NIPPON ACTIVE VALUE FUND PLC
Nomination & Remuneration 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 2019, the directors of the Company have established a board committee, as the Nomination & Remuneration Committee (the "**Committee**") of the Company, to lead the process for Board appointments and make recommendations to the Board.

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

"**Administrator**" means NSM Funds (UK) Limited; 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. Membership of the Committee shall be confined to independent non-executive directors.

1.2 The Committee shall have at least three members.

1.3 The Committee's Chair ("**Chair**") shall be appointed by the Board but shall not be the Chair of the Board. The Board shall determine how long the Chair shall hold office.

2. Secretary

2.1 The Administrator, as the Company Secretary of the Company, or their nominee, shall be the secretary of the Committee.

3. Meetings

3.1 The Committee shall meet at least once a year and otherwise as required. These meetings shall be convened by any member or the secretary, at the request of the Chair.

3.2 The quorum for the transaction of business of the Committee shall be any two members.

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.

4. Attendance

4.1 The Committee may invite any person it thinks appropriate to join the members of the Committee at its meetings. Any person invited to attend a meeting of the Committee shall have no right to participate or vote on any matter put to that meeting.

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 Save where they have a personal interest, the Chair shall have a casting vote.

5.4 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 Administrator 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;

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 carry out the following duties for the Company, major subsidiary undertakings and the group as a whole, as appropriate.

8.2 The Committee shall:

8.2.1 regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, compared to its current position and make recommendations to the Board with regard to any changes;

8.2.2 give full consideration to succession planning for directors in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;

8.2.3 be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;

8.2.4 before any appointment is made to the Board, review the balance of skills, knowledge, experience and diversity on the Board and, in the light of this review, prepare a description of the role and capabilities required for a particular appointment (including for the appointment of the Chair of the Board) and in identifying suitable candidates, the Committee shall:

(i) use open advertising or the services of external advisers to facilitate the search;

(ii) consider candidates from a wide range of backgrounds; and

(iii) consider candidates on merit and against objective criteria, with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position;

8.2.5 review the results of the Board performance review process that relate to the composition of the Board;

8.2.6 keep under review the leadership needs of the Company, with a view to ensuring the continued ability of the group to compete effectively;

8.2.7 keep up-to-date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

8.2.8 review annually the time required from non-executive directors and the board performance review should be used to assess whether the non-executive directors are spending enough time to fulfil their duties;

8.2.9 ensure that, on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time, commitment, committee service and involvement outside Board meetings;

8.2.10 make whatever recommendations to the Board it deems appropriate on any area within its remit, where action or improvement is needed;

8.2.11 make a statement in the Company's annual report about the activities of the Committee, including but not limited to:

(i) the process used in relation to appointments, the approach to succession planning and how both promote developing a diverse pipeline;

(ii) how the board performance review was conducted, the nature and extent of an external reviewer's contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence future board composition; and

(iii) the policy and any initiatives on diversity, inclusion and equal opportunities, their objectives and link to company strategy, how they have been implemented and progress on achieving the objectives.

8.2.12 consider such other matters as may be requested by the Board.

8.3 The Committee shall also carry out the following in remuneration functions:

8.3.1 determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chair and non-executive directors pursuant to the Company's articles of association. The remuneration of non-executive directors shall be a matter for the Committee. Each individual director shall not be involved in any decisions as to their own remuneration;

8.3.2 in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code, the AIC Code of Corporate Governance;

8.3.3 when setting the remuneration policy for directors, review and have regard to the remuneration trends across the Company or group;

8.3.4 review the ongoing appropriateness and relevance of the remuneration policy;

8.3.5 obtain reliable, up-to-date information about remuneration in other companies. To help fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board;

8.3.6 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;

8.3.7 ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised; and

8.3.8 agree the policy for authorising claims for expenses for the directors.

9. Recommendations to the Board

9.1 The Committee shall be responsible for making recommendations to the Board concerning:

9.1.1 formulating plans for succession for non-executive directors and, in particular, for the key roles of Chair of the Board;

9.1.2 suitable candidates for the role of senior independent director;

9.1.3 membership of the audit and management engagement committees of the Company, and any other Board committees as appropriate, in consultation with the chairmen of those committees;

9.1.4 the re-appointment of any non-executive director, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

9.1.5 the re-appointment of directors, as they fall due for re-election, under the terms of their appointment and the AIC Code of Corporate Governance and the UK Corporate Governance Code of the UK Listing Authority, and to make recommendations to the Board as considered appropriate; and

9.1.6 any matters relating to the continuation in office of any director at any time, subject to the provisions of the law and their letter of appointment including the suspension or termination of service of a director subject to the provisions of law and their letter of appointment.

10. Other matters

The Committee shall:

10.1 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 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;

10.2 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;

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

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

10.5 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.

11. Reporting to shareholders

11.1 The Committee shall report annually on the Board's behalf to the Company's shareholders. Its report shall accompany the directors' report in the Company's annual report and accounts. The Committee's report shall include information about its activities, the process used to make appointments and explain if external advice or open advertising has not been used.

11.2 The report referred to in 11.1 above shall include a statement of the Board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objective.

11.3 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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