Schroders

Schroder Income Growth Fund plc

Annual Report and Accounts

For the year ended
31 August 2020

Investment objectives

The Company's principal investment objectives are to provide real growth of income, being growth of income in excess of the rate of inflation, and capital growth as a consequence of the rising income.

Investment policy

The investment policy of the Company is to invest primarily in UK equities but up to 20% of the portfolio may be invested in equities listed on recognised stock exchanges outside the UK. If considered appropriate, the Company may use equity related instruments such as convertible securities and up to 10% of the portfolio may be invested in bonds. In addition, up to 20% of total income may be generated by short-dated call options written on holdings in the portfolio. Put options comprising short-term exchange-traded instruments on major stock market indices of an amount up to the value of the Company's borrowings may also be utilised.

Contents

Financial Highlights

Some of the financial measures below are classified as Alternative Performance Measures, as defined by the European Securities and Markets Authority and are indicated with an asterisk (*). Definitions of these performance measures, and other terms used in this report, are given on pages 58 and 59, together with supporting calculations where appropriate.

Total returns* for the year ended 31 August 2020

-13.2%

2019: -1.9%

Net asset value ("NAV") per share total return

-7.0%

2019: -5.4%

Share price total return

Dividend growth for the year

+1.6%

2019: +5.1%

Annual dividends have risen for 25 consecutive years

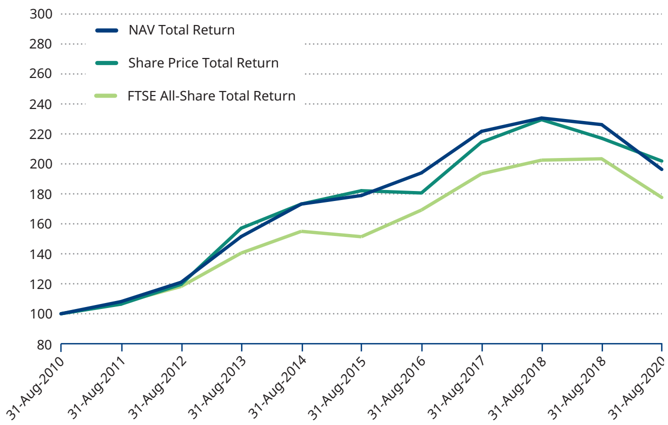
Other financial information

	31 August 2020	31 August 2019	% Change
Shareholders' funds (£'000)	170,324	204,458	(16.7)
NAV per share (pence)	246.71	297.66	(17.1)
Share price (pence)	242.00	273.00	(11.4)
Share price discount* (%)	1.9	8.3	
Gearing* (%)	9.5	15.5	

	Year ended 31 August 2020	Year ended 31 August 2019	% Change
Net revenue return after taxation (£'000)	8,042	9,744	(17.5)
Revenue return per share (pence)	11.69	14.19	(17.6)
Consumer Prices Index ("CPI")[1]	108.6	108.4	0.2
Ongoing Charges* (%)	0.86	0.87	

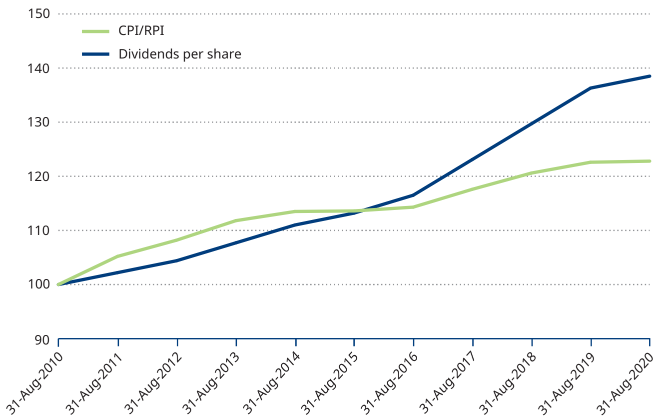
[1]Source: Office for National Statistics..

NAV/share price/FTSE All-Share Index total returns for the 10 years ended 31 August 2020



Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 August 2010.

Dividends per share versus the rate of inflation for the 10 years ended 31 August 2020



Source: Morningstar/Office for National Statistics. Rebased to 100 at 31 August 2010.

The Retail Prices Index ("RPI") was used as the measure of inflation up to 31 August 2013 and the Consumer Prices Index ("CPI") thereafter.

10 Year Financial Record

At 31 August	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Shareholders' funds (£'000)	134,787	143,100	171,616	188,936	188,165	196,490	216,718	216,740	204,458	170,324
NAV per share (pence)	196.23	208.33	249.85	275.06	273.94	286.06	315.51	315.54	297.66	246.71
Share price (pence)	187.75	199.75	251.25	266.50	269.75	257.00	293.63	301.00	273.00	242.00
Share price (discount)/ premium to NAV per share (%)	(4.3)	(4.1)	0.6	(3.1)	(1.5)	(10.2)	(6.9)	(4.6)	(8.3)	(1.9)
(Net cash)/gearing (%)[1]	(1.0)	3.8	3.3	9.6	9.5	8.4	5.8	8.3	15.5	9.5

For the year ended 31 August	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net revenue return after taxation (£'000)	6,065	6,886	7,003	7,428	7,761	8,299	9,107	8,767	9,744	8,042
Revenue return per share (pence)	8.83	10.02	10.20	10.82	11.30	12.08	13.26	12.76	14.19	11.69
Dividends per share (pence)	9.30	9.50	9.80	10.10	10.30	10.60	11.20	11.80	12.40	12.60
Ongoing charges (%)[2]	0.97	1.07	1.00	0.93	0.99	1.00	0.95	0.93	0.87	0.86

Performance[3]	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NAV total return	100.0	108.1	121.0	151.5	173.2	178.9	194.0	221.7	230.6	226.2	196.3
Share price total return	100.0	106.4	119.6	157.1	173.2	182.1	180.6	214.5	229.5	217.1	201.9
FTSE All-Share Index total return	100.0	107.3	118.2	140.5	155.0	151.4	169.2	193.4	202.5	203.4	177.6

[1]Borrowings used for investment purposes, less cash, expressed as a percentage of net assets. If the amount so calculated is negative, this is shown as a "Net cash" position.

[2]Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, expressed as a percentage of the average daily net asset values during the year.

[3]Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 August 2010

Chairman's Statement

Performance

It is particularly encouraging in such uncertain times to report that your Company has maintained its record of increasing its dividend each year. The distribution of 12.6p per share was 1.6% up over the previous year, the 25th year of increases, and higher than the 0.2% rise in the Consumer Price Index, enabling us to continue to meet our objective of providing real growth of income.

The income earned by the Company did fall by 16.3%, because of COVID-19's impact on investee companies' ability to pay dividends, so a small transfer was made from the reserves that your Company has built up from income in earlier years. These revenue reserves are now equivalent to 11 months of dividends, and remain available to help us support growth of income going forward.

The Company's second objective of capital growth was much more affected by the pandemic, with the NAV total return being -13.2%. This was worse than the FTSE All Share Index of -12.6%, for the reasons discussed in the Manager's Review, which includes commentary on the portfolio and the changes that have been made during this difficult year. Your board is very alert to this underperformance and the challenges facing UK equities, and will continue to work with the Manager to maximise capital returns, although not at the cost of income in a world where it is increasingly hard to find.

Share price discount and issuance

We know that the share price return is an important measure of performance for shareholders. During the year, the share price's discount to NAV narrowed from 8.3% to 1.9%. The share price total return therefore fell by 7.0% which, while a disappointing decline, was better than the FTSE All Share Index return of -12.6% mentioned above.

We were pleased that in June 2020 the Company issued 350,000 shares at a premium of 2.3% to NAV. The discount today is 1.0%[1].

At the date of this report, the Share Price performance of the Company has outperformed both its average peer group company and the FTSE All Share Index over one, three and five years.

Gearing

During the year, gearing decreased from 15.5% to 9.5%, in reaction to the uncertainties from the impact of COVID-19. Average gearing during the year was 12.3%. The £35 million facility with Sumitomo Mitsui Banking Corporation Europe plc expired on 22 August 2020 and was replaced by a £20 million facility with the same lender, which will mature on 23 August 2021. The gearing today is 10.3%[1].

Board composition

As mentioned in last year's Report and Accounts, the board has been prioritising succession planning, with the addition of two new independent non-executive directors, Victoria Muir and Fraser McIntyre, in 2019. David Causer, who has served the Company for a number of years as Chair of the Audit and Risk Committee, intends to retire as a director of the Company at the Annual General Meeting. We would like to thank David warmly for his service to the Company. Fraser McIntyre, who has extensive experience as both a chief operating officer and as a chief financial officer in the investment management sector and is a qualified accountant, will succeed him as Chair of the Audit and Risk Committee. Following the AGM the board will comprise four independent non-executive directors.

Continuation vote

The Notice of the Annual General Meeting contains an ordinary resolution proposing that the Company should continue for a further five year period. The board has reviewed the Company's investment objectives and policy, as well as the Manager and its investment process and resources. The board believes that the Company's objectives of providing real growth of income, being growth of income in excess of the rate of inflation, and capital growth as a consequence of the rising income, remain relevant to investors. The investment strategy and process employed by the Manager, which are well known to investors, have been laid out in the Strategic Report.

The board recommends that the Company should continue as an investment trust for a further five year period. The directors intend to vote their shares accordingly and wish to encourage all other shareholders likewise to vote in favour of continuation.

Annual general meeting

The AGM will be held at 12.00 pm on Thursday, 17 December 2020. Due to the continuing restrictions relating to meetings due to the COVID-19 pandemic, shareholders are asked to cast their votes by proxy. To ensure the safety and security of our shareholders, service providers, officers and guests, shareholders will not be able to attend the meeting in person.

The Manager will be presenting at a webinar on 17 December 2020 at 12.15 pm, and all shareholders are encouraged to sign up, to hear the fund manager's view, and to ask questions of the fund manager or the board. To sign up please visit the Company's webpages (www.schroders.co.uk/incomegrowth).

In addition, the board would like to invite shareholders to get in touch via the Company Secretary with any questions or comments, so that the board can answer them in advance of the AGM. The board will be providing answers to commonly asked questions on the Company's webpages, as well as the answers to questions from shareholders which have been submitted before the AGM. To email, please use: amcompanysecretary@schroders.com or write to us at the Company's registered office address (Company Secretary,

Chairman's Statement

Schroder Income Growth Fund plc, 1 London Wall Place, London EC2Y 5AU).

Outlook

Looking back over the last year, it could all have been worse for the Company's portfolio. After a period of strong performance for both the Company and UK equities to 29 February 2020, things changed dramatically with the onset of COVID-19 and a nationwide lockdown. There were genuine concerns as to whether a large number of companies would pay any dividends at all. As it turned out, the Company's investment income at the year end was more than 80% of the 2019 level. Adding a small amount from income saved from previous years has allowed us to increase the dividend again.

Saying it could have been worse is not to deny the disappointments – not least that the NAV is slightly less than 10% lower than a year ago. Lockdown measures are increasing again in many countries, and there is still little clarity on what the UK's post-Brexit trading environment with the EU will be like. We note, however, the comments in the Manager's review on how resilient many of the portfolio holdings have been, and that the Company's shares are yielding nearly 5% today.

At a time when interest rates and bond yields are so low, this is a good test of the Company's raison d'etre. We want the Manager and the portfolio to keep us in a position where we can maintain the record of increasing the dividend every year. With our revenue reserves equivalent to 11 months of dividends the board retains the ability to smooth out dividends should there be a future fall in investment income.

Bridget Guerin
Chairman

19 November 2020

1 As at 18 November 2020

Strategic Report

Manager's Review

The net asset value total return in the 12 months to 31 August 2020 was -13.2%. This compares to -12.6% from both the FTSE All-Share Index and the median of the AIC UK Equity Income Sector (excluding funds that joined the sector this year). The share price total return was -7.0% (source: Morningstar/Schroders).

Investment income for the Company fell 16.3% from the unprecedented disruption to UK dividends from COVID-19. This was a smaller decline than that from the total market (which Link estimates at 37% in the period to end September). To put this in a historical context, UK dividend income fell 20% during the Global Financial Crisis in 2009 and 2010.

Your Company has a focused portfolio which has been actively managed for both income and capital preservation. Fourteen holdings increased dividends over the 12 months. Tesco, BHP Billiton, Rio Tinto, Portuguese oil producer GALP and alternative asset manager Intermediate Capital all made substantial increases. A range of more stable businesses such as Unilever, RELX, British American Tobacco, Pearson, Legal & General and healthcare property company Assura continued to increase their dividends by modest percentages.

More than offsetting these increases were two negatives. Firstly, there were substantial cuts from holdings seeking to preserve balance sheet strength and liquidity, such as Burberry, security services provider G4S, leisure businesses Hollywood Bowl, William Hill and Whitbread. The student accommodation providers, Unite and Empiric, deferred making interim dividends until the situation became clearer. We maintained or increased the holdings in these businesses as we expect them to return to paying attractive dividends in due course.

Secondly, we sold holdings in companies where we considered there to be a risk of dividends being cut or permanently rebased lower. These included Aviva, BT, HSBC, Lloyds, Nat West (formerly RBS), software company Micro Focus, house builder Crest Nicholson, speciality chemicals company Johnson Matthey, and the holdings in oil companies.

Market background

The pandemic caused the fastest decline in global markets on record. Though equity markets have recovered well from their March lows following government monetary and fiscal responses, many, including the UK, are still down for the year to 31 August 2020. Prior to these events, domestic politics had dominated the narrative around UK assets. The general election in December brought a surprisingly strong victory for the Conservative Party.

Portfolio performance

The NAV total return underperformed the FTSE All-Share Index, as the portfolio's gearing proved a disadvantage during the falling market.

	Impact (%)
FTSE All-Share Index	**-12.6%**
Stock selection	+0.8
Sector allocation	+1.5
Gearing	-2.0
Costs	-0.9
NAV total return	**-13.2%**

Source: Schroders, 31 August 2020

Stock selection and sector allocation were positive. The portfolio entered 2020 more focused on domestic cyclical companies, which we believed were set to benefit as political risk around Brexit dissipated following the General Election and a rally in sterling. When the impact of the COVID-19 situation became apparent, we took decisive action early in the crisis regarding companies where we had particular concerns or where our original investment theses were jeopardised, as well as reducing the level of borrowings.

The portfolio benefited from moving underweight in the oil and gas sector, whilst reinvesting part of the proceeds in mining companies. Oil prices have fallen significantly in response to oversupply. However our decision was based on a view that companies were unlikely to be able to satisfy all stakeholders needs given their stretched balance sheets together with the transition to clean energy involving significant capital expenditure and likely acquisitions. Ultimately this transpired in the decision by Royal Dutch Shell and BP to rebase down their dividends. In addition the portfolio benefited from boosting its weightings in mining companies by buying Anglo American to add to Rio Tinto and BHP Billiton. The mining sector's performance has been robust due to demand for commodities from Asia remaining strong as these economies have been first in and first out of the COVID-19 pandemic.

The portfolio benefited from selling out of all banks (including HSBC), while GP practice property business Assura and Legal & General have been strong performers. Pets at Home, which was classified as an essential retailer by the UK Government, benefited from spending on pets remaining resilient.

Five top/bottom relative performers

Security	Portfolio weight (%)[1]	Portfolio weight relative to the index (%)[1]	Performance relative to the index (%)[2]	Impact on relative performance (%)[3]
HSBC	0.9	-3.8	-30.9	1.8
Royal Dutch Shell	3.4	-3.1	-37.0	1.5
Pets At Home	3.2	3.2	43.9	1.3
Assura	2.6	2.5	33.9	0.7
Legal & General	3.9	3.2	20.3	0.6

Manager's Review

Security	Portfolio weight (%)[1]	Portfolio weight relative to the index (%)[1]	Performance relative to the index (%)[2]	Impact on relative performance (%)[3]
Royal Bank of Scotland	0.6	-0.7	-26.7	-0.7
Reckitt Benckiser	–	-2.0	32.9	-0.7
Whitbread	2.1	1.9	-19.7	-0.6
Crest Nicholson	1.3	1.3	-28.7	-0.5
Pearson	2.5	2.3	-17.8	-0.5

Source: Factset.
[1]Weights are averages over the period.
[2]Performance relative to the FTSE All-Share Index.
[3]Impact is the contribution to performance relative to the FTSE All-Share Index.

Certain cyclical domestic holdings weighed on performance, including Whitbread, and house-builder Crest Nicholson (sold from the portfolio after the year end), and we reduced these holdings, amongst others, as the scale of the pandemic became clear. Pearson detracted from performance after a profit warning last autumn driven by poor trading in its US university textbook business. Pearson have had a challenging few years of operational performance recently as earnings have been under pressure due to the decline of print textbook sales in the US higher education market. While we acknowledge the pressure from this, we believe there is a big opportunity for the company to create value from their digital education business.

Portfolio activity

Turnover has been higher than in the past, as we took action in holdings where we had concerns or where the investment thesis was negated by COVID-19, and sought to reposition the portfolio as the outlook changed materially from what had been a benign economic background with reduced domestic political risk.

