

HENDERSON EUROPEAN FOCUS TRUST PLC

Terms of Reference of the Audit and Risk Committee

1. Constitution

The Committee is constituted by the board of directors (the “Board”) with the purpose of assisting the Board in fulfilling its oversight responsibilities. It will review the financial reporting process, the system of risk management and internal controls, the audit process and the Company's process for monitoring compliance with laws and regulation.

2. Membership

- 2.1. The Committee shall be appointed by the Board and comprise a Chair and at least one other director.
- 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 the Committee as a whole should have competence relevant to the sector in which the Company operates.
- 2.3. The Board shall appoint the Committee Chair. In the absence of the Committee Chair, the remaining members present shall elect one of their number to chair the meeting. The Chair of the Board may not be a member of the Committee.
- 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, 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.
- 2.5. The Company Secretary or their nominee shall act as the Secretary of the Committee. The Secretary shall minute the proceedings and resolutions of all meetings including recording the names of those present and in attendance, and the existence of any conflicts of interest. Minutes of the meetings shall be circulated promptly to all members.

3. Meetings

- 3.1. The Committee shall meet at least twice a year and at such other times as the Committee Chair shall require. Meetings will be arranged to coincide with the publication of the Company's financial statements and can be requested by the external auditors or by the Manager's heads of compliance and internal audit.
- 3.2. The quorum necessary for the transaction of business shall be two. A duly convened meeting 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.
- 3.3. The Committee shall meet with the external auditors at least annually without the presence of staff from the Manager.
- 3.4. Meetings will be convened by the Secretary at the request of the Committee Chair, any member of the Committee or the Board, at the request of the external auditor, or the Manager's heads of compliance or internal audit, if they consider it necessary.

- 3.5. The Manager's heads of compliance and internal audit shall have the right of access to the Committee Chair.
- 3.6. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be sent to each member of the Committee, any other person required to attend and to all other non-executive directors, approximately one week prior to the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate.
- 3.7. Outside the formal meeting programme, the Committee Chair shall maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman and key personnel employed by the Manager.

4. Duties

To fulfil their duties under section 172 Companies Act 2006, each individual director must act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and in doing so, have regard to a number of broader matters including:

- a) the likely consequences of any decision in the long-term;
- b) the need to foster the Company's business relationships with suppliers, customers and others;
- c) the impact of the Company's operations on the community and the environment;
- d) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- e) the need to act fairly between members of the Company.

The Committee is responsible for:

4.1. Financial reporting

- 4.1.1. monitoring the integrity of the financial statements of the Company, including its annual and half-yearly reports, statements of results and any other formal announcements relating to its financial performance;
- 4.1.2. reviewing the appropriateness and application of the significant accounting policies, decisions taken regarding areas of judgement, the long-term viability and going concern statements and compliance with the relevant accounting standards and any proposed changes;
- 4.1.3. reviewing and providing advice to the Board as to whether, to the best of the Committee's belief, the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- 4.1.4. 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;

4.2. Internal Control and Risk Assessment

- 4.2.1. keeping under review the framework and effectiveness of the system of internal control and risk management, including the internal financial controls, the Company's risk map, and limits and restrictions;
- 4.2.2. reviewing the Company's key service providers' 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 enterprise risk function to ensure any appropriate follow up action is undertaken;
- 4.2.3. 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 and emerging risks; and
- 4.2.4. monitoring and reviewing the effectiveness of the Manager's internal audit, compliance, information security, business continuity and enterprise risk functions in the context of the Company's overall risk management system.

4.3. External Audit

- 4.3.1. making recommendations to the Board as to the appointment, re-appointment and removal of the Company's external auditor, investigating any matter leading to their resignation;
- 4.3.2. conducting the tender process and making recommendations to the Board for the appointment, reappointment and removal of the external auditor;
- 4.3.3. reviewing and recommending to the Board the terms of engagement in respect of the statutory audit, developing and implementing 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, reporting to the Board on any improvement or action required, and approving in advance the remuneration for non-audit services, and recommending to the Board for approval in advance the remuneration for audit services, ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
- 4.3.4. approving 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;
- 4.3.5. reviewing and monitoring the external auditor's independence and objectivity;
- 4.3.6. 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;
- 4.3.7. assessing the performance of the external auditor, monitoring the effectiveness of the audit process, the auditor's handling of key judgements, the auditor's response to questions from the Committee, and reviewing their quality control procedures and steps taken to respond to relevant regulatory, professional and other changes; and

4.3.8. reviewing the representation letters requested by the external auditor.

4.4. Internal Audit

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

4.5. Compliance and fraud

4.5.1. reviewing the Company's anti-bribery policy and considering similar procedures in place with the Company's third-party contractors, 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;

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

4.5.3. reviewing the business resilience plans in place at the Manager;

4.5.4. 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;

5. Reporting responsibilities

5.1. The Committee Chair will report formally to the Board on how it has discharged its responsibilities after each meeting and make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

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

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

5.4 The Committee shall make a statement in the Annual Report concerning its activities. If there are any issues that cannot be resolved between the Committee and the Board, the Committee shall have the right to publish such details in the Company's Annual Report.

6. Authority

The Committee:

6.1. is authorised 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;

6.2. will 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;

- 6.3. will 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; and
- 6.4. is authorised to seek any information it requires from employees of the Manager, as appropriate, in order to perform its duties; and
- 6.5. will obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

7. Engagement with shareholders

7.1 The Committee Chair shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities and matters within the scope of the Committee's responsibilities.

(Last amended: 20 September 2022)