

Schroder Japan Growth Fund plc

Terms of Reference

For the Audit and Risk Committee

Role

1. The role of the Committee is to ensure that the Company maintains the highest standards of integrity in financial reporting, risk management and internal control.

Membership

2. The Committee shall be appointed by the board and shall consist of not less than three members all of whom shall be independent non-executive directors of the Company. The Committee as a whole shall have competence relevant to the investment trust sector and at least one member of the Committee shall have recent and relevant financial experience.
3. The Chairman of the Committee, shall be appointed by the board.

Meetings

4. The Committee shall meet at least twice a year or more frequently if the Committee deems necessary or if required by the Company's auditors. Quorum is two members.
5. The Company's auditors will be advised of the timing of Committee meetings and invited to meetings when appropriate and the Committee will have access to the auditors at any time if it so requires.

Secretary

6. The Company Secretary shall be the secretary of the Committee, attend all meetings and ensure the Committee receives all the documents it requires for its work in a timely manner.

Authority

7. The Committee is authorised by the board to investigate any activity within its terms of reference and seek any information it may require. It may obtain legal or other independent professional advice and secure the attendance of non-members with relevant experience and expertise.

Responsibilities

8. The Committee shall:

Financial statements

- (a) monitor the integrity of the financial statements of the company, and any formal announcements relating to the company's financial performance, reviewing the significant financial reporting judgements and disclosures relating to internal control, risk management and the viability statement;
- (b) advise the board on the contents of the annual report and accounts, in particular whether, taken as a whole, it is fair and balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- (c) review and, if appropriate, recommend to the board, the Company's annual and half-yearly reports;

Internal controls

- (d) undertake a robust annual review of the adequacy and effectiveness of internal controls and risk management;
- (e) monitor and review annually whether an internal audit function is required;
- (f) monitor the Company's accounting and financial internal control systems, and monitor the internal control systems of the Manager, custodian, registrar and other significant service providers as required, and to make recommendations on any improvements to such systems;
- (g) monitor the Company's procedures for ensuring compliance with regulatory and financial reporting requirements, including the provision of assurances provided by the Company's service providers in respect of their internal controls and risk management systems and oversee the Company's relationship with the relevant regulatory authorities;
- (h) review the Manager's whistleblowing arrangements;

External audit and relationship with the external auditor

- (i) discuss any matters arising from the audit and recommendations made by the auditors;
- (j) to meet annually with the Company's designated audit partner without representatives of the Manager;

- (k) review and approve the annual audit plan, noting the risks and controls relating to the audit and ensure that the plan is consistent with the scope of the audit engagement;
- (l) make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and approve the remuneration and terms of engagement of the external auditor;
- (m) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration the qualification, expertise and resources of the external auditor, which shall include a report from the external auditor on its own internal quality procedures, as well as relevant UK professional and regulatory requirements;
- (n) review the representation letter requested by the external auditor;
- (o) develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance and determining whether auditor independence and objectivity have been affected, and to report to the board, 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;
- (p) periodically review the need to tender audit services;
- (q) consider other topics, as requested and defined by the board.

Reporting Procedures

9. The Committee Chairman, or in their absence the elected chairman of the relevant meeting, shall report on the issues raised at the meeting to the board at the earliest opportunity and, at the meeting at which the annual report is considered, report to the board on how it has discharged its responsibilities during the previous year.
10. The Secretary shall produce and circulate the minutes of meetings of the Committee to all members of the board.
11. The Chairman of the Committee shall attend the AGM and shall answer questions on the Committee's activities and its responsibilities.

Disclosures to Shareholders in the annual report

12. The Committee shall ensure that the annual report describes the activities of the Committee in discharging its responsibilities in accordance with the requirements of the UK Corporate Governance Code, including the annual review of its own effectiveness, membership and reporting.