

## **Audit Committee - Terms of Reference**

**Adopted by resolution of the board dated 15 June 2022**

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### **1. Constitution**

The Audit Committee was established as a Committee of the Board by a resolution of the Board on 9th October 2001.

The Company has no employees. With effect from 2 July 2014 BlackRock Fund Managers Limited (the 'Manager') was appointed as the Company's Alternative Investment Fund Manager. BlackRock Investment Management (UK) Limited (the 'Investment Manager') continues to act as the Company's investment manager under a delegation agreement with the Manager. The Company Secretary is BlackRock Investment Management (UK) Limited.

### **2. Membership**

2.1 The 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 Committee. The Committee shall consist of not less than three members. The Board shall satisfy itself that at least one member of the Committee has competence in accounting and/or auditing and the Committee as a whole has competence relevant to the sector in which the Company operates and is able to effectively discharge its duties.

2.2 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.

2.3 All members of the Committee shall be independent non-executive directors and shall not be associated with any Manager, sponsor or auditor appointed by the Company. At least one Director shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies.

The Chairman of the Board may be a member of the Committee, but not its Chairman. (the UK Code provides that in smaller companies the Company Chairman may be a member of, but not chair, the committee provided (s)he was independent on appointment as Chairman).

2.4 Only members of the Committee have the right to attend Committee Meetings. However, the external auditor will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

2.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the Director remains independent.

### **3. 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.

### **4. Quorum**

The quorum necessary for the transaction of business shall be two Committee members.

### **5. Frequency of Meetings**

5.1 The Committee shall meet not less than twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

5.2 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman and the external audit lead.

### **6. Notice of Meetings**

6.1 Meetings of the Committee shall be convened by the Secretary at the request of any of its members or at the request of the external audit lead partner, the Manager or the Investment Manager or the Chairman of the Company if they consider it necessary.

6.2 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 in a timely manner. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

### **7. Minutes**

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

7.2 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.

### **8. Annual General Meeting**

The Chairman of the Committee should attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

## 9. Duties

The Committee should carry out the following duties:

### 9.1 Internal Controls, Financial Reporting and Risk Management Systems

The Committee shall:

- 9.1.1 monitor the adequacy and effectiveness of the Company's internal controls and risk management systems and, at least annually, carry out a review of their effectiveness and report on that review in the Annual Report;
  - 9.1.2 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; and
  - 9.1.3 review and approve the statements to be included in the Annual Report concerning internal controls and risk management.
- In particular the Committee shall review and challenge when necessary:
- 9.1.4 the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company;
  - 9.1.5 the methods used to account for significant or unusual transactions where different approaches are possible;
  - 9.1.6 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - 9.1.7 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made including the going concern assumption to be made by the Board and the assumptions made in assessing the longer term viability of the Company and the appropriateness of the time period over which the assessment is made; and
  - 9.1.8 all material information presented with the financial statements, such as the Investment Manager's review and the corporate governance statement (insofar as it relates to the audit and risk management).

The Committee shall:-

- 9.1.9 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 significant 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.
- 9.1.10 review final drafts of the Company's half-year and annual accounts and any other financial statements to ensure that the Company's results and financial position are represented accurately and fairly to shareholders. The Committee shall receive such drafts with reasonable notice;

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9.1.11 review the Company's investments, including any derivatives, with particular reference to the valuation of any unquoted securities or physical assets and maintenance of the Company's investment trust status under Chapter 4 of part 24 of the Corporation Tax Act 2010 (formerly Section 842 of the Income and Corporation Taxes Act 1988); and

9.1.12 review semi-annual reports from the Manager on its activities as AIFM; a representative of the Manager will attend meetings on request; and

9.1.13 review semi-annual reports from the Depositary on its activities; a representative of the Depositary will attend meetings on request.

### 9.2 Narrative reporting

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 performance, position, business model and strategy.

### 9.3. External Audit

The Committee shall:

9.3.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the Company's external auditors. The Committee shall take primary responsibility for the selection process for new auditors, including any tender process, and make recommendations to the Board in this respect. If an auditor resigns the Committee shall investigate the issues leading to this and make a recommendation to the Board as to whether any action is required;

9.3.2 take primary responsibility for the relationship with the external auditors including (but not limited to):

9.3.2.1 recommendations on their remuneration, including fees for audit or non audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted, while ensuring that the quantum of non-audit fees are not such that they might present a risk to Auditor independence and objectivity;

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

9.3.2.3 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;

9.3.2.4 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;

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- 9.3.2.5 monitoring the 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;
  - 9.3.2.6 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditors on their own internal quality procedures; and
  - 9.3.2.7 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.
- 9.3.3 meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditors at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- 9.3.4 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;
- 9.3.5 review the findings of the audit with the external auditors. This shall include but not be limited to, the following;
- 9.3.5.1 a discussion of any major issues which arose during the audit;
  - 9.3.5.2 any accounting and audit judgements;
  - 9.3.5.3 levels of errors identified during the audit; and
  - 9.3.5.4 review the effectiveness of the audit process.

