

abrdn UK Smaller Companies Growth Trust plc
Audit Committee Terms of Reference

- 1 Constitution
- 2 Responsibilities
- 3 Membership
- 4 Attendance at Meetings
- 5 Secretary
- 6 Quorum
- 7 Frequency of Meetings
- 8 Notice of Meetings
- 9 Minutes of Meetings
- 10 Annual General Meeting
- 11 Duties
 - 11.1 Financial Reporting
 - 11.2 Narrative Reporting
 - 11.3 Risk Management and Internal Control Framework
 - 11.4 Compliance, Whistleblowing and Fraud
 - 11.5 Internal Audit
 - 11.6 External Audit
 - 11.6.1 Tendering
 - 11.6.2 Oversight of Auditors and Audit
 - 11.7 Going Concern
 - 11.8 Viability Statements
- 12 Reporting Responsibilities to the Board
- 13 Reporting Responsibilities to Shareholders
- 14 Other Matters
- 15 Authority

1. Constitution

- 1.1 The Board has established a Committee to the Board to be known as the Audit Committee ("the Committee").

2. Responsibilities

- 2.1 The Committee is responsible for discharging governance responsibilities in respect of audit, risk and internal control, and will report to the Board as appropriate. It will assist the Board in fulfilling its responsibilities regarding all matters related to external and internal financial reporting and maintain an appropriate relationship with the Company's auditors.

3. Membership

- 3.1 The Committee shall be appointed by the Board and shall be made up of at least two members.
- 3.2 The Board shall appoint an independent non-executive Director as the Chair of the Committee.
- 3.3 The Chair of the Board shall not chair the Committee but can be a member if they are independent on appointment. If the Chair of the Board is a member of the Committee, the Board shall explain in the annual report why it believes this is appropriate.
- 3.4 All members of the Committee shall be independent non-executive Directors of the Company, at least one of whom shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies. The Committee shall have competence relevant to the investment trust sector.
- 3.5 In the absence of the Chair of the Committee and / or an appointed deputy, the remaining members shall elect one of themselves to chair the meeting.

4 Attendance at Meetings

- 4.1 Only members of the Committee have the right to attend Committee meetings. However, other individuals, such as employees of the Manager and the Chair of the Board, may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 4.2 The external auditor will be invited to attend meetings of the Committee on a regular basis.
- 4.3 Representatives from the Manager's internal audit and compliance departments shall attend meetings at the invitation of the Committee.

5 Secretary

- 5.1 The Company Secretary or their nominee shall act as 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 issues.
- 5.2 The Secretary shall ascertain at the beginning of each meeting the existence of any conflicts of interest and minute them accordingly.

6 Quorum

- 6.1 The quorum necessary for the transaction of business shall be two members preferably at least one of these members should have recent and relevant financial experience. A duly convened meeting of the Committee of 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.

7 Frequency of Meetings

- 7.1 The committee shall meet at least two times per year at appropriate times in the reporting and audit cycle and otherwise as required.
- 7.2 Outside the formal meeting programme, the Chair, 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.

8 Notice of Meetings

- 8.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of the auditor if they consider it necessary.
- 8.2 Unless otherwise agreed, 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, any other person required to attend and all other non-executive Directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

9 Minutes of Meetings

- 9.1 The Secretary will minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 9.2 Draft minutes of Committee meetings shall be agreed with the Chair and then circulated promptly to all members of the Committee. Once agreed by all members of the Committee, minutes should be circulated to all members of the Board, unless it would be inappropriate to do so in the opinion of the Chair.

10 Annual General Meeting

- 10.1 The Chair of the Committee shall attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

11 Duties

11.1 Financial Reporting

- 11.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcements relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.
- 11.1.2 In particular, the Committee shall review and challenge where necessary:
- the consistency of, and any changes to, accounting policies on a year-on-year basis across the Company;
 - the methods used to account for significant or unusual transactions where different approaches are possible;
 - whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, considering the views of the auditor;
 - the clarity and disclosure in the Company's financial reports and the context in which statements are made; and
 - all material information presented with the financial statements, such as the corporate governance statement (insofar as it relates to audit and risk management).
- 11.1.3 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.

11.2 Narrative Reporting

- 11.2.1 Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

11.3 Risk Management and Internal Control Framework

The Committee shall

- (a) keep under review the adequacy and effectiveness of the Company's risk management and internal control framework and internal financial controls.

- (b) carry out a robust assessment of the Company's emerging and principal risks and ensure that these are being managed or mitigated, and evidencing this through a risk and control heat map.
- (c) monitor the Company's risk management and internal control systems, and at least annually, carry out a review of their effectiveness. The monitoring and review should cover all material controls, including financial, operational and compliance controls.
- (d) receive and consider the reports of the risk management functions of the Manager, administrator, depositary, registrar and other entities providing services to the Company.
- (e) review and approve the statements to be included in the annual report concerning the risk management framework and internal controls.

11.4 Compliance, Whistleblowing and Fraud

The Committee shall

- (a) review the arrangements in place for the Manager's employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- (b) review the Manager's procedures for detecting fraud.
- (c) review the Manager's systems and controls for the prevention of bribery and receive reports of any non-compliance.
- (d) review regular reports from the Manager's compliance function and keep under review the adequacy and effectiveness of the Manager's compliance function.

11.5 Internal Audit

The Committee shall

- (a) monitor and review the effectiveness of the Manager's internal audit function in the context of the Company's overall risk management.
- (b) review biannual reports from the Manager's internal audit function.
- (c) review and monitor the Manager's responsiveness to the findings and recommendations of the internal audit function.
- (d) meet a representative from the Manager's internal audit team at least once a year, and if necessary, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chair of the Board and to the Committee.

