

**BH MACRO LIMITED (THE COMPANY)**  
**AUDIT COMMITTEE TERMS OF REFERENCE**

Adopted 11 September 2024

Definitions

**Administrator** means Northern Trust International Fund Administration Services (Guernsey) Limited or such other entity that may be appointed from time to time to act as provider of administrative and company secretarial services to the Company;

**Board** means the board of Directors;

**Corporate Governance Code** means the latest version of the UK Corporate Governance Code published by the Financial Reporting Council in July 2018 and the 2024 AIC Code of Corporate Governance as may be amended or replaced from time to time;

**Committee** means the audit committee of the Company;

**Committee Chair** means the chair of the Committee;

**Directors** means the directors of the Company and “Director” shall be construed accordingly; and

**FRC’s Minimum Standard** means the 2023 publication by the FRC, “Audit Committees and the External Audit: Minimum Standard

**Manager** means Brevan Howard Capital Management LP, or the investment manager of the Company from time to time.

**1. CONSTITUTION**

The Committee has been established by the Board to assist the Board in fulfilling its oversight responsibilities.

**2. MEMBERSHIP**

2.1 The Committee shall be made up of at least three members. The members of the Committee shall be appointed by the Board.

2.2 All members of the Committee shall be non-executive Directors, a majority of whom shall be independent of the Manager, and at least one member shall have recent and relevant financial experience. The Committee as a whole should have competence relevant to the sector in which the Company operates.

2.3 The Chair of the Board may not be a member of the Committee but may attend meetings of the Committee by invitation.

2.4 The Board shall appoint the Committee Chair from one of its Directors who shall be an

independent Non-Executive Director (and shall not any time also be the Chair of the Board). In the absence of the Committee Chair, the remaining members shall elect one of themselves to chair the meeting.

2.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, or as determined in the absolute discretion of the Board, provided that the majority of the Committee members remain independent of the Manager.

2.6 An induction programme is required for new audit committee members and on-going training is required for all members.

2.7 Each member of the Committee shall disclose to the Committee:

(a) any personal financial or other interest in any matter to be decided by the Committee; or

(b) any potential conflict of interest; and

any such member shall abstain from voting on resolutions of the Committee where such interest exists and from participating in the discussions concerning such resolutions.

### **3. ATTENDANCE AT MEETINGS**

3.1 Only members of the Committee shall 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.

3.2 The external auditors of the Company will be invited to attend the Committee meetings on a regular basis. At least once a year, the Committee shall meet with the external auditors without –non-independent members of the Board or service providers being present to discuss their requirements and any issues arising from the audit and to ensure that the external auditors’ management letters are reviewed.

3.3 The Committee may ask senior representatives of the Manager and the Administrator to attend meetings either regularly or by invitation but invitees shall have no right of audience.

### **4. SECRETARY**

The Administrator shall act as the secretary of the Committee.

### **5. QUORUM**

The quorum necessary for the transaction of business shall be 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.

## **6. FREQUENCY OF MEETINGS**

Meetings of the Committee shall be held in Guernsey at least three times a year and otherwise as required, or such other location as may be appropriate.

## **7. NOTICE OF MEETINGS**

7.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members or at the request of external or internal auditors 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, any other person invited to attend and all other Directors, 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 of the Committee shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

8.2 The secretary of the Committee shall ascertain at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

8.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board. The Committee Chair will report to the Board directly on significant matters discussed at each meeting of the Committee.

## **9. ANNUAL GENERAL MEETINGS**

The Committee Chair shall attend the Annual General Meeting (“AGM”), where possible, and a member of the Committee shall attend the AGM, if the Chair is unavailable and respond to any shareholder questions on the Committee’s activities.

## **10. DUTIES**

### ***Financial reporting***

10.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results announcements, any other formal announcements relating to its financial performance such as net asset value estimates as well as reviewing and challenging (where necessary) significant financial reporting issues and judgements which they contain (and the actions and judgements of the Investment Manager and any other relevant entities, in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:

- (a) When taken as a whole, the financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
  - (b) Critical accounting policies and practices and any changes in them, as they relate to the consolidated results of the Company;
  - (c) The auditor's statement of unadjusted audit differences and the explanation as to why adjustments have not been processed;
  - (d) The going concern assumption;
  - (e) Compliance with Accounting Standards;
  - (f) Compliance with Financial Conduct Authority and any other legal, regulatory or listing requirements.
- 10.2 The Committee shall assess the prospects of the Company over a specified period and state why this period is appropriate, providing an explanation as to how it has arrived at this conclusion. A statement will be made in the annual report whether the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment, drawing attention to any qualifications or assumptions as necessary.
- 10.3 The Committee shall also review reports from the Company's external auditors on such financial statements. The Committee shall also review summary financial statements, significant financial returns to regulators, other regulatory returns and any financial information contained in certain other documents, such as announcements of a price-sensitive nature, provided that such monitoring and review is not inconsistent with any requirement for prompt reporting under the Listing Rules of the Financial Conduct Authority.
- 10.4 The Committee shall keep under review the consistency of, and any changes to, accounting policies on a year-to-year basis.
- 10.5 The Committee shall review and challenge, where necessary, the Company's financial statements taking into account:
- (a) decisions requiring a significant element of judgement including the impact of adopting any acceptable alternative accounting treatment;
  - (b) the methods used to account for significant or unusual transactions where different approaches are possible and the extent to which the financial statements are affected by any unusual transactions and how they are disclosed;
  - (c) the clarity of disclosures in the Company's financial reports and the context in which statements are made;
  - (d) significant adjustments resulting from the audit;
  - (e) the going concern assumption;