The Committee shall also:

- 9.3.6 review any representation letter(s) requested by the external auditor before they are signed by the Board;
- 9.3.7 develop and implement a policy on the supply of non audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter. The policy will specify the types of non-audit work from which the external auditors are prohibited. If non-audit services are provided, disclosure should be made in the annual report explaining how auditor objectivity and independence is safeguarded. A copy of the policy is attached as Appendix 1.

### 9.4 Reporting Responsibilities

The Committee Chairman shall:

- 9.4.1 report formally to the Board on its proceedings after each meeting on how it has discharged its responsibilities. The report shall include:
  - 9.4.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 9.1.9 above) and how these were addressed;

- 9.4.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 9.3.2.6 above) and its recommendation on the appointment or reappointment of the external auditor; and
    - 9.4.1.3 any other issues on which the Board has requested the Committee's opinion.
  - 9.4.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed; and
  - 9.4.3 The Committee shall compile a report 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; 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.
  - 9.4.4 In compiling the reports referred to above 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.
- 9.5 Whistleblowing and Fraud
- The Committee shall:
- 9.5.1 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; and
  - 9.5.2 review regular reports from the Manager's Financial Crime team regarding financial crime, including fraud, bribery and money laundering.
- 9.6 Internal audit

The Committee shall consider annually whether there is a need for an internal audit function and make a recommendation to the Board accordingly. The reasons for the absence of such a function should be explained in the relevant section of the annual report.

## 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, as necessary 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 UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance 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 other board committees;
- 10.6 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
- 10.7 review with representatives of the Manager / and or the Investment Manager and such other persons as it sees fit any matter within its terms of reference including matters of concern to the Manager's Internal Audit or Compliance Departments.

## 11 Authority

The Committee is authorised:

- 11.1 to seek any information it requires from any employee of the Manager / and or the Investment 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 within its terms of reference; and
- 11.2 to call any employee of the Manager / and or the Investment Manager to be questioned at a meeting of the committee as and when required.
- 11.3 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.

References to the "Board" are to the board of directors of the Company.

References to the "Chairman" are to the Chairman of the Committee.

References to the "Committee" are to the Audit Committee of the Company.

References to "the Manager" are to the Alternative Investment Fund Manager of the Company and /or any person to whom the Manager has delegated roles or duties to.

## APPENDIX 1

### **EU AUDIT REFORM** (as implemented, retained and onshored in the UK) **AUDIT COMMITTEE PRE-APPROVAL POLICY**

15 June 2022

#### **Statement of Principle**

The Audit Committee (the “Committee”) of the Board of Directors is required to pre-approve the audit and non-audit services performed by the independent statutory auditor or any of its affiliates (collectively, the “Audit Firm”) in order to ensure that the provision of such services do not impair the independence of the Audit Firm.

The term of any pre-approval is 12 months from the date of pre-approval, unless the Committee specifically provides for a different period. Periodically, the Committee may review and revise this Policy.

#### **Pre-Approval**

This Policy establishes two different approaches to pre-approving audit and non-audit services.

Proposed services may either (1) require the specific pre-approval of the Committee (“Specific Pre-Approval”) or (2) be pre-approved without consideration of specific case-by-case services (“General Pre-Approval”). Unless a type of service has received General Pre-Approval pursuant to this policy, it will require Specific Pre-Approval by the Committee.

#### **Audit Services**

The Committee has provided General Pre-approval of all annual Audit Service engagement terms and fees as listed in Appendix A. Permissible Audit Services not listed in Appendix A must seek Specific Pre-approval by the Committee.

#### **Audit-Related Services**

The Committee has provided General Pre-approval of all annual Audit-Related Service engagement terms and fees as listed in Appendix B. Permissible Audit-Related Services not listed in Appendix B must seek Specific Pre-approval by the Committee.

#### **Tax Compliance and Advisory Services**

The Audit Firm does not provide any such services to the Company therefore no approvals are required.