- (e) consider annually whether there is a need for the Company to have its own internal audit function.

11.6 External Audit

11.6.1 Tendering

The Committee shall

- (a) put the Company's audit out to tender at least every ten years, and rotate auditors every twenty years (or more frequently if required).
- (b) manage its non-audit relationships with audit firms to ensure that it has a fair choice of suitable external auditors at the next tender and in light of the need for greater market diversity and any market opening measures which may be introduced.
- (c) conduct the tender process and make recommendations to the Board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted.

11.6.2 Oversight of Auditors and Audit

The Committee shall

- (a) review and monitor the external auditor's independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.
- (b) oversee the relationship with the auditor including:
 - approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and
 - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- (c) ensure that the external auditor has full access to the Company records, the Board and relevant staff of the Manager.
- (d) meet as appropriate with the auditor at the audit planning and reporting stage. The Committee shall meet the auditor at least once a year, without the Manager being present, to discuss their remit and any issues arising from the audit.
- (e) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

- (f) invite challenge by the external auditor, giving due consideration to points raised and making changes to financial statements in response, where appropriate.
- (g) evaluate the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the external auditor from the market in that evaluation.
- (h) review the findings of the audit with the auditor. This shall include but not be limited to, the following:
 - any major issues which arose during the audit;
 - any accounting or audit judgements; and
 - levels of errors identified during the audit.
- (i) review any representation letter requested by the external auditor before it is signed by the Board.
- (j) review the management letter and management's subsequent response.
- (k) review the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements.
- (l) develop and implement policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on the independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required.
- (m) assess annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, which shall include a report from the external auditor on its own internal quality procedures.

11.7 Going Concern

- 11.7.1 The Committee should recommend to the Board whether it considers it appropriate to adopt the going concern basis of accounting in preparing them and identify any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

11.8 Viability Statements

- 11.8.1 The Committee should review and recommend to the Board the disclosures included in the viability statement including the period over which the Company's viability is assessed.

12 Reporting Responsibilities to the Board

- 12.1 The Committee Chair shall report formally to the Board on its 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:
- (a) the significant issues (required under section 11.1) that it considers in relation to the financial statements and how these were addressed.
 - (b) how the Committee has discharged its responsibilities with respect to the external audit, including its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the auditor; and
 - (c) any other issues on which the Board has requested the Committee's opinion.
- 12.2 Except to the extent that this is expressly dealt with by the Board, the Committee should review and recommend to the Board the disclosures included in the annual report in relation to internal control, risk management and the viability statement.
- 12.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

13 Reporting Responsibilities to Shareholders

- 13.1 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. The report should include:
- (a) The significant issues that the Committee considered relating to the financial statements, and how these issues were addressed.
 - (b) An explanation of the application of the entity's accounting policies.
 - (c) Where shareholders have requested that certain matters be covered in an audit and that request has been rejected, an explanation of the reasons why.
 - (d) An explanation of the how it has assessed the independence and effectiveness of the external audit process, and the approach take to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of retendering plans.
 - (e) Where a regulatory inspection of the quality of the Company's audit has taken place, information about the findings of that review, together with any remedial action the auditor is taking in the light of these findings.
 - (f) An explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services.

- (g) In the case of the Board not accepting the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and that of the Board, and the reasons why the Board has taken its different position (this should also be supplied in any papers recommending appointment or reappointment).
- (h) If a tender process has taken place within the year, the Committee should explain the criteria used to make the selection and the process followed.
- (i) The Committee should report on the activities it has undertaken to meet the requirements of the External Audit: Minimum Standards.

13.2 The Board shall confirm in the annual report that a review of the effectiveness of the Company's risk management and internal control systems has been carried out and provide a report of the review. The report should also include a description of its principal risks, and an explanation of how these are being managed or mitigated. The Board should also explain what procedures are in place to identify and manage emerging risks.

13.3 Taking account of the Company's current position and principal risks, the Committee should consider and recommend to the Board how, in the annual report, the Directors have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate. The Board should state whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.

14 Other Matters

The Committee shall:

- 14.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.
- 14.2 be provided with appropriate training, both in the form of an induction programme for new members and on an ongoing basis for all members. The induction should cover an overview of the Company's business model and strategy including information on the primary business, financial dynamics, and risks. Training topics may include risk management, the function of internal and external auditing, the legal and regulatory framework governing the Company's operations, and understanding financial statements and applicable accounting standards and recommended practices.
- 14.3 give due consideration to laws and regulations, the provisions of the AIC Corporate Governance Code 2024 and associated guidance, the requirements of the UK Listing Rules (LR), Disclosure and Transparency Rules (DTR) and any other applicable Rules, as appropriate to audit, risk and internal controls.
- 14.4 oversee any investigation of activities within its terms of reference.

- 14.5 work and liaise as necessary with all other Board committees.
- 14.6 arrange for periodic reviews of its own performance, 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.

15 Authority

The Committee is authorised:

- 15.1 to seek any information, it requires from the Manager or any third party service provider in order to perform its duties.
- 15.2 to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary.
- 15.3 to call any representative of the Manager or third party service provider to be questioned at a meeting of the Committee as and when required.
- 15.4 to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.
- 15.5 To have timely and unrestricted access to relevant documents relating to the affairs of the Company.

Approved by the Board of abrdn UK Smaller Companies Growth Trust plc on 22 August 2025