

**POLAR CAPITAL TECHNOLOGY TRUST PLC**  
**TERMS OF REFERENCE for the AUDIT COMMITTEE**

**Updated and Adopted by the Board on the recommendation of the Committee on 15 May 2019**

**Membership and appointment**

The Committee shall be made up of all the independent non-executive directors, at least one of whom shall have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the Company operates.

The Chair of the Committee shall be appointed by the Board from amongst the independent non-executive directors and in consideration of the recommendation of the Nomination Committee. The Chair will report to the Board on the Committee's decisions and recommendations.

The Chair of the Board will not be a member but can attend by invitation to be kept abreast of developments and discussions.

Any Committee member who fails to remain independent will step down. An independent director is one who meets the AIC guidelines as being independent of any relationships with the investment manager and is declared so by the Board.

**Quorum**

The quorum necessary for the transaction of business shall be three independent non-executive directors.

**Attendance at Meetings**

Only members of the Committee have the right to attend Committee meetings. However, representatives of the Investment Manager, other directors and the external auditors shall attend meetings at the invitation of the Committee. The external auditors will be invited to attend meetings of the Committee on a regular basis including once at the planning stage before the audit and once after the audit at the reporting stage.

There should be at least one meeting a year, or part thereof, where the external auditors attend without management present to discuss their remit and any issues arising from the audit.

The Audit Committee will report to the Board on how it has discharged its duties including significant issues considered in relation to the financial statements and how they were addressed, the effectiveness of the external audit process and the appointment of the auditors and any other issues which in the opinion of the Committee needs action or improvement including recommendations on steps to be taken. The Chair of the Committee shall attend the AGM to respond to any questions through the Chair of the Board which may be raised by shareholders on matters within the Committee's area of responsibility or activities.

**Frequency of Meetings**

Meetings shall be held at least three times a year, and where appropriate should coincide with key dates in the Company's financial reporting cycle. The external auditors may request additional meetings 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 the Investment Manager or any other supplier to the Company in order to perform its duties and,

- obtain, at the expense of the Company, outside legal or other independent professional advice on any matters within its terms of reference and such advisors may attend a meeting as necessary.
- have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- have the right to publish in the annual report details of any issues that cannot be resolved between the Committee and the Board.

## **Duties and Responsibilities**

The Committee should carry out the below duties for the Company.

### **1. External Auditors**

The Committee shall:

- have primary responsibility for making recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditor
- be responsible for the selection process of the external auditor by tender (at least every 10 years), rotation or by way of casual vacancy and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required
- develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the external auditor (the Non-Audit Services Policy), including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The Policy should include consideration of the following matters:
  - threats to the independence and objectivity of the external auditor and any safeguards in place;
  - the nature of the non-audit services;
  - whether the external audit firm is the most suitable supplier of the non-audit service;
  - the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
  - the criteria governing compensation.
- oversee the relationship with the external auditor, including
  - approval of their remuneration and its appropriateness given the quality of work
  - scope of audit work
  - terms of engagement
  - influencing the appointment of the engagement partner
  - pre-approval of any non-audit work provided by the external auditor and the fees in respect of non-audit services provided (in line with the Non-Audit Services Policy)
- assess annually
  - the qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the auditor on their own internal quality procedures.
  - their independence and objectivity, taking into account relevant UK professional and regulatory requirements (including compliance with the FRC's Ethical Standard) and the relationship with the external auditor as a whole, including the provision of any non-audit services.
- satisfy itself that there are no relationships (such as family, employment, investment, financial or otherwise) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity.
- monitor the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners and tendering of audits and the safeguarding of the quality of the audit. If an engagement partner is to act for more than five years (a maximum of

seven is permitted) then the reasons for extending the appointment must be explained to shareholders as early as practicable.

- review the findings of the audit with the external auditor including:
  - any major issues, accounting and audit judgements which arose during the audit and how they were resolved or not;
  - any views from the external auditors on the interaction with the investment manager or other suppliers in conducting the audit and the quality of the information received.
  - consider any evidence in relation to each of the areas of significant judgement and review key accounting and audit judgements
  - levels of errors identified during the audit and the effectiveness of the audit.
- review any correspondence received from the auditors in the course of the year, including any representation letter(s), review the management letter and management's response to the external auditor's findings and recommendations.

## **2. Internal Controls and Risk Management Systems**

The Board has ultimate responsibility for the risk management and internal control systems and the Audit Committee assists the Board in discharging this responsibility. The Audit Committee will review the controls in place to manage these risks by the adoption of a Risk Map through which the Company's and its suppliers' internal controls can be robustly reviewed and monitored via the Company Secretary where appropriate throughout the financial year. Suppliers are monitored throughout the year via the Company Secretary as the Committee's representative and the Committee receives an annual report from the Company Secretary or if a problem arises by immediate report.

### **2.1 Investment Manager**

The Committee shall

- review the Investment Manager's internal controls, financial reporting and risk management including monitoring arrangements in relation to the Company including any internal audit programme. Ensuring that the investment manager has adequately resourced these functions and that they have appropriate standing within the Investment Manager. Any reports issued by them shall be made available to the Committee so far as they relate to the Company.
- consider the Investment Manager's response to any major external or internal audit recommendations.
- receive and consider reports from the Investment Manager on:
  - the investment manager's current status with its Regulatory Authorities
  - the structure and nature of the Investment Manager's compliance monitoring of the Company's activities
  - any compliance matters that have arisen concerning, or in relation to the Investment Manager's business which may have an impact on the Company.

### **2.2. Other Suppliers**

The Committee shall

- either review the internal controls reports provided from such directly appointed suppliers or
- consider a report from the Investment Manager where the Committee consider it appropriate that from the Investment Manager has been best placed to consider the services provided

### **2.3. Risk Management**

The Committee will

- keep under review the adequacy and effectiveness of the Company's internal controls and risk management systems.

- undertake an annual review of any policies, practices and controls, including any reports for breaches or potential breaches of directly applicable UK or EU legislation. This will include the monitoring of the Investment Manager's risk and compliance functions to ensure that these are in place for the prevention and investigation of fraud, bribery or other financial wrongdoing.
- Consider at each Committee meeting a monitoring report on developing risks and changes to the existing risks or controls.
- review and approve the statements to be included in the annual report concerning internal controls, risk management and the viability statement.

#### **2.4. Internal Audit**

The Committee shall monitor the need for an internal audit function in the context of the Company's overall risk management system and consider the other processes needed to provide assurance that the internal controls are functioning as intended and the effectiveness of such other processes.

### **3. Financial Reporting and Published Financial Information**

The Committee shall monitor and make recommendations to the Board:

- on the actions and judgements of the Investment Manager, in relation to the interim and annual financial statements,
- the integrity of the financial statements including the annual and half yearly reports, preliminary results announcements (if any) or final results announcements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain having regard to the matters communicated to it by the auditor,
- on the ability of the Company to make a statement of going concern and the appropriateness of the longer-term viability statement,
- on 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, business model and strategy.

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 external auditor; and
- and all other information requirements set out in the AIC Code.

The Committee shall review and challenge where necessary:

- the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company and compliance with accounting standards
- 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 views of the external auditor
- the clarity of disclosure in the Company's financial reports and the context in which statements are made including compliance with the London Stock Exchange and other legal requirements.