

CQS New City High Yield Fund Limited

Audit & Risk Committee

Terms of Reference

Constitution

The Board has established a Committee of the Board to be known as the Audit & Risk Committee.

Membership

The Audit & Risk Committee shall be appointed by the Board from amongst the independent non-executive directors of the Company. It shall consist of not less than three members. The Committee as a whole should have competence relevant to the sector in which the Company operates. At least one member of the Audit & Risk Committee shall have recent and relevant financial experience while the other members shall have appropriate financial expertise. A quorum shall be two members.

The Chairman of the Audit & Risk Committee shall be appointed by the Board, and should be different from the Chairman of the Company.

Meetings

The Audit & Risk Committee shall meet at least twice a year. The Audit & Risk Committee shall have the opportunity to meet the auditors, without management being present. Other Board members shall have the right of attendance. The auditors may request a meeting if they consider that one is necessary.

The Company Secretary shall be appointed as Secretary of the Committee.

Authority

The Audit & Risk Committee is authorised by the Board to investigate any activity within its terms of reference. The Audit & Risk Committee is authorised to obtain independent professional advice where necessary.

Duties

The duties of the Audit & Risk Committee are:

- a) To make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- b) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- c) To progress and lead the audit tender process when required and recommend external audit firms to the Board for approval.

- d) To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, including reviewing three year average audit/non-audit fee levels and approval of all non-audit work in advance.
- e) To monitor the integrity of the annual and interim financial statements before submission to the Board, and any formal announcements relating to the Company's financial performance, focusing particularly on:
 - i) any changes in accounting policies and practices;
 - ii) major judgmental areas;
 - iii) significant adjustments resulting from audit;
 - iv) the going concern assumption;
 - v) compliance with accounting standards and all relevant statutory requirements;
 - vi) compliance with the UK Listing Authority requirements;
- f) To discuss problems and reservations arising from the interim reviews and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary).
- g) To review reports from the depositary and auditors, including the auditors' report to the Board.
- h) To report on the significant findings of reviews undertaken by the FRC's Corporate Reporting Review and Audit Quality Review teams.
- i) To review and monitor the role and effectiveness of the AIFM.
- j) To review the Company's statement on internal control systems prior to endorsement by the Board; and in particular, to review:
 - i) the procedures for identifying business risks (risk registers) and controlling their impact on the Company;
 - ii) the Company's policies for preventing or detecting fraud, including money laundering;
 - iii) the Company's policies for ensuring that it complies with relevant regulatory and legal requirements;
 - iv) the Managers' report on its internal control systems and other service providers on their internal control systems.
- k) To consider annually whether there is a need for an internal audit function specific to the Company.
- l) To consider other topics, as defined by the Board.

Reporting Procedures

The Secretary shall circulate the minutes of meetings of the Audit & Risk Committee to all members of the Board at the next Board Meeting following an Audit & Risk Committee Meeting.

The work of the Audit & Risk Committee in discharging its responsibilities shall be disclosed in the Company's Annual Report.

The Chairman of the Audit & Risk Committee shall attend the AGM and answer questions through the Chairman of the Board, on the Audit & Risk Committee's activities and responsibilities.

Membership: W Dorman (Chairman), D A H Baxter, I Cadby, J Newlands, C Hitch