

HARMONY ENERGY INCOME TRUST PLC

MANAGEMENT ENGAGEMENT COMMITTEE – TERMS OF REFERENCE

Background

These Terms of Reference have been produced to accord with the relevant Principles of the AIC Code of Corporate Governance published in February 2019 (Principles 16 to 18). The Financial Reporting Council has confirmed that AIC member companies who report against the AIC Code of Corporate Governance will be meeting their obligations in relation to its UK Corporate Governance Code and their Listing Rules obligations (the latter of which the Company has voluntarily elected to comply, subject to certain exceptions).

Composition of the Committee

The Committee shall be comprised of two or more independent non-executive Directors.

Members of the Committee shall be appointed by the Board in consultation with the Chairperson. The Chairperson shall be appointed by the Board and shall be an independent Director. The Board may fill vacancies in the Committee by appointment from amongst the Board.

The Chairman of the Company may be a member of, and may chair, the Committee, provided that they are independent of the AIFM and the Investment Adviser. Any member who fails to remain independent will step down from the Committee.

Each member of the Committee shall disclose to the Committee:

- (a) any personal financial or other interest in any matter to be decided by the Committee; or
- (b) any potential conflict of interest arising from a cross-directorship or otherwise,

and any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee.

Meetings

The Committee will meet at least once each year and at such other times as the Chairperson shall require.

Quorum and voting arrangements

A quorum shall be any two members including the Chairperson, or the Chairperson's nominated delegate.

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.

Members may participate in a meeting of the Committee by means of a telephone or other communication equipment.

Any matters to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Each member of the Committee shall have one vote which may be cast on matters considered at the meeting of the Committee. Any action of the Committee may also be taken by an instrument or instruments in writing, including via email or other electronic means, signed, including via the use of electronic signatures by all members of the Committee (including in counterparts) and any such action shall be as effective as if it had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.

Except where he or she has a personal interest, the Chairperson shall have a casting vote.

In the absence of the Chairperson and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

Notice of meetings

Meetings of the Committee shall be convened by the Secretary at the request of any of its members.

Unless otherwise agreed by the Committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting information and papers, shall be forwarded to each member of the Committee and any other person required to attend and all other non-executive directors not less than three working days prior to the date of the meeting, unless approval is required at short notice.

Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

Minutes of meetings

The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The minutes of each meeting of the Committee shall be circulated promptly to all members of the Committee and, once agreed, other Directors of the Company, unless it would be inappropriate to do so in the opinion of the Chairperson.

A resolution in writing or via email and signed or otherwise approved via electronic signature by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

Any Director, upon request to the Secretary, may obtain copies of the Committee's agenda and minutes provided that there is no conflict of interests.

Attendance

The Committee may invite other Directors to attend meetings and may request representatives of the third party service providers to the Company or any other relevant person to attend meetings but such invitees shall have no right of attendance.

Resources

The Company Secretary shall act as Secretary to the Committee and should ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

The Committee shall have access to the services of the Secretary on all Committee matters, including: assisting the Chairperson in planning the Committee's work, drafting meeting agendas, maintaining minutes, drafting of material about its activities for the annual report and interim reports, collection and distribution of information and provision of any necessary practical support.

Shareholder engagement

The Chairperson (or his or her nominated representative) shall attend the Company's annual general meeting or any general meeting relating to their area or responsibility prepared to respond to any shareholder questions on the Committee's activities.

The Chairperson should seek engagement with shareholders on significant matters related to their area of responsibility.

Authority

The Committee is authorised to:

- (i) investigate and review any matter within its terms of reference and consider any matter it deems relevant to the discharge of its duties;
- (ii) seek any information it reasonably requires from any member of the Board or a representative of any third party service provider in order to perform its duties;
- (iii) call any officers of the Company to be questioned at a meeting of the Committee as and when required;
- (iv) request a representative of a third party service provider to attend any meeting of the Committee (including without limitation a representative of the AIFM and/or the Investment Adviser);
- (v) obtain at the Company's expense outside legal or other professional advice on any matters within its terms of reference;
- (vi) have timely and unrestricted access to relevant documents relating to the affairs of the Company; and

- (vii) have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

Duties

The Committee should have oversight of, and carry out the duties below for, the Company, major subsidiary undertakings (if any) and the group as a whole (if a group is in existence), as appropriate.

