

# THE MERCHANTS TRUST PLC

## Terms of Reference for the Audit Committee

### 1. Constitution

The Audit Committee was established as a Committee of the Board by a resolution of the Board on 13 September 1993.

### 2. Membership

2.1 The Committee shall be appointed by the Board from amongst those directors considered to be independent by the Board and shall consist of no fewer than three members.

2.2 The Board shall satisfy itself that at least one member of the Committee has recent and relevant financial experience.

2.3 A quorum shall be two members.

2.4 The Chairman of the Committee shall be appointed by the Board.

### 3. Attendance at Meetings

3.1 Other Board members may attend meetings at the invitation of the Committee. The Committee will meet with the external auditors without the Managers or Secretary present.

3.2 The Company Secretary shall be the Secretary of the Committee.

3.3 A representative of the external auditors will be invited to attend meetings as appropriate.

### 4. Frequency of Meetings

4.1 Meetings shall be held not less than twice a year. Any member of the Committee may request additional meetings if necessary.

### 5. Authority

5.1 The Committee shall consider any matters relating to the financial affairs of the Company and to the Company's audit that it deems desirable and is authorised by the Board to investigate any matters within its terms of reference. It is authorised to seek any information it requires from the Managers.

5.2 The Committee is authorised to obtain, at the Company's expense, external legal or other independent professional advice on any matters within its terms of reference.

5.3 The Committee is authorised to make recommendations to the Board on any matter within its terms of reference.

## 6. Duties and Responsibilities

### 6.1 Financial Reporting

6.1.1 To discuss with the auditors the nature, scope and planning of the audit, and, taking into account the auditors' views, to consider whether the Company has adopted appropriate policies and made appropriate estimates and judgments;

6.1.2 To review annual financial statements and interim and preliminary announcements before submission to the Board, focusing particularly on:

- the valuation of any unquoted investments.
- the rationale, where relevant, for the ownership of shares in the management company, or investment in any enterprise managed by the Managers.
- any changes in accounting policies and practices.
- significant adjustments resulting from the audit.
- the going concern assumption.
- compliance with accounting standards.
- compliance with legal and regulatory requirements.

6.1.3 To receive an annual report from the company's auditors and have the opportunity to question the auditors.

6.1.4 To discuss any matters they wish to raise without the Managers or Secretary present.

### 6.2 Internal Controls

6.2.1 To review and monitor the effectiveness of the systems of accounting and internal control;

6.2.2 To review related information to be presented with the financial statements, including but not limited to, the Chairman's Statement, the Investment Managers' Review, the Business Review, risk management and corporate governance statements, insofar as they relate to matters within the scope of the Committee's responsibilities;

6.2.2 To receive reports from the Managers and other third party service suppliers on the effectiveness of the systems they have established.

### 6.3 External Audit Process

6.3.1 The Committee shall have the primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors;

6.3.2 The Committee shall assess annually the qualification, expertise and resources and independence of the external auditors and the effectiveness of the audit process;

6.3.3 The Committee shall approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services and any non-audit services provided;

6.3.4 The Committee shall review the management letter and the Managers' response to the auditors' findings and recommendations;

6.3.5 The Committee shall review any representation letter(s) requested by the auditors before they are signed by the Board.

7. **Reporting Procedures**

- 7.1 The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.
- 7.2 These terms of reference are to be made available on the Company's website;
- 7.3 The Chairman of the Committee shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities;
- 7.4 The Chairman of the Committee shall attend each annual meeting of the Company to deal with questions from shareholders on matters within the scope of the Committee's responsibilities.

January 2007

# THE MERCHANTS TRUST PLC

## Terms of Reference

### Nomination Committee

#### 1. Membership

- 1.1. The Committee shall be appointed by The Board and shall comprise a Chairman and at least two other members.
- 1.2. The members of The Committee shall be independent non-executive directors.
- 1.3. The Board shall appoint The Committee Chairman who may be the Chairman of the Board, except when he is considering the appointment of his successor. In the absence of The Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
- 1.4. Only members of the Committee shall have the right to attend Committee meetings. However, other Directors, external advisers and representatives of the Managers may be invited to attend for all or part of any meeting, as appropriate.

#### 2. Secretary

- 2.1. The Company Secretary or their nominee shall act as the Secretary of The Committee.

#### 3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be two. 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.

#### 4. Frequency of Meetings

- 4.1. The Committee shall meet not less frequently than once a year and at such other times as the Chairman of The Committee shall require.

#### 5. Notice of Meetings

- 5.1. Meetings of The Committee shall be summoned by the Secretary of The Committee at the request of the Chairman of The Committee.
- 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.

#### 6. Minutes of Meetings

- 6.1. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2. Minutes of Committee meetings shall be circulated to all members of The Committee and to the Chairman of The Board and made available on request to other members of The Board.

#### 7. Annual General Meeting

- 7.1. The Chairman of The Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on The Committee's activities.

## **8. Duties**

- 8.1. The Committee shall:

- 8.1.1. regularly review the structure, size and composition of The Board, including the skills, knowledge and experience required, and make recommendations to The Board with regard to any changes or adjustments that are deemed necessary;
- 8.1.2. prepare a description of the role and capabilities required for a particular appointment;
- 8.1.3. be responsible for identifying and nominating for the approval of The Board, candidates to fill board vacancies as and when they arise;
- 8.1.4. satisfy itself with regard to succession planning, that the processes and plans are in place with regard to Board appointments;
- 8.1.5. assess and articulate the time needed to fulfil the role of Chairman and non-executive director, and undertake an annual performance evaluation to ensure that the all members of the board have devoted sufficient time to their duties;
- 8.1.6. ensure on appointment that a candidate has sufficient time to undertake the role and review his commitments; and
- 8.1.7. ensure that the Secretary on behalf of the Board has formally written to any appointees, detailing the role and time commitments and proposing an induction plan produced in conjunction with the Chairman.

## **9. Authority**

- 9.1 The Committee is authorised to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.

January 2007

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## Terms of Reference Management Engagement Committee

### 1. Membership

- a) The Committee shall be appointed by the Board from amongst the directors not employed or formerly employed by RCM (UK) Ltd ("RCM") ("the Managers") or any associated company within the Allianz Group ("independent directors") and shall consist of not fewer than two members. A quorum shall be two members.
- b) The Chairman of the Committee shall be appointed by the Board.

### 2. Attendance at Meetings

- a) Other Board members shall also have the right of attendance.
- b) The Company Secretary shall be the Secretary of the Committee.

### 3. Frequency of Meetings

Meetings shall be held not less frequently than once each year.

### 4. Authority

The Committee shall consider any matters relating to the Terms of Appointment of the Managers of the Company that it deems desirable and 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.

### 5. Duties

The duties of the Committee shall be:

- a) To review the performance of the Managers
- b) to carry out an annual review of the terms of the Management Agreement;
- a) to review the level of the management fee and the length of the management contract and to consider whether these are competitive and make recommendations to the Board.
- d) to consider other topics, as defined by the Board.

### 6. Reporting Procedures

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