

**Aquila European Renewables Income Fund plc**  
**Audit and Risk Committee – Terms of Reference**

**(Approved by the Board on 29 April 2019 and revised on 20 November 2019)**

**Definitions**

Reference to the "**Administrator**" shall mean PraxisIFM Fund Services (UK) Limited or such other alternative investment fund manager as is appointed by the Company from time to time.

Reference to the "**AIFM**" shall mean International Fund Management Limited or such other alternative investment fund manager as is appointed by the Company from time to time.

Reference to the "**Auditors**" shall mean PricewaterhouseCoopers LLP or such other auditor as is appointed by the Company from time to time.

Reference to the "**Board**" shall mean the board of directors of the Company.

Reference to the "**Committee**" shall mean the Audit and Risk Committee.

Reference to the "**Committee Chairman**" shall mean the Chairman of the Committee.

Reference to the "**Company**" shall mean Aquila European Renewables Income Fund plc.

Reference to the "Company Secretary" shall mean the appointed company secretary of the Company.

Reference to the "Investment Adviser" shall mean Aquila Capital Investmentgesellschaft mbH or such other investment adviser to the Company as is appointed by the AIFM from time to time.

Unless otherwise stated, reference to "**Secretary**" shall mean the Secretary of the Committee.

**Scope**

These terms of reference are issued to the Audit and Risk Committee.

**Composition of the Committee**

The Committee was constituted at a full meeting of the Board held on 29 April 2019 in accordance with the articles of association of the Company.

The Committee shall be comprised of two or more independent directors. The chairman of the Board may be a member of the Committee but may not act as the Committee Chairman. At least one member of the Committee shall have recent and relevant financial experience, ideally with a professional qualification from an internationally recognised professional accountancy body and with competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the sector.

The Chairman of the Committee shall be paid a fee in recognition of the additional duties involved.

### **Term**

Each appointment of the Committee shall be for a period of three years which may be extended for further period of up to three years provided that each director meets the criteria for membership of the Committee.

### **Meetings**

Meetings of the Committee shall be convened by the Secretary at the request of any of its members. 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 and any other person required to attend and all other non-executive directors no later than five working days before the date of the meeting.

The Committee will meet at least three times each year, 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. A sufficient interval should be allowed between Committee meetings and main Board meetings to allow any work arising from the Committee meeting to be carried out and reported to the Board as appropriate.

A quorum necessary for the transaction of business shall be any two members of the Committee. 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. Members may participate in a meeting of the Committee by means of a telephone or other communication equipment.

Any matters to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Each member of the Committee shall have one vote which may be cast on matters considered at the meeting of the Committee. Any action of the Committee may also be taken by an instrument or instruments in writing signed by all members of the Committee (including in counterparts) and any such action shall be as effective as if it had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.

The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Draft minutes of Committee meetings shall be agreed with the Committee Chairman and then shall be

circulated promptly to all members of the Committee and other directors of the Company, unless it was inappropriate to do so in the opinion of the Committee Chairman. Any director, upon request to the Secretary, may obtain copies of the Committee's agenda and minutes provided that there is no conflict of interests. Meetings of the Committee shall be called by the Secretary at the request of the Committee Chairman.

The Committee Chairman shall attend the Company's annual general meeting prepared to respond to any shareholder questions on the Committee's activities.

### **Attendance**

The Committee may invite other Board members to attend meetings and may request representatives of the Auditors, the AIFM, the Investment Adviser and Administrator or any other relevant service provider to attend meetings, but such invitees shall have no right of attendance.

### **Resources**

The Company Secretary shall act as Secretary to the Committee and should ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

### **Purpose**

The function of the Committee is to provide oversight and reassurance to the Board, specifically with regard to the integrity of the Company's financial reporting, audit arrangements, risk management and internal control processes and governance framework.

### **Authority**

The Committee is authorised to:

- seek any information it reasonably requires from the Board, or any director or employee of the Investment Adviser, or a representative of any third-party service provider in order to perform its duties;
- request a representative of a third-party service provider to attend any meeting of the Committee;
- obtain at the Company's expense outside legal or other professional advice on any matters within its terms of reference;
- have timely and unrestricted access to relevant documents relating to the affairs of the Company.