Last autumn we extended the positions in domestic UK stocks where we believed there to be an opportunity for valuations of these stocks to correct upwards on a resolution to Brexit. Purchases in Next and Royal Bank of Scotland (now Nat West) accompanied additions to Legal & General and Lloyds Bank, and were financed by reductions in HSBC and Royal Dutch Shell.

Between the general election and the pandemic we sold BT, where we felt the risks to the dividend and opportunities from accelerating the rollout of fibre broadband were fairly balanced. We established a new holding in National Grid. Political clarity in the UK sets the scene for the Company to deliver defensive earnings growth while opportunities should accrue from the decarbonisation of the economy. We also added to a number of defensive companies on attractive valuations, such as Unilever, RELX and BAT.

As the pandemic unrolled, we reassessed the investment theses of many of the holdings, selling the bank and oil holdings and several cyclical domestic companies such as ITV, Next, Taylor Wimpey, Crest Nicholson, and Whitbread. Proceeds were deployed to take advantage of capital and income opportunities, to support fund raisings and to invest in companies we considered better placed to recover more strongly, such as Anglo American, Direct Line Insurance, M&G and Prudential. We engaged constructively and frequently with many holdings to get reassurance on short term liquidity and understand the operational levers companies had at their disposal.

By the summer activity reverted to more normal levels. We sold out of speciality chemical company Johnson Matthey and established a new holding in business services supplier Bunzl.

Outlook

COVID-19 is the quintessential exogenous shock. The range of potential outcomes appears very wide. This holds true for companies at both an operational level of profitability and their ability and desire to reward shareholders with dividends. On the positive side there is the potential for vaccination. Areas which would do best in such a scenario would be those that have been hardest hit – for example, banks and consumer discretionary sectors such as travel and leisure. On the negative side, it may take a long time. In such an outcome markets could fall as some expectation of a vaccine has been priced into markets. Areas which would hold up relatively well would be defensive growth companies with resilient balance sheets and franchises. In this instance COVID-19 may prove such a shock that some industries are permanently changed through overcapacity, technological changes or changes in consumer behaviour – e.g. airlines, cruises, and traditional retail/office companies (none of which are in your portfolio).

We remain bottom-up stock pickers looking for idiosyncratic investment opportunities. Macro events often throw up stock-specific opportunities and this has been the case during the height of the crisis. Our process incorporates scenario analysis to test both the upside potential and the downside risks. As we survey the opportunity set today, we feel that there are many attractive opportunities. We also believe that there is good reason to be optimistic about UK equities, not least because sentiment remains so poor. The uncertainties are well known but the positive long-term prospects of many businesses have been obscured by gloomy headlines on COVID-19 and Brexit alongside high-profile dividend cuts.

Notwithstanding the high levels of uncertainty, there has been a resumption of bid interest from overseas buyers as companies seek to take advantage of cheap prices, low financing costs and an attractive exchange rate. We also note the appearance of activist investors. Two holdings – G4S and William Hill – have been subject to takeover approaches since the end of August, with both shares rising sharply.

We believe that income in the current financial year will be somewhat lower than 2020 as we have yet to pass the anniversary of COVID-19, which coincides with the declaration of many companies' final dividends. It remains important to balance the sources of income as well as to look at a time horizon beyond the immediate. The portfolio includes many companies that continued to pay dividends and companies where the pandemic disrupted payments but where we see the ability for payments to resume. It includes low but secure yielding stocks, typically from defensive and growth areas such as essential retailers, specialty property stocks with secure tenants, and business-to-business services companies with secure revenues.

These are balanced with higher-yielding shares where the work we have done gives us comfort that dividends are sustainable, such as mining, insurance and investment companies. The stocks with takeover bids, G4S and William Hill, are examples of those retained despite not paying dividends. Where appropriate, a number of companies have also resumed the payment of dividends deferred in the spring, such as defence company BAE, Direct Line Insurance and Bunzl. We believe that this barbell approach will provide a good level of income and investment style diversification in order to meet income and capital growth objectives over time.

Our work on portfolio companies reassures us about the attractive absolute and relative value in the portfolio. We remain positive on the prospects and believe that retaining gearing at the current low level of markets is appropriate for two reasons. Firstly, given the low costs of borrowing, the extra dividends benefit portfolio income. Secondly, investors will be rewarded over the longer term by the boost to capital returns of market rises from the current low levels.

Investment policy

We are sticking to our disciplined investment process that has served us well for over 20 years, and look to take advantage of opportunities in market-leading, cash generative, well-managed businesses which trade at attractive levels. We continue to work closely with our in-house analysts to help identify attractive potential investment candidates and to monitor the validity of the case for existing holdings.

Five largest overweight stocks

Security	Portfolio weight (%)	Index weight (%)	Difference (%)
Pets At Home	4.1	0.1	4.0
BAE Systems	4.7	0.9	3.8
G4S	3.7	0.9	2.8
Legal & General	4.1	0.7	3.4
GlaxoSmithKline	7.2	3.8	3.4

Source: Schroders, as at 31 August 2020.

We continue to believe that an actively managed portfolio with a bottom-up, stock-specific focus can deliver on the Fund's capital and income objectives. The uncertainties are well known but the long-term prospects of many businesses have been obscured by the headlines on COVID-19 and Brexit alongside high-profile dividend cuts. By taking a measured, long-term investment view, we believe that the portfolio will be able to exploit the many mispriced bottom-up stock opportunities in the market.

Schroder Investment Management,
19 November 2020

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

The securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

Investment Portfolio as at 31 August 2020

Companies in bold represent the 20 largest investments, which by value account for 78.4% (2019: 74.0%) of total investments. All companies are headquartered in the UK unless otherwise stated.

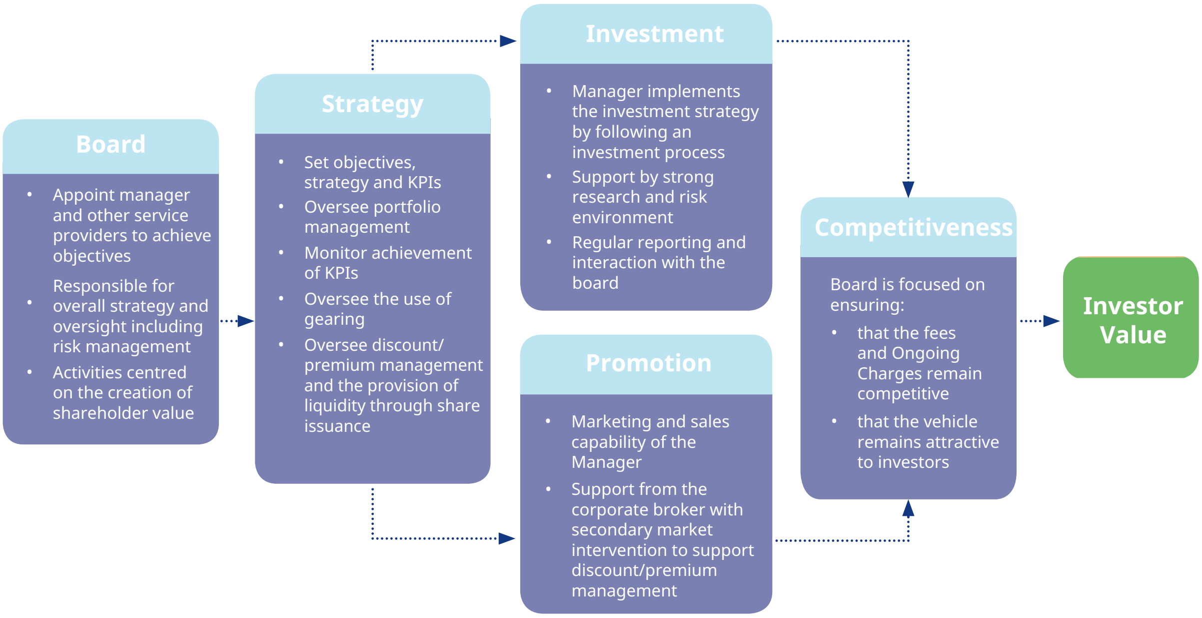
All investments are equities, listed on a recognised stock exchange.

	£'000	%
Financials		
Legal & General	**7,645**	**4.1**
Assura	**6,254**	**3.4**
Prudential	**5,863**	**3.2**
Intermediate Capital	**5,770**	**3.1**
John Laing	**5,459**	**2.9**
Empiric Student Property	3,831	2.1
TP ICAP	3,636	2.0
Unite Group	3,406	1.8
M&G	3,261	1.8
Direct Line Insurance	3,084	1.7
Total Financials	**48,209**	**26.1**
Consumer Services		
Tesco	**7,865**	**4.2**
Pets At Home	**7,684**	**4.1**
RELX	**7,076**	**3.8**
Pearson	**5,112**	**2.8**
William Hill	**4,354**	**2.3**
Hollywood Bowl	3,141	1.7
Whitbread	2,527	1.4
Daily Mail and General Trust	1,238	0.7
Total Consumer Services	**38,997**	**21.0**
Consumer Goods		
British American Tobacco	**10,279**	**5.5**
Unilever	**8,349**	**4.5**
Burberry	**4,447**	**2.4**
Taylor Wimpey	1,578	0.9
Total Consumer Goods	**24,653**	**13.3**

	£'000	%
Healthcare		
Glaxosmithkline	**13,395**	**7.2**
Astrazeneca	**10,596**	**5.7**
Total Healthcare	**23,991**	**12.9**
Basic Materials		
Rio Tinto	**8,112**	**4.4**
BHP Billiton	**6,798**	**3.7**
Anglo American	**5,011**	**2.7**
Total Basic Materials	**19,921**	**10.8**
Industrials		
BAE Systems	**8,698**	**4.7**
G4S	**6,907**	**3.7**
Bunzl	3,084	1.7
Total Industrials	**18,689**	**10.1**
Oil and Gas		
Galp Energia (Portugal)	3,441	1.9
Royal Dutch Shell 'B'	2,292	1.2
BP	1,178	0.6
Total Oil and Gas	**6,911**	**3.7**
Utilities		
National Grid	3,960	2.1
Total Utilities	**3,960**	**2.1**
Total investments	**185,331**	**100.0**

Strategic Review

The Strategic Report sets out the Company's strategy for delivering the investment objective (set out on the inside front cover), the business model, the risks involved and how the board manages and mitigates those risks. It also details the Company's purpose, values and culture, and how it interacts with stakeholders.



Business model

The board has appointed the Manager, Schroder Unit Trusts Limited to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the board, including limits on the type and relative size of holdings which may be held in the portfolio and on the use of gearing, cash, derivatives and other financial instruments as appropriate. The terms of the appointment are described more completely in the Directors' Report. The Manager also promotes the Company using its sales and marketing teams. The Board and Manager work together to deliver the Company's investment objective, as demonstrated in the diagram above. The investment and promotion processes set out in the diagram are described in more detail below.

Investment process

The investment approach is based on Schroders' belief that stock markets are inefficient. The Manager believes it can exploit such inefficiencies by conducting its own research, through disciplined portfolio construction, and taking a long-term view.

The Company's lead portfolio manager, Sue Noffke, has been a member of Schroders' UK Equity team for over 20 years and has been managing the Company's portfolio since 2010. She is a key member of the team, which employs a rigorous and disciplined investment process aiming to deliver consistent outperformance with low volatility against set objectives.

Stock research

The portfolio manager and the rest of Schroders' UK Equity team work closely with Schroders' specialist industry analysts who conduct independent fundamental research. As one of the largest UK investors, Schroders has substantial access to companies' management teams. The research focuses on factors that influence a company's ability to create value for shareholders over the long term and looks beyond short-term profits to a company's profits potential and to the quality of those profits. The focus is not exclusively on growth, value, or earnings momentum factors but on each company's individual ability to create value for shareholders.

Stock selection/portfolio construction

The decision to buy or sell a security lies with the portfolio manager, and bottom-up (that is based on analysis of individual companies rather than general market or sector trends) stock selection is therefore the primary influence on portfolio performance. When assessing stocks for inclusion in the portfolio and in managing existing investments, the Manager places a greater emphasis on the sustainability and the potential growth of a company's dividend rather than a high initial yield. The size of each holding is determined on the basis of investment conviction and an assessment of the risks and volatility associated with it, rather than its market value. Portfolio construction is supported by a robust system of risk controls. Proprietary risk tools help the portfolio manager and the board to understand the factors contributing to risk and to avoid unintended risk.

The Manager may invest up to 20% of assets in overseas stocks and this is utilised in three main ways: for added diversification where overseas equities are cheaper than their equivalents in the UK; when attractive dividends are available; and for exposure to sectors that are not well represented in the UK equity market.

Review/sell discipline

The management of a relatively concentrated portfolio requires a rigorous sell discipline enforced by competition for capital. The Manager will sell a holding if its share price reaches a level where there appear to be better opportunities elsewhere or if a material change in a company's circumstances makes the original investment case no longer valid. Given the long-term approach, portfolio turnover tends to be low.

Integration of ESG into the investment process

As managers of the Company, we are stewards of capital, focusing on the long-term prospects of the assets in which we invest. We analyse each investment's ability to create, sustain and protect value to ensure that it can deliver returns in line with our shareholders' objectives.

We view ourselves as responsible investors. Responsible investment considers companies' citizenship and their contribution to society in the context of achieving investment objectives. We appreciate that many shareholders want to use their investment to support more responsibly run businesses, and that many investors have concerns over specific activities to which they do not want their investment exposed.

We adopt an approach of integration

As a result of the above, we choose to adopt the model of Environmental, Social and Governance ('ESG') integration. Our investment approach explicitly considers ESG factors as a source of adding value. In our view, ESG and industrial trends are intrinsically linked. Today, companies face competitive pressures from a wider range of sources, on a larger scale and at a faster pace. We identify the key ESG issues of each company we invest in, and analyse and examine the management of these in order to determine the risk profile of an investment. This helps inform our assessment of both upside opportunity and downside protection.

To us, effective ESG integration means conducting a rigorous bottom up examination of a company's ESG performance and incorporating that analysis into investment decisions rather than outsourcing that analysis to third parties.

Extensive engagement with portfolio companies

As part of our process, we meet with company management teams in advance of investing, as well as meeting with the management of all portfolio companies at least once a year. In many cases we meet with them more than this, as well as engaging with board members. In addition, we will attend meetings with the majority of management teams of companies in the FTSE 350 over the course of a year as we regularly review the investment cases of companies not held in the portfolio. Our work here is aided by our internal resource of 17 dedicated ESG analysts.

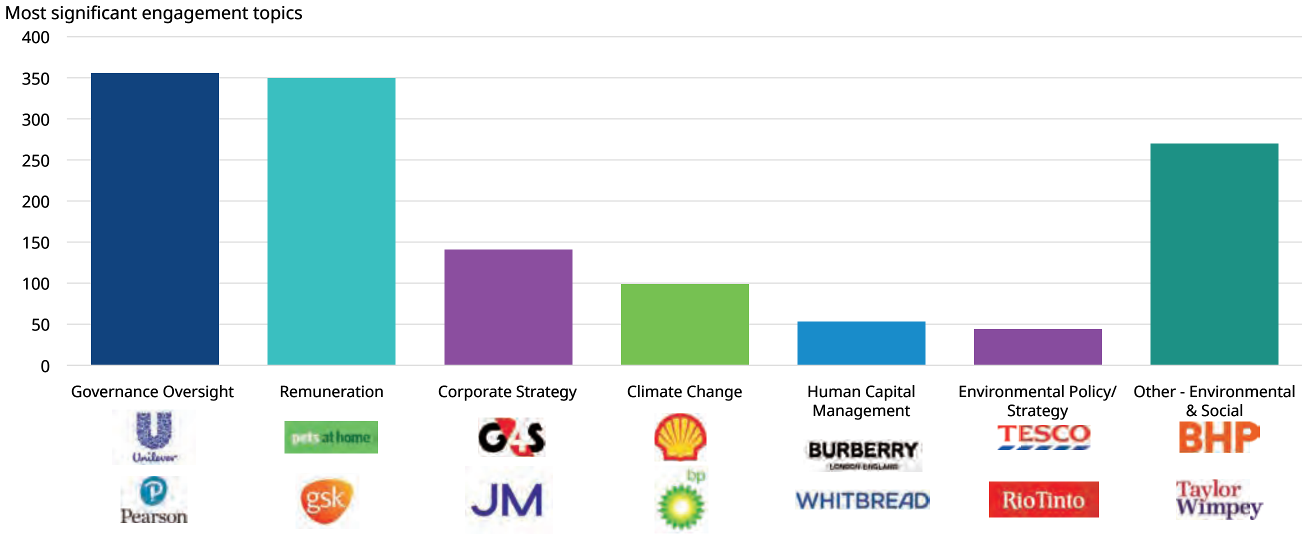
We have always taken pride in our level of engagement with companies. Our brand, as well as extensive analytical resource affords us the ability to regularly engage with companies on all aspects of corporate strategy, including ESG matters.

The chart below shows an illustration of the main engagement issues the investment team have had with UK companies in 2019.

