



## **Terms of Reference of the Nomination Committee (“Committee”) of the Board of Directors (“Board”) of Optos plc (“Company” or “Group”)**

### **Constitution and Authority**

1. The Committee is established as a committee of the Board of the Company as established in the Articles of Association of Optos plc and in accordance with the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008 (“Combined Code”).
2. The Committee’s principal responsibilities are to determine and recommend to the Board, the Group’s overall nomination policy, its alignment to performance and its cost, advising on plans for succession for executive management, executive and non-executive directors and, in particular, the Chief Executive Officer.
3. The Committee is authorised to undertake any activity within these terms of reference and to seek any information it properly requires in order to perform its duties from any employee of the Company or any subsidiary company of the Optos plc group. All employees are directed to co-operate with any request made by the Committee.
4. The Committee is authorised by the Board to obtain, at the Company’s expense, internal or external independent professional advice, as the Committee considers appropriate. The Secretary to the Committee maintains a register of the independent advisors who provide services to the Committee.
5. Each member of the Committee discloses to the Committee:
  - 5.1. any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
  - 5.2. any potential conflict of interest from a cross-directorship or other activity; and any such member will abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) will resign from the Committee.

### **Composition and Meetings**

6. The Board appoints the Committee members. The Committee shall consist of at least three members of which the majority should be independent non-executive directors as prescribed by the Combined Code.
7. The Board shall appoint the Chairman of the Board or an independent non-executive director to be the chairman of the Nomination Committee. If the Chairman of the Board is appointed as chairman of the Nomination Committee s/he should not chair the Nomination Committee when it is considering the appointment of a successor to his/her chairmanship. In the absence of the chairman of the Committee, the remaining members present shall elect one of their number to chair the meeting from those who would qualify under these terms of reference to be appointed to the position by the Board.
8. The Chairman of the Board shall not chair the Committee when it is dealing with the matter of succession to the Chairmanship..



9. Committee members will normally serve for a period of up to three years (extendable by no more than two additional three year periods provided that the majority of the committee remain independent) and subject to the members' retirement by rotation in accordance with the terms of the Company's Articles of Association. Wherever practical, the Chairmanship and membership of the Committee shall be regularly rotated.
10. No one other than the chairman of the Nomination Committee and its members is entitled to be present at a meeting of the Nomination Committee. Attendance at meetings of the Nomination Committee by non-members, the Chairman of the Board (if not a member), the Chief Executive, other members of the Board, the Head of Human Resources and/or external advisers shall be at the sole discretion of the Nomination Committee.
11. The Committee will normally appoint the Company Secretary or his or her nominee to be the Secretary to the Committee. This individual shall attend meetings of the Committee where invited to by the Chairman of the Nomination Committee and shall prepare and circulate to members and all other non-executive directors (and invitees as appropriate) information and papers in a timely manner to enable them to give full and proper consideration to the issues. The Chairman of the Nomination Committee or the Company Secretary shall prepare minutes of the Nomination Committee meetings and shall circulate them to all members of the Nomination Committee and to the Chairman and other members of the Board, unless a conflict of interest exists.
12. Meetings are held as and when appropriate, but not less than twice per year. Any member of the Nomination Committee may request a meeting if s/he considers that one is necessary or expedient.
13. The Committee may invite any person it thinks appropriate to attend all or part of any Committee meetings to present on matters of interest to the Committee or to present management proposals. No member of the Board shall participate at a meeting of the Committee (or part thereof) at which any part of his or her nomination is being discussed nor participate in any recommendation or decision concerning his or her nomination.
14. The quorum necessary for the transaction of business shall be two (both of whom must be independent non-executive directors) and a duly convened meeting of the Committee at which quorum is present shall be competent to exercise any or all of the authorities, powers and discretions vested in or exercisable by the Committee.

