CHAIR'S INTRODUCTION TO GOVERNANCE

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

It is the Board's view that for the financial year ended 30 September 2023, the Company has been compliant with all of the principles and provisions set out in the UK Corporate Governance Code 2018 (the Code). In respect of the year ending 30 September 2024, as set out below, the Board expects that it will for a short period require further explanation with regard to Provision 10 in respect of Andy Smith who will remain on the Board and its Committees for a short extension past his nine-year tenure to enable a smooth and effective transition of the role of Chair of the Remuneration Committee. The Board considers Andy Smith to remain independent during this extended period.

PRINCIPLES OF THE UK CORPORATE GOVERNANCE CODE 2018

BOARD LEADERSHIP AND COMPANY PURPOSE

Diploma is led by an effective and committed Board, dedicated to promoting the long-term sustainable success of the Company, generating value for shareholders and other stakeholders, and contributing to wider society.

READ MORE ON PAGES 50 TO 53, AND PAGES 86 TO 87.

DIVISION OF RESPONSIBILITIES

The roles of the Chair and the Group CEO are separate and there is an appropriate balance of Executive and Independent Non-Executive Directors.

READ MORE ON PAGES 83 TO 85.

COMPOSITION, SUCCESSION AND EVALUATION

Appointments are subject to a formal, rigorous and transparent procedure. Succession plans are in place for the Board and senior management. An evaluation of the Board and its committees is undertaken annually, in line with the Code.

READ MORE ON PAGES 83 TO 84, AND PAGES 96 TO 101.

AUDIT, RISK AND INTERNAL CONTROL

Formal, transparent policies and procedures are in place to ensure the independence and effectiveness of the internal and external audit functions, and the integrity of financial and narrative statements, and to manage and mitigate risks.

READ MORE ON PAGES 42 TO 48, AND PAGES 88 TO 95.

REMUNERATION

Diploma has remuneration policies designed to attract the best talent and promote long-term sustainable performance aligned with shareholder interests. Executive remuneration is aligned to the Company's purpose and values and is clearly linked to the delivery of long-term strategy.

READ MORE ON PAGES 102 TO 125.

David Lowden
Chair

"The high standards of corporate governance underpin everything we deliver."

DEAR SHAREHOLDER,

On behalf of the Board, I am delighted to present the Company's Corporate Governance Report for the year ended 30 September 2023, which summarises how the Board and our governance have provided leadership over the year in support of the long-term sustainable success of Diploma. Diploma has grown consistently over the last few years and our governance has continued to evolve accordingly to provide confidence to our investors and allow our entrepreneurial businesses to develop further.

Corporate governance is the predominant framework in which companies build trust with their stakeholders, and the wider community. It is more than just the principles that safeguard a company's interests, but a way to create long-term value. Corporate governance in itself is not a direct value driver, but can facilitate or hinder the creation or protection of value. Forward-looking organisations are able to focus on growth and value creation through the development of strong corporate governance practices. We must also go beyond the balance sheet, reporting intangible value and investing in our employees' development to grow alongside their businesses.

Sustainable corporate governance focuses on tackling environmental issues, evolving supply chains, improving diversity in the workforce, as well as contributing to the local communities. The Board is pleased that our corporate governance thinking and approach have continued to grow and evolve alongside the growth of our businesses. Throughout the last few years, we have continued to develop and embed our Delivering Value Responsibly (DVR) frameworks. Further information on our sustainability programmes can be found on pages 54 to 66. Insights from our DVR and governance developments have been used to inform steps taken by the Board, the Executive Team and our businesses to improve the efficiency of other systems and processes, with the goal of further empowering our colleagues, increasing agility and speed in execution and enhancing local accountability.

Effective leadership and optimal colleague engagement depends on a healthy, empowered and positive business culture. Diploma has a strong purpose, values, and cohesive cultural fundamentals that govern our actions and provide guidance across our varied businesses.

The Non-Executive Directors were very pleased to witness this culture in person during our visits this year to our Life Sciences businesses, Simonsen & Weel in Denmark and Acernis Medical in Canada.

We will continue to refine and develop our governance processes to ensure robustness and efficiency at Board level and throughout the Group, in a way that enables the creation of sustainable long-term value for our shareholders and other stakeholders.

BOARD SUCCESSION AND EVALUATION

Board composition and succession remain key areas of activity and focus. Anne Thorburn and Andy Smith will be retiring in 2024 after nearly nine years of service each. During the year, our Nomination Committee oversaw the succession and appointment process for a suitable candidate to take over the Remuneration Committee Chair position and were pleased to appoint Jennifer Ward as Remuneration Committee Chair-Designate on 1 June 2023. Jennifer brings a wealth of knowledge and experience to the Board and is an important part of its continued evolution. The Nomination Committee has begun a search process for the role of Audit Committee Chair and an announcement will be made at the appropriate time.

The Board is keenly aware of the need for diversity and inclusion, which is a key component of the Group's DVR programme. Following the appointment of Jennifer Ward in June, as at the end of the Financial Year the Board is 37.5% female, which does not meet the target by the Financial Conduct Authority that 40% of Board members are to be women. We do meet the recommendations requiring women to occupy at least one of the Board's senior roles.

Gender diversity in the wider senior management and wider workforce remains a key focus as expanded upon on pages 56 to 59. The Board will continue to set the right conditions and lead by example through its own approach to inclusion and diversity across its composition; further information can be found in our Nomination Committee Report on pages 96 to 101.

A key aspect of good governance is for the Board to critically self-analyse itself, its members and Committees, in order to continually improve its effectiveness. The Board carries out effectiveness reviews annually, and in FY23 this was undertaken internally in line with the Code. This evaluation has also enabled the Board to identify opportunities for it to further improve its effectiveness; additional detail on the evaluation results and areas of agreed focus can be found on page 101. In FY24 we will undertake an externally facilitated evaluation and look forward to the opportunity for candid self-reflection.

The Board's priorities for FY24 remain consistent, with a continued focus on: the implementation of the Group's strategy; challenging and empowering management; succession planning; and management of risk. Your Board is well placed to execute its stewardship role to ensure that the Group continues to evolve, scale and deliver long-term sustainable growth. We will also continue to be agile, adapting our thinking and priorities and promoting the interests of our investors, employees and other stakeholders over the coming years.

Our AGM will be held on 17 January 2024. I hope that as shareholders in the Company, you will be able to attend to meet with the Board of Directors and discuss any matters you feel are important to the future success of the Group. I welcome the opportunity to meet with our shareholders at the AGM, but would also remind all stakeholders that the Board and I are available throughout the year to answer questions or engage on topics of interest to you. You can contact us via the Group Company Secretary.

David Lowden
Chair

BOARD ACTIVITIES

STRATEGY & STRATEGIC EXECUTION	FINANCE	OPERATIONS	COLLEAGUES & CULTURE	RISK	GOVERNANCE
25%	20%	10%	15%	15%	15%

Set out below are some of the key activities, matters considered and decisions made by the Board in the year.

STRATEGY & STRATEGIC EXECUTION

- Regularly reviewed the Group's performance against the strategy.
- Presentations by the Group Corporate Development Director and Sector leadership on strategic priorities and execution against those priorities.
- Reviewed and discussed our ESG strategy and approach, Delivering Value Responsibly.
- Reviewed and approved the Group's M&A and business development activities, reorganisations and various other projects.
- Strategy review session.
- Equity raise.

FINANCE

- Received updates on the Group's financial performance.
- Approved the FY24 budget; monitored performance against the FY23 budget through regular presentations from the CFO.
- Assessed and approved dividend payments, balancing the views of various stakeholders.
- Investor relations: regular reports including share register movement and feedback from analysts and investors.
- Presentations from Tax and Treasury Functions.
- Control of Treasury and Tax policies.
- New multi-currency revolving credit facility agreement (RCF) and wider financing strategy.

OPERATIONS

- Regular updates from the Group CEO.
- Monitored and discussed the regulatory and political impacts on the Group's operations.
- Approval of the annual Modern Slavery Statement.
- Sector presentations.
- Business visits.

COLLEAGUES & CULTURE

- Reviewed Group Colleague Engagement Survey results.
- Received reports on workforce wellbeing throughout the year.
- Denmark and Canada site visits.
- Talent and succession update.
- Whistleblowing reports.
- Sector presentations.

RISK

- Received reports on the macroeconomic environment, world events and emerging trends.
- Annual risk review: review of principal risks to ensure they remain appropriate together with mitigating activity; reviewed and approved the inclusion of new and emerging risks.
- Quarterly risk updates.
- Cybersecurity briefing.
- Annual Insurance Review.

GOVERNANCE

- Regular corporate governance and regulatory updates from the Group Company Secretary.
- Concluded the annual Board effectiveness review.
- Agreed and tracked actions from the 2022 internal evaluation of the Board's performance.
- Approved the appointment of a new Non-Executive Director.
- Reviewed schedule of matters reserved for the Board and Terms of Reference of its Committees.
- Reviewed and approved the Company's financial reporting.

GOVERNANCE AT A GLANCE

ETHNIC DIVERSITY

0%

Ethnic minority

GENDER DIVERSITY

62.5% | 37.5%

Male | Female

LENGTH OF TENURE

50% | 25% | 25%

0–3 years | 3–6 years | 6–9 years

SKILLS AND EXPERIENCE

B2B, Industrial & Distribution Sectors	●●●●●
Retail and FMCG Sectors	●●●
Financial and Risk Management	●●●●●●
Operations	●●●●●●
Customer Service	●●●●●●
Health & Safety / Diversity, Equity & Inclusion	●●●●
Strategy	●●●●●●●●
M&A/Financing	●●●●●●
International Business	●●●●●●●●

BOARD AND COMMITTEE ATTENDANCE FY23 (AS AT 30 SEPTEMBER 2023)

MEMBER	BOARD	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
David Lowden	8/8	–	4/4	3/3
Johnny Thomson	8/8	–	–	–
Chris Davies	8/8	–	–	–
Anne Thorburn	8/8	5/5	4/4	3/3
Andy Smith	8/8	5/5	4/4	3/3
Geraldine Huse[1]	7/8	3/5	3/4	2/3
Dean Finch[2]	8/8	4/5	4/4	3/3
Jennifer Ward[3]	1/2	0/1	0/1	1/1

1 Geraldine Huse was unable to attend the September 2023 Board and Committee meetings due to an unavoidable conflict, and was unable to attend the Audit Committee meeting held in April as it was called on short notice.
2 Dean Finch was unable to attend the Audit Committee meeting held in April as it was called on short notice.
3 Jennifer Ward was unable to attend the September 2023 Board, Audit and Nomination Committee meetings due to an unavoidable conflict.

CHANGES TO THE BOARD

- Chris Davies was appointed to the Board as Chief Financial Officer on 1 November 2022.
- Jennifer Ward was appointed to the Board as an independent Non-Executive Director and as Chair-Designate of the Remuneration Committee on 1 June 2023.

OUR GOVERNANCE FRAMEWORK

The Board comprises the Chair, Executive Directors and Independent Non-Executive Directors, and is responsible for the performance and long-term success of the Company, including Health & Safety, leadership, strategy, values, standards, controls and risk management.

DAVID LOWDEN
Chair

Leads the Board and ensures its overall effectiveness in discharging its duties.

ANNE THORBURN
Senior Independent Director

The Senior Independent Director provides a sounding board for the Chair and serves as an intermediary for other Directors and shareholders.

Independent Non-Executive Directors

Independent Non-Executive Directors ensure that no individual or small group of individuals can dominate the Board's decision making.

GROUP COMPANY SECRETARY

The Group Company Secretary supports the Chair and ensures that Directors have access to accurate and timely information that they need to perform their roles.

BOARD COMMITTEES

AUDIT COMMITTEE
Chair: Anne Thorburn

Oversees and monitors the Company's financial statements, accounting processes, audit (internal and external), internal controls systems and financial risk management procedures. Also monitors the effectiveness of the internal audit function and reviews the external auditor independence and performance.

SEE MORE ON PAGES 88 TO 95.

NOMINATION COMMITTEE
Chair: David Lowden

Regularly reviews structure, size and composition of the Board and its Committees. Identifies and nominates suitable candidates to be appointed to the Board. Leads the Board's succession planning and keeps the senior leadership needs of the Group under review. Oversees the development of a diverse succession pipeline.

SEE MORE ON PAGES 96 TO 101.

REMUNERATION COMMITTEE
Chair: Andy Smith
Chair-Designate: Jennifer Ward

Reviews and recommends the framework and policy on Executive Director and senior management remuneration. Reviews workforce remuneration policies and alignment with culture.

SEE MORE ON PAGES 102 TO 125.

TREASURY COMMITTEE

Provides oversight of treasury activities in implementing the treasury policies approved by the Board.

ADMINISTRATION COMMITTEE

Conducts general business administration on behalf of the Company within clearly defined limits delegated by the Board and subject to the matters reserved to the Board.

DISCLOSURE COMMITTEE

Oversees the disclosure of market sensitive information.

EXECUTIVE DIRECTORS
Group Chief Executive Officer and Group Chief Financial Officer

The Group CEO and CFO lead the implementation of the Group's strategy set by the Board.

EXECUTIVE TEAM

The Executive Team provides strategic and operational leadership to the Group, ensuring that strategies are executed effectively.

SENIOR LEADERSHIP TEAM

The Senior Leadership Team oversees essential day-to-day business operations and talent strategy, leads core initiatives and implements policies and procedures. The team is made up of members of the Executive team, Managing Directors of the businesses and key Group functional roles.

