Nominations Committee report

The composition of the Committee
The Committee is composed of all the independent non-executive directors. The table below sets out its membership during the year.

Members:
- Sir John Kingman from 24 October 2016
- Carolyn Bradley
- Philip Broadley from 8 July 2016
- Lesley Knox from 1 June 2016
- Rudy Markham
- Richard Meddings
- Stuart Popham until 31 December 2016
- John Stewart until 1 June 2016
- Olaf Swantee until 26 May 2016
- Julia Wilson
- Lizabeth Zlatkus until 31 August 2016

In line with our conflicts of interest management policy, directors are asked to absent themselves from any discussion relating to his/her own reappointment or succession.

The group Chief Executive and HR Director may be invited to attend meetings where this may assist the Committee in fulfilling its responsibilities and, most notably, in relation to executive appointments and succession planning.

The role of the Committee
The Committee has overall responsibility for leading the process for new appointments to the Board and ensuring that these appointments bring the required skills and experience to the Board. As part of this, the Committee reviews the structure, size and composition of the Board to ensure the Board is made up of the right people with the necessary skills and experience to direct the company in the successful execution of its strategy.

The Committee’s key responsibilities are:
- Regularly reassessing the structure, size and composition of the Board to ensure the continued ability of the company to compete effectively in the market place and recommending any suggested changes to the Board
- Reviewing the criteria for identifying and nominating candidates based on the specification for a prospective appointment including the required skills and capabilities
- Considering succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the company and what skills and expertise will be needed by the Board in the future
- Reviewing the time commitment required from non-executive directors and assessing the non-executive directors’ other significant commitments to ensure that they continue to be able to fulfill their duties effectively

How the Committee spent its time in 2016
During the year, the Nominations Committee has met five times, focusing at these meetings on identifying and recommending candidates for appointment to the Board to ensure its continued ability to support the company through the next phase of its strategy. It convened sub-committees as necessary to focus on particular succession matters. It led the process for the appointment of the successor Chairman, the appointment of a new Senior Independent Director and a number of Independent Non-Executive Directors, including successor Chairs of Committees. All these appointments are discussed and explained elsewhere in the annual report. The Committee has also led the search for a new group Chief Financial Officer, following the announcement that Mark Gregory intended to retire in January 2017.

Board composition is a key focus for the Nominations Committee, ensuring that the Board has the right skills and experience to direct the company in the successful execution of its strategy.”
Prior to drawing up a specification for a new appointment, the Committee assesses the balance of skills, knowledge and experience required on the Board. It then draws up a specification against which all candidates are judged on merit. In recommending candidates for appointment, it also has regard to the benefits of all types of diversity, including gender. The Committee is responsible for evaluating the independence of all non-executive directors and undertakes an annual review of each non-executive director’s other interests. The Board, on the recommendation of the Committee, is satisfied that each non-executive director serving at the end of the year remains independent and continues to have sufficient time to discharge their responsibilities to the company. Rudy Markham has served on the Board for 10 years and, as a result, his continued independence was subject to more rigorous review.

The Committee considered Rudy’s external business interests and other relationships which could materially interfere with his ability to exercise independent judgement, including his taking up the position of Interim Chairman until the permanent successor to John Stewart could take up his appointment as Chairman. The Committee concluded that there were no circumstances which would affect Rudy’s ability to act in the best interests of the company and that his length of tenure and short-term appointment as interim Chairman had no impact on his level of independence. Rudy will be retiring from the Board at the conclusion of the 2017 AGM.

The Committee has also led the recruitment of three new non-executive directors, following a similar process to that described for the appointment of the Chairman.

The process for the appointment of a successor Chairman

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<thead>
<tr>
<th>Role requirements</th>
<th>Process</th>
<th>Search</th>
<th>Recruitment</th>
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<td>The Committee prepared a detailed specification for the role of Chairman, specifying the skills, knowledge, experience and attributes required.</td>
<td>The Committee directed the selection process, under the leadership of the Senior Independent Director. The search process was commenced under the stewardship of Rudy Markham, then Senior Independent Director, and completed by Julia Wilson, the current Senior Independent Director. The Committee as a whole was involved in shortlisting and interviewing candidates and, once preferred candidates had been identified, the executive directors and key senior executives were also included. JCA Group, an external search consultant, was engaged to facilitate the search and selection process.</td>
<td>The Committee considered potential candidates identified by members of the Committee and JCA Group. It examined a ‘long list’ of candidates in consultation with JCA Group, assessing each candidate against the role specification. The Committee then identified candidates to be invited to interview.</td>
<td>Following the interviews, the Committee discussed the shortlisted candidates and agreed that Sir John Kingman should be proposed to the Board for appointment as Chairman. The Board approved his appointment, which was announced on 28 June 2016 and took effect on 24 October 2016.</td>
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The process for the appointment of a group Chief Financial Officer

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<td>The Committee, working closely with the group Chief Executive, prepared a detailed specification for the role of Chief Financial Officer, specifying the skills, knowledge, experience and attributes required.</td>
<td>The Committee directed the selection process, appointing a sub-committee to manage the process. Russell Reynolds, an external search consultant, was engaged to facilitate the search and selection process.</td>
<td>Potential candidates identified were assessed against the role specification and shortlisted for interview. Interviews focused on each candidate’s skills and experience for the role.</td>
<td>The Committee considered the feedback from the interviews. The Committee agreed that Jeff Davies was the right candidate for the role and should be proposed to the Board for appointment as group Chief Financial Officer. The Board approved his appointment, which was announced on 22 December 2016 and will take effect from 9 March 2017.</td>
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Our approach to diversity and inclusion
Our approach to diversity on the Board is set out in our Board Diversity Policy, which is reviewed annually. We have continued to recruit based on merit while remaining committed to diversity in the widest sense when seeking to fill vacant Board positions and for the company more generally.

Being an inclusive business is important to us and is one of our business principles. Our approach is to create a culture where everyone can thrive, whoever they are, and to have a clear focus and specific targets to address under-representation where it occurs.

We continue to support the voluntary Lord Davies’ ‘Women on Boards’ target of a third of all Board members to be women; in line with the Hampton-Alexander Review we’re taking action to ensure our executive pipeline exceeds 33% by 2020. We are also developing our approach to increasing ethnic minority representation at leadership level in line with the recommendations of the Parker Review.

We have maintained the diversity on our Board and have signed the Women in Finance Charter, formally establishing 50/50 by 2020 (which aims to have a 50/50 balance of men and women right through the organisation by the year 2020) as our long-term goal and setting short-term targets to ensure we make progress towards our goal.

Diversity

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The Board now comprises:

- 73% males
- 27% females

Sector experience

Board members come from a variety of backgrounds and have wide sector experience:

- 9% Digital and Technology
- 55% Financial Services
- 27% Customer and Retail
- 9% FMCG

Tenure (years)

The length of tenure of the non-executives varies:

- 43% less than one year
- 29% between one and three years
- 14% between three and six years
- 14% over six years

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