

Nomination Committee report

The Nomination Committee (the “Committee”) has overall responsibility for making recommendations to the Board on all new appointments and for ensuring that the Board and its Committees have the appropriate balance of skills, experience, independence, diversity and knowledge to enable them to discharge their respective duties and responsibilities effectively.

Archie G. Kane

Nomination Committee Chairman



Member	No. of meetings
Archie G. Kane (Chairman)	●● 2/2
Justin Dowley	●● 2/2
Liz Hewitt	●● 2/2
David Lis	●● 2/2
Charlotte Twyning	●● 2/2
Funmi Adegoke	●● 2/2

Discharge of responsibilities

The Committee discharges its responsibilities through:

- regularly reviewing the size, structure and composition of the Board including by means of overseeing the annual evaluation processes of the Board and its committees, and providing recommendations to the Board of any adjustments that may be necessary from time to time;
- giving full consideration to succession planning in order to ensure an optimum balance of executive and Non-executive Directors in terms of skills, experience and diversity, and in particular formulating plans for succession for the key roles of Chairman of the Board and Chief Executive;
- reviewing the career planning and talent management programme related to senior executives of the Company to ensure that it meets the needs of the business;
- managing the Board recruitment process and evaluating the skills, knowledge, diversity and experience of potential Board candidates in order to make appropriate nominations to the Board;
- reviewing and approving the diversity policy of the Company; and
- keeping up to date and fully informed on strategic issues and commercial changes affecting the Company and the markets in which it operates.

The Committee's terms of reference, which were last reviewed in November 2020, are available to view on the Company's website at: <https://www.melroseplc.net/about-us/governance/nomination-committee/>.

Committee membership and attendance

The Committee is made up 100% of independent Non-executive Directors and all of the current Non-executive Directors are members of the Committee.

The Committee is expected to meet not less than twice a year and during 2020, the Committee met twice. The attendance of its members at these Committee meetings is shown in the table above.

The Company Secretary acts as secretary to the Nomination Committee. On occasion, the Nomination Committee invites the Chief Executive, the executive Vice-Chairmen and the Group Finance Director to attend discussions where their input is required.

Board composition and succession planning

The Committee keeps under review the membership of the Board, including its size and composition, and makes recommendations to the Board on any adjustments it thinks necessary. The Committee recognises the value in attracting Board members from a diverse range of backgrounds who can contribute a wealth of knowledge, understanding and experience. The Committee works with the Board in order to ensure both of these matters are taken into account to aid effective succession planning.

During the year, Mr David Roper had intended on retiring from the Board. However, as a result of the global pandemic, the Board and Committee agreed that it was not the appropriate time to lose the expertise and experience of one of its co-founders. Mr Roper therefore agreed to delay his retirement and he will instead retire on 31 May 2021. We thank him for his long and successful service, particularly for the last twelve months, and wish him all the best.

Furthermore, as a result of the valuable contribution that Mr Peter Dilnot has made since joining Melrose as Chief Operating Officer in 2019, the Board in consultation with the Committee had approved the appointment of Mr Dilnot to the role of executive Director, and such appointment took effect on 1 January 2021. Mr Dilnot brings to the Board a deep understanding of the Melrose business model together with strong sector experience in engineering and aviation.

Succession planning arrangements for the Board as a whole were reviewed by the Committee in 2020. This included reviewing the skills set, tenure, diversity and independence of those already on the Board, and reviewing the Melrose senior management team including the career planning and talent management programmes in operation for them. In each case this was to allow the Committee to ensure that the right balance of skills, experience and diversity were reflected and being developed. Following such review, the Committee recommended to the Board that a new female Non-executive Director should be appointed, particularly with a view to further increasing diversity at Board level. Stonehaven International, an external recruitment consultancy firm unconnected with the Company and its Directors, has been retained to identify suitable candidates for the Board's consideration.

Given the strength of Melrose's decentralised operating structure in achieving the Group's strategic objectives, the Committee does not have direct involvement in the succession planning arrangements of the businesses. However, the Committee has access to the divisional executive teams through the business review cycle.

Chairman's tenure

The Committee also reviewed the role of Mr Justin Dowley as Melrose's inaugural Non-executive Chairman. Although Mr Dowley was appointed to the role in 2019, he first joined the Board as a Non-executive Director in September 2011, meaning he has served on the Board for over nine years. Under the UK Corporate Governance Code, this is a key date in the consideration of the independence of the Chairman.

In 2019 the Committee had recommended to the Board that Mr Dowley stay in his position for up to three years beyond 2020, subject to his annual re-election at the Company's AGM. This recommendation had been reached following a positive engagement process with key institutional shareholders on Mr Dowley's tenure.

During the year, the Committee remained supportive of its recommendation on Mr Dowley's tenure. Given the global pandemic, the acquisition of GKN, and the elevation of the Company to the FTSE 100, the Committee considered that there was a need for continuity and stability at Board level to facilitate succession planning arrangements and the development of a diverse Board. The Committee therefore considered it vital that any Chairman must have an in-depth understanding of the unique and particular drivers behind Melrose's business model so as to be able to provide the necessary leadership in such a period of change and uncertainty. Mr Dowley had also received strong support from shareholders at last year's AGM when shareholders approved his re-election to the Board.