The terms on which each of the AIFM and the Investment Adviser is engaged shall be reviewed by the Committee annually, scrutinising and holding to account the performance of the AIFM and the Investment Adviser, prior to the annual results announcement being released.

The Committee shall also consider such other matters as may be requested by the Board.

Relationship with AIFM and Investment Adviser

The Committee should review at least annually the contractual arrangements with, and scrutinise and hold to account the performance of, the AIFM and the Investment Adviser, with its decisions and rationale described in the annual report.

The Committee shall:

- (i) monitor and evaluate the AIFM's and the Investment Adviser's performance, including investment performance, (and, if necessary, provide appropriate guidance) and compliance by the AIFM and the Investment Adviser with the terms of the alternative investment fund management agreement entered into between the AIFM and the Company (the "**AIFM Agreement**") and the investment advisory agreement entered into between the AIFM, the Company and the Investment Adviser (the "**Investment Advisory Agreement**") respectively from time to time;
- (ii) reasonably satisfy itself that each of the AIFM Agreement and the Investment Advisory Agreement is fair and that the terms thereof comply with all regulatory requirements, conform with market and industry practice and remain in the best interests of shareholders;
- (iii) reasonably satisfy itself that systems put in place by the AIFM and the Investment Adviser in respect of the Company are adequate to meet relevant legal and regulatory requirements;
- (iv) reasonably satisfy itself that matters of compliance are under proper review. The Company shall procure (through the terms of the AIFM Agreement and the Investment Advisory Agreement) that the Committee shall have direct access to each of the AIFM's and the Investment Adviser's compliance officers, and shall receive a report from each of the AIFM and the Investment Adviser each year confirming that each of the AIFM and the and the Investment Adviser has performed its obligations under the AIFM Agreement and the Investment Advisory Agreement respectively and conducted the Company's affairs in compliance with the laws and regulations applying to the AIFM and the Investment Adviser respectively;

- (v) regularly review the composition and performance (including skills, knowledge and experience) of the key personnel performing the services on behalf of the AIFM the Investment Adviser and consider whether the continuing appointments of the AIFM and the Investment Adviser on the terms of the AIFM Agreement and the Investment Advisory Agreement respectively are in the interests of shareholders as a whole, and make recommendations to the Board thereon together with a statement of the reasons for this view;
- (vi) where relevant, consider nominations by the AIFM and the Investment Adviser for replacements of key executives of the AIFM and the Investment Adviser, if, prior to the termination of the relevant agreement, such key executives should die or otherwise become incapacitated or shall retire, resign or otherwise cease to provide the relevant services to the Company;
- (vii) ensure disclosure in the annual report of the AIFM's and the Investment Adviser's overall performance;
- (viii) consider the merit of obtaining, on a regular basis, an independent appraisal of the AIFM's and the Investment Adviser's services;
- (ix) require the AIFM and/or the Investment Adviser to provide attribution and volatility analyses and consider whether it should be published at least annually;
- (x) review at least annually the continued retention of the AIFM's and the Investment Adviser's services and the level of fees payable to each and make recommendations to the Board thereon;
- (xi) review with the AIFM and the Investment Adviser any material issues arising from their work that the AIFM and the Investment Adviser wishes to bring to the attention of the Committee, whether privately or otherwise;
- (xii) consider and review the level and method of remuneration including the methodology of calculation of the respective annual fee and the basis of performance fees (if any) and the notice period of each of the AIFM and the Investment Adviser. Due weight should be given to the competitive position of the Company against its peer group. The review of any performance fee arrangements shall seek to ensure that the methodology does not encourage excessive risk and that it rewards demonstrably superior performance by the AIFM and/or the Investment Adviser in managing the portfolio against the stated investment objective when compared to a suitable benchmark or peer group;
- (xiii) consider whether the fees payable to each of the AIFM and the Investment Adviser should be based on gross assets, net assets or market capitalisation;
- (xiv) consider the basis on which to charge cash or funds managed by the same AIFM /Investment Adviser;
- (xv) if there is a performance related element, or the introduction of a performance fee is under consideration, the review should seek to ensure that the basis does not encourage excessive

risk and that it aligns the interests of the AIFM/Investment Adviser with that of the shareholders to reward the AIFM/Investment Adviser if certain criteria are met. Key factors to be considered include: (i) the views of shareholders; (ii) appropriate benchmarks/hurdle rates; (iii) a reduction in the basic fee when a performance fee is introduced; (iv) a cap on the performance fee; (v) a high-water mark; and (vi) a combination of short-term and long-term measurements and incentives.