BOARD OF DIRECTORS

01 DAVID LOWDEN
Board Chair & Nomination Chair

Joined: October 2021

Committee membership N R

Current external appointments:
- Senior Independent Director, Morgan Sindall plc
- Chair, Capita PLC

Relevant skills and experience:
- Industrial and Distribution Sectors
- Financial and Risk Management
- Operations
- Strategy
- M&A/Financing
- International Business

Past appointments:
- Chair, PageGroup plc
- Senior Independent Director, Berendsen plc
- Chair, Huntsworth plc
- Non-Executive Director, William Hill plc and Cable & Wireless Worldwide plc
- Chief Executive, Taylor Nelson Sofres

02 JOHNNY THOMSON
Group Chief Executive Officer

Joined: February 2019

Current external appointments:
- None

Relevant skills and experience:
- B2B Industrial, Distribution and Service Sectors
- Financial and Risk Management
- Operations and Customer Service
- Strategy
- M&A/Financing
- International Business

Past appointments:
- Group Finance Director, Compass Group PLC
- Regional Managing Director, Latin America, Compass Group PLC

03 CHRIS DAVIES
Group Chief Financial Officer

Joined: November 2022

Current external appointments:
- Non-Executive Director, Motability Operations Group PLC

Relevant skills and experience:
- Retail and FMCG Sectors
- Financial and Risk Management
- Strategy
- M&A/Financing
- International Business
- Operations and Customer Service

Past appointments:
- Chief Financial Officer, National Express Group PLC
- Group Financial Controller and Treasurer (and Interim Group CFO), Inchcape plc
- Chief Financial Officer for North America, Diageo plc

04 ANNE THORBURN
Senior Independent Director & Audit Chair

Joined: September 2015

Committee membership A N R

Current external appointments:
- Non-Executive Director and Chair of the Audit Committee, TT Electronics plc

Relevant skills and experience:
- B2B Industrial and Manufacturing Sectors
- Financial and Risk Management
- Strategy
- M&A/Financing
- International Business

Past appointments:
- Chief Financial Officer, Exova Group plc
- Group Finance Director, British Polythene Industries plc
- Non-Executive Director, BTG plc

05 ANDY SMITH
Independent Non-Executive Director & Remuneration Chair

Joined: February 2015

Committee membership A N R

Current external appointments:
- None

Relevant skills and experience:
- Healthcare, Retail, FMCG and Utilities Sectors
- Operations, HR and Customer Service
- Strategy and Risk Management
- Health & Safety, Sustainability, and Diversity Equity & Inclusion
- International Business

Past appointments:
- Managing Director, Severn Trent Services
- Water Services Director, Severn Trent plc
- Group HR Director, The Boots Company PLC
- Customer, Retail and Technology Director, Severn Trent plc

06 GERALDINE HUSE
Independent Non-Executive Director

Joined: January 2020

Committee membership A N R

Current external appointments:
- President, Procter & Gamble, Canada

Relevant skills and experience:
- Retail and FMCG Sectors
- Customer Service
- Sales and Marketing
- Diversity, Equity & Inclusion
- Organisational Development
- International Business

Past appointments:
- Chief Executive Officer, P&G Central Europe
- Chair of the Institute of Grocery Distribution

BOARD OF DIRECTORS CONTINUED

07 DEAN FINCH
Independent Non-Executive Director

Joined: May 2021

Committee membership Ⓐ Ⓝ Ⓡ

Current external appointments:
- Group Chief Executive, Persimmon PLC

Relevant skills and experience:
- B2B Industrial, Services and Retail Sectors
- Financial and Risk Management
- Operations and Customer Service
- Health & Safety
- M&A/Financing
- Strategy
- International Business

Past appointments:
- Chief Executive Officer, National Express Group plc
- Group Chief Executive, Tube Lines
- Group Finance Director & Group Chief Operating Officer, FirstGroup plc

08 JENNIFER WARD
Independent Non-Executive Director

Joined: June 2023

Committee membership Ⓐ Ⓝ Ⓡ

(Chair-Designate of Remuneration Committee)

Current external appointments:
- Executive Director and Chief Talent, Culture and Communications Executive, Halma Plc

Relevant skills and experience:
- B2B Industrial, Services and Retail Sectors
- Customer Service
- Sales and Marketing
- Organisational Development
- International Business
- Diversity, Equity & Inclusion

Past appointments:
- Senior Director, Human Resources, PayPal Inc
- SVP Learning & Leadership Development, Bank of America

JOHN MORRISON
Group General Counsel & Company Secretary

Joined: April 2020

An experienced FTSE company secretary and solicitor, John is responsible for the Group's global legal, compliance and governance affairs.

John provides support and advice to the Directors, the Board and its Committees. He brings rigour to corporate governance and ensures that Board procedures are fit for purpose and adhered to. John has expertise in regulatory and contractual law and legal risk management.

DIVISION OF RESPONSIBILITIES

The Board is responsible to shareholders for the Group's financial and operational performance, risk management and culture. It is collectively responsible for promoting the long-term success of the Group.

The Board is responsible for monitoring progress made against strategic objectives, approving proposed actions, and ensuring that the appropriate internal controls are in place and operating effectively.

There is a formal schedule of matters reserved for the Board, that sets out the structure under which the Board manages its responsibilities, providing guidance on how it discharges its authority and manages the Board's activities. The Board is assisted by three principal committees (Audit, Nomination and Remuneration), each of which is responsible for reviewing and dealing with matters within its own terms of reference.

MATTERS RESERVED FOR THE BOARD

The Board has a formal schedule of matters reserved for its decisions:

- Purpose, strategy and management
- Values, culture and stakeholders
- Membership of the Board and other appointments
- Financial and other reporting and controls
- Audit, risk and internal controls
- Contracts and capital structure
- Communication
- Remuneration
- Delegation of authority
- Corporate governance and other matters

ROLES IN THE BOARDROOM

Non-Executive Chair

- Leads the Board and ensures its overall effectiveness in discharging its duties.
- Shapes the culture in the boardroom and promotes openness, challenge and debate.
- Sets the agenda for Board meetings, focusing on strategy, performance, value creation, risk management, culture, stakeholders and accountability.
- Chairs meetings ensuring there is timely information flow before meetings and adequate time for discussion and debate.
- Fosters relationships based on trust, mutual respect and open communication inside and outside the boardroom.
- Leads relations with major shareholders in order to understand their views on governance and performance against strategy.

Independent Non-Executive Directors

- Ensure that no individual or small group of individuals can dominate the Board's decision-making.
- Provide constructive challenge, give strategic guidance, offer specialist advice and hold executive management to account.

Independent Non-Executive Directors meeting the independence criteria set out in the Code comprise more than half of Board membership.

Senior Independent Non-Executive Director

- Leads the Board and ensures its overall effectiveness in discharging its duties.
- Provides the Chair with support in the delivery of objectives, where necessary works closely with the Nomination Committee, leads the process for the evaluation of the Chair and ensures orderly succession of the Chair's role.
- Acts as an alternative contact for shareholders, providing a means of raising concerns other than with the Chair or senior management.

Group CEO & Group CFO

- Lead the implementation of the Group's strategy set by the Board.
- Group CEO is responsible for delivering the strategy and for the overall management of the Group.
- Group CEO leads the Executive team and ensures its effectiveness in managing the overall operations and resources of the Group.
- Executive Directors provide information and presentations to the Board and participate in Board discussions regarding Group management, financial and operational matters.

Matters delegated to the CEO and CFO include managing the Group's business in line with the Group's strategy, annual budget and implementation of the risk governance framework.

Group Company Secretary

- Supports the Chair and ensures the Directors have access to the accurate and timely information they need to perform their roles.
- Is the trusted interlocutor within the Board and its Committees, and between executive management and the Non-Executive Directors.
- Advises the Board on legal and corporate governance matters and supports the Board in applying the Code and complying with UK listing obligations and other statutory and regulatory requirements.

MONITORING CULTURE

PURPOSE, CULTURE AND VALUES

The Board is responsible for ensuring that the Group achieves its purpose, which is to innovate, create and deliver value-add solutions for a better future. In reviewing and ensuring the implementation of the Group's strategy, the Board ensures that the objectives of our purpose are met while also taking into account the risks and opportunities facing the Group.

The 2018 UK Corporate Governance Code (the Code) emphasises the importance of the role of the Board regarding culture, with specific recommendations that the Board assesses and monitors. Our decentralised model means that culture is embedded in our businesses, each of which has its own unique aspects which we believe are critical to the autonomy and empowerment that underpins the Group's success. As the business landscape evolves and the Group continues to grow, the Board felt it necessary to review the Group's culture and values during the year to ensure continuity, adaptability and the right cultural direction. Following this review, we refreshed our core values to be: customer-centric, doing the right thing, remaining accountable, growing together and being down to earth.

During the year, the Board has monitored culture in a number of ways. This includes business visits, presentations from Sector leadership, strategy review sessions, and updates on people and culture from the Group HR Director. Successfully scaling up our value-add model requires constant evolution, and our culture has a critical role to play in supporting growth. When considering acquisition strategies, cultural fit is also an important area of focus and discussion. Whilst remaining decentralised and maintaining their own unique identity, our businesses benefit from shared best practices, intercompany networks and exceptional leadership teams.

One of the key ways in which the Board can experience and evaluate the culture is through meeting with colleagues across our businesses. We were delighted to have travelled to Simonsen & Weel in Denmark and Acernis Medical in Canada in April 2023. The results of our Group Colleague Engagement Survey (discussed on page 56) have also provided further insight.

HOW THE BOARD MONITORS CULTURE

The Board

- Strategy updates
- CEO's report
- Presentations by the Group HR Director
- Sector and function presentations
- Employee engagement survey
- Site visits
- Board Committees

Our Board Committees also play an important role in monitoring our culture:

- Remuneration Committee receives updates from the Group HR Director that provide an overview of pay structures across the Group and their alignment with our purpose, values and strategy. This allows the Committee to ensure that the relevant policies and practices are consistent with our values.
- Audit Committee has oversight of internal controls and continuous access to internal audit, both of which can give an indication of culture, particularly honing in on any negative elements that don't align with the Group's culture.

EMPLOYEE ENGAGEMENT

The Board is committed to engaging with employees and has considered the employee engagement methods specified by the Code but felt that alternative methods are more appropriate. Given the Group's decentralised model and its geographical spread, the Board has continued with a multi-faceted approach to engagement with the global workforce that is not led by any one Director or group of Directors.

We consider that engagement by the local Managing Directors (MDs) with their own workforce, together with strong channels of communication from MDs to their respective Sector CEO, as well as communication with the global workforce led by the Group's central functions, provides an effective platform for transparent two-way dialogue with employees.

The Board feels well informed on colleague views and matters and uses a combination of methods to comply with the Code's requirements:

- Regular updates to the Board at every scheduled Board meeting on people matters. Over the past year, colleague wellbeing and morale have been areas of keen focus.
- Colleague, talent and culture updates from the Group HR Director.
- The Remuneration Committee reviews workforce pay practices across Diploma.
- The Board regularly undertakes site visits.
- Executive Board members regularly interact with individual businesses and our flat structure ensures strong channels of communication.
- The Board was presented with the outcomes of the Group Colleague Engagement Survey and discussed these together with key learnings. We were delighted with the high participation rate and engagement index score of 80%; the full results of the survey are detailed on page 56.

DELIVERING VALUE RESPONSIBLY

Our DVR governance structure is lean and reflects our decentralised model. The Board has ultimate oversight and responsibility for DVR including DVR governance, strategy, performance and climate-related risks and opportunities. The Audit committee reviews Group climate-related risks and their mitigation, as well as Group TCFD disclosures. The Remuneration Committee has a role in ensuring flexibility to introduce DVR metrics into future remuneration.

The Executive Team, which includes the Sector CEOs, ensures alignment and oversight of DVR within their areas of responsibility.

The Senior Leadership Team, including Managing Directors, is responsible for local DVR performance and operational execution. They are supported by local DVR committees and networks.

The role of the DVR Steering Committee, which includes the Group CEO and Sustainability Director, is to outline DVR strategy, set Group targets, support the Sectors and businesses, and monitor and communicate progress.

In a decentralised Group, ensuring alignment and driving progress at the right pace can be a challenge so communication is key. The Board is regularly updated on DVR and also has an annual in-depth annual session with the Group Sustainability Director. The SLT and Executive Team also cover DVR during regular, scheduled updates. All targets and metrics are discussed and approved by the Board.

OUR DVR GOVERNANCE STRUCTURE

THE BOARD

AUDIT COMMITTEE | **REMUNERATION COMMITTEE**

EXECUTIVE COMMITTEE

DVR STEERING COMMITTEE

SENIOR LEADERSHIP TEAM

DVR COMMITTEES & NETWORKS

AUDIT COMMITTEE REPORT

THE ROLE OF THE COMMITTEE

The Audit Committee is responsible for ensuring that the Group maintains a strong control environment. It provides effective governance over the Group's financial reporting, including oversight and review of the systems of internal control and risk management, the performance of internal and external audit functions, as well as the behaviour expected of the Group's employees through the whistleblowing policy and similar codes of conduct. The Committee continues to focus on monitoring and overseeing management on continual improvements to governance, compliance and financial safeguards.

TERMS OF REFERENCE CAN BE FOUND ON OUR WEBSITE AT WWW.DIPLOMAPLC.COM

KEY MATTERS DISCUSSED

- Reviewed and agreed the scope of audit work to be undertaken by the external auditor and agreed the terms of engagement and fees to be paid for the external audit.
- Reviewed the Annual Report & Accounts and received reports from the Group CFO and the external auditor on the key accounting issues and areas of significant judgement.
- Reviewed the report on compliance with the UK Corporate Governance Code 2018 and reports on the provision of information to the auditor.
- Reviewed the report from the CFO on the controls in place to mitigate fraud risks.
- Approved the Going Concern and Viability Statements.
- Reviewed the Half Year Announcement and received reports from the external auditor on the key accounting issues and areas of significant judgement.
- Reviewed the trading updates.
- Reviewed the effectiveness of the Group's internal control and risk management procedures and, where appropriate, made recommendations to the Board on areas for improvement.
- Invited the Group Head of Internal Audit to attend meetings to review the results of the internal audit work for the current year and to agree the scope and focus of internal audit work to be carried out in the following year.
- Reviewed the proposed revisions to the UK Corporate Governance Code 2018 and what this means for the Group's internal control framework as well as future reporting under section 172 Companies Act 2006.
- Continued to monitor developments in audit reform and changing best practice.
- Approved the Committee work programme for 2024.
- Engaged and cooperated with the Financial Reporting Council (FRC) in response to their review letter, in particular regarding a technical compliance issue relating to an interim dividend paid in 2021.

