

## NEW STAR INVESTMENT TRUST PLC

### TERMS OF REFERENCE FOR AUDIT COMMITTEE

Reference to "the Committee" shall mean the Audit Committee. Reference to "the Board" shall mean the Board of directors.

#### **1. Membership**

- 1.1 Members of the Committee shall be appointed by the Board (which also sits as the Nomination Committee) in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least 2 members.
- 1.2 All members of the Committee shall be independent non-executive directors<sup>1</sup> at least one of whom shall have recent and relevant financial experience. The Chairman of the Board shall not be chairman of the Committee.
- 1.3 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.
- 1.4 The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.5 Appointments to the Committee shall be for a period of up to three years, which may be extended, provided the director remains independent<sup>1</sup>.
- 1.6 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.
- 1.7 A Committee Member may appoint a proxy to ensure that there is a quorum present.

<sup>1</sup> *An independent non-executive director is as defined by the Company in its Annual Accounts*

#### **2. Secretary**

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

#### **3. Quorum**

- 3.1 The quorum necessary for the transaction of business shall be 1 member. 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. Frequency of meetings**

- 4.1 The Committee shall meet at least once a year, preferably twice a year, at appropriate times in the reporting and audit cycle and otherwise as required.

#### **5. Notice of meetings**

- 5.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members or at the request of external auditors if they consider it necessary.
- 5.2 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 3 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.

## **6. Minutes of meetings**

- 6.1 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The secretary shall confirm, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

## **7. Annual General Meeting**

- 7.1 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## **8. Duties**

### **8.1 Financial reporting**

- 8.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results, announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain.

### **8.2 Internal controls and risk management systems**

The Committee shall:

- 8.2.1 keep under review the effectiveness of the Company's internal controls and risk management systems; and
- 8.2.2 review and approve the statements to be included in the annual report concerning internal controls and risk management.

### **8.3 External audit**

The Committee shall:

- 8.3.1 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 new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.3.2 Oversee the relationship with the external auditor.
- 8.3.3 assess annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- 8.3.4 review any representation letter(s) requested by the external auditor before they are signed by the Board;
- 8.3.5 review the management letter and the Investment Managers' response to the auditors findings and recommendations.

#### **8.4 Reporting responsibilities**

- 8.4.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.4.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.4.3 The Committee shall compile a report to shareholders on its activities to be included in the company's annual report.

#### **8.5 Agreements**

- 8.5.1 The Committee shall review the terms of the Investment Management Agreement and any proposed alterations to the Investment Management Agreement.

#### **8.6 Other matters**

The Committee shall:

- 8.6.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat or the Investment Managers' resources for assistance as required;
- 8.6.2 upon request, be provided with appropriate and timely training; and
- 8.6.3 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort.

#### **9. Authority**

- 9.1 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.