#### **Duties and Responsibilities**

##### **15. The duties of the Nomination Committee include:**

- 15.1. lead the selection process of candidates and propose to the Board any new Board appointments, whether of executive or non-executive directors;
- 15.2. in nominating directors, give due regard to the contents of the Combined Code as well as the UK Listing Authority's Listing Rules and associated guidance;
- 15.3. be responsible for identifying and nominating for approval of the Board candidates to fill Board vacancies as and when they arise;
- 15.4. before making an appointment, 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;



- 15.5. for the appointment of a Chairman of the Board, prepare a job specification, including an assessment of the time commitment expected and recognising the need for availability in the event of crises;
- 15.6. review annually and articulate the time needed to fulfil the role of Chairman of the Board, Senior Independent Director and non-executive director. Performance evaluation should be used to assess whether each non-executive director is spending sufficient time to fulfil his/her duties;
- 15.7. consider candidates from a wide range of backgrounds. In identifying suitable candidates, it should use open advertising or the services of external advisers to facilitate the search and consider candidates on merit and against objective criteria, taking care that appointees have enough time to devote to the position;
- 15.8. give full consideration to succession planning for the executive management in the course of its work, taking into account the challenges and opportunities facing the Company and what skills and expertise are therefore required in the future;
- 15.9. 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;
- 15.10. keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- 15.11. keep itself up-to-date and fully informed about strategic issues and commercial changes and challenges affecting the Company and the group and the market in which they operate;
- 15.12. make available its terms of reference explaining clearly its role and the authority delegated to it by the Board;
- 15.13. 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 of Board meetings; and,
- 15.14. consider any other matter specifically referred to the Nomination Committee by the Board.

**16. The Nomination Committee shall make recommendations to the Board concerning:**

- 16.1. suitable candidates for the role of Senior Independent Director;
- 16.2. plans for succession for executive management, executive and non-executive directors and, in particular, the Chief Executive Officer;
- 16.3. the re-appointment of any non-executive director at the conclusion of his/her specified term of office having regard to his/her performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required;



- 16.4. the re-election by shareholders of any director under the retirement by rotation provisions in the Company's Articles of Association having regard to his/her performance and ability to contribute to the Board in light of the knowledge, skills and experience required;
- 16.5. the continuation (or not) in service of any director who has reached the age of (70) if required by the Articles of Association.
- 16.6. membership of the Audit and Remuneration Committees, in consultation with the chairman of those committees;
- 16.7. any matters arising relating to the continuation of office of any director at any time. The Nomination Committee shall, in particular, make recommendations to the Board concerning matters relating to the suspension or termination of service of an executive director as an employee of the Company in accordance with the terms of his/her service contract and/or relevant law; and,
- 16.8. the appointment of any director to any executive or other office, other than to the positions of Chairman of the Board or Chief Executive Officer, the recommendation in respect of which should be considered at a meeting of the Board,

### **Reporting**

17. The Nomination Committee shall report to the Board after each meeting on all matters within its terms of reference and shall make any recommendations to the Board it deems appropriate on any areas within its terms of reference where action or improvement is needed.
18. A summary of the Nomination Committee's duties and work shall be included each year in the Company's annual report, including the process used for appointments and an explanation if external advice or open advertising has not been used, the membership of the Committee, the number of Committee meetings held and attendance over the course of the financial year.
19. The chairman of the Nomination Committee shall be available to answer questions through the Chairman of the Board on the report on the Nomination Committee's activities and matters falling within its terms of reference at the Annual General Meeting of the Company.
20. The Committee shall make publicly available its terms of reference.

### **Performance Review**

21. The Committee shall, at least once a year, consider its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and shall recommend any changes necessary to the Board for approval.

### **Minutes**

22. The Secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
23. The Secretary shall circulate the minutes of the meetings of the Committee to all members of the Committee and the Chairman of the Board and, if requested so to do by the committee,



shall make them available to other members of the Board unless a conflict of interest arises and to relevant advisers.

**Resolution of Disagreements**

24. Where disagreements between the Committee and the Board cannot be resolved, the Committee shall report the issue to the shareholders as part of the report on its activities in the Company's annual report.

**Company Secretary**  
**August, 2008**