

## MATTERS RESERVED FOR THE BOARD

### 1. Purpose of the Board

- 1.1 The role of the Board of Directors (“Board”) is to provide entrepreneurial leadership of The Law Debenture Corporation p.l.c. (“the Corporation”) and its subsidiaries (the “Group”) within a framework of prudent and effective controls, which enables risks to be assessed and managed. The Board is collectively responsible for the long-term success of the Corporation, overseeing stakeholder engagement and delivering sustainable value to shareholders.
- 1.2 In discharging its responsibilities the Board takes into account the Group’s purpose, values and culture. They set the Corporation’s overall strategy, investment policy and ensure that the necessary financial and human resources are in place for the Corporation to meet its objectives and its legal and regulatory obligations. The Board also reviews the performance of the Board as a whole as well as that of each Director, the Investment Manager and Company Secretary on an annual basis.
- 1.3 Day to day management of the business of the Group is delegated to the Chief Executive (“CEO”) in accordance with such policies and directions as the Board may from time to time determine, with the exception of the following matters, which require the approval of the Board.

### 2. Matters reserved for the Board

Key:

\* Delegated to a designated committee of the Board.

\*\* Delegated to a designated committee of the Board and requires final approval by the Board.

#### 2.1 Strategy and management

- 2.1.1 Overall leadership and management of the Group and to ensure its purpose, values and strategy align with the desired culture and standards.
- 2.1.2 Approval of the Group’s long-term objectives and commercial strategy.
- 2.1.3 Assess and monitor the Group’s culture, including its policies, practices and behaviours.
- 2.1.4 Oversight of the Corporation’s operations to ensure competent and prudent management, sound planning, an adequate system of internal control, adequate accounting and other records and compliance with statutory and regulatory obligations.
- 2.1.5 Approval of the annual operating and capital expenditure budgets and any material changes to them.
- 2.1.6 Oversight of risk management and internal controls.\*
- 2.1.7 Review of the Group’s performance in line with strategy, risk appetite, business plans and budgets and ensuring that any necessary corrective action is taken.

2.1.8 Approval of the extension of the Group's activities into new business or geographical areas.

2.1.9 Approval of any decision to cease operation of any part of the Group's business.

## **2.2 Structure and capital**

2.2.1 Approval of any changes relating to the Corporation's status as an investment trust or publicly traded company.

2.2.2 Approval of major changes to the Group's capital and corporate structures.

## **2.3 Financial reporting \*\***

2.3.1 Approval of the annual report and accounts, including the directors' report, strategic report, corporate governance statement and directors' remuneration report.

2.3.2 Approval of the half-yearly report and announcement.

2.3.3 Approval of the dividend policy and declaration of the interim and final dividends.

2.3.4 Approval of any significant changes in accounting policy or practice.

2.3.5 Approval of announcements regarding the financial state of the Corporation (interim and final results, trading statements, etc, but not routine matters such as the Net Asset Value (NAV)).

## **2.4 Investment trust**

2.4.1 Establish and review the investment policy and strategy, any material amendments are to be submitted for approval by the Financial Conduct Authority and shareholders.

2.4.2 Review of investment performance and associated matters such as gearing levels, bank borrowing facilities, asset allocation, attribution analysis, marketing/investor relations, peer group information and industry trends.

2.4.3 Review of the schedule of investment limits and restrictions to ensure regulatory compliance.

2.4.4 Appointment and review of the terms of appointment of the Investment Manager.

2.4.5 Annual review of the performance and continuing appointment of the Investment Manager.

2.4.6 Oversight of the investment manager's controls, procedures etc.\*

2.4.7 Review of investment management fees.

## **2.5 Contracts**

2.5.1 Approval of major capital projects, including office accommodation.

2.5.2 Approval of contracts which are material strategically or by reason of size, entered into by the Corporation in the ordinary course of business, for example debt issuance, setting banking facility parameters and acquisitions or disposals of fixed assets.

2.5.3 Approval of contracts of the Corporation not in the ordinary course of business, for example major acquisitions or disposals.

2.5.4 Approval of major investments not connected with the portfolio, including the acquisition or disposal of interests in the voting shares of other companies or the making of any takeover offer.

