

# **Invesco Perpetual Select Trust plc (‘the Company’)**

## **Terms of Reference of the Audit Committee (‘the Committee’)**

### **1. Objective**

The Committee shall support the Board in fulfilling its oversight responsibilities. It shall review and challenge, where necessary, the financial reporting process, the system of internal control and management of risks to the Company, the external and internal audit processes and the Company’s process for monitoring compliance with laws and regulations and its own terms of reference. To perform his or her role effectively, each Committee member shall obtain an understanding of the detailed responsibilities of Committee membership as well as the Company’s business, operations and risks.

### **2. Authority**

- 2.1 The Board authorises the Committee, within the scope of its responsibilities to seek any information it requires from any employee of the Company’s Alternative Investment Fund Manager, Invesco Fund Managers Limited (the ‘Manager’), and Invesco Asset Management Limited (the ‘Company Secretary’), and their delegates, as well as any external parties including external auditors, brokers, registrars, lawyers, advisers, the depositary, custodians and other third party suppliers.
- 2.2 The Committee is authorised to obtain, at the Company’s expense, outside legal or other professional advice on any matters within its terms of reference, up to a level of £10,000 on any subject or issue without Board approval.
- 2.3 The Committee is authorised to call any employee of the Manager or Company Secretary to be questioned at a meeting of the Committee as and when required. The Committee may invite such other persons to attend its meetings, as it deems necessary.
- 2.4 The Committee shall have access to sufficient resources in order to carry out its duties.

### **3. Organisation**

#### **Membership**

- 3.1 The Committee shall be appointed by the Board and its members shall comprise at least three independent non-executive Directors, of which at least one should have recent and relevant financial experience and at least one (who can be the same person) must have competence in accounting or auditing, or both. So long as members continue to be independent, the Committee shall not have a policy on tenure. The audit committee as a whole shall have competence relevant to the sector in which the Company operates.
- 3.2 The Chairman of the Board may not be a member of the Committee. However, the Committee Chairman shall have discretion to invite the Chairman of the Board to attend Committee meetings as a guest.
- 3.3 The Chairman of the Committee will be appointed 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.
- 3.4 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.

- 3.5 The Company Secretary or their nominee shall act as the Secretary of the Committee.
- 3.6 The Committee should have access to the services of the Company Secretary on all Committee matters including:
- a) assisting the 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.

### **Administration of Meetings**

- 3.7 Representatives of the external auditor, depository and the Manager and Company Secretary's compliance and internal audit functions will be invited to make presentations to the Committee as appropriate.
- 3.8 The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 3.9 Meetings of the Committee shall be convened 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.
- 3.10 The Company Secretary shall ascertain the existence of any conflicts of interest and minute them accordingly.
- 3.11 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.
- 3.12 The Company Secretary shall minute the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated to all Directors within ten working days.
- 3.13 The Chairman of the 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**

### **Financial Reporting**

- 4.1 Review and challenge, where necessary, the actions and judgements of the Manager and Company Secretary, in relation to the Company's financial statements, including its annual and half-yearly reports, results announcements and any other formal announcement relating to its financial performance.
- 4.2 In carrying out 4.1 above, particular attention should be paid to:
- a) critical accounting policies and practices and any changes in them;
  - b) decisions requiring a significant element of judgement;
  - c) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
  - d) the clarity of disclosures;
  - e) the going concern assumption;
  - f) compliance with accounting standards; and
  - g) compliance with stock exchange and other legal requirements.

- 4.3 Meet with the Manager, Company Secretary and the external auditor to review the financial statements and the results of the audit.
- 4.4 Review the Annual Financial Report and advise the Board, where requested, on whether, taken as a whole, it is fair, balanced and understandable, and provides the necessary information for shareholders to assess the company's position and performance, business model and strategy.

### **Internal Controls and Risk Management Systems**

- 4.5 Review and challenge, where necessary, the effectiveness of the Manager and Company Secretary's internal controls and risk management systems and those of other service providers through review of their audited service organisation control reports where available, including in relation to detecting and preventing fraud and bribery.
- 4.6 Review the appropriate statements to be included in the annual financial report concerning internal controls and risk management.
- 4.7 Consider reports from the Manager and Company Secretary in relation to the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.
- 4.8 Annually review the written Terms of Reference of the Committee.
- 4.9 Regularly review the Company's Risk Control Summary and related Risk Control Matrix and, in light of this, also review the principal risks and uncertainties and long term viability statement included in the annual financial report.
- 4.10 Review the Manager and Company Secretary's arrangements for their employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

### **Internal Audit**

- 4.11 Review the Manager and Company Secretary's internal audit programme so far as it relates, directly or indirectly, to the Company, its operations or its support.
- 4.12 Monitor and assess the role and effectiveness of the Manager and Company Secretary's internal audit function in the overall context of the Company's risk management system.
- 4.13 Be satisfied that the Manager and Company Secretary's internal audit and compliance functions are adequately resourced and have appropriate standing within the Invesco Group.
- 4.14 Receive confirmation that the internal auditor and compliance officer have direct access to the Boards of the Manager and the Company.
- 4.15 Receive a report on the results of the internal auditor's work on a periodic basis.
- 4.16 Gain an understanding of whether internal control recommendations made by the internal audit function and the external auditors have been received and discussed on a timely basis and then implemented by the Manager and/or Company Secretary, where appropriate.

### **External Audit**

- 4.17 Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, on the appointment, re-appointment and removal of the Company's external auditor and ensure that any regulatory requirements for periodic audit tenders and auditor rotation are complied with.
- 4.18 Approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided;

- 4.19 Assess the qualification, expertise and resources, effectiveness and independence of the external auditor annually.
- 4.20 Review the nature and scope of the audit before the audit commences.
- 4.21 Review and approve the Director's letter of representation.
- 4.22 Review the findings of the audit with the external auditor, including:
  - a) any major issues that arose during the audit;
  - b) key accounting and audit judgements; and
  - c) levels of errors identified during the audit.
- 4.23 Assess, at the end of the audit cycle, the effectiveness of the audit process by:
  - a) reviewing whether the external auditor has met the agreed audit plan;
  - b) considering the robustness and perceptiveness of the external auditor in their handling of key accounting and audit judgements identified; and
  - c) obtaining feedback about the conduct of the audit from key people involved.
- 4.24 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 or objectivity.
- 4.25 Consider the need to include the risk of the withdrawal of the Company's external auditor from the market in risk evaluation and planning.
- 4.26 Meet the external auditor, without management, to discuss matters relating to the Committee's remit and any issues arising from the audit.
- 4.27 If the external auditor resigns, investigate the issues giving rise to such resignation and consider whether any action is required.

### **Reporting Responsibilities**

- 4.28 The Audit Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

#### *The Committee shall:*

- 4.29 Make whatever recommendations to the Board it deems appropriate on any area within its remit where the Committee considers action or improvement is needed.
- 4.30 Ensure that the work of the Audit Committee in discharging its responsibilities is described in a separate section of the annual report, including:
  - a) the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed;
  - b) an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted; and
  - c) if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded.

## **Other Responsibilities**

- 4.31 Give due consideration to laws and regulations, the provisions of the Association of Investment Companies Code of Corporate Governance, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, as appropriate, and the requirements for compliance, by an alternative investment fund, with the EU Alternative Investment Fund Managers Directive.
- 4.32 Perform other oversight functions as requested by the Board (e.g. consider the way in which the management fee has been calculated and charged).
- 4.33 Committee members should keep themselves adequately informed on matters relevant to their duties. New members should receive an induction briefing.

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