#### **Other Services**

The Committee has provided General Pre-approval of all annual Other Service engagement terms and fees as listed in Appendix C. Permissible Other Services not listed in Appendix C must seek Specific Pre-approval by the Committee.

#### **Prohibited Non-Audit Services**

A list of prohibited non-audit services is attached to this policy as Exhibit 1.

The Committee may approve the provision of the services referred to in point (a) (i), (a) (iv) to (a) (vii) and (f) of Exhibit 1, provided that the following requirements are complied with:

- a) they have no direct or have immaterial effect, separately or in the aggregate on the audited financial statements;
- b) the estimation of the effect on the audited financial statements is comprehensively documented and explained in the additional report to the Committee; and
- c) the principles of independence laid down in Directive 2006/43/EC are complied with by the Audit Firm.



## **Delegation**

In the intervals between the scheduled meetings of the Committee, the Committee delegates authority under this Policy to the Chairman of the Committee (the “Chairman”) to pre-approve Audit and Non-Audit Services. The Chairman shall report any pre-approval decisions under this Policy to the Committee at its next scheduled meeting. The Committee can modify, at its discretion, the preapproval originally granted by the Chairman. This modification can be to the form or the nature of services pre-approved, the level of fees approved, or both.

The Committee expects pre-approval of Audit and Non-Audit services by the Chairman pursuant to this delegated authority to be the exception rather than the rule and may modify or withdraw this delegated authority at any time. The Committee does not delegate its responsibilities to pre-approve services performed by the Audit Firm to management.

## **Pre-Approved Services**

### **Appendix A – Audit Services**

1. Annual audit of financial statements (including quarterly or semi-annual reviews, if applicable) and other procedures required to be performed to be able to form an opinion on the PIEs financial statements.
2. Consultation by management as to accounting or disclosure treatment of transactions or events and/or the potential impact of final or proposed rules, standards, or interpretations by regulators or standard setting bodies.

### **Appendix B – Audit-Related Services**

3. Agreed upon or expanded audit procedures related to accounting records required to respond to or comply with financial, accounting, or regulatory reporting matters
4. Consultations by management as to the accounting or disclosure treatment of transaction or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by regulatory or standards-setting bodies.
5. Regulatory compliance audits or control assessments, including reports issued in conjunction with mutual funds or other statutory requirements and Anti-Money Laundering required, whether paid in whole or in part by investees or affiliated entities.

### **Appendix C – Other Services**

6. Special services performed in connection with the issue of a prospectus, tender price or merger of funds.
7. Translation services on financial statements and audit reports for use by management or to satisfy listing requirements on foreign exchange funds.

## **Exhibit 1**

### **Prohibited Non-Audit Services**

Impermissible non-audit services, as defined under Article 5 of Regulation (EU) No 537/2014 of the European Parliament and of the Council (as implemented, retained and onshored in the UK), include the following:

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- a) tax services relating to:
  - i. preparation of tax forms\*;
  - ii. payroll tax;
  - iii. customs duties;
  - iv. identification of public subsidies and tax incentives unless support from the statutory auditor or the audit firm in respect of such services is required by law\*;
  - v. support regarding tax inspections by tax authorities unless support from the statutory auditor or the audit firm in respect of such inspections is required by law\*;
  - vi. calculation of direct and indirect tax and deferred tax\*;
  - vii. provision of tax advice\*;
- b) services that involve playing any part in the management or decision-making of the audited entity;
- c) bookkeeping and preparing accounting records and financial statements;
- d) payroll services;
- e) designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;
- f) valuation services, including valuation performed in connection with actuarial services or litigation support services\*;
- g) legal services, with respect to:
  - i. the provision of general counsel;
  - ii. negotiating on behalf of the audited entity; and
  - iii. acting in an advocacy role in the resolution of litigation;
- h) services related to the audited entity's internal audit function;
- i) services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;
- j) promoting, dealing in, or underwriting shares in the audited entity;
- k) human resources services, with respect to:
  - i. management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:
    - searching for or seeking out candidates for such positions;
    - or - undertaking reference checks of candidates for such positions;
  - ii. structuring the organisation design; and
  - iii. cost control.

\* The Committee may approve the provision of the services referred to in point (a) (i), (a) (iv) to (a) (vii) and (f) of Exhibit 1, provided that the following requirements are complied with:

- a) they have no direct or have immaterial effect, separately or in the aggregate on the audited financial statements;
- b) the estimation of the effect on the audited financial statements is comprehensively documented and explained in the additional report to the Committee by the Audit Firm; and
- c) the principles of independence laid down in Directive 2006/43/EC are complied with the Audit Firm.