Nippon Active Value Fund PLC Audit Committee: Terms of Reference

Background & Definitions

Pursuant to a resolution of the board of directors ("**Board**") of Nippon Active Value Fund plc ("**Company**") passed on 6 January 2019, the directors of the Company have established a board committee, as the audit committee of the Company ("**Audit Committee**"), in order to establish formal and transparent arrangements for considering how the Board should apply the financial reporting of the Company and to maintain an appropriate relationship with the Company's auditors.

These Terms of Reference have been produced to accord with the relevant principles of the AIC Code of Corporate Governance. The Financial Reporting Council has confirmed that AIC member companies who report against the AIC Code of Corporate Governance will be meeting their obligations in relation to its UK Corporate Governance Code and the relevant provisions of the UK Listing Rules.

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

"**Administrator**" or "**Secretary**" means NSM Funds (UK) Limited;

"**AIFM**" means FundRock Management Company (Guernsey) Limited, the Company's alternative investment fund manager within the meaning of the AIFMD;

"**AIFMD**" means the Alternative Investment Fund Managers Directive (2011/61/ EU) and associated regulations as they form part of UK law by virtue of the European Union (withdrawal) Act 2018, and as amended;

"**Listing Rules**" means the UK Listing Rules sourcebook (UKLR) contained in the FCA Handbook, as amended or replaced from time to time; and

"**Rising Sun**" means Rising Sun Management Ltd. (being the investment adviser appointed by the AIFM and the Company).

1. Membership

1.1 1.1 The members of the Audit Committee shall be appointed by the Board. The Audit Committee shall comprise at least three members. Its members shall be independent non-executive directors who are independent of Rising Sun and management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. At least one member shall have recent and relevant financial experience, and the Audit Committee as a whole shall have competence relevant to the sector in which the Company operates. The Chair of the Board shall not chair the Audit Committee but may be a member if they were independent on appointment. If the Chair of the Board is a member of the Audit Committee, the Board shall explain in the Company’s annual report why it considers that arrangement appropriate.

1.2 The chair of the Audit Committee ("**Chair**") shall be an independent non-executive director appointed by the Board on the recommendation of the Nomination and Remuneration Committee. The Board shall determine the term for which the Chair shall hold office.

2. Secretary

The Secretary, or their nominee, shall be the secretary of the Audit Committee.

3. Meetings

3.1 The Audit Committee shall meet at least two times a year at appropriate times in the reporting and audit cycle and otherwise as required. These meetings shall be convened by any member of the Audit Committee or the Secretary, at the request of the Chair or any other member.

3.2 The quorum for the transaction of business of the Audit Committee shall be two members. A duly convened meeting of the Audit 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 it.

3.3 At least once a year, the Audit Committee shall meet with the Company's external auditors without representatives of the Administrator or Rising Sun being present.

3.4 The Audit Committee will meet with representatives of the Administrator, the AIFM and Rising Sun, who will report as to the proper conduct of business in accordance with the regulatory environment in which the Company operates.

3.5 Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Audit Committee not less than three working days prior to the date of the meeting.

4. Attendance

The Audit Committee may invite any person it thinks appropriate, including the AIFM and the Administrator, to join the members of the Audit Committee at its meetings. A representative of the external auditors shall normally attend meetings of the Audit Committee and at its request report on its work procedures, the quality and effectiveness of the Company's accounting records and its findings in relation to the Company's statutory audit. Any person invited to attend a meeting of the Audit Committee shall have no right to participate in, or vote on, any matter put to that meeting.

5. Minutes

5.1 The Secretary, or such other suitable person as the members present at such meeting shall nominate, shall minute the proceedings and resolutions of such meeting of the Audit Committee, including the names of those present and in attendance.

5.2 Draft minutes of such Audit Committee meetings shall be circulated promptly to all members and, once agreed, such minutes should be circulated to all other members of the Board unless it would be inappropriate to do so (for example, if a conflict of interest exists) and to the external auditors.

6. Authority

6.1 The Audit Committee is authorised by the Board:

6.1.1 to investigate any activity within its terms of reference and consider any matter the Audit Committee deems relevant to the discharge of its duties;

6.1.2 to seek any information it requires from the AIFM and Administrator and other service providers, in order to perform its duties;

6.1.3 within any budgetary restraints imposed by the Board, to obtain, at the Company's expense, outside legal or other independent professional advice on any matter within its terms of reference;

6.1.4 have timely and unrestricted access to relevant documents relating to the affairs of the Company;

6.1.5 have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Audit Committee and the Board; and

6.1.6 instruct external professional advisers and/or the representative of any third party service provider to attend, at the Company's expense, any meeting of the Audit Committee, if it considers this necessary or appropriate.

