

**BRITISH SMALLER COMPANIES VCT2 PLC  
NOMINATION COMMITTEE TERMS OF REFERENCE**

**Constitution**

1. The Board has established a Committee of the Board known as the Nomination Committee.

**Membership**

2. The Committee shall consist of 3 directors each of whom shall be independent of the Investment Adviser. A quorum shall be 2 directors.
3. The Chairman of the Committee shall be the Chairman of the Board save when the committee sits to deal with the appointment of a successor to the chairmanship of the Board in which case the committee chairman would be another member.

**Other Attendees (non-voting)**

4. Other attendees (non-voting) of the Committee shall be Representatives of the Investment Adviser, as required together with the Company Secretary.
5. The Company Secretary shall be the Secretary to the Committee.

**Frequency of Meetings**

6. Meetings shall be held as and when required.

**Authority**

7. The Committee has no executive authority. Matters reserved to the Board are all those matters which are subject to recommendation of the Committee and any specific criteria to be applied in any given selection.
8. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any executive director or officer of the Investment Adviser and all such employees are directed to co-operate with any request made by the Committee.
9. The Committee is authorised by the Board to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

**Duties**

10. The duties of the Committee shall be:
  - to be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
  - before making an appointment, to evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
  - to review annually the time required from a non-executive director. Performance evaluation should be used to assess whether the nonexecutive director is spending enough time to fulfil their duties;

- to consider candidates from a wide range of backgrounds and look beyond the “usual suspects”;
- to give full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the company and what skills and expertise are therefore needed on the Board in the future;
- to regularly review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes;
- to keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- to make a statement in the annual report about its activities; the process used for appointments and explain if external advice or open advertising has not been used; the membership of the Committee, number of Committee meetings and attendance over the course of the year;
- to make available its terms of reference explaining clearly its role and the authority delegated to it by the Board; and
- to 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.
- to make recommendations to the Board:
  - as regards plans for succession for both executive and non-executive directors;
  - as regards the re-appointment of any non-executive director at the conclusion of their specified term of office;
  - concerning the re-election by shareholders of any director under the retirement by rotation provisions in the company’s articles of association;
  - concerning any matters relating to the continuation in office of any director at any time; and
  - concerning the appointment of any director to executive or other office other than to the positions of chairman and chief executive, the recommendation for which would be considered at a meeting of the Board.

### **Appointments to the Board**

11. There should be a formal, rigorous and transparent procedure for the appointment of new directors and the Chairman.
  - (a) Board appointments should be made on merit and against objective criteria. The following criteria have been identified as especially relevant:

To be able to suggest, advise on and monitor matters relating to the general investment strategy of the Company; the performance of the Company; the performance of the Company’s Investment Adviser; and the guidelines for the allocation of investments agreed from time of time with the Company’s Investment Adviser.

- (b) In considering a person for the position of Chairman of the Company the following factors should be considered of particular weight:

Commitment; effectiveness in facilitating decision making and in ensuring that all directors fully participate in the process; effectiveness in participating in the discussions without undue use of his position to force a decision; and effectiveness in managing the relations with the Investment Adviser.

Care should be taken to ensure that appointees have enough time to devote to the job. This is particularly important in the case of the Chairman.

### **Reporting Procedures**

12. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.
13. The terms of reference and the effectiveness of the Committee to be reviewed annually.
14. The terms of reference should be made available on a website that is maintained on behalf of the Company.
15. The work and membership of the Committee should be described in the annual report.