

JPMorgan Elect plc
(the ‘Company’)

Audit Committee – Terms of Reference

(Committee appointed 19th November 1999)

(Terms of Reference revised 20th January 2015, 20th April 2016 and 20th January 2020)

1 Purpose

The Audit Committee (the ‘Committee’) is a committee of the Board, established to review the principles, policies and practices adopted in the preparation of the financial statements of the Company and with the aim of ensuring that the half year and annual reports of the Company and any other announcement relating to the Company’s financial performance comply with all statutory requirements.

The Committee shall also review the work of the Company’s external Auditors and of the internal controls of JPMorgan Asset Management ¹ (‘JPMAM’), in so far as they impact on the Company to receive comfort on the adequacy and effectiveness of their financial, operating, compliance and risk management controls.

The Committee shall also review the management of corporate governance, risk and regulatory compliance as it relates to the Company and report its findings to the Board.

2 Membership and Quorum

2.1 The Committee shall comprise of at least three members and shall be appointed by the board of the Company (the ‘Board’), on the recommendation of the nomination committee in consultation with the chair of the Committee.

2.2 All members of the Committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience, ideally with a professional qualification from one of the accounting bodies. The Committee as a whole shall have competence relevant to the sector in which the Company operates.

2.3 The chair of the Board should not chair the Committee but can be a member if they were independent on appointment. If the chair of the Board is a member of the Committee, the Board should explain in the Annual Report why it believes this is appropriate. The Board shall appoint the Committee chair and in the absence of the Committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2.4 Only members of the Committee have the right to attend Committee meetings. However, other non-members, for example representatives from the Company’s external Auditors and from JPMAM may be invited to attend all or part of any meeting as and when appropriate and necessary.

2.5 The quorum necessary for the transaction of business shall be two members, preferably at least one of whom has recent and relevant financial experience.

¹ JPMAM is a division of JPMorgan Chase & Co. The Company has a management agreement with JPMorgan Funds Limited (‘JPMF’). JPMF is the Company’s Manager and Company Secretary and has delegated portfolio management to JPMorgan Asset Management (UK) Limited, an affiliate company.

3 Secretary

The Company Secretary or their nominee shall be the Secretary of the Committee (the “Secretary”) and shall be responsible for preparing the agenda and producing and circulating the Committee papers to all Directors before the meeting to enable full and proper consideration to be given to the issues and for producing and circulating the minutes to all Committee members in a timely manner.

4 Frequency of meetings

4.1 The Committee shall meet at least twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

4.2 Outside of the formal meeting programme, the Committee chair shall maintain a dialogue with key individuals involved in the Company’s governance, including the Board chair and external audit lead partner.

5 Notice of meetings

5.1 Meetings of the Committee shall be convened by the Secretary at the request of any of its members or at the request of the external audit lead partner if they consider it necessary.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, 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 date of the meeting. The agenda shall be circulated together with the relevant supporting papers to the Committee members and to other attendees as appropriate.

6. Minutes of meetings

6.1 The Secretary shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance.

6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee chair.

7. Annual General Meeting

The Committee chair should attend the Annual General Meeting of the Company (the “AGM”) to respond to questions from the shareholders on the Committee’s activities.

8. Responsibilities

The responsibilities of the Committee shall be:

8.1 Financial Reporting

8.1.1 to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcements relating to its

financial performance; and to review and report to the Board on significant financial reporting issues and judgements those statements contain having regard to matters communicated to it by the auditor.

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

- 8.1.2.1 the consistency of, and any changes to, significant accounting policies;
- 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 8.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 8.1.2.4 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- 8.1.2.5 to consider the Company's long term viability and formulate and review an annual long term viability statement; and
- 8.1.2.6 all material information presented with the financial statements, such as the strategic review, business review and the corporate governance statements relating to the audit and risk management.

8.1.3 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

8.2 Narrative Reporting

The Committee will review the content of the annual report and financial statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

8.3 External Audit

The Committee shall:

- 8.3.1 conduct the tender process and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- 8.3.2 ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other firms; and in respect of such tender, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering processes;
- 8.3.3 ensure that at least every 20 years the audit services contract is changed to a new statutory auditor;
- 8.3.4 if any auditor resigns, investigate the issues leading to this and decide whether any action is required;

