

## **Terms of Reference of the Management Engagement Committee**

**Secured Income Fund Plc (formerly. SQN Secured Income Fund plc The SME Loan Fund plc and GLI Alternative Finance plc)**

## **Terms of Reference of the Management Engagement Committee**

### **1 Membership**

- 1.1 Members of the Management Engagement Committee shall consist of all of the Directors of the Company, as appointed from time to time.
- 1.2 The Management Engagement Committee must comprise of a minimum of two members.
- 1.3 All members of the Management Engagement Committee shall be independent non-executive Directors.
- 1.4 Only members of the Management Engagement Committee have the right to attend Management Engagement Committee meetings. However, other individuals such as representatives from the Manager may be invited to attend all or part of any meeting as and when appropriate.
- 1.5 Appointments to the Management Engagement Committee shall be for a period of up to three years, which may be extended for up to three additional three-year periods, provided the director continues to be independent.

### **2 Chairman**

- 2.1 The Board shall appoint a chairman of the Management Engagement Committee who shall be an independent non-executive director.
- 2.2 In the absence of the chairman at a meeting of the Management Engagement Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting of the Management Engagement Committee.

### **3 Secretary**

- 3.1 The Company Secretary (or his/her delegate) or such other person as the Board may determine from time to time shall be the secretary of the Management Engagement Committee.
- 3.2 The secretary of the Management Engagement Committee or his/her delegate shall attend meetings of the Management Engagement Committee to take minutes.
- 3.3 In the absence of the secretary of the Management Engagement Committee, the members present at the meeting of the Management Engagement Committee shall elect another person to act as the secretary for the purposes of that meeting.

### **4 Quorum**

- 4.1 The quorum necessary for the transaction of business of the Management Engagement Committee shall be two members, each of whom shall be an independent non-executive Director.
- 4.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The relevant member of the Management Engagement Committee shall not be counted towards the quorum and

he/she must abstain from voting on any resolution of the Management Engagement Committee in which he/she and/or his/her associates have a material interest.

- 4.3 A duly convened meeting of the Management Engagement Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Management Engagement Committee.

## **5 Frequency of meetings**

- 5.1 The Management Engagement Committee shall meet at least once a year and at such other times as the chairman of the Management Engagement Committee shall require.
- 5.2 Any member of the Management Engagement Committee may request a meeting if he/she considers that one is necessary.

## **6 Attendance at meetings**

- 6.1 Members of the Management Engagement Committee may attend meetings of the Management Engagement Committee either in person or through other telephonic and/or electronic means of communication.
- 6.2 Should any member of the Management Engagement Committee wish to attend a meeting through telephonic and/or electronic communications, prior arrangements shall be made with the secretary of the Management Engagement Committee.

## **7 Notice of meetings**

- 7.1 Meetings of the Management Engagement Committee shall be summoned by the secretary of the Management Engagement Committee at the request of any of its members or at the request of the chairman of the Management Engagement Committee.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Management Engagement Committee, and to any other person required to attend within a reasonable time prior to the date of the meeting. Supporting papers shall be sent to Management Engagement Committee members and to other attendees as appropriate, within a reasonable time prior to the date of the meeting.
- 7.3 Any member of the Management Engagement Committee shall be entitled, by notice to the secretary of the Management Engagement Committee, to include other matters relevant to the functions of the Management Engagement Committee in the agenda of a Management Engagement Committee meeting.

## **8 Minutes of meetings**

- 8.1 The secretary of the Management Engagement Committee (or his/her delegate) in attendance at the meetings of the Management Engagement Committee shall minute in sufficient detail all proceedings and resolutions of all such meetings, including the names of those present and in attendance. The minutes should also include any

concerns raised by any member of the Management Engagement Committee and/or dissenting views expressed.

8.2 Draft minutes of the Management Engagement Committee meetings shall be sent to all Management Engagement Committee members for their comments within a reasonable time after the meeting. Once they are agreed, the secretary of the Management Engagement Committee shall circulate the final version of the minutes, and reports of the Management Engagement Committee, to all members of the Management Engagement Committee and to all members of the Board, unless it is considered inappropriate to do so.

8.3 Minutes of the Management Engagement Committee meetings shall be kept by the secretary of the Management Engagement Committee and shall be available for inspection by any member of the Management Engagement Committee or Director at any reasonable time on reasonable notice.

## **9 Annual general meeting**

The chairman of the Management Engagement Committee shall attend the annual general meeting of the Company and be prepared to respond to any Shareholder questions on the Management Engagement Committee's activities.

