

**Menhaden PLC (the “Company”)**  
**Audit Committee –Terms of Reference**

The Audit Committee (the “Committee”) is a committee of the Board of Directors of Menhaden PLC (the “Board”), from which it derives its authority and to which it reports.

- 1. Membership, Appointment and Attendees** *FRC Guidance 2.12 to 2.15 and AIC Provision 29*
- 1.1 The Committee is appointed by the Board, in accordance with the Articles of Association of the Company (Article 96).
- 1.2 **Membership** – The Committee shall comprise three or more independent non-executive Directors appointed by the Board.
- 1.3 The Chairman of the Board may be a member of the Committee but may not act as Chairman of the Committee.
- 1.4 At least one member of the Committee shall have significant, recent and relevant financial experience and competence in accounting and/or auditing. The Committee as a whole shall have experience relevant to the investment trust sector.
- 1.5 **Appointments** to the Committee shall be for an initial period of three years which may be extended for further period(s) of three years subject to the Committee member still meeting the criteria for membership of the Committee.
- 1.6 The Chairman of the Committee shall be appointed by the Board and may be paid an additional fee in recognition of the extra duties involved.
- 1.7 The Company Secretary to the Board shall be Secretary of the Committee, and provide governance and administrative support to the Committee.
- 1.8 **Attendees** *FRC Guidance 2.20*
  - (a) Any other Board members;
  - (b) The external independent auditor;
  - (c) A representative/representatives of the Company Secretary;
  - (d) Any person or persons from the Portfolio Manager invited by the Committee;
  - (e) Any other person(s) who the Committee may invite from time to time.

The attendees, listed above, are not members of the Committee and accordingly will be required to leave a meeting of the Committee (permanently or temporarily) if the Committee, or the Chairman of the Committee, considers it appropriate or desirable for them to do so.

- 2. Meetings and Quorum** *FRC Guidance 2.18 to 2.22*
- 2.1 **Meetings** will be held at least twice each year to i) review the Company’s draft Annual Report & Financial Statements, ii) review the Half Year Report of the Company, and **iii)** also for audit planning purposes prior to the start of each annual audit cycle. It may also meet at such other times as the Chairman of the Committee shall require.

- 2.2 A representative of the external auditor shall attend not less than one meeting per year, such meeting will include the review of the annual results. The Chairman or another member shall meet the audit partner at least once during the year and without management being present to discuss matters relating to their remit and any issues arising from the audit.
- 2.3 The external auditor may request additional meetings if they consider them necessary.
- 2.4 Unless otherwise agreed, notice of each meeting confirming the venue, date and time, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee not less than five working days prior to the date of the meeting.
- 2.5 **Quorum** shall be two members of the Committee.
- 2.6 A meeting of the Committee may consist of a conference between members some or all of whom are in different places provided that each member who participates in the meeting is able: to hear each of the other participating directors addressing the meeting; and if he so wishes, to address each of the other participating members simultaneously, whether directly, by conference telephone or by any other form of communication equipment (whether in use when this article is adopted or developed subsequently) or by a combination of such methods.
- 2.7 The Committee shall annually evaluate its own performance, constitution and terms and make any necessary recommendations for change to the Board, to ensure the continued maximum effectiveness of the Committee – *FRC Guidance 2.11*

**3. Minutes, Reporting and Disclosure – FRC Guidance 3.29**

- 3.1 The Committee shall cause minutes of all proceedings of the Committee to be taken.
- 3.2 The minutes of each meeting of the Committee shall be circulated to all Directors and attendees as appropriate provided that no conflict or conflicts of interest would arise thereby.
- 3.3 The Chairman of the Committee shall attend the Annual General Meeting of the Company and answer questions, through the Chairman of the Board, on the Committee's processes, duties and decisions.
- 3.4 The Chairman of the Committee will report to the Board on the Committee's decisions and recommendations.
- 3.5 A description of the Committee's duties and activities during the year shall be disclosed in the Annual Report.