- (xvi) ensure that the AIFM and the Investment Adviser have appropriate risk management and internal control systems designed to safeguard the shareholders' investment and the Company's assets. A review of the effectiveness of these systems should be made annually and reported to shareholders in the annual report; and
- (xvii) produce a disclosure statement to be included in the Company's annual report about its activities (including an overview of the review of the effectiveness of the AIFM's and the Investment Adviser's risk management and internal control systems designed to safeguard the shareholders' investment and the Company's assets).

Relationship with other service providers

The board should monitor, evaluate and hold to account other service providers (such as the company secretary, registrar and broker) to the Company from time to time, including by:

- (i) regularly reviewing these services to ensure their continued competitiveness and effectiveness;
- (ii) review the performance of the Company's other service providers and consider whether the continuing appointment of such service providers under the terms of their agreements are in the interests of shareholders as a whole, and make recommendations to the Board thereon together with a statement of the reasons for their view;
- (iii) reviewing and considering the appointment of, and the notice period and remuneration as compared with industry norms and peer group companies, of service providers to the Company; and
- (iv) considering any points of conflict which may arise between the providers of services to the Company.

Reporting responsibilities

The Chairperson shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include any issues on which the Board has requested the Committee's opinion.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall compile a report on its activities, including its membership and frequency of and attendance at its meetings, to be included in the Company's annual report. The report should include all information requirements set out in the AIC Code of Corporate Governance (the "Code").

The Committee shall report accordingly in the Company's annual report.

Other matters

The Committee shall:

- (i) have access to sufficient resources in order to carry out its duties, including access to the Secretary for assistance as required;
- (ii) 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;
- (iii) give due consideration to relevant laws and regulations, the provisions of the Code and the requirements of the Listing Rules (with which the Company has voluntarily elected to comply, subject to certain exceptions), the Prospectus Regulation Rules of the Financial Conduct Authority and the Disclosure Guidance and Transparency Rules made by the Financial Conduct Authority under section 73A of the Financial Services and Markets Act 2000, as amended, the Prospectus Regulation, the AIFMD, the UK AIFM Regime and Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse as it forms part of the domestic law of the United Kingdom by virtue of the EUWA pursuant to the Market Abuse (Amendment) (EU Exit) Regulations 2019 and any other applicable rules, as appropriate;
- (iv) oversee any investigation of activities which are within its terms of reference;
- (v) work and liaise as necessary with all other Board committees; and
- (vi) arrange for periodic reviews of its own performance and, 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.

Definitions

In these Terms of Reference, unless the context requires otherwise, the following definitions shall apply:

“**AIC**” means the Association of Investment Companies;

“**AIFM**” means JTC Global AIFM Solutions Limited (company no. 62964), the Company’s alternative investment fund manager within the meaning of the AIFMD or such other alternative investment fund manager appointed by the Company from time to time;

“**AIFMD**” means the Alternative Investment Fund Managers Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 as implemented in the UK by UK statutory instruments and by virtue of the EUWA as amended by The Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019;

“**Board**” means the board of Directors;

“**Chairperson**” means the chairperson of the Committee;

“**Committee**” means the management engagement committee of the Company;

“**Company**” means Harmony Energy Income Trust plc (company no. 13656587);

“**Company Secretary**” means JTC (UK) Limited (company number 04301763), or such other company secretary appointed by the Company from time to time;

“**Directors**” mean the directors of the Company from time to time;

“**EUWA**” means the European Union (Withdrawal) Act 2018 (as amended);

“**Investment Adviser**” means Harmony Energy Advisors Limited (company number 13538492), or such other investment adviser appointed by the Company from time to time;

“**Listing Rules**” means the listing rules made by the Financial Conduct Authority under section 73A of the UK Financial Services and Markets Act 2000, as amended;

“**Prospectus Regulation**” means the UK version of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market which is part of UK law by virtue of the EUWA, as amended by The Prospectus (Amendment, etc) (EU Exit) Regulations 2019;

“**Secretary**” means the secretary of the Committee; and

“**UK AIFM Regime**” means The Alternative Investment Fund Managers Regulations 2013 (as amended by The Alternative Investment Fund Managers (Amendment etc) (EU Exit) Regulations

2019) and the Investment Funds Sourcebook forming part of the FCA Handbook of Rules and Guidance as published from time to time.

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