Schroders' engagement

Extensive resources ensure we engage fully on ESG matters with UK companies

Schroder UK Equity team ESG engagements – past 3 years



Source: Schroders. Most significant engagement topics from 1 January 2017 to 23 December 2019. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

The below tables show the number of company meetings and resolutions the Company voted on in the last one and three years.

	1 September 2019 – 31 August 2020		1 September2017 – 31 August 2020	
	Number	%	Number	%
Meetings	39		132	
Resolutions	737		2393	
Votes with management	723	98.1%	2338	97.7%
Votes against management	14	1.9%	55	2.3%
Did not vote	0	0%	0	0%

Where we vote against, in the majority of cases this has been to oppose the re-election of a director or to oppose the remuneration report. We will oppose the re-election of a director for a number of reasons, including 'over-boarding', where we believe a director holds too many board positions at once so are unable to dedicate sufficient time to each. In the case of remuneration, we push for management teams to have firm alignment with shareholders.

ESG in action

The below are a number of case studies where we have explicitly considered and influenced ESG issues in our investment activities. All relate to current holdings and refer to companies we have explicitly engaged with during the recent period.

Our response to COVID-19 across the portfolio

We have engaged with all portfolio companies over the course of 2020 to communicate our expectations on managing the challenges that COVID-19 poses and, amongst other things, to encourage companies to support and protect employees' mental health during the pandemic.

Individual case studies

Bunzl

During the period we initiated a position in the business-to-business distributor Bunzl. Bunzl distributes not-for-resale consumables such as packaging, labels, cleaning products and personal protective equipment that are business critical to their customers yet a small proportion of their total costs. Customers operate in sectors such as grocery, foodservice, healthcare, and retail.

In the past, investors have had concerns over the high proportion of Bunzl's sales that come from plastic goods, both recyclable and single-use. In response, we are encouraged by Bunzl's investment in sustainability. This has included recruiting a new Group Head of Sustainability as well as hiring eleven sustainability experts in the regions Bunzl operated in. As Bunzl is not a manufacturer, the company is not tied to any specific products or materials. Therefore Bunzl can give an objective overview of the best solutions for each customer.

Bunzl has already introduced a material footprint tool in the UK. This tool analyses material type classification and cross-references it with current and prospective regulation to give customers an instant overview of relevant products that could be switched to sustainable alternatives. Using a traffic light system, customers can easily see relevant substitute products that have a lower material footprint. Many of these sustainable products are priced at higher levels than the single-use alternatives they replace. This could lead to better financial performance as well as lower environmental impact over time.

We have also engaged with Bunzl on the use of electric vehicles (EVs). Given most of Bunzl's products are currently distributed via a fleet of diesel lorries, switching to EVs could significantly reduce Bunzl's carbon footprint. The switch to electric vehicles will take time and rely on affordable models being available in the mass market. However, we are heartened by the company's willingness to plan for the long-term and management's consideration of the wider impact the business has on society and the environment.

Bunzl's dedicated assurance and quality control team have been instrumental in ensuring products related to fighting the Covid-19 pandemic have been delivered on time. Bunzl's people have been installed in manufacturer's facilities to check product quality. The company has engaged with governments and healthcare systems to reduce the shortfall of personal protective equipment. This period has shown the value in the long-term relationships Bunzl has with its suppliers.

G4S

The portfolio has been invested in G4S since January 2018. We have undertaken long term ESG engagement with the company, including on strategy and their responses to the coronavirus crisis. In this case, we have a particular focus on the 'S' in ESG, given the large number of people G4S employ around the world. In this regard, we focus on metrics such as employee turnover, which we are comfortable is lower than industry peers. In addition we review level of investment in staff training and levels of unionised workforce, which is of particular importance in certain geographies.

In addition, we have pushed for changes to G4S' executive remuneration policy, seeking higher alignment with shareholders in their long term incentive plan, a reduction in pension allocation, an incorporation of ESG metrics into annual incentives and a formalisation of their policy on post employment shareholdings. Our efforts were successful here as the company announced a more material link to total shareholder return in their long term incentive plan and have increased disclosure of the ESG elements in their bonus.

We have also engaged heavily with the board to push for the sale (in preference to a demerger) of G4S's cash solutions business. This culminated in Brinks purchasing it for £660mn in February 2020. As a result of a strengthened balance sheet, simplified structure, emerging markets' exposure and investments in new technologies, G4S's long term prospects look good.

Sometimes it can take external events to bring a mispriced opportunity to the market's attention. We saw this after the Company's financial year end with G4S after the company received a bid approach from private equity backed GardaWorld in September 2020 at 190p per share. This deal would consolidate the security industry and the combination would create a clear global leader. We believe the bid materially undervalues G4S and its prospects but we are prepared to engage and are open to a deal at a fair price.

Reduction in our oil and gas positions during the year (Shell currently held, BP sold during year)

Instead of excluding oil and gas companies from our investment universe, we take the view that the way to speed up change is to encourage these companies to accelerate their investment in renewable fuels. In the case of BP and Shell, we are fortunate to have two companies listed on the UK market that have relatively strong credentials when it comes to investing a relatively high proportion of their capital expenditure into renewables. Both companies invest 5 – 10% of their capital expenditure into the area, and are expected to head towards 20% in the medium term. For comparison purposes, a number of the US majors spend less than 1% of their capital expenditure on renewable energy. As a result we believe that they should be viewed as important stakeholders in the global energy transition. We have been engaging with them and using our votes to encourage the companies to align remuneration with their renewable energy strategies.

However, prior to the COVID-19 pandemic, we were conscious that it would be difficult for the companies to both fund low carbon growth and carry on paying substantial dividends to shareholders given their level of indebtedness. As a result the portfolio entered FY20 with a below benchmark weight position in the oil and gas sector. After the onset of COVID-19 and the subsequent fall in the oil price, we once again reviewed the investment cases for BP and Shell. Our conclusion was to further reduce the positions based on a weakening outlook for profits and cash flows due to the lower oil price and execution risks surrounding the strategy shift away from carbon. We completely sold the position in BP and continue to hold a below benchmark weight position in Royal Dutch Shell. The debt levels of both mean they are undergoing the transformation to renewables from a disadvantaged position. For example, BP's low carbon assets are at the lower end of the value chain (mainly a pipeline of solar projects) and the remaining upstream business is exposed to a reliance on the oil price due to a high share of short-cycle production. As discussed previously, without an increasing oil price we believe it will be difficult for the companies to fund a transition to low carbon and pay attractive dividends to shareholders.

National Grid

We switched part of the proceeds of our reduction in oil and gas companies into establishing a position in the energy utility company National Grid. It is our belief that the medium term prospects for the business are healthy given the need in both the UK and US (the company's two major markets) to invest in electricity infrastructure to facilitate the transition towards renewable energy in order to meet net zero targets.

In addition to this tailwind, the company has set ambitious greenhouse gas reduction targets, aiming to be Net Zero by 2050, having seen a 25% reduction over the last 5 years. We are also encouraged by recent moves to expand into renewable energy generation in the US, through the acquisition in 2019 of Geronimo energy, a wind and solar developer. National Grid have also demonstrated their commitment to Sustainable Finance through the issuance of £1bn in Green Bonds, which allow access to different pools of capital and benefits financing costs, and the company is set to publish its first Responsible Business Report alongside the Annual Report in the summer of 2021.

In response to the Covid-19 pandemic, National Grid US took the step to stop disconnecting customers for non-payment and suspended all normal non-payment-collection procedures. Rates were also frozen. In the UK no employees were furloughed.

We were disappointed by the outcome of the OFGEM (UK gas and electricity regulator) draft determination, published in July 2020, which we believe fell short of the levels needed to spur necessary investment into green infrastructure. As a result we have been engaging with the regulator to encourage a review of the draft determination to ensure that it would incentivise the spending plans which will enable the utility sector to be a facilitator of the decarbonisation and electrification of the UK.

Mining investments

We hold three diversified mining companies, Rio Tinto, Anglo American and BHP Billiton in the portfolio. When considering these investments, Environmental and Social factors in particular constitute a material part of our analysis and ongoing engagement.

Anglo American

We established a position in Anglo American during the period. They have high exposure to operations in South Africa, Botswana, Brazil and other emerging markets, and as a result face both labour and environmental challenges. Working with our internal ESG team and external analysts, we reviewed the company's policies and are reassured that Anglo American has developed relatively strong social, community and environmental strategies to manage risks of corruption, instability of operations and environmental related issues. Prior to investing we also had a meeting with the Chair during which we discussed a number of these issues.

From an environmental perspective, the company recently announced that they have started the process of demerging their thermal coal assets in Africa. This could take up to 2-3 years. The intention is to create a separate listed entity in South Africa which will allow investors to choose whether they want to retain ownership or not. This will help address investor concerns over the company's exposure to fossil fuels. In addition, during the period we engaged with the company surrounding their approach to scope 3 carbon emissions. This is an ongoing engagement.

Rio Tinto

We have been longstanding shareholders in Rio Tinto, and over the years have consistently engaged with the company on a range of issues regarding their management of environmental, social and governance issues.

The majority of our engagement during the period surrounded a controversy. In May 2020 it was announced that in their mining activities the company had destroyed two sacred ancient aboriginal caves at Juukan Gorge in Australia. We acted quickly to set up a dialogue with the company to understand the circumstances surrounding the incident and ensure the company had a plan of action to both understand why this happened and change their behaviours to ensure that events such as these will not be repeated. This involved

Strategic Review

two calls with the Chair, covering predominantly accountability, incentives and culture.

We are pleased to have seen firm action taken by the company in response after engaging with shareholders, Traditional Owners, Indigenous leaders and other stakeholders. The board removed three senior figures from their positions. These included the CEO, Chief Executive of Iron Ore and the Group Executive, Corporate Relations. In their review of the incident, they also outlined some positive remediation steps such as the creation of a specific Social Performance function and clear accountability and decision-making steps for the exec committee for heritage matters.

Burberry

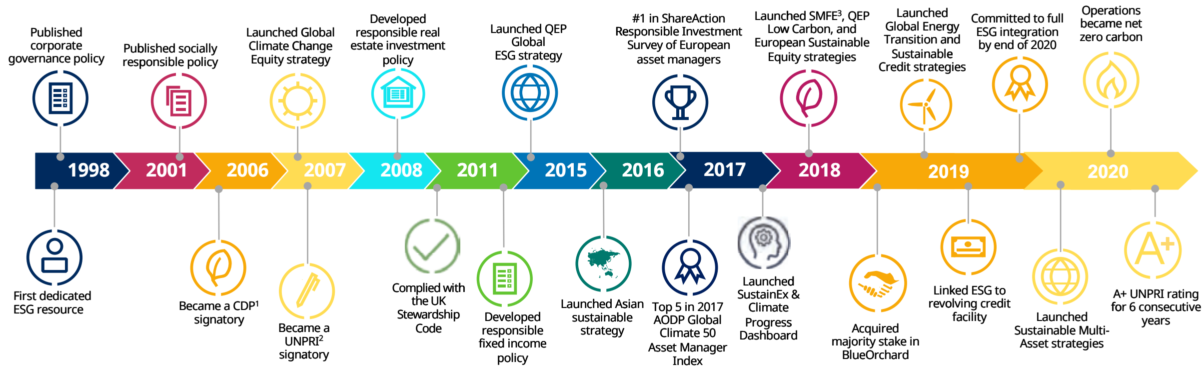
As a global luxury clothing manufacturer, Burberry have operations and supply chains that span a range of geographies. As investors, we want these operations and supply chains to be traceable to ensure companies understand the practices they facilitate and the businesses they work with. Companies can evidence this by being a member of institutions such as the Ethical Trading Initiative (ETI), which Burberry were the first luxury brand to join in 2010. Prior to investing in 2015, we engaged with the Head of Corporate Responsibility to determine the level of operational and supply chain visibility Burberry had, as 25% of its manufacturing is outsourced to Asia. In our engagements we also discussed the company's first human rights risk assessment and approach to human capital. In our initial engagements we were encouraged to note that Burberry have placed a ban on Uzbek cotton, which is associated with human rights violations, but were still keen to obtain greater disclosure over the company's supply chain traceability. In their 2016 annual report we were pleased to see Burberry reporting on supplier audit results and releasing a Modern Slavery Statement, both of which reflect a commitment to transparency and broader human rights monitoring. We were heartened to see that Burberry had taken our recommendations on board and see this as a testament to the positive change engagement can achieve. Whilst the company has made significant improvements with its sustainability disclosure, we continue to push for greater performance data around human capital as this will aid us in making better informed investment decisions.

Whitbread

Whitbread has been a multi-year engagement. We have been investors in the company since October 2018. As a firm, our initial engagement was in June 2017 after a Channel 4 Dispatches documentary made allegations around poor labour practises and pay conditions at Premier Inn. We engaged and Whitbread responded by claiming the Dispatches expose was due to a single incident of outsourced housekeeping services to contractors. We requested greater disclosure around the employment of third party workers. Since then, over 2018, Whitbread developed a new central procurement function and has increased the ratio of direct to agency staff to retain better control. They have also provided greater granularity around third party arrangements and pay conditions, as well as monitoring of labour standards, including staff use of its whistle blowing system and audit outcomes. In January 2019, Schroders wrote to Whitbread to follow-up on concerns regarding minimum wage payment, outsourcing, Brexit, employee morale and whistleblowing. Encouragingly, Whitbread responded immediately and we hosted a call to discuss our requests in greater detail. The fund managers were largely pleased with the level of information disclosed. The call acted as a springboard for further engagement which has led to Whitbread updating their Modern Slavery statement and improving supply chain auditing practices. Over the course of 2020 we have continued to engage with the company around human capital management, pushing for greater transparency around certain aspects of this and to follow up on our 2019 engagement requests.

Sustainability at Schroders

A continually evolving approach



'Issues such as climate change, resource scarcity, population growth and corporate failure have put responsible investment at the forefront of investors' minds. We believe that companies with a strong environmental, social and governance ethos tend to deliver better results for our clients.'

Peter Harrison, Group Chief Executive, Schroders plc

Source: Schroders, September 2020.
[1]Carbon Disclosure Project. [2]UN Principles for Responsible Investing. [3]Sustainable Multi-Factor Equity.

Sustainability at Schroders

20 years of ESG integration

Our policies on sustainability are based on what we have learned from more than 20 years of integrating ESG analysis for our clients. The chart above shows a number of milestones hit over the last 20 years of ESG integration at Schroders.

Dedicated team of ESG specialists

As a result of the above, we are fortunate to have access to a dedicated team of 17 ESG specialists. Their role is to research ESG themes within sectors, as well as to analyse and engage with individual companies on these issues. We engage with the output of this team regularly to allow us to integrate these factors into our investment process.

Internal accreditation

In 2019 Schroders rolled out an internal ESG accreditation process.

The managers of the investment trust achieved Schroders' **Integrated** accreditation status in 2019. The award submission detailed the manager's use of Schroders proprietary tools CONTEXT and SustainEX to deepen our ESG analysis.

Screened SCHRODERS SUSTAINABILITY ACCREDITATION	– **Negative screening** beyond Schroders exclusions for cluster munitions, anti-personnel mines, biological and chemical weapons
Integrated SCHRODERS SUSTAINABILITY ACCREDITATION	– **Sustainability** is a **building block** of the investment process and can be clearly evidenced – Currently held by the managers of the Company (awarded in 2019)
Sustainable SCHRODERS SUSTAINABILITY ACCREDITATION	– **Sustainability** is a **cornerstone** of the investment process – The fund aims to avoid controversial business practices

Investment restrictions and spread of investment risk

Risk in relation to the Company's investments is spread as a result of the Manager investing the Company's portfolio with a view to ensuring that the portfolio retains an appropriate balance to meet the Company's investment objectives. The key restrictions imposed on the Manager include: (i) no more than 15% of the Company's total net assets, at the date of acquisition, may be invested in any one single company; (ii) no more than 10% of the value of the Company's gross assets may be invested in other listed investment companies unless such companies have a stated investment policy not to invest more than 15% of their gross assets in other investment companies or investment trusts which are listed on the Official List of the London Stock Exchange; (iii) no more than 15% of the Company's gross assets may be invested in other investment companies or investment trusts which are listed on the Official List of the London Stock Exchange; (iv) no more than 15% of the Company's total net assets may be invested in open-ended funds; and (v) no more than 25% of the Company's total net assets may be invested in the aggregate in unlisted investments and holdings representing 20% or more of the equity capital of any company.

The investment portfolio on page 9 demonstrates that, as at 31 August 2020, the Manager invested in 34 UK equity investments spread across eight industry sectors. The board believes that the diversity of the stocks, along with the above-mentioned restrictions imposed on the Manager, achieve the objective of spreading investment risk.

Promotion

The Company promotes its shares to a broad range of investors who have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders.

Promotion is focused via three channels:

- Discretionary fund managers. The Manager promotes the Company via both London and regional sales teams. This market is currently a significant channel.
- Execution-only investors. The Company promotes its shares via engaging with platforms, via the press, and through its webpages. Platforms have experienced strong growth in recent times and are an important focus for the Manager.
- Institutional investors.

