

# CITY OF LONDON INVESTMENT GROUP PLC (“the Company”)

## REMUNERATION COMMITTEE TERMS OF REFERENCE

### INTRODUCTION

On 21 March 2006, the Board resolved, in accordance with the articles of association of the Company, to establish a Remuneration Committee of the Board. Terms of Reference for the Committee were adopted at that time. On 9<sup>th</sup> September 2010, the Board resolved to amend and update the Terms of Reference for the Committee to reflect the admission of the issued ordinary shares of the Company to trading on the Main Market of London Stock Exchange plc. This document is subject to annual review.

The purpose of this document is to set out:

- the duties and responsibilities of the Committee; and
- the constitution of the Committee and the regulations governing proceedings of the Committee.

In this document, references to:

- the "**Board**" are to the Board of directors of the Company from time to time; and
- the "**Committee**" are to the Remuneration Committee of the Board established pursuant to the resolution referred to in the opening paragraph.

The Company shall ensure that these Terms of Reference are made generally available by means of publication on the Company's website.

### 1. MEMBERSHIP

1.1 The Committee shall comprise at least two members, all of whom shall be independent non-executive directors. The chairman of the Board may also serve on the Committee as an additional member (but not chair) if he or she was considered independent on appointment as chairman. Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee and in consultation with the chairman of the Remuneration Committee.

1.2 Only members of the Committee have the right to attend Committee meetings. However other individuals such as the chief executive, the head of human resources or other senior managers and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

1.3 Appointments to the Committee are made by the Board and shall be for a period of up to three years extendable by no more than two additional three year periods, so long as members (other than the chairman of the Board, if he or she is a member of the Committee) continue to be independent.

1.4 The Board shall appoint the Committee chairman who shall be an independent non-executive director. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The chairman of the Board shall not be eligible to be appointed as chairman of the Committee.

## 2. **SECRETARY**

The company secretary or his or her nominee or any person appointed by the Committee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

## 3. **QUORUM**

The quorum necessary for the transaction of business at meetings of the Committee shall be two members, attended either in person, by video conference or by telephone.

## 4. **MEETINGS**

The Committee shall meet at least twice a year and otherwise as required.

## 5. **NOTICE OF MEETINGS**

5.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chairman.

5.2 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 Committee, any other proposed attendee and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to members of the Committee and (as appropriate) any other proposed attendee at the same time.

## 6. **MINUTES OF MEETINGS**

6.1 The secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee, including the names of those present and in attendance.

- 6.2 Draft minutes of meetings of the Committee shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, unless it would be inappropriate to do so.

## 7. **ANNUAL GENERAL MEETING**

The Committee chairman should attend the Annual General Meeting of the Company to answer any shareholder questions on the Committee's activities.

## 8. **DUTIES**

The Committee shall:

- 8.1 have responsibility for setting the remuneration policy for all executive directors and the Company's chairman, including pension rights and any compensation payments. In addition, the Committee has responsibility for approving the salaries and bonuses for any employee earning over GBP100,000, all Code Staff and, for reasons of managing potential conflicts of interest, the Head of Compliance. The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association. No director or senior manager shall be involved in any decisions as to their own remuneration;
- 8.2 monitor the level and structure of remuneration for senior management;
- 8.3 in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements (e.g. FCA, AIFMD), the provisions and recommendations of the UK Corporate Governance Code, the UK Listing Authority's Listing Rules and associated guidance as applicable. The objective of such policy shall be to attract, retain and motivate executives of the quality required to effectively manage the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard for the risk appetite of the Company and alignment to the Company's long strategic term goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company;
- 8.4 when setting remuneration policy for the directors, review and have regard to the pay and employment conditions across the Company or group, especially when determining annual salary increases;
- 8.5 review the ongoing appropriateness and relevance of the remuneration policy on a regular basis;

- 8.6 within the terms of the agreed policy and in consultation with the chairman and/or chief executive as appropriate, determine the total individual remuneration package of each executive director, the Company chairman and other senior executives including bonuses, incentive payments and share options or other share awards;
- 8.7 obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants 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;
- 8.8 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- 8.9 approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- 8.10 review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used;
- 8.11 determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
- 8.12 ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 8.13 oversee any major changes in employee benefits structures throughout the Company or group;
- 8.14 agree the policy for authorising claims for expenses from the directors; and
- 8.15 work and liaise as necessary with all other Board committees.

## 9. **REPORTING RESPONSIBILITIES**

- 9.1 The chairman of the Committee shall report to the Board on the proceedings of the Committee following each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9.3 The Committee shall ensure that provisions regarding disclosure of remuneration, including pensions, are fulfilled and produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and ensure each year that it is put to shareholders for approval at the AGM.

9.4 Through the chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

## 10. **OTHER MATTERS**

The Committee shall:

10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

10.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;

10.3 give due consideration to applicable laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies and formation and operation of share schemes; and

10.4 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.

## 11. **AUTHORITY**

The Committee is authorised by the Board:

11.1 to obtain, at the Company's expense, external legal or other professional advice on any matter within its terms of reference;

11.2 to seek any information it requires from any director or employee of the Company in order to perform its duties.

**Approved As At: 18 April 2018**