Anne Thorburn
Chair of the Audit Committee

"Building trust and confidence in our Group's governance through our unwavering commitment to excellence and to upholding the highest standards of financial integrity."

MEMBER	MEETINGS ATTENDED	JOINED
ANNE THORBURN (CHAIR)	5/5	September 2015
ANDY SMITH	5/5	February 2015
GERALDINE HUSE[1]	3/5	January 2020
DEAN FINCH[2]	4/5	May 2021
JENNIFER WARD[3]	0/1	June 2023

1 Geraldine Huse was unable to attend the April meeting as it was called on short notice and the September meeting due to an unavoidable conflict.
2 Dean Finch was unable to attend the April meeting as it was called on short notice.
3 Jennifer Ward was unable to attend the September meeting due to an unavoidable conflict.

DEAR SHAREHOLDER

The Audit Committee assists the Board in discharging its responsibilities with regard to monitoring the integrity of Group financial reporting, external and internal audits, and controls. This includes advising on the reappointment and independence of external auditors and assessing the quality of their services; and reviewing the effectiveness and appropriateness of the Company's internal audit activities, internal controls, and management systems. The Committee reinforces the Board's ability to make informed decisions and upholds the best interests of our shareholders and stakeholders.

During the year ended 30 September 2023, the Committee has ensured oversight of all these areas while also responding to evolving regulatory and market dynamics. Regulatory bodies continue to raise the bar on corporate governance and financial reporting standards. This has necessitated an evolution within the business environment as we continue to adapt and enhance the Committee's oversight functions to maintain the highest standards of transparency, accountability and integrity in our financial reporting and governance practices.

Two key aspects of these reforms entail the establishment of the Audit, Reporting and Governance Authority (ARGA) to oversee audit regulation and the anticipated revisions to the UK Corporate Governance Code. Other aspects of anticipated reforms are uncertain following recent government statements and we will continue to review the evolving landscape.

The Committee has received reports on internal audits for the Group's businesses, together with several deep dive sessions, including audits of recently acquired businesses, as well as updates on the steps being taken to address internal audit findings and control issues.

I commented in last year's report that the Committee recognises the growing importance of ESG factors, including climate-related financial disclosures, in shaping the investment landscape and promoting sustainability. We continue to enhance our ESG and climate-related financial disclosures, aligning them with best practices to provide comprehensive and accurate information so that stakeholders can make informed decisions and effectively assess our resilience to climate change.

As Audit Chair, I have regular conversations with the Group CFO, Group Head of Internal Audit, Group Financial Controller, Group Company Secretary & General Counsel and also the audit partner at PricewaterhouseCoopers LLP (PwC), our external auditor.

PwC has now completed its sixth full annual cycle, led by Richard Porter who became our lead audit partner for this financial year. I am pleased to report that again there have been no significant control deficiencies or accounting irregularities reported to the Committee this year. Following a routine review of the Company's Annual Report by the FRC, the Committee became aware that approximately £2.5m of the FY21 interim dividend was not paid in accordance with the technical requirements of the Companies Act 2006. This was because interim accounts had not been publicly filed prior to the dividend declaration. It is intended that this technical issue, which has no impact on the Group's financial position, be ratified by a shareholders' resolution proposed at the upcoming Annual General Meeting (AGM). The Committee has reviewed the circumstances and is satisfied that the failure was due to an inadvertent oversight and is not indicative of any wider problem with its systems and controls. The FRC also highlighted several recommendations to improve financial reporting which were reviewed by the Committee and incorporated.

The Committee plans to commence a retender process for the audit during 2026/2027 for the FY28 Annual Report and Accounts in order to make any necessary changes to providers of other services in a timely and orderly fashion and to appoint an auditor before the start of that year, which is in the best interests of our shareholders. I am confident that the Audit Committee has carried out its duties effectively and to a high standard during the year, providing independent oversight with the support of management and assurance from the external auditors.

After serving on the Board for nearly nine years, including in my role as Audit Chair, I will be stepping down during 2024. It has been a privilege to serve alongside my Board colleagues and to work with our dedicated management team. During my tenure, I have witnessed the Group's growth and evolution, and I am proud of the progress we have made.

I want to express my gratitude to all our shareholders for your trust and support and I am confident that the Group is well-positioned for continued success. The Audit Committee will transition smoothly to a new Chair, who will continue to champion the values and principles that drive the Group.

I look forward to meeting shareholders at the AGM on 17 January 2024 and will be happy to respond to any questions relating to the activities of the Audit Committee.

Anne Thorburn
Chair of the Audit Committee
20 November 2023

AUDIT COMMITTEE

The Committee is chaired by Anne Thorburn and comprises five Independent Non-Executive Directors. The Committee acts independently of the Executive Directors and management. Our members have a range of skills and the Committee as a whole has experience relevant to the Sectors in which the Group operates. Anne has recent and relevant financial experience, as required by the Code.

The Group General Counsel & Company Secretary acts as Secretary to the Committee. The Executive Directors and Board Chair also regularly attend Committee meetings and subject matter experts are invited to present on specific topics as and when required. The Committee met with the external auditor during the year, without the Executive Directors or management being present.

The Audit Committee confirms that the Company has complied with the provisions of the Competition & Markets Authority Order throughout its financial year ended 30 September 2023 and up to the date of this report.

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL JUDGEMENTS AND ESTIMATES

The Committee considered and assessed:

- the Full Year and Half Year Results, and trading updates for recommendation to the Board;
- the appropriateness of accounting policies and practices, as well as critical accounting estimates and key judgements; and
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

The Committee considered the matters set out below as being significant in the context of the consolidated financial statements for the year ended 30 September 2023. These were discussed and reviewed with management and the external auditor; the Committee then challenged judgements and sought clarification where necessary.

The Committee considered the judgements made in preparing the financial statements, including the accounting for acquisitions and associated valuation of intangible assets, the provisions for excess and slow-moving inventory, the potential for impairment of goodwill and the appropriateness of the Going Concern assumption. The Committee also reviewed the movements in the Group's defined benefit pension schemes.

ACCOUNTING FOR ACQUISITIONS AND DISPOSALS

The Committee reviewed the accounting for acquisitions completed during the year, in particular the acquisitions of DICSA and T.I.E.. The acquisitions were material for the FY23 audit and, in accordance with IFRS 3 (Business Combinations), management has performed a full fair value exercise for these two acquisitions in this year's financial statements. As part of their audit of the Group, the external auditor has performed work on:

a) the Purchase Price Allocation (PPA);

b) the opening balance sheet as at the acquisition date; and

c) audit of any material fair value adjustments arising on the acquisition balance sheet.

The Committee reviewed and challenged management's assessment, which also included consideration of the external audit findings. The Committee concluded that the provisional accounting for these two acquisitions and the other ten smaller acquisitions is appropriate.

The Group completed one disposal in the year for proceeds of £25m resulting in a net profit on disposal of £12m. The profit on disposal has been presented within acquisition and other related items.

PROVISIONS FOR EXCESS AND SLOW-MOVING INVENTORY

The Committee reviewed the CFO report that set out the gross balances, together with any related provision against the carrying value of inventory.

The Committee reviewed the bases used to value inventory held across the Group; it also considered the appropriateness of provisions held against the carrying value of inventory, having regard to the age and volumes of inventory relative to expected usage and considering the actions taken in response to supply chain disruptions during the year.

Following its review, which also included consideration of the external audit findings, the Committee concluded that the provision for excess and slow-moving inventory is appropriate.

IMPAIRMENT OF GOODWILL

The Committee considered the carrying value of goodwill and the assumptions underlying the impairment review. The judgements in relation to goodwill impairment largely relate to the assumptions underlying the calculations of the value in use of the cash-generating units (CGUs) being tested for impairment.

These judgements are primarily the calculation of the discount rates, which have decreased, largely due to the reduction of the equity size premium, net of rising risk free rate and cost of debt; the achievability of management's forecasts in the short to medium-term against the backdrop of a challenging macroeconomic environment; and the selection of the long-term growth rate.

Following the review, which also included consideration of the external audit findings, the Committee concluded that the carrying value of the goodwill recorded is appropriate.

OTHER AUDIT MATTERS

The Committee also considered other less material matters including the valuation of the Group's defined benefit scheme and the impact of the key actuarial assumptions on the balances. The Committee is satisfied with the year end position and the assumptions used.

In addition to the above, the Committee also seeks comments from the auditor on whether the Group's businesses follow appropriate policies to recognise material streams of revenue, and their audit work carried out more generally has assessed whether there is any evidence of management override of key internal controls designed to guard against fraud or material misstatement.

As part of its monitoring of the integrity of the financial statements, the Committee reviews whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements, and seeks support from the external auditor to assess them.

GOING CONCERN AND VIABILITY

The Going Concern and Viability assessment was prepared by management. In preparing the assessment, management carried out reverse stress testing as well as scenario analysis. Two scenarios were considered – the base case and the downside case. The base case reflects actual recent trading and the downside case reflects a more significant decline in trading, lower than forecast operating margins, and adverse cash flows, and is considered by management to be a severe but plausible scenario.

The Group has ample liquidity and covenant headroom in each scenario for both Going Concern and Viability Statement purposes. The Audit Committee reviewed the assumptions underpinning each scenario and is satisfied with management's assessment and conclusions on Going Concern and Viability. Further detail on the assessment of Viability and the Viability Statement are set out on page 49. Further details on Going Concern can be found on page 173.

ENGAGEMENT OF THE EXTERNAL AUDITOR

The external auditor is engaged to express an opinion on the financial statements of the Group and the Company. The Committee welcomed Richard Porter as the new lead audit partner, following last year's audit partner rotation. The audit includes the consideration of the systems of internal financial control and the data contained in the financial statements, to the extent necessary for expressing an audit opinion on the truth and fairness of the financial statements.

During the year, the Committee carried out an assessment of the audit process, led by the Chair of the Committee and assisted by the Group CFO. The assessment focused on certain criteria that the Committee considered to be important factors in demonstrating an effective audit process. These factors included the quality of the audit process and the robustness of challenge to management; key audit risks and how these have been addressed; the planning and execution of the audit; and the role of management in the audit process.

The Committee was satisfied that the PwC audit of the Company and Group had provided a robust and effective audit and an appropriate independent challenge of the Group's senior management. It also supported the work of the Committee through clear and objective communication on developments in financial reporting and governance.

NON-AUDIT SERVICES

The Committee has approved the Group's internal guidelines covering the type of non-audit work that can be carried out by the external auditor of the Group, in light of the regulation set out in the EU Audit Directive and Audit Regulation 2014 (the Regulations) and the FRC Revised Ethical Standard 2019.

The Group CFO does not have delegated authority to engage the external auditor to carry out any non-audit work, but must seek approval from the Chair of the Audit Committee.

Taxation services are not provided by the Group's current audit firm. A range of firms are used for the provision of tax advice and any assistance with tax compliance matters generally. In addition, due diligence exercises on acquisitions and similar transactions are not provided by the auditor, but are placed with other firms.

The external auditor is retained to carry out assurance services to the Committee in connection with an Interim Review of the Group's half year consolidated financial statements (£74,500). The external auditor also provides access to its Viewpoint technical subscription service (£1,200).

With the exception of these services, PwC has not provided any non-audit services to the Group or its subsidiaries and has confirmed its independence to the Audit Committee. Further information is set out in note 26 to the consolidated financial statements.

The Committee assures itself of the auditor's independence by receiving regular reports from the external auditor that provide details of any assignments and related fees carried out by the auditor in addition to its normal audit work, and these are reviewed against the above guidelines. PwC has reconfirmed its independence for the current financial year.

RISK MANAGEMENT AND INTERNAL CONTROL

The principal risks and uncertainties that are currently judged to have the most significant impact on the Group's long-term performance are set out in a separate section of the Strategic Report on Internal Control and Risk Management on pages 42 to 48.

The Committee is responsible for reviewing the effectiveness of the Group's system of internal control. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has the necessary procedures in place to ensure that there is an ongoing process for identifying, evaluating and managing the principal risks to the Group. These procedures are in line with the FRC's guidance. The Board has established a clear organisational structure with defined authority levels.

The day-to-day running of the Group's business is delegated to the Executive Directors of the Group, who are supported by the heads of each business Sector and functional heads of the Group.

Key financial and operational measures relating to revenue, cash and receivables are reported on a weekly basis. Detailed management accounts and key performance indicators are prepared monthly using a robust proprietary reporting system to collect and analyse financial data in a consistent format. Monthly results are measured against both budget and subsequent reforecasts, which have been approved and reviewed by the Board. All capital expenditure above predefined amounts must be supported by a paper prepared by management.

All financial data is taken directly from each business' trial balance, which is held in their local ERP system. This is reanalysed and formatted in a separate Group management reporting system, operated by the Group Finance department. There is no rekeying of financial data by the Group businesses to report monthly financial results.

The Group Finance department continues to develop the functionality of this management reporting system to provide greater insights into the financial and operational activities of the Group's businesses.

The Group's internal audit function regularly audits the base data at each business to ensure it is properly reported through to the Group management reporting system.

Senior management of each business is required to confirm its adherence with Group accounting policies, processes and systems of internal control by means of a representation letter.

During the year, management reviewed the design of the Minimum Controls Framework, encompassing a set of standard process controls, entity level controls and IT general controls that will be rolled out to all entities in the Group from FY24, in conjunction with the upcoming requirements of the UK Corporate Governance Reforms.

