

Baillie Gifford Shin Nippon PLC

Audit Committee Terms of Reference

Prime Responsibility	To assist the Board in carrying out its responsibilities relating to the Company's accounting policies, internal controls, risk management and financial reporting functions.
Membership & Quorum	<p>The Committee shall comprise at least three members. The Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, from amongst the independent non-executive directors of the company. At least one member shall have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector. A quorum shall be two members.</p> <p>The Chair of the Committee shall be appointed by the Board.</p>
Attendance at meetings	<p>Representatives of the Managers and Secretaries, Representatives of the Secretaries' Compliance and Business Risk & Internal Audit Departments and a representative of the external Auditor and Depositary may be required to attend the meetings twice annually.</p> <p>At least once a year the Committee will meet the Company's Auditor without the presence of any employee of the Managers.</p>
Secretaries	Baillie Gifford & Co Limited shall act as Secretaries to the Committee.
Frequency of meetings	Meetings shall be held at least twice a year. Any member of the Committee or the external Auditor may request additional meetings if they consider it necessary.
Training	An induction programme is provided for new Audit Committee members and ongoing training is available for existing members of the Committee.
Authority	<p>The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from the Managers and the Secretaries.</p> <p>The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.</p>
Duties	<p>The duties of the Committee shall be:</p> <p>Financial and Narrative Reporting</p> <p>To monitor the integrity of the Financial Statements of the Company, including its annual and interim reports and any other formal announcements relating to the Company's financial performance, reviewing 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.</p> <p>In particular, the Committee shall review and challenge where necessary:</p> <ol style="list-style-type: none">i. the consistency of, and any changes to, accounting policies and practices;ii. major judgmental areas including, but not limited to, the review of the basis of the valuation of the unlisted investments;iii. significant adjustments arising from the audit;iv. the methods used to account for significant or unusual transactions where different approaches are possible;v. compliance with applicable accounting standards and practices;vi. the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;

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Duties (continued)

- vii. all material information presented with the Financial Statements, such as the strategic report and the corporate governance statement relating to the audit and risk management;
- viii. the going concern assumption;
- ix. assessment period for the Company's Viability Statement; and
- x. compliance with applicable FCA, London Stock Exchange, legal and other regulatory requirements.

Where the Committee is not satisfied with any aspect of the proposed financial reporting to the Company, it shall report its views to the Board.

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, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

Internal Controls and Risk Management Systems

- to keep under review the adequacy and effectiveness of internal financial controls and effectiveness of its internal control and risk management systems; and
- to review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

External Audit

1. to consider the appointment, re-appointment and removal of the external Auditor and make recommendations to the Board. The Committee shall oversee the selection process for a new auditor and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required;
2. to consider whether the audit services contract should be 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, to oversee the selection process.
3. to make recommendations to the Board on the remuneration of the Auditor, whether for audit or non-audit services, and on whether the level of fees is appropriate to enable an effective and high quality audit to be conducted;
4. approval of the Auditor's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
5. to review and monitor annually the Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
6. monitor the Auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner;
7. assess annually the qualifications, expertise and resources of the Auditor and the effectiveness of the audit process;
8. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
9. to discuss problems and reservations arising from the annual audit, and any other matters the auditor may wish to discuss (in the absence of management where necessary);
10. to review any representation letter(s) requested by the external Auditor;
11. to review the Auditor's management letter and management's response;

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Duties (continued)

12. to develop and implement policy on the engagement of the external Auditor to supply non audit services if appropriate; and
13. to pre-approve all permissible non-audit services.

Compliance, Business Risk, Internal Audit, Depository and Whistleblowing

14. to consider annually whether there is a need for an internal audit function and to explain the reasons for the absence of such a function in the Annual Report and Financial Statements;
15. to review regular reports from the Managers' Compliance Department;
16. to review regular reports from the Managers' Internal Audit Department;
17. to review regular reports from the Managers' Business Risk on the AIFM's risk management systems
18. to review regular reports from the Company's Depository; and
19. to review the arrangements in place at Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company and to establish that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

Reporting procedures

The Secretaries shall circulate the minutes of meetings of the Committee to all members of the Board.

The Committee Chair shall report to the Board after each meeting, identifying any matters in respect of which the Committee considers that action or improvement is needed and making recommendations as to the steps to be taken.

A report on the Committee's activities shall be disclosed in the Annual Report and Financial Statements, including:

- the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
- an explanation of how the Committee has addressed the 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
- if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded.

Other Matters

The Committee shall:

1. review the Investment Management Agreement with Baillie Gifford & Co Limited once a year; and
 2. arrange for periodic review of its own performance and, at least annually, review these terms of reference and recommend any changes it considers necessary to the Board for approval.
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