

EUROPEAN OPPORTUNITIES TRUST PLC
(the 'Company')
Terms of Reference of the Audit Committee

1. Objective

The primary responsibilities of the Audit Committee are to ensure the integrity of the financial reporting by the Company, the appropriateness of the risk management and internal controls processes and the effectiveness of the independent audit process.

2. Membership

- The Committee shall comprise at least three members.
- Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend all or part of any meeting as and when appropriate and necessary.
- The external auditor will be invited to attend meetings of the Committee as necessary.
- The Board shall appoint the Committee chairman. The chairman of the Board may be a member of, but not chair, the Committee provided he/she was independent on appointment as chairman.
- The Board shall ensure that at least one member has recent and relevant financial experience.
- The Committee as a whole should have competence relevant to the sector in which the Company operates.

3. Company 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.

4. Quorum

The quorum necessary for the transaction of business shall be any two members. 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.

5. Frequency of meetings

The Committee shall meet at least twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

6. Notice of meetings

- Meetings of the Committee shall be convened by the Company Secretary of the Committee at the request of any of its members or at the request of the external audit lead partners if they consider it necessary.
- Unless otherwise agreed by the Committee, 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 no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members at the same time.
- Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

7. Minutes of meetings

- The Company Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee.

8. Annual General Meeting

The Committee chairman should attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

9. Duties

The Committee should carry out the duties below, as appropriate.

9.1 Financial Reporting

- 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 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.
- In particular, the Committee shall review and challenge where necessary:
 - the application of significant accounting policies and any changes to them;
 - the methods used to account for significant or unusual transactions where different approaches are possible;
 - whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's view on the financial statements;
 - the appropriateness of preparing the Company's financial reports on a going concern basis;
 - the assessment of the Company's prospects and viability taking into consideration stress and scenario testing carried out and the appropriateness of the viability period selected; and
 - all material information presented with the financial statement, including the strategic report and the corporate governance statements relating to the audit and to risk management.
- The Committee shall 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 and Disclosure Guidance and Transparency Rules.
- 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.

9.2 Narrative reporting

- The Committee shall formally assess the content of the annual report and accounts and advise the Board on whether, taken as a whole, the annual report and accounts are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

9.3 Internal controls and risk management systems

The Committee shall:

- keep under review the adequacy and effectiveness of the Investment Manager's and other third party service providers' internal financial controls systems and internal control and risk management systems;
- keep under review the effectiveness of the Company's internal control environment;
- carry out a robust assessment of the Company's emerging and principal risks, including a review of procedures in place to identify emerging risks and how these are being managed or mitigated;
- consider the need for the Company to have its own internal audit function; and
- review and approve the statement to be included in the annual report concerning internal financial controls, internal controls and risk management.

9.4 External audit

The Committee shall:

- consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditors;
- lead the selection process for the appointment of auditors, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- if the auditors resign, investigate the issues leading to this and decide whether any action is required;
- oversee the relationship with the external auditors including (but not limited to):-
 - recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - assessing annually the external auditors' independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
 - satisfying itself that there are no relationships between the auditors and the Company (other than in the ordinary course of business) which could adversely affect the auditors' independence and objectivity;
 - monitoring the auditors' processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
 - monitor the level of fees paid by the Company to the external auditors compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
 - assessing annually the qualifications, expertise and resources, and independence of the external auditors and the effectiveness of the audit process, which shall include a report from the external auditors on their own internal quality procedures; and
 - evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the external auditors' communications with the Committee.
- meet regularly with the external auditors (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the auditors' remit and any issues arising from the audit;
- discuss with the external auditors the factors that 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;
- review the findings of the audit with the external auditors. This shall include but not be limited to, the following:-
 - a discussion of any major issues which arose during the audit;
 - the auditors' explanation of how the risks to audit quality were addressed;
 - key accounting and audit judgements;
 - levels of errors identified during the audit;
 - the effectiveness of the audit process.

The Committee shall also:

- review any representation letter(s) requested by the external auditors before they are signed by the Board;
- review the management letter and management's response to the auditors' findings and recommendations; and

- develop and implement policy on the supply of non-audit services by the external auditors to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

10 Reporting responsibilities

- 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:-
 - the significant issues that it considered in relation to the financial statements and how these were addressed;
 - its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditors; and
 - any other issues on which the Board has requested the Committee's opinion.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- The Committee shall compile a report on its activities and how it has discharged its responsibilities during the year to be included in the Company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the Code.
- In the compiling of the reports referred to in this section, 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.

11 Other matters

The Committee shall have access to:

- sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 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;
- give due consideration to laws and regulations, including the provisions of the Code and the requirements of the Listing, Prospectus and Disclosure Guidance and Transparency Rules, as appropriate;
- oversee any investigation of activities which are within its terms of reference; and
- arrange for any periodic reviews of its own performance and, at least annually, review its terms of reference and recommend any changes it considers necessary to the Board.

12 Authority

The Committee is authorised to:

- seek any information it requires of the Company in order to perform its duties;
- obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter within its terms of reference; and
- 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.

Approved on 11 September 2020