

Nominations & Succession Committee Report



Dear Shareholder,

I am pleased to present the report of the Nominations & Succession Committee which covers the year ended 26 February 2022.

The report provides insight into the composition of the Committee and the work that it undertakes.

We continue to assist the Board in the assessment of the appropriate skills and in developing succession plans to ensure we continue to deliver against our strategy.

WHAT DOES THE COMMITTEE DO?

1. Ensures that the Board has a formal and transparent appointments procedure and that the balance of Directors on the Board remains appropriate as the Group develops in order to ensure that the business can compete effectively in the marketplace.
2. Identifies and nominates candidates to fill Board vacancies as and when they arise.
3. Evaluates the balance of skills, knowledge, experience and diversity of the Board in order to ensure an optimum mix.
4. Considers the succession planning for Directors, Executives and senior managers to ensure that any succession is managed smoothly.

The Committee comprises all of the Group's Independent Non-Executive Directors, the Board Chair, and Peter Ward. The Committee and its sub-committee held six meetings during the year.

The Committee's terms of reference are available on the Group's website.

COMMITTEE MEMBERS

Stephen Karle (Chair to 28 February 2022)

Sir Nigel Knowles (Chair from 1 March 2022)

Joanne Lake (until 31 March 2022)

Peter Ward

Sheryl Lawrence (from 1 May 2021)

Michael Yeates (from 1 May 2021)

Diversity

The Group recognises the importance of diversity both at Board level and throughout the whole organisation.

The Board remains committed to increasing diversity. Consequently, diversity is taken into account during each recruitment and appointment process, working to attract outstanding candidates with diverse backgrounds, skills, ideas and culture.

As part of its commitment to diversity, in April 2022 the Group agreed a new Diversity & Inclusion Policy.

The policy aims to ensure that recruitment and selection processes minimise the potential for unconscious bias, and we will make opportunities for training, development and progress available to all staff, who will be helped and encouraged to develop their full potential, so their talents and resources can be fully utilised to maximise the efficiency of the organisation.

Our decisions concerning staff will be based on merit (apart from any necessary and limited exemptions and exceptions allowed under the Equality Act) and we will review employment practices and procedures when necessary to ensure fairness.

We will conduct surveys to measure and understand employee engagement and use this information to inform our approach to implementing initiatives or changes within our organisation.

The Group is currently finalising targets and/or actions in this area that are relevant to the business which are due to be reviewed by the Board during 2022.

The Group already has an established policy of promoting equal opportunities in employment, ensuring that discrimination does not take place, and everyone receives equal treatment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation.

Following the appointment of Sheryl Lawrence in May 2021, and until Joanne Lake's departure on 31 March 2022, two members of the Board and 50% of the Independent Non-Executive Directors were women. One member of the Board is classed as ethnically diverse.

As at 26 February 2022, the Executive Management Team and Company Secretary comprised ten men and two women. Their direct reports consisted of 29 men and 14 women.

Activities during the year

During the year, the Committee has:

- undertaken an exercise to look at Executive succession planning;
- reviewed the composition of the Board and its sub-committees;
- undertaken an annual internal evaluation process for both the Chairman and the Board as a whole;
- concluded that the Board works effectively, both as a group and in its individual committees, bringing a wealth of relevant experience to the Group; and
- made a number of recommendations in relation to appointments to the Board, namely:
 - appointment of the COO;
 - appointment of two Independent Non-Executive Directors;
 - appointment of COO to the position of CEO.

Internal Board evaluation

In terms of the evaluation of Board members, the Board succession planning process is set out in a clear, written policy which ensures consistency and rigour. It is underpinned by a Board profile matrix, in which the skills, competences and diversity needs of the Board are mapped against current composition. The matrix helps the Board focus its search and write relevant role descriptions that are Senior Managers and Certification Regime (SM&CR) compliant for the selection of any new Non-Executive Directors.

A further measure involves annual effectiveness reviews of individual Non-Executive Directors, led by the Chairman, but with the Chairman being assessed by the Senior Independent Director with input from all Directors. The Committee has given consideration to a future evaluation by external consultants, to assist the Board in understanding its collective effectiveness and to help inform Non-Executive Directors of their strategic relevance to the Group. This is not expected to be undertaken within the next 12 months.

Where changes to Board composition are considered necessary, the Committee defines the Board's needs, identifies the talent required, and engages independent, reputable search consultants and/or key advisers to assist in the search for high-calibre candidates, submitting its recommendations to the full Board for consideration.

