



Dated: 21 December 2015
Diurnal Group plc
Nomination Committee

Terms of reference

DIURNAL GROUP PLC
NOMINATION COMMITTEE
TERMS OF REFERENCE

1. **DEFINITIONS**

In these terms of reference:

"Board" means the board of directors of the Company;

"Committee" means the nomination committee of the Board;

"Company" means Diurnal Group plc, a public limited company incorporated in England and Wales with registration number 9846650; and

"Group" means the Company and its subsidiary undertakings from time to time.

2. **PURPOSE**

2.1 The purpose of the Committee is to establish a formal, rigorous and transparent procedure for the appointment of new directors to the Board, to support the guidance in the Corporate Governance Code for Small and Mid-size Quoted Companies published by the QCA , such that the optimal composition of the Board is achieved having regard to:

- its size and composition;
- the extent to which required skills, experience or attributes are represented; and
- the need to maintain the highest standard of corporate governance,

ensuring that it consists of individuals who are best able to discharge the responsibilities of directors.

3. **CONSTITUTION AND MEMBERSHIP**

3.1 The Nomination Committee has been established as a committee of the Board by resolution of the Board.

3.2 The members of the Committee shall be appointed by the Board. The Committee shall comprise at least two members, one of whom shall be an independent non-executive director.

3.3 The chairman of the Committee shall be appointed by the Board and should either be the chairman of the Board or an independent non-executive director. In the absence of the chairman of the Committee, the members present shall elect one of their number present to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board. The chairman of the Company should not chair the Committee when it is dealing with the appointment of a successor to the chairmanship.

3.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.

3.5 The company secretary shall act as the secretary of the Committee. Where the company secretary is also an executive director, the Committee may nominate one of its members to act as secretary for any meeting which the Committee wishes to hold without executive directors being present.

4. **ATTENDANCE**

- 4.1 The Committee may request the chief executive, the head of human resources and external advisors to attend all or part of any meeting of the Committee, as and when appropriate and necessary, but such invitees have no right of attendance.

5. **MEETINGS**

- 5.1 The Committee will meet at least twice a year and at such other times as may be deemed necessary.
- 5.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of the chairman of the Committee.
- 5.3 Unless otherwise agreed by all members of the Committee, notice of meetings, confirming the venue, time and date together with an agenda and all appropriate and relevant papers, should normally be circulated to each member of the Committee, to any other person required to attend, and (unless it would be inappropriate to do so) to all other directors, at least five working days prior to the date of the meeting.
- 5.4 The quorum for meetings of the Committee shall be two members, one of whom must be an independent non-executive director.
- 5.5 Decisions of the Committee will be made by majority vote. In the event of an equality of votes the chairman of the Committee will have a second or casting vote.

6. **REPORTING**

- 6.1 Sufficient time should be allowed after Committee meetings for the Committee to report to the Board on the nature and content of discussion, on recommendations, and on actions to be taken. The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. The secretary will ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once approved, to all members of the Board, and to the Company secretary unless a conflict of interest exists or, in the opinion of the chairman of the Committee, it would be inappropriate to do so.
- 6.2 The Committee chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 6.3 The Committee shall make whatever recommendations to the Board that it deems appropriate on an area within its remit where action or improvement is needed.
- 6.4 The Committee shall produce a report to be included in the Company's annual report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used. Where an external search agency has been used, it shall be identified in the annual report and a statement made as to whether it has any connection with the Company.
- 6.5 The report referred to in 6.4 should include a statement of the Board's policy on diversity, including gender, any measurable objectives that it has for implementing the policy and progress on achieving the objectives.
- 6.6 The chairman of the Committee should be present at the Company's annual general meeting to respond to questions on matters within the responsibility of the Committee.

7. **DUTIES OF THE COMMITTEE**

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

The Committee shall:

- 7.1 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;
- 7.2 give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future, in particular they should be mindful of the FRC's Guidance on Board Effectiveness, Section 4 Board Composition and Succession Planning;
- 7.3 keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- 7.4 keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- 7.5 be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- 7.6 before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
 - 7.6.1 consider using open advertising or the services of external advisers to facilitate the search;
 - 7.6.2 consider candidates from a wide range of backgrounds; and
 - 7.6.3 consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position;
- 7.7 for the appointment of a chairman, prepare a job specification, including the time commitment expected. A proposed chairman's other significant commitments should be disclosed to the Board before appointment and any changes to the chairman's commitments should be reported to the Board as they arise and disclosed in the next annual report;
- 7.8 prior to the appointment of a director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest;
- 7.9 when considering the appointment of both executive and non-executive directors to the Board, review such directors' positions and interests in other companies or firms, in order to identify any conflicts or potential conflicts of interest and make recommendations to the Board as to whether these positions and interests should be authorised;
- 7.10 review each director's conflicts authorisations annually to check it is appropriate for the relevant matters to remain authorised and make recommendations to the Board accordingly;
- 7.11 ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings;
- 7.12 review the results of the Board performance evaluation process that relate to the composition of the Board;

- 7.13 review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties; and
 - 7.14 work and liaise as necessary with all other Board committees.
- The Committee shall also make recommendations to the Board concerning:
- 7.15 formulating plans for succession for both executive and non-executive directors and in particular for the key roles of the chairman of the Board and chief executive;
 - 7.16 suitable candidates for the role of senior independent director;
 - 7.17 membership of the audit and remuneration committees, and any other Board committees as appropriate, in consultation with the chairmen of those committees;
 - 7.18 the re-appointment of any non-executive director at the conclusion of his or her specified term of office having given due regard to his or her performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
 - 7.19 the re-election by shareholders of directors under the retirement by rotation provisions in the Company's articles of association, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board (particularly in relation to directors being re-elected for a term beyond six years);
 - 7.20 any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and his or her service contract; and
 - 7.21 the appointment of any director to executive or other office (including for the avoidance of doubt, the positions of chairman of the Board and chief executive).

8. **OTHER MATTERS**

The Committee shall:

- 8.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 8.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 8.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the AIM Rules for Companies and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 8.4 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
- 8.5 ensure that these terms of references are made available by placing them on the Company's website.

8.6 **General Duties**

In carrying out his or her specific duties set out above, each member of the Committee should also consider his or her general duties as a director of the Company, including:

- 8.6.1 his or her duty to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to all relevant factors;

- 8.6.2 his or her duty to exercise independent judgment;
- 8.6.3 his or her duty to exercise reasonable care, diligence and skill;
- 8.6.4 his or her duty to avoid conflicts of interest; and
- 8.6.5 his or her duty to act in accordance with the Company's constitution and only exercise his or her powers for the purposes for which they were conferred.

9. **AUTHORITY**

The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

These terms of reference were adopted by resolution of the Board passed on *21 December* 2015.