

# **Henderson TR Pacific Investment Trust plc**

## **Terms of Reference for the Audit Committee**

### **Membership**

- 1.1 The Committee is appointed by the Board in accordance with the Articles of Association of the Company (Article 99).
- 1.2 Members of the Committee shall be appointed by the Board and shall be the independent non-executive directors of the Company.
- 1.3 The Chairman of the Board shall not be a member of the Audit Committee but may attend by invitation.
- 1.4 Appointments to the Committee shall be for a period of up to three years, which may be extended.

### **Secretary**

- 2.1 The Secretary shall act as Secretary of the Committee.

### **Quorum**

- 3.1 The quorum necessary for the transaction of business shall be two.

### **Frequency of Meetings**

- 4.1 The Committee will meet twice a year to consider the company's Annual Financial Statements and half year results, all those matters set out in 8 below, to consider reported internal controls of service providers and any other matters and as and when deemed appropriate or convened by the Board.

### **Notice of Meetings**

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Chairman or the Board.

### **Minutes of Meetings**

- 6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings including the names of those present and in attendance.

6.2 The minutes of the Committee meetings shall be circulated to the Chairman of the Committee in the first instance and with the next set of Board papers for the Board's review.

### **Annual General Meeting**

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

### **Duties**

#### *Financial Reporting*

8.1 The Committee shall monitor that the Manager and Administrators have maintained the integrity of the financial statements of the Company, including its Annual Financial Statements, half year reports, Preliminary Results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain;

8.2 The Committee shall review the significant financial reporting issues and judgements made in connection with the preparation of the company's financial statements, half year reports and related formal statements 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 views of the external auditor;
- The clarity and completeness and disclosure in the Company's financial reports and the context in which financial statements are made; and
- All material information presented with the financial statements such as the business review and the corporate governance statement (insofar as it relates to the audit and risk management)

### *Internal Controls and Risk Management Systems*

The Committee shall:

- 8.3 Keep under review the effectiveness of the Company's internal controls and risk management systems. Since all systems and controls are resident within service providers to whom the company's day to day business has been delegated, the Committee shall perform its duty by receiving and reviewing reports on controls from those service providers.
- 8.4 Review and approve the statements to be included in the Annual Financial Statements concerning internal controls and risk management.
- 8.5 Monitor and receive reports on the effectiveness of the investment manager's internal controls and processes.

### *Internal Audit*

- 8.6 The Committee shall annually consider the need for an internal audit function and whether reliance can be placed on the internal audit function of the service providers.

### *External Audit*

The Committee shall:

- 8.7 Oversee the relationship with the external auditor generally and it shall:
  - consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor. It shall oversee the selection process for new auditors and if an auditor resigns it shall investigate the issues leading to this and decide whether any action is required;
  - approve their remuneration, whether fees for audit or non audit services and ensure that the level of fees is appropriate to enable an adequate audit to be conducted;
  - approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - assess annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship

with the auditor as a whole, including the provision of any non audit services;

- receive assurances that there are no relationships on an annual basis (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);
- monitor 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
- assess annually their qualifications, expertise and 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.
- investigate the issues giving rise to any resignation and consider what action is required;
- consider the need to include the risk of the withdrawal of their auditor from the market in their risk evaluation and planning.

8.8 The Committee Chairman shall review the annual audit plan provided by the external auditors and make sure it is consistent with the scope of the audit engagement.

The Committee shall:

- 8.9 Review the findings of the audit with the external auditor. This is to include a discussion of major issues arising during the audit, accounting / audit judgements and the levels of errors identified during the audit and a review of the effectiveness of the overall audit.
- Review any representation letter(s) requested by the external auditor before they are signed by management.
  - If the need arises develop a policy on the supply of non-audit services by the external auditor.
  - 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 Committee, and in their commentary where appropriate on the systems of internal control;
- obtain feedback about the conduct of the audit from key people involved, 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.

### **Reporting Responsibilities**

- 9.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall compile a report to shareholders on its activities to be included in the company's Annual Financial Statements.

### **10.0 Communication with Shareholders**

- 10.1 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.
- 10.2 The Audit Committee section should include, inter alia:
  - 10.2.1 a summary of the role of the Audit Committee;
  - 10.2.2 the names and qualifications of all members of the Audit Committee during the period;
  - 10.2.3 the number of Audit Committee meetings;
  - 10.2.4 a report on the way the Audit Committee has discharged its responsibilities; and
  - 10.2.5 the explanations provided for in paragraphs 4.22 and 4.34 above.

- 10.3 The Chairman of the Audit Committee should be present at the AGM to answer questions, through the Chairman of the Board, on the report on the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.

## **Other Matters**

The Committee will:

- 10.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 10.2 Be provided with appropriate and timely training as necessary.
- 10.3 Give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing Rules as appropriate.
- 10.4 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.

## **Authority**

- 11.1 The Committee is authorised to obtain at the Company's expense, outside legal or other professional advice on any matter within its terms of reference.

## **Whistleblowing**

The Committee:

- 12.1 has reviewed arrangements by which Henderson staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, made representations to Henderson's management and agreed a revision to the Management Company's Policy which safeguards independence;
- 12.2 should ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action.