as to the steps to be taken.

6.2 The Committee may make such recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is desirable.

6.3 The Committee chair must attend the Company's annual general meeting and be available to answer questions on matters within the Committee's area of responsibility, and make a statement on the activities and achievements of the Committee over the year, as directed by the chair of the annual general meeting.

6.4 The Committee must compile a report to shareholders describing its work to be included in the Company's annual report, including:

- (a) the significant issues that the Committee considered relating to the financial statements, and how these issues were addressed;
- (b) an explanation of how the Committee has assessed 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;
- (c) if the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from explaining

its recommendation and the reasons why the Board has taken a different position;

- (d) an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services; and
- (e) any statement of compliance required by law or regulations.

6.5 In compiling the reports referred to in 6.4, 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 and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

6.6 The Committee must report to the Board on how it has discharged its responsibilities.

## **7. OTHER MATTERS**

The Committee must:

- (a) have access to sufficient resources to carry out its duties and functions, including access to the company secretariat for assistance as required on all Committee matters. In the event that the Committee determines that it has insufficient resources, it may make a request for additional resources to the Operator and/or the Administrator. If the request for additional resources is denied, the Committee may, if it chooses, make a request to the Board. The Board will convene a Board meeting as soon as reasonably practicable to consider the request;
- (b) be given appropriate and timely training, in the form of an induction programme for new members and on an ongoing basis for all members. The induction programme is provided by the Administrator;
- (c) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the Association of Investment Companies Code of Corporate Governance, the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- (d) oversee any investigation of activities which are within its terms of reference; and
- (e) work and liaise as necessary with all other Board committees.

## **8. AUTHORITY**

The Board authorises the Committee to:

- (a) undertake any activity within its terms of reference;

- (b) seek any information that the Committee requires from the Operator and/or the Administrator in order to perform its duties, and call any such person to be questioned at a Committee meeting, as and when required;
- (c) obtain external legal or other professional advice on any matter within its terms of reference at the Company's expense, and invite persons giving such advice to attend Committee meetings;
- (d) request that both (i) the persons performing the investment management functions in relation to the investment portfolio of the Company and its group, and (ii) representatives of the Administrator be available to answer questions at meetings of the Committee and to co-operate with any reasonable request of the Committee;
- (e) 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; and
- (f) delegate any of its powers to one or more of its members or the secretary of the Committee.