



India Capital Growth Fund Limited

Terms of Reference of the Audit Committee

Constitution

The Audit Committee (the 'Committee') is appointed as a Committee of the Board in accordance with the Articles of Incorporation of the Company. The Chairman of the Committee shall be appointed by the Board. Members of the Committee shall be appointed by the Board, in consultation with the Chairman of the Committee. The Committee shall have a minimum of two members.

All members of the Committee shall be independent non-executive directors with relevant financial experience. A quorum shall be any two members of the Committee.

Conduct of Meetings

Meetings shall be held at least twice a year, normally immediately preceding the Board meetings at which the financial accounts for the year end and half year are reviewed. The auditors may request additional meetings if they are considered necessary.

Only members of the Committee have the right to attend meetings although, with the consent of the Chairman of the Committee, other directors may be in attendance. The auditors will be invited to attend meetings on a regular basis. Others, including officers and employees of the Manager and the Administrator, shall normally be invited to attend meetings. The Company Secretary shall act as Secretary to the Committee.

The Committee may, if it so wishes, meet with the auditors with only the independent directors present.

The Chairman of the Committee shall attend the Annual General Meeting of the Company so as to be available to respond to questions about the Committee's work.

The minutes of meetings of the Committee shall be circulated to the full Board of the Company.

Authority

The Committee is authorised by the Board to investigate any matters within its terms of reference and to:

- have access to all relevant information of the Company;
- obtain independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- call for the attendance of officers and employees of the Investment Manager and the Administrator competent to discuss financial accounting, internal controls or other matters within the Committee's Terms of Reference;



- review on a random basis such matters it deems appropriate including, but not limited to, those referred to in the Terms of Reference; and
- have direct access to the compliance officers of both the Administrator and the Investment Manager.

Responsibilities

The responsibilities of the Committee shall be:

1. External Audit

- To assist all directors in discharging their duties and legal responsibilities in respect of the annual report and accounts, interim statements, internal control and risk management procedures and working relationship with the auditors;
- To consider the appointment of the External Auditor and assess the independence, effectiveness and performance of the External Auditor in accordance with the UK Corporate Governance Code requirements, ensuring also that key partners are rotated at appropriate intervals;
- To oversee the process for selecting the External Auditor and make appropriate recommendations through the Board for the shareholders to consider at the AGM;
- To review annually the terms of the External Auditor's engagement letter and their proposed remuneration taking into account any changes to the Company's structure and operations in the period. To make recommendations to the Board regarding the external audit fees;
- To discuss with the External Auditor, before the audit commences, the nature and scope of the audit (or its review of the interim financial statements) and to review the Audit Plan, quality control procedures and steps taken by the Auditor to respond to changes in regulatory and other requirements;
- To review the External Auditor's management letter and management's response;
- To consider communications from the Auditors of audit matters to those charged with governance as required by Auditing Standards (IAS 260);
- To consider the matter of the provision by the auditor of non-audit services in order that no such services impair their independence or objectivity, as detailed in the Non-Audit Services Policy;
- To receive and review, at least annually, a summary of the External Auditor fees, both audit and non-audit, charged to the Company; and
- To consider putting out the audit services to tender at least once in every 10 years, to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms.

2. Directors' Valuation

- For the interim and annual financial statements, to receive from the Designated Manager a valuation of the Company's investment portfolio based on the agreed valuation methodology;
- To recommend to the Board the valuation of the Company's investment portfolio and any fair value adjustments thereto.

3. Fraud, Anti-Bribery & Corruption

- To review the Company's procedures for the prevention, detection and reporting of Fraud, Bribery & Corruption;



- ii. To review arrangements by which persons associated with the key service providers are able to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that appropriate proportionate independent investigation of such matters is undertaken;

4. Internal Controls and Risk Management Systems

- i. To ensure that the internal control and risk management systems of the service providers are adequate. To receive reports from the Company's service providers covering internal and risk management systems and procedures supported, as appropriate, by SOC1 or ISAE 3402 Reports. In the light of the above, to review the Company's statement on internal control and risk management systems prior to endorsement by the Board;
- ii. To ensure that a framework for strong corporate governance and best practice is in place, which is believed to be suitable for an investment company and which enables the Company to comply with the main requirements of the UK Corporate Governance Code or the AIC Code where considered appropriate;

5. Financial Statements

- i. To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance. Review and challenge, where necessary, the actions and judgements of the Investment Manager and any other relevant entities, in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:
 - When taken as a whole, the financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
 - Critical accounting policies and practices and any changes in them, as they relate to the consolidated results of the Company;
 - Decisions requiring a major element of judgement including the impact of adopting any acceptable alternative accounting treatment;
 - The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - The clarity of disclosures;
 - Significant adjustments resulting from the audit;
 - The Auditor's statement of unadjusted audit differences and the Designated Manager's explanation as to why adjustments have not been processed;
 - The going concern assumption;
 - Compliance with Accounting Standards;
 - Compliance with legal, regulatory or listing requirements;
 - The Directors' Report, including statements on Directors' Remuneration and Corporate Governance, and the Directors' Responsibility Statement;
- ii. At the end of an audit cycle, or earlier if appropriate, to review the effectiveness of the external audit process and to report the Committee's conclusions to the Board.

6. Internal Audit

To review the Company's need for an internal audit function and make a recommendation to the Board and provide the reasons for any absence of such a function within the relevant section of the annual report to Shareholders.



7. Compliance

To report to the Board with recommendations as appropriate, on the basis of;

- a written report from the Administrator's compliance officer twice a year confirming that the Company's affairs have been conducted in compliance with the regulations applying to it and its subsidiaries, both statutory and AIM and noting any untoward events or formal complaints recorded; and
- a written report from the Investment Manager's compliance officer twice a year confirming that the Company's investment dealings have been conducted in compliance with the regulations applying to it in all relevant jurisdictions and noting any untoward events or formal complaints recorded.

Reporting procedures

The Secretary shall circulate the minutes of the Audit Committee meetings to all members of the Board. The Chairman of the Committee shall attend the Board meeting at which the accounts are approved and report the key issues which, in the opinion of the Committee, should be brought to the attention of the Board in relation to the financial statements, other statutory disclosures and internal control weaknesses.

The Committee members shall conduct an annual review of their work, their performance and these terms of reference and make recommendations to the Board for changes. The Committee shall make its terms of references available to shareholders on request and ensure that they are published on the Company's website.

The Committee's duties and activities during the year shall be disclosed in the annual financial statements, including but not limited to:

- A summary of the work of the Committee in discharging its responsibilities.
- The significant issues considered by the Committee in relation to the financial statements and how these issues were dealt with.
- Whether the Committee considers that the Annual Report, taken as a whole, provides Shareholders with the information necessary to assess and understand the risks and rewards they may be exposed to by owning shares.
- How the Committee assessed the effectiveness of the external audit process, the approach taken to the audit appointment or reappointment, including the length of the tenure of the audit firm.
- An explanation of the procedures adopted by the Committee to ensure that the independence and objectivity of the External Auditor is maintained and safeguarded at all times

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

In the event of a material disagreement between the Committee and the Board, the Committee should have the right to report on the issue to shareholders in the Annual Report.

Amendments may be made to the duties of the Committee by the Board from time to time.

Considered by the Board
September 2019