

## **UIL LIMITED (the “Company”)**

### **AUDIT & RISK COMMITTEE - TERMS OF REFERENCE (last amended 19 February 2019)**

#### **1. Constitution/Investment Manager**

1.1 The Audit & Risk Committee was established by a resolution of the Board of Directors of the Company on 3 May 2007. The Audit & Risk Committee is accountable to the Board.

1.2 These Terms of Reference, drafted in accordance with the Financial Reporting Council Guidance on Audit Committees published in September 2012, were approved by the Board and adopted by the Audit & Risk Committee on 19 February 2019. The Audit & Risk Committee is also referred to in this document as the “Committee”.

1.3 The Company has no employees. With effect from 13 April 2015 ICM Investment Management Limited (“ICMIM”) was appointed as the Company’s Alternative Investment Fund Manager, with ICMIM and ICM Limited (“ICM”) being appointed as joint portfolio managers (together “the Investment Managers”). The Company Secretary is ICM, who will act as the Secretary of the Committee.

#### **2. Composition of the Audit & Risk Committee**

2.1 The Audit & Risk Committee is established by the Board and shall comprise the independent Directors of the Company. If there are less than four independent directors on the Board, and the Chairman of the Board is considered by the other Directors to be independent, he may be a member of the Committee.

2.2 The Chairman of the Committee shall be appointed by the Board. The Board shall make appointments to the Audit & Risk Committee, in consultation with the Audit & Risk Committee Chairman.

2.3 At least one member of the Audit & Risk Committee should have recent and relevant financial experience. A process for induction and ongoing training should be established by the Audit & Risk Committee.

#### **3. Meetings**

3.1 The Audit & Risk Committee will meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. The majority of the meetings will be held outside of the UK.

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

3.3 A quorum shall be any two members. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting.

3.4 Appointment to the Committee will be reviewed periodically.

3.5 Only members of the Committee have the right to attend Committee meetings. However other individuals, such as the other directors and the representatives detailed below, may be invited to attend all or part of any meeting in person or by telephone, as and when appropriate and necessary:

Representatives of ICMIM and/or ICM  
The External Auditor

3.6 Annual General Meeting

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

#### 4. Duties

The Committee should carry out the following duties:

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

The Committee shall:

- 4.1.1 keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems as set out in the Company's risk register;
- 4.1.2 review the risk control reports of the Company's service providers to assess if all identified risks are covered and the controls in place are adequate;
- 4.1.3 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
- 4.1.4 review and approve the statements to be included in the Annual Report concerning internal controls and risk management;
- 4.1.5 review semi-annual reports from ICMIM on its activities as AIFM; a representative of ICMIM will attend meetings on request; and
- 4.1.6 review semi-annual reports from the Depositary on its activities; a representative of the Depositary will attend meetings on request.

The Committee shall review and challenge when necessary:

- 4.1.7 the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company;
- 4.1.8 the methods used to account for significant or unusual transactions where different approaches are possible;
- 4.1.9 the viability statement and supporting information;

- 4.1.10 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 4.1.11 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- 4.1.12 all material information presented with the financial statements, such as the Investment Managers' review and the corporate governance statement (insofar as it relates to the audit and risk management).

The Committee shall:-

- 4.1.13 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, 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;
- 4.1.14 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; and
- 4.1.15 receive and consider an annual report from ICMIM confirming that the Company's affairs have been conducted in compliance with the regulations applying to it, and in adherence to the Company's investment policy.
- 4.1.16 **Narrative reporting**  
Where requested by the Board, 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, business model and strategy.

#### 4.2 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.

#### 4.3 External Audit

The Committee shall:

- 4.3.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditors. The Committee shall oversee the selection process for new auditors and if an auditor

resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

4.3.2 oversee the relationship with the external auditor including (but not limited to):

4.3.2.1 recommendations on its 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;

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

4.3.2.3 assessing annually its 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;

4.3.2.4 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;

4.3.2.5 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; and

4.3.2.6 assessing annually the audit team's 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;

4.3.2.7 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 the auditor from the market in that evaluation.

