

## Audit Committee of NextEnergy Solar Fund Limited

### TERMS OF REFERENCE

**Last reviewed: 19 February 2025**

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In this document, unless the context requires otherwise:

“**Administrator**” and “**Company Secretary**” means Ocorian Administration (Guernsey) Limited;

“**Board**” means the Board of Directors of NextEnergy Solar Fund Limited;

“**Code**” means the UK Corporate Governance Code and the AIC Code of Corporate Governance;

“**Company**” means NextEnergy Solar Fund Limited;

“**Committee**” means the Audit Committee;

“**Investment Adviser**” means NextEnergy Capital Limited; and

“**Investment Manager**” means NextEnergy Capital IM Limited.

#### **1 MEMBERSHIP**

1.1 The Committee shall comprise at least three directors. Members of the Committee shall be appointed by the Board, on the recommendation of the Chair of the Committee. At least one member should have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Company operates.

1.2 All members of the Committee shall be directors independent of the Investment Manager and Investment Adviser.

1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as external advisers and senior representatives of the Investment Manager, Investment Adviser and the Administrator may be invited to attend for all or part of any meeting as and when appropriate and necessary.

1.4 Appointments to the Committee are made by the Board and have no maximum period of tenure. Tenure is reviewed at the same time as re-election to the Board is considered.

1.5 The Board shall appoint the Committee Chair who shall be a non-executive director, independent of the Investment Manager and the Investment Adviser, Administrator or any other Service Provider in accordance with the FCA Listing Rules. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chair of the Board shall not be a member or Chair of the Committee but shall receive an invitation to the meetings of the Committee as an observer. The Chair of the Committee is currently Joanne Peacegood.

#### **2 SECRETARY**

2.1 The Company Secretary, or their nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

#### **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. MEETINGS**

- 4.1 The Committee shall meet not less than four times a year at appropriate times in the reporting cycle, normally February / March, June / July and October / November, and otherwise as required.
- 4.2 All meetings of the Committee are normally to be conducted in Guernsey or at any other location allowed within the terms of the Articles of Incorporation as the Committee may determine from time to time.
- 4.3 The Committee may request a representative of the external auditors, the auditors of the UK holding companies and SPVs, the Administrator or any other Service Provider to attend any meeting of the Committee. At least once a year the Committee will meet with the external auditors and the Investment Manager's internal auditors without representatives of the Investment Manager, Administrator or any other Service Provider being present.
- 4.4 The Committee may request a representative of the External Tax Advisors to attend and present at the Committee Meeting, twice per year.
- 4.5 The Committee may invite representatives of the Investment Manager, advisers and other third parties to attend meetings as appropriate.
- 4.6 Any of the Audit Committee members or the Company's external auditors may request a meeting of the Audit Committee if he or she considers it necessary, to be arranged by the Administrator.

#### **5. NOTICE OF MEETINGS**

- 5.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair.
- 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, 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 shall be sent to Committee members and to other attendees, as appropriate, at the same time.

#### **6. AUDIT COMMITTEE CHAIR**

- 6.1 The Audit Committee Chair shall: report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, including:
- 6.1.1 on how the Committee has discharged its responsibilities;
  - 6.1.2 the significant issues the Committee has considered in relation to the financial statements and, if any, how these were addressed;
  - 6.1.3 the Committee's assessment of the effectiveness of the external audit process;
  - 6.1.4 the Committee's recommendation on the appointment, re-appointment or removal of the external auditors; and

6.1.5 any other issues to which the Board has requested the Committee's opinion.

6.2 attend the Company's annual general meeting and be prepared to answer shareholders' questions on the Audit Committee's activities.

## **7. MINUTES OF MEETINGS**

7.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

7.2 Draft minutes of Committee meetings shall be circulated within ten business days to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee Chair it would be inappropriate to do so and are to be included in the agendas of the next Committee meeting.

## **8. DUTIES**

The Committee should carry out the duties detailed below, as appropriate.

## **9. FINANCIAL REPORTING**

The Committee shall, in relation to financial reporting of the Company:

9.1 Monitor the integrity of the financial statements of the Company, including its Annual and Interim Reports, preliminary results' announcements and any other non-routine announcement relating to the Company's financial performance, reviewing significant financial reporting judgements which they contain; the Committee shall also review any financial information contained in certain other documents, such as announcements of a price sensitive nature.

9.2 Review and challenge where necessary:

9.2.1 The consistency of, and any changes to, accounting policies on a year-on-year basis;

9.2.2 The methods used to account for significant or unusual transactions where different approaches are possible;

9.2.3 Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

9.2.4 The clarity and disclosure in the Company's financial reports and the context in which statements are made; and

9.2.5 All material information presented with the financial statements, such as the corporate governance statement (insofar as it relates to audit and risk management).