These activities consist of investor lunches, one-on-one meetings, regional road shows and attendance at conferences for professional investors. In addition, the Company's shares are supported by the Manager's wider marketing of investment companies targeted at all types of investors; this includes maintaining close relationships with advisers and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website. The board also seeks active engagement with investors, and meetings with the Chairman are offered to professional investors where appropriate.

Shareholders are also encouraged to sign up to the Manager's Investment Trusts update, to receive information on the Company directly https://www.schroders.com/en/uk/private-investor/fund-centre/funds-in-focus/investment-trusts/schroders-investment-trusts/never-miss-an-update/

Details of the board's approach to discount management and share issuance may be found in the Annual General Meeting Recommendations on page 55.

Strategic Review

Key performance indicator – the investment objective

The board measures the development and success of the Company's business through achievement of the Company's investment objective which is considered to be the most significant key performance indicator for the Company. Comment on performance against the investment objective can be found in the Chairman's Statement. The board also monitors the performance of the Company on a total return basis against the peer group average.

The board continues to review the Company's Ongoing Charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds. An analysis of the Company's costs, including management fees, directors' fees and general expenses, is submitted to each board meeting. Management fees are reviewed at least annually, and further details about the level of Ongoing Charges can be found on page 59. Details of the terms of the agreement with the Manager are provided on page 23.

Purpose, Values and Culture

The Company's purpose is to create long-term shareholder value.

The Company's culture is driven by its values: Transparency, Engagement and Rigour, with collegial behaviour and constructive, robust challenge. The values are all centred on achieving returns for shareholders in line with the Company's investment objective. The board also promotes the effective management or mitigation of the risks faced by the Company and, to the extent it does not conflict with the investment objective, aims to structure the Company's operations with regard to all its stakeholders and take account of the impact of the Company's operations on the environment and community.

As the Company has no employees and acts through its service providers, its culture is represented by the values and behaviour of the board and third parties to which it delegates. The board aims to fulfil the Company's investment objective by encouraging a culture of constructive challenge with all key suppliers and openness with all stakeholders. The board is responsible for embedding the Company's culture in the Company's operations.

The board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its outsourced service providers to safeguard the Company's interests. As part of this ongoing monitoring, the board receives reporting from its service providers with respect to their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting.

Corporate and Social Responsibility

Diversity

As at 31 August 2020, the board comprised three men and two women. The board has adopted a diversity and inclusion policy. Appointments and succession plans will always be based on merit and objective criteria and, within this context, the board seeks to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. The board will encourage any recruitment agencies it engages to find a range of candidates that meet the objective criteria agreed for each appointment. Candidates for board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall board taking into account the criteria for the role being offered. The board also considers the diversity and inclusion policies of its service providers.

Bribery and corruption

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery and corruption policy, as well as seeking confirmations that the Company's service providers' policies are operating soundly.

Greenhouse gas emissions and energy usage

As the Company outsources its operations to third parties, it has no significant greenhouse gas emissions and energy usage to report.

Relations with shareholders

Shareholder relations are given high priority by both the board and the Manager and are detailed further in 'Promotion' on page 15.

In addition to the engagement and meetings held during the year described on page 25, the chairs of the board and committees and the other directors, usually attend the AGM and are available to respond to queries and concerns from shareholders. Due to the COVID-19 pandemic, the arrangements for the 2020 AGM preclude this. However the board is keen to hear from shareholders and shareholders may contact the board by writing to the Company Secretary (Company Secretary, Schroder Income Growth Fund plc, 1 London Wall Place, London EC2Y 5AU), or emailing amcompanysecretary@schroders.com.

Responsible investment

The Company delegates to its Manager the responsibility for taking environmental, social and governance ("ESG") issues into account when assessing the selection, retention and realisation of investments. The board expects the Manager to engage with investee companies on social, environmental and business ethics issues and to promote best practice. The board expects the Manager to exercise the Company's voting rights in consideration of these issues.

In addition to the description of the Manager's integration of ESG into the investment process and the details in the Strategic Review on pages 11 to 15, a description of the Manager's policy, and its engagement with investee companies on these matters, can be found on the Schroders website at www.schroders.com/ri.

The board notes that Schroders believes that companies with good ESG management often perform better and deliver superior returns over time. Engaging with companies to understand how they approach ESG management is an integral part of the investment process. Schroders is compliant with the UK Stewardship Code and its compliance with the principles therein is reported on its website.

The board has received reporting from the Manager on the application of its policy.

The board's commitment to stakeholders – section 172 Companies Act 2006 statement

The board has identified its key stakeholders as the Company's shareholders and service providers. The board notes the Company has no employees and the impact of its own operations on the environment and local community is through the impact its service providers have.

Engagement with key stakeholders assists the board in meeting the obligation for directors to act in a way that promotes the success of the Company, taking into account their interests. This statement outlines this engagement and the impact on decision making where appropriate, and cross-refers to the decisions made by the board during the year, detailed elsewhere in this report.

As detailed in "Promotion" on page 15 and "Relations with Shareholders" on page 15, the Company engages with its shareholders. The board considered feedback by shareholders, relayed by the Manager and the corporate broker, when making decisions relating to share issuance, dividend decisions and review of board composition. Further details on shareholder engagement are included in the Chairman's Statement.

As detailed in "Purpose, Values and Culture" on page 16, the board engages with service providers, and receives regular reporting, either directly, or through the Manager or Company Secretary, on performance and other matters. Relevant engagement is detailed in the Chairman's Statement, Managers' Review, Audit and Risk Committee and Management Engagement Committee Report.

Strategic Review

Principal risks and uncertainties

The board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the audit and risk committee on an ongoing basis. This system assists the board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust assessment at least annually. The last assessment took place in November 2020.

Although the board believes that it has a robust framework of internal control in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

Actions taken by the board and, where appropriate, its committees, to manage and mitigate the Company's principal risks and uncertainties are set out in the table below.

Emerging risks and uncertainties

During the year, the board also discussed and monitored a number of risks that could potentially impact the Company's ability to meet its strategic objectives. These were political risk, climate change risk and the impact of COVID-19 pandemic. The board has determined that these risks are worthy of close monitoring, although they do not meet the threshold for inclusion as principal risks at this time. The board receives updates from the Manager, Company Secretary and other service providers on other potential risks that could affect the Company.

Political risk includes Brexit, trade wars and regional tensions. The board continues to monitor developments for the UK's departure from the European Union and to assess the potential consequences for the Company's future activities. The board is also mindful that changes to public policy in the UK could impact the Company in the future.

Climate change risk includes how climate change could affect the Company's investments, and potentially shareholder returns. The board notes the Manager has integrated ESG considerations, including climate change, into the investment process. The board will continue to monitor this.

The board also reviewed the risks arising from the COVID-19 pandemic and how it impacted the Company's principal risks and uncertainties. The board considers that the pandemic will likely continue to affect the Company with respect to investment management and service provider risks, due to the uncertainty caused by the pandemic, affecting the value of the Company's investments due to the disruption of supply chains and demand for products and services, increased costs and cash flow problems, and changed legal and regulatory requirements for companies. The board notes the Manager's investment process is unaffected by the pandemic and it continues to focus on long-term company fundamentals and detailed analysis of current and future investments. COVID-19 also affected the Company's service providers, who implemented business continuity plans in line with government guidelines. All service providers continue to operate on a business as usual basis. *The "Change" column on the right highlights at a glance the board's assessment of any increases or decreases in risk during the year after mitigation and management. The arrows show the risks as increased or decreased, and dashes show risks as stable.

Risk	Mitigation and management	Change (post mitigation and management)*
Strategic The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying NAV per share.	The appropriateness of the Company's investment remit is periodically reviewed and success of the Company in meeting its stated objectives is monitored. Share price relative to NAV per share is monitored and the use of buy back authorities is considered on a regular basis. The marketing and distribution activity is actively reviewed. Proactive engagement with shareholders.	–
The Company's cost base could become uncompetitive, particularly in light of open-ended alternatives.	The ongoing competitiveness of all service provider fees is subject to periodic benchmarking against its competitors. Annual consideration of management fee levels.	–
Investment management The Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of the Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and appropriate strategies employed to mitigate any negative impact of substantial changes in markets. The Manager also reported on the impact of COVID-19 on the Company's portfolio, and the market generally. Annual review of the ongoing suitability of the Manager, including resources and key personnel risk.	–

Risk	Mitigation and management	Change (post mitigation and management)*
Market The Company is exposed to the effect of market fluctuations due to the nature of its business. A significant fall in equity markets could have an adverse impact on the market value of the Company's underlying investments.	The risk profile of the portfolio is considered and appropriate strategies to mitigate any negative impact of substantial changes in markets are discussed with the Manager.	–
Currency Currency risk is the risk that changes in foreign currency exchange rates impact negatively the value or level of dividend of the Company's investments.	The Manager monitors the impact of foreign currency movements on the portfolio and is able to rebalance the portfolio towards stocks which are less impacted by changes in foreign currency exchange rates if required.	–
Custody Safe custody of the Company's assets may be compromised through control failures by the depositary.	The depositary reports on the safe custody of the Company's assets, including cash and portfolio holdings, which are independently reconciled with the Manager's records. The review of audited internal controls reports covering custodial arrangements is undertaken. An annual report from the depositary on its activities, including matters arising from custody operations is reviewed.	–
Gearing and leverage The Company utilises a credit facility. This arrangement increases the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored and strict restrictions on borrowings are imposed: gearing continues to operate within pre-agreed limits so as not to exceed 25% of shareholders' funds.	–
Accounting, legal and regulatory In order to continue to qualify as an investment trust, the Company must comply with the requirements of section 1158 of the Corporation Tax Act 2010. Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.	The confirmation of compliance with relevant laws and regulations by key service providers. Shareholder documents and announcements, including the Company's published annual report are subject to stringent review processes. Procedures have been established to safeguard against disclosure of inside information.	–
Service provider The Company has no employees and has delegated certain functions to a number of service providers, principally the Manager, depositary and registrar. Failure of controls and poor performance of any service provider could lead to disruption, reputational damage or loss.	Service providers are appointed subject to due diligence processes and with clearly-documented contractual arrangements detailing service expectations. Regular reports are provided by key service providers and the quality of services provided are monitored. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements.	–
Cyber The Company's service providers are all exposed to the risk of cyber attacks. Cyber attacks could lead to loss of personal or confidential information or disrupt operations.	Service providers report on cyber risk mitigation and management at least annually, which includes confirmation of business continuity capability in the event of a cyber attack. In addition, the board received presentations from the Manager and the safekeeping agent and custodian on cyber risk, and the additional steps those companies were taking during the COVID-19 pandemic and the need for employees to work from home.	–

Risk assessment and internal controls review by the board

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the audit and risk committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition.

No significant control failings or weaknesses were identified from the audit and risk committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report. The board is satisfied that it has undertaken a detailed review of the risks facing the Company.

A full analysis of the financial risks facing the Company is set out in note 19 to the accounts on pages 50 to 53.

Viability statement

The directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 31 August 2020 and the potential impacts of the principal risks and uncertainties it faces for the review period. They have also reviewed the impact of the COVID-19 pandemic on the Company as further detailed in the Portfolio Managers' Review, Emerging Risks sections of this report, as well as the Audit and Risk Committee Report. The directors have assessed the Company's operational resilience and they are satisfied that the Company's outsourced service providers will continue to operate effectively, following the implementation of their business continuity plans.

A period of five years has been chosen as the board believes that this reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs, dividends and availability of funding.

In its assessment of the viability of the Company, the directors have considered each of the Company's principal risks and uncertainties detailed on pages 18 and 19 and in particular the impact of a significant fall in UK equity markets on the value of the Company's investment portfolio. The directors have considered the Company's income and expenditure projections and the fact that the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary and on that basis consider that five years is an appropriate time period. While the articles of association require that a proposal for the continuation of the Company be put forward at the Company's next AGM, the directors have no reason to believe that such a resolution will not be passed by shareholders.

Based on the Company's processes for monitoring operating costs, the board's view that the Manager has the appropriate depth and quality of resource to achieve superior returns in the longer term, the portfolio risk profile, limits imposed on gearing, counterparty exposure, liquidity risk and financial controls, the directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Going concern

Having assessed the principal risks, the impact of the COVID-19 pandemic, the impact of the continuation vote and the other matters discussed in connection with the viability statement set out above, and the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the FRC in 2014, the directors consider it appropriate to adopt the going concern basis in preparing the accounts.

By order of the board

Schroder Investment Management Limited
Company Secretary

19 November 2020

Board of Directors

Bridget Guerin

Status: independent non-executive chair

Length of service: 8 years – appointed as a director on 1 June 2012 and chairman in December 2019
Experience: Bridget Guerin was the managing director of Matrix Money Management Limited, an asset management and distribution firm, from its launch in 1999 until March 2011. She is an independent non-executive director of Mobeus Income & Growth VCT plc and of Invesco Perpetual UK Smaller Companies Investment Trust plc. She is also a non-executive director of the GAM Multi-strategy Fund, a Cayman Islands CTA Fund managed by GAM, and of other funds and companies managed by, or associated with, GAM. From 2000 until 2009 she was a director of Matrix Group Limited and also sat on the board of several funds of hedge funds and UCITS fund boards. Bridget Guerin was a director of Schroder Unit Trusts Limited between 1993 and 1999.
Committee membership: Audit and Risk, Management Engagement and Nomination and Remuneration Committees (chair of the Nomination and Remuneration Committee)
Current remuneration: £34,000 per annum
Shares held: 18,862*

Ewen Cameron Watt

Status: independent non-executive director

Length of service: 2 years – appointed a director in December 2017
Experience: Ewen Cameron Watt was a managing director at Blackrock, where he spent the majority of his career (including predecessor companies). From 2011 to 2016, he was chief investment strategist at Blackrock Investment Institute. Prior to joining Blackrock, he held senior investment roles in the UK and Hong Kong, including as portfolio manager from 1995 to 2010 and head of Asian research for SG Warburg from 1990 to 1995. Ewen is also an independent adviser to a number of endowments and pension funds. He began his career as an analyst at EB Savory Miln in 1978.
Committee membership: Audit and Risk, Management Engagement and Nomination and Remuneration Committees
Current remuneration: £24,000 per annum
Shares held: 10,000*

David Causer

Status: independent non-executive director

Length of service: 11 years – appointed a director in December 2008
Experience: David Causer is a chartered accountant and a member of The Securities Institute. He has held a number of senior positions within financial organisations including Finance Director of Mercury Asset Management Group plc and a managing director of Merrill Lynch Investment Managers until 2001. He was finance director of The British Red Cross Society until December 2007.
Committee membership: Audit and Risk, Management Engagement and Nomination and Remuneration Committees (chairman of the Audit and Risk Committee)
Current remuneration: £29,000 per annum
Shares held: 43,750*

Board of Directors

Fraser McIntyre

Status: independent non-executive director

Length of service: 9 months – appointed as a director on 17 December 2019
Experience: Fraser McIntyre has nearly 30 years of experience in financial services, including asset management, investment banking and audit. He started his career auditing financial services companies before working in the prime brokerage/equity divisions of two banks. He has been COO at several multi-billion dollar hedge funds where he was responsible for overseeing all operational areas of the business, including finance and accounting, operations, risk, legal and compliance. He has sat on a number of fund and management company boards whose investments covered a wide range of asset classes across traditional and alternative strategies.

Fraser is a Chartered Accountant. He has held a variety of executive positions within the financial services sector, most recently as Chief Operating Officer of Cantab Capital LLP which became part of GAM.
Committee membership: Audit and Risk, Management Engagement and Nomination and Remuneration Committees
Current remuneration: £24,000 per annum
Shares held: 7,261*

Victoria Muir

Status: independent non-executive director

Length of service: 1 year – appointed a director on 23 July 2019
Experience: Victoria Muir is a Chartered Director and a Fellow of the Institute of Directors. She has held a variety of executive positions within the financial services sector, most notably as an executive director of Royal London Asset Management Ltd and some of its sister companies, before pursuing a career as a non-executive director. She is also a director of Invesco Perpetual Select Trust plc, Premier Global Infrastructure Trust plc and its subsidiary, PGIT Securities 2020 plc, and Christie Group plc. Victoria has over 25 years of experience in financial services, including asset management and inter-dealer broking. Her experience covers a broad range of products and services including investment trusts, segregated accounts, pension funds, insurance products, VCTs and hedge funds and a wide breadth of asset classes across both traditional and alternative investments.
Committee membership: Audit and Risk, Management Engagement and Nomination and Remuneration Committees
Current remuneration: £24,000 per annum
Shares held: 3,500*

*Shareholdings are as at 19 November 2020 and include the holdings of connected persons. Full details of directors' shareholdings are set out in the Directors' Remuneration Report on page 32.

Directors' Report

The directors submit their report and the audited financial statements of the Company for the year ended 31 August 2020.

Directors and officers

Chairman

The Chairman is an independent non-executive director who is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 21. She has no conflicting relationships.