The Committee has reviewed the effectiveness of the Group's risk management and internal control systems for the period from 1 October 2022 to the date of this report. Taking into account the matters set out on pages 44 to 48 relating to principal risks and uncertainties and the reports from the Group Internal Audit Director, the Board, with the advice of the Committee, is satisfied that the Group has in place effective risk management and internal control systems.

INTERNAL AUDIT

The Group maintains an internal audit department, which reports directly to both the Group CFO and Chair of the Audit Committee. During the year, a new Group Head of Internal Audit was appointed, who joined the Group in October 2023. Due to the expansion of our presence in the US, the incumbent Group Internal Audit Director will take on a new role and be responsible for the internal audits of the US entities, reporting to the new Group Head of internal Audit. This is effective from October 2023, with a smooth transition process completed at the date of this report. The department comprises a Group Head of Internal Audit and two Group Internal Auditors.

At the beginning of the year, the Group Internal Audit Director presented the audit plan for the year to the Committee for its approval. During the year, a risk-based scoping process was gradually introduced to combine a top-down, strategic approach and a bottom-up operational approach to identifying business risks which, in turn, shape the scope of each review when carrying out site visits.

The scope of work carried out by internal audit generally focuses on the internal financial, operational and compliance controls operating within each business, including risk management activities and business process improvements. Formal written reports are prepared on the results of each internal audit visit that set out internal control weaknesses/risks identified during their work, together with recommendations to improve the internal control environment and mitigate these weaknesses/risks. These reports are timely and regularly discussed with senior management. The reports are also shared with the external auditors.

The Group Head of Internal Audit formally reports to the Committee on the results of the internal audit work carried out by the Internal Audit department during the year. The Committee reviews management's responses to matters raised, including the time taken to resolve such matters. Updated reports on progress against the plan are provided at regular intervals and the Audit Chair also meets separately with the Group Head of Internal Audit at least twice a year to review some of the department's reports and discuss their findings.

There were no significant or material matters identified in the internal audits undertaken during the current financial year. Several recommendations were again made this year to the businesses on implementing adequate and effective internal controls and procedures aimed at improving existing processes around cybersecurity, inventory management and procurement practices.

The Committee conducted the annual review of the effectiveness of the internal audit department, including its audit plan, general performance and relationship with the external auditors. Based on its review, the Committee was satisfied with the effectiveness of the Group's internal audit function, specifically that the internal audit department is sufficiently independent of Executive Management and has sufficient resources and scope that is appropriate to the size and nature of the Group.

WHISTLEBLOWING

The Committee also monitors the adequacy of the Group's Whistleblowing Policy and protocols, which provide the framework to encourage and give employees confidence to speak up and report irregularities. The policy, together with hotline posters, are placed on site noticeboards across the Group. Employees are encouraged to raise concerns via the confidential multilingual hotline, which is managed by an independent external company and is available 24/7, 365 days a year.

All reports are provided to the Group Company Secretary & General Counsel for review to ensure that they are appropriately investigated – with the support of internal audit and external resource, if required. Most matters reported through the whistleblowing service relate to personnel/HR matters and, while these are not areas for review by the Committee, such matters are duly investigated in the same manner as any other issue raised.

NOMINATION COMMITTEE REPORT

THE ROLE OF THE COMMITTEE

The Nomination Committee reviews the composition of the Board and principal Committees, considering skills, knowledge, experience and diversity requirements before making appropriate recommendations to the Board regarding any changes. It also manages succession planning for Directors and the Group Company Secretary and oversees succession planning for senior leadership across the Group.

TERMS OF REFERENCE CAN BE FOUND ON OUR WEBSITE AT WWW.DIPLOMAPLC.COM

KEY MATTERS DISCUSSED

- Succession planning for Chairs of Audit and Remuneration Committees.
- Recruitment of Jennifer Ward.
- Consideration of a detailed skills, experience and diversity matrix that sought to identify recruitment priorities based on identified gaps, industry expectations and good practice.
- Reviewing Board and Committee Diversity in detail as well as wider Group Diversity & Inclusion.
- Consideration of the contributions and effectiveness of the Non-Executive Directors seeking re-election at the FY23 Annual General Meeting, prior to giving recommendations to the Board and shareholders for their re-elections.
- Keeping the Group's leadership and succession requirements under active review.

MEMBER	MEETINGS ATTENDED	JOINED
DAVID LOWDEN (CHAIR)	4/4	October 2021
ANNE THORBURN	4/4	September 2015
ANDY SMITH	4/4	February 2015
GERALDINE HUSE[1]	3/4	January 2020
DEAN FINCH	4/4	May 2021
JENNIFER WARD[2]	0/1	June 2023

1 Geraldine Huse was unable to attend the September Nomination Committee meeting due to an unavoidable conflict.
2 Jennifer Ward was unable to attend the September Nomination Committee meeting due to an unavoidable conflict.

David Lowden
Nomination Committee Chair

"Ensuring the right mix of skills and experience to deliver long-term value for our stakeholders."

DEAR SHAREHOLDER

I am pleased to set out the report on the activities of the Nomination Committee during the year.

The Board is of the view that it is essential to have an appropriate mix of experience, expertise, diversity and independence. Such attributes enable the Board as a whole to provide informed opinions and advice on strategy and relevant topics, thereby discharging its duty of oversight. Appointments to the Board are made with consideration of the experience and expertise of existing Directors, any required skill sets or competencies, and the strategic requirements of the Group. During FY23 and into FY24, the composition of the Board has and will continue to change reflecting the departures of Anne Thorburn and Andy Smith in 2024 after nearly nine years of service leading our Audit Committee and Remuneration Committee respectively.

A fundamental responsibility of the Committee is to ensure plans are in place for orderly succession to the Board, as well as our Group Company Secretary and senior management positions, and the Committee debates these regularly.

The key focus of the Committee during this past year has been on Board succession planning, primarily the search for the Chairs of the Audit and Remuneration Committees to ensure these positions are appointed in time for an orderly handover.

The Committee continually monitors the balance on the Board to ensure we have the right combination of skills, experience and knowledge consistent with the long-term strategy of the Company. This allows us to identify where further focus is needed in the coming years and beyond.

We are mindful of the discussions around improving diversity and inclusion, together with the targets set by the Hampton-Alexander Review and the Parker Review. At the end of the financial year, three out of eight Directors (37.5%) were women and we had no Board members from a minority ethnic background, therefore did not meet the targets for women and ethnic minority representation.

The Board will maintain oversight of the range of activities the Group is pursuing aimed at increasing the diversity of our workforce – including the executive pipeline that is essential for Executive Director succession planning. We have written elsewhere (see page 59) about our Group-wide approach to diversity and inclusion, which emanates from the Board and impacts the approach of the Nomination Committee.

The guidance from the Financial Reporting Council (FRC) on board effectiveness recognises a breadth of diversity that goes beyond just gender and race, and includes personal attributes including intellect, critical assessment, judgement, courage, honesty and tact; and the ability to listen and forge relationships and develop trust. This ensures that a board is not comprised of like-minded individuals.

The Committee agrees that diversity is vital when reviewing the composition of the Board and setting the criteria for the recruitment of new appointees, alongside succession planning activities. External search consultants are expected to make every effort to put forward diverse candidates for new Board positions. Whilst appointments will continue to be made on merit and against objective criteria, it remains the Committee's intention that the diversity on the Board will continue to increase over time.

The Committee has also maintained its focus on the executive succession pipeline and senior management succession plans within the Group, reflecting its responsibility to ensure appropriate plans are in place.

David Lowden
Nomination Committee Chair
20 November 2023

NOMINATION COMMITTEE

The Nomination Committee is chaired by David Lowden, Board Chair. The Committee comprises the Non-Executive Directors and meets as necessary to discharge its responsibilities.

The Group Company Secretary acts as Secretary to the Committee.

The Committee reviews the composition of the Board and principal Committees, considering skills, knowledge, experience and diversity requirements before making appropriate recommendations to the Board regarding any changes. It also manages succession planning for Directors and the Group Company Secretary, and oversees succession planning for senior leadership across the Group.

The Committee's roles and responsibilities are set out in its Terms of Reference, which were reviewed during the year and approved by the Board.

INDUCTION AND PROFESSIONAL DEVELOPMENT

The Chair, assisted by the Group Company Secretary, is responsible for ensuring that there is a properly constructed and timely induction for new Directors when joining the Board. Upon appointment, all new Directors are provided with a comprehensive induction, where they meet with key members of management and familiarise themselves with all core aspects of the Group, its businesses and the markets in which it operates.

Directors are encouraged, wherever possible, to visit the Group's sites so that they can get a better understanding of the business and interact with employees. Site visits by individual Directors (and the Board as a whole) are undertaken during the year as well, with this year focusing primarily on Life Sciences.

These visits allow Directors to see Diploma's safety and sustainability processes, to talk with local management and workforces and to assess how effectively Diploma's culture is communicated and embedded at all levels.

The Chair also has the responsibility of ensuring that Directors receive training on a continual basis in support of their ongoing development. This training is provided by way of technical updates, reports and briefings prepared for Board meetings. Directors have full access to our corporate advisors as well as a regular and comprehensive supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities.

PROCESS FOR BOARD APPOINTMENTS

When making Board appointments, we follow the five steps outlined below. We disclose the name of the search agent and any other connection they have with Diploma in our Annual Report & Accounts published following the search.

In due course, a tailored induction programme is developed for the new Director.

During the year we engaged Korn Ferry in connection with the recruitment of Jennifer Ward. Korn Ferry do not have any other connection to the Group, other than providing executive search services.

STEP 1

The Committee reviews and approves an outline brief and role specification and appoints a search agent to facilitate the search

STEP 2

A Committee member discusses the specification with the independent search agent, who prepares an initial longlist of candidates

STEP 3

The Committee then defines a shortlist of candidates and we hold interviews

STEP 4

The Committee makes a recommendation to the Board for its consideration

STEP 5

Following Board approval, the appointment is announced in line with the requirements of the FCA's Listing Rules

ONBOARDING PROCESSES

The decentralised nature of the Group has always made induction processes complex. Ideally we seek to arrange face-to-face meetings with key executives and management, introductions to their direct reports, one-to-ones following the initial meetings, and site visits arranged to key businesses. Parts of the induction plan are conducted via video calls, particularly where key people are located outside of Europe. This permits Directors to have considerably greater exposure to the various businesses and personnel and we are pleased that we can once again encourage Directors to visit our businesses and appreciate our culture and colleagues in person, as well as continuing to develop their understanding of each business.

SUCCESSION PLANNING

The Committee formally reviews succession planning for the Board, Group General Counsel & Company Secretary, and senior management at least once each year, taking into account the challenges and opportunities facing the Group and the background, skills and expertise that will be required by the Group in the future. During 2023, the Committee undertook a regular thorough analysis of the Board's competencies. The Committee also considered how the Board would need to evolve to be fit for the future, as well as any potential gaps that may need to be filled through succession or training.

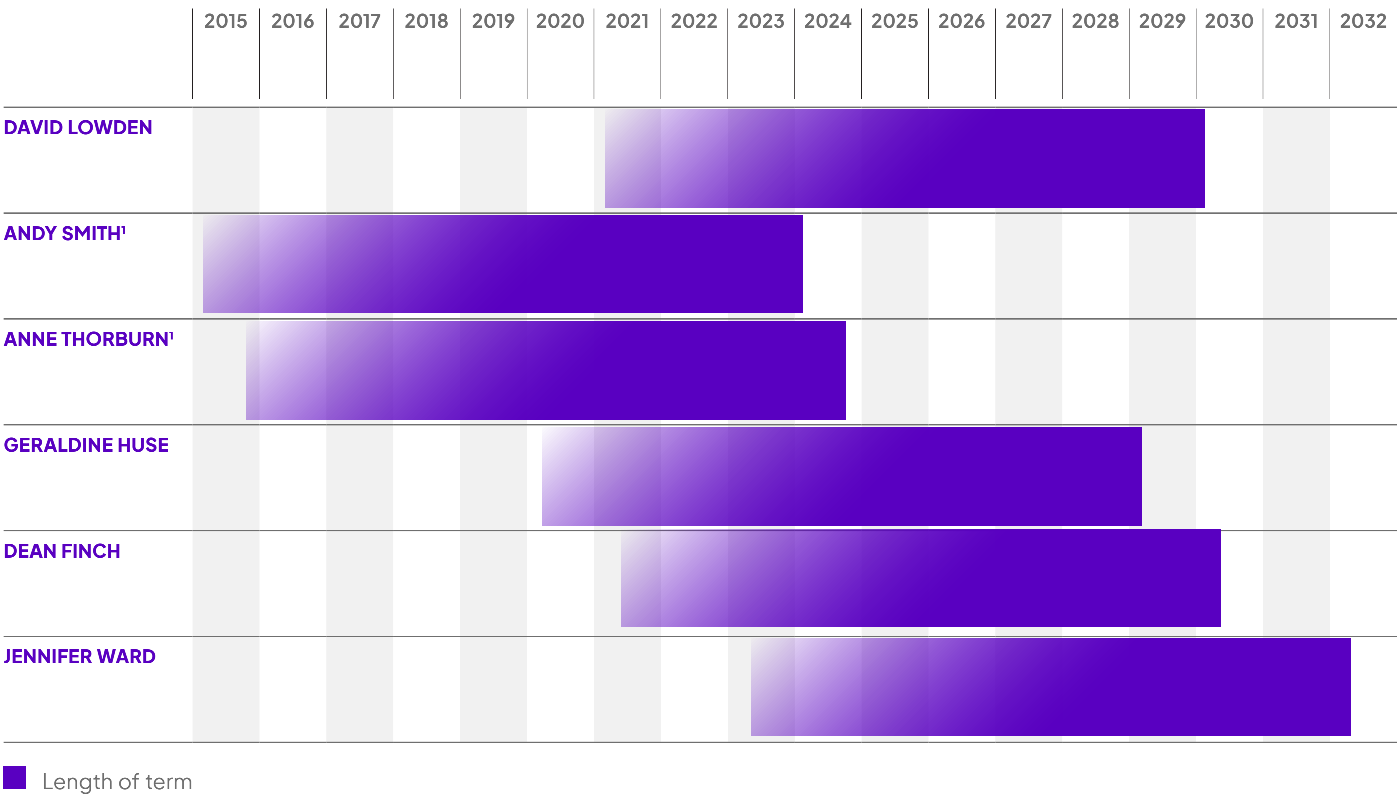
The Group CEO manages the development of succession plans for the Executive Team, and these are overseen by the Committee. The Group CEO and Group HR Director presented a succession planning update to the Board in January 2023.