## **2.6 Stakeholder engagement and communication**

- 2.6.1 Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 2.6.2 Approval of all circulars, prospectuses, listing particulars and regulatory announcements other than the daily NAV.
- 2.6.3 Approval of press releases concerning matters decided by the Board.
- 2.6.4 Ensuring effective engagement with, and encourage participation from, shareholders and other key stakeholders.
- 2.6.5 Reviewing the effectiveness of stakeholder engagement mechanisms.
- 2.6.6 Reviewing workforce engagement mechanisms and ensuring workforce policies and practices are consistent with the Corporation's purpose, values and strategy.
- 2.6.7 Consider the actions it intends to take to consult shareholders in order to understand the reasons behind a situation where twenty (20) per cent. (%) or more votes have been cast against a Board recommendation for a resolution and provide an update to shareholders in accordance with the 2018 UK Corporate Governance Code.
- 2.6.8 Approval of marketing strategy for the Investment Trust.

## **2.7 Board membership and other appointments**

- 2.7.1 Reviewing and making changes to the structure, size and composition of the Board.\*\*
- 2.7.2 Ensuring adequate succession planning for the Board so as to maintain an appropriate balance of skills and experience within the Corporation and on the Board.\*\*
- 2.7.3 Oversight and management of Board/committee effectiveness.\*
- 2.7.4 Appointment and removal of the Corporation's Directors, Chairman of the Board, Executive Directors and Senior Independent Director.\*\*
- 2.7.5 Recommendation of the annual re-election of Directors by shareholders.\*\*
- 2.7.6 Approval of the policy on tenure for the Chairman and Non-Executive Directors.\*\*
- 2.7.7 Appointment, reappointment or removal of the external auditor to be put to shareholders for approval at a general meeting.\*
- 2.7.8 Appointment or removal of the Company Secretary of the Corporation.
- 2.7.9 Approval of the membership and chairmanship of Board committees.\*\*
- 2.7.10 Additional external advisor appointments which may represent a significant commitment.

## **2.8 Remuneration**

- 2.8.1 Approval of the remuneration policy and any significant changes thereto.\*\*
- 2.8.2 Determining the remuneration of Non-Executive Directors of the Board, subject to the Articles of Association and shareholder approval as appropriate.
- 2.8.3 Approval of recommendations by the CEO regarding salary levels and other conditions of employment for senior managers (CEO direct reports)\*

2.8.4 Approval of the overall amount available for salary increases, payment of bonuses etc.\*

2.8.5 Approval of the introduction of new share incentive plans or major changes to existing plans to be put to shareholders for approval.\*\*

## **2.9 Delegation of authority**

2.9.1 Approval of recommendations by the CEO regarding any non-routine expenditures exceeding GBP500,000.

## **2.10 Corporate governance and compliance matters**

2.10.1 Reviewing the Corporation's overall corporate governance arrangements.

2.10.2 Ensuring that the Group is operating in accordance with corporate governance stipulations and regulatory compliance matters.

2.10.3 Undertaking a formal and rigorous annual review of its own performance, that of its committees and individual Directors, and the division of responsibilities. An external advisor will be appointed to undertake the review at least every three years.

2.10.4 Ensuring the Board as a whole has the appropriate balance of skills, experience, independence and knowledge of the Corporation and the industry in which it operates as well as the support required to enable it to discharge its duties and responsibilities effectively.\*

2.10.5 Determining the independence of Non-Executive Directors in light of their character, judgement and relationships.\*

2.10.6 Authorising Directors' conflicts of interest and ensure that the influence of third parties does not compromise or override independent judgment.

2.10.7 Understanding the views of the Corporations' other key stakeholders and considering section 172(1) of the Companies Act 2006 in Board discussions and decision-making.

2.10.8 Oversight, consideration and approval of the Group's Environmental, Social and Governance strategy and policy.\*\*

2.10.9 Approval of the terms of reference of Board committees and any material changes to them.\*\*

## **2.11 Policies**

2.11.1 Approval of key internal policies and codes of conduct.

## **2.12 Other**

2.12.1 Approval of the appointment of principal professional advisers.

2.12.2 Any decisions likely to have a material impact on the Corporation from any perspective, including but not limited to financial, operational, strategic or reputational risk.

2.12.3 Prosecution, commencement, defence or settlement of litigation, or an alternative dispute resolution mechanism, affecting the Corporation (but not litigation affecting its subsidiaries).

2.12.4 Approval of the overall levels of insurance for the Corporation including liability insurance for and indemnification of Directors and other officers.

2.12.5 Approval of the making of political donations.

# LawDebenture

2.12.6 Approval of any major changes to the rules of the Group's pension scheme.

2.12.7 Approval of any changes to this schedule of matters reserved for the Board.

Matters which the Board consider 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 which it considers significant to the Group.

Approved by the Board on 26 May 2021