

**WITAN INVESTMENT TRUST PLC (“Witan” or “the Company”) Audit Committee
WITAN INVESTMENT SERVICES LIMITED (“WIS”) Risk Committee
Together the “Committees”**

Terms of reference of the Committees approved by the Board on 7 March 2017

Constitution, Purpose and Principle

The Audit Committee is established by the Witan Board to assist the directors in applying financial reporting, internal control and risk management principles, and to maintain an appropriate relationship with Witan and WIS’s (“the Group”) auditors. The Committee’s responsibilities cover the Group.

The Risk Committee is responsible for providing assurance to the WIS Board on risks affecting WIS and the appropriateness and effectiveness of the internal controls in place to monitor such risks. The Risk Committee also reports to the Audit Committee.

Authority

The Committees are authorised to:

- investigate any activity within their terms of reference;
- have access to all relevant information of the Group;
- obtain outside professional advice at the Group’s expense.

1. Membership

1.1 The Committees shall comprise at least three¹ members. Members of the Committees shall be appointed by the Boards of Witan and WIS, on the recommendation of the Nomination Committee in consultation with the Chairman of the Committees².

1.2 All members of the Audit Committee shall be independent non-executive directors³ at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies.⁴ The Committee as a whole should have competence relevant to the sector in which the Company operates.

The members of the Risk Committee shall comprise the members of the Audit Committee plus at least one representative of the AIFM Executive Management team.

The Chairman of the Board shall not be a member of the Committees⁵.

1.3 Only members of the Committees have the right to attend Committee meetings. However, the Chairman and Chief Executive Officer, together with other officers of the Company, and

¹ Or in the case of smaller companies (companies below the FTSE 350 index) two members (UK Corporate Governance Code published in April 2016 (the “Code”) provision C.3.1, FRC Guidance on Audit Committees published in April 2016 (“FRC Guidance”) para 9)

² FRC Guidance, para 13

³ Guidance on circumstances likely to affect independence is given in Code provision B.1.1

⁴ See FRC Guidance, para 15 on recommended experience and skills of members

⁵ Except on appointment, the Chairman of the Company is not considered independent.

Code provisions A.3.1, B.1.1 and footnote 5 of the Code

the external auditor will be invited to attend meetings of the Committees on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary⁶.

1.4 The Board of Witan shall appoint the Audit Committee Chairman and the Board of WIS shall appoint the Risk Committee Chairman. In the absence of the Committees' Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

2.1 The Company Secretary, or his or her nominee, shall act as the Secretary of the Committees and will ensure that the Committees receives information and papers in a timely manner to enable full and proper consideration to be given to issues.⁷

3. Quorum

3.1 The quorum necessary for the transaction of business shall be two members⁸, in person or by telephone. A duly convened meeting of the Committees 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 Committees.

4. Frequency of meetings

4.1 The Committees shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.⁹ The Committees may meet jointly or separately as they consider appropriate.

4.2 Outside the formal meeting programme, the Committees' Chairman will maintain a dialogue with key individuals involved in the Group's governance, including the Board Chairman, the Chief Executive, and the external audit lead partner.¹⁰

5. Notice of meetings

5.1 Meetings of the Committees shall be convened by the Secretary of the Committees at the request of any of its members or at the request of the external audit lead partner if they consider it necessary.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committees, any other person required to attend and all other non-executive directors, no later than five days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

⁶ FRC Guidance, para 20

⁷ FRC Guidance, para 25

⁸ As Code provision C.3.1 requires that at least one member of the Committee has recent and relevant financial experience, it would be preferable for any quorum to include such a member, whenever possible

⁹ FRC Guidance, para 18 the frequency and timing of meetings will differ according to the needs of the Company; meetings should be organised so that attendance is maximised (for example by timetabling them to coincide with board meetings and/or risk committee meetings if the Company has a separate risk committee)

¹⁰ FRC Guidance, para 22

6. Minutes of meetings

6.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committees, including recording the names of those present and in attendance.

6.2 Draft minutes of Committees meetings shall be circulated promptly to all members of the Committees. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committees' Chairman.

7. Annual General Meeting

The Chairman of the Committees should attend the annual general meeting to answer shareholder questions on the Committee's activities.¹¹

8. Duties of the Audit Committee

The Audit Committee should carry out the duties below for WIS and the Group as a whole, as appropriate.

8.1 Financial reporting

8.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing and reporting to the Witan Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.¹²

8.1.2 In particular, the Committee shall review and challenge where necessary:¹³

8.1.2.1 the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company;

8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

8.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

8.1.2.4 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and

8.1.2.5 all related information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management.

