

**abrdn China Investment Company Limited (THE “COMPANY”)**

**AUDIT COMMITTEE**

**TERMS OF REFERENCE**

**(Last Reviewed and Approved on: 21 June 2023)**

**Constitution** The Board has established a committee of the Board to be known as the Audit Committee (“the Committee”).

**Membership** Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee. All members of the Committee shall be independent non-executive Directors of the Company.

The Committee shall be made up of at least 2 members and at least one of whom shall have recent and relevant financial experience. The quorum necessary for the transaction of business shall be 2 members.

The Chair of the Board may not be a member of the Committee but may attend Committee meetings as an observer.

The Board shall appoint the Chair of the Committee who shall be an independent non-executive Director.

The Committee should satisfy itself that the Committee as a whole has competence relevant to the investment company sector.

**Secretary** The Company Secretary or their nominee shall act as the Secretary of the Committee. The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

**Attendance at Meetings** Only members of the Committee have the right to attend Committee meetings. However, other individuals, such as the Chair of the Board, employees of the Manager and/or Company Secretary, may be invited to attend all or part of any meeting as and when appropriate and necessary.

The auditor will be invited to attend meetings of the Committee on a regular basis.

The Chair of the Committee shall attend the Annual General Meeting to answer shareholder questions on the Committee’s activities.

**Frequency of Meetings** The Committee shall meet at least twice in each year at appropriate times in the reporting and audit cycle and otherwise as required.

**Duties** The Committee shall carry out the duties below for the Company:

**Financial Reporting**

- monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain;
- review and challenge, where necessary:
  - the consistency of, and any changes to, accounting policies;
  - the methods used to account for significant or unusual transactions where different approaches are possible;
  - whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the auditor;

- the basis of the going concern and long term viability assumptions of the Company;
  - the clarity of disclosure in the Company's financial reports and the context in which statements are made;
  - all material information presented with the financial statements, such as the Strategic Report and the Corporate Governance statement (insofar as it relates to audit and risk management); and
- where requested by the Board, provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance and position, business model and strategy.

### **Internal Controls, Compliance and Internal Audit**

- keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems, and undertake a robust assessment of the principal, and emerging, risks facing the Company;
- review the arrangements in place for the Manager's and Company Secretary's employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (whistleblowing);
- review the Manager's and Company Secretary's procedures for detecting fraud;
- review the Manager's and Company Secretary's systems and controls for the prevention of bribery and receive reports on non-compliance;
- approve the statements to be included in the annual report concerning internal controls and risk management;
- consider whether there is a need for the Company to have its own internal audit function;
- review the effectiveness of the Manager's and Company Secretary's internal audit function in the context of the Company's overall risk management system;
- review biannual reports on the Company from the Manager's and Company Secretary's risk, internal audit and compliance function; and
- review the controls over the operation and effectiveness of the Administrator, Depositary, Registrar and other sub-contractors providing services to the Company.

### **External Audit**

- conduct the tender process and make recommendations to the Board on the appointment, re-appointment and removal of the Company's auditor;
- approve the level of remuneration of the auditor, and the terms of their engagement;
- review and approve the annual audit plan and subsequently review the findings and effectiveness of the audit process;
- develop and implement a policy on the supply of non-audit services by the auditor taking into account any relevant ethical guidance on the matter;
- annually assess the independence and objectivity of the auditor 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;
- meet regularly with the auditor with at least one meeting a year being held, without the Manager and/or Company Secretary being present, to discuss their remit and any issues arising from the audit;
- review any representation letter(s) requested by the auditor before it (they) are signed by the Board;
- review the management letter and management's subsequent response; and
- report to shareholders on its activities in the Company's annual report setting out:
  - the significant issues that the Committee considered in relation to the

- financial statements and how these issues were addressed having regard to the matters communicated to it by the auditor;
- an explanation of how the Committee has assessed the independence and effectiveness of the auditor and the audit process and the approach taken to the appointment or re-appointment of the auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans; and
- an explanation of how auditor independence and objectivity is safeguarded.

**Other Matters**

The Committee shall:

- report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;
- make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 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;
- give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the AIC Code on Corporate Governance, the requirements of the FRC's Listing, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable Rules, as appropriate;
- oversee any investigation of activities which are within its terms of reference; and
- arrange for periodic reviews of its own performance, 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.

**Authority**

The Committee is authorised to:

- seek any information it requires from any employee of the Manager and Company Secretary in order to perform its duties;
- obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- to call any representative of the Manager to be questioned at a meeting of the Committee as and when required.