

Report 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 Company's website, include all matters required by the UK Corporate Governance Code. Further information on "The Code" can be found on the Financial Reporting Council's website www.frc.org.uk. The terms of reference are reviewed periodically by the 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 which also comprises Messrs J. A. Biles, S.C. Harris, Dr. R. Rajagopal and Ms. E. Lindqvist. The Chairman may not chair the Committee when it is dealing with the matter of succession to the Chairmanship of the Company. 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 as and when appropriate. The quorum necessary for the transaction of business is two, each of whom must be an independent Non-Executive Director.

The 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 Company's expense) as it considers necessary, including requests for information from, or commissioning investigations by, external advisers.

Policy on appointments to the Board

Board appointments are made on merit, against objective criteria. The issue of diversity was debated by the Board in 2012 and a formal policy adopted. Further details on diversity can be found in the corporate governance statement on page 34. The Board's policy is to appoint the best possible candidates whilst embracing diversity in all its forms, but has chosen not to set any measurable objectives.

The process of identifying candidates for Board appointments commences with drawing up a job specification which includes, in the case of Non-Executive appointments, an estimate of the time commitment required. The Committee will then engage executive search consultants to assist in ensuring a comprehensive listing of potential candidates from a range of backgrounds.

As a number of our Non-Executive Directors have a tenure of over 6 years or are close to it, we have started the search process and plan to refresh the Board step by step over the next three to four years.

Main Activities of the Nomination Committee

In 2013 the Committee formally met three times and reviewed the skills of the Board, with a view to considering the current and future skills and experience which the Board might require.

The committee discussed succession planning, Board diversity and reviewed the performance of the 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 Chief Executive the Group's objectives for the forthcoming year.

In December 2013 the Nominations committee reviewed the Board's size and composition, the frequency of the process for Board and committee meetings, 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 earlier in the year and updated broadly in line with the Model Terms of Reference issued by the Institute of Chartered Secretaries and Administrators in June 2013.

Following 2012's external Board Evaluation the Board agreed to undertake an internal evaluation in 2013. Further details of the review can be found in the Corporate Governance section of the Annual Report. Recommendations arising from the 2013 Board Evaluation have been addressed or are in the process of being addressed.

As Chairman of the Committee I will be available at the 2014 Annual General meeting to answer questions relating to the work of the Committee.

On behalf of the Nomination Committee:

A.M. Thomson

Chairman of the Nomination Committee
27 February 2014