

DATED 12 January 2010

HMV GROUP PLC

**TERMS OF REFERENCE OF THE
NOMINATION COMMITTEE**

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TERMS OF REFERENCE FOR NOMINATION COMMITTEE

1. CONSTITUTION

This committee of the Board known as the Nomination Committee (the "**Committee**") is established under the Articles of Association of the Company. In these terms of reference, the "**Group**" means the Company and its subsidiaries from time to time.

2. MEMBERSHIP

2.1 The Committee shall be appointed by the Board and shall be made up of at least three members, the majority of which shall be independent non-executive directors. All appointments to the Committee shall be made by the Board.

2.2 The chairman of the Committee shall be appointed by the Board from the members of the Committee. In the absence of the chairman of the Committee or any deputy appointed by the Board, the remaining members present at any meeting shall elect one of their number (being a non-executive director) to chair the meeting. The chairman of the Board shall not chair the Committee when it is dealing with the matter of succession to the chairmanship.

2.3 If a regular member is unable to act due to absence, illness or any other cause, the chairman of the Committee may, if there are any other directors available, appoint another director of the Company to serve as an alternate member provided that the Committee continues to have a majority of independent non-executive directors.

2.4 Only members of the Committee shall have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.

3. SECRETARY

The secretary of the Committee shall be the Company Secretary or their nominee or such other person as the Committee shall from time to time decide.

4. QUORUM

The quorum necessary for the transaction of the business of the Committee shall be two members, both of whom must be independent non-executive directors. Where a meeting of the Committee comprises more than two members the majority of members 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.

5. ATTENDANCE AT MEETINGS

The Committee shall have the discretion to decide who, other than its members, shall attend its meetings. However, no director shall be involved in any decision or present at any discussions as to his or her own appointment.

6. FREQUENCY OF MEETINGS

- 6.1 The Committee shall meet at least once a year and at such other times as the chairman of the Committee shall require. Meetings shall be summoned by the secretary of the Committee at the request of the chairman of the Committee.
- 6.2 In addition to the routine meetings of the Committee, either the chairman of the Committee or any other member of the Board may at any time request the secretary of the Committee to summon a meeting if he or they consider that one is necessary.

7. AUTHORITY

- 7.1 The Committee is authorised by the Board to investigate any activity within its terms of reference.
- 7.2 The Committee is authorised to seek any information it requires from any employee or director of the Group in order to perform its duties and all employees or directors are directed to co-operate with any request made by the Committee.
- 7.3 In connection with its duties, the Committee is authorised by the Board to obtain internal or external legal or other independent professional advice including the advice of independent remuneration consultants and to secure the attendance of internal or external professional advisers at its meetings if it considers this necessary.

8. DUTIES

8.1 The duties of the Committee shall be, on the basis of the considerations specified in 8.3 below:

- (a) to regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- (b) to 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 Company, and what skills and expertise are therefore needed on the Board in the future;
- (c) to be responsible for identifying and nominating suitable candidates for the approval of the Board to fill vacancies on the Board as and when they arise;
- (d) before any appointment is made by the Board, to evaluate the balance of skills, knowledge and experience of the Board, and in 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, taking care that appointees have enough time to devote to the position;
- (e) from time to time to consider and make recommendations to the Board on its composition and balance;
- (f) 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;
- (g) 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; and

- (h) 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;
- (i) to make recommendations to the Board on the continuation (or not) in service of any director over the age of 70; and
- (j) to make recommendations to the Board on the continuation (or not) of any executive director as a non-executive director.

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

8.2.1. formulating plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman and Chief Executive;

8.2.2. suitable candidates for the role of senior independent director;

8.2.3. membership of the Audit and Remuneration Committees, in consultation with the chairmen of those committees;

8.2.4. the reappointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

8.2.5 the re-election by shareholders of any director under the 'retirement by rotation' provisions in 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

8.2.6 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 their service contract.

8.3 The considerations referred to in 8.1 above are those required to be taken into account by the Listing Rules of the UK Listing Authority, all applicable codes of practice and laws and the Committee's view of good practice at the relevant time.

8.4 The chairman of the Committee shall attend the annual general meeting of the Company to answer shareholders' questions relating to matters within its remit.

9. REPORTING RESPONSIBILITIES

- 9.1 Subject to the discretion of the Committee, the Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall make a statement in the annual report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used.

10. OTHER

- 10.1 The Committee shall, at least once a year, review its own performance, 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.

11. NOTICE AND MINUTES

- 11.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of the chairman of the Committee.
- 11.2 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, any other person required to attend and all other non-executive directors, no later than 5 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.
- 11.3 The members of the Committee shall cause minutes to be made of all resolutions and proceedings of the Committee including the names of all those present and in attendance at meetings of the Committee.
- 11.4 The secretary shall circulate minutes of the Committee meetings to all members of the Committee and, once agreed, to all members of the Board (unless any Board director shall have a conflict of interest in which event that director shall not receive the minutes).

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