

# Ventus VCT plc

## Audit Committee Terms of Reference

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### **Appointment:**

Members of the Committee shall be appointed by the Board.

### **Membership:**

The Committee shall be made up of at least two members. The chairman of the Board may be a member of, but not normally chair, the Committee provided he was independent on appointment as chairman. The members shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience.

The members may invite non-members to attend meetings as and when appropriate.

The Board shall appoint the Committee chairman who shall be an independent non-executive director.

### **Attendees**

The secretary of the company or their nominee shall act as the secretary of the Committee.

The external auditors will be invited to attend meetings of the Committee at least twice a year.

The Committee should meet with the internal and external auditors either together or with each separately, as deemed appropriate, at least once a year.

### **Quorum**

Two members.

In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

### **Frequency of meetings**

The Committee shall meet at least three times a year at appropriate times in the financial reporting and audit cycle.

The Committee or its chairman shall meet with the Board of directors at least once a year to discuss such matters as the annual report, the relationship with the external auditors etc.

### **Notice of meetings**

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 external or internal auditors if they consider it necessary.

Notice of each meeting confirming the venue, time and date together with the agenda of items to be discussed, shall be forwarded to each member of the Committee, no later than five working days before the date of the meeting.

### **Minutes of meetings**

The secretary shall keep appropriate records of all meetings of the Committee with appropriate minutes of the proceedings and resolutions.

Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless conflict of interest exists. Any director may upon request to the secretary obtain copies of the Committee agenda and minutes, as long as there is no conflict of interest.

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### **Annual General meeting**

The chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities

### **Duties**

#### Financial Reporting

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

In particular the Committee shall review and challenge where necessary:

1. the consistency of, and any changes to, significant accounting policies;
2. the methods used to account for significant or unusual transactions where different approaches are possible;
3. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
4. the clarity and completeness of disclosure in the financial statements and the context in which statements are made;
5. all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management.

Following its review, 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.

#### Internal Controls and risk management systems

The Committee shall:

1. keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems.
2. review and approve the statements to be included in the annual report concerning the internal controls and risk management.

#### Compliance, whistleblowing and fraud

The Committee shall:

1. review the arrangements for staff of the Investment Manager to raise concerns in confidence about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allot proportionate and independent investigation of such matters and appropriate follow up actions;
2. review the Company's procedures for detecting fraud;
3. review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

#### Internal Audit

The Committee shall:

1. approve the appointment or termination of appointment of the internal auditor;
2. review and approve the charter of the internal auditor and ensure the internal auditor has all the necessary resources and access to information to enable it to fulfil its mandate;
3. ensure the internal auditor has direct access to the Board chairman and to the Committee chairman, and is accountable to the Committee;
4. review and assess the internal audit work plan;
5. receive a report on the results of the internal auditor's work on a periodic basis;

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6. review and monitor the Investment Manager's responsiveness to the internal auditor's findings and recommendations;
7. monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.

### External Audit

The Committee shall:

1. consider and make recommendations to the Board, for it to put to the shareholders for their approval at the annual general meeting, in relation to the appointment, re-appointment and removal of external auditors;
2. if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
3. oversee the relationship with the external auditor including:
  - recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
  - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;.
  - 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 provision of non-audit services; and
  - 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.
4. 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 the Investment Manager present, to discuss the auditor's remit and any issues arising from the audit;
5. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
6. review the findings of the audit with the external auditor. This shall include:
  - a discussion of any major issues which arose during the audit;
  - key accounting and audit judgements;
  - levels of errors identified during the audit; and
  - the effectiveness of the audit process.
7. review any representation letter requested by the external auditor;
8. develop and implement policy on the engagement of the external auditors to supply non-audit services to avoid any threat to auditor objectivity and independence, taking into account relevant ethical guidance on the matter.

### Other matters

The Committee shall:

1. have access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;
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 members;
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;
4. be responsible for co-ordination of the internal and external auditors;
5. oversee any investigations which are within its terms of reference.
6. arrange for periodic reviews of its own performance and, at least annually review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes to the Board.

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### **Reporting responsibilities**

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

1. the significant issues that it considered in relation to the financial statements and how these were addressed;
2. its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
3. any other issues on which the Board has requested the Committee's opinion.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit 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; and all other information requirements set out in the Code.

### **Authority**

The Committee shall:

Have the right to seek any necessary information to fulfil the above.

Have the right to obtain outside legal help and any professional advice, at the Company's expense, which might be necessary for the fulfilment of its duties; and

Have the power to call any members of staff to be questioned at a meeting of the Committee as and when required.