

# ROUND HILL MUSIC ROYALTY FUND LIMITED

(the "Company")

## AUDIT COMMITTEE

### Terms of Reference

(as adopted on 2<sup>nd</sup> October 2020)

#### 1. DEFINITIONS

- 1.1 Reference to the "**Committee**" shall mean the Audit Committee.
- 1.2 Reference to the "**Board**" shall mean the board of directors of the Company.
- 1.3 Unless otherwise stated, reference to "**Chairperson**" shall mean the Chairperson of the Committee.
- 1.4 Unless otherwise stated, reference to the "**Secretary**" shall mean the Secretary of the Committee.
- 1.5 In these terms of reference, there are references to various pieces of European Union legislation, for instance MAR and the Prospectus Regulation. While the UK remains subject to an EU transitional and implementation period ("**TIP**") following the exit day when the UK left the EU, during which EU law continues to apply to the UK as if it were still a member of the EU, references to EU legislation should be construed as references to that legislation as enacted by the EU. On the TIP coming to an end, references to EU legislation should be construed as references to that legislation as transposed into UK law by the European Union (Withdrawal) Act 2018 ("**EUWA**") and as further amended by secondary legislation made under EUWA.

#### 2. MEMBERSHIP

- 2.1 The Committee shall be made up of at least three members. Members of the Committee shall be appointed by the Board in consultation with the Chairperson of the 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 ideally with a professional qualification from an internationally recognised professional accountancy body and with competence in accounting and/or auditing, or experience in internal audit management and previous listed investment company audit committee experience. As a whole, the Committee should have competence relevant to the sector in which the Company operates and experience of corporate financial matters. Any member who fails to remain independent will step down from the Committee.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals (if not members of the Committee) such as other directors, representatives of the Company's investment manager or other external advisers may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.4 The external auditors of the Company, as appropriate, will be invited to attend meetings of the Committee on a regular basis.
- 2.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee. The Board may fill vacancies in the Committee by appointment from amongst the Board.
- 2.6 The Board shall appoint the Chairperson who shall be an independent non-executive director and shall not be the Chairperson of the Board. In the absence of the Chairperson and/or an

appointed deputy, the remaining members of the Committee present shall elect one of themselves to chair the meeting.

2.7 Each member of the Committee shall disclose to the Committee:

2.7.1 any personal, financial or other interest in any matter to be decided by the Committee; or

2.7.2 any potential conflict of interest arising from a cross-directorship or otherwise; and

2.7.3 any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee.

### **3. SECRETARY**

The company secretary of the Company or their nominee shall act as the Secretary of the Committee and shall attend all meetings.

### **4. QUORUM**

4.1 The quorum necessary for the transaction of business shall be two members of the Committee. 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 Members may participate in a meeting of the Committee by means of a telephone or other communication equipment.

4.3 Any matters to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Any action of the Committee may also be taken by an instrument or instruments in writing signed by all the members of the Committee (including in counterparts) and any such action shall be as effective as if it had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.

### **5. FREQUENCY OF MEETINGS**

5.1 The Committee shall meet at least two times a year at appropriate times in the Company's reporting and audit cycle and otherwise as required.

5.2 Outside of the formal meeting programme, the Chairperson shall maintain a dialogue with key individuals involved in the Company's governance, including the Chairperson of the Board and the external audit lead partner.

### **6. NOTICE OF MEETINGS**

6.1 Meetings of the Committee shall be called by the Secretary at the request of any of its members or at the request of external auditors if they consider it necessary.

6.2 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. The Secretary or his or her nominee shall ensure that supporting information and papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

### **7. MINUTES OF MEETINGS**

7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

- 7.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all members of the Board unless it would be inappropriate to do so.
- 8. ANNUAL GENERAL MEETING**
- The Chairperson shall attend the Company's annual general meeting prepared to respond to any shareholder questions on the Committee's activities.
- 9. DUTIES**
- 9.1 The Committee should carry out the duties below for the Company, major subsidiary undertakings (if any) and the group as a whole (if a group is in existence), as appropriate.
- 9.2 Financial Reporting**
- 9.2.1 The Committee shall 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 judgments which they contain.
- 9.2.2 In particular, the Committee shall review and challenge where necessary:
- 9.2.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
  - 9.2.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
  - 9.2.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - 9.2.2.4 any significant adjustments resulting from the audit;
  - 9.2.2.5 compliance with applicable regulatory and legal requirements;
  - 9.2.2.6 compliance with best practice in the area of corporate governance;
  - 9.2.2.7 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
  - 9.2.2.8 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).
- 9.2.3 Review the annual report in its entirety.
- 9.2.4 Review the summary financial reports.
- 9.2.5 Review circulars issued in respect of takeovers and other major non-routine transactions.
- 9.2.6 Review press statements and advertisements relating to financial matters prior to their issue.
- 9.2.7 Review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be

practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules made by the Financial Conduct Authority (the "**FCA**") under section 73A of the Financial Services and Markets Act 2000 (as amended) ("**FSMA**") as amended from time to time (the "**Listing Rules**") (to the extent the Company has voluntarily undertaken to comply with the Listing Rules) or the disclosure guidance published by the FCA and the transparency rules made by the FCA under section 73A of FSMA as amended from time to time (the "**Disclosure Guidance and Transparency Rules**") and the Market Abuse Regulation (*EU/596/2014*) (the "**Market Abuse Regulation**").

