

# Keystone Investment Trust plc

## **Audit Committee – Terms of Reference (May 2020)**

### **1. Overall Purpose/Objectives**

The Audit Committee will support the Board in fulfilling its oversight responsibilities in respect of the financial reporting process, the system of internal control and management of financial risks, the external and internal audit processes and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct and terms of reference.

In performing its duties, the Committee will review and challenge, where necessary. It will maintain effective working relationships with the Board of Directors, the Manager, the Manager's Compliance and Internal Audit functions and the Company's external auditors and depositary. To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business, operations and risks.

### **2. Authority**

The Board authorises the Audit Committee, within the scope of its responsibilities, to:

- 2.1 Seek any information it requires from:
  - The Manager's Compliance and Internal Audit personnel;
  - The Manager's Specialist Fund Division;
  - Any other relevant person within the Invesco Group;
  - External Parties such as auditors, brokers, registrars, lawyers, depositary, accountants etc.
- 2.2 Obtain outside legal or other professional advice to a level of £10,000 on any one subject or issue without Board approval.
- 2.3 Seek the attendance of any relevant persons from the Invesco Group at meetings as appropriate.

#### **Registered Office:**

Perpetual Park  
Perpetual Park Drive  
Henley-on-Thames  
Oxfordshire  
RG9 1HH

Registered in England No 538179

An investment company under Section 833 of the Companies Act 2006

#### **Administrative Office:**

43-45 Portman Square  
London W1H 6LY

Telephone: 020 3753 1000

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### **3. Organisation**

#### **Membership**

- 3.1 The Audit Committee will comprise at least two independent non-executive Directors of which at least one should have recent and relevant financial experience, at least one member should have competence in accounting and/or auditing and the Audit Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 3.2 Each member should bring an independent mind-set to the role and be capable of making a valuable contribution to the Committee.
- 3.3 The membership presently comprises: Ian Armfield– Chairman, Karen Brade, Katrina Hart and John Wood.
- 3.4 The Committee Chairman has discretion to invite Mr Kendall to attend Audit Committee Meetings as a guest.
- 3.5 The Chairman of the Audit Committee will be nominated by the Board from time to time. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members shall elect one of themselves to chair the meeting.
- 3.6 The Board will review the membership of the Committee annually.
- 3.7 A quorum for any meeting will be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 3.8 The Secretary of the Audit Committee will be the corporate secretary, or such other person as nominated by the Board from time to time.
- 3.9 The Company should have access to the services of the Company Secretary on all Committee matters, including:
  - a) assisting the Committee Chairman in planning the Committee's work;
  - b) drawing up Committee meeting agendas;
  - c) maintenance of minutes;
  - d) drafting of material about its activities for the annual financial report;
  - e) collection and distribution of information; and
  - f) necessary practical support.

### **Attendance at Meetings and Administration**

- 3.10 The Audit Committee may invite such other persons to attend its meetings, as it deems necessary.
- 3.11 The external auditors and Invesco's Compliance and Internal Audit teams will be invited to make presentations to the Audit Committee as appropriate.
- 3.12 Meetings shall be held not less than three times a year. Special meetings may be convened as required. Internal Audit or the external auditors may request a meeting be convened if they consider that it is necessary.
- 3.13 Meetings of the Committee shall be summoned by the Company Secretary of the Company at the request of any of its members or at the request of external or internal auditors if they consider it necessary. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the meeting.
- 3.14 The Company Secretary shall ascertain the existence of any conflicts of interest and minute them accordingly.
- 3.15 The Manager and Company Secretary shall ensure that the Committee is kept properly informed, and should take the initiative in supplying information in a timely manner to enable full and proper consideration to be given to the issues.
- 3.16 The Company Secretary shall minute the proceedings and resolutions of all Committee meetings. Minutes of Committee meetings shall be circulated to the Chairman of the Audit Committee within 10 working days at the latest.
- 3.17 The Chairman of the Audit Committee should attend the Annual General Meeting (in his absence at least one other member of the Audit Committee should attend) and be prepared to respond to shareholder questions on the Committee's activities.