Company Secretary

Schroder Investment Management Limited provides company secretarial support to the board and is responsible for assisting the Chairman with board meetings and advising the board with respect to governance. The Company Secretary also manages the relationship with the Company's service providers, except for the Manager. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the outside back cover.

Role and operation of the board

The board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objective of the Company continues to be met. The board also ensures that the Manager adheres to the investment restrictions set by the board and acts within the parameters set by it in respect of any gearing. The Strategic Review on pages 10 to 20 sets out further detail of how the board reviews the Company's strategy, risk management and internal controls and also includes other information required for the Directors' Report, and is incorporated by reference.

A formal schedule of matters specifically reserved for decision by the board has been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The Chairman ensures that all directors receive relevant management, regulatory and financial information in a timely manner and that they are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The board meets at least quarterly and receives and considers reports regularly from the Manager and other key advisers and ad hoc reports and information are supplied to the board as required.

The board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company, its sector and the wider investment trust industry, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

The board has approved a policy on directors' conflicts of interest. Under this policy, directors are required to disclose all actual and potential conflicts of interest to the board as they arise for consideration and approval. The board may impose restrictions or refuse to authorise such conflicts if deemed appropriate. No directors have any connections with the Manager, shared directorships with other directors or material interests in any contract which is significant to the Company's business.

Key service providers

The board has adopted an outsourced business model and has appointed the following key service providers:

Manager

The Company is an alternative investment fund as defined by the AIFM Directive and has appointed Schroder Unit Trusts Limited ("SUTL") as the Manager in accordance with the terms of an alternative investment fund manager ("AIFM") agreement. The AIFM agreement, which is governed by the laws of England and Wales, can be terminated by either party on 12 months' notice or on immediate notice in the event of certain breaches or the insolvency of either party. As at the date of this report no such notice had been given by either party.

SUTL is authorised and regulated by the FCA and provides portfolio management, risk management, accounting and company secretarial services to the Company under the AIFM agreement. The Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the chairman, other board members or the corporate broker as appropriate. The Manager has delegated investment management, accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Manager has appropriate professional indemnity insurance cover in place.

The Schroders Group manages £536 billion (as at 30 September 2020) on behalf of institutional and retail investors, financial institutions and high net-worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

For the financial year ended 31 August 2020, the Manager was entitled to a management fee at a rate of 0.65% per annum on the first £200 million of the Company's assets under management, net of current liabilities other than short-term borrowings, less any cash up to the level of borrowings ("chargeable assets") and a management fee of 0.55% on subsequent amounts. This is payable quarterly in arrears.

The management fee payable in respect of the year ended 31 August 2020 amounted to £1,320,000 (2019: £1,426,000).

Details of all amounts payable to the Manager are set out in note 16 on page 50.

The board has reviewed the performance of the Manager during the year under review and continues to consider that it

Directors' Report

has the appropriate depth and quality of resource to deliver the Company's investment objectives over the longer term. Thus, the board considers that the Manager's appointment under the terms of the AIFM agreement, details of which are set out above, is in the best interests of shareholders as a whole.

Depositary

HSBC Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, carries out certain duties of a depositary specified in the AIFM Directive including, in relation to the Company, as follows:

– safekeeping of the assets of the Company which are entrusted to it;

– cash monitoring and verifying the Company's cash flows; and

– oversight of the Company and the Manager.

The Company, the Manager and the depositary may terminate the depositary agreement at any time by giving 90 days' notice in writing. HSBC Bank plc may only be removed from office when a new depositary is appointed by the Company.

Registrar

Equiniti Limited has been appointed as the Company's registrar. Equiniti's services to the Company include share register maintenance (including the issuance, transfer and cancellation of shares as necessary), acting as agent for the payment of any dividends, management of company meetings (including the registering of proxy votes and scrutineer services as necessary), handling shareholder queries and correspondence and processing corporate actions.

Revenue and dividend policy

The net revenue return for the year, before finance costs and taxation, was £8,254,000 (2019: £9,966,000). After deducting finance costs and taxation the amount available for distribution to shareholders was £8,042,000 (2019: £9,744,000) equivalent to net revenue of 11.69p (2019: 14.19p) per ordinary share.

The directors of the Company intend to continue to pay dividends at the end of January, April, July and October in each year. Although it is intended to distribute substantially all net income after expenses and taxation, the Company may retain up to a maximum of 15% of the Company's gross income in each year as a revenue reserve to provide consistency in dividend policy.

For the year ended 31 August 2020, the directors have declared four interim dividends, totalling 12.60 (2019: 12.40) pence per ordinary share.

Compliance with the UK Corporate Governance Code

The board of the Company has considered the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code"). The Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders.

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This statement, together with the Statement of Directors' Responsibilities, viability statement and going concern statement set out on pages 33 and 20 respectively indicates how the Company has complied with the principles of good governance of the Code and its requirements on internal control. The Strategic Report and Directors' Report provide further details on the Company's risk management, governance and diversity policies.

The Company has complied with the Principles and Provisions of the AIC Code, save for the provision relating to the appointment of a senior independent director ("SID"), where departure from the Code is considered appropriate given the Company's position as an investment company. As the board comprises entirely non-executive directors, the appointment of a SID has not been considered necessary. The chairman of the audit and risk committee effectively acts as the SID, leads the evaluation of the performance of the chairman and is available to directors and/or shareholders if they have concerns which cannot be resolved through discussion with the chairman.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

Committees

In order to assist the board in fulfilling its governance responsibilities, it has delegated certain functions to committees. The roles and responsibilities of these committees, together with details of work undertaken during the year under review, are outlined over the next few pages.

The reports of the audit and risk committee, nomination and remuneration committee and management engagement committee are incorporated and form part of the Directors' Report.

Directors' Report

Other required Directors' Report disclosures under laws, regulations, and the AIC Code

Status

The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the main market of the London Stock Exchange. It has been approved by HM Revenue & Customs as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

The Company is domiciled in the UK and is an investment company within the meaning of section 833 of the Companies Act 2006. The Company is not a "close" company for taxation purposes.

It is not intended that the Company should have a limited life but the directors consider it desirable that the shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the articles of association contain provisions requiring the directors to put a proposal for the continuation of the Company to shareholders at the Annual General Meeting ("AGM") in 2020 and thereafter at five yearly intervals.

Share capital and substantial share interests

As at 17 November, 2020, the Company had 69,038,343]ordinary shares of 10 pence each in issue. No shares are held in treasury. Accordingly, the total number of voting rights in the Company at the date of this report is 69,038,343. Details of changes to the Company's share capital during the year under review are given in note 13 to the accounts on page 49.

The Company has received notifications in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attached to the Company's issued share capital.

	As at 31 August 2020	% of total voting rights
Charles Stanley & Co. Limited	3,446,355	4.98

There have been no notified changes to the above holdings since the year end.

Provision of information to the auditor

The directors at the date of approval of this report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' attendance at meetings

Four board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance; the level of discount of the Company's shares to underlying NAV; promotion of the Company; and services provided by third parties. Additional meetings of the board are arranged as required.

The number of scheduled and ad hoc meetings of the board and its committees held during the financial year, and the attendance of individual directors, is shown below. Whenever possible all directors attend the AGM.

Director	Board	Nomination and Remuneration Committee	Audit and Risk Committee	Management Engagement Committee
Ian Barby[1]	1/1	1/1	1/1	1/1
Bridget Guerin	7/7	2/2	2/2	1/1
Ewen Cameron Watt	7/7	2/2	2/2	1/1
David Causer	7/7	2/2	2/2	1/1
Fraser McIntyre[2]	6/6	1/1	1/1	0/0
Victoria Muir	7/7	2/2	2/2	1/1

[1]Ian Barby resigned on 17 December 2019.
[2]Fraser McIntyre was appointed to the board with effect from 17 December 2019.

The board is satisfied that the Chairman and each of the other non-executive directors commits sufficient time to the affairs of the Company to fulfil their duties.

Directors' and officers' liability insurance and indemnities

Directors' and officers' liability insurance cover was in place for the directors throughout the year. The Company's articles of association provide, subject to the provisions of UK legislation, an indemnity for directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgment is given in their favour by the court. This is a qualifying third party indemnity provision and was in place throughout the year under review and to the date of this report.

By order of the board

Schroder Investment Management Limited
Company Secretary

19 November 2020

Audit and Risk Committee Report

The responsibilities and work carried out by the audit and risk committee during the year under review are set out in the following report. The duties and responsibilities of the committee, which include monitoring the integrity of the Company's financial reporting and internal controls, are set out in further detail, and may be found in the terms of reference which are set out on the Company's webpages, www.schroders.co.uk/incomegrowth. Membership of the committee is as set out on pages 21 and 22. David Causer is the chairman of the committee. The board has satisfied itself that at least one of the committee's members has recent and relevant financial experience and that the committee as a whole has the required level of knowledge and competence.

The committee met twice during the year ended 31 August 2020 and details of attendance at these meetings can be found on page 25. The committee discharged its responsibilities by:

- considering its terms of reference;
- reviewing the operational controls maintained by the Manager, depositary and registrar;
- reviewing the half year and annual report and accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the auditor;
- evaluating the auditor's performance;
- reviewing the principal risks faced by the Company and the system of internal control.
- reviewing the financial and other factors which would affect the ability of the Company to continue as a going concern and its viability for the five-year period chosen by the board.

Annual report and financial statements

During its review of the Company's financial statements for the year ended 31 August 2020, the audit and risk committee considered the following significant issues, including consideration of principal risks and uncertainties in light of the Company's activities, and issues communicated by the auditor during its reporting:

Issue considered	How the issue was addressed
– Valuation and existence of holdings	– Review of valuation of the portfolio and assurance reports on controls from the Manager and depositary.
– Recognition of investment income	– Consideration of dividends received against forecast and the allocation of special dividends to income or capital.
– Overall accuracy of the annual report and accounts	– Consideration of the draft annual report and accounts and the letter from the Manager in support of the letter of representation to the auditor.
– Calculation of the investment management fee	– Consideration of methodology used to calculate the fees, matched against the criteria set out in the AIFM agreement.
– Internal controls and risk management	– Consideration of several key aspects of internal control and risk management operating within the Manager, depositary and registrar, including assurance on these controls.
– Compliance with the investment trust qualifying rules in section 1158 of the Corporation Tax Act 2010	– Consideration of the Manager's report confirming compliance and review of the minimum distribution calculation.
– The effect of COVID-19 on the going concern and longer-term viability of the Company	– Consideration of the effect of COVID-19 which would affect the ability of the Company to continue as a going concern and its viability for the five-year period chosen by the board.
– The effect of the continuation vote on the going concern and longer-term viability of the Company	– Consideration of the effect of the forthcoming continuation vote not passing on the going concern and longer-term viability of the Company. The board and committee considered that the continuation vote was likely to pass.

Recommendations made to, and approved by, the board:

As a result of the work performed, the committee has concluded that the annual report for the year ended 31 August 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the board. The board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 33.

Audit and Risk Committee Report

Effectiveness of the independent audit process

The committee evaluated the effectiveness of the independent audit firm and process for the year ended 31 August 2020 prior to making a recommendation on its re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the auditor's performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the committee considered feedback from the Manager on the audit process and the year end report from the auditor, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the committee also met the auditor without representatives of the Manager present.

Representatives of the auditor attend the audit and risk committee meeting at which the draft annual report and accounts are considered. Having reviewed the performance of the auditor as described above, the committee considered it appropriate to recommend the firm's re-appointment.

Ernst & Young LLP has provided audit services to the Company since it was appointed following a tender process on 17 May 2019. This is the second year that Ernst & Young LLP will be undertaking the Company's audit.

There are no contractual obligations restricting the choice of independent auditor.

Independent auditor

Ernst and Young LLP has indicated its willingness to continue in office. Accordingly, resolutions to re-appoint Ernst and Young LLP as auditor to the Company, and to authorise the directors to determine Ernst and Young LLP's remuneration will be proposed at the AGM.

Provision of non-audit services

The committee has reviewed the FRC's guidance on audit and risk committees and has formulated a policy on the provision of non-audit services by the Company's auditor. The audit and risk committee has determined that the Company's auditor will not be considered for the provision of certain non-audit services, such as accounting and preparation of the financial statements, internal audit and custody. The auditor may, if required, provide other non-audit services however, and this will be judged on a case-by-case basis.

The auditor has not provided any non-audit services to the Company during the year (2019: none).

David Causer
Audit and Risk Committee Chairman

19 November 2020

Recommendations made to, and approved by, the board:

- That Ernst and Young LLP be re-appointed as auditor.
- That the auditor be recommended for re-appointment at the AGM.

Management Engagement Committee Report

The management engagement committee is responsible for (1) the monitoring and oversight of the Manager's performance and fees, and confirming the Manager's ongoing suitability, and (2) reviewing and assessing the Company's other service providers, including reviewing their fees. All directors are members of the committee. Bridget Guerin is the chairman of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/incomegrowth.

Approach

Oversight of the Manager

The committee:

- reviews the Manager's performance, over the short- and long-term, against the reference index, peer group and the market.
- considers the reporting it has received from the Manager throughout the year, and the reporting from the Manager to the shareholders.
- assesses management fees on an absolute and relative basis, receiving input from the Company's broker, including peer group and industry figures, as well as the structure of the fees.
- reviews the appropriateness of the Manager's contract, including terms such as notice period.
- assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Manager.

Oversight of other service providers

The committee reviews the performance and competitiveness of the following service providers on at least an annual basis:

- Depositary and custodian
- Corporate broker
- Registrars
- Lender

The committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.

The committee noted the audit and risk committee's review of the auditor.

Application during the year

The committee undertook a detailed review of the Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver superior returns over the longer term.

The committee also reviewed the terms of the AIFM agreement and agreed they remained fit for purpose.

The committee reviewed the other services provided by the Manager and agreed they were satisfactory.

The annual review of each of the service providers was satisfactory.

The committee noted that the audit and risk committee had undertaken a detailed evaluation of the Manager, registrar, and depositary and custodian's internal controls.

Recommendations made to, and approved by, the board:

- That the ongoing appointment of the Manager on the terms of the AIFM agreement, including the fee, was in the best interests of shareholders as a whole.
- That the Company's service providers' performance remained satisfactory.

Nomination and Remuneration Committee Report

The nomination committee is responsible for (1) the recruitment, selection and induction of directors, (2) their assessment during their tenure, and (3) the board's succession. All directors are members of the committee. Bridget Guerin is the chair of the committee. Its terms of reference are available on the Company's webpages, www.schroders.co.uk/incomegrowth.

Oversight of directors

Selection → Induction → Annual evaluation → Annual review of succession policy → Application of succession policy

Approach

Selection and induction

- Committee prepares a job specification for each role, which is shared with an independent recruitment firm. For the Chairman and the chairs of committees, the committee also considers current board members.
- Job specification outlines the knowledge, professional skills, personal qualities and experience requirements.
- Potential candidates are assessed against the Company's diversity policy.
- Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the board.
- Committee reviews the induction and training of new directors.

Board evaluation and directors' fees

- Committee assesses each director annually and considers whether an external evaluation should take place.
- Evaluation focuses on whether each director continues to demonstrate commitment to their role and provides a valuable contribution to the board during the year, taking into account time commitment, independence, conflicts and training needs.
- Following the evaluation, the committee provides a recommendation to shareholders with respect to the annual re-election of directors at the AGM.
- All directors retire at the AGM and their re-election is subject to shareholder approval.
- Committee reviews directors' fees, taking into account comparative data and reports to shareholders.
- Any proposed changes to the remuneration policy for directors discussed and reported to shareholders.

Succession

- Having considered diversity and the need for regular refreshment, the board's policy is that directors' tenure will be for no longer than nine years, with the exception of the chairman, who should not serve longer than 12 years, in ordinary circumstances and that each director will be subject to annual re-election at the AGM.
- Committee reviews the board's current and future needs at least annually. Should any need be identified the committee will initiate the selection process.
- Committee oversees the handover process for retiring directors.

For application see page 30

Nomination and Remuneration Committee Report

Application during the year		
Selection and induction	**Board evaluation and directors' fees**	**Succession**
• No director recruitment processes took place in the year under review. • Mr Fraser McIntyre was elected by shareholders at the 17 December 2019 AGM following a director selection process detailed in the committee's report in the 2019 annual report and accounts. The Company Secretary arranged a structured induction for Mr McIntyre shortly after appointment.	• The board evaluation was undertaken in July 2020. • The committee also reviewed each director's time commitment and independence to ensure that each director remained free from conflict and had sufficient time available to discharge each of their duties effectively. The committee considered each director's contributions, and noted that in addition to extensive experience as professionals and non-executive directors, each director had valuable skills and experience, as detailed in their biographies on pages 21 and 22. All directors were considered to be independent in character and judgement. • Based on its assessment, the committee provided individual recommendations for each director's re-election. • The committee reviewed directors' fees, using external benchmarking, and recommended no change in directors' fees, as detailed in the remuneration report.	• The committee reviewed the succession policy and agreed it was still fit for purpose.

