

MIDATECH PHARMA PLC (the "Company")

NOMINATION COMMITTEE: TERMS OF REFERENCE

1. INTRODUCTION

1.1 At a meeting of the board of directors of the Company (the "**Board**") held on 3 December 2014, the Board resolved to establish a committee known as the Nomination Committee to lead the process for Board appointments and make recommendations to the Board (the "**Committee**") and approved the following terms of reference for the Committee.

1.2 In these terms of reference:

"**Committee Chairman**" means the chairman of the Committee;

"**Committee Secretary**" means the secretary of the Committee;

"**Director**" means a director of the Company; and

"**Group**" means the Company and its subsidiaries.

2. MEMBERSHIP OF THE COMMITTEE

2.1 The members of the Committee shall be appointed by the Board. The Committee shall comprise at least two members and a majority of the members of the Committee shall be independent non-executive Directors.

2.2 The Board shall appoint the Committee Chairman who shall be either the chairman of the Board or an independent non-executive Director. If the person appointed as Committee Chairman is the chairman of the Board, then he or she should not chair the Committee when it is dealing with the matter of succession to the chairmanship of the Board. In the absence of the Committee Chairman (or any deputy appointed by the Board) from any meeting of the Committee, the members of the Committee participating in the meeting shall elect one of their number (being a member who would qualify under these terms of reference to be appointed Committee Chairman by the Board) to chair the meeting.

2.3 Only members of the Committee have the right to attend meetings of the Committee. However, other individuals (such as the chief executive of the Company, the head of human resources and external advisers) may be invited by the Committee to attend all or part of any meeting of the Committee as and when the Committee considers appropriate.

2.4 Appointments to the Committee shall be for a period of up to three years which may be extended for two further three-year periods provided that a majority of the members of the Committee remain independent.

3. **COMMITTEE SECRETARY**

The secretary of the Company (or such other person as the Committee may appoint) shall act as the Committee Secretary.

4. **PROCEEDINGS OF THE COMMITTEE**

4.1 Meetings of the Committee must be held at least twice a year and at such additional times as may be required. Meetings of the Committee shall be called by the Committee Secretary at the request of the Committee Chairman.

4.2 Unless otherwise agreed by all members of the Committee, notice of a meeting of the Committee shall be given to each member of the Committee, any other person required to attend and all other non-executive Directors no later than five working days before the date of the meeting. The notice shall state the venue, time and date of the meeting and details of any arrangements for participating in the meeting and shall include or be accompanied by an agenda of items to be discussed at the meeting. Supporting papers shall be sent to members of the Committee and to other attendees as appropriate at the same time as the notice of meeting.

4.3 The quorum necessary for the transaction of business at a meeting of the Committee shall be two, both of whom must be independent non-executive Directors. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4.4 Each member of the Committee must, at or prior to the commencement of each meeting of the Committee, disclose to the Committee any interest that he has in any matter or proposal to be considered at the meeting. A member of the Committee must not participate in any discussions concerning, and shall not be entitled to vote in relation to, any matter or proposal to be considered at a meeting of the Committee in which he has an interest unless that interest cannot reasonably be regarded as likely to give rise to a conflict of interest.

4.5 A decision shall be taken at a meeting of the Committee by a majority of the votes of the members of the Committee who are participating in the meeting and, subject to these terms of reference, each member of the Committee participating in the meeting has one vote.

4.6 If the number of votes for and against a proposal are equal, the Committee Chairman (or other person chairing the relevant meeting) shall have a casting vote. However, this does not apply if, under these terms of reference, the Committee Chairman (or other person chairing the relevant meeting) is not entitled to vote on the relevant proposal.

5. **MINUTES OF MEETINGS OF THE COMMITTEE**

- 5.1 The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee (including the names of those participating in the meeting and any interests disclosed pursuant to paragraph 4.4).
- 5.2 The Committee Secretary shall circulate draft minutes of each meeting of the Committee to all members of the Committee promptly following the meeting. When finalised and approved, the minutes shall be circulated to all members of the Board unless it would be inappropriate to do so.

