

LOWLAND INVESTMENT COMPANY PLC

Terms of Reference - Audit Committee

The Audit Committee was formed on 30 June 1993

The Terms of Reference were adopted by the Board of Lowland Investment Company plc on 16 June 2004, (minute number 04/60) and amended on 10 July 2008 (08/105), 14 May 2009 (09/10), 11 November 2010 (10/19), 22 July 2011 (11/115), 13 May 2013 (13/02), 27 November 2013 (13/20) and 24 November 2015 (15/42).

Membership

- 1.1 The Committee is appointed by the Board, in accordance with the Articles of Association of the Company (Article 125).
- 1.2 Members of the Committee shall be appointed by the Board and shall be the independent non-executive directors of the Company, and at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing. In addition, the Committee as a whole should have competence relevant to the sector in which the Company operates.
- 1.3 The Chairman of the Board shall not be a member of the Committee but may attend the meetings.
- 1.4 Appointments to the Committee shall be for a period of up to three years, which may be extended.
- 1.5 Members must declare any conflicts of interest or potential conflicts of interest at the start of each meeting

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 at least twice per annum to consider the company's Annual and Financial Reports and Half Year results 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 is to 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 the integrity of the financial statements of the Company, including its Annual Report and Financial Statements, Half Year Reports, 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 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 clarity and completeness and disclosure in the Company's financial reports and the context in which financial statements are made;
 - All material information presented with the financial statements such as the operating and financial review and the corporate governance statement (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 process 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-year reports; and
 - The need to ensure that the information presented is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
 - The inclusion of details of any significant issues which the committee considered in relation to the financial statements and how these were addressed.
 - The Remuneration Policy and the Remuneration Report which will be subject to a binding shareholder vote.

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.
- 8.4 Review and approve the statements to be included in the Annual Report concerning internal controls, risk management and viability.
- 8.5 Monitor and review the effectiveness of the Manager's internal controls and processes.

Internal Audit

- 8.6 The Committee shall annually consider the need for an internal audit function.

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. A review of the audit provision is to be undertaken at least every ten years. 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;
- satisfy itself on an annual basis that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 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;
- 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; (see attached Non-Audit Services Policy);
- investigate the issues giving rise to any resignation and consider what action is required; and

- consider the need to include the risk of the withdrawal of their auditor from the market in their risk evaluation and planning.
- meet regularly with the external auditors at least once a year, without representatives of the Manager being present, to discuss the auditors' remit and any issues arising from the audit.

8.8 The Committee 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.

9. Compliance with The Bribery Act 2010

The Committee shall:

- 9.1 Monitor and review the processes, assurance and reporting protocols of all matters in relation to Bribery Act compliance. It is recognised that additional off-cycle" reviews may be necessary following major changes for the Company eg, changes in law or changes of investment policy. The Committee will report its findings to the Board on a regular basis.

10. Reporting Responsibilities

- 10.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 10.3 The Committee shall compile a report to shareholders on its activities to be included in the company's Annual Report.

11. Communication with Shareholders

- 11.1 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.
- 11.2 The Audit Committee section should include, inter alia:
- 11.2.1 a summary of the role of the Audit Committee;
 - 11.2.2 the names and qualifications of all members of the Audit Committee during the period;
 - 11.2.3 the number of Audit Committee meetings;
 - 11.2.4 a report on the way the Audit Committee has discharged its responsibilities (including the approach taken to the appointment or reappointment of the external auditor, length and tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans); and
 - 11.2.5 the explanations provided for in paragraph 8.9 above;

12. Other Matters

The Committee will:

- 12.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 12.2 Be provided with appropriate and timely training as necessary, including the Company's commitment to and procedures in relation to the Bribery Act with updates to such training at least annually.
- 12.3 Give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules as appropriate.
- 12.4 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.

13. Authority

- 13.1 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.

14. Whistleblowing, Fraud & Bribery

The Committee should:

- 14.1 review arrangements by which Janus Henderson staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

- 14.2 review the procedures for detecting fraud;
- 14.3 monitor and review the processes, assurances and reporting protocols of all matters in relation to the Bribery Act 2010 and anti-tax evasion legislation;
- 14.4 should ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action.

Appendix 1

Policy on the Provision of Non-Audit Services by the Auditor

1. Purpose

The purpose of this policy is to ensure the independence of the Company's external auditor and to avoid any real or perceived conflict of interest. The external auditor should be independent in both fact and appearance.

This policy incorporates by reference the applicable ethical guidance, which is in place and may be amended from time to time, regarding the provision of non-audit services by the external audit firm.

2. Audit services

The key service provided by the external auditor is the statutory audit of the Company's financial statements. The external auditor is accountable to the Audit Committee in this respect. Accordingly, the lead audit partner, together with other key members of the audit team, has unfettered access to the Audit Committee Chairman.

The external auditor will maintain a quality control system that provides reasonable assurance that its independence will not be impaired. They will report annually to the Audit Committee on all aspects concerning independence, including possible conflicts with this policy, if any. They will confirm their independence in writing at least annually.

The audit partner will be rotated in accordance with the regulatory requirements in force at the time.

3. Appointment of the external auditor

The Audit Committee will assess the qualification, expertise and resources of the auditors annually. Subject to satisfactory performance and recommendation of the Audit Committee, the Board will recommend the re-appointment of the auditors to shareholders at the Annual General Meeting. If the Audit Committee does not recommend the incumbent firm or the regulations require rotation, a tender process will be carried out the Committee.

4. Prohibited services

The auditor will not be engaged to provide the following services:

- a. tax and tax compliance services (provided they have no direct effect on, or are immaterial to, the audited financial statements);
- b. management functions or decision-making processes;
- c. services linked to financing, capital structure and allocation, and investment strategy of the audited entity (assurance services, including provision of comfort letters on prospectuses, will still be permitted);
- d. promoting, dealing in or underwriting shares in the Company;
- e. legal or expert services unrelated to their audit function;
- f. bookkeeping or other services related to the accounting records or financial statements;
- g. payroll administration services;
- h. designing and implementing internal controls or risk management procedures or financial information technology systems;

- i. valuation services (provided they have no direct effect on, or are immaterial to, the audited financial statements);
- j. internal audit services;
- k. human resource services relating to management, structuring of the organisation or cost control; and
- l. any other service that the Audit Committee determines is not permissible.

5. Permissible non-audit services

The Company wishes to have available to it the best provider of professional services where it is necessary to engage external advisers. It would therefore not wish to debar its external auditor from providing such services so long as they are not prohibited by code or regulation, or where they do not appear to affect the independence and objectivity of the external auditor.

The Audit Committee will, in reviewing the audit firms' provision of non-audit services consider, and document where necessary, the following:

- a. whether the service has a direct or material effect on the audited financial statements;
- b. whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit services;
- c. whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
- d. the nature of the non-audit services;
- e. the fees incurred, or to be incurred, for non-audit services both for the individual services and in aggregate, relative to the audit fee; and
- f. the criteria which govern the compensation of the individuals performing the audit.

Such services should be approved in advance by the Audit Committee, or Audit Committee Chairman, following an assessment of the threats to independence and the safeguards in place to mitigate or eliminate those threats.

The cost of non-audit services should not exceed 70% of the average of the fees paid in the last three consecutive financial years for the statutory audit.

6. Hiring

As an investment trust, the Company has no employees.

7. Responsibilities

The Audit Committee will keep this policy under regular review.

(Adopted on 25 May 2017)