

# NOMINATION COMMITTEE REPORT

Members of Committee	Attendance
John Nicholas (Chairman)	4/4
Charles Packshaw	4/4
Andy Smith	4/4
Anne Thorburn	4/4

The Nomination Committee is chaired by John Nicholas, Chairman of the Company. The Committee is chaired by the Senior Independent Director on any matters concerning the Chairman of the Company. The Committee comprises the non-Executive Directors and meets as necessary to discharge its responsibilities.

The Group Company Secretary acts as Secretary to the Committee.

## RETIREMENT AND APPOINTMENT OF CHIEF EXECUTIVE OFFICER ("CEO")

The Committee has focused this year on the appointment of a new CEO, following the announcement on 26 September 2017 that Bruce Thompson intended to retire as CEO of Diploma PLC during 2018 and leave the Company on 30 September 2018. The recruitment process to appoint a new CEO commenced in the second half of 2017 and was described in last year's Committee report. In summary, a thorough process was undertaken with the assistance of Ridgeway Partners ("Ridgeway"), a search consultancy which did not have any other connections with the Company.

In particular:

- a detailed specification for the role was prepared against which potential candidates were considered;
- Ridgeway provided a long list of potential candidates to the Committee in October 2017;
- a shortlist of candidates was then selected based on both their desire to be considered for the role and on the Committee's assessment of their career background and experience;
- after an initial interview with the Chairman, three preferred candidates were selected by the Committee to go forward for formal interview;
- the interview process was led by the Chairman and Senior Independent Director; the candidates were also interviewed by the other non-Executive Directors and by the outgoing CEO and the Group Finance Director. Character references and psychometric tests were also undertaken on each candidate;
- a preferred candidate recommendation was made by the Committee in December 2017; and
- a sub-Committee met with the preferred candidate, to negotiate a remuneration package within the Directors' Remuneration Policy and the range recommended by the Remuneration Committee. The Committee subsequently made a recommendation to the Board to appoint Richard Ingram, which the Board approved. Richard Ingram joined the Board as Chief Executive Officer designate on 23 April 2018 and became Chief Executive Officer on 8 May 2018.

Richard Ingram stepped down as CEO and Executive Director on 28 August 2018 and left the Company. John Nicholas was appointed by the Board as interim Executive Chairman and will remain in this role until a new CEO is appointed.

Following Richard Ingram's departure, the Nomination Committee commenced a new process to find a permanent replacement CEO. Korn Ferry, a search consultancy, was appointed to assist with the process. Korn Ferry does not provide any other services to and has no other connection with the Company. The Committee will follow a similar appointment process as adopted in 2017, amended to reflect shareholder feedback and Committee review. As at the date of this report, the process remains ongoing and the Board will make an announcement when an appointment decision has been finalised.

## SUCCESSION PLANNING

The Committee formally reviews succession planning for the Executive Board at least once each year, taking into account the challenges and opportunities facing the Group and the background skills and expertise that will be required by the Board in the future. As part of this exercise, development plans are also discussed and agreed to identify potential successors considered for appointment to the Board from within senior management within the Group.

In January each year, the Committee also reviews succession planning risks and opportunities in relation to the Company's senior executives, which comprise a cadre of ca. 100 senior managers across the Group's businesses.

The Committee regularly reviews the succession planning for non-Executive Directors. The Committee is committed to a programme of reviewing and refreshing the non-Executive Directors on the Board to ensure there is sufficient balance between the introduction of fresh perspectives and maintaining continuity and stability. The Committee intends to pursue a phased transition of non-Executives in order to avoid wholesale changes to the make-up of the Board over the next few years.

As part of the review of the composition of the Board and the succession planning process set out above, both the Board and the Committee recognise the importance of pursuing opportunities for both gender and ethnic diversity throughout the Group. The Board's commitment to gender and ethnic diversity is set out on page 40.

## Non-Executive tenure as at 30 September 2018



## COMMITTEE EVALUATION

As explained on page 41, an external evaluation of the performance of the Committee and its members was undertaken during the year. The Chairman and Company Secretary were asked to prepare an action list and timetable for the Committee to implement key recommendations arising from this exercise, although the evaluation confirmed that the Committee was operating effectively.

## KEY DUTIES AND FOCUS IN 2018

The Committee reviews the composition of the Board and principal Committees, considering skills, knowledge, experience and diversity requirements before making appropriate recommendations to the Board as to any changes. It also manages succession planning for Directors and other Senior Executives and is responsible for reviewing the Group's senior leadership needs.

The Committee's role and responsibilities are set out in its Terms of Reference, which are reviewed every two years and approved by the Board. The Terms of Reference are available at [www.diplomapl.com/governance/constitutional-documents](http://www.diplomapl.com/governance/constitutional-documents).

The Committee's key focus areas during the year have been the CEO succession, leadership development and executive succession planning.