

THE MERCANTILE INVESTMENT TRUST PLC
AUDIT & RISK COMMITTEE TERMS OF REFERENCE

Last approved 26th March 2026

**All references to the 'FRC Minimum Standard' are to the document titled 'Audit Committees and the External Audit: Minimum Standard' published by the Financial Reporting Council of the UK, as updated from time to time.*

Named Parties

AIFM - JPMorgan Funds Limited ("**JPMF**")

Auditor – BDO LLP

Company – The Mercantile Investment Trust plc

Company Secretary – JPMF

Custodian - JPMorgan Chase Bank, N.A.

Depository - The Bank of New York Mellon (International) Limited

Portfolio Manager - JPMorgan Asset Management (UK) Limited

Terms of Reference

1.	PRIME RESPONSIBILITY
1.1.	To assist the Board in carrying out its responsibilities relating to the Company's accounting policies, internal controls, risk management and financial reporting functions.
2.	MEMBERSHIP & QUORUM
2.1.	The members of the Committee will be appointed by the Board from amongst the independent non-executive Directors of the Company and will consist of not less than three members.
2.2.	At least one member will have recent and relevant financial experience, ideally with a professional qualification from one of the accounting bodies.
2.3.	The Committee as a whole will have competence relevant to the sector in which the Company operates.
2.4.	A quorum will be two members, preferably at least one of whom has recent and relevant financial experience. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

2.5.	The Chair of the Committee will be appointed by the Board and should not be the Chair of the Board.
2.6.	The Chair of the Board may be a member of the Committee if they were independent on appointment.
2.7.	All Directors seek re-election on an annual basis. Members are appointed to the Committee on the same basis.
2.8.	The Committee's membership will be identified in the annual report.
3.	ATTENDANCE AT MEETINGS
3.1.	Only members of the Committee have the right to attend Committee meetings. Any other Board members may attend if invited by the Chair of the Committee.
3.2.	In the absence of the Chair of the Committee and/or an appointed deputy at a Committee meeting, the remaining members present will elect one of themselves to chair the meeting.
3.3.	Members must declare any conflicts of interest or potential conflicts of interest at the start of each meeting.
3.4.	Representatives of the AIFM, Company Secretary and Portfolio Manager, together with any representatives of JPMorgan Asset Management, may be required to attend meetings at the invitation of the Chair of the Committee as and when appropriate.
3.5.	Representatives of the external Auditor may be required to attend meetings at the invitation of the Chair of the Committee as and when appropriate.
3.6.	Representatives of the Depositary may be required to attend meetings at the invitation of the Chair of the Committee as and when appropriate.
3.7.	At least once a year the Committee will meet the Company's external Auditor without the presence of any employee of JPMorgan Asset Management (save, at the Chair of the Committee's discretion, the Company Secretary).
3.8.	The Chair of the Committee or, as a minimum, another member of the Committee, shall attend the Board meeting at which the half-year and full-year accounts are approved.
4.	SECRETARY
4.1.	JPMF, or its nominee, will act as Secretary to the Committee and provide governance and administrative support to the Committee.
4.2.	The Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

5.	FREQUENCY OF MEETINGS
5.1.	Meetings of the Committee will be held not less than three times a year.
5.2.	Meetings will be at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
5.3.	Any member of the Committee or the external Auditor may request a meeting if they consider that one is necessary.
5.4.	Outside of the formal meeting programme, the Chair of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board, the external audit lead partner and key personnel employed by the AIFM and Company Secretary.
6.	NOTICE OF MEETINGS
6.1.	Meetings of the Committee will be convened by the Secretary of the Committee at the request of the Chair of the Committee or any of its members, or at the request of the external audit lead partner if they consider it necessary.
6.2.	Unless otherwise agreed, notice of each meeting confirming the venue/electronic platform, time and date together with an agenda of items to be discussed, will be forwarded to each member of the Committee, any other person required to attend and all other non-executive Directors, no later than five working days before the date of the meeting. Supporting papers will be sent to Committee members and to other attendees as appropriate, at the same time.
6.3.	Notices, agendas and supporting papers will be sent in electronic form where the recipient has agreed to receive documents in such a way.
7.	MINUTES
7.1.	The Secretary will minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
7.2.	Draft minutes of Committee meetings will be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all members of the Board unless, exceptionally, it would be inappropriate to do so in the opinion of the Chair of the Committee.
8.	TRAINING
8.1.	An induction programme is provided for new Audit Committee members and ongoing training is available for existing members of the Committee as appropriate.

