

# HENDERSON OPPORTUNITIES TRUST PLC

## Terms of Reference for the Audit and Risk Committee (the 'Committee')

### 1. Constitution

The Committee is constituted by the Board of Directors with the purpose of assisting the Board in meeting its responsibilities for the integrity of the financial reporting including the effectiveness of the internal control and risk management systems and for monitoring the effectiveness and objectivity of the external auditors.

### 2. Membership

- 2.1 The Committee shall be appointed by the Board and comprise a Chairman and at least two other directors.
- 2.2 All members of the Committee shall, before appointment, have been determined by the Board to be independent non-executive directors. At least one member of the Committee should have recent and appropriate professional qualifications or relevant financial experience and with competence in accounting and/or auditing.
- 2.3 The Board shall appoint the Committee Chairman. The Chairman of the Board may be a member but not Chair the Committee. In the absence of the Committee Chairman, the remaining members present shall elect one of their number present to chair the meeting.
- 2.4 Only members of the Committee have the right to attend meetings, but the Committee may invite others, including but not limited to any Director or officer or employee of the Manager or any person whose advice is sought, to attend all or part of any meeting if it thinks it is appropriate or necessary.

### 3. Secretary

The Company Secretary or their nominee shall act as the Secretary of the Committee.

The Committee shall have access to the services of the Secretary on all Committee matters, including assisting the Chairman in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the Annual Report, collection and distribution of information and provision of any necessary practical support.

The Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### 4. Quorum

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

### 5. Frequency of Meetings

- 5.1 The Committee shall meet at least twice a year and at such other times as the Committee Chairman shall require. Meetings shall be arranged to coincide with the publication of the Company's financial statements and, additionally, to review the effectiveness of the Company's system of internal control.

- 5.2 The Manager's head of compliance and internal audit shall have the right of access to the Committee Chairman outside of formal meetings.
- 5.3 The Committee shall meet regularly with the external auditors (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least annually, meet with the external auditor without the presence of an officer or employee of the Manager to discuss the auditor's remit and any issues arising from the audit.

## **6. Notice of Meetings**

- 6.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any member thereof or at the request of the external auditors, or the Manager's heads of compliance or internal audit, if they consider it necessary.
- 6.2 Unless otherwise agreed by the Committee, 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 Committee and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to the Committee members at the same time.
- 6.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

## **7. Minutes of Meetings**

- 7.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 Draft minutes of the Committee meetings shall be agreed with the Committee Chairman and then circulated to all members of the Committee, unless it would be inappropriate to do so in the opinion of the Committee Chairman.
- 7.3 Draft minutes will be included in the next set of Board papers for the Board's review.

## **8. Engagement with Shareholders**

The Committee Chairman should attend the annual general meeting to answer shareholder questions on the Committee's activities. In addition, the Committee Chairman should engage with shareholders on significant matters related to the duties set out below.

## **9. Duties**

The Committee is responsible for:

### **9.1 Financial Reporting**

- 9.1.1 monitoring the integrity of the financial statements of the Company, including its annual and half-yearly reports, and any formal announcements relating to its financial performance, reviewing and reporting to the Board on any significant financial reporting issues and judgements contained therein having regard to matters communicated to it by the auditor;

9.1.2 reviewing and challenging where necessary:

- the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
- 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 Company's unquoted investments, with particular regard to the values attributed thereto;
- the clarity and completeness of disclosure in the Company's financial statements and the context in which statements are made;
- all material information presented with the financial statements, such as the Strategic Report (including the Chairman's Statement and the review of the portfolio), the Company's Remuneration Policy, the Directors' Remuneration Report and the Corporate Governance report (insofar as it relates to the audit and risk management);
- the Company's statement on internal control systems, prior to endorsement by the Board, and the policies and processes for identifying and assessing business risks and the management of those risks by the Company and the other narrative statements contained in the annual and half-yearly reports;
- the inclusion of details of any significant issues which the Committee considered in relation to the financial statements and how these were addressed;
- the viability statement made by the Company at the year end and making a recommendation to the Board; and
- any other statements requiring Board approval which contain financial information, where to carry out the review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Rules and Disclosure, Guidance and Transparency Rules sourcebook;

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

9.1.3 reviewing and making a recommendation to the Board on the going concern of the Company at the year end and half-year end; and

9.1.4 assessing the prospects of the Company, over a period it considers to be appropriate, and making a recommendation to the Board regarding the continued operation of the Company and advising the Board on whether the Company is able to meet its liabilities as they fall due over the period of their assessment;

9.1.5 monitoring the impact of taxation on the Company, including as relevant to maintenance of its investment trust status, consideration of taxation charges such as

corporation tax, irrecoverable VAT, stamp duty, overseas withholding tax and reclaims thereof, how taxation is accounted for and how it is reported in the financial accounts;

## 9.2 Narrative Reporting

where requested by the Board, reviewing the content of the annual report and financial statements, and advising the Board on whether, taken as a whole, the annual report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;

## 9.3 Internal Controls and Risk Management Systems

9.3.1 keeping under review the framework and effectiveness of the internal financial controls and internal control and risk management systems, that identify, assess, manage and monitor financial risks, and other internal control and risk management systems, including the Company's risk map (to include principal and emerging risks) and limits and restrictions;

9.3.2 reviewing the Manager's and the Company's other key third-party suppliers' annual assurance reports on the effectiveness of the internal controls in place at the respective organisations and discussing these with representatives from the Manager's business risk function when required to ensure any appropriate follow up action is undertaken;

