



# Audit & Risk Committee Charter

Adopted by the board on 25 November 2020

# Audit & Risk Committee Charter

## Zeta Resources Limited and its subsidiaries (the Company)

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### 1. Background

- 1.1 The Audit & Risk Committee ("Committee") was established by the Board of Directors of the Company on 25 November 2020. The Audit & Risk Committee is accountable to the Board.
- 1.2 The Company has no employees and is managed by ICM Limited ("ICM") under an Investment Management Agreement dated 3 June 2018.
- 1.3 The Company Secretary is ICM, who will act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

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### 2. Composition of the Committee

- 2.1 The Committee is established by the Board and shall comprise non-executive directors of the Company. The chair of the Board can be a member if they were independent on appointment but should not also chair the Committee.
- 2.2 The Chairman of the Committee shall be appointed by the Board. The Board shall make appointments to the Committee, in consultation with the Committee Chairman.
- 2.3 At least one member of the Committee should have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Company operates. A process for induction and ongoing training should be established by the Committee.

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### 3. Meetings

- 3.1 The Committee will meet at least two times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 3.2 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Chairman of the Board and the external audit lead partner.
- 3.3 A quorum shall be any two members. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting.
- 3.4 Appointment to the Committee will be reviewed periodically.
- 3.5 Only members of the Committee have the right to attend Committee meetings. However other individuals, such as the other directors and the representatives detailed below, may be invited to attend all or part of any meeting in person or by telephone, as and when appropriate and necessary:
  - Representatives of ICM
  - The External Auditor
  - Representatives of the Company's Administrator
  - Representatives of the Company's Depositary
- 3.6 The Chairman of the Committee should attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.
- 3.7 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman or any of its members, or at the request of the external audit lead partner if he/she considers it necessary.
- 3.8 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 and any other person required to attend no later than five 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.

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## **4. Duties**

### **4.1 Internal Controls, Financial Reporting and Risk Management Systems**

The Committee shall:

- (a) keep under review the adequacy and effectiveness of the Company's internal financial control systems that identify, assess, manage and monitor financial risks and other internal control and risk management systems;
- (b) review the Committee's risk matrix with ICM at regular intervals to assess if all known risks are covered and the controls in place are adequate;
- (c) reasonably satisfy itself that such systems meet relevant legal and regulatory requirements and initiate further investigations as it sees fit as to the effectiveness of the systems of control;
- (d) review and approve the statements to be included in the Annual Report concerning internal controls and risk management, including the assessment of principal risks and emerging risks, and the viability statement; and
- (e) review semi-annual reports from ICM on its activities as investment manager; a representative of ICM will attend meetings on request.

The Committee shall review and challenge where necessary:

- (f) the application of significant accounting policies and any changes to them;
- (g) the methods used to account for significant or unusual transactions where different approaches are possible;
- (h) whether the Company has followed appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
- (i) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- (j) all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

The Committee shall:

- (k) 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 performance, and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor;
- (l) review final drafts of the Company's half-year and annual accounts and any other financial statements to ensure that the Company's results and financial position are represented accurately and fairly to shareholders. The Committee shall receive such drafts with reasonable notice; and
- (m) receive and consider an annual report from ICM confirming that the Company's affairs have been conducted in compliance with the regulations applying to it, and in adherence to the Company's investment policy.
- (n) narrative reporting – 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 and whether it informs the Board's statement in the annual report on these matters.

### **4.2 Internal Audit**

The Committee shall consider annually whether there is a need for an internal audit function and make a recommendation to the Board accordingly.