#### 4. Roles and Responsibilities

##### Internal Control and Risk Management Systems

No.	Responsibility of Audit Committee	Disclosure to Committee	Dates	Responsible for disclosure
1.	Evaluate whether the Manager is setting the appropriate 'control culture' by communicating the importance of internal control and risk management and is ensuring that all relevant Invesco employees have an understanding of their roles and responsibilities.	Risk Control Summary presented at every ACM.	Every Audit Committee meeting	Company Secretary
2.	Review the Manager's arrangements for identifying, assessing, managing and monitoring business risk.	Risk Control Summary at ACMs. Review of Business Continuity procedures. Annual Risk Review.	Every ACM  Spring ACM  Final ACM (Autumn)	Company Secretary  "  "
3.	Review the implementation by the Manager of internal control recommendations made by Compliance, Internal Audit and the external auditors.	Risk Control Summary, Annual Risk Review and Annual Report disclosures/ Auditors' Review.	Autumn ACM	Company Secretary, Accounts, External Auditor
4.	Evaluate whether the Manager is complying with regulatory matters.	Updates on regulatory issues;  Auditors' Review.	Every ACM  Autumn ACM	Company Secretary  External Auditor
5.	Review the appropriate statements to be included in the annual financial report concerning internal controls and risk management.	Annual report disclosures/ Auditors' review.	Autumn ACM	Company /Secretary  External Auditor
6.	Review the Manager's arrangements for their employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.	Annual report disclosures/ Compliance function.	Autumn ACM	Company Secretary  Compliance Manager
7.	Regularly review the Company's Risk Control Summary and Matrix	Risk Control Summary.	Every ACM	Company Secretary

## **Financial Reporting**

### **a) General**

<b>No.</b>	<b>Responsibility of Audit Committee</b>	<b>Disclosure to Committee</b>	<b>Dates</b>	<b>Responsible for disclosure</b>
8.	Gain an understanding of the current areas of greatest significance and risk with respect to financial reporting and how the Manager is managing these effectively.	Report from the Secretary/Accountants on any relevant matters.  Review of investments and Investment Policy Guidelines.  Invesco's Internal Operations and Controls Report & Custodian SOC1 report.	Every ACM  Every Board meeting  Spring /Autumn ACM	Invesco Accounts & Company Secretary  Invesco Accounts  Invesco Accounts, Fund Manager
9.	Consider with Compliance, Internal Audit and the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.	Compliance Report on internal control breaches etc.  Annual Risk Review and Review by external Auditors' Review.	Spring & Autumn ACM  Autumn ACM	Invesco Compliance  Company Secretary, External Auditor
10.	Review significant accounting and reporting developments, including recent professional and regulatory pronouncements and understand their impact on the financial statements.	Reports & updates as and when necessary.	Every ACM	Invesco Accounts & Company Secretary
11.	Ask the Manager and the external auditors about significant financial reporting risks and exposures and the plans to minimise such risks.	Annual Risk Review and Auditors' Review.	Autumn ACM	Company Secretary, and External Auditor
12.	Review any legal matters which could have a significant impact on the financial statements.	Report from the Secretary/ Accountants on any issues; Auditors' year-end review.	Autumn ACM	Company Secretary, Invesco Accounts and External Auditor