- (f) compliance with accounting standards, including whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors;
- (g) compliance with the Disclosure Rules and other legal requirements; and
- (h) all material information presented with the financial statements, such as the operating and financial review, the corporate governance statement and the Company's statement on internal control systems, prior to endorsement by the Board, and the policies and process for identifying and assessing business risks and the management of those risks by the Company.

***Internal controls and risk management systems***

10.6 The Committee shall:

- (a) keep under review and assess the scope and effectiveness of the Company's internal controls and financial and non-financial risk management systems. The Board retains responsibility for the review of the effectiveness of the system of internal control and must form its own opinion despite aspects of that review being delegated to the Committee;
- (b) carry out a robust assessment of the principal risks facing the Company, describing those risks and explaining how they are being managed or mitigated;
- (c) consider annually whether the Company should have an internal audit function and shall make recommendations to the Board and provide the reasons for any absence of such a function within the relevant section of the annual report to shareholders;
- (d) review and approve the statements to be included in the annual report concerning internal controls and risk management;
- (e) review promptly all reports on the Company from the Manager or the Administrator (which shall include reports on the effectiveness of systems for internal financial control, financial reporting and risk management); and
- (f) monitor and review the effectiveness of the internal audit activities of the Manager and Administrator to the extent relevant to the Company.

***External audit***

10.7 The Committee shall oversee the relationship with the external auditors including (but not limited to):

- (i) approval of their remuneration, whether fees for audit or non-audit services, and monitor that the level of fees is appropriate to enable an adequate audit to be conducted;

- (ii) review annually the terms of the external auditor's engagement letter and their proposed remuneration taking into account any changes to the Company's structure and operations in the period and make recommendations to the Board regarding the external audit fee;
  - (iii) reviewing the Non-Audit Services Policy on an annual basis;
  - (iv) consider the appointment of the external auditor and assess the independence, effectiveness and performance of the external auditor in accordance with the UK Corporate Governance Code requirements, ensuring also that key partners are rotated at appropriate intervals and the relationship with the external auditor as a whole, including the provision of any non-audit services;
  - (v) discuss with the external auditor, before the audit commences, the nature and scope of the audit (or its review of the interim financial statements) and review the auditor's audit plan, quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
  - (vi) discussing with the external auditors any such issues as compliance with accounting standards and any proposals which the external auditors have made;
  - (vii) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditors and the Company (other than in the ordinary course of business);
  - (viii) monitoring the external auditors' compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
  - (ix) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- (a) meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage;
  - (b) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
  - (c) review the findings of the audit with the external auditors. This shall include but not be limited to, the following:
    - (i) a discussion of any major issues which arose during the audit;
    - (ii) any accounting and audit judgments;
    - (iii) levels of errors identified during the audit; and
    - (iv) the effectiveness of the audit;

and report the Committee's conclusions to the Board.

- (d) review any representation letter(s) requested by the external auditor before they are signed;
- (e) develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter; and
- (f) mediate in relation to any disagreements between the Company and the external auditors.

### ***Audit Tenders***

10.8 The Committee is required to put the audit out to tender at least every ten years, and to rotate auditors every twenty years. The audit tender process should be led by the Committee, this includes initiating a tender process, influencing the appointment of an engagement partner, negotiating the fee and scope of the audit, and making formal recommendations to the Board on the appointment, reappointment and removal of the external auditors. The Committee may make use of the Company's service providers or other external resources for assistance with research and evaluation as required.

10.9 The tendering process must not preclude the participation of "challenger" audit firms without good reason. To support this, the Committee should ensure companies have a sufficient number of potential auditors that are independent, or capable of becoming so, to allow for adequate competition and choice in a subsequent tender. Tenders should also be conducted far enough in advance of appointment for firms to exit relationships which may cause a conflict of interest.

10.10 The selection criteria should be transparent and non-discriminatory. When considering possible new appointees as external auditors, the Committee should oversee the selection process, and ensure that all tendering firms have the necessary access to information and individuals during the tendering process and that all tenders, including non-Big Four firms, are given fair and objective consideration.

10.11 The choice of auditor should be based on quality, including independence, challenge and technical competence, not price or perceived cultural fit. Public reports published by the FRC and where relevant other regulators, or other pertinent information available on the quality of each firm's audit should be scrutinised as part of the process. The Committee should also review audit quality indicators published by firms and / or the FRC.

