

City Merchants High Yield Trust Limited (the "**Company**")

Combined Terms of Reference of the Nomination & Remuneration Committee ('the Committee') (December 2018)

"There should be a formal, rigorous and transparent procedure for the appointment of new directors to the Board".

(UK Corporate Governance Code re Nomination Committees)

"There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration"

(UK Corporate Governance Code re Remuneration Committees).

1. Constitution

On 18 January 2012 the Board resolved that the Board as a whole would carry out the function that would otherwise be delegated to a remuneration committee. On 15 December 2015 the Board resolved that a separate Nomination Committee be formed.

On 21 September 2018 the Board agreed that the Nomination Committee and Remuneration Committee functions should be combined into one Committee.

The Board shall appoint the Nomination and Remuneration Committee Chairman. In the absence of the Nomination and Remuneration Committee Chairman the remaining members present shall elect one of their number to chair the meeting. The Committee comprises of all the members of the Board.

2. Objective

The objective of the Committee is to review the Board's structure and composition on a regular basis, to make recommendations to the Board with regard to any new appointments and plan for the Board's succession and to review the remuneration of the Company's non-executive directors on a regular basis in a fair and thorough manner.

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, external legal or other professional advice on any matters within these terms of reference, up to an initial level of £10,000, without reference to the Board
- 3.3 The Committee may appoint an external search agency to assist it in the performance of its duties as the Committee.

4. Quorum

- 4.1 The quorum necessary for the transaction of the Committee's 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 may require.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be convened by the company secretary at the request of the Chairman or any other member of the Board.
- 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 Committee no fewer than five working days prior to the date of the meeting.
- 6.3 The investment manager may be invited to address any meeting and others may be called upon or be invited to address any meeting by prior arrangement with the Chairman.

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 of the Committee.

8. Duties

- 8.1 The Committee shall:

In respect of Nomination:

- (a) regularly review the structure, size, balance of skills, knowledge, experience and composition, including diversity, of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- (b) prepare a description of the role and capabilities required for a particular appointment;
- (c) be responsible for identifying and nominating candidates to fill Board vacancies as and when they arise;
- (d) satisfy itself with regard to succession planning and that processes and plans are in place;
- (e) assess and articulate the time needed to fulfil the roles of Chairman, senior independent director (if appointed) and non-executive director, and undertake a formal performance evaluation to ensure that all members of the Board have devoted sufficient time to their duties, not less frequently than every three years;
- (f) ensure that, before appointment, a candidate has sufficient time to undertake the role, reviewing his other commitments; and
- (g) ensure that the company secretary, on behalf of the Board, has formally written to any appointees, detailing the role and time commitments and proposing an induction plan produced in conjunction with the Chairman.

In respect of Remuneration:

- (h) determine the framework or broad policy for the remuneration of the chairman and directors of the Company;
- (i) in determining policy, take into account all factors which it deems necessary. The objective of the policy shall 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 consideration other committee memberships. It shall also ensure that the remuneration of newly-appointed directors is within the Company's overall policy;
- (j) within the terms of the agreed policy, determine the total individual remuneration of each director of the Company;
- (k) in determining such remuneration, give due regard to the recommendations of the UK Corporate Governance Code, as well as to the UK Listing Authority's Listing Rules and associated guidance;
- (l) review competitor companies' remuneration policies but ensure that automatic increases are not implemented, so as to avoid the 'ratchet' effect;

- (m) ensure that provisions regarding disclosure of remuneration are fulfilled; and
- (n) ensure appropriate disclosure of the Company's remuneration policy is included in the annual financial report.
- (o) consider any resolutions to be put to shareholders at general meetings of the Company in respect of remuneration.

8.2 It shall also review:

- (a) the re-appointment to the Board of any non-executive director at the conclusion of his or her specified term of office; especially when they have concluded their second term;
- (b) recommendations to shareholders for the re-election of any director under the 'retirement by rotation' provisions in the Company's articles of association;
- (c) any matters relating to the continuation in office as a director of any director at any time;
- (d) items that should be published in the Company's annual report relating to the activities of the Committee, including a statement of the Board's policy on diversity, including gender, any measurable objectives that it has established for implementing the policy and progress on achieving the objectives, and disclosing whether an external search agency has been used; and
- (e) the membership and chairmanship of the Audit Committee.