**4. Resources, Advice and Training FRC Guidance 2.23 to 2.26**

- 4.1 The Committee shall be provided with sufficient resources to undertake its duties.
- 4.2 The Committee shall have access to the services of the Company Secretary on all Committee matters including:
- assisting the Chairman of the Committee in planning the Committee's work;
  - drawing up meeting agendas;
  - maintenance of minutes;

- drafting of material about its activities for the annual report; and
- collection and distribution of information and provision of any necessary practical support.

4.3 The Committee shall have the power to engage independent counsel and other professional advisers at the expense of the Company.

4.4 Induction & Training – the Committee shall establish any process it considers necessary for the induction of new Committee members and, where required, ongoing training of existing Committee members.

## 5. **Scope of Authority** *FRC Guidance 1.5 and 1.6*

The Committee is authorised to:

- 5.1 carry out any investigation relevant to its terms of reference;
- 5.2 take independent professional advice and to request any officer or adviser as they see fit, and at the expense of the Company, to attend meetings of the Committee in order to obtain such information of advice;
- 5.3 seek any information it reasonably requires from a representative of any third-party service provider in order to perform its duties;
- 5.4 request a representative of a third-party service provider to attend any meeting of the Committee; and
- 5.5 have timely and unrestricted access to relevant documents relating to the affairs of the Company.

## 6. **Responsibilities of the Committee** *FRC Guidance 2.10 and AIC Provision 30*

6.1 The principal responsibilities of the Committee are:

- to monitor the Company's accounting policies, the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, and reviewing any significant judgements contained in them;
- to review the financial and management reporting of the Company and ensure that it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to review the Company's internal financial controls and the Company's internal control and risk management systems;
- conducting the tender process and making recommendations to the Board in relation to ~~to~~ ~~review~~ the appointment, re-appointment and removal of the external auditor and determining their remuneration and terms of engagement;
- to review and monitor the scope and effectiveness of the external audit and the auditor's independence and objectivity;
- to manage the relationship with the external auditor including the development and implementation of policy on the supply of non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required;
- to review the Company's annual impact report; and

- to report to the Board on how it has discharged its responsibilities, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

The Committee members must act in accordance with the Directors' Duties set out in ss. 171 -177 of the Companies Act 2006.

## 6.2 Financial Reporting *FRC Guidance 3.32 to 3.38*

The Committee shall:

- review the significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, Announcements of Results and related formal statements (e.g. release of price sensitive information);
- consider significant accounting policies and whether the policies adopted are appropriate, any changes to them and any significant estimates and judgments;
- review the adequacy and scope of the external audit thereof and compliance with regulatory and financial reporting requirements, the clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context;
- satisfy itself that the Annual and Half Year Reports and any other significant published financial information are properly and carefully prepared, and give a fair representation of the Company's affairs;
- review related information presented with the financial statements, including the operating and financial review, and corporate governance statements relating to the audit and to risk management;
- where Board approval is required for other statements containing financial information (for example, summary financial statements, significant financial returns to regulators and release of price sensitive information), whenever practicable (without being inconsistent with any requirement for prompt reporting under the Listing Rules) the Committee shall review such statements first.

## 6.3 Internal Controls and Risk Management Systems *FRC Guidance 3.39 to 3.44 and AIC Principles 33-34*

The Committee shall:

- review the reports on the internal controls of the Company's service providers which identify the risk management systems in place for assessing, managing and monitoring risks applicable to such service providers;
- establish a process for identifying, assessing, managing and monitoring the risks which may have a financial impact on the Company;
- review reports on the conclusions of any testing carried out by the external auditor;
- review and approve the statements included in the Annual Report in relation to internal control and the management of risk.

## 6.4 Whistleblowing and Fraud *FRC Guidance 4.9*

The Committee shall review the arrangements by which staff of service providers to the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and satisfy itself that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. The Committee shall review principal service providers' procedures for detecting fraud.