6. **DUTIES OF THE COMMITTEE**

6.1 The Committee shall:

- (a) regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- (b) give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Group and the skills and expertise needed on the Board in the future;
- (c) lead the process for Board appointments and be responsible for identifying, and nominating for the approval of the Board, candidates to fill vacancies on the Board as and when they arise;
- (d) before any appointment is made by the Board, evaluate the balance of skills, knowledge, independence, experience and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall:
 - (i) use open advertising or the services of external advisers to facilitate the search;
 - (ii) consider candidates from a wide range of backgrounds; and
 - (iii) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board (including gender), taking care that appointees have enough time available to devote to the position;
- (e) for the appointment of the chairman of the Board, prepare a job specification, including the time commitment expected, recognising the need for availability in the event of crises. The Committee should ensure that a proposed chairman's other significant commitments are disclosed to the Board before

appointment, with a broad indication of the time involved, and that any changes to those commitments are reported to the Board as they arise;

- (f) require a candidate being considered for appointment to the Board to disclose details of any business or other interests that he may have and consider whether or not any of those interests conflict or may conflict with the interests of the Company. If any actual or potential conflict of interest is identified, the Committee shall consider whether to recommend that, notwithstanding such conflict, the relevant candidate be appointed and that the conflict of interest in question be authorised by the Board in accordance with the Company's articles of association. The Committee shall as part of any proposal to the Board for appointment of the relevant candidate explain the grounds for making this recommendation and shall also make recommendations to the Board as to the terms and conditions on which the Board should authorise the conflict;
- (g) 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 meetings of the Board. The Committee should ensure that a proposed non-executive Director's other significant commitments are disclosed to the Board before appointment, with a broad indication of the time involved, and that any changes to those commitments are reported to the Board as they arise;
- (h) keep under review the leadership needs of the Group, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace;
- (i) keep up-to-date and fully informed about strategic issues and commercial changes affecting the Group and the markets in which it operates;
- (j) review the results of the Board performance evaluation process that relate to the composition of the Board; and
- (k) review annually the time required from non-executive Directors. Performance evaluation should be used to assess whether the non-executive Directors are spending enough time to fulfil their duties.

6.2 The Committee shall also make recommendations to the Board concerning:

- (a) formulating plans for succession for both executive and non-executive Directors and, in particular, for the key roles of chairman of the Board and the chief executive of the Company;
- (b) suitable candidates for the role of Senior Independent Director;

- (c) membership of the audit and remuneration committees (and any other committees of the Board as appropriate) in consultation with the chairmen of those committees;
 - (d) the re-appointment of any non-executive Director at the conclusion of his specified term of office, having given due regard to his performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
 - (e) the re-election of Directors by shareholders under the annual re-election provisions of the UK Corporate Governance Code or the 'retirement by rotation' provisions of the Company's articles of association, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board;
 - (f) any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an executive Director as an employee of the Company subject to the provisions of the law and his service contract; and
 - (g) the appointment of any Director to executive or other office.
- 6.3 The Committee shall carry out such other duties as may be assigned to it, and shall consider such other matters as may be referred to it, by the Board from time to time.
- 6.4 In carrying out its duties under these terms of reference, the Committee shall give due regard to all applicable laws, regulations and guidance including the UK Corporate Governance Code, the QCA Corporate Governance Guidelines for Smaller Quoted Companies, the NAPF Corporate Governance Policy and Voting Guidelines for AIM Companies and the London stock Exchange's rules for AIM companies and associated guidance.

7. AUTHORITY OF THE COMMITTEE

- 7.1 The Committee is authorised by the Board:
- (a) to undertake such investigations and research as it considers desirable for the purpose of carrying out its duties under these terms of reference;
 - (b) to obtain, at the Company's expense, outside legal or other professional advice on any matter within these terms of reference; and
 - (c) to secure the participation of any person with relevant experience and expertise in meetings of the Committee if the Committee considers this appropriate.

7.2 In addition, the Committee is authorised by the Board to seek any information it requires from any officer or employee of the Group in order to perform its duties and may call any such officer or employee to be questioned at a meeting of the Committee. All Group officers and employees will be directed to co-operate with any request for information made by the Committee.

8. REPORTING RESPONSIBILITIES

8.1 The Committee Chairman shall report formally to the Board on the proceedings of the Committee after each meeting on all matters within its duties and responsibilities.

8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8.3 The Committee shall make a statement for inclusion in the Company's annual report about its activities and the process used to make appointments (including an explanation if external advice or open advertising has not been used).

8.4 The Committee Chairman shall attend each annual general meeting of the Company prepared to respond to any questions from shareholders concerning the Committee's activities.

9. OTHER MATTERS

9.1 The Committee shall be:

- (a) given access to sufficient resources in order to carry out its duties (including access to the secretary of the Company for assistance as required); and
- (b) provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

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

9.3 These terms of reference shall be made available on the Company's website.