

NB GLOBAL MONTHLY INCOME FUND LIMITED

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

In this document, unless the context requires otherwise:

“Administrator” means U.S. Bank Global Fund Services (Guernsey) Limited and U.S. Bank Global Fund Services (Ireland) Limited;

“Board” means the Board of Directors;

“Code” means the AIC Code of Corporate Governance;

“Committee” means the Audit Committee;

“Company Secretary” means Praxis Fund Services Limited; and

“Investment Manager” means Neuberger Berman.

1. COMPOSITION AND PROCEDURES

- 1.1 The Audit & Risk Committee (the “Committee”) shall consist of a minimum of three members, comprising a Chairman and at least two other members and, where possible, one member of the Remuneration and Nomination Committee. The Committee shall be appointed by the Board, on the recommendation of the Remuneration and Nomination Committee in consultation with the Chairman of the Committee.
- 1.2 Membership shall be confined to independent non-executive Directors at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or audit. Should the Chairman of the Board be a member of the Committee, then the rationale for such decision shall be described in the Annual Report and Accounts.
- 1.3 Only members of the Committee have the right to attend Audit & Risk Committee meetings. However, other Directors, the external auditors and representatives of the Investment Manager and Administrator will be invited to attend Committee meetings on a regular basis and other non-members may be invited to attend all or part of the meeting as and when appropriate and necessary.
- 1.4 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. It is recommended that, where possible, the Chairman and members of the Committee should be rotated on a regular basis.

- 1.5 The Board shall appoint the Committee chairman who shall be an independent non-executive director. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one other member present to chair the meeting.
- 1.6 A nominee of the Company Secretary 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.
- 1.7 The quorum for the transaction of business shall be two 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 at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. Meetings of the Committee may be held by telephone conference, video link or any other electronic or telephonic means of communication. Any Director participating by telephone from the UK will not be counted in the quorum and will not be entitled to vote.
- 1.9 Outside of the formal meeting programme, the Committee chairman, and to a lesser extent the other committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the Board chairman, the Investment Manager and the external audit lead partner.
- 1.10 Any member of the Committee may request that a meeting be convened by the Secretary of the Committee. The Company's 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 five business days prior to the date of the meeting.
- 1.12 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 1.13 Minutes of Committee meetings shall be agreed with the Committee Chairman and then circulated promptly to all members of the Committee and other Board members, unless it would be inappropriate to do so in the opinion of the Committee Chairman.

2. ANNUAL GENERAL MEETING

- 2.1 The Committee Chairman shall attend each annual general meeting of the Company prepared to respond to any shareholder questions on the Committee's activities.

3. DUTIES

3.1 INTERNAL CONTROL AND RISK ASSESSMENT

- 3.1.1 The Committee shall keep under review the adequacy and effectiveness of the Company's financial controls and internal control and risk management systems; and
- 3.1.2 review and approve the statements to be included in the annual report concerning internal controls, risk management and the viability statement.

3.2 EXTERNAL AUDIT

The Committee shall:

- 3.2.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor.
- 3.2.2 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, conduct the tender and 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.
- 3.2.3 if an auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 3.2.4 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 at least once each year, without the Investment Manager being present to discuss the auditor's remit and any issues arising from the audit. If more than one audit firm is involved, the Committee shall monitor co-ordination between them.

- 3.2.5 discuss with the external auditor the factors that could affect audit quality, review and approve the annual audit plan, ensuring that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- 3.2.6 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 3.2.6.1 a discussion of any major issues which arose during the audit;
 - 3.2.6.2 The auditor's explanation of how the risks to audit quality were addressed;
 - 3.2.6.3 key accounting and audit judgements;
 - 3.2.6.4 the auditor's view of their interactions with the investment manager;
 - 3.2.6.5 levels of errors identified during the audit; and
 - 3.2.6.6 the effectiveness of the audit process.
- 3.2.7 The Committee shall keep under review the relationship with external auditors including (but not limited to):-
 - 3.2.7.1 reviewing, monitoring, and assessing annually their independence and objectivity taking into account relevant professional, ethical and regulatory requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
 - 3.2.7.2 approval of their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - 3.2.7.3 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 3.2.7.4 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, which could adversely affect the auditor's independence and objectivity;
 - 3.2.7.5 monitoring the auditor's compliance with relevant ethical, regulatory and other professional guidance on the rotation of audit partner.

3.2.7.6 monitoring the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements;

3.2.7.6 assessing annually the qualifications, expertise, resources and independence of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;

3.2.7.7 evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee and consideration likelihood of the withdrawal of the audit firm from the market.

