

## **MONTANARO EUROPEAN SMALLER COMPANIES TRUST PLC**

### **TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE**

#### **Background**

These terms of reference have been produced to accord with the relevant Principles of The AIC Code of Corporate Governance as amended in February 2019.

The Financial Reporting Council has confirmed that AIC Member companies who report against the AIC Code of Corporate Governance and who follow the AIC's Corporate Governance Guide for Investment Companies will be meeting their obligations in relation to its UK Corporate Governance Code and Listing Rule 9.8.6.

#### **1. Membership**

- 1.1 All Directors sit on the Remuneration Committee.
- 1.2 The Chairman of the Board may also serve on the Committee if he/she was considered independent on appointment as Chairman.
- 1.3 Only members of the Committee have the right to attend the Committee meetings. Other individuals may be invited to attend for all or part of any meeting, as and when appropriate.

#### **2. Meetings**

- 2.1 The Committee will meet as and when required, but at least annually. At least once a year the Committee should make its recommendations to the Board regarding the remuneration of Directors and on the statements to be included in the Annual Report and Accounts.
- 2.2 The quorum of any meeting of the Committee is two members.
- 2.3 The Committee may meet at such other times as the Chairman of the Committee shall require.
- 2.4 Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee not less than three working days prior to the date of the meeting.
- 2.5 The minutes of each meeting of the Committee shall be circulated to all members of the Committee. Any Director, upon request to the Secretary, may obtain copies of the Committee's agenda and minutes provided that there are no conflicts of interest.
- 2.6 The Committee Chairman shall report to the Board on the Committee's decisions and recommendations; and on how it has discharged its responsibilities.
- 2.7 The Committee Chairman shall normally attend the Annual General Meeting of the Company and answer questions, through the Chairman of the Board, on the Committee's processes and duties.

#### **3. Authority**

The Committee is authorised to:

- 3.1 seek any information it reasonably requires from a representative of any third party service provider in order to perform its duties;
- 3.2 obtain at the Company's expense outside legal or other professional advice on any matters within its terms of reference; and

3.3 have timely and unrestricted access to relevant documents relating to the affairs of the Company.

#### **4. Duties**

4.1 Determine and agree levels of remuneration of the Company's Chairman and Directors within the limits set in the Articles of Association;

4.2 Review the ongoing appropriateness and relevance of the remuneration policy in relation to duties of the Chairman and Directors;

4.3 Review and note annually remuneration trends in the industry;

4.4 The Committee may commission any reports, surveys, legal or other professional advice, which it deems necessary to help fulfil its obligations; and

4.5 Review the terms and conditions of the Manager's appointment.

#### **5. Responsibilities**

5.1 The Committee is responsible for the following in relation to the setting of Directors' remuneration:

5.1.1 in conjunction with the Chairman, setting the Directors' level of remuneration;

5.1.2 setting the level of remuneration of the Chairman, the chairs of the Board committees and the Senior Independent Director;

5.1.3 judging where to position the Company relative to other companies; and

5.1.4 considering the need to appoint external remuneration consultants.

5.2 The Committee shall:

5.2.1 establish the policy for the remuneration of the Company's Directors, taking into account all factors to ensure that Directors are rewarded for their individual contributions to the effectiveness of the Board in a fair and responsible manner;

5.2.2 review the ongoing appropriateness and the level of remuneration of Directors;

5.2.3 review industry remuneration trends and assess any appropriate change in the Company's remuneration levels, taking into account the Company's own performance;

5.2.4 review annually the fees paid to the non-executive Directors and compare these with the fees paid by the Company's peer group and the investment trust industry generally, taking into account the level of commitment and responsibility of each Board member;

5.2.5 establish the policy for authorising claims for expenses incurred in carrying out the Company's business; and

5.2.6 ensure that all the provisions regarding disclosure of remuneration are set out in the Directors' Remuneration Report.

5.3 No Director shall be involved in deciding his or her own remuneration.

#### **6. Company Secretary**

The Company Secretary shall act as the Secretary of the Remuneration Committee.

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