

# STANDARD LIFE PRIVATE EQUITY TRUST PLC

## AUDIT COMMITTEE

### TERMS OF REFERENCE (approved on 15 June 2020)

- CONSTITUTION** The board has established a committee of the board to be known as the Audit Committee (the "Committee").
- MEMBERSHIP** The Committee shall be appointed by the board. All members of the Committee shall be independent non-executive directors of the Company. The Committee shall consist of not less than two members. A quorum shall be two members and at least one of these members should have recent and relevant financial experience. The chair of the board may be a member of, but not chair, the committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chair (AIC Code provision 29). The board should satisfy itself that the Committee as a whole has competence relevant to the investment company sector.
- The chair of the committee shall be appointed by the board from amongst the independent non-executive directors. It is agreed that Calum Thomson will be the chair of the Committee.
- ATTENDANCE AT MEETINGS** A representative of the investment manager's internal audit department (and if necessary, a representative of the investment manager's compliance team) and a representative of the external auditors shall attend meetings, at the invitation of the Committee.
- There should be at least one meeting per year, or part thereof, where the external auditors attend without the investment manager (or representatives thereof) present.
- The company secretary shall be 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.
- The chair of the Committee should be available to answer questions at the annual general meeting.
- FREQUENCY OF MEETINGS** Meetings shall be held not less than twice a year, and where appropriate should coincide with key dates in the company's financial reporting cycle.
- Any member of the Committee, the external auditors or internal auditors of the investment manager may request a meeting if they consider that one is necessary.

## **AUTHORITY**

The Committee is authorised by the board to:

- investigate any activity within its terms of reference;
- seek any information that it requires from any employee of the investment manager, all employees of the investment manager having been directed to co-operate with any request made by the Committee;
- obtain at the Company's expense independent legal, accounting or other professional advice it believes it is necessary to do so and such advisors may attend meetings as necessary; and
- publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

## **DUTIES**

The Committee shall:

### **Financial Reporting**

- monitor the integrity of the annual and interim financial statements and preliminary announcements of the company 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;
- review and challenge, where necessary:
  - the consistency of, and any changes to, accounting policies;
  - the methods used to account for significant or unusual transactions where different approaches are possible;
  - whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the view of the external auditor;
  - the basis of the going concern assumption;
  - the clarity and completeness of disclosure in the company's financial reports and the context in which statements are made;
  - all material information presented with the financial statements, such as the business review and the corporate governance statement (relating to the audit and to risk management);
- review arrangements by which concerns may be raised about possible improprieties in matters of financial reporting;
- provide advice (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; and
- in compiling the reports 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.

### **Internal Controls and Compliance**

- consider annually whether there is a need for the company to have its own internal audit function;
- receive and consider the reports of the risk management functions of the manager;
- keep under review the effectiveness of the investment manager's internal financial controls, internal controls and risk management systems and undertake a robust assessment of the principal and emerging risks facing the Company, in particular the Company's risk registers;
- ensure that the investment manager has controls in place to cover the financial services regulatory requirements relevant to the company and the regulatory requirements pertaining to investment trusts;
- review the investment manager's procedures for detecting fraud;
- review the investment manager's systems and controls for the prevention of bribery and receive reports on non-compliance;
- approve the relevant statements to be included in the annual report;
- keep under review the adequacy and security of the company's arrangements for the investment manager's employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (whistleblowing); and
- review the controls over the operations and effectiveness of the administrators, custodians, registrar and other sub-contractors providing services to the company.

### **External Audit**

- conduct the tender process and make recommendations to the board, on the appointment, re-appointment and removal of the company's external auditors;
- approve the level of remuneration for the auditors and the terms of their engagement;
- review and monitor the external auditor's independence and objectivity;
- review and approve the annual audit plan and subsequently review the findings and effectiveness of the external audit process, taking into consideration relevant professional and regulatory requirements;
- develop and implement a policy on the engagement of the external auditors to supply non-audit services, considering the impact this may have on independence, taking into account relevant regulations and ethical guidance, and reporting to the Board on any improvement

- or action required;
- meet regularly with the auditors, with at least one meeting being held annually without management present in order to discuss their remit and any issues arising from the audit;
- review any representation letters requested by the auditors before they are signed by management;
- review the management letter and management's subsequent response; and
- report to shareholders on its activities in the Company's annual report setting out:
  - 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;
  - 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; and,
  - an explanation of how auditor independence and objectivity is safeguarded.

## **OTHER MATTERS**

The Committee shall:

- report to the Board on how it has discharged its responsibilities;
- have access to sufficient resources to carry out its duties, including access to the company secretary for assistance as required;
- 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;
- give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the AIC Code on Corporate Governance, the requirements of the FCA's Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- work and liaise as necessary with all Board committees; and
- arrange for periodic reviews of its own performance, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes necessary to the Board for approval.