9.	ENGAGEMENT WITH SHAREHOLDERS
9.1.	The Chair of the Committee (or, in his/her absence, at least one Committee member) should attend the AGM to answer shareholder questions on the Committee's activities and its responsibilities.
9.2.	The Chair of the Committee should be available to engage with shareholders on significant matters related to the Committee's areas of responsibility.
10.	AUTHORITY
The Committee is authorised by the Board to:	
10.1.	investigate any activity within its terms of reference;
10.2.	seek any information it requires in order to perform its duties from the AIFM, Portfolio Manager, Company Secretary and Depositary, each of which will be instructed to co-operate with any request made by the Committee; and
10.3.	obtain, at the Company's expense, outside legal or other independent professional advice on any matters within its terms of reference and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
11.	DUTIES
The duties of the committee will be as follows.	
11.1.	<i>Financial and Narrative Reporting</i>
11.1.1.	To monitor the integrity of the financial statements of the Company, including its annual and interim reports and any other formal announcements relating to the Company's financial performance, and reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the Company's external Auditor.
11.1.2.	In particular, the Committee will review and challenge where necessary:
(a)	the application and consistency of, and any changes to, accounting policies and practices and, where any significant changes in accounting policies or practices is proposed, approving these;
(b)	areas/decisions requiring a major element of judgement, including, but not limited to, reviewing the basis of valuation of any unquoted investments or investments suspended from trading and will approve such valuations before public release;
(c)	significant accounting estimates, assumptions and judgements made by management, taking into account the views of the external auditor;

(d)	significant adjustments resulting from the audit;
(e)	the methods used to account for significant or unusual transactions where different approaches are possible;
(f)	compliance with applicable accounting standards and practices;
(g)	the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
(h)	all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the audit, internal controls and risk management);
(i)	the going concern assumptions and basis of preparation;
(j)	the Company's viability statement; and
(k)	compliance with applicable FCA, London Stock Exchange, legal and other regulatory requirements.
11.1.3.	To provide advice on whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
11.1.4.	Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it will report its views to the Board.
11.2.	<i>Risk Management and Internal Control Framework</i>
11.2.1.	To monitor the Company's risk management and internal control framework and, at least annually, carry out a review of its effectiveness. The monitoring and review should cover all material controls, including financial, operational, reporting and compliance controls. This should allow the Board to provide in the annual report: <ul style="list-style-type: none"> (a) a description of how the Board has monitored and reviewed the effectiveness of the framework; (b) a declaration of effectiveness of the material controls as at the balance sheet date; and (c) if applicable, a description of any material controls which have not operated effectively as at the balance sheet date, the action taken or proposed to improve them and any action taken to address previously reported issues.

11.2.2.	To review the policies and processes for identifying and assessing risks and the management of those risks by the Company.
11.2.3	To carry out a robust assessment of the Company's principal and emerging risks and report on these to the Board.
11.2.4	To review and approve the statements to be included in the annual report concerning risk management and internal control, including the Company's emerging and principal risks and an explanation of how these are being managed or mitigated.
11.2.5	To review the AIFM's report on the effectiveness of risk management and internal control of JPMorgan Asset Management (in its various capacities) and other third party suppliers.
11.2.6	To review the external Auditor's report on the effectiveness of risk management and internal control of JPMorgan Asset Management (in its various capacities) and other third party suppliers.
11.2.7	To review semi-annual reports from the Depositary on its activities in the context of the Company, in particular providing information on the custodian's safe keeping of the Company's assets, the Company's cash flows, net asset value calculations, the liquidity of the Company's investments and management of the Company's portfolio in accordance with its investment restrictions, guidelines and borrowing limits.
11.3 External Audit	
11.3.1	To consider the appointment, re-appointment and removal of the external Auditor and to make recommendations to the Board for it to put to shareholders for their approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor. The Committee will oversee the selection process for a new auditor and if an auditor resigns the Committee will investigate the issues leading to this and decide whether action is required.
11.3.2	To consider whether the audit services contract should be put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent external Auditor with those of other audit firms and, in respect of such tender, to oversee the selection process in accordance with the FRC Minimum Standard.
11.3.3	To make recommendations to the Board on the remuneration of the external Auditor, whether for audit or non-audit services and on whether the level of fees is appropriate to enable an effective and high-quality audit to be conducted.