4.3.3 meet regularly with the external auditor. The Committee shall meet the external auditor at least once a year, without management being present, to discuss its remit and any issues arising from the audit;

4.3.4 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;

4.3.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following;

4.3.5.1 a discussion of any major issues which arose during the audit;

4.3.5.2 any accounting and audit judgements;

4.3.5.3 levels of errors identified during the audit;

4.3.5.4 review the effectiveness of the audit process; and

4.3.5.5 in view of the final profitability, review of the materiality levels to check they are still relevant.

The Committee shall also:

- 4.3.6 review any representation letter(s) requested by the external auditor before it is signed by the Board;
- 4.3.7 review the management letter and management's response to the auditor's findings and recommendations;
- 4.3.8 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.

#### 4.4 Reporting Responsibilities

The Committee shall:

- 4.4.1 report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. The report shall include:
  - 4.4.1.1 the significant issues that it considered in relation to the financial statements and how these have been addressed;
  - 4.4.1.2 its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
  - 4.4.1.3 any other issues on which the Board has requested the Committee's opinion.
- 4.4.2 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
  - 4.4.2.1 In accordance with the FRC Guidance on Audit Committees, the Committee will describe in the annual report how it has discharged its responsibilities. 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 audit; and all other information requirements set out in the Code.
  - 4.4.2.2 As a company listed on the London Stock Exchange, the Board has resolved to follow the Combined Code on Corporate Governance, which includes the following disclosures:
    - 4.4.2.2.1 Description of the work of the Audit & Risk Committee.
    - 4.4.2.2.2 Formal policy regarding non-audit work.

4.4.2.2.3 Explanation of absence of internal audit function.

4.4.2.2.4 Internal control and management of risk.

4.4.2.2.5 Where the Board does not accept the Audit & Risk Committee's recommendation on the appointment, reappointment or removal of an external auditor, a statement explaining the recommendation and the reasons why the Board has taken a different position.

4.4.2.3 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.

#### 4.5 Compliance, Whistleblowing and Fraud

The Committee shall:

4.5.1 review the adequacy of the Investment Managers' 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

4.5.2 review the Company's procedures for detecting fraud;

4.5.3 review the Investment Managers' systems and controls for the prevention of bribery and receive reports on non-compliance; and

4.5.4 review reports from the Investment Managers' Compliance Officers and keep under review the adequacy and effectiveness of the Investment Managers' compliance function, including any reports on anti-money laundering.

#### 5. Background

The Company has no interest in the share capital of ICMIM or ICM.

The Audit & Risk Committee will expect to be given prompt warning by ICMIM or ICM of matters of significant concern to the Company.

#### 6. Reporting

The minutes of each meeting of the Audit & Risk Committee will be circulated to all Directors of the Company and reports made to the Board as appropriate.

These Terms of Reference are to be made available on request.

## **7. Third Party Service Providers**

The Committee shall:

- 7.1 consider and make recommendations to the Board regarding the appointment of third party service providers; and
- 7.2 ensure that third party service providers comply with the terms of their respective agreements with the Company and that the provisions of such agreements follow industry practice, remain competitive and are in the best interests of shareholders.

## **8. Other Matters**

The Committee shall:

- 8.1 have access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;
- 8.2 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;
- 8.3 give due consideration to laws and regulations, the provisions of The UK Corporate Governance Code and the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules as appropriate;
- 8.4 oversee any investigation of activities which are within its terms of reference;
- 8.5 work and liaise as necessary with all other Board Committees;
- 8.6 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval; and
- 8.7 review with representatives of the Investment Managers' and such other persons as it sees fit any matter within its terms of reference including matters of concern to the Investment Managers' Compliance Departments.

## **9. Authority**

The Committee is authorised:

- 9.1 to seek any information it requires from any employee of the Investment Managers in order to perform its duties;
- 9.2 to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter within its terms of reference;
- 9.3 to call any employee of the Investment Managers to be questioned at a meeting of the Committee as and when required; and

9.4 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.

*Last amended – 19 February 2019*