

Shareholder Questions for the Annual General Meeting

Maven Income and Growth VCT 4 PLC – 12 May 2021

Question	Response
<p>I notice that, yet again we have the same old directors remaining on the board of this company. I sent the email below last year which the board clearly has taken no notice of (and I do not recall receiving a response to that email).</p> <p>Please note I object to any director of a public company serving for more than nine years. They cannot be considered “independent”. I have therefore voted against their reappointment.</p> <p>The response last year just attempts to trivialise the issue of long serving directors. I would hope the response is better this year!</p> <p>Neither am I aware of when or where the FRC has said that using the AIC Code relieves any company of compliance with the UK Corporate Governance Code. Please provide evidence of that.</p> <p>You might not consider that length of service reduces their ability to act independently but I certainly do. And clearly those who drafted the UK Corporate Governance Code did so because why otherwise would they have introduced the 9-year rule?</p>	<p>Responses to all questions received prior to the 2020 AGM were posted on the Company’s website immediately after the meeting, as will be the case this year.</p> <p>The objection is noted, and the Directors support your entitlement to vote as you see fit.</p> <p>The Boards view on tenure is articulated on page 57 of the 2020 Annual Report and includes a statement that continuity and experience are considered to add significantly to the strength of the Board.</p> <p>Page 3 of The AIC Code of Corporate Governance (published in February 2019) contains an endorsement by the FRC and states that the FRC confirms that member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code.</p> <p>On the ‘comply or explain’ basis set out in the AIC Code, the Directors have explained their rationale on tenure as stated above.</p>
<p>The UK corporate governance code states “The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.”</p> <p>The chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment. A clear explanation should be provided.” I appreciate that you and Mr Gray have joined recently, but note from your accounts that your remaining three directors have served on the board for since 2005 or earlier, and that one of them is also a partner in Maven. Please could you explain why you believe this is really in the interests of your shareholders, and whether further changes to the Board are planned? If not, why not?</p>	<p>As stated in the 2020 Annual Report, the Nomination Committee reviews the composition, skills, knowledge, experience and diversity of the Board at least once each year. Details of each Director’s knowledge and experience are set out in their biographies on pages 7 and 8 of the 2020 Annual Report and in the Directors’ Report on page 46. The Board believes that the contribution of each Director continues to be important to the continued long-term success of the Company.</p> <p>Peter Linthwaite was independent of the Manager at the time of his appointment as a Director in November 2018 and Chairman in May 2019, and continues to be so by virtue of his lack of connection with the Manager and the absence of cross-directorships with his fellow Directors. Mr Gray joined the Board in December 2019. In terms of the other three Directors, the Board believes that continuity and experience are considered to add significantly its strength. As mentioned above, the Nomination Committee reviews the composition of the Board on a regular basis and does so in light of the guidance of the AIC Code and taking into account the views of Shareholders, with any changes being notified when required.</p>

<p>Shareholders in the VCT sector rely on their board to monitor the performance of the investment manager. In the event of prolonged poor performance, or a loss of faith in the manager's ability to provide satisfactory future performance, the board should be able to take the difficult decision to replace the managers. I believe that this is less likely to happen, and directors are less able to take an objective view, when they have been working closely with (or even worked for) the managers for many years.</p> <p>Moreover, a lack of turnover in the board is a barrier to greater diversity of thought and challenge. I have been a member of various boards and committees over the last 15 years and have always found that the appointment of new board members brings a valuable new perspective and a new energy to boards. Setting maximum terms of office of nine years helps to ensure that new board members are regularly brought in.</p>	<p>The Management Engagement Committee, which comprises only the independent Directors, reviews of the contract with the Manager on an annual basis. The points on tenure and independence have been responded to above but Shareholders can be assured that the Directors are rigorous in their review and robust in challenging the Manager at regular meetings throughout the year.</p> <p>The Board agrees that diversity and challenge are important factors in its relationship with the Manager and can confirm that Mr Linthwaite and Mr Gray have both brought these attributes to bear in discussions and will continue to do so. The longer term appointments of Mr Graham Wood and Mr Scott provide balance and assurance on the performance of the Manager over the longer term, particularly in respect of its monitoring of the more mature investments in the portfolio.</p>
<p>In view of the longevity of some of your directors and the potential impact on (at least) perceived independence, could you update shareholders on the Company's succession planning?</p> <p>I note you have split out the auditor resolutions, but you propose to give the power to approve auditor remuneration to the full board, rather than the audit committee. One might have thought that it would be the audit committee who would be best placed to assess both the amount of audit work required and the appropriate level of remuneration. There might in some cases be a risk the full board or where applicable the executives could use control of auditor remuneration to limit the required amount of audit work. Could you be so kind as to explain your thinking?</p>	<p>The Nomination Committee reviews the composition, skills, knowledge, experience and diversity of the Board at least once each year. The appointments of Mr Linthwaite and Mr Gray in November 2018 and December 2019 respectively, have brought further diversity and experience to the Board. The Directors recognise the importance of a balanced composition of the Board and any further changes to its composition will be notified to Shareholders when appropriate.</p> <p>The Audit Committee, which comprises all of the independent Directors, reviews the performance of the Auditor on an annual basis and will make a recommendation to the full Board on both their reappointment and remuneration. The Board then has the authority to make a recommendation on separate Resolutions, which we understand to be common practice, to be proposed at the AGM. However, the ultimate approval for the appointment and remuneration of the Auditor lies with the Shareholders.</p>
<p>Virtual meetings: Why has the Company, not organised for a Virtual meeting at the time of the AGM. Whilst I recognise that this would first require shareholders to approve this first at an AGM. A number of VCTs have put such a Resolution to this year's meetings and also organised a virtual meeting immediately after the official AGM.</p> <p>Performance of the VCT has been relatively poor in relation to the total body of VCTs and other Maven VCTs. Is the Board considering changes to the Board composition to better equip the Board to improve this relative performance?</p>	<p>It is correct that the ability to hold a virtual, or hybrid, Shareholder Meeting would require a change to the Company's Articles of Association, as these do not currently contain the required provisions. It would be reasonable to expect that the next revision to the Articles will include such provision. Based on attendance levels at previous General Meetings and their being no previous evidence of demand for a virtual or hybrid facility, it was considered that the cost of enabling this was not appropriate use of Shareholders' funds. However, your comments are noted, and the Board will give this due consideration for future meetings.</p> <p>The Board has overall responsibility for the performance of the Company and is robust in its challenging of the Manager when that is required. The Company has delivered increases in Shareholder returns in all but one of the past 12 years and achieved an NAV total return of 148.93p per share at 31 December 2020, being the highest level to date and an increase of 56.77% since launch. For a Shareholder who subscribed at launch, when tax relief of 40% was available, the effective NAV total return to 31 December 2020 was 188.93p and represented an increase of 98.9% since launch.</p>