10.12 All members of the Committee should be involved throughout the tender process, not just attending the audit firms' final presentations.

10.13 The Committee should submit at least two possible audit firm options for the engagement to the Board, together with a justified preference for one of them.

10.14 The Committee will consider running a price-blind tender if practical to do so.

10.15 If some eligible audit firms are unwilling to tender for an audit, the Committee will communicate with those firms in an effort to understand why they are unwilling to tender and whether this action is in the public interest. In such circumstances, the Audit Committee should ensure that it has not excluded other firms from tendering without good reason to believe they would not be able to perform a high-quality audit. The Committee should remind eligible firms that refusal to tender may result in them being ineligible to bid for non-audit services work.

#### ***Reporting responsibilities***

10.16 The Committee Chair shall report formally to the Board on its proceedings after each Committee meeting on all matters within its duties and responsibilities.

10.17 The Committee shall make whatever recommendation to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10.18 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report, which will include a report on the activities it has undertaken to meet the requirements of the FRC's Minimum Standard.

#### ***Reporting Procedures and Other matters***

10.19 The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Administrator for assistance as required;
- (b) 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;
- (c) give due consideration to laws and regulations, the provisions of the Corporate Governance Code, the requirements of the Disclosure Rules and Listing Rules of the Financial Conduct Authority, and the FRC's Audit Committees and the External Audit: Minimum Standard as appropriate;
- (d) ensure that financial information used within the Company or published is reliable;
- (e) once a year, review expenses of the Directors that have been submitted to the Administrator;
- (f) oversee any investigation of activities which are within its terms of reference and



act as a court of the last resort; and

- (g) at least once a year, review its own performance, 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. The Committee shall make its terms of reference available to shareholders on request.
- (h) The duties of the Committee and its activities during the year shall be disclosed in the annual financial statements, including but not limited to:
  - (i) a summary of the work of the Committee in discharging its responsibilities;
  - (ii) the significant issues considered by the Committee in relation to the financial statements and how these issues were dealt with;
  - (iii) whether the Committee considers that the Annual Report, taken as a whole, provides shareholders with the information necessary to assess and understand the risks and rewards they may be exposed to by owning shares in the Company;
  - (iv) how the Committee assessed the effectiveness of the external audit process, the approach taken to the audit appointment or re-appointment, including the length of the tenure of the audit firm; and
  - (v) an explanation of the procedures adopted by the Committee to ensure that the independence and objectivity of the external auditor is maintained and safeguarded at all times.
- (i) In the event of a material disagreement between the Committee and the Board, the Committee should have the right to report on the issue to the shareholders in the annual report.
- (j) Amendments may be made to the duties of the Committee by the Board from time to time.

## **11. FRAUD, ANTI-BRIBERY AND CORRUPTION**

- 11.1 The Committee shall review the Company's procedures for the prevention, detection and reporting of Fraud, Bribery and Corruption.
- 11.2 The Committee shall review arrangements by which persons associated with the key service providers are able to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that appropriate proportionate independent investigation of such matters is undertaken.

## **12. INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS**

- 12.1 The Committee shall review that the internal control and risk management systems of the service providers to determine whether they are adequate and receive reports from the Company's service providers covering internal and risk management systems and

procedures supported, as appropriate, by SOC1 or AAF Reports. In the light of the above, the Company shall review its statement on internal control and risk management systems prior to endorsement by the Board.

- 12.2 The Committee shall ensure that a framework of strong corporate governance and best practice is in place, which is believed to be suitable for an investment company and which enables the Company to comply with the main requirements of the UK Corporate Governance Code or the AIC Code where considered appropriate.

### 13. AUTHORITY

The Committee is authorised by the Board to:

- (a) investigate any activity within its terms of reference;
- (b) request that representatives, including employees of the Manager and the Administrator, be available to answer questions at meeting of the Committee and to co-operate with any reasonable request of the Committee;
- (c) seek any information it requires from any Director, the Manager and/or the Administrator in order to perform its duties; and
- (d) obtain, at the Company's expense, outside legal or other professional advice and secure the attendance of outsiders with relevant experience and expertise as it considers necessary on any matter within its terms of reference.

| DATE          | REASON FOR REVIEW                    |
|---------------|--------------------------------------|
| JUNE 2016     | FRC 2016 RECOMMENDATIONS             |
| AUGUST 2017   | CHANGES TO THE COMMITTEE COMPOSITION |
| AUGUST 2019   | CHANGES TO THE COMMITTEE COMPOSITION |
| MARCH 2020    | CHANGES TO THE COMMITTEE COMPOSITION |
| FEBRUARY 2021 | CHANGES TO THE COMMITTEE COMPOSITION |
| JUNE 2022     | CHANGES TO THE COMMITTEE COMPOSITION |
| JUNE 2023     | CHANGES TO THE COMMITTEE COMPOSITION |
| JANUARY 2024  | FRC MINIMUM STANDARD                 |