

MONTANARO UK SMALLER COMPANIES INVESTMENT TRUST PLC
(the “Company”)

Role of the Chair of the Board

AIC Code requirements:

1. Shareholder engagement

Provision 5.2.3: In addition to formal general meetings, the chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against the company’s investment objective and investment policy. Committee chairs should seek engagement with shareholders on significant matters related to their areas of responsibility. The chair should ensure that the board as a whole has a clear understanding of the views of shareholders. *(Incorporates relevant content from UK Code Provision 3)*

2. Responsibility for board effectiveness

Principle 6.1 F: The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information. *(UK Code Principle F)*

3. Acting on board evaluation results

Provision 7.2.26: There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors. *(UK Code Provision 21)*

Provision 7.2.27: The chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board. Each director should engage with the process and take appropriate action when development needs have been identified. *(UK Code Provision 22)*

4. Membership of Committees

Provision 7.2.22: The chair of the board should not chair the nomination committee when it is dealing with the appointment of their successor.

Provision 8.2.29: The chair of the board should not chair the audit committee but can be a member if they were independent on appointment. If the chair of the board is a member of the audit committee, the board should explain in the annual report why it believes this is appropriate.

Provision 9.2.37: The chair of the board can only be a member of the remuneration committee if they were independent on appointment and cannot chair the committee.

Provision 9.2.41: The remuneration committee, in conjunction with the chair, should be responsible for setting the directors’ remuneration levels.

FRC Guidance on Board Effectiveness:

1. Relations with shareholders

The chair has an important role in fostering constructive relations with major shareholders and in conveying their views to the board as a whole. *(paragraph 35)*

The chair should encourage the chairs of the audit, remuneration and nomination committees to make a statement on the activities and achievements of the committee over the year. This could include details of engagement with shareholders on significant matters. *(paragraph 38)*

2. Stakeholder engagement

1.39. The chair has a key role to play in representing the company to its key stakeholders and is encouraged to report personally in the annual report about board leadership and effectiveness.

The responsibilities of the Chair of the Board

- 1 The Chair leads the Board and is responsible for its overall effectiveness in directing the Company. The Chair should:
 - 1.1 demonstrate objective judgement throughout their tenure;
 - 1.2 promote a culture of openness and debate;
 - 1.3 facilitate constructive board relations and the effective contribution of all Non-Executive Directors;
 - 1.4 ensure that Directors receive accurate, timely and clear information;
 - 1.5 in addition to formal general meetings, seek regular engagement with major shareholders in order to understand their views on governance and performance against the Company's investment objective and investment policy;
 - 1.6 ensure that the Board as a whole has a clear understanding of the views of shareholders; and
 - 1.7 act on the results of the annual evaluation of the performance of the Board, its Committees and individual Directors by recognising the strengths and addressing any weaknesses of the Board.
- 2 The Chair should be independent on appointment when assessed against the circumstances set out in Provision 13 of the AIC Code.
- 3 The Chair may be a member of the Audit Committee if they were independent on appointment but cannot be the chair of the Committee.
- 4 The Chair may be a member of, and may chair, the Nomination Committee and Management Engagement Committee, provided that they are independent of the Manager. The Chair of the Board will not chair meetings of the Nomination Committee that deal with the appointment of his successor.

Role of the Senior Independent Director

AIC Code requirements:

Provision 6.2.14. The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance, and on other occasions as necessary. (*UK Code Provision 12*)

FRC Guidance on Board Effectiveness:

1. Sounding board for chair

The senior independent director should act as a sounding board for the chair, providing them with support in the delivery of their objectives and leading the evaluation of the chair on behalf of the other directors. (*FRC Guidance on Board Effectiveness 66*)

2. Leading appraisal of chair's performance

The senior independent director might also take responsibility for an orderly succession process for the chair, working closely with the nomination committee.

The senior independent director should lead the process that evaluates the performance of the chair and, in certain circumstances, may lead the entire evaluation process. (*FRC Guidance on Board Effectiveness 66*)

3. Intermediary for other directors

When the board or company is undergoing a period of stress, the senior independent director's role becomes critically important. They are expected to work with the chair and other directors, and/ or shareholders, to resolve significant issues. Boards should ensure they have a clear understanding of when the senior independent director might intervene in order to maintain board and company stability. Examples might include where:

- there is a dispute between the chair and chief executive;
- shareholders or non-executive directors have expressed concerns that are not being addressed by the chair or chief executive;
- the strategy is not supported by the entire board;
- the relationship between the chair and chief executive is particularly close;
- decisions are being made without the approval of the full board;
- succession planning is being ignored.

These issues should be considered when defining the role of the senior independent director. (*FRC Guidance on Board Effectiveness 68*)

4. Intermediary for shareholders

When called upon, the senior independent director should seek to meet a sufficient range of major shareholders in order to develop a balanced understanding of their views. (*FRC Guidance on Board Effectiveness 35*)

The senior independent director should also be available to shareholders if they have concerns that contact through the normal channels of chair, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate. (*FRC Guidance on Board Effectiveness 67*)

The responsibilities of the Senior Independent Director

1. The Senior Independent Director should:
 - 1.1 provide a sounding board for the Chair of the Board;
 - 1.2 lead the evaluation of the Chair on behalf of the other Directors as part of the annual evaluation process;
 - 1.3 lead the search for, and appointment of, a new Chair of the Board [unless conflicted];
 - 1.4 serve as an intermediary for the other Directors, in particular when the Board or Company is undergoing a period of stress. The Senior Independent Director is expected to work with the Chair and other Directors, and/or shareholders, to resolve significant issues. The Board should ensure they have a clear understanding of when the Senior Independent Director might intervene in order to maintain Board and Company stability. Examples might include situation where:
 - 1.3.1 there is a dispute between the Chair and Investment Manager;
 - 1.3.2 shareholders or Non-Executive Directors have expressed concerns that are not being addressed by the Chair or the Investment Manager;
 - 1.3.3 the strategy is not supported by the entire Board;
 - 1.3.4 the relationship between the Chair and the Investment Manager is particularly close;
 - 1.3.5 decisions are being made without the approval of the full Board; and/or
 - 1.3.6 succession planning is being ignored.
 - 1.5 serve as an intermediary for shareholders. When called upon, the Senior Independent Director should seek to meet a sufficient range of major shareholders in order to develop a balanced understanding of their views.
 - 1.6 be available to shareholders if they have concerns that contact through the normal channels of chair, other directors or the Investment Manager has failed to resolve or for which such contact is inappropriate.

The above responsibilities are in addition to any Directors' statutory or regulatory duties, as well as other provisions of the AIC Code in relation to the role of the Non-Executive Directors.

Reviewed and adopted by the Board on 18 November 2020.