

THE SCOTTISH INVESTMENT TRUST PLC

(the "Company")

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

(the "Committee")

1. CONSTITUTION AND RESPONSIBILITY

- 1.1. The Committee is appointed by the board of the Company (the "Board") in accordance with its Articles of Association (article 138).
- 1.2. The Committee is to assist the Board in carrying out its responsibilities relating to the Company's accounting policies, internal controls, risk management and financial reporting functions. This includes any significant matters relating to the Company's subsidiary, SIT Savings Ltd.

2. MEMBERSHIP

- 2.1. The Committee shall be appointed by the Board and shall comprise a chair who is not the chair of the Company and at least three other members.
- 2.2. All members of the Committee shall be independent non-executive directors. The chair of the board should not be a member of the Committee but may attend by invitation.
- 2.3. At least one member of the Committee should have recent and relevant financial experience.
- 2.4. The audit committee as a whole shall have competence relevant to the sector in which the Company operates.
- 2.5. Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee, in consultation with the chair of the Audit Committee. Appointments shall be for a period of up to three years, which may be extended for up to two additional three-year periods, provided members continue to remain independent.
- 2.6. The Board shall appoint the Committee chair. In the absence of the Committee chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 2.7. Each member shall declare any conflicts or potential conflicts of interest at the start of each meeting.

3. ATTENDANCE

- 3.1. The Committee may ask the chair, other members of the Board and any relevant senior management to attend meetings either regularly or by invitation, but the invitees have no right of attendance.

- 3.2. The Committee may ask a representative of the external auditors to attend all meetings.
- 3.3. The Committee should, at the request of the external auditors, have a meeting without management being present.

4. SECRETARY

The company secretary of the Company 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 items of business.

5. QUORUM

- 5.1. The quorum necessary for the transaction of business shall be two members.
- 5.2. 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.

6. FREQUENCY OF MEETINGS

- 6.1. The Committee shall meet at least three times per year at appropriate intervals in the financial reporting and audit cycle, and otherwise as required.
- 6.2. Outside of the formal meeting programme, the Committee chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board chair, other members of the Board and the external audit lead partner.

7. NOTICE OF MEETINGS

- 7.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of the Committee chair or any of its members, or at the request of the external audit lead partner if they consider it necessary.
- 7.2 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 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.

8. MINUTES OF MEETINGS

- 8.1. The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 8.2. The secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

- 8.3. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated all other members of the Board unless, exceptionally, it would be inappropriate to do so.

9. ENGAGEMENT WITH SHAREHOLDERS

- 9.1 The Committee chair should attend the annual general meeting to respond to any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

10. DUTIES

The Committee should have oversight of the group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, any subsidiary undertakings and the group as a whole, as appropriate. The duties of the Committee shall be:

10.1. Financial Reporting

- 10.1.1. The Committee shall monitor the integrity of the Company's financial statements, including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to the Company's financial performance, review and report to the Board on significant financial reporting issues and judgements which those statements contain, having regard to matters communicated to it by the auditor.

In particular, the Committee shall review and challenge where necessary:

- (a) the application of significant accounting policies and practices and any changes to them;
 - (b) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (c) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
 - (d) the clarity and completeness of disclosures in the financial statements and the context in which statements are made; and
 - (e) 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.
- 10.1.2. 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, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook.

- 10.1.3. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company they shall report their views to the Board.

10.2. Narrative reporting

Where requested by the Board, the Committee shall review the content of the Company's 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 that is required under the UK Corporate Governance Code ('the 'Code').

10.3. Internal Controls and Risk Management Systems

The Committee shall:

- 10.3.1 monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on the findings of that review in parallel to making a recommendation to the board;
- 10.3.2 consider whether an independent, third party review of processes is appropriate at any time; and.
- 10.3.3 review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

10.4 Compliance, speaking up and fraud

The Committee shall:

- 10.4.1 review the adequacy and security of the Company's arrangements for its employees, 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;
- 10.4.2 review the Company's procedures for detecting fraud; and
- 10.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

10.5 Internal audit

The Committee shall consider annually whether there is a need for an internal audit function and make a recommendation to the Board and the reasons for the absence of such a function should be explained in the relevant section of the annual report.

10.6 External audit

The Committee shall:

- 10.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, reappointment or removal of the Company's external auditor;
- 10.6.2 develop and oversee the selection procedure for the appointment of the external audit firm in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 10.6.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 10.6.4 oversee the relationship with external auditor. In this context the Committee shall:
 - 10.6.4.1 approve their remuneration, including both fees for audit and non-audit services and ensure that the level of fees is appropriate to enable an effective and high quality audit to be conducted; and
 - 10.6.4.2 approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- 10.6.5 assess annually the external auditor's independence and objectivity, taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the group's 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;
- 10.6.6 satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 10.6.7 agree with the Board a policy on the employment of former employees of the Company's auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy;
- 10.6.8 monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;

- 10.6.9 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, professional and regulatory requirements, guidance and the Ethical Standard;
- 10.6.10 assess annually the qualifications, expertise and resources, and the independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 10.6.11 evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee;
- 10.6.12 develop and recommend 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 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:
 - 10.6.12.1 threats to the independence and objectivity of the external auditor and any safeguards in place;
 - 10.6.12.2 the nature of the non-audit services;
 - 10.6.12.3 whether the external audit firm is the most suitable supplier of the non-audit service;
 - 10.6.12.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - 10.6.12.5 the criteria governing compensation.
- 10.6.13 meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 10.6.14 discuss with the external auditor 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;
- 10.6.15 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 10.6.15.1 a discussion of any major issues which arose during the audit;
 - 10.6.15.2 the auditor's explanation of how the risks to audit quality were addressed;

- 10.6.15.3 key accounting and audit judgements;
 - 10.6.15.4 the auditor's view of their interactions with senior management;
 - 10.6.15.5 levels of errors identified;
 - 10.6.15.6 review any representation letter(s) requested by the external auditor before it is (they are) signed by management;
 - 10.6.15.7 review the management letter and management's response to the auditor's findings and recommendations
- 10.6.16 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor and the auditor's response to questions from the Committee.

11. REPORTING RESPONSIBILITIES

- 11.1. The Committee chair 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:
- 11.1.1. the significant issues that it considered in relation to the financial statements and how these issues were addressed;
 - 11.1.2. 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;
 - 11.1.3. any other issues on which the Board has requested the Committee's opinion;
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should describe the work of the audit committee, including:
- 11.3.1 the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
 - 11.3.2 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
 - 11.3.3 an explanation of how auditor objectivity and independence 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.

- 11.4 In compiling the reports referred to in 11.1 and 11.3, 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.

12. OTHER MATTERS

The Committee shall:

- 12.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 12.2. 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;
- 12.3. give due consideration to all relevant laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the FCA's Listing, Prospectus and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- 12.4. be responsible for oversight of the coordination of the external auditors;
- 12.5. oversee any investigation of activities which are within its terms of reference;
- 12.6. 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;
- 12.7. ensure that a periodic evaluation of the Committee's performance is carried out; and
- 12.8. 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.

13. AUTHORITY

The Committee is authorised to:

- 13.1. seek any information it requires from any employee of the Company in order to perform its duties;

- 13.2. obtain, at the Company's expense, independent legal, accounting or other professional advice on any matters it believes it necessary to do so;
- 13.3. Call any employee to be questioned at a meeting of the Committee as and when required;
and
- 13.4. 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 Committees recommendation and the reasons why the Board has taken a different position.

Approved by the Audit Committee and the Board on 9 December 2020.