

# Schroder Income Growth Fund plc

## Terms of Reference

### For the Audit and Risk Committee

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#### 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 Chair of the Committee, shall be appointed by the Board.
4. 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.
5. Membership of the Committee shall be reviewed by the Board from time to time.
6. The Committee may invite such persons as it deems appropriate to attend meetings.
7. The Board may fill vacancies in the Committee by appointment from amongst the Board.
8. The auditor of the Company will be invited to attend meetings of the Committee on a regular basis, as appropriate. The Committee should have at least one annual meeting, or part thereof, with the external auditor without representatives of the investment manager/adviser, the company secretary or any other external advisers being present should the Committee deem that to be necessary. The Committee will have access to the auditors at any time if it so requires.

#### Quorum

9. A quorum shall be two members, both of whom must be independent,
10. Members may participate in a meeting of the Committee by means of a telephone or other communication equipment.

#### Company Secretary

11. The Company Secretary, or their nominee, shall be 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. The Company Secretary, or their nominee, shall attend all meetings of the Committee.

12. The Committee shall have access to the services of the Company Secretary on all Committee matters, including: assisting the Committee Chair 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.

### **Frequency of Meetings**

13. The Committee shall meet at least twice a year at appropriate intervals in the finance reporting and audit cycle or more frequently if the Committee deems necessary or if required by the Company's auditors.
14. Outside of the formal meeting programme, the Chair of the Committee, and to a lesser extent the other Committee members, shall maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board and the external audit lead partner.

### **Notice of Meetings**

15. Meetings of the Committee shall be convened by the Company Secretary at the request of any of its members.
16. Unless otherwise agreed by the Committee, 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 and any other person required to attend generally no later than seven working days before the date of the meeting. The Company Secretary or his or her nominee shall ensure that supporting information and papers shall be sent to Committee members and other attendees as appropriate at the same time.
17. Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

### **Minutes of Meetings**

18. The Company Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
19. The Company Secretary shall ascertain at the beginning of each meeting the existence of any conflicts of interest and minute them accordingly.
20. Draft minutes of Committee meetings shall be agreed with the Chair of the Committee and then the Company Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

### **Annual General Meeting**

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

### **Authority**

22. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to employ the services of such advisers as it deems necessary

to fulfil its responsibilities, and to invite such persons as it considers appropriate to attend its meetings and to participate in its discussions.

## **Duties**

23. The duties of the Committee shall be to:

### **23.1 Financial statements**

- (a) monitor the integrity of the financial statements of the company, including its annual and interim reports, and any other 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) in particular, the Committee shall review and challenge where necessary the Company's financial statements taking into account:
  - (i) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
  - (ii) decisions requiring a major element of judgement;
  - (iii) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (iv) whether the Company has followed appropriate accounting standards and, where necessary, made appropriate estimates and judgements, taking into account the views of the external auditor;
  - (v) any significant adjustments resulting from the audit;
  - (vi) compliance with applicable regulatory and legal requirements;
  - (vii) compliance with best practice in the area of corporate governance;
  - (viii) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
  - (ix) all material information presented with the financial statements, such as the strategic report and the corporate governance statement (in so far as it relates to the audit and to risk management); and
  - (x) awareness and compliance with non-financial reporting standards.
- (c) The Committee shall review the annual report in its entirety.
- (d) The Committee shall review other published financial reports or data produced by the Company from time to time.
- (e) The Committee shall review press statements and advertisements relating to financial matters prior to their issue.
- (f) For the purposes of the viability statement, the Committee shall assess:

- (i) the current position of the Company's emerging and principal risks, including those that would threaten its business model, future performance, solvency or liquidity and reputation, and how they are managed and mitigated; and
  - (ii) the prospects of the Company over such period deemed appropriate.
- (g) 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;
- (h) review and, if appropriate, recommend to the Board, the Company's annual and half-yearly reports;
- (i) Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

