

JPMorgan Elect plc
(the 'Company')

Audit Committee – Terms of Reference

(Committee appointed 19th November 1999)
(Terms of Reference revised 20th January 2015)
(Amended 20 April 2016)

1 Purpose

The Audit Committee (the 'Committee') is a committee of the Company, 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

- 2.1 The Committee shall be appointed by the Board from amongst the independent Directors of the Company and shall consist of not less than two members. At least one member of the Committee shall have recent and relevant financial experience, ideally with a professional qualification from one of the accounting bodies. A quorum for meetings shall be two members, preferably at least one of whom has the relevant experience. Membership shall be identified in the Annual Report.
- 2.2 The Chairman of the Committee shall be appointed by the Board and should not be the Chairman of the Board. The Chairman of the Board may be a member of the Audit Committee if deemed independent on appointment. In the absence of the Chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

3 Attendance at Audit Committee Meetings

- 3.1 Only members of the Committee have the right to attend Committee meetings. Any other Board members shall attend if invited by the Committee.
- 3.2 Any of the Head of JPMAM Investment Trusts, the Company's external Auditors, the Head of JPMAM internal audit, JPMAM's Compliance Officer, or any of their representatives shall attend at the invitation of the Committee. The Committee shall meet with the external Auditors at least once a year (without management present, if required). That meeting shall take place around the time of finalisation of the Annual Report but the frequency of Board meetings may dictate the date.

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.

3.3 The Company Secretary or their nominee shall be the Secretary of the Committee 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 not less than twice per year to coincide with the half year and year ends and meetings may be held immediately before or after a Board meeting. The Company's Auditors may request a meeting with the Committee at any time if they consider that one is necessary. Any member may request the convening of a meeting by the Secretary. Sufficient time should be allowed to enable the Committee to undertake as full a discussion as may be required.

5 Authority

5.1 The Committee is authorised by the Board:

- (a) to investigate any activity within its terms of reference;
- (b) to seek any information it requires. JPMAM and its employees shall co-operate with any request made by the Committee;
- (c) to obtain outside legal or other independent professional advice at the Company's expense and such advisers may attend meetings as necessary.

6 Responsibilities

The responsibilities of the Committee shall be:

Financial Reporting

- 6.1 to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance;
- 6.2 to review and report to the Board on significant financial reporting issues and judgements, critical accounting policies and practices and whether it is appropriate to adopt the going concern basis of accounting and any material uncertainties in the Company's ability to do so;

Narrative Reporting

- 6.3 to review the content of the annual report and accounts 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;

Internal Controls and Risk Management Systems

- 6.4 to keep under review the adequacy and effectiveness of the Company's internal financial controls and the internal control and risk management systems, in particular, those of the Manager, its associates and the depositary;
- 6.5 to review and approve the statements to be included in the annual report concerning internal controls and risk management;
- 6.6 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 Accounts 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;

Whistleblowing and Fraud

6.7 to review the adequacy and security of the Company's arrangements for the Manager's employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

6.8 to review the Company's procedures for detecting fraud;

External Auditor

6.9 to consider 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, including an external tender process to be undertaken at least every ten years or at intervals in accordance with applicable regulations;

6.10 to oversee the relationship with the external auditor including (but not limited to):

- (a) 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;
- (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- (c) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- (d) 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;
- (e) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process,

6.11 to 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 management being present, to discuss the external auditor's remit and any issues arising from the audit;

6.12 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;

6.13 to review the findings of the audit with the external auditor. This shall include:

- (a) a discussion of any major issues which arose during the audit;
- (b) key accounting and audit judgements;
- (c) errors identified during the audit;
- (d) the effectiveness of the audit process,

6.14 to develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence; and

6.15 to 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 matters communicated to it by the auditor; and all other information requirements set out in the UK Corporate Governance Code ('Code').

7 Other Matters

The Committee shall:

- 7.1 arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board;
- 7.2 review the contract with the Manager.
- 7.3 review the Company's compliance with the Code, the Listing Rules, the Disclosure Rules and the Transparency Rules, the AIC Code of Corporate Governance and any other applicable rules as appropriate for the purposes of financial reporting and reviewing the financial statements;
- 7.4 review regular reports from JPMAM's Compliance Officer and keep under review the adequacy and effectiveness of that function;
- 7.5 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;
- 7.6 to review and approve the letter of representation to the external Auditors and JPMAM's associated letter of comfort;

8 Reporting procedures

- 8.1 The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board, and the Chairman of the Committee or, as a minimum, another member of the Committee, shall attend the Board meeting at which the accounts are approved.
- 8.2 The Chairman of the Committee shall attend the AGM and shall answer questions, through the Chairman of the Board, on the Committee's activities and their responsibilities.