Re-election of Directors

The effectiveness and commitment of each of the Directors is reviewed annually as part of the Board evaluation upon recommendations from the Committee. The Committee reviewed each Director in turn to satisfy itself as to the individual skills, relevant experience, contributions and time commitment of the Directors to the long-term sustainable success of the Company. The Committee and Board have satisfied themselves that each of the Directors should stand for re-election (and Mr Dilnot should stand for election for the first time), and the justifications for such re-elections (and election) are set out on pages 100 to 101 of this Annual Report and in the Notice of AGM on pages 208 to 213.

Diversity

Melrose is a meritocracy and individual performance is the key determinant in any appointment, irrespective of ethnicity, gender or other characteristic, trait or orientation. The Board and the Committee does however place great emphasis on ensuring that the membership of the Board and the pipeline for succession planning purposes reflects diversity. In particular, the past two Non-executive Director appointments have been women. Melrose has also achieved well ahead of schedule the Parker Review target of having one Director from an ethnic minority background on the Board by the end of 2021 following the appointment of Ms Funmi Adegoke to the Board in October 2019.

The Committee currently takes into account a variety of factors before recommending any new appointments to the Board, including relevant skills to perform the role, experience and knowledge needed to ensure a rounded Board and the benefits each candidate can bring to the overall Board composition. The Committee also takes into account race, ethnicity, country of origin, nationality, cultural background and gender in the selection process to ensure a diverse Board and it also strongly encourages executives to adopt the same approach when making appointments to the Melrose Executive Committee or the wider senior management team. The most important priority of the Committee, however, has been, and will continue to be, to ensure that the best candidate is selected, and this approach will remain in place going forward.

As at 31 December 2020 Melrose had 30% female representation on its Board. Melrose had been on track to achieve the Hampton-Alexander Review target of having 33% female representation on its Board by 2020 with the intended retirement of Mr Roper in May 2020. However, as a result of the global pandemic, the Board and Committee agreed that it was not the appropriate time to lose the expertise and experience of one of its co-founders. Mr Roper agreed to delay his retirement to assist the Company in navigating its way through the challenges presented by the pandemic. His knowledge and experience have been very helpful in ensuring that the businesses ended the year in a strong position. The Board's decision to delay Mr Roper's retirement was the reason that Melrose did not achieve the goal of 33% female Board members by the end of last year as had been intended. The middle of the crisis was not the time to lose someone of Mr Roper's experience, but this is now being addressed. Melrose is committed to achieving the Hampton-Alexander Review target in 2021 and along with Mr Roper's retirement it has started the process of recruiting for a new female Non-executive Director.

Below Board level, Melrose had established an Executive Committee in 2020 and focus has been placed on pursuing diversity at this level in order to pave the way for a diverse pipeline for succession planning purposes. This focus is represented through the fact that the Executive Committee and its direct reports consists of 34% female representation (and 35% female representation specifically at an Executive Committee level), which is in line with the Hampton-Alexander Review target of diversity at this level.

Further details of Melrose's commitment to diversity and the various diversity initiatives undertaken within the Group can be found in the Sustainability report on pages 78 to 85, and Melrose's diversity policy can be viewed on the Company's website at www.melroseplc.net/sustainability/. Additionally, further details on diversity and Board skills can be found on page 91 of this Annual Report.

External evaluation

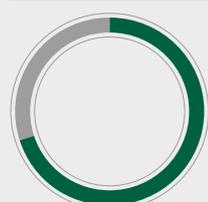
During 2020 an evaluation of the Chairman, the Board and its committees was undertaken in line with their respective terms of reference. These evaluations were conducted externally by Lintstock Ltd, a company unconnected with the Company and its Directors. The evaluation process involved direct engagement by Lintstock Ltd with each of the Directors. Lintstock Ltd prepared a report for the Board giving details of its evaluation and recommendations, and such report was subsequently discussed amongst the Board. The evaluation process demonstrated that the Board and its committees were operating effectively and the composition of such Boards and committees promoted the long-term sustainable success of the Company.



Archie G. Kane
Chairman, Nomination Committee
4 March 2021

Diversity overview⁽¹⁾

Board gender diversity



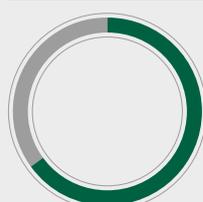
● Male 70%
● Female 30%

Board ethnic diversity



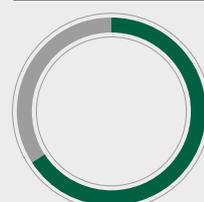
● Non BAME⁽²⁾ 90%
● BAME⁽²⁾ 10%

Melrose Executive Committee



● Male 65%
● Female 35%

Senior management and direct reports⁽³⁾



● Male 66%
● Female 34%

(1) As at 31 December 2020. Mr Dilnot joined the Board on 1 January 2021.

(2) Black, Asian and Minority Ethnic.

(3) In accordance with the UK Corporate Governance Code, senior management is defined as the executive committee, or the first layer of management below board level, including the Company Secretary.