

Gresham House Energy Storage Fund plc

Audit Committee – Terms of Reference

Background

These Terms of Reference have been produced to accord with the relevant Principles of the AIC Code of Corporate Governance published in July 2016. The Financial Reporting Council has confirmed that AIC member companies who report against the AIC Code of Corporate Governance and who follow the AIC's Corporate Governance Guide for Investment Companies will be meeting their obligations in relation to its UK Corporate Governance Code and the relevant provisions of the Listing Rules.

Composition of the Committee

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. To the extent practicable, at least one member of the Committee should have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. The Committee as a whole shall have competence relevant to the sector.

Meetings

The Committee will meet at least twice 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 quorum shall be any two members including the Chairman of the Committee, or the Chairman's nominated delegate. The minutes of each meeting of the Committee shall be circulated to all members of the Committee and other Directors of the Company. 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.

Attendance

The Committee may invite other Board members to attend meetings and may request representatives of the Auditors, the AIFM and Administrator or any other relevant person 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.

Authority

The Committee is authorised to:

- (i) investigate and review any matter within its terms of reference and consider any matter the Committee deems relevant to the discharge of its duties;
- (ii) seek any information it reasonably requires from a representative of any third party service provider in order to perform its duties;

- (iii) request a representative of a third party service provider to attend any meeting of the Committee;
- (iv) obtain at the Company's expense outside legal or other professional advice on any matters within its terms of reference;
- (v) have timely and unrestricted access to relevant documents relating to the affairs of the Company; and
- (vi) 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.

Principal Responsibilities

The principal responsibilities of the Committee are:

- (i) to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- (ii) 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;
- (iii) to make recommendations to the Board in relation to the appointment, re-appointment or removal of the external auditors;
- (iv) to approve the remuneration and the terms of engagement of the external auditors;
- (v) to ensure that the audit services contract is put out to tenure such that the Company complies with the permissible period of tenure and the selection procedure set out in section 489A of the Companies Act 2006;
- (vi) to review and monitor the Auditors' independence and objectivity and the effectiveness of the audit process; and
- (vii) to develop and implement policy on the engagement of the Auditors to supply non-audit services and taking into account relevant guidance regarding the provision of non-audit services by the Auditors.

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

Financial Reporting

The Committee shall:

- (i) 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;
- (ii) 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;

- (iii) consider significant accounting policies and whether the polices adopted are appropriate, any changes to them and any significant estimates and judgements;
- (iv) 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;
- (v) satisfy itself that the annual and half-year reports and any other significant published financial information are properly and carefully prepared and give a fair representation of the Company's affairs;
- (vi) seek clarification from the Administrator of any changes in accounting policy or treatment affecting the Company's report and accounts;
- (vii) review related information presented with the financial statements, including the operating and financial review, and corporate governance statements relating to the audit and to risk management;
- (viii) assess the basis on which the Company has been determined as a going concern and review the statements on going concern to be included in the half year and annual reports of the Company;
- (ix) for the purposes of the longer-term viability statement, assess the prospects of the Company over such period deemed appropriate (but longer than 12 months), determine whether there is 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, and review the statements on longer-term viability to be included in the annual report of the Company; and
- (x) where Board approval is required for other statements containing financial information (for example, summary financial statements, significant financial returns to regulators and release of price sensitive information), whenever practicable (without being inconsistent with any requirement for prompt reporting under the Listing Rules) the Committee shall review such statements first.

Internal Controls and Risk Management Systems

The Committee shall:

- (i) 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;
- (ii) establish a process for identifying, assessing, managing and monitoring the risks which may have a financial impact on the Company;
- (iii) review reports on the conclusions of any testing carried out by the Auditors;
- (iv) carry out at least annually a robust assessment of the principal risks facing the Company; and
- (v) review and approve the statements included in the annual report in relation to internal control and the management of risk.

Whistleblowing

The Committee shall, from time to time, review the arrangements by which staff of the AIFM 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.

Compliance with the AIFMD

The Committee shall discuss and agree with the AIFM the additional reporting requirements, if any, to be included in the annual report and financial statements of the Company in order to ensure compliance with the AIFMD.

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:

- (i) be responsible for making recommendations to the Board on the appointment, reappointment and removal of the Auditors and on their terms of engagement and remuneration;
- (ii) meet annually with the Auditors to review the annual results and to discuss any major issues that arose during the course of the audit, including the review of any unadjusted errors in the financial statements;
- (iii) satisfy itself that the level of fee payable in respect of the audit services provided is appropriate for an effective audit to be conducted;
- (iv) review and if necessary seek amendments to the letter of representation to be given by the Board to the Auditors;
- (v) 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;
- (vi) annually, assess the qualification, expertise, resources, independence and objectivity of the Auditors and the effectiveness of the audit process;
- (vii) develop and recommend to the Board, the Company's policy on the provision of non-audit services by the Auditors, specifying the types of non-audit work from which the Auditors are excluded and taking into account relevant ethical guidance and legal requirements regarding the provision of non-audit services;
- (viii) 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;

- (ix) satisfy itself that the Auditors are not conflicted by any work carried out for the AIFM and that any potential conflict of interest has been satisfactorily resolved;
- (x) oversee the selection process when conducting audit tenders and appointing new external auditors, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process and making appropriate recommendations to the Board; and
- (xi) at the end of the annual audit cycle, assess the effectiveness of the audit process.

The Committee shall disclose the workings of the Committee in the annual report, ensuring that the Terms of Reference for the Committee are generally available upon request or on the Company's website and 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 shall ensure disclosure in the annual report of:

- (i) the Company's investment objective and investment policy and the Company's full portfolio listing;
- (ii) those areas of decision-making reserved to the board and those over which the AIFM has discretion;
- (iii) the AIFM's overall performance;
- (iv) ongoing charges figures and their impact on capital erosion per share class; and
- (v) relevant bank-borrowing covenant details, indicating the consequences of any material breach.

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:

- (i) the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed;
- (ii) 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 Auditors, and information on the length of tenure of the current audit firm and when a tender was last conducted; and
- (iii) if the Auditors provides non-audit services, an explanation of how Auditors objectivity and independence is safeguarded.

Definitions

In these Terms of Reference, unless the context otherwise requires, the following definitions shall apply:

"**Administrator**" means JTC (UK) Limited, or such other administrator appointed by the Company from time to time;

"**AIFM**" means Gresham House Asset Management Limited (company no. 09447087), the Company's alternative investment fund manager within the meaning of the AIFMD;

"**AIFMD**" means the Directive on Alternative Investment Fund Managers, 2011/61/EU;

"**Auditors**" means the auditors appointed by the Company from time to time;

"**Board**" means the board of Directors;

"**Chairman**" means the chairman of the Committee;

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

"**Company**" means Gresham House Energy Storage Fund plc (company no. 11535957);

"**Company Secretary**" means the company secretary of the Company from time to time;

"**Directors**" mean the directors of the Company from time to time;

"**Listing Rules**" means the listing rules made by the UK Listing Authority under section 73A of the UK Financial Services and Markets Act 2000, as amended; and

"**Secretary**" means the secretary of the Committee.

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