

## **Terms of Reference of the Remuneration and Nominations 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 Remuneration and Nominations Committee**

### **1 Membership**

- 1.1 The Remuneration and Nominations Committee shall be made up of the members of the entire Board.
- 1.2 A majority of members of the Remuneration and Nominations Committee shall be independent non-executive directors.
- 1.3 Only members of the Remuneration and Nominations Committee shall have the right to attend Remuneration and Nominations Committee meetings. However, other individuals such as external advisers may be invited to attend all or part of any meeting.
- 1.4 Membership of the Remuneration and Nominations Committee can be varied at any time by a majority resolution of the existing members of the Remuneration and Nominations Committee.
- 1.5 Appointments to the Remuneration and Nominations Committee shall be for a period of up to three years, which may be extended for two further three-year periods provided the majority of the Remuneration and Nominations Committee members remain independent.

### **2 Chairman**

- 2.1 The Board shall appoint the chairman of the Remuneration and Nominations Committee. The chairman has the responsibility of liaising with the Board.
- 2.2 The chairman shall chair the meetings of the Remuneration and Nominations Committee. The chairman of the Company shall not chair the Remuneration and Nominations Committee when it is dealing with the matters of succession to the chairmanship.
- 2.3 In the absence of the chairman of the Remuneration and Nominations Committee, the remaining members present shall elect one of themselves to chair the meetings of the Remuneration and Nominations 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 Remuneration and Nominations Committee.
- 3.2 The secretary of the Remuneration and Nominations Committee or his/her delegate shall attend meetings of the Remuneration and Nominations Committee to take minutes.
- 3.3 In the absence of the secretary of the Remuneration and Nominations Committee, the members present at a meeting of the Remuneration and Nominations 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 Remuneration and Nominations Committee shall be two independent, non-executive members.
- 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 Remuneration and Nominations Committee shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Remuneration and Nominations Committee in which he/she and/or his/her associates have a material interest.
- 4.3 A duly convened meeting of the Remuneration and Nominations 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 Remuneration and Nominations Committee.

## **5 Frequency of meetings**

- 5.1 The Remuneration and Nominations Committee shall meet at least once a year and at such other times as the chairman of the Remuneration and Nominations Committee shall require.
- 5.2 Any member of the Remuneration and Nominations Committee may request a meeting if they consider that one is necessary.

## **6 Attendance at meetings**

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

## **7 Notice of meetings**

- 7.1 Meetings of the Remuneration and Nominations Committee shall be summoned by the secretary of the Remuneration and Nominations Committee at the request of any of its members or at the request of the chairman of the Remuneration and Nominations 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 Remuneration and Nominations 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 Remuneration and Nominations 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 Remuneration and Nominations Committee shall be entitled, by notice to the secretary of the Remuneration and Nominations Committee, to include

other matters relevant to the functions of the Remuneration and Nominations Committee in the agenda of a Remuneration and Nominations Committee meeting.

## **8 Minutes of meetings**

- 8.1 The secretary of the Remuneration and Nominations Committee (or his/her delegate) in attendance at the meetings of the Remuneration and Nominations 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 Remuneration and Nominations Committee and/or dissenting views expressed.
- 8.2 Draft minutes of the Remuneration and Nominations Committee meetings shall be sent to all Remuneration and Nominations Committee members for their comments within a reasonable time after the meeting. Once they are approved, the secretary of the Remuneration and Nominations Committee shall circulate the final version of the minutes to all members of the Remuneration and Nominations Committee and to all members of the Board, unless it is considered inappropriate to do so.
- 8.3 Minutes of the Remuneration and Nominations Committee meetings shall be kept by the secretary of the Remuneration and Nominations Committee and shall be available for inspection by any member of the Remuneration and Nominations Committee or Director at any reasonable time on reasonable notice.

## **9 Duties**

- 9.1 The Remuneration and Nominations Committee shall:
- 9.1.1 regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
  - 9.1.2 give full consideration to the Board's succession planning, including the succession of the Chairman of the Board, Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
  - 9.1.3 be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
  - 9.1.4 before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Remuneration and Nominations Committee shall:
    - (a) use open advertising or the services of external advisers to facilitate the search;
    - (b) consider candidates from a wide range of backgrounds; and

- (c) consider candidates on merit and against objective criteria, with due regard for the benefits of diversity on the board, including gender, taking care that appointees have enough time available to devote to the position;
  - 9.1.5 prior to appointment, obtain details of and review any interests the candidate may have which conflict or may conflict with the interests of the Company. The Remuneration and Nominations Committee shall consider whether, despite any such conflict, there are nevertheless grounds for recommending the candidate for appointment and for the Board to authorise the relevant conflict. The Remuneration and Nominations Committee shall, as part of any proposal to the Board for appointment of the relevant candidate, explain these grounds and make recommendations as to the terms and conditions on which any authorisation of the conflict should be given by the Board;
  - 9.1.6 keep under review the leadership needs of the Company;
  - 9.1.7 review annually the time commitment required from non-executive Directors and to keep under review the number of external directorships held. Performance evaluation should be used to assess whether the non-executive Directors are committing sufficient time to fulfil their duties;
  - 9.1.8 ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;
  - 9.1.9 ensure that non-executive Directors are appointed for specified terms subject to re-election and to statutory provisions relating to the removal of a director; and
  - 9.1.10 to ensure that any term of appointment of a non-executive Director beyond six years is subject to particularly rigorous review, taking into account the need for progressive refreshing of the board and whether they should be retained as independent director.
- 9.2 The Remuneration and Nominations Committee shall also be responsible for:
- 9.2.1 setting the Directors' remuneration levels, in conjunction with the chairman and with consideration to the following:
    - (a) levels of Directors' remuneration should reflect the time commitment and responsibilities of the role;
    - (b) non-executive Directors' remuneration should not include share options or other performance-related elements;
    - (c) careful consideration should be given to what compensation commitments entail in the event of early termination of a Director's appointment;
    - (d) notice or contract periods should be set at one year or less; and