## **Principal Responsibilities**

The principal responsibilities of the Committee are:

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- 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;
- to review the scope and results of the external audit;
- to make recommendations to the Board in relation to the appointment of the external auditor and their remuneration;
- to review and monitor the external Auditor's independence and objectivity and the effectiveness of the audit process including its cost effectiveness;
- to review and monitor the provision of any non-audit services provided by the Auditor or any other appointed third-party service provider;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services and taking into account relevant guidance regarding the provision of non-audit services by the external audit firm;

## **Directors' Valuation**

- For the interim and annual financial statements to receive from the Investment Advisor a valuation of the Company's investment portfolio based on the agreed valuation methodology;
- To recommend to the Board the valuation of the Company's investment portfolio and any fair value adjustments thereto.

The Committee shall report to the Board on how it has discharged its responsibilities.

## **Financial Reporting**

The Committee shall:

- 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;
- 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

- consider significant accounting policies and whether the policies adopted are appropriate, any changes to them and any significant estimates and judgements;
- 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;
- monitor the integrity of the financial statements of the Company, including the Annual and Half Year Reports and any other significant published financial information, and satisfy itself that they are properly and carefully prepared and give a fair representation of the Company's affairs;
- review, and seek clarification on, any changes in accounting policy or treatment affecting the Company's report and accounts;
- review related information presented with the financial statements, including the strategic report, and corporate governance statements relating to the audit and to risk management;
- 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; and
- consider any other topic as deemed necessary.

### **Internal Controls and Risk Management Systems**

The Committee shall:

- revise and advise the Board on overall risk appetite, tolerance and strategy;
- 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;
- establish a process for identifying, assessing, managing and monitoring the risks which may have a financial impact on the Company;
- ensure it has adequate resources and appropriate access to information to oversee the monitoring of risk management in accordance with the relevant professional standards and corporate governance codes;
- review reports on the conclusions of any testing carried out by the external Auditors;
- review and approve the statements included in the Annual Report in relation to internal control and the management of risk;
- oversee and advise the Board on the current risk exposures and the future risk strategy.

## **Whistleblowing**

The Committee shall, from time to time, review the arrangements by which staff of the AIFM, the Investment Adviser and Administrator and other service providers as the Committee sees fit may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and satisfy itself that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. The Company shall review the Company's procedures for detecting fraud and systems and controls for the prevention of bribery and receive reports on non-compliance.

## **Audit**

### **Internal**

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

### **External**

The Committee shall:

- be responsible for making recommendations to the Board on the appointment, reappointment and removal of the Company's Auditors and on their terms of engagement and remuneration;
- satisfy itself that the level of fee payable in respect of the audit services provided is appropriate for an effective audit to be conducted;
- review and if necessary seek amendments to the letter of representation to be given by the Board to the Auditors;
- 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;
- review the findings of the audit with the 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;
  - the Auditors' view of their interactions with senior management; and
  - levels of errors identified during the audit.
- annually, assess the qualification, expertise, resources and independence of the external auditors and the effectiveness of the audit process;

- satisfy 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 auditor's independence and objectivity;
- monitor the Auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements;
- develop and recommend to the Board, the Company's policy on the provision of non-audit services by the Auditors;
- meet regularly with the 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, meet with the Auditors without management being present, to discuss the Auditors' remit and any issues arising from the audit;
- 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;
- oversee the selection process when conducting audit tenders and appointing new external auditors; and
- at the end of the annual audit cycle, assess the effectiveness of the audit process.

## **Reporting**

The Committee shall disclose the workings of the Committee in the Annual Report and ensure 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.

The Committee will prepare a separate section of the Annual Report to describe the work of the Committee in discharging its responsibilities. This report will include:

- the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed;
- an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted;
- if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded; and
- if an audit tender is proposed, details of the audit tender process.

The Committee will ensure that the terms of reference for the Committee are generally available upon request or on the Company's website.

April 2019