

# Report of the Nomination Committee

Committee membership	No. of meetings 2015: 5	Main committee responsibilities
<b>Director</b>	<b>Attendance</b>	
A.M. Thomson	5	■ regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
S.C. Harris	5	
I.B. Duncan	5	■ give full consideration to succession planning for directors and other senior executives in the course of its work.
E. Lindqvist	5	
R. Rajagopal	5	
J.A. Biles	3	■ be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Dear Shareholders,

I am pleased to introduce the Nomination Committee report for 2015. The Committee's key objective is to support the Board in fulfilling its responsibilities to ensure there is a formal, rigorous and transparent process for the appointment of new directors to the Board and to ensure that effective succession planning processes are in place across the Group. John Biles, former Chairman of the Audit Committee and Senior Independent Director (SID), stood down at the 2015 AGM. Ian Duncan has taken over as Chairman of the Audit Committee and Raj Rajagopal was appointed SID. The Committee will continue to focus on ensuring that the present and future composition of the Board is appropriate for the delivery of the Group's strategy and that all relevant UK Corporate Governance Code requirements continue to be met.

## A.M. Thomson

Chairman of the Nomination Committee

## Role of the Nomination Committee

The Nomination Committee is a sub-committee of the Board, whose principal purpose is to advise on the appointment and, if necessary, dismissal of executive and non-executive directors. The Committee's terms of reference, which are listed on the Group's website, include all matters required by the UK Corporate Governance Code ("the Code"). Further information on the Code can be found on the Financial Reporting Council's website [www.frc.org.uk](http://www.frc.org.uk). The terms of reference are reviewed annually by the Group Company Secretary and the Chairman, and any changes are then referred to the Board for approval. No changes were made to the terms of reference during the year.

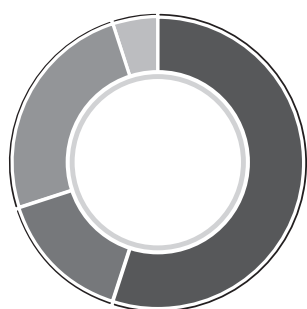
## Composition of the Nomination Committee

As recommended by the Code, the Chairman of the Board acts as the Chairman of the Committee whose members also comprise the directors listed above. To ensure executive input on nominations matters, the Chief Executive is also a member of the Committee. The Chairman cannot chair the Committee when it is dealing with either the succession to the Chairmanship of the Group or the review of his own performance. Only members of the Committee have the right to attend the Committee meetings. Other individuals and external advisers may be invited to attend for all, or part of, any meeting when it is appropriate. The quorum necessary for the transaction of business is two, each of whom must be an independent non-executive director.

The Group Company Secretary is secretary to the Committee.

The Committee has the authority to seek any information that is required, from any officer or employee of the Company or its subsidiaries. In connection with its duties, the Committee is authorised by the Board to take such independent advice (including legal or other professional advice, at the Group's expense) as it considers necessary, including requests for information from, or commissioning investigations by, external advisers.

## Nomination Committee – allocation of agenda time



■ Board composition and succession planning	55%
■ Performance of Group Chief Executive	15%
■ Governance and reporting	25%
■ Independence and re-election	5%

## Director appointment policy and progress

The Committee has developed a formal rigorous and transparent procedure for the appointment of new directors. Prior to making any appointment, the Committee, having evaluated the skills, experience and diversity of the Board, will determine the qualities and experience they seek and will then prepare a detailed description of the role with a view to appointing the most appropriate candidate. The Committee will use open advertising or the services of independent external advisers to facilitate the search.

A long list of candidates will be drawn up, from which an appropriate number will be selected for interview. Upon completion the Committee will recommend to the Board the appointment of the preferred candidate.

## Board succession planning

Upon the retirement of J.A. Biles at the 2015 AGM, he was replaced as Senior Independent Director by R. Rajagopal and as Audit Committee Chair by I.B. Duncan who joined the Board in 2014 in anticipation of this retirement. After eight years as a member of the Board, R. Rajagopal will step down in May 2016. The Committee, advised by an international search consultancy, is currently engaged in the process of identifying a suitably qualified individual to join the Board. A formal announcement will be made once a suitable candidate has been appointed.

## Main activities of the Nomination Committee

In 2015 the Committee formally met five times and reviewed the composition and skills of the Board, with a view to considering the current and future skills and experience that the Board might require.

The Committee discussed succession planning and Board diversity, and reviewed the performance of the Group Chief Executive and other senior executives. In particular, the need to broaden the Board membership with respect to gender, ethnicity and age was discussed.

The Committee considered and authorised the potential conflicts of interest which might arise where a director has fiduciary responsibilities in respect of other organisations. The Committee concluded that no inappropriate conflicts of interest exist. The Committee also assigned the Chairman to review and agree with the Group Chief Executive his personal objectives for the forthcoming year.

In line with the UK Corporate Governance Code the Committee carried out its second external Board Evaluation during 2015. The project was undertaken by Geoffrey Shephard of ICSA Board Evaluation, who presented the report to the October Nomination Committee meeting, with both executive and non-executive directors in attendance. Further details of the review can be found in the Corporate Governance section of the Annual Report. Recommendations arising from the 2015 Board Evaluation are in the process of being addressed.

In December 2015 the Nomination Committee reviewed the Board's size and composition, the frequency of the process for Board and Committee meetings, and best practice for the handling of a number of Board issues including drawing up a training programme for the directors. The terms of reference of the Committee were reviewed in conjunction with the Model Terms of Reference issued by the Institute of Chartered Secretaries and Administrators. The biographical details of the current directors can be found on pages 36 and 37. Having reviewed their independence and contribution to Board matters, the Committee confirms that the performance of each of the directors standing for re-election at the 2016 AGM continues to be effective and demonstrates commitment to their roles, including independence of judgement and time commitment for Board and Committee meetings. Accordingly the Committee has recommended to the Board that, with the exception of R. Rajagopal, all current directors of the Company be proposed for re-election at the forthcoming AGM.

As Chairman of the Committee I will be available at the 2016 AGM to answer questions relating to the work of the Committee.

On behalf of the Nomination Committee:

### A.M. Thomson

Chairman of the Nomination Committee  
25 February 2016