## **10 Duties**

10.1 The Management Engagement Committee shall, in relation to the Manager, be responsible for:

10.1.1 monitoring and evaluating the Manager's investment performance and compliance with the terms of the Management Agreement and, if necessary, providing appropriate guidance, which may include considering the merit of obtaining an independent appraisal of the Manager's services on a regular basis;

10.1.2 reviewing the terms of the Management Agreement annually to ensure that the terms thereof conform with market and industry practice and remain in the best interests of Shareholders and making recommendations to the Board on any variation to the terms of the Management Agreement which it considers necessary or desirable;

10.1.3 reviewing and making the appropriate recommendations to the Board as to whether the continuing appointment of the Manager is in the best interests of the Company and Shareholders, and the reasons for this recommendation;

10.1.4 reviewing the level and method of remuneration, the basis on which the performance fees (if any) are calculated and the notice period of the Manager, giving due consideration to the competitive position of the Company against the peer group;

10.1.5 ensuring that the basis of any performance fee or performance related element does not encourage excessive risk and that it rewards demonstrably superior performance by the Manager in managing the

portfolio against the Company's stated objectives when compared to a suitable benchmark or peer group; and

10.1.6 ensuring that a sound system of risk management and internal control is maintained and reviewed annually in order to safeguard Shareholders' investments and the Company's assets.

10.2 The Management Engagement Committee shall, in addition, be responsible for:

10.2.1 monitoring compliance by providers of other services to the Company with the terms of their respective agreements from time to time;

10.2.2 reviewing, considering and recommending any amendments to the terms of the appointment and remuneration of providers of other services to the Company; and

10.2.3 considering any points of conflict which may arise between the providers of services to the Company.

## **11 Reporting responsibilities**

11.1 The chairman of the Management Engagement Committee shall report formally to the Board on proceedings after each meeting on all matters within its duties and responsibilities.

11.2 The Management Engagement Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

11.3 The Management Engagement Committee shall compile an annual report on its role and activities to be included in the Company's annual report, setting out its decisions and rationale in relation to its review of the Manager's performance.

## **12 Others**

12.1 The Management Engagement Committee shall have access to sufficient resources in order to carry out its functions and discharge its duties. In the event that the Management Engagement Committee determines that it has insufficient resources, it may make a request for additional resources to the Manager. If the request for additional resources is denied, the Management Engagement Committee may, if it chooses, make a request to the Board. The Board shall convene a Board meeting as soon as reasonably practicable to consider the request.

12.2 All members of the Management Engagement Committee shall have access to the advice and services of the secretary of the Management Engagement Committee with a view to ensuring that procedures of the Management Engagement Committee and all applicable rules and regulations are followed.

12.3 In the event that the Management Engagement Committee or any member of the Management Engagement Committee requires access to independent professional advice in connection with his/her duties, a request may be made to the Chairman. All such requests shall be processed in accordance with the Company's pre-defined procedures for seeking independent professional advice at the Company's expense.

- 12.4 Every member of the Management Engagement Committee shall give sufficient time and attention to his/her duties as a member of the Management Engagement Committee. He/she shall give the Company the benefit of his/her skills and expertise through regular attendance and active participation.
- 12.5 The Management Engagement Committee shall give due consideration to applicable laws and regulations including the requirements of the Listing Rules, the Prospectus Rules, the Disclosure Rules and Transparency Rules, the provisions of the UK Corporate Governance Code and the Association of Investment Companies' Code of Corporate Governance as such apply to the Company from time to time.
- 12.6 The Management Engagement Committee shall, at least once a year, review its own performance, 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.
- 12.6 The Management Engagement Committee shall work and liaise as necessary with all other Board committees.

### **13 Authority**

- 13.1 The Management Engagement Committee is authorised by the Board to:
- 13.1.1 investigate any activity within its terms of reference;
  - 13.1.2 obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
  - 13.1.3 to call any officer of the Company to be questioned at a meeting of the Committee as and when required; and
  - 13.1.4 to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

## **Definitions**

In this Handbook, unless the context requires otherwise, the following definitions shall apply:

**"Board"** means the Board of Directors of the Company;

**"Company"** means Secured Income Fund plc;

**"Company Secretary"** means the company secretary of the Company from time to time;

**"Directors"** means the directors of the Company from time to time;

**"Management Agreement"** means the agreement between the Manager and the Company for the provision of management services;

**"Manager"** means KKV Investment Management Limited; and

**"Shareholders"** means the shareholders of the Company.