9.2.8 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.

### 9.3 **Narrative Reporting**

Where requested by the Board, the Committee shall 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.

### 9.4 **Internal Controls and Risk Management Systems**

9.4.1 The Committee shall, as appropriate given the nature of the Company:

9.4.1.1 keep under internal financial controls and review the adequacy and effectiveness of the Company's risk management systems and monitor the proposed implementation of such controls;

9.4.1.2 review and approve the statements to be included in the annual report concerning internal controls and risk management;

9.4.1.3 review and approve statements explaining how assets have been invested with a view to spreading investment risk;

9.4.1.4 liaise with the Board and ensure that other statements regarding the Company's investment manager, including relevant details of its remuneration and appointment and its continued appointment, are included in the annual report; and

9.4.1.5 ensure that the annual report includes:

(a) the full text of the Company's published investment policy; and

(b) a detailed and meaningful analysis of the Company's investment portfolio.

### 9.5 **Compliance, Whistleblowing and Fraud**

9.5.1 The Committee shall, as appropriate given the nature of the Company:

9.5.1.1 review the adequacy and security of the Company's arrangements for its employees, if any, and 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;

9.5.1.2 review the Company's procedures for detecting fraud;

9.5.1.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;

- 9.5.1.4 review the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- 9.5.1.5 review the adequacy and effectiveness of the Company's compliance function.

## 9.6 **Internal audit**

The Committee shall monitor and review annually whether an internal audit function is required.

## 9.7 **External Audit**

9.7.1 The Committee shall:

- 9.7.1.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new external auditors and, if an external auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- 9.7.1.2 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 tendering process;
- 9.7.1.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 9.7.1.4 oversee the relationship with the external auditor including (but not limited to):
  - 9.7.1.4.1 making recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - 9.7.1.4.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 9.7.1.4.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
  - 9.7.1.4.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
  - 9.7.1.4.5 monitoring the external 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;
- 9.7.1.4.6 assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- 9.7.1.4.7 seeming to ensure co-ordination with the activities of the internal audit function; and
- 9.7.1.4.8 evaluating risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the auditor from the market in that evaluation.
- 9.7.1.5 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- 9.7.1.6 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 9.7.1.7 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - 9.7.1.7.1 a discussion of any major issues which arose during the audit;
  - 9.7.1.7.2 any accounting and audit judgements;
  - 9.7.1.7.3 levels of errors identified during the audit; and
  - 9.7.1.7.4 the effectiveness of the audit.
- 9.7.2 The Committee shall also:
  - 9.7.2.1 review any representation letter(s) requested by the external auditor, if possible before such letters are signed by the Board;
  - 9.7.2.2 review any response from the Board as to the external auditor's findings and recommendations; and
  - 9.7.2.3 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

## **10. REPORTING RESPONSIBILITIES**

- 10.1 The Chairperson shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and how it has discharged its responsibilities. This report shall include any issues on which the Board has requested the Committee's opinion.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall compile a report to shareholders on its activities, including its membership and the frequency of and attendance at its meetings, to be included in the

Company's annual report which shall include an explanation of 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 re-appointment of the external auditor, including length of the incumbent auditor's tenure, when a tender was last conducted 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.

## 11. OTHER MATTERS

11.1 The Committee shall:

- 11.1.1 have access to sufficient resources in order to carry out its duties, including access to the company secretary of the Company for assistance as required;
- 11.1.2 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;
- 11.1.3 give due consideration to relevant laws and regulations, the provisions of the AIC Code of Corporate Governance published by the Association of Investment Companies from time to time, the requirements of the Listing Rules (to the extent the Company has voluntarily elected to comply with the Listing Rules), the Prospectus Regulation Rules made by the FCA under section 73A of FSMA as amended from time to time, the Disclosure Guidance and Transparency Rules, the Prospectus Regulation (*EU 2017/1129*), the Alternative Investment Fund Managers Directive (*2011/61/EU*), the Market Abuse Regulation and any other applicable rules, as appropriate;
- 11.1.4 be responsible for co-ordination of the internal (if any) and external auditors;
- 11.1.5 where requested by the Board, 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;
- 11.1.6 oversee any investigation of activities which are within its terms of reference; and
- 11.1.7 arrange for periodic reviews of its own performance and, at least annually, review its 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.

## 12. AUTHORITY

12.1 The Committee is authorised:

- 12.1.1 to seek any information it requires from:
  - (a) any member of the Board; or
  - (b) any director or employee of the investment manager of the Company (from time to time) or employee of the Company in order to perform its duties;
- 12.1.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 12.1.3 to call any employee or officer of the Company to be questioned at a meeting of the Committee as and when required; and
- 12.1.4 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.