

**Baronsmead Second Venture Trust plc**  
(the "Company")

**Audit & Risk Committee**

**Terms of Reference**

**1. Constitution**

The Board resolves to establish a Committee of the Board, pursuant to Article 109 of the Company's Articles of Association, to be known as the Audit & Risk Committee.

**2. Membership**

2.1 The Committee shall comprise at least two members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit & Risk Committee.

2.2 All members of the Committee shall be independent Non-Executive Directors, at least one of whom shall have recent and relevant financial experience and with competence in accounting or auditing, or both, and that members of the relevant body as a whole must have competence relevant to the sector in which the issuer is operating.

2.3 Only members of the Committee have the right to attend committee meetings. However, other individuals may be invited to attend all or part of any meeting as and when appropriate and necessary.

2.4 The external auditor will be invited to attend meetings of the Committee that consider the annual financial statements.

2.5 Appointments to the Committee shall be subject to the provisions of the Companies Acts and of the Company's Articles of Association.

2.6 The Board shall appoint the Committee Chairman who shall be an independent Non-Executive Director. 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.

**3. Secretary**

The Company Secretary or his or her nominee shall act as the secretary of the Committee.

**4. Quorum**

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

**4.2 Frequency of meetings**

- 4.2.1 The Committee shall meet at least twice a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 4.2.2 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman.

#### **4.3 Notice of meetings**

- 4.3.1 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 auditor if they consider it necessary.
- 4.3.2 Unless otherwise agreed, 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, any other person required to attend and all other Non-Executive Directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

#### **5. Minutes of meetings**

- 5.1 The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 5.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

#### **6. Annual General Meeting**

The Committee Chairman should attend the Annual General Meeting ("AGM") to answer shareholder questions on the Committee's activities.

#### **7. Duties**

- 7.1 The Committee should carry out the duties below as appropriate.

#### **7.2 Financial reporting**

- 7.2.1 The Committee shall monitor the integrity of the financial statements and narrative reporting of the Company, and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- 7.2.2 In particular, 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/group.

- (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 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 business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

7.2.3 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.

### **7.3 Narrative reporting**

7.3.1 Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

7.3.2 Internal controls and principal risk management systems. The Committee shall

- (a) carry out a robust assessment of the Company's emerging and principal risks and report on its assessment, including a description of its principal risks, the procedures in place to identify emerging risks and an explanation of how these risks are managed and mitigated; and
- (b) monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.
- (c) review and approve the statements to be included in the annual report concerning internal controls and principal risk management.

7.3.3 review Compliance, whistle blowing procedures and fraud procedures from service providers. The Committee shall;

- (a) review the adequacy and security of the Company's arrangements for its contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these

arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

- (b) review the Company's service providers' procedures for detecting fraud.
- (c) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.
- (d) review regular reports from the Manager's Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function.
- (e) review the financial viability of the Manager from time to time.

#### **7.4 Internal Audit**

7.4.1 As the Company has no employees and its operational functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function.

7.4.2 The Committee shall

- (a) at least annually consider if an internal audit function is required; and
- (b) explain the reasons why there is no internal audit function in the Annual Report.

#### **7.5 External Audit**

7.5.1 The Committee shall

- (a) 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. The Committee shall oversee the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- (b) review on a regular basis, whether the audit service contract should be put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender, if required, oversee the selection process and ensure that all tendering firms have such access as necessary to information and individuals during the duration of the tendering process.
- (c) if an auditor resigns, investigate the issues leading to this and decide whether any action is required.

- (d) oversee the relationship with the external auditor including (but not limited to):
- (i) recommendations on their remuneration, their fees for audit or non-audit services and ensure that the level of fees is appropriate to enable an adequate audit to be conducted.
  - (ii) approve of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
  - (iii) 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.
  - (iv) develop and recommend to the board the Company's formal policy on the provision of non-audit services by the 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.
  - (v) satisfy 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).
  - (vi) agree with the Board a policy on the employment of former employees of the Company's auditor, and the monitoring of the implementation of this policy.
  - (vii) monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements.
  - (viii) assess 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.
  - (ix) 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 in that evaluation.
- (e) meet the external auditor at least once a year, without management being present to discuss the auditor's remit and any issues arising from the audit.

- (f) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- (g) review the findings of the audit with the external auditor. This shall include but not be limited to, the following.
  - (i) a discussion of any major issues which arose during the audit.
  - (ii) any accounting and audit judgements.
  - (iii) levels of errors identified during the audit.
  - (iv) the effectiveness of the audit.

7.5.2 The Committee shall also:

- (a) review any representation letter(s) requested by the external auditor before they are signed by management.
- (b) review the management letter and management's response to the auditor's findings and recommendations.
- (c) develop and implement a policy on the supply of non-audit services by the external auditor, to avoid any threat to auditor objectivity and independence, taking into account any relevant guidance on the matter.

## **8. Reporting responsibilities**

8.1 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 on how it has discharged its responsibilities. The report shall include:

8.1.1 the significant issues that it considered in relation to the financial statements and how these were addressed;

8.1.2 its assessment of the effectiveness of the external audit process (including the provision of non-audit services and an explanation of how, if the auditors provide non-audit services to the Company, auditor objectivity and independence is safeguarded) and its recommendation on the appointment or reappointment of the external auditor, including length of incumbent auditor's tenure, when a tender was last conducted, advance notice of any retendering plans and any contractual provisions restricting the Committee's choice of auditor, and the amount of fees paid to the auditor for any of its services;

8.1.3 any other issues on which the Board has requested the Committee's opinion.

8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed and 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 should be explained in the annual report; and

- 8.3 The Committee shall produce a report 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.

## **9. Other matters**

The Committee shall:

- 9.1 have access to sufficient resources from its key service providers in order to carry out its duties.
- 9.2 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.
- 9.3 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, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable Rules, as appropriate.
- 9.4 oversee any investigation of activities which are within its terms of reference.

## **10. Authority**

The Committee is authorised

- 10.1 to seek any information it requires from the Investment Manager and other service providers to the Company in order to perform its duties and call anyone relevant to be questioned.
- 10.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference.
- 10.3 to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

Approved by the Board on 24 November 2021.