

# INVESCO PERPETUAL ENHANCED INCOME LIMITED

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## Schedule of Matters Reserved for the Board (November 2016)

### 1. Objective of the Board

The Board's role is to provide entrepreneurial leadership of the Company within the framework of prudent and effective controls which enables risk to be assessed and managed.

The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews the performance of the investment management company.

The Board sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

All Directors must take decisions objectively in the interests of the Company.

The Board should constructively challenge and help develop proposals on strategy, scrutinise the performance of the investment management company in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

The Board as a whole performs the function of:

- a Nomination Committee, including regular review of the Board's structure and composition, and making recommendations to the Board with regard to any new appointments, and
- a Remuneration Committee, including setting of the remuneration policy.

Items marked \* are often considered by the whole Board but with the final formal decision delegated to a Committee of the Board (set up solely for the purpose). This often allows time for any changes requested at the Board Meeting to be incorporated into the final document before publication.

### 2. Strategy and Management

2.1 Responsibility for the overall investment management of the Company.

2.2 Approval of the Company's investment objective and policy and any material changes which would be put to shareholders for their approval.

2.3 Approval of the annual operating budgets and any material changes to them.

2.4 Oversight of the Company's operations ensuring:

- competent and prudent investment and administrative management;
- sound planning;
- an adequate system of internal control and risk controls;
- adequate accounting, investment administration, statutory and other records; and
- compliance with statutory and regulatory obligations.

- 2.5 Review of performance in the light of the Company's strategy, investment objectives and policy, financials and ensuring that any necessary corrective action is taken.
- 2.6 Extension of the Company's activities into new business or geographic areas.
- 2.7 Appointment or removal of the Investment Manager.
- 2.8 Any decision relating to any liquidation resolution to be proposed at a general meeting.

### **3. Investment Management**

- 3.1 agreeing a policy with the Investment Manager regarding voting and corporate governance issues in respect of holdings in the Company's portfolio.
- 3.2 Defining the scope of the Investment Manager's responsibilities, including the principal operating issues (such as the methodology for performance benchmarking, hedging, gearing, share buy backs and issuance) and agreeing the procedure for the Investment Manager to report back to the Board.
- 3.3 Identifying any circumstances in which the Investment Manager should refer to the Board for approval before undertaking transactions (such as dealing in any other investment fund managed by the Investment Manager or investing in new issues of other closed-end funds managed by others).
- 3.4 Agreeing that the Investment Manager inform the Board of any conflicts surrounding share trades and votes.
- 3.5 Agreeing a policy on whether the Investment Manager should be permitted to carry out commission sharing.
- 3.6 Changing the investment policy guidelines laid down for the Investment Manager.

### **4. Structure and Capital**

- 4.1 Changing the Company's capital structure including reduction of capital, share issues, share buy backs (including the use of treasury shares).
- 4.2 Approving any policies relating to discount management policy, share buy backs and share issuance.
- 4.3 Changing the Company's listing status.

### **5. Financial Reporting and Controls**

- 5.1 \* Approving the Annual Financial and Half-Yearly announcements of results.
- 5.2 \* Approving the Annual Financial Report (including the Strategic Report Directors' Report and Corporate Governance Statement), the Half-Yearly Financial Report.
- 5.3 \* the Board, having sought the opinion of its Audit Committee, should determine whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.
- 5.4 \* Approving the dividend policy.

- 5.5 \* Declaring any interim and special dividends and the recommendation of any Final dividend.
- 5.6 \* Approving any significant changes in accounting policies or practices.
- 5.7 Approving any changes to the capital:revenue apportionment of expenses.
- 5.8 Approving any treasury policies (including foreign currency exposure and the use of financial derivatives).
- 5.9 Approving the gearing policy

## **6. Internal Controls and Risk Management**

- 6.1 \* Ensuring maintenance of a sound system of internal control and risk management including:
- receiving reports on, and reviewing the effectiveness of, the Company's risk and control processes to support its strategy and objectives;
  - undertaking an annual assessment of these processes; and
  - approving an appropriate statement for inclusion in the Annual and Half-Yearly Financial Report.