Recommendations made to, and approved by, the board:

- That all directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the board, contribute towards the Company's long-term success, and remain free from conflicts with the Company and its directors, so should all be recommended for election or re-election (as applicable) by shareholders at the AGM, with the exception of Mr David Causer, who is retiring as a director of the Company at the AGM.

Directors' Remuneration Report

Introduction

The following remuneration policy is currently in force and is subject to a binding vote every three years. The shareholders approved the Directors' Remuneration Policy at the 2017 AGM and the current policy provisions will apply until the policy is next considered by shareholders at the 2020 AGM, when a substantially unaltered policy will be presented to shareholders for approval, save for wording having been added to clarify that the directors have a power under the articles to award themselves additional remuneration in the event of work outside their duties, subject to the fee cap. Additionally, an ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

At the AGM held on 18 December 2017, 99.05% of the votes cast (including votes cast at the chairman's discretion) in respect of approval of the Directors' Remuneration Policy were in favour while 0.95% were against. 30,969 votes were withheld.

At the AGM held on 17 December 2019, 98.45% of the votes cast (including votes cast at the chairman's discretion) in respect of approval of the Directors' Remuneration Report for the year ended 31 August 2019 were in favour, while 1.55% were against. 19,334 votes were withheld.

Directors' Remuneration Policy

The determination of the directors' fees is the responsibility of the nomination and remuneration committee, which makes recommendations to the board.

It is the nomination and remuneration committee's policy to determine the level of directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of board and committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's articles of association. This aggregate level of directors' fees is currently set at £150,000 per annum and any increase in this level requires approval by the board and the Company's shareholders. The chairman of the board and the chairman of the audit and risk committee each receives fees at a higher rate than the other directors to reflect their additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long-term strategic objectives.

Any director who performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid additional remuneration to be determined by the directors, subject to the previously mentioned fee cap.

The board and its committees exclusively comprise non-executive directors. No director past or present has an entitlement to a pension from the Company and the Company has not, and does not intend to, operate a share scheme for directors or to award any share options or long-term performance incentives to any director. No director has a service contract with the Company, although directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

Governance

Fees paid to directors

The following amounts were paid by the Company to directors for their services in respect of the year ended 31 August 2020 and the preceding financial year. Directors' remuneration is all fixed; they do not receive any variable remuneration. The performance of the Company over the financial year is presented on page 2, under the heading "Financial highlights".

	Fees		Taxable benefits[1]		Total		Annual percentage change
Director	2020 £	2019 £	2020 £	2019 £	2020 £	2019 £	%
Bridget Guerin (chairman)[2]	**30,655**	24,000	**724**	761	**31,379**	24,761	26.7
Ian Barby[3]	**10,084**	34,000	**1,035**	–	**11,119**	34,000	–67.3
Ewen Cameron Watt	**24,000**	24,000	**257**	693	**24,257**	24,693	–1.8
David Causer	**29,000**	29,000	**–**	–	**29,000**	29,000	–
Fraser McIntyre[4]	**15,973**	–	**163**	–	**16,136**	–	N/A
Victoria Muir[5]	**23,961**	2,630	**329**	–	**24,290**	2,630	823.6
Total	**133,673**	113,630	**2,508**	1,454	**136,181**	115,084	

[1]Comprise amounts reimbursed for expenses incurred in carrying out business for the Company, and which have been grossed up to include PAYE and NI contributions.

[2]Appointed chairman on 17 December 2019.

[3]Retired as chairman and as a director on 17 December 2019.

[4]Appointed as a director on 17 December 2019.

[5]Appointed as a director on 23 July 2019.

The information in the above table has been audited.

Directors' Remuneration Report

Implementation of policy

The terms of directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting, subject to COVID-19 restrictions. During such restrictions, interested parties are invited to email the Company Secretary on amcompanysecretary@schroders.com to arrange access to these.

The board did not consult with any individual shareholders before setting this remuneration policy , although feedback from the Company's Manager and Corporate Broker on shareholder views was considered. Any specific comments on the policy received from shareholders would be considered on a case-by-case basis.

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this remuneration policy and no employees were consulted in its construction.

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of directors of peer group companies, as well as industry norms and factors affecting the time commitment expected of the directors. New directors are subject to the provisions set out in this remuneration policy.

Directors' annual report on remuneration

This report sets out how the remuneration policy was implemented during the year ended 31 August 2020.

Consideration of matters relating to directors' remuneration

Directors' remuneration was last reviewed by the nomination and remuneration committee in July 2020. The members of the committee and board at the time that remuneration levels were considered were as set out on pages 21 and 22. Although no external advice was sought in considering the levels of directors' fees, information on fees paid to directors of other investment trusts managed by Schroders and peer group companies provided by the Manager and corporate broker was taken into consideration.

Following the annual review, the board agreed that no changes were required, the last increase having taken effect from 1 September 2017.

Expenditure by the Company on remuneration and distributions to shareholders

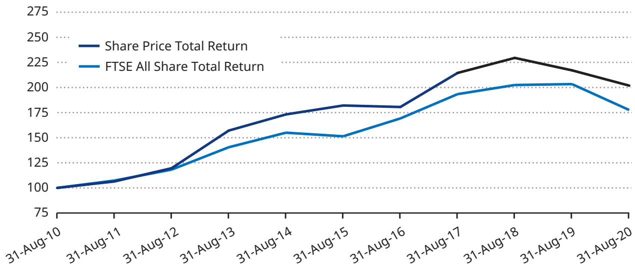
The table below compares the remuneration payable to directors to distributions paid to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objectives.

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000	% change
Remuneration payable to directors	**136**	115	18.3[1]
Distributions paid to shareholders – dividends	**8,732**	8,107	7.7

[1] Due to the size of the board increasing from four to five directors during the year ended 31 August 2020.

Performance graph

A graph showing the Company's share price total return compared with the FTSE All-Share Index total return, over the last ten years, is set out below. The FTSE All-Share Index has been selected as an appropriate comparison based on the composition of the Company's investment portfolio.



Source: Morningstar/Thomson Reuters. Rebased to 100 at 31 August 2009.

Directors' share interests

The Company's articles of association do not require directors to own shares in the Company. The interests of directors, including those of connected persons, at the beginning and end of the financial year under review are set out below.

	At 31 August 2020	At 1 September 2019
Bridget Guerin	**28,311**	18,862
Ewen Cameron Watt	**10,000**	10,000
David Causer	**43,750**	23,750
Fraser McIntyre	**7,131**	Nil
Victoria Muir	**3,500**	2,500

The information in the above table has been audited. There have been no changes since the year end.

Bridget Guerin
Chairman

19 November 2020

Statement of Directors' Responsibilities in respect of the Annual Report and Accounts

The directors are responsible for preparing the annual report, and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the return or loss of the Company for that period. In preparing these financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;

– state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

– make judgements and accounting estimates that are reasonable and prudent; and

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The manager is responsible for the maintenance and integrity of the Company's webpages. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 21 and 22, confirm that to the best of their knowledge:

– the Company's financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company; and

– the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the board

Bridget Guerin
Chairman

19 November 2020

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

Opinion

We have audited the financial statements of Schroder Income Growth Fund plc (the 'Company') for the year ended 31 August 2020 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 August 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 18 and 19 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 18 in the annual report that they have carried out a robust assessment of the emerging and principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 20 in the annual report about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 20 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters

- Risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital in the Income Statement
- Risk of incorrect valuation or ownership of the investment portfolio
- Risk that the going concern assumption is incorrectly applied including the consideration of the impact of COVID-19

Materiality

Overall materiality of £1.70m which represents 1% of shareholders' funds (2019: £2.04m)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital in the Income Statement (as described on page 26 in the Audit and Risk Committee's Report and as per the accounting policy set out on page 43). The total revenue for the year to 31 August 2020 was £9.24 million (2019: £11.03 million), consisting primarily of dividend income from listed equity investments. The total amount of special dividends received and accrued by the Company during the year was £0.40 million (2019: £1.01 million), all of which was classified as revenue (2019: £0.34 million as revenue and £0.67 million as capital). There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment. In addition to the above, the directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.	**We have performed the following procedures:** We obtained an understanding of the processes and controls surrounding revenue recognition by performing walkthrough procedures. For 100% of dividends, we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share as agreed to an independent data vendor. We agreed a sample to bank statements and, where applicable, we also agreed the exchange rates to an external source. To test the completeness of recorded income, we tested that all expected dividends for each investee company had been recorded as income with reference to investee company announcements obtained from an independent vendor. For all dividends accrued at the year end, we agreed the dividend entitlement to an independent data vendor and agreed the amount receivable to post year-end bank statements. For the special dividends above our testing threshold, we recalculated and assessed the appropriateness of the Company's classification by reviewing the underlying rationale of each special dividend's distribution and agreed with the allocation to revenue.	The results of our procedures identified no material misstatement in relation to incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital in the Income Statement.
Incorrect valuation or ownership of the investment portfolio (as described on page 26 in the Report of the Audit and Risk Committee and as per the accounting policy set out on page 43). The valuation of the portfolio at 31 August 2020 was £185.33 million (2019: £234.86 million) consisting of listed investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title to the investments held by the Company could have a significant impact on the portfolio valuation and return generated for shareholders. The fair value of the listed investments is determined using quoted market prices at close of business on the reporting date.	**We performed the following procedures:** We obtained an understanding of the Manager's and the Administrator's processes surrounding pricing of listed securities by performing walkthrough procedures. For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year-end. We inspected the stale pricing reports produced by the Administrator to identify prices that have not changed and verified whether the listed price is a valid fair value. We compared the Company's investment holdings at 31 August 2020 to independent confirmations received directly from the Company's Custodian and Depositary, testing any reconciling items to supporting documentation.	The results of our procedures identified no material misstatement in relation to incorrect valuation or ownership of the investment portfolio.

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Risk that the going concern assumption is incorrectly applied including the consideration of the impact of COVID-19 (as described on pages 18 and 19 in the Strategic Report, page 26 in the Audit and Risk Committee's Report and as per the accounting policy set out on page 43). The Directors are required to determine the appropriateness of preparing the financial statements on a going concern basis. In doing so, they are obliged to consider the ability of the Company to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of the financial statements. They also required to assess the adequacy of the going concern disclosures in the annual report and financial statements. In accordance with the Company's Articles of Association, the Directors are required to propose a resolution that the Company continues as an investment trust every five years. The next continuation vote will be at the Annual General Meeting (the 'AGM') to be held in December 2020. There is a risk that the continuation of the Company will not be approved by shareholders at the AGM and if this happened it would mean that the application of the going concern at the time of approval of the Annual Report and Financial Statements was inappropriate. The COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets. As of the date of our audit report, the longer-term impact remains uncertain. This uncertainty had an impact on our risk assessment and, as a result, on our audit of the financial statements.	**We performed the following procedures:** We inspected the Director's assessment of going concern, which includes consideration of the impact of COVID-19 and challenged the assumptions made in the preparation of the revenue and expenses forecast. We have agreed the inputs and assumptions used in the assessment to historically observed results of the Company. To assess the impact of the continuation vote on going concern, we considered the current and historical performance of the Company, reviewed feedback from the Broker in relation to discussions with certain shareholders about their current intentions in relation to the continuation vote and held discussions with the Directors regarding the impact the continuation vote had on their going concern assessment. We assessed the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We reviewed the adequacy of the COVID-19 and going concern disclosures in the financial statements by evaluating whether they were consistent with the Director's assessment. We reviewed the disclosures for compliance with the reporting requirements.	As a result of our procedures, we have determined that the Director's conclusion that there is no material uncertainty relating to going concern is appropriate. We have reviewed the disclosures relating to COVID-19 and going concern and determined that they are appropriate.

We re-assessed the risks determined for the prior year audit and, due to the uncertainty in global markets caused by the COVID-19 pandemic and the continuation vote at the upcoming AGM, we revised our risk assessment in the current audit to include the Key Audit Matter 'Risk that the going concern assumption is incorrectly applied including the consideration of the impact of COVID-19'. Our other Key Audit Matters are unchanged from our prior year assessment for the year ended 31 August 2019.

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £1.70 million (2019: £2.04 million) which is 1% of shareholders' funds. We believe that shareholders' funds provide us with materiality aligned to the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that performance materiality was 75% (2019: 50%) of our planning materiality, namely £1.28 million (2019: £1.02 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold for the revenue column of the Income Statement of £0.40 million (2019: £0.49 million) being 5% of profit before tax.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.09 million (2019: £0.10 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1-33 and 55-61, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

– **Fair, balanced and understandable set out on page 33** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit and Risk Committee reporting set out on page 26** – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 24** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent Auditor's Report to the Members of Schroder Income Growth Fund plc

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit and Risk Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital in the Income Statement. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation of the Audit and Risk Committee we were appointed by the Company on 5 July 2019 to audit the financial statements of the Company for the year ending 31 August 2019 and subsequent financial periods. Our total uninterrupted period of engagement is 2 years, covering periods from our appointment through to the period ending 31 August 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Price (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London

19 November 2020

Income Statement
for the year ended 31 August 2020

	Note	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Losses on investments held at fair value through profit or loss	2	–	(33,534)	(33,534)	–	(13,721)	(13,721)
Net foreign currency gains		–	6	6	–	23	23
Income from investments	3	9,225	–	9,225	11,023	673	11,696
Other interest receivable and similar income	3	10	–	10	6	–	6
Gross return/(loss)		9,235	(33,528)	(24,293)	11,029	(13,025)	(1,996)
Investment management fee	4	(660)	(660)	(1,320)	(713)	(713)	(1,426)
Administrative expenses	5	(321)	–	(321)	(350)	–	(350)
Net return/(loss) before finance costs and taxation		8,254	(34,188)	(25,934)	9,966	(13,738)	(3,772)
Finance costs	6	(157)	(157)	(314)	(181)	(181)	(362)
Net return/(loss) on ordinary activities before taxation		8,097	(34,345)	(26,248)	9,785	(13,919)	(4,134)
Taxation on ordinary activities	7	(55)	–	(55)	(41)	–	(41)
Net return/(loss) on ordinary activities after taxation		8,042	(34,345)	(26,303)	9,744	(13,919)	(4,175)
Return/(loss) per share	9	11.69p	(49.94)p	(38.25)p	14.19p	(20.26)p	(6.07)p

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income, and therefore the net return on ordinary activities after taxation is also the total comprehensive income for the year.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The notes on pages 43 to 54 form an integral part of these accounts.

Statement of Changes in Equity for the year ended 31 August 2020

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31 August 2018		6,869	7,404	2,011	1,596	34,936	153,401	10,523	216,740
Net (loss)/return on ordinary activities		–	–	–	–	–	(13,919)	9,744	(4,175)
Dividends paid in the year	8	–	–	–	–	–	–	(8,107)	(8,107)
At 31 August 2019		6,869	7,404	2,011	1,596	34,936	139,482	12,160	204,458
Issue of new shares		35	866	–	–	–	–	–	901
Net (loss)/return on ordinary activities		–	–	–	–	–	(34,345)	8,042	(26,303)
Dividends paid in the year	8	–	–	–	–	–	–	(8,732)	(8,732)
At 31 August 2020		**6,904**	**8,270**	**2,011**	**1,596**	**34,936**	**105,137**	**11,470**	**170,324**

The notes on pages 43 to 54 form an integral part of these accounts.

Financial

Statement of Financial Position at 31 August 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**185,331**	234,862
Current assets			
Debtors	11	**1,594**	2,009
Cash at bank and in hand		**3,877**	347
		5,471	2,356
Current liabilities			
Creditors: amounts falling due within one year	12	**(20,478)**	(32,760)
Net current liabilities		**(15,007)**	(30,404)
Total assets less current liabilities		**170,324**	204,458
Net assets		**170,324**	204,458
Capital and reserves			
Called-up share capital	13	**6,904**	6,869
Share premium	14	**8,270**	7,404
Capital redemption reserve	14	**2,011**	2,011
Warrant exercise reserve	14	**1,596**	1,596
Share purchase reserve	14	**34,936**	34,936
Capital reserves	14	**105,137**	139,482
Revenue reserve	14	**11,470**	12,160
Total equity shareholders' funds		**170,324**	204,458
Net asset value per share	15	**246.71p**	297.66p

These accounts were approved and authorised for issue by the board of directors on 19 November 2020 and signed on its behalf by:

Bridget Guerin
Chairman

The notes on pages 43 to 54 form an integral part of these accounts.

Registered in England and Wales as a public company limited by shares

Company registration number: 03008494

Notes to the accounts for the year ended 31 August 2020

1. Accounting Policies

(a) Basis of accounting

Schroder Income Growth Fund plc ("the Company") is registered in England and Wales as a public company limited by shares. The Company's registered office is 1 London Wall Place, London EC2Y 5AU.

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), in particular in accordance with Financial Reporting Standard (FRS) 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (the "SORP") issued by the Association of Investment Companies in October 2019. All of the Company's operations are of a continuing nature.

