

## **Audit Committee Terms of Reference**

**January 2025**

### **1. Composition and Procedure**

- 1.1 The Committee (the “**Committee**”) shall consist of a minimum of 4 directors of the Company (the “**Directors**”). The Committee and the Chair thereof, who shall not be the Chair of the board of Directors (the “**Board**”), shall be appointed by the Board. Membership shall be confined to independent Directors. At least one member of the Committee shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector.
- 1.2 Only members of the Committee shall have the right to attend and vote at meetings. Other Directors and third parties may be invited by the Committee to attend meetings as and when appropriate.
- 1.3 Care should be taken by the Committee to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.
- 1.4 Appointments to the Committee shall be for a period of up to 3 years, which may be extended for up to 2 additional 3 year periods as agreed by the Board, provided the Director still meets the criteria for membership of the Committee and is re-elected on an annual basis at the Annual General Meeting of the Company.
- 1.5 In the absence of the Committee Chair, the remaining members present shall elect one other member present to chair the meeting.
- 1.6 The secretary of the Company (the “**Company Secretary**”) or his or her nominee shall act as the secretary of the Committee. Such person shall also act as a co-ordinating intermediary between the Board and the Committee.
- 1.7 The quorum for the transaction of business at Audit Committee meetings shall be 3 Audit Committee members. A duly convened meeting of the Committee at which a quorum is present, shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 1.8 The Committee shall meet not less than 3 times a year at appropriate times in the reporting and auditing cycle and at such other times as the Committee Chair shall require. Meetings of the Committee may be held by telephone or other electronic means.
- 1.9 Outside of the formal meeting programme, the Committee Chair will maintain dialogue with key individuals in the Company, including the Board Chair, and the external audit lead partner and the Investment Manager.
- 1.10 Any member of the Committee may request that a meeting be convened by the secretary of the Committee. The external auditors may request that a meeting be convened if they deem it necessary.
- 1.11 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers, shall be forwarded to each member of the Committee and any other person required to attend, no fewer than three business days prior to the date of the meeting.

- 1.12 The secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee. The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 1.13 Minutes of Audit Committee meetings shall be circularised promptly to all members of the Committee and to all other members of the Board, unless it would be inappropriate to do so.
- 1.14 Except as otherwise provided in these terms of reference, meetings of the Committee shall be conducted in accordance with the provisions of the Company's Articles of Association governing the proceedings of Directors.

## **2. Annual General Meeting**

The Committee Chair shall attend each annual general meeting of the Company, and shall be prepared to respond to any shareholder questions on the Committee's activities.

## **3. Duties**

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the group as a whole, as appropriate.

## **4. Internal Control and Risk Assessment**

- 4.1 The Committee shall keep under review the effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment, management and monitoring of financial risks, with particular regard to the protection of the interests of the Company's shareholders. The Committee shall meet investors in relation to the Company's financial reporting and internal controls, should it be deemed appropriate.
- 4.2 The Committee shall review and, if appropriate, approve any statements on internal control systems provided by the Administrator prior to endorsement by the Board and, if relevant, inclusion in the annual report.
- 4.3 The Committee shall ensure co-ordination between the Company and its external auditor and, where appropriate, between the external auditor and the auditor of the Administrator.
- 4.4 The Committee shall review the Company's and the Investment Manager's compliance with the Investment Policy (as amended from time to time with the requisite approval of the Company's shareholders)

## **5. Internal Audit**

- 5.1 The Committee shall consider at least once a year whether there is a need for an internal audit function and make a recommendation to the Board accordingly. The absence of such function should be explained in the Company's annual report.
- 5.2 The Company's annual report should explain that while the Fund does not have an internal audit function, it relies on the investment manager's (Schroders Greencoat) parent group internal audit function alongside the controls implemented by the administrator and the depositary. The Committee shall consider, at least once a year, whether the arrangements with the internal audit function of Schroders continues to be appropriate.

**6. External Audit**

- 6.1 The Committee will have primary responsibility for the appointment of the auditor. This includes negotiating the fee and scope of the audit, initiating a tender process, overseeing the appointment of an engagement partner and making formal recommendations to the Board on the appointment, reappointment and removal of the external auditors.
- 6.2 The Committee shall oversee the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 6.3 The Committee shall give advance notice of any retendering plans within the annual report.
- 6.4 The Committee will ensure all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.
- 6.5 The Committee shall meet with the external auditors each year to discuss, before the audit commences, the nature and scope of the audit.
- 6.6 The Committee shall keep under review the relationship with external auditors including (but not limited to):
- (a) the independence and objectivity of the external auditors;
  - (b) the consideration of audit fees which should be paid, as well as any other fees which are payable to auditors in respect of non-audit activities, subject to the cap on non-audit fees payable to the external auditors imposed by Directive 2014/56/EU and its delegated and implementing regulations, as amended from time to time (the “**Non-Audit Fee Cap**”), to the extent applicable;
  - (c) approval of their terms of engagement;
  - (d) discussions with the external auditors concerning such issues as compliance with accounting standards, the relationship with the external auditor as a whole, including the provision of any non-audit services and any proposals which the external auditors have made regarding internal auditing standards;
  - (e) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company, the Investment Manager or the Administrator (other than in the ordinary course of business);
  - (f) monitoring the external auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
  - (g) assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, which shall, where practicable, include a report from the external auditor on their own internal quality procedures.
- 6.7 The Committee shall meet with the external auditor each year, without management, to review the findings of the audit. This shall include but not be limited to discussing any major issues resulting from the audit, accounting and audit judgements and levels of errors identified

during the audit. The Committee shall also review the effectiveness of the audit and the external auditors' remit.