The Committee is aware of the importance of identifying critical roles within the businesses to ensure Diploma retains and motivates key talent and has the necessary skills for the future. Overall, it was clear that we have a good executive and management succession planning process and, importantly, succession is being actively managed by the Executive Team to achieve the desired long-term outcomes.

The standard term for Non-Executive Directors is three years. They normally serve for a maximum of nine years, which is split across three terms of three years each. All Directors are subject to annual re-election.

With only specific exceptions that may be necessary to ensure Board continuity, Non-Executive Directors shall not stand for re-election after they have served for the period of their independence of nine years, as determined by applicable UK standards.

LENGTH OF TENURE



1 Director in third and final term.

DIVERSITY & INCLUSION

Diversity is a key consideration when assessing the Board's composition and that of its Committees, as well as the wider Group, to ensure the development of a diverse pipeline for succession. The Committee has worked hard to ensure the Board is sufficiently diverse to meet and support its future strategic developments.

The Board and this Committee consider a broad definition of diversity when setting policies and appointing Directors. This includes: ethnicity, religion, socio-economic background, gender, sexual orientation, age, disability, partnership status, culture, personality and professional experience.

The Board confirms that as at 30 September 2023 (being the reference date selected by the Board for the purposes of this disclosure) the Company has not fully complied with the gender diversity targets of Listing Rule 9.8.6R(9) and the FTSE Women Leaders Review. It is anticipated that following the departures of two Non-Executive Directors in 2024, the Company will fully comply with the gender diversity targets of the Listing Rule.

The Committee notes the Parker Review and the ethnicity diversity targets of Listing Rule 9.8.6R(9) and acknowledges that further work is required for the Board and its Committees to become more ethnically diverse. In order to develop a truly diverse culture, the Board and its Committees recognises it needs to set the tone and become more proportionately representative of its workforce and the stakeholders it serves.

As at 30 September 2023 the Company did not meet the Listing Rule 9.8.6R(9) ethnicity target for Board members of at least one individual on its Board from a minority ethnic background.

In order to collect the data for the gender and ethnic diversity disclosures, the Board and its executive management team were each sent a series of questions to complete, including asking how they self-identify in each of the designated categories under the Listing Rules disclosure. This data was then collected with results recorded and retained for future records.

BOARD AND EXECUTIVE MANAGEMENT GENDER IDENTITY

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	62.5%	3	7	78%
Women	3	37.5%	1	2	22%

BOARD AND EXECUTIVE MANAGEMENT ETHNIC IDENTITY

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Non-ethnic minority	8	100%	4	8	100%

BOARD EVALUATION

The Board conducts an annual evaluation of its performance and that of its committees and, in accordance with good practice, engages an independent third-party facilitator to assist in this process every three years. For the year ended 30 September 2023, the evaluation of the Board as a whole and of its committees was undertaken internally, led by the Board Chair. Board members completed questionnaires regarding the operation and effectiveness of the Board and its Committees. Findings were collated by the Group Company Secretary and the Board Chair discussed the conclusions and recommendations separately with each Director.

The performance of the Non-Executive Directors and Executive Directors were reviewed by the Board Chair. The results of the 2023 evaluation process were considered and debated in detail by the Board. The conclusion was that the Board, its members and its committees continue to function well. Directors operated in an atmosphere of open and constructive debate with a good breadth of skills, experience, and viewpoints. Following the evaluation, the below recommendations were made:

RECOMMENDATION	ACTION
Board and Committee structures	Review Committee structures and Board schedule to reflect the increased size/complexity of the Group, and to permit Committees to function in parallel as appropriate.
Enhanced risk management	Development of risk management and an increased focus on climate-related and emerging risks, in line with our overall strategy.
Stakeholders	Develop further understanding of key stakeholders, including customers, during Board business visits and with additional deep-dive sessions as appropriate.

The Company expects to update shareholders on the progress made in relation to the matters identified above in its 2024 Annual Report.

KEY AREAS FOR DEVELOPMENT

The below recommendations were made following the 2022 external Board performance evaluation.

RECOMMENDATION	ACTION
Consider the diversity of the Board, from both a gender and ethnicity standpoint.	Nomination Committee addressed diversity requirements in succession planning and during the Non-Executive Director recruitment process.
Continue to challenge and support on the progress of DVR actions.	The Board continues to critically review DVR progress and actions. After consideration the Board concluded that it was preferable for DVR matters to remain the focus of the full Board rather than a committee.
Improve information shared with the Board to enhance visibility on certain topics and improve decision-making.	Board papers continue to evolve to ensure they communicate effectively and facilitate critical thinking and decision-making.

REMUNERATION COMMITTEE REPORT

THE ROLE OF THE COMMITTEE

The Committee, on behalf of the Board, agrees all aspects of the remuneration of the Executive Directors. It agrees the strategy, direction, and policy framework for the remuneration of the senior executives who have significant influence over the Group's ability to meet its strategic objectives. The Committee also oversees workforce remuneration policies.

TERMS OF REFERENCE CAN BE FOUND ON OUR WEBSITE AT WWW.DIPLOMAPLC.COM

KEY MATTERS DISCUSSED

- Approved Remuneration Committee work programme for 2023.
- Reviewed the AGM 2023 votes on the 2022 Remuneration Committee Report.
- Undertook a post-AGM review of the new Remuneration Policy.
- Approved annual performance bonus targets and the subsequent bonus awards for 2023.
- Approved new Performance Share Plan (PSP) awards for Executive Directors and Group senior management and confirmed the performance conditions for such awards.
- Confirmed the vesting percentages for the PSP awards made in December 2020, which matured in 2023.
- Reviewed Executive Directors' salaries, pensions and benefits.
- Reviewed the fees of the Chair and Non-Executive Directors.
- Reviewed remuneration framework for the Executive Team and senior management in the operating businesses.
- Reviewed workforce remuneration framework.
- Approved the 2023 Remuneration Committee Report.

MEMBER	MEETINGS ATTENDED	JOINED
ANDY SMITH (CHAIR)	3/3	February 2015
ANNE THORBURN	3/3	September 2015
DAVID LOWDEN	3/3	October 2021
GERALDINE HUSE[1]	2/3	January 2020
DEAN FINCH	3/3	May 2021
JENNIFER WARD	1/1	June 2023

1 Geraldine Huse was unable to attend the September 2023 meeting due to an unavoidable conflict.

Andy Smith
Remuneration Committee Chair

"Another strong year of performance adds to the track record of growth, strategic execution and strong returns. We continue to develop our reward based on the interests of all stakeholders."

DEAR SHAREHOLDER

As Chair of the Board Remuneration Committee (Committee), I am pleased to present our Directors' Remuneration Report (DRR) for the year ended 30 September 2023.

CONTEXT AND APPROACH TO REMUNERATION

The Company continues to perform very strongly. Our current leadership team has led substantial and rapid growth and created considerable shareholder value over the longer term. In September 2018 Diploma was ranked 189th on the FTSE index and in August 2023 we entered the FTSE 100, more than doubling the market capitalisation in five years.

The Board is very pleased with this growth and recognises it is key for us to retain our strong leadership team, incentivise them to deliver and to be able attract the talent we need to continue to grow. As we continue to build high-quality scalable businesses that deliver sustainable organic growth, our leadership roles become bigger and more complex. The Committee devotes considerable time to ensuring that our remuneration policies and practices align to strategy and that reward is linked firmly to performance. The Committee pays particular attention to developing reward to keep pace with the rapid growth in the Company and the increasing complexity it brings.

If the growth trajectory of the Company continues, it is likely that the organisation will need to bring forward the Remuneration Policy review for consultation during 2024 and for voting at the January 2025 AGM. The Committee will continue to review this over the coming months.

2023 PERFORMANCE PAY

The leadership team has delivered another year of strong performance and continued to build on their impressive track record (pages 106 to 107). It has been a year of excellent progress with regard to scaling the Company to enable further growth through building infrastructure, developing talent and further developing our businesses' target operating models, capabilities and cultures. Organic growth has been strong, driven by revenue diversification initiatives and good organic performance from recent acquisitions. We have continued our programme of high-quality acquisitions with two strategic additions and ten smaller 'bolt-ons' taking us into new strategic markets (further detail on strategic delivery can be found on pages 12 to 17).

Adjusted operating profit, reported revenue and free cash all exceeded annual bonus targets (on page 109), resulting in a full bonus payment of 125% of salary for both Johnny Thomson and Chris Davies.

Our long-term performance continues to generate excellent shareholder returns.

Our three-year compound annual growth rate (CAGR) for adjusted earnings per share (EPS) is 31%, exceeding the performance target maximum of 14%. Return on adjusted trading capital employed (ROATCE), which underpins our Performance Share Plan (PSP), is 18% and in line with the Group's financial model and Board expectation. Our three-year total shareholder return (TSR) performance is in the 88th percentile when compared to the comparator group of FTSE 250 companies (excluding investment trusts). The Committee reviewed the possible impact of Covid on the outturn of the 2020 grant and was satisfied that there was no windfall gain. Therefore, based on these excellent results, the PSP 2020 has vested at maximum for Johnny Thomson and all other PSP participants. Given his start date of November 2022, Chris Davies does not have any PSP vesting this year. Full details are shown in the table on page 112. As covered in previous disclosures, Chris Davies received remuneration to replace variable awards foregone at his previous employer in order to join the Group (shown on page 108).

In line with the Code, the Committee reviewed individual Directors' incentive plan outcomes and overall remuneration considering the Company's underlying performance and concluded that Executive Director remuneration in respect of the year ended 30 September 2023 is consistent with the levels of Company performance delivered and that there was no requirement for any discretionary adjustments.

IMPACT OF GROWTH AND SCALE ON REMUNERATION

Diploma's trajectory over the last five years is extremely positive and has generated excellent returns for shareholders.

On page 107 we have set out the journey of growth, portfolio development and strategic execution delivered by management over the last five years since Johnny Thomson was appointed as CEO. In that time the business has added seven new business lines and diversified product ranges as well as expanded and entered new geographic end-markets.

Balancing the development of reward to account for the pace of growth and increasing complexity and proven, sustainable performance is key. Accordingly, the Committee pays careful attention to ensuring reward follows performance and does not precede it. In its considerations, the Committee balances the interests of shareholders, management and colleagues, and uses relevant market data as context to inform decisions. Given our entry into the FTSE 100, the Committee now reviews market data for companies of a similar size using FTSE 51–100 (excluding investment trusts and financial services) as the broad comparator group and a bespoke group of 11 companies* as a peer comparator.

REMUNERATION IN THE WORKFORCE

Our colleagues are at the heart of our success and retaining top talent in highly competitive international markets is key to Diploma's delivery. We seek to ensure that colleagues are fairly and well-rewarded and are pleased to note that the Company achieved outstanding levels of colleague engagement again this year (more information on page 56).

The Committee takes colleagues' perspectives into account when considering remuneration across the Company. During 2023, the Committee engaged with colleagues in our workforce via the Executive team, business presentations and site visits. The general feedback from the workforce is that they want the Company to be successful and sustainable so as to provide job security, and for everyone to be paid fairly.

In our decentralised model, remuneration decisions for our workforce of around 3,300 colleagues operating in different markets, businesses and countries are made locally, based on local market conditions. We do seek to align remuneration throughout the Company, and the Group provides guidance and oversight to ensure we pay all our colleagues fairly and in line with our Group reward philosophy.

For our business leaders, we have increased variable pay, both short-term and long-term remuneration, ensuring emphasis on sustainable long-term performance.

The overall workforce pay increase for the start of 2024 is 5%. This year we have experienced more regional variation than usual, driven by differences in the pace of changing inflation and macroeconomic conditions in different markets.

For our wider workforce, our UK businesses are moving towards the real living wage (with our businesses already accredited or in the process of being accredited and new acquisitions tasked to move towards that goal). We have also introduced life assurance for all UK colleagues who did not previously have it and have introduced further healthcare plans.

EXECUTIVE REMUNERATION FOR 2024 – IMPLEMENTATION

Fixed Pay:

Johnny Thomson continues to deliver excellent leadership and build an impressive track record. The breadth and complexity of his role has increased significantly as the Company scales and expands into new end markets, new products and new geographies.

As stated earlier, our ambition is strong, and we want to retain Johnny to lead the Company through the next phase of growth. He is of great value to our business, with a skillset that is highly sought after in the market. We wish to continue to move his reward and incentivisation forward to recognise the increased scale of the business, the excellent performance delivery, and the increased worth in the marketplace that his track-record of delivery brings.

Against the current FTSE comparator group and also against the bespoke peer group*, Johnny's total direct compensation (TDC) is between lower quartile and median; base rate is at lower quartile and bonus as a percentage of salary is below lower quartile.

After careful consideration of pace of growth, complexity and the interests of stakeholders, including consultation with ca. 20 of our largest shareholders representing around 60% of our register, as well as the key proxy agencies, the Committee has decided to increase the CEO's reward this year as permitted within our existing policy. We are therefore increasing Johnny Thomson's annual base salary from £754,000 per annum to £820,000 per annum, an increase of 8.75%.

* Rentokil Initial plc, Bunzl plc, Halma plc, Spirax-Sarco Engineering plc, Croda International plc, DS Smith plc, Howden Joinery plc, RS Group plc, Spectris plc, Inchcape plc, Johnson Matthey plc.

