NIPPON ACTIVE VALUE FUND PLC
Management Engagement Committee: Terms of Reference

Background & Definitions

Pursuant to a resolution of the board of directors ("**Board**") of Nippon Active Value Fund plc ("**Company**") passed on 6 January 2020, the directors of the Company have established a board committee as the Management Engagement Committee ("**Committee**") of the Company.

These Terms of Reference have been produced to accord with the relevant principles of The AIC Code of Corporate Governance 2024. 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 the relevant provisions of the Listing Rules.

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

"**Administrator**" or "**Secretary**" means NSM Funds (UK) Limited;

"**AIC**" means the Association of Investment Companies;

"**AIFM**" means FundRock Management Company (Guernsey) Limited, the Company's alternative investment fund manager within the meaning of the AIFMD;

"**AIFMD**" means the Alternative Investment Fund Managers Directive (2011/61/ EU) and associated regulations as they form part of UK law by virtue of the European Union (Withdrawal) Act 2018, and as amended;

"**Chair**" means the Chair of the Committee;

"**Directors**" mean the directors of the Company from time to time;

"**Investment Adviser**" means Rising Sun Management Ltd.; and

"**Listing Rules**" means the listing rules made by the Financial Conduct Authority pursuant to Part VI of the Financial Services and Markets Act 2000.

1 Membership

1.1 The members of the Committee shall be appointed by the Board and shall consist of a minimum of two members. Membership of the Committee shall be confined to independent non-executive directors.

1.2 The Committee shall, subject to any requirements to the contrary, consist of each member of the Board that is independent of the Investment Advisor.

1.3 The Chair shall be appointed by the Board and shall be an independent non-executive Director.

2 Secretary

The Secretary, or its nominee, shall be the secretary of the Committee.

3 Meetings

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

3.2 A quorum shall be any two members including the Chair of the Committee, or the Chair's nominated delegate.

3.3 Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee not less than three working days prior to the date of the meeting.

3.4 The Chair of the Committee will report to the Board on the Committee's decisions and recommendations.

4 Attendance

The Committee may invite other Directors to attend 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.

5 Voting arrangements

5.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.

5.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

5.3 All decisions of the Committee shall be formally reported to the Board by the Chair. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed and shall compile a report on its activities to be included in the Company's annual report.

6 Minutes

6.1 The Secretary or such other suitable person as the members present at such meeting shall nominate, shall minute the proceedings and resolutions of such meeting of the Committee, including the names of those present and in attendance.

6.2 Draft minutes of such Committee meetings shall be circulated promptly to all members and, once agreed, such minutes should be circulated to all other members of the Board unless it would be inappropriate to do so (for example, if a conflict of interest exists).

7 Authority

7.1 The Committee is authorised to:

7.1.1 investigate and review any matter within its terms of reference and consider any matter it deems relevant to the discharge of its duties;

7.1.2 seek any information it reasonably requires from a representative of any third party service provider in order to perform its duties;

7.1.3 request a representative of a third party service provider to attend any meeting of the Committee (including without limitation a representative of the AIFM) or the Investment Adviser;

7.1.4 obtain at the Company's expense outside legal or other professional advice on any matters within its terms of reference; and

7.1.5 have timely and unrestricted access to relevant documents relating to the affairs of the Company.

8 Function and duties

8.1 The Committee should regularly review both the performance of, and contractual arrangements with, the AIFM, the Investment Adviser, Administrator and other key service providers.

8.2 The Committee shall:

8.2.1 monitor and evaluate the AIFM's performance (and, if necessary, provide appropriate guidance) and compliance by the AIFM with the terms of the AIFM agreement entered into between the Company and the AIFM from time to time;

8.2.2 consider the merit of obtaining, on a regular basis, an independent appraisal of the Investment Adviser's services;

8.2.3 ensure disclosure in the annual report of the Investment Adviser's overall performance;

8.2.4 review at least annually the continued retention of the services of the AIFM and the Investment Adviser and the contractual arrangements pursuant to which they are appointed;

8.2.5 oversee the relationship with the Investment Adviser including (but not limited to):

(i) making recommendations on the Investment Adviser's remuneration;

(ii) approving of the terms of engagement of the Investment Adviser and the terms of the Investment Advisory Agreement; and

(iii) assessing annually the Investment Adviser's independence and objectivity taking into account relevant regulatory requirements;

8.2.6 review for each of the AIFM and the Investment Adviser the level and method of remuneration and the notice period. Due weight should be given to the competitive position of the Company against its peer group. The review of remuneration arrangements shall seek to ensure that the methodology does not encourage excessive risk and that it rewards demonstrably superior performance by the Investment Adviser in managing the portfolio against the stated investment objective when compared to a suitable benchmark or peer group;

8.2.7 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 risk management and internal control systems designed to safeguard the shareholders' investment and the Company's assets); and

8.2.8 produce any statements regarding the Investment Adviser, its remuneration and any other terms of its appointment which are required to be included in the Company's annual report or as otherwise required by the Board.

8.3 The Committee should monitor and evaluate other service providers to the Company from time to time, including by:

8.3.1 reviewing and considering the appointment and remuneration of service providers to the Company and their on-going performance; and

8.3.2 considering any points of conflict which may arise between the providers of services to the Company.

8.4 The Committee shall review annually the effectiveness of the Company's risk management and internal control systems designed to safeguard shareholders' investment and the Company's assets.

8.5 The review process shall be consultative and the Committee may seek input from relevant parties having a relationship with the Investment Adviser to satisfy itself that the relationship is working and is cost efficient.

8.6 The Committee shall review the Company's compliance with the Modern Slavery Act 2015.

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

8.8 The Committee shall:

8.8.1 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the AIC Code of Corporate Governance and the requirements of the Financial Conduct Authority's Listing Rules (to the extent the Company voluntarily complies with the Listing Rules from time to time), Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules and the Market Abuse Regulation and any other applicable rules as they form part of UK law by virtue of the European Union (Withdrawal) Act 2018, and as amended,;

8.8.2 be provided with appropriate and timely training, both in the form of an induction programme for new committee members and on an on-going basis for all committee members;

8.8.3 oversee any investigation of activities which are within its terms of reference;

work and liaise as necessary with all other Board committees; and

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.

9 Reporting to shareholders

The Chair shall attend the Company's annual general meeting for the purpose of responding to any questions or enquiries about the Committee and its activities and responsibilities.

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