6.8 The Committee shall:

- (a) ensure that at least once every 10 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 process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- (b) oversee the relationship between the external auditor including (but not limited to):
  - (i) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring implementation of this policy;
  - (ii) seeking to ensure co-ordination with the internal audit function, where applicable;
- (c) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage; and
- (d) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

6.9 The Committee shall also:

- (a) review any representation letter(s) requested by the external auditor before they are signed by the Board;
- (b) review the auditor Board Report and the responses of the Administrator and Investment Manager to the external auditor's findings and recommendations; and
- (c) if considered appropriate, develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter and the Non-Audit Fee Cap (to the extent applicable). The Committee is responsible for approving non-audit services.

6.10 The Committee shall consider key matters of its own initiative rather than relying solely on the work of the external auditor. It shall satisfy itself that the sources of assurance and information it has used to carry out its roles to review, monitor and provide assurance or recommendations to the Board are sufficient and objective.

## **7. Financial Statements**

7.1 The Committee shall keep under review the consistency of accounting policies on a year to year basis.

7.2 The Committee shall satisfy itself that the fair valuation of the investments prepared by the Investment Adviser and Administrator is reasonable.

7.3 The Committee shall be responsible for satisfying itself that:

- (a) 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, strategy and internal controls;
- (b) the annual and half-yearly financial statements and any other major financial statements or announcements issued by the Company follow generally accepted accounting principles and give a true and fair view of the Company and any associated undertakings' affairs; and
- (c) matters raised by the external auditors about any aspect of the accounts or, of the Company's control and audit procedures, are appropriately considered and, if necessary, brought to the attention of the Board, for resolution.

7.4 The Committee shall exercise the following powers and discretions:

- (a) 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 AIC Code of Corporate Governance where considered appropriate;
- (b) to review all transactions outside of the normal course of business;
- (c) to ensure that proper and appropriate processes and procedures have been followed in the preparation of the half-year and annual financial statements;
- (d) to review the annual and half-yearly financial statements before their submission to the full Board, focusing in particular on:
  - (i) the consistency of, and changes to, accounting policies and practices;
  - (ii) main judgmental areas;
  - (iii) significant adjustments arising from the audit;
  - (iv) the extent to which the financial statements are affected by any significant or unusual transactions and the methods used to account for significant or unusual transactions where different approaches are possible;
  - (v) the "going concern" assumption and considerations for the long term viability statement;
  - (vi) compliance with accounting standards;
  - (vii) whether the Company has made appropriate estimates and judgements, taking into account the views of the external auditors;
  - (viii) the valuation of investments; and
  - (ix) the clarity of disclosures in the Company's financial reports and the context in which statements are made;
- (e) to review and challenge where necessary all material information presented with the financial statements, such as the Investment Manager's report and the corporate governance statements (insofar as they relate to audit);

- (f) to report its views to the full Board, where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company;
- (g) to ensure compliance with legal and regulatory (including as to corporate governance) requirements;
- (h) to discuss and resolve any problems or reservations which the Company's auditors may have arising from final audits and any interim audits or otherwise; and
- (i) to consider any other matter specifically referred to the Committee by the full Board.

## **8. Compliance, whistleblowing and fraud**

The Committee shall:

- (a) review the adequacy and security of the Company's arrangements for its service providers 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 preventing and detecting fraud; and
- (c) review the Company's systems and controls for the prevention of bribery in accordance with the Company's approved Anti-Bribery and Anti-Corruption policy and receive reports on non-compliance.

## **9. Reporting Responsibilities**

- 9.1 The Committee or its Chair shall report formally to the Board on its proceedings after each meeting, on all matters within its duties and responsibilities and meet formally with the Board at least twice a year to discuss such matters as the annual report and the Company's relationship with its external auditors.
- 9.2 In the light of its other duties, the Committee shall make whatever recommendations to the Board it deems appropriate and shall, where appropriate, compile a report to shareholders to be included in the Company's annual report and accounts.

## **10. Other Matters**

- 10.1 The Committee shall satisfy itself that the sources of assurance and information it has used to carry out its role to review, monitor and provide assurance or recommendations to the Board are sufficient and objective.
- 10.2 The Committee shall have access to sufficient resources, including adequate information (provided by the Board on a proactive as well as a reactive basis) in order to carry out its duties.
- 10.3 The Committee shall oversee any investigation of activities which are within its terms of reference and act as a court of last resort.
- 10.4 The Committee shall, on an annual basis, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness.
- 10.5 The Committee should consider such other matters as the Board may from time to time refer to it.

- 10.6 The Committee shall give due consideration to laws and regulations, the provisions of the AIC Code of Corporate Governance and the requirements of the Euronext Growth Market Rules, the AIM Rules, AIFMD, the Companies Act 2014 and any other applicable rules, as appropriate.
- 10.7 The Committee shall, where it considers it appropriate, be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
11. **Authority**
- 11.1 The Committee has been established by the Board and is authorised by the Board:
- (a) to seek any information it requires from the Administrator or any other provider of services to the Company (for example, solicitors, tax advisers, management consultants) in order to perform its duties; and
  - (b) to obtain, at the cost of the Company, such outside legal or other independent professional advice as the Committee shall consider, in its discretion, to be appropriate to the exercise of its powers and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.