

# The Edinburgh Investment Trust plc

## Schedule of Matters Reserved for the Board

(February 2019)

### 1. Objective of the Board

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews the performance of the Manager and Company Secretary. The Board also sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

Non-executive Directors should constructively challenge and help develop proposals on strategy, scrutinise the performance of the Manager in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

***Items marked \* may be the responsibility of a designated Committee of the Board, with the final decision required to be taken by the Board as a whole.***

### 2. Strategy and Management

- 2.1 Responsibility for the overall investment management of the Company.
- 2.2 Approving the Company's Investment Policy and any material changes to be put to shareholders for their approval.
- 2.3 Approving the Company's long term objectives and commercial strategy.
- 2.4 Approving the annual operating budgets and any material changes to them.
- 2.5 Overseeing the Company's operations ensuring:
  - competent and prudent investment and administrative management;
  - sound planning;
  - an adequate system of internal control and risk controls;
  - adequate accounting, investment administration, statutory and other records; and
  - compliance with statutory and regulatory obligations.
- 2.6 Reviewing performance in the light of the Company's strategy, Investment Policy, financials and ensuring that any necessary corrective action is taken.
- 2.7 Extending the Company's activities into new business or geographic areas.
- 2.8 Appointing or removing the Manager and/or Designated Investment Manager.
- 2.9 Any decision relating to the continued existence of the Company.

### 3. Investment Management

- 3.1 Agreeing a policy with the Manager regarding voting and corporate governance issues in respect of holdings in the Company's portfolio, taking into account the recommendations of the UK Stewardship Code.

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- 3.2 Defining the scope of the Manager's responsibilities, including the principal operating issues (such as the methodology for performance benchmarking, hedging, gearing, share buy-backs and issuance) and agreeing the procedure for the Manager to report back to the Board.
- 3.3 Identifying any circumstances in which the Manager should refer to the Board for approval before undertaking transactions.
- 3.4 Agreeing that the Manager inform the Board of any conflicts surrounding share trades and votes.
- 3.5 Agreeing a policy on whether the Manager should be permitted to carry out commission sharing.
- 3.6 Ensuring that the Manager manages within agreed parameters set by the Board, for example, investment policy guidelines.
- 3.7\* Consider for approval a statement in the Annual Financial Report, prepared in accordance with Listing Rule 15.6.2(2), whereby the Directors' appointment of the Manager on the terms agreed is in the interests of shareholders as a whole, together with a statement of the reasons for this view.

#### **4. Structure and Capital**

- 4.1 Regularly reviewing and, if appropriate, changing the Company's capital structure including the reduction of capital, share issues and share buy-backs (including the use of treasury shares).
- 4.2 Approving any discount management policy.
- 4.3 Changing the Company's listing or its status as a plc.

#### **5. Financial Reporting and Controls**

- 5.1\* Approving the annual and half-yearly announcements of results.
- 5.2\* Approving the annual and half-yearly financial reports, including representations required by regulation, regulatory authority or the external auditor.
- 5.3\* Approving the dividend policy.
- 5.4\* Declaring any interim and special dividends and the recommendation of a final dividend.
- 5.5\* Approving any significant changes in accounting policies or practices.
- 5.6\* Approving any changes to the capital : revenue apportionment of expenses.
- 5.7 Approving any treasury policies (including foreign currency exposure and the use of financial derivatives).
- 5.8 Approving the gearing policy.

#### **6. Internal Controls and Risk Management**

- 6.1\* Ensuring maintenance of a sound system of internal control and risk management including:
  - receiving reports on, and reviewing the effectiveness of, the Company's risk and control processes to support its strategy and objectives;
  - undertaking an annual assessment of these processes; and

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- approving an appropriate statement for inclusion in the annual and half-yearly financial reports.

## **7. Contracts**

- 7.1 Approving contracts which are material strategically or by reason of size, entered into by the Company in the ordinary course of business, for example bank borrowings.
- 7.2 Approving contracts of the Company not in the ordinary course of business, for example loans and repayments; foreign currency transactions; and major acquisitions or disposals.

