

ICG ENTERPRISE TRUST PLC
AUDIT COMMITTEE - TERMS OF REFERENCE
(Last reviewed April 2021)

Background

ICG Enterprise Trust PLC (“ICGET” or “the Company”) has no employees. All management and company secretarial services are supplied or procured by ICG Alternative Investment Limited (“the Manager”).

All of the members of the Board of ICGET, including the Chairman, are non-executive directors.

The Audit Committee (the “Committee”) will not consider matters relating to the Manager, save as they affect ICGET.

The Committee will expect to be given prompt warning by the Manager, as appropriate, of matters of significant concern to ICGET.

Composition of the Committee

The Committee will be comprised of at least three members, all of whom should be independent non-executive directors of ICGET. At least one member shall also be a member of the Remuneration Committee. The quorum will be two members. At least one member of the Committee should have recent and relevant financial experience. This will be reviewed on an annual basis.

The current composition of the Committee is:

A. Bruce (Chairman)
J Tufnell
L. Riches
S. Pajarola
G. Fusenig
D. Warnock

The remuneration of the Committee is assessed annually as part of the broader Board and Audit Committee remuneration review.

Meetings

The Committee will meet at least three times per year. Other non-executive directors may attend Committee meetings if they wish. The Board will receive regular briefings from the Committee chairman on the Committee’s findings.

The audit partner and senior manager, and the senior staff of the Manager responsible for finance, may be required to attend relevant parts of the meetings of the Committee. The Manager or an affiliate will act as secretary.

Any notices, agendas and supporting papers shall be sent in electronic form unless a member has notified the Manager that they do not wish to receive documents in such a way.

Role

The Committee assists the Board in fulfilling its oversight responsibilities. Its primary functions are:

- to review the reporting of financial and other information to shareholders and to review the systems of internal control and risk management.
- to maintain an appropriate relationship with the Company's auditors and to review the effectiveness and objectivity of the audit process.
- to review the Manager's internal controls insofar as they pertain to ICGET.

To perform his or her role effectively, each Committee member will obtain an understanding of the responsibilities of Committee membership as well as the Company's business, operations and risk. The Committee can obtain its own independent professional advice as necessary.

Responsibilities

Financial reporting

1. The Committee will monitor the integrity of the financial statements of ICGET, review the accounting policies, significant financial reporting judgments and the contents of any formal announcements relating to the Company's financial performance, and the compliance thereof with all regulations and financial reporting requirements and any other reporting requirements under the Listing Rules, including corporate governance disclosures. In relation to financial reporting, the Committee shall review any statement requiring board approval which contain financial information before the Board does unless it is not practicable to do so.
2. In particular, the Committee should satisfy itself that the accounts are properly and carefully prepared, and furthermore that the annual report taken as a whole is fair, balanced and understandable (see **Appendix 1**).
3. The Committee will meet the external auditor shortly before and shortly after the annual audit of the Company and it will meet the external auditor following the auditor's review of the interim report.
4. The Committee will review and approve an Audit Committee Report for inclusion in the Company's annual report which will include such disclosures relating to the Committee's operation and activity as are required by regulation or corporate governance practice. Disclosures will include how significant audit issues have been addressed and an explanation of how the external audit process has been assessed.

External auditors

5. The Committee will recommend to the Board, for annual shareholder approval, the appointment of the external auditors, and address any questions of resignation or dismissal. The Committee will approve the terms of engagement and the remuneration to be paid to the external auditors in respect of audit services provided. The Committee shall consider FRC Ethical Standard published in June 2016 when the Committee assess the external auditor's independence.
6. The Committee will review and monitor the external auditor's independence and objectivity in accordance with relevant UK professional and regulatory requirements. The Committee will pre-approve the engagement of the external auditor to supply routine or minor non-audit services and will approve in advance any major non-audit work to be carried out by the external auditor. (See further detail in **Appendix 3**).
7. The Committee will review and monitor the effectiveness of the external audit process (see **Appendix 2**).
8. For the purpose of exercising its responsibilities, as set out in 4, 5 and 6 above as regards the external auditors and to ensure that full information is made available to them, the Committee will, at its meeting to review the final results, receive an oral report from the Manager. The Manager will also make recommendations to the Committee concerning the auditors' remuneration and reappointment.

9. When considering the provision of non-audit services by the auditor, the Committee should specifically consider the nature of the non-audit services, whether the external audit firm is the most suitable supplier, the fees for non-audit services and the criteria governing compensation

Risk

10. The Committee will, insofar as they pertain to ICGET, review the Manager's internal control and risk management systems.
11. The Committee will annually review the Company's risk matrix and recommend amendments, if appropriate, to the Board.