## b) Annual Financial Statements

No.	Responsibility of Audit Committee	Disclosure to Committee	Dates	Responsible for disclosure
13.	Review the annual financial statements and determine whether they are complete and consistent with the information known to Committee members; assess whether the financial statements have adopted appropriate accounting principles and policies.	Annual Financial Report; Auditors' Annual Review.	Autumn ACM	Company Secretary, Invesco Accounts and External Auditor
14.	Pay particular attention to complex and/or unusual transactions particularly where the accounting treatment is open to different approaches.	Annual Financial Report; Auditors' Annual Review & financial year-end paper by Accounts.	Autumn ACM	Company Secretary, Invesco Accounts and External Auditor
15.	Focus on estimates and key judgmental areas, bearing in mind the requirement for the financial statements to show a true and fair view.	Annual Financial Report and financial year-end papers.	Autumn ACM	Invesco Accounts; Company Secretary
16.	Consider the clarity and completeness of disclosures in the financial statements and whether they are set in their proper context.	Annual Financial Report and financial year-end papers.	Autumn ACM	Company Secretary, Invesco Accounts and External Auditor
17.	Meet with the Manager and the external auditors to review the financial statements and the results of the audit.	Annual Financial Report and Auditors' Annual Review.	Autumn ACM	Invesco Accounts, Company Secretary, External Auditor
18.	Review the other sections of the Annual Financial Report before its release and consider whether the information is complete and consistent with Committee members' knowledge about the Company and its performance, business model, long term viability and strategy.	Annual Financial Report – Manager's Report, Chairman's Statement, Directors' Report including Business Review, Corporate Governance Statement etc.	Autumn ACM	Company Secretary, External Auditor
19.	Review the contents of the Annual Financial Report (including the annual financial statements) and consider whether, taken as a whole, it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.	Annual Financial Report and Auditors' Annual Review.	Autumn ACM	Company Secretary, Invesco Accounts and External Auditor

**c) Annual and Half-Yearly Financial Report Announcements**

<b>No.</b>	<b>Responsibility of Audit Committee</b>	<b>Disclosure to Committee</b>	<b>Dates</b>	<b>Responsible for disclosure</b>
20.	Be briefed on how management develops annual and half-yearly results announcements; the extent of Compliance and Internal Audit involvement as well as depositary; and the extent to which the external auditors review such information.	Extracts from annual financial report and half-yearly financial report.  Sign-off by external Auditor.	Autumn ACM and Spring ACM	Company Secretary, Invesco Accounts, Invesco Marketing  External Auditor
21.	Review the fairness of the annual and half-yearly results announcements and disclosures and obtain explanations and assurance from the Manager, Compliance, Internal Audit, Depositary and the external auditors, as appropriate on whether: <ul style="list-style-type: none"> <li>• complied with.</li> </ul>	Financial year-end paper, Accounting Standards updates;  Annual/ half-yearly results announcements;  Auditors' year-end review.	Autumn ACM	Invesco Accounts, Company Secretary, External Auditor

## **Internal Audit**

<b>No.</b>	<b>Responsibility of Audit Committee</b>	<b>Disclosure to Committee</b>	<b>Dates</b>	<b>Responsible for disclosure</b>
22.	Review the activities and organisational structure of the Manager's internal audit function and ensure no unjustified restrictions or limitations are made.	Compliance Report / Internal Audit Report.	Spring & Autumn ACM	Invesco Compliance/ Internal Audit
23.	Be satisfied that the Manager's compliance and internal audit functions are adequately resourced.	Compliance Report/ Internal Audit Report.	Spring & Autumn ACM	Invesco Compliance Internal Audit
24.	Review the Manager's internal audit programmes.	Internal Audit Report.	Spring & Autumn ACM	Internal Audit
25.	Receive a report on the results of the Manager's Compliance / Internal Auditor's work on a periodic basis.	Compliance Report/ Internal Audit Report.	Spring & Autumn ACM	Invesco Compliance Internal Audit
26.	Review the effectiveness of the Internal Audit and Compliance functions.	Compliance Report/ Internal Audit Report.	Spring & Autumn ACM	Invesco Compliance/ Internal Audit
27.	Meet separately with the Director of Compliance and Head of Internal Audit to discuss any matters that either party believes should be discussed privately.	No regular disclosure, but review of any topics as requested.	Whenever Audit Committee feels that issues need to be discussed.	Invesco Compliance/ Internal Audit
28.	Review and discuss significant findings and recommendations made by Internal Audit on a timely basis.	Compliance Report/ Internal Audit Report.	Every ACM	Internal Audit
29.	Review management's response to recommendations by Compliance or Internal Audit.	Compliance Report/ Internal Audit Report.	Every ACM Spring ACM	Invesco Compliance/ Internal Audit
30.	Consider annually the need for the Company to have its own internal audit function.	Review by the ACM.	Autumn ACM	Company Secretary



