

## Scottish Futures Trust Group Board Reserved Powers

### 1. Introduction

This Statement of Board Reserved Powers summarises the matters specifically reserved for determination by the Board, and those matters delegated to Management.

It is applicable across the Group (including SFT and SFTi) recognising that SFTi is solely an investment company which has no ongoing operations, and holds investments managed by its Board which is the same as the Board of SFT. Section 6 is specific to SFTi.

### 2. Matters Reserved for the Board

In addition to matters expressly required by law to be approved by the Board, powers specifically reserved for the Board are as follows:

- 2.1. appointment and termination of the CEO and determination of his or her terms and conditions (including remuneration);
- 2.2. any matters in excess of powers that it may have from time to time delegated to the CEO;
- 2.3. approvals of each of the following:
  - (a) the corporate strategy, at least annually;
  - (b) the budget, at least annually;
  - (c) the level of remuneration and conditions of service including any financial incentives for any Executive Directors at least annually;
  - (d) the acquisition, establishment, disposal or cessation of any subsidiary or business;
  - (e) the annual financial reports and any other information for disclosure to stakeholders that contains or relates to financial projections, statements as to future financial performance or changes to the policy or strategy of the Company (taken as a whole);
  - (f) borrowings, other than in the ordinary course of business, and the granting of security over, or interests in, the undertaking of the Company or any of its assets;
  - (g) the making of any public statements which reflect significant issues of SFT policy or strategy where such significant issues of policy or strategy have not been previously approved by the Board;
  - (h) any change to the powers delegated from the Board; and
  - (i) strategic policies of company-wide or general application.

2.4. to establish procedures which ensure that the Board is in a position to exercise its powers and to discharge its responsibilities as set out in this statement.

2.5. Responsibilities specifically reserved for the Board include:

### Strategy and Planning

- (a) Oversee the development of SFT's corporate strategy through constructive engagement with Management;
- (b) Review and approve SFT's corporate strategies, strategic business plans, budgets and performance objectives; and
- (c) Monitor and assess Management's performance in achieving any strategies, plans, budgets and performance objectives approved by the Board.

### Oversight of Management

- (a) Appoint and, if appropriate, remove the CEO;
- (b) Set criteria for, and evaluate at least annually, the performance of the CEO;
- (c) Monitor Management's performance and implementation of strategy against measurable and qualitative indicators, encouraging effectiveness and ensuring that appropriate resources are available to do so;
- (d) Ensure Management supplies the Board with information that will assist the Board discharge its duties; and

### Oversight of financial management and capital management

With the guidance of the Group Audit Committee as appropriate:

- (a) Determine that the Company accounts are true and fair in accordance with the Companies Act as amended from time to time;
- (b) Review and approve annual financial reports;
- (c) Monitor SFT's financial position and results on an ongoing basis and against the approved annual budget;
- (d) Oversee SFT's accounting and financial management systems;
- (e) Oversee SFT's external and (if deemed necessary) internal control audit processes, including selecting and recommending any changes to Auditors as required at Annual General Meetings and that the scope of the internal control audit activities is adequate;
- (f) Review, approve and monitor the progress of major capital expenditure, capital management levels, major acquisitions and divestitures and material commitments;
- (g) Oversee the non-profit distributing requirements of SFT's memorandum and articles of association.

### Shareholders

- (a) Oversee effective communication with shareholders, including convening shareholder's Meetings, and listening and responding to shareholder's views of Management, the Board and SFT;
- (b) Facilitate the effective exercise of shareholder's rights; and
- (c) Report to shareholders in accordance with regulatory requirements.

### Ethics and Sustainability

- (a) Monitor and influence SFT's culture and actively promote ethical and responsible decision making in the Company;
- (b) Establish and maintain a Code of Conduct to guide its Directors, Management and Employees in the practices necessary to maintain confidence in SFT's integrity; and
- (c) Establish and maintain a system of reporting for unethical practices: "whistleblowing".

### Compliance and Risk Management

- (a) Oversee SFT's corporate governance, internal control and accountability systems and reviewing reporting under those systems;
- (b) Establish, oversee and review the effectiveness of systems for identifying, assessing, monitoring, and managing material business risks through SFT and related entities, and informing shareholders of material changes to SFT's risk profile;
- (c) Establish, oversee and review systems of internal compliance, risk management and control, and systems of legal compliance that govern the operations of SFT, and ensuring that they are operating effectively;
- (d) Oversee approvals in relation to related party transactions and disclosures; and
- (e) Establish, oversee and review written policies, codes and procedures governing compliance, risk oversight and management.

### 3. Delegation to Committees

The Board may delegate any of its powers (including this power to delegate) to a Committee of Directors.

A Committee must exercise the powers delegated in accordance with any directions of the Directors and may:

- (a) investigate any activity within the terms of its specification;
- (b) following consultation with the Chairman and CEO, obtain such information as it considers necessary from Management; and
- (c) obtain external legal or other independent advice, as it considers necessary.

Directors are entitled to attend Committee Meetings and receive Committee papers. Committees will maintain minutes of their Meetings. The Chairman of each Committee will report back on Committee Meetings to the Board at the next full Board Meeting.

To assist the Board in fulfilling its duties, there are currently three Committees:

- (a) Group Audit Committee.
- (b) SFTi Investment Committee
- (c) SFT Nominations Committee

Each Committee established by the Board has formal Terms of Reference approved by the Board setting out the authority, responsibilities, membership and operation of the Committee. With the exception of certain limited delegations contained in their Terms of Reference, recommendations of the Committees are to be referred to the Board for approval.

#### **4. Delegation to CEO and Management**

The Board may also delegate any of its powers to any Director, which includes the CEO.

The Board has delegated to the CEO the authority to manage the day to day affairs of SFT and the authority to control the affairs of SFT in relation to all matters other than those responsibilities reserved to the Board in this Statement of Reserved Powers.

The Board may impose further specific limits on CEO delegations from time to time.

The CEO has authority to sub-delegate such authority and power to such members of the Management team as he shall determine from time to time in a written statement of delegated authority which shall be reviewed by the Board at least annually.

#### **5. Disclosure**

The Board will make appropriate disclosure to shareholders in SFT's Annual Report of the key aspects of this Statement of Board Reserved Powers.

The Statement is also publicly available on the Company's website in a clearly marked section.

#### **6. SFTi**

The Board is responsible for:

- (a) All investment decision making unless expressly delegated (including to a Committee as in Section 3 above);
- (b) Monitoring at least annually the performance of all investments and loans made by the Company.