Chris Davies joined us in November 2022, and we recruited him on a package that reflected that of his previous employer and his experience at the time. He has made a very strong start in his first year with us, swiftly establishing himself in the role, delivering against all his objectives and we are confident he will be instrumental in our future success. He has led the finance team well, building additional capability and has played an instrumental role in strengthening the Company's finances by managing an equity raise to support our M&A pipeline and refinancing of the Company's revolving credit facility.

Against the current FTSE market group and peer group* CFO TDC is below lower quartile as are base rate and bonus as a percentage of salary. The Committee considered market positioning compared to peers, and determined that based on the scale of his role, his experience, and his contribution to the Company, an increase to Chris Davies' salary is warranted.

We are therefore increasing Chris Davies' annual base salary from £450,000 to £510,000 (an increase of 13.3%).

Annual Bonus:
The 2024 annual performance bonus will follow the same measures as 2023, namely 50% adjusted operating profit, 25% revenue, 25% free cash flow. Targets will be based on the Board approved budget. Maximum bonus for the CEO and CFO will remain unchanged at 125% of base salary.

PSP:
Arising from the rationale stated above, Chris Davies will receive a PSP award of 250% of base salary (PSP 2022: 200%), which takes him to the maximum allowed under the existing policy. Additional emphasis on long-term reward was supported by shareholders and aligns with interests in sustainable long-term returns. Johnny Thomson will receive a PSP award of 300% of base salary which remains unchanged from 2022.

PSP measures remain unchanged for the 2023 grant. 75% of the total award will be based on adjusted EPS growth, with an underpin on ROATCE. 25% of the total award will be based on relative TSR. Given the Company's promotion into the FTSE 100, it was decided that the FTSE 250 (minus investment trusts) was no longer the best comparator group and having considered options, the Committee chose the FTSE 100 (minus investment trusts) as the most appropriate comparator group for the 2023 award.

Given the importance of stretching targets, the Committee spent time reviewing the long-term business case. In setting targets, we ensure strong focus on organic growth, enhanced by quality, strategic acquisitions and maintaining financial discipline in line with the Company's financial model. The targets for adjusted EPS have been set at the same level as 2022 (5% threshold and 13% maximum). This provides the right degree of stretch ambition for Diploma at this time. The Board will maintain oversight of ROATCE to ensure that it meets their expectations of high-teens. We will continue to review the level of stretch annually for each new PSP grant.

ESG

Our ESG programme Delivering Value Responsibly (DVR) is now firmly embedded in our strategy (more detail can be found on page 54). The management team are accountable for DVR as part of the strategy and performance is reviewed by the Board. In 2023 we set targets for the Group which the Committee noted were achieved. The Board are continuing to monitor performance and we are keeping the connection between DVR and Executive incentives under review. We have flexibility in our policy to introduce DVR as a measure in the future should that be appropriate.

NON-EXECUTIVE DIRECTORS AND COMMITTEE EVALUATION

The Committee's performance was assessed as part of the annual Board evaluation. I am pleased to report that the Committee is operating effectively. As set out in the Nomination Report on page 96 Jennifer Ward will take up the role of Remuneration Chair in June 2024 after my tenure expires. Jennifer will continue our journey on remuneration with ongoing partnership with shareholders.

Non-Executive Director fees have been reviewed and the increases are set out on page 112. The Board and Committee are conscious of potentially higher demands on Non-Executive Directors which may arise from the Company's promotion to the FTSE 100. We plan to review fees at the end of 2024 based on our performance during next year.

CONCLUSION

In closing, I would once again like to thank shareholders for their engagement over this last year and indeed for working closely with me over the past nine years. We will maintain close dialogue as we continue to deliver a competitive, motivating pay framework that is tightly aligned to shareholder experience. We look forward to receiving your support at the AGM on 17 January 2024.

Andy Smith
Chair of the Remuneration Committee
20 November 2023

REMUNERATION AT A GLANCE

The strategy is working and delivering excellent long-term value for shareholders.

Diploma's Strategy: build high-quality, scalable businesses for sustainable organic growth.

STRATEGIC PILLARS	SHORT-TERM INCENTIVE: ANNUAL BONUS			LONG-TERM INCENTIVE: PERFORMANCE SHARE PLAN	
GROW	ADJUSTED OPERATING PROFIT*	REVENUE*	FREE CASH FLOW*	ADJUSTED EPS* (ROATCE UNDERPIN)	RELATIVE TSR*
	50%	25%	25%	75%	25%
SCALE	+24%	+19%	+36%	+31% (3-year CAGR) 18% (ROATCE)	Upper quartile

* Directors receive maximum payout as targets delivered.

DVR	Non-financial KPIs and targets in place, flexibility to introduce DVR (ESG) metrics into remuneration included in the Policy

REMUNERATION IN OUR DECENTRALISED BUSINESS AS WE SCALE:

EXECUTIVE DIRECTORS

- Stretching targets, pay for performance
- Evolving reward to keep pace with our expanding Company which is bigger and more complex to lead
- Aligned with shareholders on sustainable long-term performance
- Retaining top talent

LEADERSHIP ROLES

- Stretching targets, pay for performance
- Same basket of financial measures as Executive Directors; locally accountable
- Top 50 participate in Diploma Performance Share Plan
- Evolving reward to keep pace with our expanding roles which are bigger and more complex
- Attracting and retaining top talent

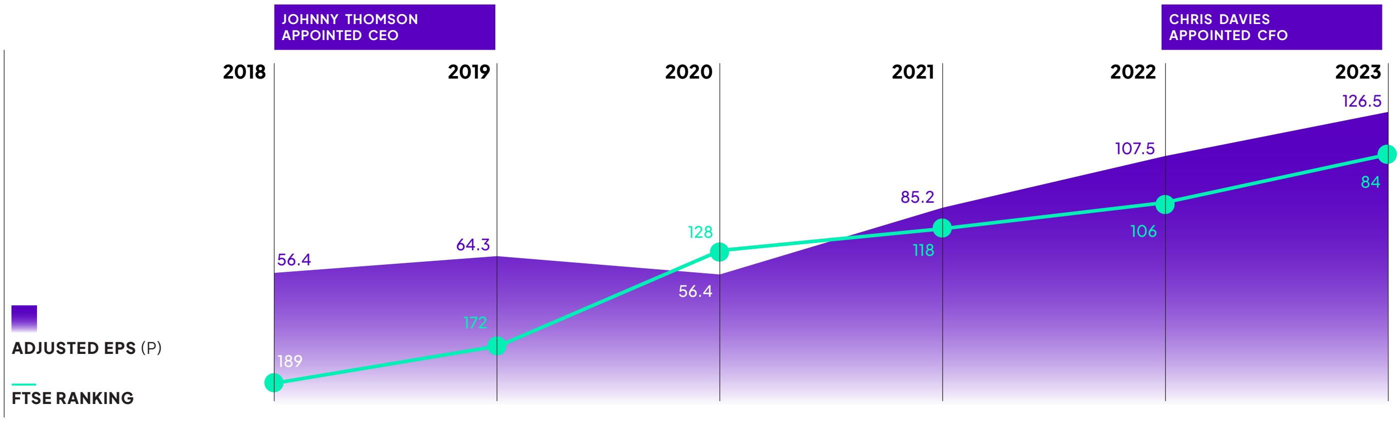
WORKFORCE

- Set locally
- Fair and competitive in local market
- Linked to colleague value proposition
- Attracting and retaining top talent

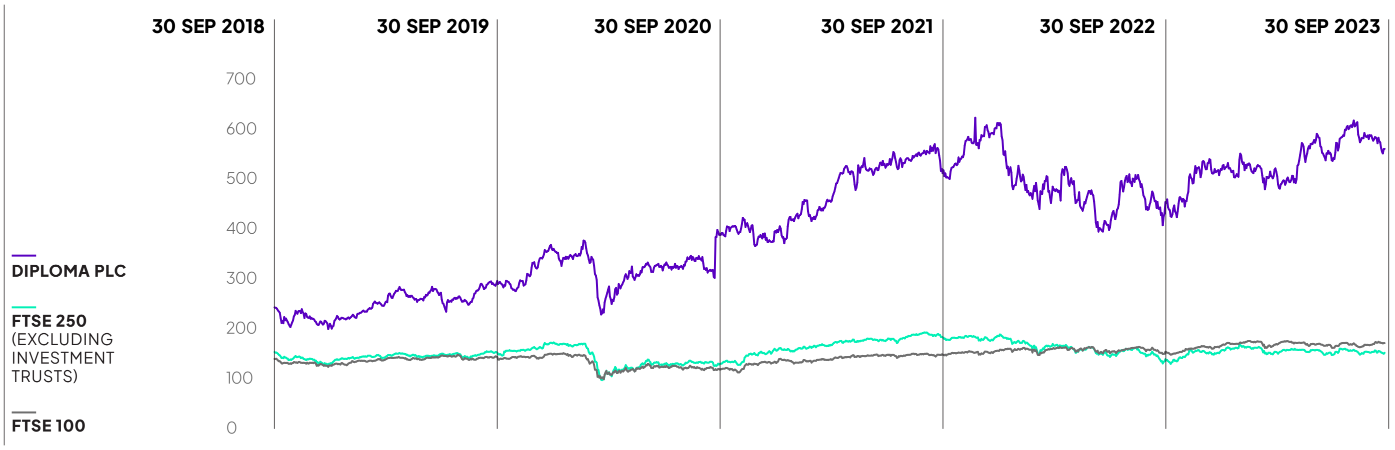
GROWTH, VALUE AND SCALING

Diploma's trajectory over the last five years is extremely positive and has generated excellent returns for shareholders. Growth and scaling make our leadership roles more complex.

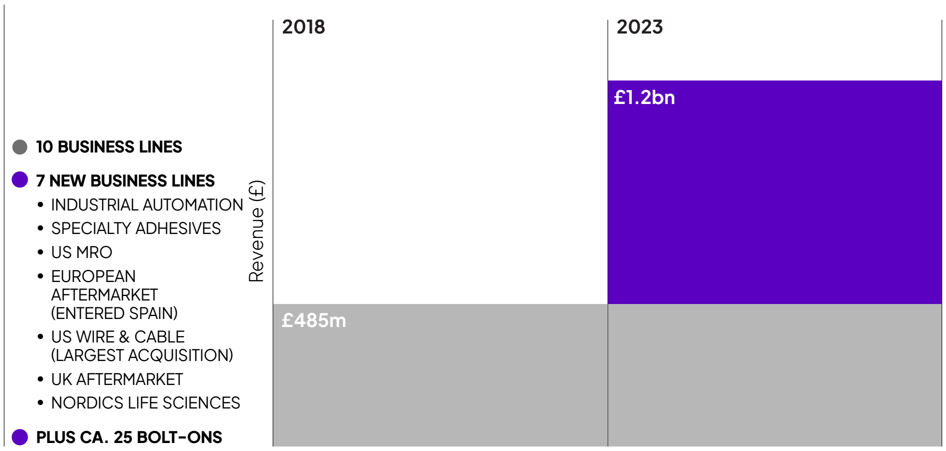
Growth



Value and returns (Total Shareholder Returns)



Scaling the business and our leadership



ANNUAL REPORT ON REMUNERATION

The following section of this Report provides details of the implementation of the Remuneration Policy for the Executive Directors for the year ended 30 September 2023. All of the information set out in this section of the Report has been audited, unless indicated otherwise.

EXECUTIVE DIRECTORS (AUDITED)

Total remuneration in 2023 and 2022

	Johnny Thomson		Chris Davies[1]
	2023 £000	2022 £000	**2023 £000**
Salary	**754**	711	**413**
Taxable benefits[2]	**26**	25	**18**
Pension	**41**	71	**17**
Total fixed	**821**	807	**448**
Annual performance bonus	**943**	889	**516**
Long-term incentive plans – dividend equivalent (cash)	**107**	75	**–**
Long-term incentive plans – performance element	**1,725**	1,725	**–**
Long-term incentive plans – share appreciation element	**522**	262	**–**
Long-term share-based remuneration[3]	**2,354**	2,062	**–**
Other[4]	**–**	–	**395**
Total variable	**3,297**	2,951	**911**
Single total figure	**4,118**	3,758	**1,359**

1 Chris Davies was appointed as Group CFO and an Executive Director on 1 November 2022, replacing Barbara Gibbes who stepped down as CFO and an Executive Director on 30 September 2022.
2 Taxable benefits comprises cash allowance in lieu of a car, private medical, life assurance and income protection.
3 Dividend equivalents are included in long-term share-based remuneration and total variable pay.
4 In line with the Remuneration Policy, during the year Chris Davies received £186,000 in cash and £208,700 of restricted shares (7,518 shares at a share price of 2,776p) that are subject to a holding period of two years. These mirror the cash and share-based variable remuneration arrangements that are foregone in order to join the Group.

Executive Directors' base salary (unaudited)

On 14 November 2023, the Committee approved an 8.75% increase in base salary for the CEO and a 13.3% increase in base salary for the CFO. Explanations of how the Committee has considered remuneration in the workforce are in the Chair's letter on pages 103 to 105.

	Salary from 1 October 2023 £000	Salary from 1 October 2022 £000	Increase in salary
Johnny Thomson	**820**	754	8.75%
Chris Davies (appointed 1 November 2022)[1]	**510**	450	13.33%

1 Chris Davies was appointed Group CFO on 1 November 2022. His annualised salary for 2022 was £450,000.

Pension (audited)
The Executive Directors receive a cash allowance in lieu of pension contributions from the Company. During 2022 and 2023, both Executive Directors took this as a cash allowance. None of the Executive Directors have a right to a Company Defined Benefit pension plan. Johnny Thomson lowered his cash allowance in lieu of pension contributions to 4% of base salary from 1 January 2023, in line with the majority of the UK workforce.