### 6.5 Anti-Bribery and Corruption / Facilitation of Tax Evasion

The Committee shall review the Company's anti-bribery and corruption policy and the corporate tax evasion policy on an annual basis and carry out an annual risk assessment on matters relating to bribery and the facilitation of tax evasion, involving due diligence enquiries in respect of persons who perform or will perform services for or on behalf of the Company, in order to mitigate identified risks.

### **Audit**

#### 6.6 Internal FRC Guidance 3.46

The Committee annually shall monitor and review the need for an internal audit function, make an appropriate recommendation to the Board and where applicable ensure that the reasons for the absence of such a function are explained in the relevant section of the Annual Report.

#### 6.7 External FRC Guidance 3.57 to 3.79

The Committee shall:

- have primary responsibility for the appointment of the Company's external auditor, including determining their terms of engagement and remuneration;
- meet annually with the auditor to review the annual results and to discuss any major issues that arose during the course of the audit;
- satisfy itself that the level of fee payable in respect of the audit services provided is appropriate for an effective audit to be conducted;
- review and if necessary seek amendments to the Letter of Representation to be given by the Board to the external auditor;
- review and discuss with the auditor their engagement letter issued at the start of each audit, ensuring that it has been updated to reflect changes in circumstances arising since the previous year and the scope of the audit process proposed to be undertaken by the external auditor;
- arrange for additional work to be undertaken, if the Committee is not satisfied as to the adequacy of the scope of the proposed audit;
- annually assess the qualification, expertise and resources, and independence of the external auditor and the effectiveness of the audit process;
- seek confirmation of the audit firm's policy on the rotation of audit partners;
- develop and recommend to the Board the Company's policy on the provision of non-audit services by the external auditor, specifying the types of non-audit work from which the auditor is excluded, taking into account relevant ethical guidance regarding the provision of non-audit services;
- consider and if appropriate approve all non-audit work to be carried out by the external auditor and, where non-audit services are provided, ensure that the relevant disclosures are made in the Annual Report regarding auditor objectivity, independence and the fees paid for non-audit work;
- consider whether the risk of the withdrawal of the external auditor from the market need be included in risk evaluation and planning;
- if the external auditor were to resign, investigate the issues giving rise to such resignation and consider whether any action is required;
- lead and oversee an audit tender process in accordance with the Company's audit tender guidelines and to make formal recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- at the end of the annual audit cycle, assess the effectiveness of the audit process including:
  - reviewing whether the auditor has met the agreed audit plan;
  - understanding the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditor to address those risks;

- considering the robustness and perceptiveness of the external auditor in their handling of the key accounting and audit judgments identified and in responding to questions from the audit committee, and in their commentary where appropriate on the systems of internal control.

## **7. Annual Report Disclosure**

### *AIC Code Provision 31*

The Committee shall ensure that the requirements of AIC Code Provision 31 are addressed by describing the workings of the Committee in the Annual Report including:

- an explanation of why it believes that it is appropriate for the Company Chairman to be a member of the Committee (if applicable);
- the significant issues it has considered relating to the financial statements and how these were addressed;
- an explanation of how it 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;
- if the Board does not accept the Committee's recommendation on the external auditor's appointment, reappointment or removal, a statement explaining its recommendation and the reasons why the Board has taken a different position; and
- an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services.

The Committee shall ensure disclosure in the Annual Report of all the disclosure requirements in the AIC Code of Corporate Governance, as amended from time to time.

### **Background**

These terms of reference have been produced to accord with the relevant Principles of The AIC Code of Corporate Governance published in February 2019 and, where deemed applicable, to follow the Guidance on Audit Committees published by the Financial Reporting Council in April 2016 (FRC Guidance).

The Financial Reporting Council has confirmed that AIC Member companies that report against the AIC Code of Corporate Governance and who follow the AIC's Corporate Governance Guide for Investment Companies will be meeting their obligations in relation its UK Corporate Governance Code published in July 2018 and Listing Rule 9.8.6.