The Audit & Risk Committee shall also:

3.2.8 review any representation letters requested by the external auditor before they are signed by the Board;

3.2.9 review any management letters and management's response to the auditor's findings and recommendations;

3.2.10 develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the external 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. As a Market Traded Company ("MTC"), since March 2020, the Company is classified as an EU/UK Public Interest Entity ("PIE"). Accordingly, the Audit and Risk Committee must consider whether the provision of such non-audit services is compatible with the "white list" of permissible services under the FRC's UK Auditing Standards (the "Auditing Standards"): The policy should include consideration of the following matters:

3.2.10.1 threats to the independence and objectivity of the external auditor and any safeguards in place;

3.2.10.2 Whether the skills and experience of the external audit firm make it the most suitable supplier of the non-audit service;

3.2.10.3 Whether there are any safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit arising from the provision of such services by the External Auditor;

3.2.10.4 The nature of the non-audit services;

3.2.10.5 The fees incurred, or to be incurred for non-audit services relatively to the audit fee; and

3.2.10.6 The criteria which govern the remuneration of the individuals performing the audit.

- 3.2.11 The Committee shall discuss with the external auditor, the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority expertise and experience of the audit team.

3.3 INTERNAL AUDIT

The Committee shall consider at least once a year whether there is a need for an internal audit function.

3.4 FINANCIAL REPORTING

- 3.4.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, and any other formal statements relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

- 3.4.2 In particular, the Committee shall review and challenge where necessary:

- 3.4.2.1 The consistency or, and any changes to, significant accounting policies and practices, both on a year by year basis and across the Company/group;
- 3.4.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 3.4.2.3 whether the Company has followed US generally accepted accounting principles (US GAAP) and made appropriate estimates and judgments, taking into account the views on the external auditor;
- 3.4.2.4 the “going concern” and viability statement assumptions;
- 3.4.2.5 the clarity and completeness of disclosure in the Company’s financial reports and the context in which the statements are made;
- 3.4.2.6 all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management; and

3.4.2.7 compliance with legal and regulatory (including as the corporate governance) requirements;

3.4.3 The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to the Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

3.4.4 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.

3.5 NARRATIVE REPORTING

Where requested by the Board, the Committee should review the content of the annual report and financial statements 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 performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters as required under the AIC Code of Corporate Governance.

3.6 REPORTING RESPONSIBILITIES

3.6.1 The Committee Chairman 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:

3.6.1.1 the significant issues that it considered in relation to the financial statements required under paragraph 3.4.1 and how these were addressed;

3.6.1.2 its assessment of the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;

3.6.1.3 the approach taken on the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and

3.6.1.4 any other issues on which the Board has requested the Committee's opinion.

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

3.6.3 The Committee shall compile a report on its activities 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 external audit process; 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; and all other information requirements set out in the AIC Code of Corporate Governance.

3.6.4 In the compiling of the reports referred to in 3.6.1 and 3.6.3, 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 financial statements, but could provide cross-references to that information.

3.7 RISK AND RISK MANAGEMENT

3.7.1 The Committee will review the effectiveness of the Company's risk management framework, in relation to the investment policy of the Company.

3.7.2 The Committee shall review on a regular basis risk management reports from the Investment management, assess the risks involved in the Company's business and how they are controlled and monitored by the Investment Manager.

3.7.3 The Committee shall monitor and review the effectiveness of the risk management function of the Company, but also the risk management function of the Investment Manager, Administrator and other third party service providers as it deems fit and to seek such assurance that such functions are adequately resourced and have appropriate standing with the Company.

3.7.4 The Committee will consider the risks associated with the valuation of investments.

3.7.5 The Committee shall review the Company's procedures concerning the prevention and detection of fraud and financial crime.

3.8 OTHER MATTERS

The Committee shall:

3.8.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

- 3.8.2 be responsible for co-ordination of the external auditors.
- 3.8.3 oversee any investigation of activities which are within its terms of reference.
- 3.8.4 give due consideration to laws and regulations, the provisions of the AIC Code of Corporate Governance, the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.
- 3.8.5 work and liaise as necessary with all other Board committees.
- 3.8.6 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.

4. **AUTHORITY**

The Committee is authorised by the Board:-

- 4.1 to seek any information it requires from the Investment Manager, Administrator, consultant and other provider of services to the Company (for example, solicitors, tax advisers, management consultants) in order to perform its duties;
- 4.2 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.
- 4.3 To have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.