	2023		2022	
	Contribution rate % of base salary	Pension allowance paid as cash £000	Contribution rate % of base salary	Pension allowance paid as cash £000
Johnny Thomson	10 / 4	41	10	71
Chris Davies	4	17	–	–

ANNUAL PERFORMANCE BONUS (AUDITED)

Bonus payout for year ended 30 September 2023
The Board approves a stretching budget each year. Based on the performance of the Group, the Executive Directors will receive 100% of their maximum bonus for the year ended 30 September 2023. The following table summarises the performance assessment by the Committee in respect of 2023 with regard to the Group financial objectives and the bonus awarded to each of the Executive Directors:

Performance measure	Targets for 2023	Overall assessment against targets[1]
Adjusted operating profit (calculated on a constant currency basis) 50% of bonus opportunity	Minimum: £201.3m On-target: £211.9m Maximum: £222.5m	Adjusted operating profit for FY23 was £238.9m at exchange rates consistent with the FY23 targets. The maximum threshold was met and the maximum award is payable.
Revenue (calculated on a constant currency basis) 25% of bonus opportunity	Minimum: £1,087.2m On-target: £1,144.4m Maximum: £1,201.6m	Revenue for FY23 was £1,207.4m at exchange rates consistent with the FY23 targets. The maximum threshold was met and the maximum award is payable.
Free cash flow (reported) 25% of bonus opportunity	Minimum: £124.1m On-target: £130.6m Maximum: £137.1m	Free cash flow for the year was £163.8m. The maximum threshold was met and the maximum award is payable.

1 All figures for FY23 are stated at the exchange rates that were used to set the FY23 targets.

Bonus awarded to each of the Executive Directors for year ended 30 September 2023

	Base salary	2023 actual bonus – as a percentage of 2022 base salary					2023 bonus
	£000	Minimum	On-target	Maximum	Financial objectives	Total bonus	£000
Johnny Thomson	754	5%	63%	125%	125%	125%	943
Chris Davies	450	5%	63%	125%	125%	125%	516[1]

1 Chris Davies' bonus is prorated for the period from 1 November 2022 to 30 September 2023.

In line with the Remuneration Policy, minimum shareholding requirement for the CEO is 300% of base salary and 250% of base salary for other Executive Directors. In line with the Company's Shareholding Policy, Johnny Thomson has met his minimum shareholding requirement (300%) and therefore his bonus for the year will be paid as cash. 50% of the 2023 bonus for Chris Davies will be paid as cash and 50% will be deferred into shares until he reaches his minimum shareholding requirement (250%) set out in the Policy.

Bonus awards for year ended 30 September 2024
In the financial year beginning 1 October 2023, the Annual Performance Bonus Plan will be based on the following metrics: 50% will be based on adjusted operating profit, 25% will be based on revenue (both metrics measured on a constant currency basis) and the remaining 25% will be based on free cash flow. The financial performance targets set for the Annual Performance Bonus Plan for this year will be disclosed in next year's Annual Report & Accounts, due to their commercial sensitivity.

LONG-TERM INCENTIVE AWARDS (AUDITED)

The Company's long-term incentive plan is the Performance Share Plan (PSP).

Performance conditions

Set out below is a summary of the performance conditions that apply to the PSP awards which vest in 2023 (PSP 2020), 2024 (PSP 2021), 2025 (PSP 2022) and 2026 (PSP 2023).

Vesting of the PSP 2020 and PSP 2021 awards are based 50% on growth in adjusted EPS and 50% on relative TSR performance. Vesting of the PSP 2022 and PSP 2023 awards are based on 75% growth in adjusted EPS and 25% on relative TSR performance. In order for any payment to be earned under the EPS element of awards, the Committee must consider that a satisfactory level of ROATCE performance has been achieved. The ROATCE underpin will be measured as the ROATCE in the third year of the performance condition and as defined in note 28 of the consolidated financial statements.

EPS

The performance condition for PSP awards is that the average annual compound growth in the Company's adjusted EPS, over the three consecutive financial years following the financial year immediately prior to the grant, must exceed the specified absolute figures. The performance targets are as follows:

Adjusted EPS growth (over three years)	% of awards vesting
14% p.a. (PSP 2020)	100
13% p.a. (PSP 2022) (PSP 2023)	100
12% p.a. (PSP 2021)	100
5% p.a.	25
Below 5% p.a.	Nil

Where the Company's adjusted EPS performance is between these percentage bands, vesting of the award is on a straight-line basis. For the purposes of this condition, EPS is adjusted EPS as defined in note 28 to the consolidated financial statements, and this definition remains consistent with the definition of adjusted EPS approved by the Committee in previous years.

TSR

The performance condition compares the growth of the Company's TSR over a three-year period to that of the companies in a recognised broad equity market index of which the Company is a member. PSP awards 2020, 2021, 2022 used the FTSE 250 Index (excluding Investment Trusts). PSP award 2023 will use the FTSE 100 Index (excluding Investment Trusts) which follows the Company's promotion to the FTSE 100 Index in August 2023. When analysing the impact of moving the relative TSR comparator group from FTSE 250 to FTSE 100, we completed a retrospective comparison on PSP 2020, PSP 2019 and PSP 2018 and moving comparator group made no difference to the vesting outcome. Hence, the Committee agreed that awards which were granted when the Company was part of the FTSE 250 would continue to be compared against this index and those granted after promotion would be measured against the FTSE 100. The performance targets are as follows:

Adjusted EPS growth (over three years)	% of awards vesting
Upper quartile	100
Median	25
Below median	Nil

Where the Company's TSR performance is between these percentage bands, vesting of the award is calculated based on ranking.

AWARDS VESTING IN 2023 (AUDITED)

The PSP award granted on 23 November 2020 (PSP 2020) to Johnny Thomson, was subject to the performance conditions as set out on page 110 and independently assessed over a three-year period ended 30 September 2023. The outcome of this award is presented in the table below:

Adjusted earnings per share

	Base EPS	EPS at 30 Sep 2023	CAGR in EPS	Maximum target	Maximum award	Vested award
PSP (2020)	56.4p	**126.5p**	30.9%	14%	50%	50%

The Committee has reviewed the ROATCE outturn and concluded that 18.1% is in line with expectations. The Committee reviewed the topic of windfall gains for the 2020 grant and it determined that as a result of the share price increase at the time of grant, there was no windfall gain concern. It was therefore the view of the Committee that the formulaic vesting should proceed without any adjustments.

TSR growth against FTSE 250 (excluding Investment Trusts)

	TSR at 30 Sep 2023	Median	Upper quartile	Maximum award	Vested award
PSP (2020)	**20.2% p.a.**	5.2% p.a.	12.1% p.a.	50%	50%

Set out below are the shares which vested to Johnny Thomson at 30 September 2023 in respect of this award[1].

	Share price at date of grant pence	Share price at 30 Sep 2023 pence	Proportion of award vesting	Shares vested number	Performance element[2] £000	Share appreciation element[3] £000	Total £000
Johnny Thomson PSP (2020)	2,306	3,004	**100%**	**74,804**	1,725	522	2,247

1 Details of the PSP (2020) shares which vested to Barbara Gibbes at 30 September 2023 have been explained on page 112 as payment for loss of office.
2 The performance element represents the face value of awards that vested, having met the performance conditions set out above.
3 The share appreciation element represents the additional value generated through appreciation of the share price from the date the award was granted to the end of the three-year performance period on 30 September 2023.

DIVIDEND EQUIVALENT PAYMENTS (AUDITED)

Dividend equivalent payments of £106,895 (2022: £74,881) are payable to Johnny Thomson in respect of the PSP (2020) award which vested on 30 September 2023. Dividend equivalent payments cover all payments made in the three-year vesting period.

LONG-TERM INCENTIVE PLAN – AWARDS GRANTED IN THE YEAR (AUDITED)

Johnny Thomson and Chris Davies received a grant of the PSP 2022 award on 18 January 2023 and 28 November 2022 respectively in the form of nil-cost options. This award was based on a share price of 2,848p and 2,862p respectively, being the mid-market price of an ordinary share in the Company at close of business on the day immediately preceding the awards. The PSP 2022 award for Johnny Thomson was 300% of base salary and for Chris Davies was 200% of base salary prorated based on his start date of 1 November 2022. Additionally, in line with the Remuneration policy, Chris Davies also received grants of the PSP 2021 award on 28 November 2022 in the form of nil-cost options to replace variable remuneration awards foregone in order to join the Group. This award was based on a share price of 2,862p being the mid-market price of an ordinary share in the Company at close of business on the day immediately preceding the awards.

Under normal circumstances, the options will not become exercisable until the performance conditions are determined after the end of the three-year measurement period which begins on the first day of the financial year in which the award is made and provided the participating Director remains in employment. The level of vesting is dependent on the achievement of specified performance criteria at the end of the three-year measurement period. The performance conditions for this award are set out on page 110.

OUTSTANDING SHARE-BASED PERFORMANCE AWARDS (AUDITED)

Set out is a summary of the share-based awards outstanding at 30 September 2023, including both share awards which have vested during the year (based on performance) and share awards which have been granted during the year. The awards set out were granted based on a face value of 300% (250% for PSP 2021 and PSP 2020) of base salary to Johnny Thomson and a face value of 200% of base salary, prorated based on his start date of 1 November 2022, to Chris Davies. No awards will vest unless the performance conditions set out on page 110 are satisfied.

DIPLOMA PLC 2020 (AS AMENDED) PERFORMANCE SHARE PLAN (AUDITED)

	Market price at date of award[1]	Face value of the award at date of grant £000	End of performance period	Vesting date	Shares over which awards held at 1 Oct 2022	Shares over which awards granted during the year	Vested during the period	Lapsed during the period	Shares over which awards held at 30 Sep 2023
Johnny Thomson									
PSP (2020)	2,306p	1,725	30 Sep 2023	30 Sep 2023	74,804	–	**74,804**	–	–
PSP (2021)	3,118p	1,777	30 Sep 2024	30 Sep 2024	57,007	–	–	–	**57,007**
PSP (2022)	2,848p	2,262	30 Sep 2025	30 Sep 2025	–	**79,424**	–	–	**79,424**
Chris Davies									
PSP (2021)[2]	2,862p	220	30 Sep 2024	30 Sep 2024	–	**7,694**	–	–	**7,694**
PSP (2022)	2,862p	823	30 Sep 2025	30 Sep 2025	–	**28,773**	–	–	**28,773**

1 The market price is the mid-market share price at the close of business on the day before the grant date as disclosed on page 111.
2 In line with the Remuneration Policy, Chris Davies was granted 7,694 shares as part of the PSP (2021) award to replace share based payment arrangements forgone in order to join the Group.

The PSP awards vest on the date on which the performance conditions are determined and confirmed by the Committee, following the end of the performance period. Shares will be held for a minimum of five years from grant date in line with the Policy.

The PSP awards are granted in the form of nil-cost options (there is a notional exercise price of £1 per award). To the extent that the awards vest, the options are then exercisable until the tenth anniversary of the award date. Details of options exercised during the year and outstanding at 30 September 2023 are set out later in this report.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

In line with the approved Remuneration Policy as disclosed in the 2022 Annual Report, during 2023, Barbara Gibbes received a total payment of £341,807 for loss of office from the Company equivalent to base salary, pension allowance, benefits and legal costs. Barbara also received £516,718 (17,201 shares granted at a share price of 2,306p and vested at a share price of 3,004p) in connection with 100% vesting of her PSP (2020) award, which included a share appreciation benefit of £120,063. Dividend equivalent payments of £24,581 are payable to Barbara in respect of the PSP (2020) award. As at 30 September 2023, Barbara had 6,829 share-based awards outstanding under the PSP 2021 Performance Share Plan which were granted on 29 November 2021 at a share price of 3,118p, with a vesting date of 30 September 2024.

CHAIR AND NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

Individual remuneration for the year ended 30 September was as follows:

	Total fees 2023 £000	Total fees 2022 £000
David Lowden	**289**	207
Andy Smith	**70**	67
Anne Thorburn	**80**	77
Geraldine Huse	**57**	55
Dean Finch	**57**	55
Jennifer Ward[1]	**19**	–

1 The fee for Jennifer Ward was prorated in 2023 following her appointment on 1 June 2023.

The Non-Executive Directors received a basic annual fee of £57,250 (2022: £54,500) during the year and additional fees are paid of £12,500 (2022: £12,000) for chairing a Committee of the Board or £10,500 (2022: £10,000) for acting as Senior Independent Director. No additional fee for chairing a Committee of the Board is payable to the Chair of the Company. The fees for Non-Executive Directors are reviewed every year by the Board, taking into account their responsibilities and required time commitment. From 1 October 2023, there has been a 6.1% increase to the Non-Executive Director annual fee to £60,750 and a 6.2% increase to the Chair's annual fee to £306,000. The additional fee for chairing a Committee of the Board has increased by 6% to £13,250 per annum and the additional fee for acting as Senior Independent Director has increased by 9.5% to £11,500 per annum. There were no taxable employment benefits for Non-Executive Directors in 2023 and 2022.

EXECUTIVE DIRECTORS' INTERESTS (AUDITED)

In options over shares

In respect of nil-cost options granted under the PSP, the remuneration receivable by an Executive Director is calculated on the date that the options first vest. The remuneration of the Executive Directors is the difference between the amount the Executive Directors are required to pay to exercise the options to acquire the shares and the total value of the shares on the vesting date.

If the Executive Directors choose not to exercise the nil cost options on the vesting date (they may exercise the options at any time up to the day preceding the tenth anniversary of the date of grant), any subsequent increase or decrease in the amount realised will be due to movements in the underlying share price between the initial vesting date and the date of exercise of the option. This increase or decrease in value reflects an investment decision by the Executive Director and, as such, is not recorded as remuneration.