## **8. Shareholder Communications**

- 8.1 Ensuring that effective shareholder communications are established.
- 8.2 Ensuring that marketing, promotion and investor relations are conducted professionally, efficiently and cost effectively.
- 8.3 Ensuring that shareholders are provided with sufficient information for them to understand the risk : reward balance to which they are exposed by holding shares in the Company.
- 8.4 Regularly monitor the Company's shareholder profile and put in place a system for canvassing shareholder views and for communicating the Board's views to shareholders.
- 8.5 Approving resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 8.6 Approving all circulars and listing particulars.
- 8.7 Approving press releases concerning matters decided by the Board.

## **9. Board Membership and other Appointments**

- 9.1\* Changing the structure, size and composition of the Board. The Board, at all times, should comprise at least four independent non-executive Directors with sufficient expertise and experience to run the affairs of the Company.
- 9.2\* Ensuring adequate succession planning for the Board.
- 9.3\* Considering and approving appointments to the Board, taking into consideration the recommendations of the Nomination Committee.
- 9.4\* Selecting the Chairman of the Board.
- 9.5\* Considering and, if thought appropriate, appointing a Senior Independent Director.
- 9.6\* Considering and approving the membership and Chairmanship of Board committees.
- 9.7\* Considering the continuation in office of Directors at the end of their term of office, when they are due to be re-elected by shareholders at the AGM and otherwise as appropriate.
- 9.8\* Considering the continuation in office of any Director at any time, (including the suspension or termination of service of any executive Director as an employee of the Company, subject to the law).
- 9.9\* Appointing or removing the Company Secretary.

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9.10\* Appointing, re-appointing or removing the external auditor to be put to shareholders for approval, following the recommendation of the Audit Committee.

9.11\* Approving the method and results of the annual performance appraisal process.

## **10. Remuneration**

10.1 Determining and reviewing the ongoing appropriateness of the policy for the remuneration of the non-executive Directors.

10.2 In determining such policy, taking into account all factors which are deemed necessary including relevant legal and regulatory requirements, the provisions and recommendations of the AIC Code of Corporate Governance and associated guidance. The objective of the policy should be to ensure that members of the Board are provided with appropriate compensation and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company, also taking into account committee memberships.

10.3 Approving the remuneration policy statement for inclusion in the Directors' Remuneration report of the Annual Financial Report.

10.4 Agreeing the policy for authorising claims for Directors' expenses.

## **11. Delegation of Authority**

11.1\* Approving the terms of reference of Committees of the Board.

11.2\* Receiving reports from Committees of the Board on their activities.

## **12. Corporate Governance Matters**

12.1\* Undertaking a formal and rigorous review (as and when appropriate) of its own performance, that of its Committees, individual Directors, the Manager and the Company Secretary.

12.2\* Determining the independence of Directors.

12.3 Reviewing the Company's overall corporate governance arrangements.

12.4 Considering the interests of shareholders.

12.5 Considering and authorising (if appropriate) direct or indirect interests of Directors that conflict, or possibly may conflict, with the interests of the Company.

12.6 Ensuring full disclosure of information about the Board, such as that required by the AIC Code of Corporate Governance, Companies Act 2006, the UK Listing Rules and other relevant regulation and legislation, in Regulatory Information Service announcements, the annual and half-yearly financial reports and shareholder circulars.

12.7 Approving policies, including Directors/PDMR and PCA share dealing code; Directors' appointment policy; Directors' tenure Policy; and Directors' remuneration policy.

## **13. Other**

13.1 Making political and/or charitable donations.

13.2 Approving the appointment of the Company's principal professional advisers.

13.3 Prosecution, defence or settlement of litigation.

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13.4 Approving overall levels of insurance for the Company including Directors' & Officers' liability insurance (and indemnification of Directors).

13.5 Approving this schedule of matters reserved for Board decisions.

Matters which the Board considers suitable for delegation are contained in the terms of reference of its Committees.

In addition, the Board will receive reports and recommendations from time to time on any matter that it considers significant to the Company.

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