

City Merchants High Yield Trust Limited

(the "**Company**")

Terms of Reference of the Board acting as the Management Engagement Committee ("the Committee")

(December 2018)

1. Constitution

- 1.1 On 18 January 2012 the Board resolved that the Committee as a whole would carry out the function that would otherwise be delegated to a management engagement committee. On 27 September 2018 the Board agreed that a separate committee function would now be established. When performing this function the Committee operates under these terms of reference.

2. Objective

- 2.1 The Committee's overall objective is to review at least annually, the management contract with the investment manager (the "**Manager**") and the terms applying to the Manager's management fee and any performance fee, together with the arrangements with other service providers.

3. Authority

- 3.1 The Committee may seek any information it requires from any relevant employee of the Manager's group in order to perform its duties .
- 3.2 The Committee may obtain, at the Company's expense, outside legal or other professional advice on any matters within these terms of reference.

4. Quorum

- 4.1 The quorum necessary for the transaction of business in relation to the Committee shall be two. 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.

5. Frequency of Meetings

- 5.1 The Committee shall meet not less than once a year to undertake its duties and at such other times as the Chairman shall require.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be convened by the company secretary at the request of the Chairman.
- 6.2 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 Board no fewer than five working days prior to the date of the meeting.

7. Minutes of Meetings

- 7.1 The company secretary shall minute the proceedings and resolutions of the Committee meetings, including the names of those present and in attendance.
- 7.2 Minutes of Committee meetings shall be circulated to all directors within 10 working days, following approval by the Chairman.

8. Duties

The Committee shall:

- (a) regularly review the management contract of the Company with regard to any adjustments that are deemed necessary;
- (b) review and, if applicable, amend the terms of the Manager's investment management fee and any performance fee;
- (c) undertake an annual performance evaluation of the Manager;
- (e) review the arrangements with and service level provided by the Administrator, the Custodian, the Depositary, the Registrar and any other major service provider, including any third-party appointed by the Manager to provide accounting and administrative services; and
- (f) ensure that required disclosures are published in the Company's annual report relating to the activities of the Committee.