8.1.3 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Witan Board.¹⁴

¹¹ Code provision E.2.3 and FRC Guidance, para 85

¹² Code provision C.3.2

¹³ FRC Guidance, paras 33, 34, 36 and 38

¹⁴ FRC Guidance, para 35

8.2 Narrative reporting

Where requested by the Witan Board, the Committee should review the content of the annual report and accounts and advise it 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.¹⁵

8.3 Compliance, whistleblowing and fraud¹⁶

The Committee shall:

8.3.1 review the adequacy and security of the Company's 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;¹⁷

8.3.2 review the Company's procedures for detecting fraud;

8.3.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;¹⁸

8.3.4 review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls. [Note that this task is delegated to the WIS Board as the most appropriate Group entity to discharge this responsibility]; and

8.3.5 review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function. [Note that the compliance with AIFMD related regulations and FCA requirements is delegated to WIS and monitored by the Risk Committee. Specialist advice from external lawyers and subject matter experts is sought when appropriate].

8.4 Internal audit¹⁹

The Committee shall consider annually whether there should be an internal audit function and make a recommendation to the Board accordingly; the absence of such a function should be explained in the annual report.

8.5 External Audit

The Committee is the body responsible for overseeing the Company's relations with the external auditor. The Committee shall:

¹⁵ Code provision C.3.4 and FRC Guidance, para 37

¹⁶ If the board has a separate risk committee whistleblowing and fraud (including the prevention of bribery) could be included in the duties of that committee

¹⁷ Code provision C.3.5

¹⁸ If the Company has a separate risk committee prevention of bribery could be included in the duties of that committee.

¹⁹ If the Company does not have an internal audit function, the committee should consider annually whether there should be one and make a recommendation to the board accordingly; the absence of such a function should be explained in the annual report Code provision C.3.6 and FRC Guidance 46

8.5.1 consider and make recommendations to the Witan 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 auditor²⁰

8.5.2 ensure that the audit services contract is put out to tender, at least once every ten years and subject to any relevant guidelines, including those of the Department of Business and Skills, the Financial Reporting Council and the Competition and Markets Authority from time to time, to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;²¹

8.5.3 ensure that a new firm of auditors is appointed at least every 20 years;

8.5.4 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;²²

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

8.5.5.1 negotiation and agreement of the Statutory Audit fee and fees for Non-Audit Services in accordance with the requirements of the Competition and Markets Authority from time to time, ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted;²³

8.5.5.2 negotiation and agreement of the scope of the Statutory Audit²⁴ in accordance with the requirements of the Competition and Markets Authority from time to time;

8.5.5.3 assessing 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;²⁵

8.5.5.4 seek annually from the audit firm information about policies and processes for maintaining independence and monitoring compliance with relevant requirements including those regarding the rotation of audit partners and staff ;²⁶

8.5.5.5 agreeing with the Witan Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;²⁷

²⁰ See Code provision C.3.7 there is a requirement for FTSE 350 companies to put the external contract out to tender at least every ten years.

²¹ Under the Statutory Auditors and Third Country Auditors Regulations 2016, there is a requirement for public companies to put the external contract out to tender at least every ten years and to change audit firm at least every 20 years.

²² FRC Guidance, para 61

²³ FRC Guidance, para 63, 64

²⁴ FRC Guidance, para 64

²⁵ FRC Guidance, para 66, 72

²⁶ FRC Guidance, para 68

²⁷ FRC Guidance, para 69

8.5.5.6 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;²⁸

8.5.5.7 assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process,²⁹ which shall include a report from the external auditor on their own internal quality procedures;

8.5.5.8 influencing the appointment of the Audit Engagement Partner, in accordance with the requirements of the Competition and Markets Authority from time to time;

8.5.5.9 seeking to ensure co-ordination with the activities of any internal audit function;

8.5.5.10 evaluating the risks to the quality and effectiveness of the financial reporting process; and³⁰ consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation: and

8.5.5.11 recommending whether to propose to shareholders that the external auditor be re-appointed³¹.

8.5.6 meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year without management being present, to discuss the auditor's remit and any issues arising from the audit;³²

8.5.7 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; and³³

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

8.5.8.1 a discussion of any major issues which arose during the audit;³⁴

8.5.8.2 an explanation from the auditor as to how they addressed the risks to audit quality identified earlier;

8.5.8.3 reviewing areas of significant judgement, key accounting and audit judgements;³⁵

8.5.8.4 levels of errors identified during the audit³⁶

²⁸ FRC Guidance, para 67

²⁹ FRC Guidance, para 60, 78

³⁰ FRC Guidance, para 62

³¹ FRC Guidance, para 58

³² FRC Guidance, para 21, 67

³³ FRC Guidance, para 75

³⁴ FRC Guidance, para 76

³⁵ FRC Guidance, para 76. See also revisions to ISA 700 (UK and Ireland). The independent auditor's report on financial statements issued 4 June 2013 which reflect changes made to the Code in September 2012

³⁶ FRC Guidance, para 76

8.5.9 review the effectiveness of the audit process;³⁷

8.5.10 review any representation letter(s) requested by the external auditor before they are signed by management;³⁸

8.5.11 review the auditor's findings and recommendations and management's response;³⁹ and

8.5.12 develop and implement 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.⁴⁰

8.6 The Committee shall review the provision of directors' training.

9. Duties of the Risk Committee

The Risk Committee shall:

9.1 Ensure appropriate, documented and regularly updated due diligence process is implemented when appointing new managers.