9.3 If requested by the Board, provide advice 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.

## **10. INTERNAL CONTROLS AND RISK MANAGEMENT**

The Committee shall, in relation to Internal Controls and Risk Management Systems of the Company:

- 10.1 Monitor and review the Company's internal financial controls and the Company's internal control and risk management systems. The monitoring and review should cover all material controls, including financial, operational, reporting and compliance controls and, from accounting period beginning after 1 January 2026, the Annual Report should include:
  - 10.1.1 A description of how the effectiveness of the framework is monitored and reviewed;
  - 10.1.2 A declaration of effectiveness of the material controls as at the balance sheet date; and
  - 10.1.3 A description of any material controls which have not operated as effectively as at the balance sheet date, the action taken or proposed, to improve them and any action taken to address previously reported issues.
- 10.2 Consider annually whether there is a need for an internal audit function and make appropriate recommendations to the Board;
- 10.3 Annually review and approve any statements to be included in the Annual Report concerning internal controls and risk management; and
- 10.4 Have access to the internal audit functions of the third-party service providers.

## **11. WHISTLEBLOWING**

The Committee shall, in relation to Whistleblowing:

- 11.1 Review the effectiveness of the Investment Manager or any other advisers on arrangements for its employees 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.

## **12. EXTERNAL AUDIT**

The Committee shall, in relation to External Audit:

- 12.1 Oversee the relationship with the external auditor including (but not limited to):
  - 12.1.1 Approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - 12.1.2 Approval of their terms of engagement, including an engagement letter issued at the start of each audit and the scope of the audit;
  - 12.1.3 Review and monitor their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - 12.1.4 Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
  - 12.1.5 Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners; and
  - 12.1.6 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, taking into consideration relevant UK professional and regulatory requirements.

- 12.2 Consider the need to conduct a tender process every 10 years or when deemed otherwise appropriate and make recommendations to the Board (to be put to the Shareholders for approval at the AGM), in relation to the appointment, re-appointment or removal of the Company's external auditor.
- 12.3 Meet the external auditor at least once a year, without management or the administrator being present, to discuss their remit and any issues arising from the audit;
- 12.4 Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 12.5 Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - 12.5.1 Discussion of any major issues which arose during the audit;
  - 12.5.2 Any accounting and audit judgements; and
  - 12.5.3 Levels of errors identified during the audit.
- 12.6 Review the effectiveness of the audit;
- 12.7 Review any representation letter(s) requested by the external auditor before they are signed by the Board;
- 12.8 Review the management letter and management's response to the auditor's findings and recommendations; and
- 12.9 Develop and implement a policy to review the supply of non-audit services by the external auditor, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account any relevant regulations and ethical guidance on the matter, and reporting to the Board on any improvement or action required.

### **13. REPORTING RESPONSIBILITIES**

- 13.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and how it has discharged its responsibilities;
- 13.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed; and
- 13.3 The Committee's duties and activities during the year shall be disclosed in the Annual Report and Financial Statements.

### **14. OTHER MATTERS**

The Committee shall:

- 14.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 14.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;

- 14.3 Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed, including but not limited to the provisions of the Code, the requirements of the FCA Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules as well as other relevant guidelines, as appropriate;
- 14.4 Be responsible for co-ordination of the external auditors;
- 14.5 Oversee any investigation of activities which are within its terms of reference; and
- 14.6 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.

## **15. AUTHORITY**

The Committee is authorised by the Board to:

- 15.1 Investigate any activity within its terms of reference;
- 15.2 Seek any information that it requires from any employee of the Manager, Administrator or any other Service Provider and all employees of the Manager, Administrator or any other Service Provider are directed to cooperate with any request made by the Committee; and
- 15.3 Obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference to discharge its duties effectively.

## **Appendix 1: Policy on the provision of non-audit services provided by the Auditor**

The Committee shall consider the provision of all non-audit services by the auditor to include the Company and the underlying holding companies and special purpose vehicles, and shall be required to give prior approval of such non-audit services and in doing so shall consider:

- an assessment of whether the type of non-audit services have a direct or material effect on the audited financial statements;
- threats to independence and objectivity of the external auditor and safeguards in place to mitigate such threats;
- the nature of the non-audit services;
- whether the external audit firm is the most suitable supplier of the non-audit services;
- the fee for non-audit services, both individually and in aggregate, relative to the audit fee and whether the fee is appropriate to enable the service to be conducted to a high-quality standard;
- the terms of engagement for any non-audit services;
- relevant law, regulation, ethical standards, other professional requirements and the Company's relationship with the auditor
- the criteria governing compensation.