

AVI Japan Opportunity Trust plc

Terms of reference of the Audit Committee

(as adopted on 5 September 2018)

1. Composition of the Committee

The audit committee (the "**Committee**") shall be comprised of two or more independent Directors. The Chairman of the board of directors of the Company (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. The Committee as a whole shall have competence relevant to the sector in which the Company operates and experience of corporate financial matters

As at the date of adoption, the members of the Audit Committee shall be the whole Board.

2. Meetings

The Committee will meet at least twice each year at appropriate intervals in the financial reporting and audit cycle and otherwise if required. The Company Secretary (the "Secretary") shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. 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 and the prior agreement of the Chairman has been obtained.

The quorum for meetings of the Committee shall be two members of the Committee.

3. Attendance

Only members of the Committee are entitled to attend Committee meetings. The Committee may invite other Board members to attend meetings and may request representatives of the Auditor, the Investment Manager or any other relevant person to attend meetings, but such invitees shall have no right of attendance.

The Auditor of the Company, as appropriate, will be invited to attend meetings of the Committee. The Committee should have at least one annual meeting, or part thereof, with the external auditor without management being present should the Committee deem that to be necessary.

Members may participate in a meeting of the Committee by means of a telephone or video conferencing equipment.

4. Resources

The 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.

The Committee shall have access to the services of the Secretary on all Committee matters including: assisting the Chairman in planning the Committee's work, drafting meeting agendas, maintaining minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support.

5. Annual General Meeting

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

6. Authority

The Committee is authorised to:

- seek any information it reasonably requires from 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; and
- have timely and unrestricted access to relevant documents relating to the affairs of the Company.

7. Principal Responsibilities

The principal responsibilities of the Committee are:

- to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcements of the Company relating to its financial performance, and to review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the Auditor;
- to review the half-yearly and annual reports;
- 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 make recommendations to the Board in relation to the appointment of the external auditor and their remuneration;

- to review the scope, results, cost effectiveness, independence and objectivity of the external auditor;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services and considering relevant guidance regarding the provision of non-audit services by the external audit firm; and
- to review Circulars issued in respect of major non-routine and corporate transactions.

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

8. Financial Reporting

The Committee shall:

- review the content of the Annual Report and Accounts and advise the Board on whether, when taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy and whether it informs the Board's statement in the Annual Report and Accounts on these matters that is required under the AIC Code of Corporate Governance. Final approval of the Annual Report and Accounts remains with the Board;
- 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, the consistency of the application of such policies, 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 and the disclosures in the financial statements;
- seek clarification of 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 statement;
- for the purposes of the viability statement within the Annual Report and Accounts assess i) the current position of the Company and the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity and how they are managed and mitigated; and ii) the prospects of the Company over such period deemed appropriate; and
- report any matters on which the Committee is not satisfied to the Board.

9. Internal Controls and Risk Management Systems

The Committee shall:

- 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;
- 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; and
- ensure the Annual Report and Accounts includes i) the full text of the Company's investment policy, ii) a detailed and meaningful analysis.

10. Whistleblowing

The Investment Manager and Company Secretary 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 Committee will review the adequacy and security of the Company's arrangements for its contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action is taken.

11. 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 to be put to shareholders for approval at the Company's Annual General Meeting in relation to the on the appointment, reappointment and removal of the Company's Auditors and on their terms of engagement and remuneration;

- if an Auditor resigns, investigate the issues leading to this and decide whether any action is required;
- meet annually with the Auditors to review the annual results and to discuss any major issues that arose during the audit;
- 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 the findings of the Auditor. This shall include but not be limited to:
 - a discussion of any major issues that arose during the audit
 - the auditor's explanation of how the risks to audit quality were addressed;
 - any accounting and audit judgements;
 - the Auditor's view of their interactions with the Board and the Company's investment manager;
 - levels of errors identified during the audit; and
 - the effectiveness of the audit;
- review and discuss with the Auditors a) their engagement letter issued at the start of each audit and b) the scope of the audit process proposed to be undertaken by the Auditors;
- annually, assess the qualification, expertise, resources, independence and objectivity of the external auditors and the effectiveness of the audit process considering relevant professional and regulatory requirements and the relationship with the Auditor as a whole, including any threats to the Auditor's independence and the safeguards applied to mitigate those threats and the provision of any non-audit services;
- monitor the Auditor's 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;
- develop and recommend to the Board, the Company's policy on the provision of non-audit services by the Auditors;
- 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, including an assessment of the quality of the handling of key judgements.

12. Reporting Work of the Committee

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 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 during the financial year including 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, 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;
- the Committee shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and on how it has discharged its responsibilities, making any recommendation to the Board it deems appropriate; and
- the Committee shall arrange for periodic reviews of its own performance and, at least annually, review its 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.