9.3.3 monitoring and reviewing the effectiveness of the Manager's compliance with the risk profile and tolerance acceptable to the Company and set by the Board in delivering the business strategy;

9.3.4 receiving reports at each meeting from the Manager regarding identification of all emerging and principal operational, financial, reputational and regulatory risks and uncertainties relating to the Company, and the evaluation, monitoring and mitigation of those risks;

9.3.5 monitoring and reviewing the effectiveness of the Manager's internal audit, compliance, information security, business continuity and business risk functions in the context of the Company's overall risk management system;

9.3.6 reviewing promptly all reports on the Company from the internal auditors; and

9.3.7 reviewing and approving the statements to be included in any financial reporting concerning the effectiveness of internal controls and risk management, including the assessment of principal risks and emerging risks;

9.3.8 reviewing annually whether a function equivalent to an internal audit function is required.

## 9.4 Compliance, Whistleblowing and Fraud

9.4.1 reviewing the Manager's arrangements for raising concerns in confidence about possible wrongdoing in financial reporting and other matters (whistleblowing);

9.4.2 reviewing the Manager's and third party contractor's procedures for detecting fraud;

9.4.3 reviewing the Company's anti-bribery policy;

- 9.4.4 monitoring and reviewing the Manager's processes, assurance, reporting protocols, systems and controls for the prevention of bribery and receiving reports on non-compliance, including all matters in relation to the UK Bribery Act 2010, the Criminal Finances Act 2017 and the Modern Slavery Act 2015;
- 9.4.5 monitoring and reviewing the confirmations from the Company's third-party suppliers of their adherence to the UK Bribery Act 2010, the Criminal Finances Act 2017 and the Modern Slavery Act 2015; and
- 9.4.6 reviewing the business continuity plans in place at the Manager;

#### 9.5 Internal Audit

reviewing reports relevant to the Company from the Manager's heads of compliance and internal audit;

#### 9.6 External Audit

- 9.6.1 considering and making 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 auditor;
- 9.6.2 conducting the tender process, and making recommendations to the Board, for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 9.6.3 investigating any matter leading to the resignation of an external auditor and deciding whether any action is required;
- 9.6.4 reviewing, and recommending to the Board, the terms of engagement, including any engagement letter, in respect of the statutory audit, developing, recommending to the Board and implementing a policy on engaging the external auditor for 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, and reviewing, and recommending to the Board, in advance the remuneration for both audit and non-audit services, ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
- 9.6.5 reviewing, and recommending to the Board, the nature and scope of the audit with the external auditor before the audit commences and reviewing the findings of the audit, including the review of the performance calculation in accordance with the management agreement;
- 9.6.6 reviewing and monitoring the external auditors' independence (including satisfying itself that there are no relationships between the auditor of the Company (other than in the ordinary course of business)), effectiveness and objectivity;
- 9.6.7 assessing the qualifications, expertise, resources and performance of the external auditor, monitoring the effectiveness of the audit process and reviewing their quality control procedures and steps taken to respond to relevant regulatory, professional and other changes;
- 9.6.8 reviewing the findings of the audit with the external auditor, including a discussion of any major issues which arose during the audit, the auditor's explanation of how the risks to audit quality were addressed, key accounting and audit judgements, the

auditor's view of their interactions with the Manager and levels of errors identified during the audit;

9.6.9 reviewing the Manager's representation letter;

9.6.10 reviewing the representation letters requested by the external auditor before approval by the Board; and

9.6.11 reviewing 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.

## **10. Reporting Responsibilities**

10.1 The Committee Chairman shall report formally to the Board on its proceedings on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities after each meeting. This report shall include:

- the significant issues that it considered in relation to the financial statements (required under 9.1.1) and how these were addressed;
- its assessment of the external audit process required under (9.6.7 and 9.6.11), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
- any other issues on which the Board has requested the Committee's opinion

The Committee shall:

10.2 make a statement in the annual report to describe the work of the Committee including:

- the significant issues that the Committee considered relating to the financial statements, and how these issues 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;
- in the case of a Board not accepting the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment); and
- an explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services.

10.3 make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed; and

10.4 keep these terms of reference under regular review, making them available to explain its role and the authority delegated to it by the Board.

In compiling the reports referred to in 10.1 and 10.2, 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 and the inputs to the Board's viability statement. 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. Other Matters**

The Committee shall:

- 11.1 have authority to investigate any matters within its terms of reference and to be supplied with access to sufficient resource to carry out its duties and full access to information;
- 11.2 give due consideration to relevant laws and regulations, the provisions of the Association of Investment Companies Code of Corporate Governance and the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- 11.3 arrange for periodic reviews of its own performance and, at least annually, 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 for approval;
- 11.4 oversee any investigation of activities which are within its terms of reference;
- 11.5 be responsible for oversight of the coordination of the external auditors;
- 11.6 work and liaise as necessary with all other Board Committees ensuring interaction between Committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different Committees; and
- 11.7 at least annually, 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 for approval.

## **12. Authority**

The Committee is authorised to:

- 12.1 seek any information it requires from any employee of the Manager in order to perform its duties;
- 12.2 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so; and
- 12.3 publish in the Company's Annual Report, details of any issues that cannot be resolved between the Committee and the Board. If the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the Annual Report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position.

(Amended June 2022)