

Mobeus Income & Growth 2 VCT plc

Table of compliance with the Corporate Governance Code of the Association of Investment Companies ("the AIC Code")

The table below shows how the Company has complied with the AIC Code throughout the year ended 31 March 2017

AIC Code	Principle	Compliance and/or departure from the AIC Code
1	The Chairman should be independent.	<p>The Board have assessed the independence of the Chairman and concluded that Nigel Melville has continued to meet the independence criteria as identified in the UK Code, as re-stated in Principle 1 of the AIC Code. The remaining Directors monitor the continuing independence of the Chairman, and inform the Chairman of their discussions. The significant directorships and time commitments of the Chairman and the other Directors are considered by the Board and are disclosed in the Accounts.</p> <p>The Board has not appointed a Senior Independent Director, as it does not believe that such an appointment is necessary when the Board is comprised solely of non-executive directors. As suggested in the AIC Code (Principle 1), this role can, and in this instance is, fulfilled by the Chairman of the Audit Committee.</p>
2	A majority of the Board should be independent of the manager.	<p>The Chairman, Nigel Melville has served as Directors for 16 years while both Adam Kingdon and Sally Duckworth have now served as Directors for 9 years. They are all therefore not regarded as independent of the Investment Adviser in accordance with the AIC Code. However, the Board believes that the length of service is an asset to the Company and considers all Directors continue to offer independent, professional judgement.</p> <p>The Directors have declared any existing or potential conflicts of interest and these are reviewed and authorised by the Board as appropriate in accordance with the procedures under the Articles of Association and applicable rules and regulations. It is the policy of the Directors not to participate in decisions concerning investee companies in which they hold an interest. No Directors currently hold, or have previously held, a direct interest in any of the Company's investee companies.</p>
3	Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	<p>As is common practice among Venture Capital Trusts, the Directors are not appointed for specific terms. The Board has agreed that all of the Directors (all having served for nine years or more) will retire annually in accordance with the AIC Code and, if appropriate, seek re-election. A Director's appointment may be terminated on three months' notice being given by the Company. For further information please see the Directors' Annual Remuneration Report in the Annual Report and Accounts.</p>
4	The Board should have a policy on tenure, which is disclosed in the annual report.	<p>The Board has considered a policy on tenure and agreed that for a Company of this size and structure, it is not appropriate to insist on a director's period of service being limited to a set number of years or to set an age limit for the retirement of directors. The AIC has specifically stated that investment company boards are perhaps more likely than most to benefit from having at least one Director with considerably longer than nine years' experience. As part of its annual performance review, the Board has come to the conclusion that the length of service, experience and ability of its Directors enhances its performance. It does not believe that the length of service of any of the Directors has a negative effect on their independence and is satisfied with the balance of experience on the current Board. In particular, the Board considers that the Chairman's service of 16 years each as a Director of Company and the service provided by Adam Kingdon and Sally Duckworth as an asset to the Board.</p>
5	There should be full disclosure of information about the board.	<p>Full biographical details on each Director are included in the Annual Report and Accounts, and on the Company's website.</p>

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6	The board should aim to have a balance of skills, experience, length of service and knowledge of the Company.	The Board believe that there is a diversity of skills, gender, experience and approach, amongst the Board members. Both the Board and Nomination and Remuneration Committees give careful consideration to issues of board balance and diversity when considering board composition and appointments. Details of each Director's experience and background is set out in the Annual Report and Accounts.
7	The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	The effectiveness of the Board and the Chairman is reviewed regularly as part of the internal control process led by the Audit Committee. The Board has carried out an annual performance evaluation review during the year ended 31 March 2017. As part of its review, the Directors considered the performance of each of the Directors and of the Board as a whole in relation to specific areas of their activity. The performance of the Chairman is assessed separately. The Board as a whole discussed the outcome of the performance evaluation and, led by the Chairman, considers and agrees a plan of action to rectify any shortfalls where appropriate. The Board concluded that the performance of the Board, the Chairman and the Directors remained effective.
8	Directors' remuneration should reflect their duties, responsibilities and the value of their time spent.	The Remuneration Committee considers the remuneration of the Directors annually. Having reviewed Directors' remuneration, the Committee has [not] recommended a change in remuneration levels. Please see the Directors' Annual Remuneration Report set out on page x of this Annual Report for details.
9	The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	The Nomination Committee is responsible for proposing candidates for appointment to the Board and for overseeing the recruitment process. The independent directors take the lead in Committee discussions.
10	Directors should be offered relevant training and induction.	New directors are provided with an induction pack and an induction session is arranged in conjunction with the Board, the Investment Adviser and the Administrator. A formal training programme has not been required during the year under review as all the Directors are experienced directors of listed companies. All of the Directors participate in continuing professional development and regularly attend conferences and workshops relevant to the VCT industry.
11	The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.	Principle 11 applies to the launch of new investment companies. It is therefore not applicable to the Company, although the Board participated fully in the production of the fundraising documents, the most recent of which was published in December 2014.
12	Boards and managers should operate in a supportive, co-operative and open environment.	The Board meets at least quarterly, which meetings are also attended by the Investment Adviser. The Board and the Investment Adviser aim to work together in a supportive, co-operative and open manner. The Investment Adviser takes the initiative on most aspects of the Company's operations, under the guidance and formal approval of the Board and the Board has agreed policies with the Investment Adviser covering key operational issues. All investment, divestment and valuation decisions are made by the Board having considered formal recommendations from the Investment Adviser.