### 4.3 External Audit

The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the Company's external auditor. The Committee shall develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process. If an external auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) oversee the relationship with the external auditor including (but not limited to):
  - (i) approval of its remuneration, including both fees for audit and non-audit services, and ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
  - (ii) approval of its terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (iii) assessing annually its independence and objectivity taking into account relevant law, regulation, and other professional requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
  - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - (v) monitoring the auditor's process for maintaining independence, its compliance with relevant law, regulation, other professional requirements and ethical and professional guidance on the rotation of audit partner and staff;
  - (vi) monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, ethical, professional and regulatory requirements;
  - (vii) assessing annually the qualifications, expertise and resources and independence of the external auditor and the effectiveness of the external audit process which shall include a report from the external auditors on their own internal quality procedures;
  - (viii) evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee;
  - (ix) developing and recommending to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be preapproved, and undertaking an assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
    - A. threats to the independence and objectivity of the external auditor and any safeguards in place;
    - B. the nature of the non-audit services;
    - C. whether the external audit firm is the most suitable supplier of the non-audit services;
    - D. the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
    - E. the criteria governing compensation.
- (c) 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 also meet the external auditor at least once a year, without the Investment Manager being present, to discuss its remit and any issues arising from the audit;

- (d) discuss with the external auditor the factors which could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (e) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - (i) a discussion of any major issues which arose during the audit;
  - (ii) the auditor's explanation of how the risks to audit quality were addressed
  - (iii) key accounting and audit judgements;
  - (iv) the auditor's view of their interactions with the Investment Manager; and
  - (v) levels of errors identified during the audit;

The Committee shall also:

- (f) review any representation letter(s) requested by the external auditor before it is (they are) signed by the Board;
- (g) review the management letter and the Investment Manager's response to the auditor's findings and recommendations;
- (h) review the effectiveness of the audit process, including an assessment of the quality of the audit in conjunction with the Investment Manager, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

#### **4.4 Reporting Responsibilities**

- (a) The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. The report shall include:
  - (i) the significant issues that it considered in relation to the financial statements and how these have been addressed;
  - (ii) its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
  - (iii) any other issues on which the Board has requested the Committee's opinion.
- (b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;

#### **4.5 Compliance, Whistleblowing and Fraud**

The Committee shall:

- (a) review the adequacy of ICM's arrangements for its employees 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;
- (b) review the Company's procedures for detecting fraud;
- (c) receive reports on ICM's systems and controls for the prevention of bribery and non-compliance; and
- (d) review reports from the ICM's Compliance Officers and keep under review the adequacy and effectiveness of the ICM's compliance function, including any reports on anti-money laundering.

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## **5. ICM & Third-Party Conflicts of Interest**

- 5.1** The Company has no interest in the share capital of ICM or any of the Company's third-party service providers.
- 5.2** The Committee will expect to be given prompt warning by ICM and/or any of the Company's third-party service providers of matters of significant concern to the Company.

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## **6. Reporting**

- 6.1 The Secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance. The minutes of each meeting of the Committee will be circulated to all directors of the Company and reports made to the Board as appropriate.
- 6.2 The Audit & Risk Committee Charter is to be made available on request.

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## **7. Third-Party Service Providers**

The Committee shall:

- 7.1 consider and make recommendations to the Board regarding the appointment of third-party service providers in connection with Committee matters; and
- 7.2 ensure that such third-party service providers comply with the terms of their respective agreements with the Company and that the provisions of such agreements follow industry practice, remain competitive and are in the best interests of shareholders.

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## **8. Other Matters**

The Committee shall:

- 8.1 have access to sufficient resources in order to carry out its duties, including access to the Secretary for advice and assistance as required;
- 8.2 be provided with appropriate and timely training, as necessary both in the form of an induction programme for new members and on an ongoing basis for all members;
- 8.3 give due consideration to all relevant laws and regulations and published guidance, and any other applicable rules as appropriate;
- 8.4 oversee any investigation of activities which are within its terms of reference;
- 8.5 work and liaise as necessary with all other Board committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees;
- 8.6 ensure that a periodic evaluation of the Committee's performance is carried out;
- 8.7 at least once a year, review its charter to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
- 8.8 review with representatives of ICM and such other persons as it sees fit any matter within its terms of reference including matters of concern to the ICM's Compliance Departments.

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## **9. Authority**

The Committee is authorised to:

- 9.1 seek any information it requires from any employee of the Investment Manager in order to perform its duties;
- 9.2 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so;
- 9.3 call any employee of the Investment Manager to be questioned at a meeting of the Committee as and when required; and
- 9.4 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. If the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position.