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments held at fair value through profit or loss. The directors believe that the Company has adequate resources to continue operating for at least 12 months from the date of approval of these accounts. In forming this opinion, the directors have taken into consideration: the controls and monitoring processes in place; the Company's low level of debt and other payables; the low level of operating expenses, comprising largely variable costs which would reduce pro rata in the event of a market downturn; the board's view that the forthcoming continuation vote is likely to pass, and that the Company's assets comprise cash and readily realisable securities quoted in active markets.

The Company has not presented a statement of cash flows, as it is not required for an investment trust which meets certain conditions.

The accounts are presented in sterling and amounts have been rounded to the nearest thousand.

The accounting policies applied to these accounts are consistent with those applied in the accounts for the year ended 31 August 2019.

No significant judgements, estimates or assumptions have been required in the preparation of the accounts for the current or preceding financial year.

(b) Valuation of investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's board of directors. Accordingly, upon initial recognition the investments are designated by the Company as "held at fair value through profit or loss". They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets.

Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed by both the AIFM's fair value pricing committee and by the directors.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments, and the management fee or finance costs allocated to capital, are included in the Income Statement and dealt with in capital reserves within "Gains and losses on sales of investments". Increases and decreases in the valuation of investments held at the year end, are included in the Income Statement and dealt with in capital reserves within "Investment holding gains and losses".

Foreign exchange gains and losses on cash and deposit balances are included in the Income Statement and in capital reserves within "Gains and losses on sales of investments".

(d) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the board, the dividend is capital in nature, in which case it is included in capital.

Dividends from overseas companies are included gross of any withholding tax.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

Deposit interest outstanding at the year end is calculated and accrued on a time apportionment basis using market rates of interest.

Notes to the accounts

Underwriting commission is recognised in revenue where it relates to shares that the Company is not required to take up. Where the Company is required to take up a proportion of the shares underwritten, the same proportion of commission received is deducted from the cost of the shares taken up, with the balance included in revenue.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue with the following exceptions:

– The management fee is allocated 50% to revenue and 50% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.

– Expenses incidental to the purchase of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 10 on page 48.

(f) Finance costs

Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest method in accordance with FRS 102.

Finance costs are allocated 50% to revenue and 50% to capital in line with the board's expected long-term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

Cash at bank and in hand may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Other debtors and creditors do not carry any interest, are short-term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Bank loans are initially measured at fair value and subsequently at amortised cost. They are recorded at the proceeds received net of direct issue costs.

(h) Taxation

The tax charge for the year is based on amounts expected to be received or paid.

Deferred tax is provided on all timing differences that have originated but not reversed by the accounting date.

Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which those timing differences can be utilised.

Tax relief is allocated to expenses charged to the capital column of the Income Statement on the "marginal basis". On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to the capital column.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the accounting date and is measured on an undiscounted basis.

(i) Value added tax ("VAT")

Expenses are disclosed inclusive of the related irrecoverable VAT.

(j) Foreign currency

In accordance with FRS 102, the Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The board has determined that sterling is the Company's functional currency and the presentational currency of the accounts.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Monetary assets, liabilities and investments held at fair value, denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

(k) Dividends payable

In accordance with FRS 102, dividends are included in the accounts in the year in which they are paid.

Notes to the accounts

2. Gains on investments held at fair value through profit or loss

	2020 £'000	2019 £'000
Losses on sales of investments based on historic cost	(19,649)	(12)
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold in the year	2,387	(5,483)
Losses on sales of investments based on the carrying value at the previous balance sheet date	(17,262)	(5,495)
Net movement in investment holding gains and losses	(16,272)	(8,226)
Losses on investments held at fair value through profit or loss	(33,534)	(13,721)

3. Income

	2020 £'000	2019 £'000
Income from investments:		
UK dividends	8,516	10,240
UK special dividends	238	344
Overseas dividends	417	439
Scrip dividends	54	–
	9,225	11,023
Other interest receivable and similar income:		
Deposit interest	3	6
Underwriting commission	2	–
Other income	5	–
	10	6
Total income	9,235	11,029
Capital:		
Special dividends allocated to capital	–	673

4. Investment management fee

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Management fee	660	660	1,320	713	713	1,426

The basis for calculating the management fee is set out in the Directors' Report on page 23.

5. Administrative expenses

	2020 £'000	2019 £'000
Administration expenses	159	208
Directors' fees	134	114
Auditor's remuneration for the audit of the Company's financial statements[1]	28	28
	321	350

[1]Includes £5,000 (2019: £5,000) irrecoverable VAT.

Financial

Notes to the accounts

6. Finance costs

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Interest on bank loans and overdrafts	**157**	**157**	**314**	181	181	362

7. Taxation on ordinary activities

	2020 £'000	2019 £'000
(a) Analysis of charge in the year:		
Irrecoverable overseas tax	**55**	41
Tax charge for the year	**55**	41

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2019: higher) than the Company's applicable rate of corporation tax for the year of 19.0% (2019: 19.0%)

The factors affecting the current tax charge for the year are as follows:

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Net return/(loss) on ordinary activities before taxation	**8,097**	**(34,345)**	**(26,248)**	9,785	(13,919)	(4,134)
Net return/(loss) on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax for the year of 19.0% (2019: 19.0%)	**1,539**	**(6,526)**	**(4,987)**	1,859	(2,645)	(786)
Effects of:						
Capital return on investments	**–**	**6,371**	**6,371**	–	2,603	2,603
Tax relief on overseas tax suffered	**(6)**	**–**	**(6)**	(4)	–	(4)
Income not chargeable to corporation tax	**(1,674)**	**–**	**(1,674)**	(2,041)	(128)	(2,169)
Unrelieved expenses	**141**	**155**	**296**	186	170	356
Irrecoverable overseas tax	**55**	**–**	**55**	41	–	41
Tax charge for the year	**55**	**–**	**55**	41	–	41

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £5,985,000 (2019: £5,090,000) based on a main rate of corporation tax of 19% (2019: 17%). At Budget 2020, the government announced that the main rate of corporation tax (for all profits except ring fence profits) for fiscal years beginning 1 April 2020 and 2021 would remain at 19%.

The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

Given the Company's status as an Investment Trust Company, no provision has been made for deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

Notes to the accounts

8. Dividends

	2020 £'000	2019 £'000
(a) Dividends paid and declared		
2019 fourth interim dividend of 5.2p (2018: 4.6p)	3,572	3,160
First interim dividend of 2.5p (2019: 2.4p)	1,717	1,649
Second interim dividend of 2.5p (2019: 2.4p)	1,717	1,649
Third interim dividend of 2.5p (2019: 2.4p)	1,726	1,649
Total dividends paid in the year	**8,732**	8,107

	2020 £'000	2019 £'000
Fourth interim dividend declared of 5.1p (2019: 5.2p)	3,521	3,572

All dividends paid and declared to date have been paid, or will be paid, out of revenue profits.

(b) Dividends for the purposes of Section 1158 of the Corporation Tax Act 2010 ("Section 1158")

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year as shown below. The revenue available for distribution by way of dividend for the year is £8,042,000 (2019: £9,744,000).

	2020 £'000	2019 £'000
First interim dividend of 2.5p (2019: 2.4p)	1,717	1,649
Second interim dividend of 2.5p (2019: 2.4p)	1,717	1,649
Third interim dividend of 2.5p (2019: 2.4p)	1,726	1,649
Fourth interim dividend of 5.1p (2019: 5.2p)	3,521	3,572
Total dividends of 12.6p (2019: 12.4p) per share	**8,681**	8,519

9. Return/(loss) per share

	2020 £'000	2019 £'000
Revenue return	8,042	9,744
Capital loss	(34,345)	(13,919)
Total loss	**(26,303)**	(4,175)
Weighted average number of ordinary shares in issue during the year	68,771,540	68,688,343
Revenue return per share	11.69p	14.19p
Capital loss per share	(49.94)p	(20.26)p
Total loss per share	(38.25)p	(6.07)p

Financial

Notes to the accounts

10. Investments held at fair value through profit or loss*

	2020 £'000	2019 £'000
Opening book cost	209,128	194,298
Opening investment holding gains	25,734	39,443
Opening fair value	234,862	233,741
Analysis of transactions made during the year		
Purchases at cost	50,026	52,517
Sales proceeds	(66,023)	(37,675)
Losses on investments held at fair value	(33,534)	(13,721)
Closing fair value	185,331	234,862
Closing book cost	173,482	209,128
Closing investment holding gains	11,849	25,734
Closing fair value	185,331	234,862

All investments are listed on a recognised stock exchange.

Sales proceeds amounting to £66,023,000 (2019: £37,675,000) were receivable from disposal of investments in the year. The book cost of these investments when they were purchased was £85,672,000 (2019: £37,687,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

*Note10, including the prior year, has been updated in accordance with the presentational guidance set out in the Statement of Recommended Practice for Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies in October 2019.

The following transaction costs, comprising stamp duty and brokerage commission were incurred during the year:

	2020 £'000	2019 £'000
On acquisitions	238	277
On disposals	25	16
	263	293

11. Debtors

	2020 £'000	2019 £'000
Dividends and interest receivable	1,514	1,996
Securities sold awaiting settlement	68	–
Taxation recoverable	6	5
Other debtors	6	8
	1,594	2,009

The directors consider that the carrying amount of debtors approximates to their fair value.

Notes to the accounts

12. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loan	20,000	32,000
Securities purchased awaiting settlement	98	249
Other creditors and accruals	380	511
	20,478	32,760

The bank loan comprises £20 million (2019: £32 million) drawn down on the Company's £35 million, 364 day revolving credit facility with Sumitomo Mitsui Banking Corporation Europe Limited ("SMBC"). The facility was extended for a further 364 day period effective 24 August 2020, but with a reduced limit of £20 million (2019: £35 million).

The facility is unsecured but is subject to covenants and restrictions which are customary for a facility of this nature, all of which have been complied with during the year. Further details of this facility are given in note 19(a)(i) on page 51.

The directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

13. Called-up share capital

	2020 £'000	2019 £'000
Ordinary shares allotted, called-up and fully paid:		
Ordinary shares of 10p each		
Opening balance of 68,688,343 (2019: 68,688,343) shares	6,869	6,869
Issue of 350,000 (2019: nil) new shares	35	–
Total of 69,038,343 (2019: 68,688,343) shares	6,904	6,869

During the year, 350,000 new shares, nominal value £35,000, were issued to the market at a premium to NAV per share to satisfy demand. These shares were issued at a price of 261.7p per share, for a net consideration of £901,000.

14. Reserves

					Capital reserves		
	Share premium[1] £'000	Capital redemption reserve[1] £'000	Warrant exercise reserve[1] £'000	Share purchase reserve[2] £'000	Gains and losses on sales of investments[2] £'000	Investment holding gains and losses[3] £'000	Revenue reserve[4] £'000
Opening balance	7,404	2,011	1,596	34,936	113,748	25,734	12,160
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	–	(17,262)	–	–
Net movement in investment holding gains and losses	–	–	–	–	–	(16,272)	–
Transfer on disposal of investments	–	–	–	–	(2,387)	2,387	–
Realised exchange gains on currency balances	–	–	–	–	6	–	–
Issue of new shares	866	–	–	–	–	–	–
Management fee and finance costs allocated to capital	–	–	–	–	(817)	–	–
Special dividends allocated to capital	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	(8,732)
Retained revenue for the year	–	–	–	–	–	–	8,042
Closing balance	8,270	2,011	1,596	34,936	93,288	11,849	11,470

The Company's Articles of Association permit dividend distributions out of realised capital profits.

[1]These reserves are not distributable.

[2]These are realised (distributable) capital reserves which may be used to repurchase the Company's own shares or distributed as dividends.

[3]This reserve comprises holding gains on liquid investments (which may be deemed to be realised) and other amounts which are unrealised. An analysis has not been made between those amounts that are realised (and may be distributed as dividends or used to repurchase the Company's own shares) and those that are unrealised.

[4]The revenue reserve may distributed as dividends or used to repurchase the Company's own shares.

Notes to the accounts

15. Net asset value per share

	2020	2019
Net assets attributable to shareholders (£'000)	**170,324**	204,458
Shares in issue at the year end	**69,038,343**	68,688,343
Net asset value per share	**246.71p**	297.66p

16. Transactions with the Manager

Under the terms of the AIFM Agreement, the Manager is entitled to receive a management fee. Details of the basis of the calculation are given in the Directors' Report on page 23. Any investments in funds managed or advised by the Manager or any of its associated companies are excluded from the assets used for the purpose of the calculation and therefore incur no fee.

The management fee payable in respect of the year ended 31 August 2020 amounted to £1,320,000 (2019: £1,426,000) of which £300,000 (2019: £371,000) was outstanding at the year end.

No director of the Company served as a director of any member of the Schroder Group at any time during the year.

17. Related party transactions

Details of the remuneration payable to directors are given in the Directors' Remuneration Report on page 31 and details of directors' shareholdings are given in in the Directors' Remuneration Report on page 32. Details of transactions with the Manager are given in note 16 above. There have been no other transactions with related parties during the year (2019: nil).

18. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio.

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below.

Level 1 – valued using unadjusted quoted prices in active markets for identical assets.

Level 2 – valued using observable inputs other than quoted prices included within Level 1.

Level 3 – valued using inputs that are unobservable.

Details of the valuation techniques used by the Company are given in note 1(b) on page 43.

At 31 August 2020, all investments in the Company's portfolio are categorised as Level 1 (2019: same).

19. Financial instruments' exposure to risk and risk management policies

The Company's objectives are set out on the inside front cover of this report. In pursuing these objectives, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial risks include market risk (comprising interest rate risk and other price risk), liquidity risk and credit risk. The directors' policy for managing these risks is set out below. The board coordinates the Company's risk management policy. The Company has no significant direct exposure to foreign exchange risk on monetary items. The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's classes of financial instruments may comprise the following:

– investments in equity shares which are held in accordance with the Company's investment objectives;

– short-term debtors, creditors and cash arising directly from its operations; and

– loans drawn on a facility, the purpose of which are to assist with financing the Company's operations.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises two elements: interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these two elements of market risk is given in parts (i) and (ii) of this note, together with sensitivity analyses where appropriate. The board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate borrowings when interest rates are re-set.

Management of interest rate risk

Liquidity and borrowings are managed with the aim of increasing returns to shareholders. The board's policy is to permit gearing up to 25% where gearing is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets. Any amount drawn on the facility would normally be for a one month period, at the end of which the drawdown may be adjusted or repaid, and the interest rate is re-set. These amounts have been included in the analysis below, although the exposure to interest rate changes is not significant as any drawings can be repaid at the end of the one month period under the terms of this flexible arrangement.

Interest rate exposure

The exposure of financial assets and financial liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below:

	2020 £'000	2019 £'000
Exposure to floating interest rates:		
Cash at bank and in hand	**3,877**	347
Creditors falling due within one year: bank loan	**(20,000)**	(32,000)
Total exposure	**(16,123)**	(31,653)

Interest receivable on cash balances is at a margin below LIBOR (2019: same).

The Company extended its credit facility with Sumitomo Mitsui Banking Corporation Europe Limited for a further 364 day period effective 24 August 2020, but with a reduced limit of £20 million (2019: £35 million). Interest is payable at a rate of LIBOR as quoted in the market for the loan period plus a margin, plus Mandatory Costs, which are the lender's cost of complying with certain regulatory requirements of the Bank of England. At 31 August 2020, the Company had drawn down £20 million (2019: £32 million) for a one month period at an interest rate of 0.83% (2019: 1.33%) per annum.

The above year end amounts are not representative of the exposure to interest rates during the current or comparative year as the level of cash balances and drawings on the facility have fluctuated. The maximum and minimum exposure during the year was as follows:

	2020 £'000	2019 £'000
Minimum debit interest rate exposure during the year – net debt	**(15,861)**	(16,466)
Maximum debit interest rate exposure during the year – net debt	**(31,225)**	(33,134)

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 0.5% (2019: 0.5%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date which are exposed to interest rate movements, with all other variables held constant.

	2020		2019	
	0.5% increase in rate £'000	0.5% decrease in rate £'000	0.5% increase in rate £'000	0.5% decrease in rate £'000
Income statement – return after taxation				
Revenue return	**(31)**	**31**	(78)	78
Capital return	**(50)**	**50**	(80)	80
Total return after taxation	**(81)**	**81**	(158)	158
Net assets	**(81)**	**81**	(158)	158

In the opinion of the directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes as the level of cash balances and drawings on the facility will fluctuate.

(ii) Other price risk

Market price risk includes changes in market prices, other than those arising from interest rate risk, which may affect the value of investments.

Management of market price risk

The board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Market price risk exposure

The Company's total exposure to changes in market prices at 31 August comprised the following:

	2020 £'000	2019 £'000
Investments held at fair value through profit or loss	**185,331**	234,862

The above data is broadly representative of the exposure to market price risk during the year.

Concentration of exposure to market price risk

An analysis of the Company's investments is given on page 9. The portfolio principally comprises securities of companies listed on the London Stock Exchange and accordingly there is a concentration of exposure to economic conditions in the UK. However it should be noted that many of these companies conduct much of their business overseas. Furthermore, up to 20% of the portfolio may be listed on overseas stock exchanges.

