

## **CT UK CAPITAL AND INCOME INVESTMENT TRUST PLC (“the Company”)**

### **AUDIT AND RISK COMMITTEE (“The Committee”)**

#### **TERMS OF REFERENCE**

##### **1. Constitution**

The Audit and Management Engagement Committee was established by a resolution of the Board of Directors of the Company on 1 November 1993. It was renamed the Audit and Risk Committee on 16 September 2021 when its terms of reference were amended. The Committee is accountable to the Board.

##### **2. Composition of the Audit and Risk Committee**

The Committee has been established by the Board and will comprise all the independent non-executive Directors of the Company with the exception of the Chair of the Company. At least one member of the Committee should have recent and relevant financial experience. The Committee as a whole should have competence relevant to the sector in which the company operates. A process for induction and ongoing training has been established.

The Chair of the Company may be invited to attend the Committee meetings.

The Chair of the Committee is appointed by the Board from amongst the independent non-executive directors.

##### **a. Attendance**

i. The following may be invited to attend the relevant parts of the meetings:

The Fund Manager

The External Auditor

Head of Investment Trusts

Investment Trust Accountant

Head of Business Risk or delegate

The Company Secretary

Such other employees of the Manager or third parties who the Committee may require to attend.

ii Columbia Threadneedle Investment Business Limited is the Company Secretary to the Committee.

##### **b. Meetings**

The Committee will meet at least three times a year and additional meetings shall be called by the Company Secretary at the request of the Chair of the Committee. There should be at least one meeting per year during part of which the external auditors attend without management present.

A quorum shall be any two members including the Chair of the Committee, or the Chair’s nominated delegate.

**c. Advice**

The Committee may obtain outside legal or other independent professional advice where necessary.

**3. Responsibilities**

**a. Financial Reporting**

- i. The Committee will review and challenge where necessary, the actions and judgements of management, in relation to the half-year and annual financial statements before submission to the Board, paying particular attention to:
- critical accounting policies and practices, and any changes in them;
  - decisions requiring a major element of judgement;
  - the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
  - the clarity of disclosures, including those arising from Section 172 of the Companies Act;
  - significant adjustments resulting from the audit;
  - the appropriateness of preparing the Company's financial reports on a going concern basis;
  - the assessment of the Company's prospects and viability taking into consideration stress and scenario testing carried out on the viability period selected;
  - compliance with accounting standards;
  - all material information presented with the financial statements, such as the strategic report, Directors' Report and the corporate governance statement (insofar as it relates to the audit and to risk management);
  - compliance with stock exchange and other legal requirements;
  - reviewing the company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the company; and
  - 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 performance, business model and strategy.
- ii. For the purpose of exercising its responsibilities, as set out above, the Committee will meet shortly before the accounts are presented to the Board in May (half-year results) and November (final results). At these meetings, the Investment Trust Accountant will report any changes in accounting policy or treatment affecting the Company's report and accounts and any other material matters on which the members of the Committee might require clarification. The Committee will consider whether the accounting policies and allocation bases adopted are appropriate.
- iii. The Audit Committee shall have timely and unrestricted access to relevant documents relating to the affairs of the Company.

**b. Internal Controls and Risk Management Systems**

The Committee is responsible for reviewing the Company's internal financial controls, the internal control and risk management systems and making recommendations to the Board

- i. At the meeting reviewing the half-year results the Committee will receive a statement by the directors of Columbia Threadneedle GAM on internal corporate governance containing a report in relation thereto from the reporting accountants (ISAE/AAF report). Columbia Threadneedle

GAMS's Business Risk Department will submit a letter concerning the policies, procedures and controls associated with the management of the affairs of the Company.

The Chair of the Committee may meet the Columbia Threadneedle GAM Head of Business Risk or delegate to discuss relevant matters.

- ii. At each Committee meeting a control report will be prepared by the Columbia Threadneedle GAM Head of Business Risk or delegate. At the meeting considering the half-yearly and final results, he or his deputy will be in attendance to provide a verbal report. A risk control assessment is kept up to date for review by the Committee at the meetings considering the half-yearly and final results. The executive summary is also updated for inclusion in the Board papers when required or requested.
- iv. The Committee should review and approve the statements included in the annual report in relation to internal control and the risk management systems.

