

# HENDERSON ALTERNATIVE STRATEGIES TRUST PLC

## Terms of Reference: Audit Committee

### 1. Constitution

The Committee is constituted by the Board in accordance with the Articles of Association of the Company (Article 138).

### 2. Membership

2.1 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 be made up of at least three members.

2.2 All members of the Committee shall be independent non-executive directors of the Company at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing. In addition, the Committee as a whole should have competence relevant to the sector in which the Company operates. The Chairman of the Board may be a member of the Committee but may not chair the Committee.

2.3 The Board shall appoint the Committee Chairman and, if it desires, a deputy who shall act as Chairman of the Committee in the absence of the Committee Chairman. The remaining members present shall elect one of themselves other than the Chairman of the Board to chair any meeting of the Committee where the Committee Chairman and any deputy are both not present.

2.4 Only members of the Committee have the right to attend Committee meetings. However, the Committee may invite others, including but not limited to any director, officer or employee of the Manager, to attend all or part of any meeting.

2.5 The external auditors of the Company shall be invited to attend at meetings of the Committee on a regular basis and to meet with the Committee at least annually without the presence of staff from the Manager.

2.6 Each member shall declare any conflicts or potential conflicts of interest at the start of each meeting.

### 3. Secretary

3.1 The Company Secretary shall act as the Secretary of the Committee. In the absence of the Company Secretary, the Committee shall nominate any person it deems appropriate to act as Secretary.

3.2 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance and the existence of any conflicts of interest.

3.3 The Secretary shall ensure that the Committee receives information and papers in a timely manner and in sufficient detail to enable full and proper consideration to be given to the issues under review.

3.4 Minutes of Committee meetings shall be circulated promptly to members following each meeting and shall be provided to members of the Board with the next set of Board papers.

#### **4. Quorum**

The quorum necessary for the transaction of business shall 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.

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

The Committee shall meet at least twice a year and otherwise as required.

#### **6. Annual General Meeting**

The Chairman of the Committee and/or an appointed deputy shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities and matters within the scope of the Audit Committee's responsibilities. In the absence of the Committee Chairman and any appointed deputy, the remaining Committee members present shall elect one of themselves other than the Chairman of the Board to respond to any shareholder questions.

#### **7. Duties**

##### **7.1 Financial Reporting**

- a) The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half year reports, statements of results and any formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- b) The Committee shall review the significant financial reporting issues and judgements made in connection with the preparation of the company's financial statements and related formal statements and challenge where necessary:
  - the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
  - 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 and completeness of disclosures in the Company's financial statements and the context in which statements are made;
  - all material information presented with the financial statements, such as the Chairman's statement, the Portfolio Review, the Strategic Report, the Directors' Remuneration Report and the Corporate Governance Statement (insofar as it relates to the audit and risk management); the Viability Statement and the Statement on Going Concern;
  - the Company's statement on internal control systems, prior to endorsement by the Board, and the policies and process for identifying and assessing business risks and the management of those risks by the Company and the other narrative statements contained in the annual and half-year report;

- any other statements requiring Board approval which contain financial information shall first be reviewed by the Committee where this is practicable and will not prevent compliance with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook;
  - that the information presented is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee should also advise the Board on whether the Board's statement in the annual report on these matters is consistent with and fairly presents financial and other information set out elsewhere in the annual report and accounts; and
  - the inclusion of details of any significant issues which the Committee considered in relation to the financial statements and how these were addressed.
- c) The Committee shall review and make recommendation to the Board on the going concern of the Company at year end and half year end.
- d) The Committee shall review and make a recommendation to the Board on the Viability Statement made by the Company at the year end.