## **External Audit**

<b>No.</b>	<b>Responsibility of Audit Committee</b>	<b>Disclosure Committee to</b>	<b>Dates</b>	<b>Responsible for disclosure</b>
31.	Review and confirm the external auditors' proposed audit scope and ensure no unjustified restrictions or limitations have been placed on the scope. Agree the external audit engagement letter, audit fee and audit partner.	Auditors' Audit Planning Report and engagement letters.	Summer ACM	Invesco Accounts, Company Secretary, External Auditor
32.	Consider the qualification, expertise and resources, effectiveness and independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company.	Auditors' engagement letters and year-end review.  Third party services reviews.	Summer and Autumn ACM	External Auditor, Invesco Accounts and Company Secretary
33.	Obtain an annual letter from the external auditor regarding independence and monitoring compliance with the relevant requirements including the rotation of partner.	Auditors' year-end report.	Autumn ACM for year-end accounts	External Auditor
34.	Make recommendations to the Board regarding the resignation and replacement of the external auditors, and investigate issues giving rise to any such resignation.  At least every ten years put the audit out to tender and/or change the Auditor in accordance with relevant regulations.	Auditors' request or Audit Committee driven.	No set date	Invesco Accounts, External Auditor
35.	Make recommendations to the Board regarding the reappointment of the external auditors to be put to shareholders at the AGM.	Auditors' annual audit engagement letter.	Summer or Autumn ACM	Invesco Accounts, Company Secretary
36.	Meet separately with the external auditors to discuss any matters that the Committee or external auditors believe should be discussed privately.	Auditors' year-end report, discussion at Autumn Committee meeting.	Autumn and ad hoc ACM	External Auditor

No.	Responsibility of Audit Committee	Disclosure to Committee	Dates	Responsible for disclosure
37.	Receive and discuss significant findings and recommendations made by the external auditors on a timely basis, including: <ul style="list-style-type: none"> <li>- any major issues that arose during the audit;</li> <li>- key accounting and audit judgements; and</li> <li>- levels of errors identified during the audit.</li> </ul>	Audit reports by the external Auditors.	Autumn ACM	External Auditor
38.	Review the Manager's response to recommendations by the external auditors.	Auditors' reviews on findings in interim / annual reports.	Spring and Autumn ACM	External Auditor
39.	Review and approve the Directors' letter of representation to the auditors.	Draft Letter of Representation from the Auditors.	Autumn ACM	External Auditor
40.	Assess, at the end of the audit cycle, the effectiveness of the audit process by: <ul style="list-style-type: none"> <li>• reviewing with reference to the FRC Audit Quality practice aid, whether the external auditor has met the agreed audit plan;</li> <li>• considering the robustness and perceptiveness of the external auditors in their handling of key accounting and audit judgement issues identified;</li> <li>• obtaining feedback about the conduct of the audit from key people involved.</li> </ul>	Annual financial report, Audit Planning Report, Audit Results Report.	Autumn ACM	External Auditor Company Secretary Invesco Accounts
41.	Review the audit service of the external auditors including obtaining a report on the audit firm's own audit quality inspection reports published annually by the FRC.	Auditors' Annual Report.	Autumn ACM	Invesco Accounts, Company Secretary
42.	Develop and recommend to the Board the Company's policy on non-audit services and ensure the provision of non-audit services does not impair the external auditor's independence and objectivity.	Annual financial report	Autumn ACM	Invesco Accounts, Company Secretary