7. Function and duties

7.1 The Audit Committee should carry out the duties below for the Company, major subsidiary undertakings and the group as a whole, as appropriate.

7.2 The Audit Committee shall:

Financial reporting

7.2.1 review the Company's Annual Report and Financial Statements and, if appropriate, make a recommendation to the Board that they are fair, balanced and understandable;

7.2.2 review and monitor the integrity of the financial statements of the Company including its annual and half-yearly reports, interim management statements, preliminary results' announcements and any other formal announcements relating to the Company's financial performance, reviewing significant financial reporting issues and judgements contained in them;

7.2.3 review summary financial statements and any financial information contained in certain other documents, such as announcements of a price-sensitive nature. Where Board approval is required for statements containing financial information whenever practicable (without being inconsistent with any requirement for prompt reporting under the UK Listing Rules) review such statements first;

7.2.4 review and report to the Board on significant financial reporting issues and judgements made in connection with the preparation of the financial statements

7.2.5 seek clarification from the Administrator of any changes in accounting policy or treatment affecting the Company's report and accounts;

7.2.6 in particular, review and challenge, where necessary:

(i) the consistency of, and any changes to, accounting policies, both on a year-on-year basis and across the Company and group;

(ii) the methods used to account for significant or unusual transactions, where different approaches are possible;

(iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

(iv) the clarity of disclosure in the Company's financial reports and the context in which statements are made;

(v) the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement including an assessment of the prospects of the Company and the group looking forward over an appropriate and justified period;

(vi) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management); and

(vii) any other statements requiring Board approval which contain financial information, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the UK Listing Rules (to the extent the Company voluntarily complies with the UK Listing Rules from time to time) or the Disclosure Guidance and Transparency Rules sourcebook and the Market Abuse Regulation and associated regulations as they form part of UK law by virtue of the European Union (Withdrawal) Act 2018, and as amended;

Internal controls and risk management systems

7.2.7 unless expressly addressed by a separate Board risk committee composed of independent directors, or by the Board itself, keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems, including the Company's framework for identifying, designing, implementing and monitoring its material controls, and;

i) to review management's assessment of the effectiveness of those controls, including financial, operational, reporting and compliance controls;

ii) to review any material control failures or weaknesses and monitor the progress of remediation plans;

iii) to receive assurance from the Investment Adviser, Administrator and other relevant assurance providers as required regarding the operation of material controls; and

iv) to recommend to the Board whether there is sufficient evidence to support its annual declaration on the effectiveness of the Company's material controls,;

7.2.8 review and approve the statements to be included in the annual report concerning internal controls and risk management, including;

(i) the Company's risk management and internal control framework and its assessment of principal and emerging risks;

(ii) the Board's review of the effectiveness of the Company's material controls;

(iii) any material control weaknesses identified during the year and the actions taken, or proposed, to address them; and

(iv) the Board's declaration regarding the effectiveness of the Company's material controls;

7.2.9 review and approve statements explaining how assets have been invested with a view to spreading investment risk;

7.2.10 liaise with the Board and the Management Engagement Committee to ensure that other statements regarding the Company's investment adviser, including relevant details of its remuneration and appointment and its continued appointment, are included in the annual report;

Compliance, whistleblowing and fraud

7.2.11 review the adequacy and security of the Company's arrangements by which staff of the AIFM, Rising Sun, the Administrator and other service providers as the Audit Committee sees fit may raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;

7.2.12 review the Company's procedures for detecting fraud;

7.2.13 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;

7.2.14 review the adequacy and effectiveness of the Company's policies and procedures for the prevention of the facilitation of tax evasion for the purposes of all applicable criminal facilitation of tax evasion laws and regulations of England and Wales (including the Criminal Finances Act 2017) and of any foreign jurisdiction in which the

Company or its group operates and receive reports on any non-compliance with such policies or procedures;

7.2.15 keep under review the adequacy and effectiveness of the Company's anti-money laundering systems and controls;

7.2.16 keep under review the adequacy and effectiveness of the Rising Sun's compliance function;

