

# THE SCOTTISH INVESTMENT TRUST PLC

## (the "Company")

### TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

#### (the "Committee")

#### 1. CONSTITUTION AND RESPONSIBILITY

- 1.1. The Committee is appointed by the board of the Company (the "Board") in accordance with its Articles of Association (article 142).
- 1.2. The Committee is to assist the Board in carrying out its responsibilities relating to remuneration.

#### 2. MEMBERSHIP

- 2.1. The Committee shall comprise of at least three members, each of whom shall be appointed by the Board, and shall comprise a chairman who is not the chairman of the Company and at least two other members.
- 2.2. All members of the Committee shall be directors who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement.
- 2.3. The Board will appoint the Committee chairman and determine the period for which he/she shall hold office. In the absence of the Committee chairman and/or an appointed deputy, the remaining members shall elect one of their number present to chair their meeting.
- 2.4. Each member shall declare any conflicts or potential conflicts of interest at the start of each meeting.
- 2.5. No member shall be involved in deciding their own, individual, remuneration arrangements (other than the basic fee payable to directors).

#### 3. ATTENDANCE

- 3.1. The Committee may ask the chairman, other members of the Board and any relevant senior management to attend meetings either regularly or by invitation, but the invitees have no right of attendance.
- 3.2. The Committee may invite external advisers to attend for all or part of any meeting, as and when appropriate and necessary.

#### 4. SECRETARY

The company secretary of the Company or his/her nominee shall act as the secretary of the Committee.

#### 5. QUORUM

- 5.1. The quorum necessary for the transaction of business shall be two.
- 5.2. A duly convened meeting of the 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 Committee.

#### 6. FREQUENCY OF MEETINGS

The Committee shall meet not less than once a year and at such other times as the chairman of the Committee shall require.

#### 7. NOTICE OF MEETINGS

Meetings of the Committee shall be convened by the secretary of the Committee at the request of any member thereof.

#### 8. MINUTES OF MEETINGS

- 8.1. The secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 8.2. The secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 8.3. Minutes of Committee meetings shall be circulated to all members of the Committee and to all members of the Board.

#### 9. ANNUAL GENERAL MEETING

The chairman of the Committee shall attend the annual general meeting prepared to respond to any shareholder questions on the Committee's activities.

## 10. DUTIES

The duties of the Committee shall be:

- 10.1. to determine and agree with the Board the framework or broad policy for the remuneration of all directors and employees. No employee shall be involved in any decisions as to his or her own remuneration;
- 10.2. when determining such policy, to take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. It shall also liaise with the Nominations Committee to ensure that the remuneration of newly appointed directors and executives is within the Company's overall policy;
- 10.3. to determine targets for any performance-related pay schemes operated by the Company and ask the Board, where appropriate, to seek shareholder approval for any long term incentive arrangements;
- 10.4. within the terms of the agreed policy, to determine the total individual remuneration package of each employee including, where appropriate, bonuses, incentive payments and share options;
- 10.5. to determine the policy for and scope of pension arrangements, service agreements, termination payments and compensation commitments;
- 10.6. in determining such packages and arrangements, to give due regard to the comments and recommendations of the UK Corporate Governance Code (the "Code") and the AIC Corporate Governance Code as well as the UK Listing Authority's Listing Rules and associated guidance;
- 10.7. to review competitor companies and obtain reliable, up-to-date information about remuneration in other companies but ensure that automatic increases are not implemented, thereby avoiding the "ratchet" effect. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations;
- 10.8. to be aware of and oversee any major changes in employee benefit structures throughout the Company or group;
- 10.9. to be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external remuneration consultants who advise the Committee;
- 10.10. to vet the reimbursement of any claims for expenses from the senior management of the Company; and
- 10.11. to ensure that provisions regarding disclosure of remuneration including pensions, as listed in Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended, the Companies Act 2006 and the Code are fulfilled

## 11. REPORTING RESPONSIBILITIES

- 11.1. The Committee or its chairman shall meet formally with the Board at least once a year to discuss such matters as the annual report and the relationship with any external advisers.
- 11.2. The Committee shall produce a report of the Company's remuneration policy and practices to be included in the Company's annual report having regard to the provisions for disclosure.
- 11.3. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.

## 12. OTHER MATTERS

- 12.1. The Committee shall give due consideration to all applicable laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules, the FCA Remuneration Code or under the AIFMD or CRD IV and any other appropriate Rules, and also any guidelines published by industry bodies that they consider appropriate.
- 12.2. An induction programme is provided for new Committee members and ongoing training is available for existing members of the Committee.
- 12.3. The Committee should, on a regular basis, review its own performance, constitution and, at least annually, its terms of reference to ensure it is operating at maximum effectiveness

## 13. AUTHORITY

- 13.1. The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.
- 13.2. In connection with its duties the Committee is required by the Board to select, set the terms of reference of, and appoint remuneration consultants, at the Company's expense.
- 13.3. Although the Committee can seek the advice and assistance of any of the Company's executives, it needs to ensure that this role is clearly separated from their role within the business.