- 8.3.5 oversee the relationship with the external auditor including (but not limited to):
 - 8.3.5.1 recommendations on their remuneration, including both fees for audit and non - audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - 8.3.5.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.3.5.3 assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - 8.3.5.4 developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required;
 - 8.3.5.5 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - 8.3.5.6 agreeing with the Board a policy on the employment of former employees of the Company's auditor and monitoring the implementation of this policy;
 - 8.3.5.7 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - 8.3.5.8 assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - 8.3.5.9 evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in the evaluation.
- 8.3.6 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage and, at least once a year, without representatives from JPMAM being present, to discuss the external auditor's remit and any issues arising from the audit;
- 8.3.7 review and approve any representation letter(s) requested by the external auditor before they are signed;
- 8.3.8 review JPMAM's back to back letter of representation and JPMAM's response to the auditor's findings and recommendations, if applicable;
- 8.3.9 to review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- 8.3.10 to review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

- 8.3.10.1 a discussion of any major issues which arose during the audit;
- 8.3.10.2 key accounting and audit judgements;
- 8.3.10.3 errors identified during the audit; and
- 8.3.10.4 the effectiveness of the audit process.

The Committee shall further:

- 8.4 keep under review the adequacy and effectiveness of the Company's internal control and risk management systems, in particular, those of JPMAM's, its associates and the depositary;
- 8.5 review JPMAM's and the independent auditor's reports on the effectiveness of systems of risk management and internal control;
- 8.6 review and approve the statements to be included in the annual report concerning risk management and internal control;
- 8.7 include in the annual report an explanation as to how internal assurance is achieved and how this affects the work of the external audit, as the Company itself has no internal audit function of its own and relies on JPMAM's regular and rigorous reviews of its various functions within the asset management business conducted by JPMAM's internal audit department;
- 8.8 review regular reports from JPMAM's Compliance Officer and keep under review the adequacy and effectiveness of that function;
- 8.9 review half year and year end reports from the Company's depositary, providing information on the custodian's safe keeping of the Company's assets, its cash flows, net asset value calculations, the liquidity of the Company's investments and management of the Company's portfolio in accordance with its investment restrictions, guidelines and borrowing limits;
- 8.10 review JPMAM's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- 8.11 review the Company's procedures for detecting fraud;
- 8.12 to assess the prospects of the Company in the context of its current position and principal risks and prepare a statement for inclusion in the Annual Report and Financial Statements as to whether the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment;
- 8.13 to carry out a robust assessment of the Company's emerging and principal risks (*see note below*). The Board should confirm in the Annual Report that it has completed this assessment, including a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.

Note: Principal risks should include, but are not necessarily limited to those that could result in events or circumstances that might threaten the Company's business model, future performance, solvency or liquidity

and reputation. In deciding which risks are principal risks, the Committee should consider the potential impact and probability of the related events or circumstances and the timescale over which they may occur.

- 8.14 to consider and make appropriate disclosures regarding the Company's long term viability; and
- 8.15 to discuss other topics, as defined by the Board.

9. Reporting Responsibilities

- 9.1 The Committee chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
 - 9.1.1 the significant issues that it considered in relation to the financial statements and how these were addressed;
 - 9.1.2 its assessment of the effectiveness of the external audit process and its recommendations on the appointment or re-appointment of the external auditor; and
 - 9.1.3 any other issues on which the Board has requested the Committee's opinion.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 In conjunction with JPMF, the Committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to the matters communicated to it by the auditor; and all other information requirements set out in the UK Corporate Governance Code (the "Code").
- 9.4 In compiling the reports referred to in 9.1 and 9.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and its expectation of business viability, presented in the Long Term Viability Statement. The report to the shareholders need not repeat information disclosed elsewhere in the annual report and financial statements, but may provide cross-reference to that information.

10. Other matters

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
- 10.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

- 10.3 give due consideration to laws and regulations, the provision of the Code and the requirements of the UK Listing Authority Rules, AIC Code of Corporate Governance, UK Financial Reporting Standards, Prospectus Rules, Disclosure, Guidance and Transparency Rules, the EU mandatory audit firm rotation rules for PIEs (Public Interest Entities) and other applicable rules, as appropriate;
- 10.4 oversee any investigation of activities which are within its terms of reference;
- 10.5 work and liaise as necessary with all other Board Committees; and
- 10.6 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11. Authority

The Committee is authorised:

- 11.1 to seek any information it requires from any employee of JPMAM/Director of the Company in order to perform its duties;
- 11.2 to obtain, at the Company's expense, external legal or other professional advice on any matter within its terms of reference where required;
- 11.3 to call any employee of JPMAM to be questioned at a meeting of the Committee as and when required;
- 11.4 to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board; and
- 11.5 to investigate any activity within its terms of reference.