Compliance with the AIFMD

7.2.17 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;

Internal audit

7.2.18 monitor and review the need for an internal audit function, and make an appropriate recommendation to the Board;

External audit

7.2.19 consider and make recommendations to the Board, for it to put to the shareholders for their approval at the Company's annual general meeting, in relation to the appointment, re- appointment and removal of the Company's external auditor. The Audit Committee shall oversee the selection process for new auditors and, if an auditor resigns, the Audit Committee shall investigate the issues leading to this and decide whether any action is required;

7.2.20 ensure that the external audit contract is put out to tender at the intervals required by applicable law and regulation and that the tender and selection procedure is conducted in accordance with s.489A of the Companies Act 2006 and the *Audit Committees and the External Audit: Minimum Standard* published by the Financial Reporting Council. The Audit Committee shall organise and oversee a fair, transparent and non-discriminatory selection process and shall ensure that participating audit firms are given appropriate access to the information and individuals necessary for that process. Following the selection process, the Audit Committee shall recommend at least two candidates to the Board, identify its preferred candidate and give reasons for that preference. Its recommendation shall state that it is free from influence by any third party and that no contractual restriction has been imposed on the Company's choice of auditor.

7.2.21 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;

7.2.22 develop, implement and periodically review a policy on the engagement of the external auditor to supply non-audit services, having regard to applicable requirements concerning prohibited services and fee caps. The policy shall address:

(i) threats to the independence and objectivity of the external auditor and any safeguards in place;

(ii) the nature of the proposed services;

(iii) whether the external audit firm is the most suitable provider;

(iv) non-audit fees, individually and in aggregate, relative to the audit fee; and

(v) the criteria governing compensation;

7.2.23 oversee the relationship with the Company's external auditor, including (but not limited to):

7.2.24 approval of the auditor's remuneration and terms of engagement, and ensuring that the audit fees and scope are appropriate for an effective audit;

(i) assessing their independence, objectivity and compliance with applicable ethical and professional requirements, including requirements relating to partner rotation and the provision of non-audit services;

(ii) approving non-audit services in accordance with the Company's policy on such services and considering any actual or potential conflicts arising from services provided to the Company, the investment manager or their respective associates; and

(iii) assessing annually the auditor's qualifications, expertise and resources and the quality and effectiveness of the external audit process.

7.2.25 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Audit Committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;

7.2.26 review and approve the annual audit plan and ensure that it is consistent with the nature and scope of the audit engagement;

7.2.27 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;

7.2.28 review the findings of the audit with the external auditor. This shall include, but not be limited to:

(i) a discussion of any major issues which arose during the audit;

(ii) any accounting and audit judgements;

(iii) materiality of errors identified during the audit; and

(iv) the effectiveness of the audit;

7.2.29 review any representation letter(s) requested by the external auditor before they are signed by management;

7.2.30 review the management letter and management's response to the auditor's findings and recommendations.

Reporting responsibilities

7.2.31 report to the Board on proceedings after each Committee meeting 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;

7.2.32 compile a report to shareholders to be included in the Company's annual report, which describes:

(i) its main responsibilities;

(ii) how it discharged those responsibilities;

(iii) the significant issues it considered in relation to the financial statements and how these were addressed;

(iv) how the Committee supported the Board in reviewing the effectiveness of material controls and, if any, significant control deficiencies and how these were addressed; and

(v) an explanation of how auditor independence and effectiveness was assessed.

7.2.33 the Chair shall also formally report to the Board after each meeting of the Audit Committee, on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

(i) the significant issues that it considered in relation to the financial statements (required under paragraph 7.2.4) and how these were addressed;

(ii) its assessment of the effectiveness of the external audit process (required under paragraphs 7.2.19 to 7.2.30), the approach taken to the appointment or reappointment of the external auditor (where appropriate), together with information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans; and

(iii) any other issues on which the Board has requested the Audit Committee's opinion;

Other

7.2.34 annually review its performance, composition and terms of reference and recommend any changes it considers necessary to the Board for approval; and

8. Reporting to shareholders

8.1 The Chair shall attend the Company's annual general meeting for the purpose of responding to any shareholder questions on the Audit Committee’s activities. In addition, the Chair should engage with shareholders on significant matters related to the Committee’s areas of responsibility.

Approved by the Board of Directors on: 10 September 2026