## **7. Contracts**

- 7.1 Approving contracts which are material strategically or by reason of size, entered into by the Company in the ordinary course of business, for example bank borrowings.
- 7.2 Approving contracts of the Company not in the ordinary course of business, for example loans and repayments; foreign currency transactions; and major acquisitions or disposals.
- 7.3 Approving major investments (including the acquisition or disposal of interests of more than 5% in the voting shares of any company or the making of any takeover offer).

## **8. Communication**

- 8.1 Approving resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 8.2 \* Approving all circulars and listing particulars (approval of routine documents could be delegated to a committee of the Board).
- 8.3 \* Approving press releases concerning matters decided by the Board.

## **9. Board Membership and other Appointments**

- 9.1 Changes to the structure, size and composition of the Board. The Board, at all times, should comprise at least four non-executive Directors independent of the Company, the Investment Manager and advisers and with sufficient expertise and experience to run the affairs of the Company.
- 9.2 Ensuring adequate succession planning for the Board.
- 9.3 Considering and approving appointments to the Board.

- 9.4 Selecting the Chairman of the Board.
- 9.5 Considering and, if thought appropriate, appointing a Senior Independent Director.
- 9.6 Considering and approving the membership and Chairmanship of Board committees.
- 9.7 Considering the continuation in office of Directors at the end of their term of office, when they are due to be re-elected by shareholders at the AGM and otherwise as appropriate.
- 9.8 Considering the continuation in office of any Director at any time, (including the suspension or termination of service of any executive Director as an employee of the Company, subject to the law).
- 9.9 Appointing or removing the Company Secretary.
- 9.10 Appointing, reappointing or removing the external auditor to be put to shareholders for approval, following the recommendation of the Audit Committee.
- 9.11 Ensuring a quorum for the transaction of business is present in jersey for each Board Meeting.

## **10. Remuneration**

- 10.1 Determining the remuneration of the non-executive Directors, subject to the articles of association and shareholder approval as appropriate.
- 10.2 In determining such policy, taking into account all factors which are deemed necessary in order to ensure that members of the Board are provided with appropriate compensation and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company, also taking into account committee memberships.
- 10.3 Approving the remuneration policy for inclusion in the Annual Financial Report.
- 10.4 Approval of the auditor's remuneration (where shareholders have delegated this power to the Board at the AGM) and recommending to shareholders the appointment or removal of the auditors (following any recommendations of the Audit Committee).

## **11. Delegation of Authority**

- 11.1 \* Approving the terms of reference of Committees of the Board.
- 11.2 \* Receiving reports from Committees of the Board on their activities.

## **12. Corporate Governance Matters**

- 12.1 \* Undertaking a formal and rigorous review (as and when appropriate) of its own performance, that of its Committees, individual Directors, Manager and Company Secretary.
- 12.2 \* Determining the independence of Directors.
- 12.3 Reviewing the Company's overall corporate governance arrangements.
- 12.4 Receiving reports on the views of the Company's shareholders.

12.5 Considering the interests of shareholders.

### **13. Policies**

13.1 Approving policies, including:

- Directors' remuneration policy
- Directors' appointment policy
- Directors' tenure policy
- PDMR share dealing code
- Communications and marketing policy
- Corporate social responsibility policy
- Charitable donations policy
- Investment policy
- Buy back and issuance policy

### **14. Other**

14.1 Approving any political donations.

14.2 Approving the appointment of the Company's principal professional advisers.

14.3 Prosecution, defence or settlement of litigation.

14.4 Approving overall levels of insurance for the Company including Directors' & Officers' liability insurance (and indemnification of Directors).

14.5 Approving this schedule of matters reserved for Board decisions.

Matters which the Board considers suitable for delegation are contained in the terms of reference of its Committees.

In addition, the Board will receive reports and recommendations from time to time on any matter which it considers significant to the Company.