## 7.2 Internal Controls and Risk Management

The Committee shall:

- a) keep under review the framework and effectiveness of the Company's internal controls and risk management systems, including the Company's risk map, limits and restrictions, and the control reporting for the Company's key third party contractors;
- b) review and approve the statements to be included in any financial reporting of the Company concerning the effectiveness of internal controls and risk management;
- c) monitor and review the remit and effectiveness of the Manager's Internal Audit, Compliance and Business Risk functions in the context of the Company's overall risk management framework;
- d) meet representatives of the Manager's internal control functions (as required by the Committee; for example, representatives of the Compliance, Business Risk and Internal Audit functions), on a regular basis, without the portfolio manager being present (if felt appropriate or necessary), to discuss their remit and any issues arising in the context of the Company's overall risk management framework;
- e) monitor and review the processes, assurance and reporting protocols of all matters in relation to UK Bribery Act 2010 compliance.

## 7.3 Internal Audit

The Committee shall monitor the need for an internal audit function and consider such need annually.

## 7.4 External Audit

- a) The Committee shall:
  - consider and make recommendations to the Board as to the appointment, re-

appointment and removal of the Company's external auditor, investigating any matter leading to their resignation and overseeing the selection process for a new auditor where required;

- oversee the relationship with the external auditor including (but not limited to):
  - negotiating and agreeing their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services (the policy should consider the nature of the non-audit services, whether the external audit firm is the most suitable supplier, the fees for non-audit services, the criteria governing compensation and assessment of whether non-audit services have a direct or material effect on the audited financial statements);
  - satisfying itself on an annual basis that there are no relationships ) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - monitoring the auditor's processes for maintaining independence, its 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;
  - assessing annually the qualifications, expertise, resources and independence of the external auditors and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures and consideration of the audit firm's annual transparency reports, where available;
  - assessing and advising on the provision of non-audit services, taking into account any relevant ethical guidance on the matter;
  - investigating the issues giving rise to any resignation and consider what action is required; and
  - considering the need to include the risk of the withdrawal of the auditor from the market in their risk evaluation and planning;
- review the annual audit plan and ensure that it is consistent with the scope of the audit engagement (after prior review by the Committee Chairman);
- review the findings of the audit with the external auditor. This shall include but not be limited to the following:
  - a discussion of any major issues which arose during the audit;
  - any accounting and audit judgements; and

- levels of errors identified during the audit.
- b) The Committee shall:
- review any representation letter(s) requested by the external auditor before they are signed by the Board;
  - review the management letter and management's response to the auditor's findings and recommendations;
  - at the end of the annual audit cycle, assess the effectiveness of the audit process. In the course of doing so, the Audit Committee should:
    - review whether the auditor has met the agreed audit plan and understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks;
    - consider the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements identified and in responding to questions from the Audit Committees, and in their commentary where appropriate on the systems of internal control;
    - obtain feedback about the conduct of the audit from key people of the Manager involved, e.g. the Company Secretary; and
    - review and monitor the content of the external auditor's management letter, in order to assess whether it is based on a good understanding of the Company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon.

#### 7.5 Reporting Responsibilities

- a) The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- c) The terms of reference of the Audit Committee, including its role and the authority delegated to it by the Board, should be made available. A separate section in the annual report should describe the work of the Committee in discharging those responsibilities.
- d) The Audit Committee section should include, inter alia:
- a summary of the role of the Audit Committee;
  - the names of all members of the Audit Committee during the period;
  - the number of Audit Committee meetings;
  - a report on the way the Audit Committee has discharged its responsibilities; and
  - the explanations provided for in paragraphs 7.1b) and 7.4b) above.

## 7.6 Other Matters

The Committee shall:

- a) have access to sufficient resources in order to carry out its duties;
- b) be provided with appropriate and timely training, in the form of ongoing training at the Company's expense;
- c) give due consideration to laws and regulations, the provisions of the UK Code of Corporate Governance and the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency sourcebook and any other applicable rules as appropriate;
- d) oversee any investigation of activities which are within its terms of reference; and
- e) at least once a year, review its own constitution and terms of reference.

## 8. **Authority**

The Committee is authorised:

- 8.1 to seek information it requires from employees of the Manager or sub-suppliers of the Manager, as appropriate, in order to perform its duties; and
- 8.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference.

## 9. **Whistleblowing**

The Committee shall review arrangements by which staff of the Manager and of any key sub-suppliers of services to the Company appointed by the Manager may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

(Amended on 15 May 2018)