

The Lindsell Train Investment Trust plc

Audit Committee – Terms of Reference

1. Membership

The Committee shall comprise at least three members, all of whom shall be independent non-executive Directors. To the extent practicable, at least one member of the Committee should have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies and the Committee as a whole shall have competence relevant to the sector in which the Company operates. The Chairman of the Board may be a member of the Committee but will not act as Chairman of the Committee.

Members of the Committee shall be appointed by the Board in consultation with the Chairman of the Audit Committee. All Directors seek re-election on an annual basis. Members are appointed to this Committee on the same basis.

1.1 Only members of the Committee have the right to attend Committee meetings. However, a representative of the Investment Manager, the Administrator and Company Secretary and the external audit lead partner will be invited to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.

1.2 The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to Chair the meeting.

2. Secretary

The Company Secretary, or their nominee, shall 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.

3. Quorum

A quorum necessary for the transaction of business shall be any two members including the Chairman of the Committee, or the Chairman's nominated delegate.

4. Frequency of Meetings

4.1 The Committee will meet at least twice each year at appropriate intervals in the financial reporting and audit cycle, to review the drafts of the annual and half-year reports of the Company, for audit planning purposes and at such other times as may be required.

4.2 Outside 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, other Directors and key service providers.

4.3 The Committee will meet periodically with the auditors, either together as a committee or with each Director separately as is deemed most appropriate and with or without any representatives from the Investment Manager or Company Secretary/Administrator present.

4.4 The auditors may, where they consider it necessary or appropriate, also request a meeting of the Committee with or without any representatives from the Investment Manager or Company Secretary/Administrator present.

5. Notice of Meetings

5.1 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 if they consider it necessary.

5.2 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 and any other person required to attend no later than seven 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.

6. Minutes of Meetings

6.1 The Secretary shall minute the proceedings and decisions of all Committee meetings, including the names of those present and in attendance.

6.2 The draft minutes of each meeting of the Committee shall be circulated to the Committee Chairman and once agreed will be circulated to all other members of the Committee and the Company Secretary unless, exceptionally, it would be inappropriate to do so.

7. Engagement with Shareholders

The Committee Chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities. In addition, the Committee Chairman should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility as considered necessary.

8. Duties

The Committee should have oversight of the Company as a whole and, unless required otherwise by regulation, as appropriate.

8.1 Principal Responsibilities

The principal responsibilities of the Committee are:

- (i) to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- (ii) to review the Company's internal financial controls and the internal control and risk management systems of the Company and its third party service providers;
- (iii) to make recommendations to the Board in relation to the appointment of the external auditors and their remuneration;
- (iv) to ensure that the audit services contract is put out to tender such that the Company complies with the permissible period of tenure and the selection procedure set out in section 489A of the Companies Act 2006;
- (v) to review and monitor the Auditors' independence and objectivity and the effectiveness of the audit process; and

- (vi) to develop and implement policy on the engagement of the Auditors to supply non-audit services and taking into account relevant guidance regarding the provision of non-audit services by the Auditors.
- vii) to consider the assessment of the adequacy of the methodologies applied in and results of the Lindsell Train Limited valuation process. The Committee shall report to the Board on how it has discharged its responsibilities.

8.2 Financial Reporting

The Committee shall:

- (i) where requested, provide advice to the Board 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 position and performance, business model and strategy;
- (ii) review the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, announcements of results and related formal statements;
- (iii) consider significant accounting policies and whether the policies adopted are appropriate, any changes to them and any significant estimates and judgements;
- (iv) review the adequacy and scope of the external audit, compliance with regulatory and financial reporting requirements, the clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context;
- (v) satisfy itself that the annual and half-year reports and any other significant published financial information are properly and carefully prepared and give a fair representation of the Company's affairs;
- (vi) seek clarification from the Administrator of any changes in accounting policy or treatment affecting the Company's annual report and accounts;
- (vii) review related information presented with the financial statements, including the operating and financial review, and corporate governance statements relating to the audit and to risk management; and
- (viii) where Board approval is required for other statements containing financial information (for example, summary financial statements, significant financial returns to regulators and release of price sensitive information), whenever practicable the Committee shall review such statements first.

8.3 Internal Controls and Risk Management Systems

The Committee shall:

- (i) review the reports on the internal controls of the Company's service providers which identify the risk management systems in place for assessing, managing and monitoring risks applicable to such service providers;
- (ii) establish a process for identifying, assessing, managing and monitoring the risks which may have a financial impact on the Company;

- (iii) review reports on the conclusions of any testing carried out by the Auditors; and
- (iv) review and approve the statements included in the annual report in relation to internal control and the management of risk.

8.4 Compliance, speaking-up and fraud

The Committee shall

- 8.4.1 review the adequacy and security of the Company's arrangements for its contractors and external parties 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;
- 8.4.2 review the Company's procedures for detecting fraud;
- 8.4.3 review the company's systems and controls for the prevention of bribery and receive reports on non-compliance; and
- 8.4.4 review regular reports from the Compliance Officers at key service providers.

