

EJF INVESTMENTS LTD

TERMS OF REFERENCE OF THE MANAGEMENT
ENGAGEMENT COMMITTEE

EJF INVESTMENTS LTD (THE "COMPANY")

MANAGEMENT ENGAGEMENT COMMITTEE TERMS OF REFERENCE

1. COMPOSITION AND MEETINGS OF MANAGEMENT ENGAGEMENT COMMITTEE

- 1.1 The Management Engagement Committee (the "**Committee**") shall comprise not less than three directors of the Company, to be selected by the board of directors of the Company (the "**Board**").
- 1.2 All members of the Committee should be non-executive directors who are independent in character and judgement and free from any relationships or circumstances which are likely to affect, or could appear to affect, the Committee member's judgement.
- 1.3 Any member who is determined by the Board to no longer be independent shall cease to be a member of the Committee.
- 1.4 The chair of the Committee shall be appointed by the Board and shall be an independent non-executive director. In the absence of the chair of the Committee, the remaining members present shall elect one of their number to chair the meeting.
- 1.5 The company secretary of the Company (the "Company Secretary") shall be secretary of the Committee.
- 1.6 The quorum for meetings of the Committee is any two of its members.
- 1.7 No one other than a Committee member is entitled to attend meetings of the Committee but other individuals may attend by invitation, as and when appropriate and necessary.¹
- 1.8 Meetings of the Committee are to be held not less than once a year (preferably in the quarter before the preparation of the Company's annual report and accounts) and at such other times as the chair of the Committee shall require. Any of the Committee members may request a meeting of the Committee if he or she considers it necessary, to be arranged by the Company Secretary.

2. AUTHORISATION

- 2.1 The Committee is authorised by the Board:
 - 2.1.1 to undertake and investigate any activity within its terms of reference;
 - 2.1.2 to obtain, at the Company's expense, such independent legal, accounting or other independent professional advice on any matter it deems necessary to fulfil its responsibilities;

¹ Members of the Committee may attend meetings in person or through the medium of telephone conference or similar, provided that all persons participating in the meeting are able to hear and speak to each other throughout the meeting.

- 2.1.3 to seek any information it requires from any member of the Board, any member of the Company's group and/or any officer or employee of EJP Investments Manager LLC (the "**Manager**");
- 2.1.4 to secure the attendance of other individuals at its meetings as and when appropriate and necessary;
- 2.1.5 to make whatever recommendation to the Board it deems appropriate on any area within its remit where action or improvement is needed; and
- 2.1.6 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.

3. **DUTIES OF THE COMMITTEE**

3.1 The duties of the Committee are:

- 3.1.1 to review annually the compliance by the Manager with the Company's investment policy as established by the Board from time to time;
- 3.1.2 to review regularly the terms of the management agreement between the Company and the Manager (the "**Management Agreement**"), in particular, the notice period, to ensure that terms of the Management Agreement are competitive, fair and reasonable for the shareholders; comply with all regulatory requirements and conform with market and industry practice;
- 3.1.3 to review and make recommendations on any proposed amendment to the Management Agreement;
- 3.1.4 to review the level and method of remuneration and the basis of performance fees, ensuring that the basis does not encourage excessive risk, aligns the interests of the Manager with that of shareholders and rewards demonstrably superior performance by the Manager in managing the portfolio against the stated investment objective of the Company when compared to a suitable benchmark or peer group. When reviewing foregoing, the Committee shall consider all factors that it determines relevant, including, among others:
 - the views of shareholders;
 - appropriate benchmarks/hurdle rates;
 - a cap on the performance fee;
 - a high-water mark; and
 - a combination of short-term and long-term measurements and incentives;
- 3.1.5 to consider whether the Manager's management fee should be based on gross assets, net assets or market capitalisation;

- 3.1.6 to investigate, review and make recommendations on any material breach of the Management Agreement;
- 3.1.7 to consider the merit of obtaining, on a regular basis, an independent appraisal of the Manager's services;
- 3.1.8 to reasonably satisfy itself that the systems of risk management and internal control put in place by the Manager in respect of the Company are adequate to meet applicable legal and regulatory requirements and to safeguard shareholders' investment and the Company's assets;
- 3.1.9 to monitor and review, on at least an annual basis, the performance of the Manager including the on-going suitability of the Manager to manage the assets of the Company and to recommend to the Board whether the continuing appointment of the Manager on the agreed terms is in the best interests of the Company and its shareholders;
- 3.1.10 to assess annually the Manager's independence and objectivity taking into account relevant regulatory requirements;
- 3.1.11 to assess annually the qualifications, expertise and resources of the Manager;
- 3.1.12 to review the adequacy and security of the Manager's procedures by which the Manager's employees and service providers may, in confidence, raise concerns about possible wrongdoing in matters of 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;
- 3.1.13 to meet regularly with the Manager and at appropriate intervals, to discuss the Manager's remit, the performance of the Company's investments and any issues arising from the management of the Company's investments;
- 3.1.14 to review the appointment and performance of, and the terms of the Company's arrangements with, other service providers (other than the external auditor) and to ensure that the terms are competitive, fair and reasonable for shareholders; and
- 3.1.15 to consider any points of conflict which may arise between services providers to the Company and that any potential conflict of interest has been satisfactorily resolved.

4. COMMITTEE CHAIR

4.1 The Committee chair shall:

- 4.1.1 report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities; and
- 4.1.2 attend the Company's annual general meeting prepared to answer shareholders' questions on the Committee's activities.

5. **COMPANY SECRETARY**

5.1 The Company Secretary shall:

- 5.1.1 call meetings of the Committee at the request of the chair of the Committee;
- 5.1.2 no later than five working days before each meeting² of the Committee, forward to each member of the Committee, and any other person required to attend, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed;
- 5.1.3 ensure that the Committee receives information and papers in a timely manner to enable the full and proper consideration to be given to issues;
- 5.1.4 minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance;
- 5.1.5 ascertain, at the beginning of each meeting the existence of any conflicts of interest and minute them accordingly³; and
- 5.1.6 promptly circulate draft minutes of Committee meetings to all members of the Committee and, once agreed, to all members of the Board, unless it would be inappropriate to do so in the opinion of the chair of the Committee.

6. **OTHER MATTERS**

6.1 The Committee shall:

- 6.1.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 6.1.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 6.1.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the AIC Code and the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable Rules, as appropriate;
- 6.1.4 work and liaise as necessary with other Board committees; and
- 6.1.5 arrange for periodic reviews of its own performance and, at least annually, review its 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.

² Such notice period may be waived or shortened with the consent in writing of all the members of the Committee.

³ A Committee member must abstain from voting on any resolution of the Committee in which he or she has an interest.

6.2 Each member of the Committee shall give sufficient time and attention to his or her duties as a member of the Committee.

Last reviewed and approved by the Board: 26 July 2019