Internal audit

12. The Committee will annually consider the need for an internal audit function.

General

13. The full Board and ICGET as Manager will continue to be responsible for all aspects of the valuations of the investments in the Company's portfolio.
14. The full Board will be responsible for reviewing the performance of the Manager, the management agreement and the incentive arrangements.
15. The Committee will investigate any matter brought to its attention, within the scope of its duties.
16. The Committee will review its terms of reference annually, recommending any changes to the Board, and will evaluate its own performance annually.
17. The Committee will review such other matters as directed by the Board.
18. The Committee will review arrangements by which staff of the Manager may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Also ensuring arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

Appendix 1 to Audit Committee Terms of Reference

Assessment of whether the Annual Report is fair, balanced and understandable

When reviewing the Annual Report, the Audit Committee may wish to consider the following:

Consideration	Fair / balanced / understandable
The integrity of the processes in place for ensuring the accuracy of the information within the Annual Report	✓
Has appropriate weight been given to the “bad news” as well as the “good news”?	✓
Are the disclosed risks genuinely the principal risks that the Audit Committee and Board are concerned about?	✓
Does the description of the business model and strategy accord with the Board’s own understanding?	✓
Is the document laid out in a way which makes the key information easily accessible?	✓
Are the descriptions of the business model, performance and risks written in a style which is clear, succinct and where possible free from jargon?	✓
Are the key accounting policies and estimates used in drawing up the accounts, when considered in aggregate, overly aggressive, overly conservative or balanced?	✓
Does the process for assessing materiality consider what investors may expect to see? Are the quantitative and qualitative aspects of materiality considered when making judgements?	✓
Is the Strategic Report consistent with the company’s business model? Does it disclose the principal risks and uncertainties?	✓
Does the Annual Report full comply with relevant accounting standards?	✓
Does the Annual Report take account of macro-economic factors which may affect asset valuations?	✓
Does the Annual Report reflect appropriately the extent to which CSR matters are considered by the Board when setting the company's investment policies and by the Manager when making investment decisions?	✓
Does the Annual Report show how the Board has carried out its duties to promote the long-term success of the company by having regard to the interests of stakeholders other than shareholders?	✓

Appendix 2 to Audit Committee Terms of Reference

Assessing the effectiveness of the external audit

The Audit Committee may wish to consider:

- the resources and reputation of the audit firm;
- the qualifications and experience of the audit partner and senior manager;
- the clarity and quality of the audit plan as presented by the auditor and whether the plan appears to identify the key audit risks appropriately;
- the reasonableness of the level of materiality assumed in the audit plan;
- the quality control procedures in place to deliver a high quality audit;
- the objectivity, independence and competence of the auditor;
- the clarity and quality of the auditors' report to the Audit Committee on their audit of the Annual Report and Accounts;
- the work performed on the key risk areas;
- whether any additional risks were found during the course of the audit which were not identified at the planning stage;
- whether the frequency of its communications with the auditor and management is suitable; and
- discuss Audit Quality Review team findings with the auditor. Disclose any significant findings and actions the audit committee / auditors plan to take.

Appendix 3 to the Audit Committee Terms of Reference - Non-audit services provided by the external auditor

Where the service to be provided is outside the required scope of the statutory audit, but is consistent with the role of the statutory auditor, the Audit Committee gives pre-approval of the use of the external auditor.

This category includes work that is reasonably related to the performance of an audit or review and is a logical extension of the audit or review scope, is of an assurance or compliance nature and is work that the auditor must or are best placed to undertake.

The pre-approved services outlined below may be provided by the external auditor without reference to the Audit Committee subject to fees being less than £10,000 for each assignment and a cumulative annual total of less than 70% of that years audit fee.

Where the engagement of services for a single activity is over £10,000 or would take the cumulative total of non-audit fees paid to the external auditor over 70% of the audit fee for that year, the engagement must be approved by the Audit Committee Chairman in advance of the engagement commencing.

Prohibited Services:

- Systems work or IT consultancy which involves the design, development or implementation of any systems used in accounting or the production of financial statements;
- Bookkeeping, payroll services and preparing or maintaining accounting records and financial statements;
- Design, development or implementation of internal control or risk management frameworks;
- Investment services, investment or financial strategy and management advice;
- Promoting, dealing in or underwriting shares in the Company;
- Human Resources and recruitment services;
- Remuneration related services for senior management;
- Legal services;
- Appraisal or valuation services for inclusion in the financial statements;
- Any work that may result in a situation where PwC could be auditing their own work;
- Any projects where PwC is making or could otherwise be deemed to be involved in making management decisions;
- Tax advisory services where either the tax treatment is subject to interpretation of tax law or where it relies on the accounting treatment in the financial statements; and
- Projects which are subject to a contingent success fee.

Pre- approved Services

The following activities have been pre-approved by the Audit Committee, subject to the fee for an individual assignment being below £10,000 and the cumulative fee being less than 70% of the audit fee for the year:

- Certificates required under country-specific legislation or regulation;
- Services associated with stock exchange or other registration statements, periodic reports or filings;
- extended audit work on financial information and controls where this is integrated with the statutory audit;
- Information which the Company is required to provide to its existing lending banks, including covenant compliance certificates;
- Assurance work on non-financial data, including environmental and sustainability statistics;
- Assurance work provided to the Company's Remuneration Committee;
- Training;

- Advice on best practice in respect of external reporting, including environmental/sustainability reporting; and
- Preparation and issuance of comfort letters or similar in connection with the issue of a shareholder circular or prospectus (or similar document).

Services requiring specific approval

The following require specific approval in advance by the Audit Committee Chairman:

- Individual assignments for services with a fee in excess of £10,000, which would otherwise qualify for pre-approval;
- Individual assignments for services which would cause the cumulative non audit fees to exceed 70% of the audit fee for that year, which would otherwise qualify for pre-approval;
- Due diligence and similar services relating to a potential acquisition or disposal;
- Acting as financial advisor in connection with the acquisition or sale of a business, excluding any advocate role;
- Tax services, including tax advisory and compliance work and preparation of tax forms, provided that the effect of such work on the financial statements is explained in an additional report to the Audit Committee noting how the work is considered to have an inconsequential effect on the financial statements.

