

Report of the Management Engagement Committee



“The committee continues to monitor and review the performance of the Investment Adviser and the Company’s other third-party service providers ensuring that their terms are competitive, fair and reasonable for Shareholders.”

Dear Shareholder,

I am pleased to present to you the Management Engagement Report for the year ended 31 March 2021, which has been approved by both the Management Engagement Committee and the Board.

During the year, the Committee reviewed the performance of and contractual arrangements with the Investment Adviser and the Company’s other third-party service providers. Overall, the Committee agreed that the services currently provided by the Company’s key service providers continued to be delivered in line with their respective terms of engagement.

The Committee’s work for the year ahead will be focussed on the ongoing review of the performance of the Investment Adviser and the Company’s other third-party service providers.

Purpose and Aim

The terms of reference of the Management Engagement Committee, which are reviewed annually, are set out on the Company’s website (www.hipgnosissongs.com).

The Management Engagement Committee provides a formal mechanism for the review of the performance of the Investment Adviser and the Company’s other advisers and service providers. It carries out this review through consideration of a number of objective and subjective criteria and through a review of the terms and conditions of the advisers’ appointments with the aim of evaluating performance, identifying any weaknesses and ensuring that their terms are competitive, fair and reasonable for Shareholders.

Membership and Meetings

As at 31 March 2021, the Committee comprised:

Mr Andrew Sutch (Chair of the Committee)
Mr Paul Burger
Ms Sylvia Coleman
Mr Simon Holden
Mr Andrew Wilkinson

The Management Engagement Committee meets at least once a year pursuant to its terms of reference. During the year the Management Engagement Committee met on two occasions, on 16 June 2020 and 16 March 2021. Attendance is disclosed on page 84. A quorum is two members.

Investment Adviser

The Board is responsible for the determination of the Company’s Investment Objective and Policy and has overall responsibility for its activities. The Company has, however, entered into an Investment Advisory Agreement dated 27 June 2018 with the Investment Adviser under which the Investment Adviser will advise the Company in relation to the acquisition, holding, disposal and management of Songs, whether organised into Catalogues or otherwise.

The Company is responsible for paying an advisory fee to the Investment Adviser in return for their services, and, subject to the fulfilment of certain conditions, an additional performance fee.

The Board is responsible for monitoring and evaluating the Investment Adviser's performance annually. During the year the Board reviewed the terms of the Investment Advisory Agreement, the termination clause and the level of remuneration including the performance related element. In accordance with Listing Rule 15.6.2(2)R and having formally appraised the performance and resources of the Investment Adviser, in the opinion of the Directors the continuing appointment of the Investment Adviser on the terms agreed is in the interests of the Shareholders as a whole.

Third-Party Service Provider Review

The Company works closely with and has delegated the provision of services to a number of service providers (the Administrator, Company Secretary, brokers and other professional advisers) whose interests are aligned to the success of the Company. The quality and timeliness of their service provision is critical to the success of the Company. The Management Engagement Committee reviews all material contracts for service quality and value and on an annual basis conducts a detailed review of the performance of key third-party service providers pursuant to their terms of engagement, with the exception of the external auditor as their performance review is conducted by the Audit and Risk Management Committee and is discussed on page 94.

A service provider evaluation was undertaken in March 2021. The review was based on a questionnaire which also gave service providers an opportunity to provide feedback to the Company. Each service provider completed the questionnaire outlining how they had fulfilled their responsibilities and detailed their relationship with the Board, the Investment Adviser and other service providers. These were reviewed and discussed by the Management Engagement Committee who communicated their conclusions to the Investment Adviser and requested the Investment Adviser to advise the service providers areas of the service they believed worked well and areas they believed could be improved or enhanced. Overall, the Management Engagement Committee agreed that the services currently provided by the Company's key service providers continued to be delivered in line with their respective terms of engagement and concluded that the services were of a satisfactory level, providing assurance to the Board.

2022 Objectives

It is the Management Engagement Committee's intention to continue to oversee the terms and conditions of the advisers' appointments with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Shareholders.

The proposed activities for the Committee for the year ahead are:

- review the terms of the Investment Advisory Agreement between the Company and the Investment Adviser, and to ensure that the terms are competitive, fair and reasonable for the Shareholders;
- review the performance of the Investment Adviser including the on-going suitability of the Investment Adviser to manage the assets of the Company, on at least an annual basis;
- review the performance of, and the terms of the Company's arrangements with, other third-party service providers (other than the external auditors), and to ensure that the terms are competitive, fair and reasonable for Shareholders.

On behalf of the Management Engagement Committee,

Andrew Sutch

Chair of the Management Engagement Committee

4 July 2021