11.3.4	To approve the external Auditor's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
11.3.5	To review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
11.3.6	To refer to the annual audit plan and to any commitments made during the tender process and consider whether these have been met. The Committee should consider whether the volume and type of resource (in terms of seniority and where relevant specialism) envisaged in the audit plan has been deployed.
11.3.7	To review and monitor annually the external Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements. In the course of its assessment of effectiveness, the Committee will consider the terms of FRC Minimum Standard 17.
11.3.8	To monitor the external Auditor's compliance with relevant ethical and professional guidance on the rotation of the audit partner.
11.3.9	To invite challenge by the external Auditor, giving due consideration to points raised and making changes to the financial statements in response, where appropriate.
11.3.10	To ensure that the external Auditor has full access to company staff and records.
11.3.11	To ensure there is regular open communication between the Committee and the external Auditor.
11.3.12	To assess annually the qualifications, expertise and resources of the external Auditor and the effectiveness of the audit process.
11.3.13	To review the FRC's annual quality inspection report on the external Auditor and discuss the report with the external Auditor to obtain an understanding of how any issues identified are being addressed.
11.3.14	To obtain evidence of the effectiveness of the external audit and the external Auditor from those impacted by the audit/external Auditor, having regard to the terms of FRC Minimum Standard 18.
11.3.15	To discuss problems and reservations arising from the annual audit, and any other matters the external Auditor may wish to discuss (in the absence of JPMorgan Asset Management/management where necessary).
11.3.16	To satisfy itself that the quality of the audit is of a sufficiently high standard supported by evidence, including a review of the auditor's quality control procedures, and be able to justify how the Committee arrived at its conclusion.

11.3.17	To review and approve any representation letter(s) requested by the external Auditor.
11.3.18	To review JPMorgan Asset Management's response to the external Auditor's representation letter.
11.3.19	To develop and implement policy on the engagement of the external Auditor to supply non-audit services if appropriate.
11.3.20	To pre-approve all permissible non-audit services, considering the impact these may have on the Auditor's independence, taking into account relevant regulations and ethical guidance.
11.3.21	To engage with shareholders on the scope of the external audit, where appropriate.
11.3.22	To ensure details of how effective oversight has been achieved throughout the year are documented and the Committee will consider reporting on this where appropriate.
11.4 Internal Audit	
11.4.1	To consider annually whether there is a need for an internal audit function and to explain the reasons for the absence of such a function in the annual report and accounts.
11.5 Compliance, Fraud, Business Risk and Whistleblowing	
11.5.1	To review regular reports from the AIFM's Compliance Department and keep under review the adequacy and effectiveness of the Company's compliance function.
11.5.2	To review regular reports from the AIFM's Business Risk Department on the AIFM's risk management systems.
11.5.3	Annually, to review the business continuity plans, as they affect the Company's operations, in place at the AIFM, Portfolio Manager and Company Secretary.
11.5.4	To review and approve the Company's anti-bribery policy and procedures for detecting fraud.
11.5.5	To monitor and review the annual confirmations from the Company's third-party suppliers of their adherence to the UK Bribery Act 2010, the Criminal Finances Act 2017, and the Modern Slavery Act 2015.
11.5.6	As relevant to the Company, annually, to assess the adequacy and effectiveness of the Company's anti-money laundering systems and controls and to review and approve the Company's anti-money laundering policy.

11.5.7	As relevant to the Company, to review periodic reports from the AIFM's Money Laundering Reporting Officer.
11.5.8	Annually, if applicable to the Company, to review and approve the Company's prevention of tax evasion policy.
11.5.9	Annually, to review the arrangements in place at JPMorgan Asset Management (in its various capacities) and other third party service providers to the Company, whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company and to establish that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
11.5.10	In the context of financial reporting, audit, risk management and internal controls, consider the Company's compliance with the UK Corporate Governance Code, the AIC Corporate Governance Code, the Listing Rules, the Disclosure Guidance and Transparency Rules and the FRC Minimum Standard and any other applicable rules as appropriate.
12 REPORTING PROCEDURES	
12.1	The Chair of the Committee will report to the Board after each meeting on how the Committee has discharged its responsibilities, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
12.2	A report on the Committee's activities will be disclosed in the annual report including:
12.2.1	the activities the Committee has undertaken to meet the requirements of the FRC's Minimum Standard;
12.2.2	all matters required under FRC Minimum Standard 24 and 25; and
12.2.3	all other information requirements set out in the AIC Corporate Governance Code and applicable regulations.
13 OTHER MATTERS	
13.1	The Committee will arrange for periodic review of its own performance.
13.2	The Committee will, at least annually, review these terms of reference and recommend any changes it considers necessary to the Board for approval.