- (e) no Director should be involved in deciding his or her own remuneration;
  - 9.2.2 judging where to position the Company relative to other companies in relation to the level of Directors' remuneration, but using such comparisons with caution in view of the risk of increased remuneration with no corresponding improvement in performance; and
  - 9.2.3 considering and making the appropriate recommendations to the Board with regard to the need to appoint external remuneration consultants.
- 9.3 The Remuneration and Nominations Committee shall also make recommendations to the Board concerning:
- 9.3.1 formulating plans for succession for non-executive Directors and in particular for the key role of chairman;
  - 9.3.2 suitable candidates for the role of senior independent director, if any;
  - 9.3.3 membership of the Audit and Valuation Committee, the Management Engagement Committee and any other board committees as appropriate, in consultation with the chairmen of those committees;
  - 9.3.4 the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
  - 9.3.5 the re-election by Shareholders of any director under the 'retirement by rotation' provisions in the Company's articles of incorporation having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
  - 9.3.6 any matters relating to the continuation in office of any director at any time; and
  - 9.3.7 the appointment of any director to executive or other office.
- 9.4 For the appointment of a chairman of the Remuneration and Nominations Committee, the Remuneration and Nominations Committee shall prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crisis. The Remuneration and Nominations Committee should ensure a chairman's other significant commitments are disclosed to the Board before appointment and included in the annual report of the Company. Any changes to the chairman's commitments should be reported to the Board as they arise and be disclosed in the next annual report of the Company.
- 9.5 The Committee shall:
- 9.5.1 to help fulfil its obligations and to enable it to judge where to position the Company relative to other companies, have full authority to appoint external parties and to commission or purchase any reports, surveys or information

which it deems necessary, at the expense of the Company but within any budgetary restraints imposed by the Board;

9.5.2 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external parties who advise the Committee; and

9.5.3 external consultants should be appointed every four (4) years to review the performance of the Board.

9.6 The Remuneration and Nominations Committee shall consider such other matters as may be requested by the Board.

## **10 Reporting responsibilities**

10.1 The chairman of the Remuneration and Nominations Committee shall report formally to the Board on proceedings after each meeting on all matters within its duties and responsibilities.

10.2 The Remuneration and Nominations Committee shall make a statement in the Company's annual report about its activities, the processes used to make appointments and which provides an explanation if neither external advice nor open advertising has been used in the appointment of a chairman or non-executive Director. Where an external search agency has been used, it shall be identified in the annual report and a statement made as to whether it has any other connection with the Company.

10.3 The Remuneration and Nominations Committee shall prepare a report on the Company's remuneration policy and practices for inclusion in the Company's annual report and ensure that it is put to Shareholders for approval at the annual general meeting of the Company. If the Remuneration and Nominations Committee has appointed remuneration consultants, this report should identify such consultants and state whether they have any other connection with the Company.

10.4 The Remuneration and Nominations Committee shall prepare a report for inclusion in the Company's annual report on the Board's policy on diversity, including gender, any measurable objectives it has set for implementing the policy and progress on achieving the objectives.

10.5 The chairman of the Remuneration and Nominations Committee should make himself available at each annual general meeting of the Company to answer questions concerning the Committee's work during the preceding year.

10.6 The Remuneration and Nominations Committee shall ensure that the Company maintains contact as required with its principle Shareholders about remuneration.

## **11 Others**

11.1 The Remuneration and Nominations Committee shall have access to sufficient resources in order to carry out its functions and discharge its duties.

11.2 All members of the Remuneration and Nominations Committee shall have access to the advice and services of the secretary of the Remuneration and Nominations

Committee with a view to ensuring that procedures of the Remuneration and Nominations Committee and all applicable rules and regulations are followed.

- 11.3 The Remuneration and Nominations 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.
- 11.4 The Remuneration and Nominations Committee shall give due consideration to laws and regulations relevant to the Company and in particular the provisions of The UK Corporate Governance Code (or such other equivalent corporate governance code that the Company has resolved to comply with such as the AIC Code of Corporate Governance).
- 11.5 The Remuneration and Nominations Committee shall work and liaise as necessary with all other Board committees.

## **12 Authority**

- 12.1 The Remuneration and Nominations Committee is authorised by the Board to examine any activity within its terms of reference and is authorised to obtain, at the Company's expense, professional advice on any matter within its terms of reference.
- 12.2 The Remuneration and Nominations Committee is authorised to seek any information it requires from any director and all Directors will be directed to co-operate with any request made by the Remuneration and Nominations Committee.



## **Definitions**

In these Terms of Reference, 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; and

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