

AQUILA ENERGY EFFICIENCY TRUST PLC

MANAGEMENT ENGAGEMENT COMMITTEE – TERMS OF REFERENCE

1. COMPOSITION OF THE COMMITTEE

- 1.1 The committee was constituted at a full meeting of the board held on 2021 in accordance with the articles of association of the company.
- 1.2 The committee shall comprise at least three members, all of whom shall be independent non-executive directors.
- 1.3 The board shall appoint the committee chair who shall be an independent non-executive director. In the absence of the committee chair 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.

2. MEETINGS

- 2.1 The committee shall meet at least once a year and otherwise as required.
- 2.2 The quorum necessary for the transaction of business shall be two.
- 2.3 Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair or any of its members.
- 2.4 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 and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.
- 2.5 The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- 2.6 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.
- 2.7 Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the board and the company secretary unless, exceptionally, it would be inappropriate to do so.
- 2.8 The committee chair should attend the annual general meeting to answer any shareholder questions on the committee's activities. In addition, the committee chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

3. ATTENDANCE

- 3.1 Only members of the committee have the right to attend committee meetings. However, other individuals such as external advisers and Aquila Capital Investmentgesellschaft mbH (the “**Investment Adviser**”) may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

4. RESOURCES

- 4.1 The company secretary or their nominee 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.

5. AUTHORITY

- 5.1 The committee is authorised by the board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.

6. PRINCIPAL RESPONSIBILITY

- 6.1 The committee should carry out the duties detailed below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

- 6.2 The committee shall:

- 6.2.1 monitor the performance and compliance by the Investment Adviser with the terms of the Investment Advisory Agreement;
- 6.2.2 review the terms of the Investment Advisory Agreement from time to time to ensure that the terms thereof conform with market and industry practice and remain in the best interests of the shareholders of the company and making recommendations to the board on any variation to the terms of the Investment Advisory Agreement which it considers necessary or desirable (including the level and method of remuneration, including any performance fees, to ensure that it does not encourage excessive risk and that it rewards demonstrable superior performance);
- 6.2.3 recommend to the board whether the continuing appointment of the Investment Adviser is in the best interests of the company and shareholders, and the reasons for this recommendation;
- 6.2.4 consider the merit of obtaining an independent appraisal of the Investment Adviser's services;
- 6.2.5 monitor the performance and compliance by International Fund Management Limited with the terms of the AIFM Agreement;
- 6.2.6 monitor compliance by providers of other services to the company with the terms of their respective agreements from time to time;
- 6.2.7 review and consider the appointment and remuneration of providers of services to the company; and
- 6.2.8 consider any points of conflict which may arise between the providers of services to the company.

7. REPORTING RESPONSIBILITIES

- 7.1 The committee chair shall report to the board after each meeting on the nature and content of its discussion, recommendations and action to be taken.
- 7.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for board discussion when necessary.

7.3 The committee shall provide a description of its work in the annual report in line with the requirements of the Corporate Governance Code.

7.4 The committee shall prepare a disclosure statement to be included in a prominent position in the annual report as to whether, in the opinion of the directors, the continuing appointment of the Investment Adviser on the terms agreed is in the interests of shareholders as a whole and to state their reasons for this view.

8. OTHER MATTERS

8.1 The committee shall:

8.1.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required and/or independent professional advice in connection with its duties.

8.1.2 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.

8.1.3 Give due consideration to all relevant laws and regulations, the requirements of the FCA's Listing Rules, Prospectus Regulation Rules, Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules, as appropriate.

8.1.4 Ensure that a periodic evaluation of the committee's own performance is carried out.

8.1.5 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.

[●] 2021