

# BlackRock Smaller Companies Trust plc

## **Nomination and Remuneration Committee - Terms of Reference**

Adopted as approved by the Board dated 5 May 2023

### **Constitution:**

The combined Nomination and Remuneration Committee of the Company (the “Committee”) was established by a resolution of the Board of Directors (the “Board”) on 5 May 2023. The Committee is accountable to the Board. These Terms of Reference are drafted in accordance with the UK Corporate Governance Code (“the Code”) published in July 2018 and approved by the Board on 5 May 2023.

The Board has established the Nomination and Remuneration Committee to lead the process for appointments, ensure plans are in place for orderly succession to the Board positions, oversee the development of a diverse pipeline for succession, determine the policy for directors’ remuneration and set remuneration for the company’s chair and independent non-executive directors.

### **Membership**

- The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. The Chair of the Board will also serve on the Committee as a member.
- Appointments to the Committee are made by the Board on the recommendation of the Nomination and Remuneration Committee.
- Only members of the Committee have the right to attend committee meetings. However, other individuals, such as representatives from external advisers, may be invited to attend for all or part of any meeting, as and when appropriate and necessary (FRC Guidance on Board Effectiveness 2018, paragraph 64).
- The Board shall appoint the Committee chair who shall be an independent non-executive director. In the absence of the Committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chair of the Board shall not be Chair of the Committee.

### **Meetings**

The Committee shall meet at least annually and at such other times as the Chair and other members of the committee may require. The quorum for a meeting shall be any two members of the Committee. Minutes of Committee meetings shall be tabled at Board meetings for information purposes. Non-Committee members including representatives of the Investment Manager and non-independent, non-executive directors may be invited by the Committee to attend any of its meetings.

### **Secretary**

The company secretary, or their nominee, shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### **Quorum**

The quorum necessary for the transaction of business shall be two, both of whom must be independent non-executive directors.

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## **Notice of meetings**

Meetings of the committee shall be called by the Secretary of the committee at the request of the committee chair or any of its members. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

## **Minutes of meetings**

The secretary shall minute the proceedings and decisions of all committee meetings, including recording the names of those present and in attendance. Draft minutes of committee meetings shall be circulated to all members of the committee. Once approved, minutes should be circulated to all other members of the Board and the company secretary unless, exceptionally, it would be inappropriate to do so (FRC Guidance on Board Effectiveness 2018, paragraph 65).

## **Engagement with shareholders (Annual General Meeting)**

The Committee chair should attend the annual general meeting to answer any shareholder questions on the Committee's activities (FRC Guidance on Board Effectiveness 2018, paragraph 38). In addition, the Committee chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility where appropriate (Code Provision 3 and FRC Guidance on Board Effectiveness 2018, paragraph 136).

## **Duties**

The Nomination and Remuneration Committee shall:

- Regularly review the size, structure and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes; (Provision 17)
- Ensure plans are in place for orderly succession to Board, and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future; (Provision 17)
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Before any appointment is made by the Board, evaluate the balance of skills, knowledge, 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 and the time commitment expected. In identifying suitable candidates, the Committee shall:
  - consider using the services of external advisers to facilitate the search.
  - consider candidates from a wide range of backgrounds; and
  - consider candidates on merit and against objective criteria, having due regard to the benefits of diversity on the board and taking care that appointees have enough time available to devote to the position.
- Prior to the appointment of a director, other significant time commitments should be disclosed, and any additional future commitments should not be undertaken without prior approval of the Board. The proposed appointee should also be required to disclose any other business interests that may result in a conflict of interest. These must be authorised by the Board prior to appointment and any future business interests that could result in a conflict of interest must not be undertaken without prior authorisation of the Board.

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- 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.
- Review the results of the Board performance evaluation process that relate to the composition of the Board and succession planning.
- 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.
- Make recommendations to the Board in respect of the re-election by shareholders of directors under the annual re-election provisions of the Code, having due regard to their performance and ability, and why their contribution is important to the company's long-term sustainable success in the light of the skills, experience and knowledge required and the need for progressive refreshing of the Board, taking into account the length of service of individual directors, the chair and the Board as whole, make recommendations for changes to the chair and membership of the Company's committees and the Senior Independent Director;
- Assess and recommend which Directors are independent or not independent for approval by the Board and for disclosure in the Annual Report and Accounts.
- Have delegated responsibility for determining the policy for directors' remuneration and setting remuneration for the Company's chair and independent non-executive directors, in accordance with the Principles and Provisions of the Code (Principle P, Code Provisions 33 and 38 to 40. FRC Guidance on Board Effectiveness 2018, paragraphs 130-135).
- When determining non-executive director remuneration policy and practices, consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture (Code Provision 40);
- No non-executive director shall be involved in any decisions as to their own remuneration outcome (Code Provision Q). The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association (Code Provision 34):
- In determining remuneration policy, consider all other factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate directors, and having regard to views of shareholders and other stakeholders.
- Review the ongoing appropriateness and relevance of the remuneration policy.
- Within the terms of the agreed policy and in consultation with the Chair and/or Senior Independent Director, as appropriate, determine the total individual remuneration of each non-executive director, and the Company Chair.
- Have full authority to appoint remuneration consultants (Code Provision 35) and to commission or purchase any reports, surveys, or information which it deems necessary at the expense of the company. However, the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants (FRC Guidance on Board Effectiveness 2018, paragraph 134).
- Work and liaise as necessary with other Board committees, ensuring the interaction between committees and with the Board is reviewed regularly (FRC Guidance on Board Effectiveness 2018, paragraph 65).

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## Reporting responsibilities

- The Committee chair shall report to the Board after each meeting on the nature and content of its discussion, recommendations, and action to be taken (FRC Guidance on Board Effectiveness 2018, paragraph 62).
- The Committee shall report to the Board and produce disclosures to be included in the relevant sections of the Company's annual report describing the work of the Nomination and Remuneration Committee, including the process used in relation to appointments and its approach to succession planning and how to support the development of a diverse pipeline, how the Board evaluation has been conducted, the nature and extent of an external evaluator's contact with the Board and individual directors, the outcomes and actions taken, and how it has influenced or will influence Board composition; the gender balance of the Board including diversity and ethnicity, its objectives and linkage to the Company strategy, how it has been implemented and progress on achieving these objectives.
- If an external search consultancy has been engaged, it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary (FRC Guidance on Board Effectiveness 2018, paragraph 62).
- The Committee shall also ensure that provisions regarding disclosure of information as set out in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (For detailed guidance on the reporting requirements see GC100 and Investor Group: Directors' Remuneration Reporting Guidance 2019) and the Code are fulfilled, and that a report on the directors' remuneration policy and practices is included in the company's annual report and put to shareholders for approval at the AGM as necessary.
- If the Committee has appointed remuneration consultants, the consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors (Code Provision 35).

## Nomination and Remuneration Committee - other matters

The Committee shall:

- Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required (Code Provision 16 and FRC Guidance on Board Effectiveness 2018, paragraphs 79-85).
- Give due consideration to all relevant laws and regulations, the provisions of the Code and published guidelines or recommendations regarding the remuneration of company directors and the requirements of the FCA's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules, as appropriate.
- Ensure that a periodic evaluation of the Committee's own performance is carried out; and
- At least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval (FRC Guidance on Board Effectiveness 2018, paragraph 63).

## Authority

- The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference (FRC Guidance on Board Effectiveness 2018, paragraph 83).