8.5 Audit

8.5.1 Internal

The Committee, annually, shall monitor and review the need for an internal audit function, and make an appropriate recommendation to the Board.

8.5.2 External

The Committee shall:

- (i) be responsible for making recommendations to the Board on the appointment, reappointment and removal of the Auditors and on their terms of engagement and remuneration;
- (ii) meet annually with the Auditors to review the annual results and to discuss any major issues that arose during the course of the audit;
- (iii) satisfy itself that the level of fee payable in respect of the audit services provided is appropriate for an effective audit to be conducted;
- (iv) review and if necessary seek amendments to the letter of representation to be given by the Board to the Auditors;
- (v) review and discuss with the Auditors a) their engagement letter issued at the start of each audit, ensuring that it has been updated to reflect changes in circumstances arising since the previous year, and b) the scope of the audit process proposed to be undertaken by the Auditors;
- (vi) annually, assess the qualification, expertise, resources and independence of the Auditors and the effectiveness of the audit process;
- (vii) develop and recommend to the Board, the Company's policy on the provision of non-audit services by the Auditors;

- (viii) consider and if appropriate approve all non-audit work to be carried out by the Auditors and, where non-audit services are provided, ensure that the relevant disclosures are made in the annual report regarding auditor objectivity, independence and the fees paid for non-audit work;
- (ix) oversee the selection process when conducting audit tenders and appointing new external auditors; and
- (x) at the end of the annual audit cycle, assess the effectiveness of the audit process.

8.6 The Committee shall disclose the workings of the Committee in the annual report and accounts, ensuring that the Terms of Reference for the Committee are generally available upon request or on the Company's website and that the annual report contains the Directors' explanation of their responsibility for preparing the accounts and a statement by the Auditors about their reporting responsibilities.

8.7 The Committee shall ensure disclosure in the annual report of all of the disclosures in the AIC Code of Corporate Governance, as amended from time to time including:

- (i) the Company's investment objective and investment policy and the Company's full portfolio listing;
- (ii) those areas of decision-making reserved to the Board and those over which the Investment Manager has discretion;
- (iii) the Investment Manager's overall performance; and
- (iv) ongoing charges ratios and their impact on the Company.

8.8 The Committee will prepare a separate section of the annual report and accounts to describe the work of the Committee in discharging its responsibilities. This report will include:

- (i) the significant issues that the Committee considered in relation to the financial statements, and how these issues were addressed;
- (ii) an explanation of the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the Auditors, and information on the length of tenure of the current audit firm and when a tender was last conducted and advance notice of any retendering plans;
- (iii) if the Board does not accept the Committee's recommendation on the external auditor's appointment, reappointment or removal, a statement explaining its recommendation and the reasons why the Board has taken a different position; and
- iv) if the Auditors provides non-audit services, an explanation of how Auditors objectivity and independence is safeguarded.

9. Reporting responsibilities

9.1 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. This report shall include:

- 9.1.1 the significant issues that it considered in relation to the financial statements (required under section 8.2) and how these were addressed ;
- 9.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 8.6.10), 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
- 9.1.3 any other issues on which the Board has requested the Committee's opinion.

9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9.3 The Committee shall compile a report on its activities to be included in the Company's annual report and accounts. The report should describe the work of the Committee, including:

- 9.3.1 the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
- 9.3.2 an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external 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
- 9.3.3 an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code.

9.4 In compiling the reports referred to in 9.1 and 9.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

10. Other matters

The Committee shall:

10.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance as required.

10.2 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.

10.3 Give due consideration to all relevant laws and regulations, the provisions of the UK Corporate Governance Code, the AIC Code of Corporate Governance and published guidance, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.

10.4 Be responsible for oversight of the coordination of the internal and external auditors, if required.

10.5 Oversee any investigation of activities which are within its terms of reference.

- 10.6** 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.
- 10.7** Ensure that a periodic evaluation of the Committee's performance is carried out.
- 10.8** 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.

11. Authority

The Committee is authorised to:

- 11.1** Obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so.
- 11.2** Have the right to publish in the Company's annual report and accounts, 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.

Definitions

In these Terms of Reference, unless the context otherwise requires, the following definitions shall apply:

"**Administrator**" means Frostrow Capital LLP, or such other administrator appointed by the Company from time to time;

"**Auditors**" means the auditors appointed by the Company from time to time;

"**Board**" means the Board of Directors;

"**Chairman**" means the chairman of the Committee;

"**Committee**" means the audit committee of the Company;

"**Company**" means The Lindsell Train Investment Trust plc

"**Company Secretary**" means Frostrow Capital LLP, or such other Company Secretary appointed by the Company from time to time;

"**Directors**" mean the Directors of the Company from time to time;

"**Investment Manager**" means Lindsell Train Limited or such other Investment Manager appointed by the Company from time to time; and

"**Secretary**" means the Secretary of the Committee.