

Gresham House Strategic Plc
Audit Committee Terms of Reference

1. Constitution

The Committee was constituted at a full meeting of the board of directors held on 25 September 2015 in accordance with the articles of association of the company.

2. Membership

2.1 The members of the Committee shall be appointed by the board of directors, in consultation with the chair of the Committee. All of the members of the Committee should be non-executive directors who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

2.2 All members should have sufficient competence to understand, analyse and, when necessary, challenge the management accounts and draft public financial statements.

2.3 The Committee shall have at least three members and at least one member should have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.

2.4 The Committee currently comprises: Kenneth Lever, Graham Bird and Noel Lamb.
The board of directors shall appoint a Committee chair.

2.5 In the absence of a Committee chair, the remaining Committee members present shall elect one of themselves as chair.

2.6 The Chairman of the Board may be a member of the Committee but shall not chair the Committee.

2.7 A quorum shall be any two members of the Committee.

3. Voting arrangements

3.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.

- 3.2 Each member of the Committee shall disclose to the Committee:
- (a) Any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
 - (b) Any potential conflict of interest arising from a cross-directorship.
- 3.3 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 3.4 Save where he has a personal interest, the chair of the Committee will have a casting vote.

4. Attendance at meetings

- 4.1 The Committee will meet at least twice a year at appropriate intervals in the financial reporting and audit cycle. The Committee may meet at other times during the year as agreed between the members of the Committee or as required.
- 4.2 Outside of the formal meeting programme, the Committee chair will maintain a dialogue with key individuals involved in the company's governance, including the chair of the Board, Investment manager and the external audit lead partner.
- 4.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals, such as representatives of the Investment Manager and other representatives from the finance function of the Company may be invited to attend all or part of any meeting when appropriate.
- 4.4 The company secretary shall be the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to all issues.

5. Notice of meetings

- 5.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the external 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 the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than five working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee and to other attendees (as appropriate) at the same time.

5.3 Meetings of the Committee may be conducted when the members are physically present or in the form of either a video or audio conference.

6. Minutes of meetings

The proceedings and resolutions of meetings of the Committee, including the names of those present and in attendance, shall be minuted. Draft minutes of each meeting will be circulated promptly to all members of the Committee. Once approved, the minutes of each meeting will be circulated to all other members of the board of directors unless it would be inappropriate to do so in the opinion of the Committee chair.

7. Authority

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. The Committee is authorised by the board of directors to examine any activity within its terms of reference and is authorised to have unrestricted access to the company's external auditors and to obtain, at the company's expense, professional advice on any matter within its terms of reference. The Committee has the right to publish in the company's annual report, details of any issues that cannot be resolved between the Committee and the board of directors.

8. Duties

Financial Reporting

8.1 The Committee shall 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 and review and report to the board of directors on significant financial reporting issues and judgements which they contain having regard to the matter communicated to it by the auditor.

8.2 The Committee shall review and challenge where necessary:

- (a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the company;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (d) the clarity and completeness of disclosure in the company's financial reports and the context in which statements are made; and

- (e) all material information presented with the financial statements, such as the strategic report and any corporate governance statement (insofar as it relates to the audit and risk management).

8.3 If the Committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the board of directors.

Narrative Reporting

8.4 Where requested by the board of directors, the Committee should review the content of the annual report and accounts and advise the board of directors 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 and the Committee should also advise the board of directors on whether the annual report and accounts informs the board's statement in the annual report on these matters.

Internal Controls and Risk management

8.5 The Committee shall:

- (a) monitor and keep under review the adequacy and effectiveness of the Company's internal financial controls, internal control and risk management systems;
- (b) review and approve the Board's statements to be included in the annual report concerning:
 - (i) internal controls and risk management;
 - (ii) its assessment of the principal risks and how they are managed and mitigated; and
 - (iii) its assessment of the Company's prospects and its expectations as to the Company's going concern and viability.
- (c) review the policies and process for identifying and assessing business risks and the management of those risks by the Company; and
- (d) monitor adherence to best practice in corporate governance.

External Audit

8.6 The Committee shall:

- (a) consider and make recommendations to the board of directors, 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 auditor. If an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

- (b) develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- (c) oversee the relationship with the external auditor including (but not limited to):
 - (i) approval of their remuneration, including fees for audit or non-audit services ensuring that the level of fees are appropriate to enable an effective and high quality audit to be conducted;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements (including any relevant ethical standards) and the relationship with the auditor as a whole, including any threats to the auditors' independence and safeguards applied to mitigate those threats including the provision of any non-audit services;
 - (iv) 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;
 - (v) agreeing with the board of directors a policy on the employment of former employees of the company's auditor taking into account any relevant ethical standards and legal requirements, then monitoring the implementation of this policy;
 - (vi) monitoring the auditor's compliance with relevant ethical, legal regulatory 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;
 - (vii) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and
 - (viii) 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 their auditor from the market on that evaluation.

- 8.7 Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without the Investment Manager being present should the Committee deem that to be necessary.
- 8.8 Discuss with the external auditor the factors that could affect the audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- 8.9 Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- (a) a discussion of any major issues which arose during the audit;
 - (b) any key accounting and audit judgements;
 - (c) the auditor's explanation of how the risks to audit quality were addressed;
 - (d) the auditor's view of their interactions with senior management;
 - (e) levels of errors identified during the audit, and
 - (f) the effectiveness of the audit.
- 8.10 Review any representation letter(s) requested by the external auditor before they are signed by management.
- 8.11 Review the management letter and management's response to the auditor's findings and recommendations.
- 8.12 Review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor and the auditor's response to questions from the Committee.
- 8.13 Develop and implement a policy on the supply of non-audit services by the external auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
- (a) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - (b) the nature of the non-audit services;
 - (c) whether the external audit firm is the most suitable supplier of the non-audit service;

- (d) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - (e) the criteria governing compensation.
- 8.14 The chair of the Committee shall report formally to the board of directors on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the board of directors on how it has discharged its responsibilities. The report shall include:
 - (a) the significant issues that it had considered in relation to the financial statements and how these were addressed;
 - (b) the assessment of the effectiveness of the external audit process and its recommendations on the appointment/reappointment of the external auditor; and
 - (c) any other issues on which the board of directors has requested the Committee's opinion.
- 8.15 The Committee shall make whatever recommendations to the board of directors it deems appropriate on any area within its remit where action or improvement is needed.
- 8.16 The Committee shall compile a report to shareholders on its activities to be included in the company's annual report. The report shall include an explanation of how the Committee has addressed the effectiveness of the external 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 auditor.
- 8.17 In the compiling the report referred to in 8.16, 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 of director'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.
- 8.18 The Committee shall:
 - (a) have access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;
 - (b) 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 members;
 - (c) give due consideration to applicable laws and regulations, the provisions of the AIC Code of Corporate Governance for investment companies and the

requirements of the London Stock Exchange's rules for AIM companies as appropriate;

- (d) consider such other matters as may be requested by the board of directors;
- (e) oversee any investigation of activities which are within its terms of reference; and
- (f) arrange for periodic review of its own performance and, at least once a year, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board of directors for approval.

9. General matters

- 9.1 The chair of the Committee should make himself or herself available at each Annual General Meeting of the company to answer questions concerning the Committee's activities.
- 9.2 The Committee shall make available these terms of reference to shareholders and include the information on the company's website.

10. Approval

- 10.1 These terms of reference were adopted by the Board on 18 June 2019