

# **India Capital Growth Fund Limited**

## **Terms of Reference of the Audit & Risk Committee**

Last Reviewed: 20 September 2023

Last Amended: 13 December 2022

### **Constitution**

The Audit & Risk Committee (the 'Committee') is appointed as a Committee of the Board in accordance with the Articles of Incorporation of the Company.

The Role of the Committee is to assist the Board by overseeing all material aspects of the Company's financial reporting, control and audit functions and by considering the Company's compliance with all applicable legal and regulatory requirements.

### **Membership**

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 and shall be independent of the Manager, Administrator and any other Service Provider.

At least one member should have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Company operates.

The Chairman of the Board cannot be Chairman of the Committee.

### **Length of Service**

There is no maximum period of tenure so long as members continue to be independent. Tenure is reviewed at the same time as re-election to the Board is considered.

### **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, may be invited to attend meetings.

The Company Secretary shall act as Secretary to the Committee.

A quorum shall be any two members of the Committee.

At least once a year the Committee will meet with the auditors without representatives of the Manager, Administrator or any other Service Provider being present.

All meetings of the Committee are normally to be conducted in Guernsey or at any other location outside the UK as the Committee may determine from time to time.

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:

- i. have access to all relevant information of the Company;
- ii. obtain independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
- iii. have access to sufficient resources to carry out its duties including access to the Company Secretary for assistance as required;
- iv. have access to appropriate training as available if required, both in the form of an induction programme for new members and on an ongoing basis for all members;
- v. call for the attendance of officers and employees of the Manager and the Administrator competent to discuss financial accounting, internal controls or other matters within the Committee's Terms of Reference;
- vi. review on a random basis such matters it deems appropriate including, but not limited to, those referred to in the Terms of Reference; and
- vii. have direct access to the compliance officers of both the Administrator and the Manager.

### **Responsibilities**

The responsibilities of the Committee shall be:

#### **1. External Audit**

- i. 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;
- ii. 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;
- iii. To oversee the process for selecting the External Auditor and make appropriate recommendations through the Board for the shareholders to consider at the AGM;
- iv. 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;
- v. To review the External Auditor's management letter and management's response;
- vi. To review any representation letter(s) requested by the external auditor before they are signed by the Board;
- vii. To review the findings of the audit with the External Auditor. This shall include but not be limited to, the following:
  - a. discussion of any major issues which arose during the audit;
  - b. any accounting and audit judgements; and
  - c. levels of errors identified during the audit.
- viii. The Committee shall also review the effectiveness of the audit
- ix. Oversee the relationship with the external auditor including (but not limited to):
  - a. approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;

- b. approval of their terms of engagement, including an engagement letter issued at the start of each audit and the scope of the audit;
  - c. review and monitor their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - d. satisfying 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);
  - e. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners; and
  - f. assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures, taking into consideration relevant UK professional and regulatory requirements;
- x. To consider communications from the Auditors of audit matters to those charged with governance as required by Auditing Standards (IAS 260);
  - xi. 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;
  - xii. To receive and review, at least annually, a summary of the External Auditor fees, both audit and non-audit, charged to the Company;
  - xiii. 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; and
  - xiv. Conduct the tender process and make recommendations to the Board (to be put to the Shareholders for approval at the AGM), in relation to the appointment, re-appointment or removal of the Company's external auditor.

## **2. Directors' Valuation**

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

## **3. Fraud, Anti-Bribery & Corruption**

- i. 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 monitor the Company's internal financial controls and the Company's internal control and risk management systems
- ii. To ensure that the internal control and risk management systems of the service providers are adequate, and 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.

- iii. To review the Company's statement in the Annual Report on internal control and risk management systems prior to endorsement by the Board;
- iv. 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 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 including its Annual and Interim Reports, preliminary results' announcements and any other non-routine announcement relating to the Company's financial performance, reviewing significant financial reporting judgements which they contain and shall also review any financial information contained in certain other documents, such as announcements of a price sensitive nature. Review and challenge, where necessary, the actions and judgements of the 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 in the Company's financial reports and the context in which statements are made;
  - 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;
  - whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - Compliance with legal, regulatory or listing requirements;
  - The Directors' Report, including statements on Directors' Remuneration and Corporate Governance, and the Directors' Responsibility Statement; and
  - all material information presented with the financial statements, such as the corporate governance statement (insofar as it relates to audit and risk management).
- 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 consider annually 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**

The Committee shall give due consideration to laws and regulations, the provisions of the UK

Corporate Governance Code dated July 2018, the AIC Code of Corporate Governance dated February 2019 and the requirements of the UK Listing Authority's Listing Rules as appropriate

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

- i. 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
- ii. a written report from the 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 formally report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and how it has discharged its responsibilities.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

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:

- i. A summary of the work of the Committee in discharging its responsibilities.
- ii. The significant issues considered by the Committee in relation to the financial statements and how these issues were dealt with.
- iii. 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.
- iv. 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.
- v. 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.

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.