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Following the internal evaluation, the Committee concluded that:

- the Board remains focused on outcomes – for customers, investors, employees, self-employed agents and stakeholders. This can be demonstrated by the management information requested by and produced to the Board at each Board meeting;
- the Board consistently considers the relevance of its capabilities to meet the challenges ahead. This is debated at the Nominations & Succession Committee;
- the culture at the Board table encourages wide, deep and relevant participation;
- the Board is consistently engaged. All Non-Executive Directors add value in maximising the leverage and quality of their third-party relationships;
- Board colleagues bring a wide range of perspectives to the Board table. Non-Executive Directors reflect on insights gained from their other activities and bring valuable input to meetings;
- additional training should be provided to the Directors on topics specifically related to the Group's activities. During the year, the Directors have received comprehensive briefings on the HCC division from its Operations Director; on the Digital division from the Chief Operating Officer; on Market Abuse Regulations from the Company's Nomad, Peel Hunt; a comprehensive horizon scanning briefing by the Company's lawyers, Eversheds Sutherland; and training on the new Board portal software installed by the Company in early 2022.
- the Board agenda and management information are continually reviewed to ensure that concise and relevant information is made available at an appropriate time.

As a result of the Board evaluation, the Committee has concluded that the Board works effectively as a group in its current form, although this will remain under annual review.

Changes to the Board during the year

There have been a number of changes to the Board during the year.

Recruitment of new Non-Executive Directors

In February 2021, the Committee commenced an exercise to recruit two new Independent Non-Executive Directors. The Company again engaged the independent executive search and selection specialists, Argent Services Limited, for both appointments.

Prospective candidates were interviewed by the Chairman and were provided with a briefing about the Group by the CEO. Following this process, the Committee met and subsequently recommended the appointment of two new Independent Non-Executive Directors, Sheryl Lawrence and Michael Yeates. Both bring significant experience in the financial services sector. Sheryl Lawrence was appointed Chair of the Audit Committee and Michael Yeates became Chair of the Risk & Compliance Committee. Their biographies are included on page 47.

Appointment of additional Executive Director

The Committee also recommended the appointment of Gary Marshall, the Chief Operating Officer, to the Board effective 1 May 2021. Since he joined the Group in July 2019, Gary had been responsible for successfully leading the integration and development of the Digital business, Shelby Finance. Gary had also taken on overall responsibility for the Group's IT and Change functions. Following the departure of Paul Smith from the business in February 2022, the Committee recommended that Gary be appointed the Group's Chief Executive Officer. His biography is included on page 46.

Leavers

Les Easson

On 17 March 2021, Les Easson resigned as a Non-Executive Director. Les had been appointed a Non-Executive Director upon his retirement as Operations Director following 36 years at the Company. The support he has given to ensure his replacement had a smooth transition into the Operations Director role has been extremely valuable and Les felt that after 18 months, it was the right time to relinquish his mentoring role.

Andy Thomson

Andy Thomson, who had resumed his position as Non-Executive Director on 1 January 2021, following the appointment of Graeme Campbell as CFO, retired on 31 December 2021.

Paul Smith

Paul Smith, the CEO, left the Company on 18 February 2022.

Changes to the Board after the end of the year

Stephen Karle

On 28 February 2022, Stephen Karle retired as Chair of the Board. Stephen had been Chair since January 2015 and had led the business through its IPO and supported its transition from a pure home collected credit provider to its current position as a market-leading provider of non-standard credit. Stephen's decision to retire had been announced in December 2021.

Sir Nigel Knowles

On 1 March 2022, Sir Nigel Knowles replaced Stephen Karle as Board Chair. Sir Nigel has been a member of the Board and Senior Independent Director since May 2016.

Joanne Lake

Following the completion of her second three-year term of office as a Non-Executive Director on the Board, Joanne Lake stepped down from the Board on 31 March 2022.

Corporate Governance Code

The Committee is aware that following these changes, the Group does not comply with Provision 11 of the 2018 Corporate Governance Code which relates to the proportion of Non-Executive Directors whom the Board considers to be independent. The Company has two Independent Non-Executive Directors, which the Board believes is an appropriate number for its current size and market capitalisation.

Succession planning

The Company has developed a policy for both Board and Executive succession planning that sets out a process by which the Nominations & Succession Committee plans ahead for the replacement of Executive and Non-Executive Board members and the Chair, either because of a vacancy or a possible future vacancy. This process looks at the medium term and longer term, together with potential contingencies.

The plan has been developed to ensure:

- continuity in key roles;
- sustainability of the Company's performance;
- high standards of corporate governance; and
- appropriate investor dialogue.

It addresses the issues of competence, integrity, transparency, diversity and independence by seeking to define the shape of the Board and Executive teams by assessing on an ongoing basis:

- the required levels of knowledge, skills, experience and specific expertise;
- the proportion of the Board that should be composed of Independent Non-Executive Directors;
- the issue of diversity in the widest sense of the word, especially gender diversity;
- the effectiveness of Board refreshment through the periodic appointment of new members and the scheduled retirement of incumbent Directors, the primary aim being to align skill sets with the Group's evolving strategic direction; and
- whether effective risk management is in place to minimise the vulnerability to narrow 'group thinking'.

Board service is strictly contingent on individual Director performance and annual re-election, founded upon satisfactory evaluations of his or her contribution to the Board.

The position will be kept under close review by the Nominations & Succession Committee alongside the delivery of the Group's strategy.

Approval

On behalf of the Nominations & Succession Committee.

Sir Nigel Knowles

Chair

25 August 2022