### **23.2 Internal controls**

- (a) undertake a robust annual review of the adequacy and effectiveness of internal controls and risk management;
- (b) monitor and review annually whether an internal audit function is required;
- (c) 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;
- (d) 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;
- (e) review and approve the statements to be included in the annual report concerning internal controls and risk management;
- (f) review and approve statements explaining how assets have been invested with a view to spreading investment risk and;
- (g) consider at least annually whether there is a need for an independent valuation of the Company's investment portfolio

### **23.3 Compliance, whistleblowing and fraud**

- (a) 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;

- (b) review the Company's procedures for detecting fraud;
- (c) review the Company's systems and controls for the prevention of bribery and tax evasion and receive reports on non-compliance;
- (d) review the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- (e) review the adequacy and effectiveness of the Company's compliance function.
- (f) review the Manager's whistleblowing arrangements

#### **23.4 External audit and relationship with the external auditor**

- (a) meet annually with the Company's designated audit partner without representatives of the Manager;
- (b) discuss with the auditor the factors that could affect audit quality and 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, having regard to the seniority, expertise, and experience of the audit team;
- (c) 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;
- (d) annually review and monitor the external auditor's independence and objectivity taking into account the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats
- (e) satisfy 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) which could adversely affect the auditor's independence and objectivity
- (f) review the representation letter requested by the external auditor before they are signed by the Board;
- (g) develop and recommend to the Board the Company's formal policy and thereafter implement such policy on the provision of non-audit services by the auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
  - (i) threats to the independence and objectivity of the auditor and any safeguards in place, taking into account any relevant regulations and ethical guidance in this regard;
  - (ii) the nature of the non-audit services;

- (iii) whether the audit firm is the most suitable supplier of the non-audit service;
  - (iv) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
  - (v) the criteria governing compensation;
- (h) ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms and, in respect of such tender, oversee the selection procedure ensuring that all tendering firms have such access to all necessary information and individuals during the tendering process;
- (i) if any auditor resigns, investigate the issues leading to this and decide what action is required to remedy the situation;
- (j) review the findings and recommendations of the audit with the auditor. This shall include but not be limited to, the following:
- (i) a discussion of any major issues which arose during the audit;
  - (ii) the auditor's explanation of how the risks to audit quality were addressed;
  - (iii) any accounting and audit judgements;
  - (iv) the auditor's view of their interactions with the Board and the alternative investment fund manager and investment manager, as applicable;
  - (v) levels of errors identified during the audit; and
  - (vi) the effectiveness of the audit
- (k) review any response from the Board to the auditor's findings and recommendations;
- (l) review the effectiveness of the audit process, taking into consideration the qualification, expertise and resources of the external auditor, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee which shall include a report from the external auditor on its own internal quality procedures, as well as relevant UK professional and regulatory requirement;
- (m) consider other topics, as requested and defined by the board.

### **Reporting Responsibilities**

24. The Chair shall report formally to the Board on the Committee's proceedings after each meeting 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:
- (ii) the significant issues that it considered in relation to the financial statements and how these were addressed;

- (iii) its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
  - (iv) any other issues on which the Board has requested the Committee's opinion.
25. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
26. The Committee shall compile a report on its activities, including its membership and frequency of and attendance at its meetings, to be included in the Company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the audit process (including the provision of non-audit services and an explanation of how, if the auditor provides non-audit services to the Company, auditor objectivity and independence, is safeguarded); the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; its recommendation on the appointment or reappointment of the auditor, including the length of the incumbent auditor's tenure, when a tender was last conducted and any contractual provisions restricting the Committee's choice of auditor, and the amount of fees paid to the auditor for any of its services; and all information requirements set out in the AIC Code of Corporate Governance (the "Code")
27. In compiling the reports referred to in paragraphs 24 and 26, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

### **Disclosures to Shareholders in the annual report**

28. 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.

### **Other Matters**

The Committee shall:

29. Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance as required.
30. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
31. Give due consideration to all relevant laws and regulations, the provisions of the AIC Code and published guidelines or recommendations and any other applicable rules, as appropriate.

32. 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.

Date of approval  
October 2023

Date of next review  
October 2024