9.2 Ensure on an annual basis (or more frequently if deemed necessary) updated operational due diligence information is received from all appointed investment managers and the annual rolling programme of investment managers visit is performed.

9.3 Ensure that the portfolio risk profile corresponds to the size, portfolio structure and investment strategies and objectives of the Company.

9.4 Review the Company's exposure to gearing.

9.5 Review on an annual basis the valuation of assets and the process supporting this valuation in place with the AIF's administrators.

10. Duties of both Committees, to be undertaken jointly

10.1 Internal controls and risk management systems⁴¹

The Committee shall:

10.1.1 keep under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems;⁴² and

10.1.2 review and recommend to the Board the statements to be included in the annual report concerning internal controls, risk management and the viability statement.⁴³

³⁷ FRC Guidance, para 78

³⁸ FRC Guidance, para 77

³⁹ FRC Guidance, para 77

⁴⁰ FRC Guidance, paras 66-74

⁴¹ If the Company has a separate risk committee review of internal controls and risk management systems could be included in the duties of that committee. See FRC Guidance paras 39-44

⁴² Code provision C.3.2

⁴³ Unless this is done by the board or risk committee

10.2 Review and determine existence of risk of Conflicts of Interest

10.3 Review periodically the existing major contracts undertaken by the Group for investment management, depositary, custody, investment accounting, savings plan administrators, company secretarial and other services.

10.4 Review the arrangements for the monitoring of investment restrictions, and their consistency and inter-action across different investment managers.

10.5 Review the values attributed to the Company's unquoted investments.

10.6 Ensure that the Group maintains appropriate and necessary compliance with the Financial Conduct Authority and other financial regulators.

10.7 Review the reporting of investment performance and the methodology in use.

11. Reporting responsibilities

11.1 The Chairman of the Committees shall report formally to the Boards of Witan and WIS as appropriate on their proceedings after each meeting on all matters within their duties and responsibilities and shall also formally report to the Boards on how they have discharged their responsibilities. This report shall include:

11.1.1 the significant issues that the Audit Committee considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed;

11.1.2 the Audit Committee's assessment of the effectiveness of the external audit process (required under paragraph 8.5.5.7) and its recommendation on the appointment or reappointment of the external auditor; and

11.1.3 any other issues on which the Boards have requested the Committees' opinion.

11.2 The Committees shall make whatever recommendations to the Boards they deem appropriate on any area within their remit where action or improvement is needed.

11.3 The Audit Committee shall compile a report on its activities to be included in the Company's annual report. The report should include

- a summary of the Committee's role and work;
- composition of the Committee including names and qualifications of members if not included elsewhere;
- number of Committee meetings;
- how the Committee's performance evaluation has been conducted;
- an explanation of how the Audit Committee has addressed the effectiveness of the external audit process; details of current firm's tenure, last tender and future tendering plans;
- policy on non-audit services, independence, fees;
- 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 auditor;

- any interaction with the FRC’s Corporate Reporting Review team and findings of the FRC’s Audit Quality Review team; and all other information requirements set out in the Code.⁴⁴

11.4 In the compiling the reports referred to in 11.1 and 11.3, the Committees 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.

11.5 The Committees will liaise to ensure that, while minimising duplicated activity, a comprehensive system of risk monitoring, with clearly defined responsibilities, is in place for the Witan Group as a whole as well as for WIS in its role as AIFM.

12. Other matters

The Committees shall:

12.1 have access to sufficient resources in order to carry out their duties, including access to the Company Secretary for assistance as required;

12.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members⁴⁵;

12.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority’s Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;

12.4 oversee any investigation of activities which are within their terms of reference;

12.5 work and liaise as necessary with all other Board committees;

12.6 arrange for periodic reviews of their own performance and, at least annually, review their constitution and terms of reference to ensure they are operating at maximum effectiveness and recommend any changes they consider necessary to the Board⁴⁶.

12.7 The Committee shall consider key matters on its own initiative rather than relying on the work of the external auditor.

13. Authority

The Committees are authorised to:

13.1 seek any information they require from any employee of the Group in order to perform their duties;

13.2 obtain, at the Company’s expense, independent legal, accounting or other professional advice on any matter they believe it necessary to do so;⁴⁷ and

⁴⁴ FRC Guidance para 81. See also revisions to ISA 700 (UK and Ireland), the independent auditor’s report on financial statements issued 4 June 2013 which reflect changes made to the Code in Sept 2012

⁴⁵ Code provisions B.4.1: and FRC guidance paras 16 and 17

⁴⁶ Code principle B.6 and FRC guidance para 11

⁴⁷ FRC guidance, para 26

13.3 call any employee to be questioned at a meeting of the Committees as and when required;
and

13.4 have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committees and the Board.

7 March 2017