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2019: 10%) in the fair values of the Company's investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's exposure through equity investments and includes the impact on the management fee but assumes that all other variables are held constant.

	2020		2019	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement – return after taxation				
Revenue return	**(60)**	**60**	(65)	65
Capital return	**18,473**	**(18,473)**	23,422	(23,422)
Total return after taxation and net assets	**18,413**	**(18,413)**	23,357	(23,357)
Change in net asset value	**10.8%**	**(10.8%)**	11.4%	(11.4%)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

Liquidity risk is not significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding requirements if necessary. The facility is also available to provide liquidity at short notice. The board's policy is for the Company to remain fully invested in normal market conditions. The facility may be used to manage working capital requirements and to gear the Company as appropriate.

Liquidity risk exposure

Contractual maturities of financial liabilities, based on the earliest date on which payment can be required are as follows:

	2020 Three months or less £'000	2020 Total £'000	2019 Three months or less £'000	2019 Total £'000
Creditors: amounts falling due within one year				
Securities purchased awaiting settlement	**98**	**98**	249	249
Other creditors and accruals	**377**	**377**	501	501
Bank loan – including interest	**20,014**	**20,014**	32,036	32,036
	20,489	**20,489**	32,786	32,786

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

Management of credit risk

This risk is not significant and is managed as follows:

Portfolio dealing

The Company invests in markets that operate a "Delivery Versus Payment" settlement process which mitigates the risk of losing the principal of a trade during settlement. The Manager continuously monitors dealing activity to ensure best execution, which involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparties must be pre-approved by the Manager's credit committee.

Exposure to the Custodian

The custodian of the Company's assets is HSBC Bank plc which has long-term Credit Ratings of AA- with Fitch and Aa3 with Moody's. The Company's investments are held in accounts which are segregated from the custodian's own trading assets. If the custodian were to become insolvent, the Company's right of ownership of its investments is clear and they are therefore protected. However the Company's cash balances are all deposited with the custodian as banker and held on the custodian's balance sheet. Accordingly, in accordance with usual banking practice, the Company will rank as a general creditor to the custodian in respect of cash balances.

Credit risk exposure

The following amounts shown in the Statement of Financial Position, represent the maximum exposure to credit risk at the current and comparative year end.

	2020 Balance sheet £'000	2020 Maximum exposure £'000	2019 Balance sheet £'000	2019 Maximum exposure £'000
Fixed assets				
Investments held at fair value through profit or loss	**185,331**	**–**	234,862	–
Current assets				
Debtors – dividends and interest receivable and other debtors	**1,594**	**1,594**	2,009	2,009
Cash at bank and in hand	**3,877**	**3,877**	347	347
	190,802	**5,471**	237,218	2,356

No debtors are past their due date and none have been written down or deemed to be impaired.

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either carried at fair value or the amount in the Statement of Financial Position is a reasonable approximation of fair value.

20. Capital management policies and procedures

The Company's objectives, policies and processes for managing capital are unchanged from the preceding year.

The Company's debt and capital structure comprises the following:

	2020 £'000	2019 £'000
Debt		
Bank loan	20,000	32,000
Equity		
Called-up share capital	6,904	6,869
Reserves	163,420	197,589
	170,324	204,458
Total debt and equity	190,324	236,458

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the return to its equity shareholders through an appropriate level of gearing.

The board's policy is to permit gearing up to 25% where gearing is defined as borrowings used for investment purposes, less cash, expressed as a percentage of net assets.

	2020 £'000	2019 £'000
Borrowings used for investment purposes, less cash	16,123	31,653
Net assets	170,324	204,458
Gearing	9.5%	15.5%

The board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back the Company's own shares shares for cancellation or to hold in treasury, which takes into account the share price discount;
- the opportunities for issues of new shares; and
- the amount of dividend to be paid, in excess of that which is required to be distributed

Annual General Meeting – Recommendations

The Annual General Meeting ("AGM") of the Company will be held on Thursday, 17 December 2020 at 12.00 p.m. The formal Notice of Meeting is set out on page 56.

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Covid-19 and the AGM

In light of the rapidly evolving situation and government guidance regarding the outbreak of COVID-19, the board has taken the decision to alter the format of the Company's AGM. The safety and security of our shareholders, service providers, officers, and guests is of paramount importance to us. The Board has taken the decision that Shareholders will not be allowed to attend the AGM in person but instead are asked to vote by proxy, appointing the chair of the meeting as their proxy.

Ordinary business

Resolutions 1 to 9 are all ordinary resolutions

Resolution 1 is a required resolution. Resolutions 2 and 3 concerns the Directors' Remuneration Policy and Remuneration Report, on pages 31 and 32. Resolutions 4 to 7 invite shareholders to re-elect each of the directors for another year, with the exception of David Causer, who will retire as a director at the AGM. The re-elections have been recommended by the nomination and remuneration committee on pages 29 and 30 (their biographies are set out on pages 21 and 22). Resolutions 8 and 9 concern the re-appointment and remuneration of the Company's auditor, discussed in the Audit and Risk Committee Report on pages 26 and 27.

Special business

Resolution 10: Continuation (ordinary resolution)

In accordance with the Company's articles of association, the directors are required to put forward a proposal for the continuation of the Company to shareholders at five yearly intervals. The board considers that the long-term investment objectives of the Company remain appropriate and that the current Manager remains well placed to continue to deliver them over the long-term. An ordinary resolution will therefore be proposed at the AGM to agree that the Company should continue as an investment trust for a further five year period.

Resolution 11: approval of the Company's dividend policy (ordinary resolution)

In line with corporate governance best practice the board is putting the Company's dividend policy to shareholders for approval. No change to the Company's dividend policy is proposed at this time.

Resolution 12: Directors' authority to allot shares (ordinary resolution) and Resolution 13: power to disapply pre-emption rights (special resolution)

The directors are seeking authority to allot a limited number of unissued ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the directors to allot shares up to a maximum aggregate nominal amount of £690,383 (being 10% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £690,383 (being 10% of the Company's issued share capital as at the date of the Notice of the AGM).

The directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it would not result in any dilution of NAV per share.

If approved, both of these authorities will expire at the conclusion of the AGM in 2021 unless renewed, varied or revoked earlier.

Resolution 14: authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 17 December 2019, the Company was granted authority to make market purchases of up to 10,296,382, ordinary shares of 10p each for cancellation. No shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 10,296,382, ordinary shares. This authority will expire at the forthcoming AGM.

The directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to NAV and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM. The directors will exercise this authority only if the directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury. If renewed, the authority to be given at the 2020 AGM will lapse at the conclusion of the AGM in 2021 unless renewed, varied or revoked earlier.

Recommendations

The board considers that the resolutions relating to the above items of business are in the best interests of shareholders as a whole. Accordingly, the board unanimously recommends to shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM, as they intend to do in respect of their own beneficial holdings.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder Income Growth Fund plc will be held on Thursday, 17 December 2020 at 12.00 p.m. at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions of which resolutions 1 to 12 will be proposed as ordinary resolutions and resolutions 13 and 14 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 31 August 2020.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31 August 2020.
4. To approve the re-election of Bridget Guerin as a director of the Company.
5. To approve the re-election of Ewen Cameron Watt as a director of the Company.
6. To approve the re-election of Fraser McIntyre as a director of the Company.
7. To approve the re-election of Victoria Muir as a director of the Company.
8. To re-appoint Ernst and Young LLP as auditors to the Company.
9. To authorise the directors to determine the remuneration of Ernst and Young LLP as auditors to the Company.
10. To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

    "THAT in accordance with the articles of association, the Company should continue as an investment trust for a further five years".
11. To approve the Company's dividend policy, as set out on page 24 of the Annual Report and Accounts for the year ended 31 August 2020.
12. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

    "THAT in substitution for all existing authorities the directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £690,383 (being 10% of the issued ordinary share capital, excluding shares held in treasury, at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the board may allot relevant securities in pursuance of that offer or agreement."
13. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "That, subject to the passing of Resolution 12 set out above, the directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said Resolution 12 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £690,383 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
14. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 10p each in the capital of the Company ("Share") at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:

    (a) the maximum number of Shares which may be purchased is 10,348,848, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice;

    (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of;

    i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and

    ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;

    (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 10p, being the nominal value per Share;

    (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2021 (unless previously renewed, varied or revoked by the Company prior to such date);

    (e) the Company may make a contract to purchase Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and

    (f) any Shares so purchased will be cancelled or held in treasury."

By order of the board
for and on behalf of
Schroder Investment Management Limited
Company Secretary

19 November 2020
Registered Number: 03008494

Registered office:
1 London Wall Place
London EC2Y 5AU

Explanatory Notes to the Notice of Annual General Meeting

1. Ordinary shareholders are entitled to attend and vote at the meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. Due to COVID-19 shareholders are asked not to attend.

   A proxy form is attached. Due to COVID-19 shareholders are encouraged to appoint the Chairman as proxy.

   If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641 or +44(0) 121 415 0207 for overseas callers, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

   On a vote by show of hands, every ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder.

   The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

   A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically, will need to enter the Voting ID, Task ID and Shareholder Reference Number set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk using their user ID and password. Once logged in, click "view" on the "My Investments" page, click on the link to vote, then follow the on-screen instructions. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12.00 p.m. on 15 December 2020. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44(0) 121 415 0207 for overseas callers).

   If an ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

   Shareholders may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

   Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Annual General Meeting.

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

   The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of Members of the Company at 6.30 p.m. on 15 December 2020, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 15 December 2020 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

5. Copies of the terms of appointment of the non-executive directors and a statement of all transactions of each director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the directors has a contract of service with the Company.

6. The biographies of the directors offering themselves for election and re-election are set out on pages 21 and 22 of the Company's annual report and accounts for the year ended 31 August 2020.

7. As at 18 November 2020, 69,038,343 ordinary shares of 10 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 18 November 2020 was 69,038,343.

8. A copy of this notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's webpages, www.schroders.co.uk/incomegrowth.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the Annual General Meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information. Due to COVID-19 shareholders are asked to send their questions by post or by email (amcompanysecretary@schroders.com).

Definitions of Terms and Performance Measures

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Some of the financial measures below are classified Alternative Performance Measures as defined by the European Securities and Markets Authority, and some numerical calculations are given for those.

Consumer Prices Index ("CPI")

The Consumer Price Index is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living. The CPI is one of the most frequently used statistics for identifying periods of inflation or deflation.

Reference index

The index against which it is deemed most appropriate to measure the Company's performance. The reference index is the FTSE All-Share Index.

Net asset value ("NAV") per share

The NAV per share of 246.71p (2019: 297.66p) represents the net assets attributable to equity shareholders of £170,324,000 (2019: £204,458,000) divided by the number of shares in issue of 69,038,343 (2019: 68,688,343).

The change in the NAV amounted to -17.1% (2019: -5.7%) over the year. However this performance measure excludes the positive impact of dividends paid out by the Company during the year. When these dividends are factored into the calculation, the resulting performance measure is termed the "total return". Total return calculations and definitions are given below.

Total return

The combined effect of any dividends paid, together with the rise or fall in the NAV per share or share price. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either the assets of the Company at its NAV per share at the time the shares were quoted ex-dividend (to calculate the NAV per share total return) or in additional shares of the Company (to calculate the share price total return).

The NAV total return for the year ended 31 August 2020 is calculated as follows:

NAV at 31/8/19	297.66p
NAV at 31/8/20	246.71p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
5.2p	10/10/2019	294.11p	1.0177	1.0177
2.5p	24/12/2019	325.50p	1.0078	1.0256
2.5p	09/04/2020	237.75p	1.0105	1.0364
2.5p	09/07/2020	240.18p	1.0104	1.0472

NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage change in the opening NAV	–13.2%

The NAV total return for the year ended 31 August 2019 is calculated as follows:

NAV at 31/8/18	315.54p
NAV at 31/8/19	297.66p

Dividend	XD date	NAV on XD date	Factor	Cumulative factor
4.6p	04/10/2018	307.77p	1.0150	1.0150
2.4p	27/12/2018	265.26p	1.0090	1.0241
2.4p	04/04/2019	305.86p	1.0078	1.0322
2.4p	11/07/2019	311.42p	1.0077	1.0401

NAV total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage change in the opening NAV	-1.9%

The share price total return for the year ended 31 August 2020 is calculated as follows:

Share price at 31/8/19	273.00p
Share price at 31/8/20	242.00p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
5.2p	10/10/2019	274.00p	1.0190	1.0190
2.5p	24/12/2019	314.00p	1.0081	1.0273
2.5p	09/04/2020	231.00p	1.0108	1.0384
2.5p	09/07/2020	236.00p	1.0106	1.0494

Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage change in the opening share price	–7.0%

Definitions of Terms and Performance Measures

The share price total return for the year ended 31 August 2019 is calculated as follows:

Share price at 31/8/18	301.00p
Share price at 31/8/19	273.00p

Dividend	XD date	Share price on XD date	Factor	Cumulative factor
4.6p	04/10/2018	288.50p	1.0159	1.0159
2.4p	27/12/2018	251.00p	1.0096	1.0257
2.4p	04/04/2019	281.00p	1.0085	1.0344
2.4p	11/07/2019	288.00p	1.0083	1.0430

Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage change in the opening share price	–5.4%

Discount/premium

The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. The discount or premium is expressed as a percentage of the NAV per share. The discount at the year end amounted to 1.9% (2019: 8.3%), as the closing share price at 242.00p (2019: 273.00p) was 1.9% lower than the closing NAV of 246.71p (2019: 297.66p).

Gearing

The gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) which the Company has drawn down and invested in the market. This figure is indicative of the extra amount by which shareholders' funds would move if the Company's investments were to rise or fall. This represents borrowings used for investment purposes, less cash, expressed as a percentage of net assets. The gearing figure at the year end is calculated as follows:

	2020 £'000	2019 £'000
Borrowings used for investment purposes, less cash	**16,123**	31,653
Net assets	**170,324**	204,458
Gearing	**9.5%**	15.5%

Leverage

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its net asset value and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria.

Ongoing Charges

Ongoing Charges represents the management fee and all other operating expenses excluding finance costs and transaction costs, amounting to £1,641,000 (2019: £1,776,000), expressed as a percentage of the average daily net asset values during the year of £190,055,000 (2019: £204,843,000).

Notes

Shareholder Information

Webpage and share price information

The Company has dedicated webpages, which may be found at www.schroders.co.uk/incomegrowth. The webpages have been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's ordinary share price and copies of annual reports and accounts and other documents published by the Company as well as information on the directors, terms of reference of committees and other governance arrangements. In addition, the webpages contain links to announcements made by the Company to the market, Equiniti's Shareview service and Schroders' website. There is also a section entitled "How to Invest".

The Company releases its NAV per share on both a cum and ex-income basis to the market on a daily basis.

Share price information may also be found in the Financial Times and on the company's webpages.

Association of Investment Companies

The Company is a member of the Association of Investment Companies. Further information on the Association can be found on its website, www.theaic.co.uk.

Individual Savings Account ("ISA") status

The Company's shares are eligible for stocks and shares ISAs.

Non-Mainstream Pooled Investments status

The Company currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Financial calendar

First interim dividend paid	31 January
Second interim dividend paid	30 April
Half year results announced	April/May
Third interim dividend paid	31 July
Financial year end	31 August
Fourth interim dividend paid	31 October
Annual results announced	November
Annual general meeting	December

Alternative Investment Fund Managers Directive ("AIFMD") disclosures

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found either in this annual report or on the Company's webpages.

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on the Company's webpages.

Leverage

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFMD are published on the Company's webpages and within this report. The Company is also required to periodically publish its actual leverage exposures. As at 31 August 2020 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	2.00	1.10
Commitment method	2.00	1.10

Illiquid assets

As at the date of this report, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Remuneration disclosures

Quantitative remuneration disclosures to be made in this annual report in accordance with FCA Handbook rule FUND3.3.5 may also be found in the Company's AIFMD information disclosure document published on the Investor Relations section of Schroders' website www.schroders.com.

Publication of key information document ("KID") by the AIFM

Pursuant to the Packaged Retail and Insurance Based Investment Products ("PRIIPs") Regulation, the Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its webpages.

www.schroders.co.uk/incomegrowth

Directors

Bridget Guerin
Ewen Cameron Watt
David Causer
Fraser McIntyre
Victoria Muir

Advisers

Alternative investment fund manager (the "Manager")

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1 London Wall Place
London EC2Y 5AU

Investment Manager and Company Secretary

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1 London Wall Place
London EC2Y 5AU
Telephone: 020 7658 6501

Registered office

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London EC2Y 5AU

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London E14 5HQ

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Edinburgh EH3 8EX

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline: 0800 032 0641*
Website: www.shareview.co.uk

*Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the above address.

Shareholder enquiries

General enquiries about the Company should be addressed to the company secretary at the Company's registered office.

Dealing codes

ISIN: GB0007915860
SEDOL: 0791586
Ticker: SCF

Global intermediary identification number (GIIN)

T34UKV.99999.SL.826

Legal entity identifier (LEI)

549300X1RTYYP7S3YE39

The Company's privacy notice is available on its webpages.

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