### **Compliance with Laws and Regulations**

<b>No.</b>	<b>Responsibility of Audit Committee</b>	<b>Disclosure to Committee</b>	<b>Dates</b>	<b>Responsible for disclosure</b>
43.	Review the effectiveness of the system for monitoring compliance with laws and regulations, the provisions of the AIC Code of Corporate Governance, the UK Corporate Governance Code, the requirements of the Listing Rules, Prospectus Rules and Disclosure and Transparency Rules as appropriate, and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.	<p>Compliance / Internal Audit Report.</p> <p>Reports on regulatory changes and Invesco's response.</p> <p>Schedule on compliance with the AIC Code of Corporate Governance &amp; Other Disclosure requirements</p>	<p>Every ACM and every Board Meeting</p> <p>Autumn Meeting</p>	<p>Invesco Compliance</p> <p>Invesco Accounts / Company Secretary</p> <p>Company Secretary</p>
44.	Obtain regular updates from the Manager and others regarding compliance matters in particular: S1158 CTA 2010, FCA Listing Rules, the Companies Acts, UK Corporate Governance Code and other relevant legislation.	<p>s.1158 etc - Revenue estimates; Auditors Annual review.</p> <p>Listing Rules, Companies Act etc – reviews by the Company Secretary.</p>	<p>Every Board Meeting</p> <p>As soon as new legislation becomes effective (BM, ACM)</p>	<p>Invesco Accounts, External Auditor</p> <p>Company Secretary</p>
45.	Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.	<p>Compliance Report.</p> <p>Corporate governance and disclosure checklist</p>	Spring and Autumn ACM	Invesco Accountants/Company Secretary
46.	Review the findings of any examinations by regulatory agencies.	Compliance Report.	Every ACM and Board Meeting	Invesco Compliance

### **Reporting Responsibilities**

<b>No.</b>	<b>Responsibility of Audit Committee</b>	<b>Disclosure to Committee</b>	<b>Dates</b>	<b>Responsible for disclosure</b>
47.	Regularly update the Board about Committee activities and make appropriate recommendations.	Audit Committee Chairman's report to the Board.	Every Board Meeting following an ACM	AC Chairman, Company Secretary
48.	Report to the Board any matters of which the Audit Committee becomes aware which may significantly impact the financial condition or affairs of the Company.	Audit Committee Chairman's Report to the Board.	Every Board Meeting following an ACM	AC Chairman, Company Secretary
49.	To compile a report to shareholders on the Committee's activities to be included in the Annual Financial Report.	Included in the Governance section of the Annual Financial Report	Autumn ACM	Company Secretary, Invesco Accounts

### **Third Party Reviews**

<b>No.</b>	<b>Responsibility of Audit Committee</b>	<b>Disclosure to Committee</b>	<b>Dates</b>	<b>Responsible for disclosure</b>
50.	<p>Review the performance of Third Party Service Providers to the Company</p> <ul style="list-style-type: none"> <li>- Depositary (BNY Mellon (International) Limited Depositary)</li> <li>- Trust Accounting function (BNYM)</li> <li>- Broker</li> <li>- Administration and Secretarial (Invesco)</li> <li>- Registrar (Link)</li> </ul> <p>including their business continuity arrangements and periodic assurances on General Data Protection Regulation (GDPR), the Bribery Act 2010 and prevention of the facilitation of tax evasion (Criminal Finance Act 2017).</p>	<p>Reports by the Company Secretary/ Accounts team/Depositary</p> <p>Annual Risk Review.</p>	<p>Summer and Autumn ACM</p> <p>Autumn ACM</p>	<p>Company Secretary/ Accounts/ Compliance</p> <p>Company Secretary</p>

**Other Responsibilities**

<b>No.</b>	<b>Responsibility of Audit Committee</b>	<b>Disclosure to Committee</b>	<b>Dates</b>	<b>Responsible for disclosure</b>
51.	Perform other oversight functions as requested by the Board (e.g. consider the way in which the management fee and finance costs are allocated).	As requested.	As requested.	As requested.
52.	If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.	Any special reports requested by the Committee.	As necessary	Any experts appointed
53.	Review and update the Terms of Reference, seek approval of changes from the Board.	Recommendation by the Secretary, review by the ACM.	Summer ACM	Company Secretary
54.	Evaluate the Committee's own performance annually.	Evaluation questionnaire – part of the overall Board review.	Summer/ Autumn ACM	Company Secretary