

Diploma PLC

15 July 2021

UPDATE ON RESPONSE TO 2021 AGM VOTING OUTCOME

At Diploma PLC's Annual General Meeting held on 20 January 2021 resolution 11 (the approval of the Directors' Remuneration Report) was passed with the support of 54.33% of the proxy votes cast. In accordance with Provision 4 of the 2018 UK Corporate Governance Code, as more than 20% of votes were cast against the resolution, we have consulted with shareholders in order to understand the reasons behind the result.

The Remuneration Committee wrote to shareholders representing ca. 75% of the Company's register. Feedback was provided in writing, or through virtual meetings with the Remuneration Committee Chair.

The key concerns from shareholders were:

1. The discretion used by the Committee to allow the early vesting of the retiring CFO's Performance Share Plan ('PSP') awards, prorated for time served.
2. Although the CEO took a reduction in his pension contribution from 1 October 2021, no firm written commitment was made to align his pension contributions with the majority of the UK workforce by end of calendar year 2022.

The circumstances relating to the CFO's retirement after nineteen years of service were unique and will not recur. Nonetheless, the Committee notes shareholders' views and has reconfirmed that it does not intend to apply such discretion to PSP awards in the future.

Regarding the CEO pension contributions, the Committee is mindful of shareholders' views and an update will be included in the 2021 Directors' Remuneration Report.

The Committee is committed to maintain an open and transparent dialogue with shareholders and other stakeholders. To that end, the Committee is beginning consultation on remuneration decisions for the 2021 Directors' Remuneration Report and seeking initial views ahead of developing the 2023 Remuneration Policy, which will be put to a vote at the 2023 AGM.

The Committee and Board are grateful to shareholders who provided feedback. If any shareholders have further questions or comments in relation to the above statement, then please do not hesitate to contact the Group Company Secretary using the details below.

J Morrison

Group Company Secretary

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