**c. Audit**

i. Internal

The Committee will, on an annual basis, monitor and review the need for an internal audit function, make the appropriate recommendation to the Board and explain in the annual report how they have reached their view.

ii. External

The appointment of the external auditors shall be considered regularly by the Committee. 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.

The Committee will oversee the relationship with the external auditor including (but not limited to):

- (i) make recommendations to the Board regarding their remuneration for the provision of audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
- (ii) approval of their terms of engagement for audit services, including any engagement letter issued at the start of each audit and the scope of the audit;
- (iii) assessing 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;
- (iv) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- (v) approval of the terms of engagement of the auditors prior to commencement for any non-audit services in accordance with the agreed policy as set out below.

- (vi) monitoring 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; and
- (vii) 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.

The Committee will 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 should ensure that key partners within the appointed firm are rotated from time to time in accordance with best practice. The acceptance of any new representative of the auditors should be considered prior to appointment (ethical standards requirements provides for each audit partner to serve a maximum five year term as audit partner for a company).

The Committee will ensure that at least once every ten years the audit services contract is 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 oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process. In respect of each tender process, an incumbent audit firm may only be reappointed once.

\*The next tender is due in 2029 for a new appointment at the AGM in 2030.

The Committee will meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage to discuss findings.

The Committee will review and approve the annual audit plan and ensure that it is consistent with the scope of the audit for the forthcoming year-end financial statements.

The external auditors of the Company shall be present at the Committee meeting reviewing the annual results. The Committee shall at any time meet separately with the auditors if it so desires, however, the Committee will meet with the external auditors at least once a year without Columbia Threadneedle GAM in attendance to discuss their remit and any issues arising from the audit.

In order to monitor the Company's relationship with its external auditors and to ensure that full information is made available to them, the Committee will receive a report from the Investment Trust Accountant at the November Committee meeting.

The Investment Trust Accountant will also give advice to the Committee concerning the auditors' remuneration for audit and non-audit services and re-appointment.

The Committee will review the audit letter of representation prior to approval and signature by the Board.

The Committee will inform the Company's Board about the outcome of the audit and how it contributed to the integrity of the financial report-DTR 7.1.3 (5).

It will also keep under review its policy on the supply of non-audit services by the auditor which ensures that no engagement will be permitted if:

- the provision of the services would contravene any regulation or ethical standard;
- the auditors are not considered to be expert providers of the non-audit services; and
- the provision of such services by the auditor creates a conflict of interest for either the Board or the Manager; the services are considered to be likely to inhibit the auditor's independence or objectivity as auditors.

Tax and certain legal services are prohibited as well as certain internal control and risk management procedures. Reference should be made to the FRC's 'black list' of non-audit services that cannot be provided by the external auditor.

In particular, the Committee has a policy that the costs of all non-audit services sought from the auditors in any one year should not normally exceed 30% of the likely audit fees for that year and in any event 70% of the average paid over the last three years such that:-

- the costs would ordinarily be limited to 30% of prior year audit fee (as the current year number might not be known);
- the services could be instructed by Columbia Threadneedle GAM without prior reference up to that amount;
- specific Committee approval is required before any costs are incurred which could exceed the 30% limit; and
- Before making any decision to exceed the 30% limit, the Committee should review the three year rolling average of such costs to ensure that three year rule is not accidentally breached.

#### **d. Whistleblowing/Anti-Bribery/Gifts and Corporate Hospitality Policies**

The Committee will periodically review arrangements at Columbia Threadneedle GAM by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to establish that, in so far as they may affect the Company, arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. It will also review the Anti-Bribery/Anti-Corruption and Tax Evasion policies and procedures that are in place. It will also review the Company's own policies in these matters.

#### **e. Other matters**

The Committee will review annually the terms of reference of the Committee and make recommendations to the Board as appropriate.

The Committee will review such other matters as directed by the Board.

### **4. Reporting**

If meetings of the Board and of the Committee are held contemporaneously those meetings will be minuted separately. The minutes of each meeting of the Committee will be circulated to all Directors and reports made to the Board as appropriate.

The Committee will report its activities to stakeholders in the Annual Report.

The Committee Chair shall attend the AGM and shall answer questions, through the Chair of the Board, on the Committee's activities and responsibilities.

These terms of reference are to be made available on request and are published on the Company's website.

**21 July 2022**