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13	The primary focus at regular board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/ investor relations, peer group information and industry issues.	The Board considers a report from the Investment Adviser at each of its quarterly meetings which provides information on the performance of each of the investments in the portfolio, corporate actions at any of the investee companies and other matters relating to the portfolio. The Board monitors the investments made by the Investment Adviser to ensure that they are in line with the Company's Investment Policy as well as the principal risks associated with pursuing the investment strategy. The Board also considers peer group performance, asset allocation and wider industry and economic issues in reviewing investment performance and strategy. In addition, the Board monitors financial and other internal controls including maintenance of VCT status and the level of share price discount or premium. The Board has no current plans to undertake any gearing of the Company.
14	Boards should give sufficient attention to overall strategy.	The Board monitors performance against its agreed strategy on an ongoing basis and reviews its overall strategy at its annual strategy meeting.
15	The Board should regularly review both the performance of, and contractual arrangements with, the adviser (or executives of a self-managed company).	The Board reviews annually, and at other times as and when necessary, the Investment Management Agreement and the performance of the Investment Adviser.
16	The Board should agree policies with the manager covering key operational issues.	The Board has agreed that the Investment Adviser takes the initiative on most aspects of the Company's operations, under the guidance and formal approval of the Board. The Board has agreed policies with the Investment Adviser covering key operational issues.
17	The Board should monitor the level of the share price discount or premium (if any) and, if desirable take action to reduce it.	At each Board meeting a review of the share price discount or premium is performed. The Board approves every buyback as it is undertaken.
18	The Board should monitor and evaluate other service providers.	The Board reviews annually, and at other times as and when necessary, the performance of the other service providers including the auditor, VCT status adviser, solicitors, bankers and registrars. Philip Hare & Associates LLP ("PHA") (formerly Robertson Hare LLP) was the VCT status adviser to the Company during the year.
19	The Board should regularly monitor the shareholder profile of the Company and put in place a system for canvassing shareholder views and for communicating the Board's views to shareholders.	<p>The Board has a duty to promote the success of the Company and to ensure that its obligations to shareholders are met. The Company communicates with shareholders and solicits their views where it is appropriate to do so.</p> <p>The Board approves the circulation of the Half-Yearly and Annual Report and Accounts to shareholders. Shareholders are welcome at the Annual General Meeting which provides a forum for shareholders to ask questions of the Directors and the Investment Adviser and to discuss issues affecting the Company with them. In addition, the Investment Adviser publishes a twice-yearly VCT shareholder newsletter which contains information on the portfolio and recent investment and corporate activity. The Investment Adviser also organises an annual shareholder event which the Board also attends, so as to answer any questions, and listen to any views that shareholders may have. The Company has established its own website which forms a dedicated section of the Investment Adviser's website.</p>

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20	The Board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	The Board updates shareholders upon the impact of regulatory changes upon the Company's operations. It is consulted regarding promotional material which may be issued by the Investment Adviser.
21	The Board should ensure that shareholders are provided with sufficient information for them to understand the risk: reward balance to which they are exposed by holding the shares.	The Board believes that the Annual Report and Accounts have been prepared in order to ensure that the information presented to shareholders is fair, balanced and understandable and complies with the recommendations of the AIC Code. The principal risks faced by the Board are documented in the Strategic Report as part of the Annual Report, and in the Half-Yearly Report.