The nil-cost options outstanding at 30 September 2023 and the movements in the number of shares during the year are as follows:

	Year of vesting	Options as at 1 Oct 2022	Exercised in year	Vested during the year[3]	**Options unexercised as at 30 Sep 2023**	**Exercise price[4]**	Earliest normal exercise date	Expiry date
Johnny Thomson[1, 2]	2022	85,481	85,481	–	**–**	**£1**	Nov 2022	Nov 2029
	2023	–	–	74,804	**74,804**	**£1**	Nov 2023	Nov 2030

1 Johnny Thomson exercised 85,481 options on 22 November 2022 at a market price of 2,800p per share and the total proceeds before tax was £2,393,468 less the exercise price of £1.
2 On 22 November 2022, the aggregate number of shares received by the participant was reduced by 40,177 shares as part of arrangements under which the company settled the PAYE liability that arose as a result of the exercise in full by the Executive Director of options held over shares.
3 The closing price of an ordinary share on 30 September 2023 was 3,004p (2022: 2,324p).
4 All awards have a notional exercise price of £1 per award.

Directors' interests in ordinary shares

	As at 30 Sep 2023			As at 30 Sep 2022		
	Ordinary shares	**Options vested but unexercised**	**Options with performance measures**	Ordinary shares	Options vested but unexercised	Options with performance measures
Johnny Thomson	**148,624**	**74,804**	**136,431**	102,330	85,481	131,811
Chris Davies	**4,974**	**–**	**36,467**	–	–	–

The minimum shareholding requirement (MSR) is 300% for the CEO and 250% for the CFO. As of 30 September 2023, Johnny Thomson's shareholding was 720% of salary and therefore he has met his MSR. Chris Davies' shareholding was 32% of salary and 50% of his Annual Performance Bonus will be deferred into shares until he reaches his MSR as set out in the Policy.

The shareholding calculations are in line with the Company's Shareholding Policy and includes shares from vested PSP awards.

As of 20 November 2023, there have been no changes to these interests in ordinary shares of the Company.

CHAIR AND NON-EXECUTIVE DIRECTORS' INTERESTS IN ORDINARY SHARES (AUDITED)

The Non-Executive Directors' interests in ordinary shares of the Company at the start and end of the financial year were as follows:

	Interest in ordinary shares	
	As at 30 Sep 2023	As at 30 Sep 2022
David Lowden	**2,896**	2,500
Andy Smith	**7,941**	7,545
Anne Thorburn	**5,441**	5,045
Geraldine Huse	**2,441**	2,045
Dean Finch	**1,036**	640
Jennifer Ward[1]	**–**	–

1 Jennifer Ward was appointed on 1 June 2023.

As of 20 November 2023, there have been no changes to these interests in ordinary shares of the Company.

REMUNERATION IN CONTEXT

Chief Executive pay ratio (unaudited)

The table below sets out the Chief Executive pay ratios as at 30 September 2023.

The ratios compare the single total figure of remuneration of the CEO with the equivalent figures for the lower quartile (P25), median (P50) and upper quartile (P75) UK employees. Option A has been used as it is the most statistically accurate method, considered best practice by the Government and investors, and is directly comparable to the CEO's remuneration.

The employee data was measured on 30 September 2023, using the most up-to-date bonus estimates. The approach used was the same as the single total figure methodology with the exception that bonus estimates were used and colleagues who work part time were converted to full time equivalent and those who worked part of the year were annualised.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	Option A	155:1	126:1	89:1
2022	Option A	156:1	129:1	93:1
2021	Option A	228:1	180:1	126:1
2020	Option A	44:1	35:1	24:1

	Base salary	Ratio of base pay to CEO base pay	Total pay and benefits
CEO	£754,000	n/a	£4,118,000
25th percentile	£24,053	31:1	£26,609
Median	£29,551	26:1	£32,670
75th percentile	£39,782	19:1	£46,272

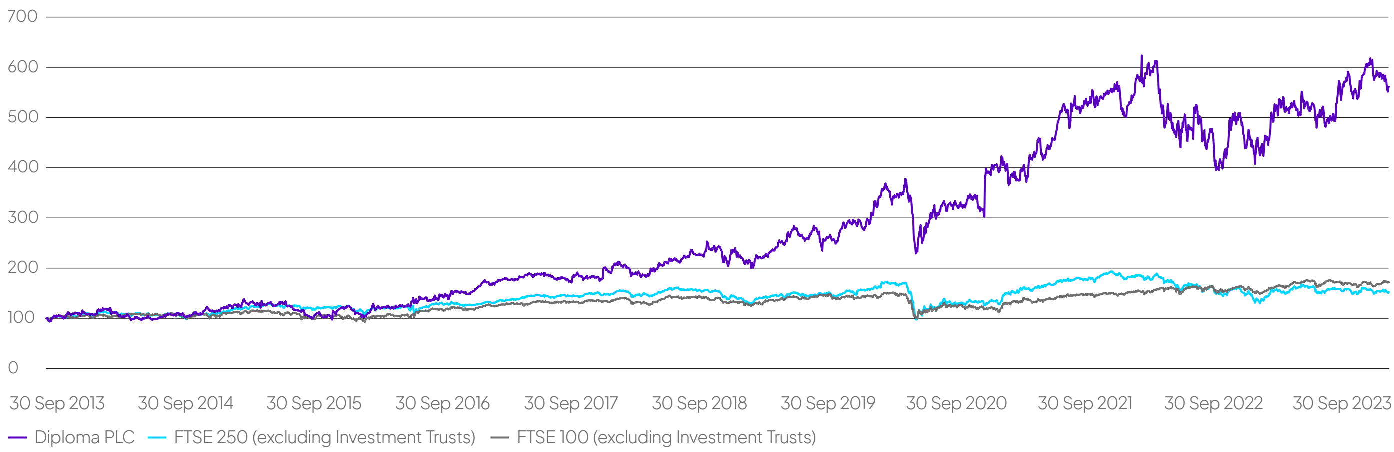
We are satisfied that the median pay ratio reported this year is consistent with our wider pay, reward and progression policies for employees. More detail on our approach to workforce pay and alignment to Executive Directors is contained on page 121. The CEO is remunerated predominantly on performance-related elements (bonus and share awards), which have delivered strong returns.

The median CEO pay ratio has remained at a similar level to prior year (2023: 126:1; 2022: 129:1). CEO pay has increased due to a base pay increase and higher share price appreciation, whilst reducing pension contributions. Total compensation for the UK workforce has increased double-digits due to higher wage increases in 2023 and higher bonuses. Median total compensation for the UK workforce has increased by 12% and median base pay has increased by 9% on prior year. Our UK businesses are moving towards the real living wage (with our businesses already accredited or in the process of being accredited and new acquisitions tasked to move towards that goal). We have also introduced life assurance for all UK colleagues who did not previously have it and have introduced further healthcare plans.

Aligning pay with performance (unaudited)

The graph below shows the TSR performance of Diploma PLC for the ten-year period ended 30 September 2023 against the FTSE 250 Index (excluding Investment Trusts). The FTSE 250 Index (excluding Investment Trusts) was chosen because this is a recognised broad equity market index of which the Company was a member of throughout the ten years, with the exception of the final month of 2023.

Growth in the value of a hypothetical £100 holding over ten years



TSR is defined as the return on investment obtained from holding a company's shares over a period. It includes dividends paid, the change in the capital value of the shares and other payments to or by shareholders within the period.

CHIEF EXECUTIVE OFFICER REMUNERATION COMPARED WITH ANNUAL GROWTH IN TSR (UNAUDITED)

Year	Name	CEO single figure of total remuneration (£000)	Annual bonus against maximum opportunity	Actual share award vesting against maximum opportunity	Annual growth in TSR
2023	**Johnny Thomson**	**4,118**	**100%**	**100%**	**32%**
2022	Johnny Thomson	3,758	100%	100%	-17%
2021	Johnny Thomson	5,242	100%	100%	+32%
2020	Johnny Thomson	999	25%	–	+34%
2019	Johnny Thomson[2]	1,079	72%	–	+20%
2019	John Nicholas[1]	62	–	–	+20%
2018	John Nicholas[1]	14	–	–	+36%
2018	Richard Ingram[2]	235	–	–	+36%
2018	Bruce Thompson[2]	3,842	100%	99%	+36%
2017	Bruce Thompson	2,258	100%	89%	+24%
2016	Bruce Thompson	1,634	95%	45%	+36%
2015	Bruce Thompson	1,139	51%	25%	-1%
2014	Bruce Thompson	1,846	65%	61%	+8%

1 John Nicholas was not eligible for an annual bonus or share award for service as interim Executive Chair for the period 28 August 2018 to 25 February 2019.
2 These amounts were prorated for the period served as CEO, with the exception of the annual bonus payable to Johnny Thomson, who joined the Company on 25 February 2019.

RELATIVE IMPORTANCE OF EXECUTIVE DIRECTOR REMUNERATION (UNAUDITED)

	2023 £m	2022 £m	Change £m
Total employee remuneration	**210.0**	177.5	32.5
Total dividends paid	**70.5**	56.2	14.3

PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS AND EMPLOYEES (UNAUDITED)

Set out below is the change over the prior financial year in base salary/fees, benefits, pension and annual performance bonus of the Board and the Group's senior managers. Senior managers is a defined group of ca. 140 colleagues. The Committee chose senior managers for pay comparisons with the Board as it provided the most closely aligned comparator group, considering the global and diverse nature of the Group's business. The figures for the Board are all on a full year basis to show the intended movement.

	Base salary/fee change (%)[1]				Taxable benefits change (%)				Bonus change (%)			
	2023 vs 2022	2022 vs 2021	2021 vs 2020	2020 vs 2019	**2023 vs 2022**	2022 vs 2021	2021 vs 2020	2020 vs 2019	**2023 vs 2022**	2022 vs 2021	2021 vs 2020	2020 vs 2019
Executive Directors												
Johnny Thomson[2]	**+6**	+3	No change	+3	**+2**	+2	+4	No change	**+6**	+3	+300	-64
Chris Davies[3]	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a
Non-Executive Directors[4]												
David Lowden[5]	**+40**	n/a	No change	n/a								
Andy Smith	**+4**	+3	No change	No change								
Anne Thorburn	**+4**	+6	+11	+3								
Geraldine Huse	**+4**	+3	No change	n/a								
Dean Finch	**+4**	+185	n/a	n/a								
Jennifer Ward[6]	**n/a**	n/a	n/a	n/a								
Employees of the Parent Company[7]	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a
Senior management team	**+6**	+8	+1	+5	No change	No change	No change	No change	**-6**	+22	+77	-25

1 This does not take account of the voluntary pay reduction in 2020.
2 The reduction in pension was a voluntary reduction from 12.5% of base salary to 10.0% from 1 October 2021 and a further reduction to 4% from 1 January 2023.
3 Chris Davies was appointed on 1 November 2022.
4 The Non-Executive Directors do not receive any pension, bonus or taxable benefits.
5 The fee for David Lowden was prorated following his appointment as Chair on 19 January 2022. The like-for-like increase is +5%.
6 Jennifer Ward was appointed on 1 June 2023.
7 There are no employees of the Parent Company.

EXECUTIVES AND SENIOR MANAGEMENT BELOW THE BOARD (UNAUDITED)

Set out below is a summary of the share-based awards outstanding at 30 September 2023, which have been granted to members of the Executive Team and other senior employees, including share awards which have vested during the year based on performance and share awards which have been granted both last year and during this year. The awards set out below were granted based on a fair value that varied between 10% and 100% of base salary. No awards will vest unless the performance conditions set out on page 110 are achieved over a three-year measurement period. The Committee anticipates making similar awards to members of the Executive Team and other senior employees in December 2023.

	Market price at date of award	Face value of the award at date of grant £000	End of performance period	Share over which awards held at 1 October 2022	**Shares over which awards granted during the year**	**Vested during the year**	**Lapsed during the year**	**Shares over which awards held at 30 Sep 2023**
PSP (2020)	2,306p	919	30 Sep 2023	39,860	**–**	**39,860**	**–**	**–**
	2,574p							
	2,682p							
PSP (2021)	3,118p	2,565	30 Sep 2024	94,172	**–**	**–**	**3,802**	**90,370**
	2,712p							
	2,862p							
PSP (2022)	3,032p	5,262	30 Sep 2025	–	**190,872**	**–**	**7,007**	**183,865**

GOVERNANCE

Remuneration Committee

The Committee is chaired by Andy Smith and comprises the six Independent Non-Executive Directors; David Lowden, Anne Thorburn, Dean Finch and Geraldine Huse, served on the Committee throughout the year and Jennifer Ward was appointed on 1 June 2023. The Group CEO, the Group CFO and the Group HR Director attend meetings at the invitation of the Committee to provide advice to help it make informed decisions. The Group Company Secretary attends meetings as Secretary to the Committee.

The Remuneration Committee Report

The Annual Report on Remuneration and the Chair's Statement will continue to be subject to an advisory vote by shareholders at the 2024 AGM.

Remuneration principles and structure

The Committee has adopted remuneration principles which are designed to ensure that executive remuneration:

- is aligned to the business strategy and promotes the long-term success of the Company;
- supports the creation of sustainable long-term shareholder value;
- provides an appropriate balance between remuneration elements and includes performance-related elements which are transparent, stretching and rigorously applied;
- provides an appropriate balance between immediate and deferred remuneration; and
- encourages a high-performance culture by ensuring performance-related remuneration constitutes a substantial proportion of the remuneration package and by linking maximum payout opportunity to outstanding results.

These principles apply equally to those of senior management and align to those of the wider workforce.

SERVICES FROM EXTERNAL ADVISORS (UNAUDITED)

The Committee has continued to receive its remuneration advice from Willis Towers Watson (WTW). The fees are agreed in advance with the advisor, based on the scope of work. All advisors are selected by the Committee based on their technical expertise and independence. None of the advisors have any relationship with any Director and the Committee is satisfied that the services of advisors are independent, which it validates by checking that the advisors are not providing other services to the Company. Details are shown in the table below:

Advisor	Appointed by	Services provided to the Committee	Other services provided to the Company	Fees (£)
Willis Towers Watson	Committee	Remuneration advice	None	187,323

SHAREHOLDER VOTING AT PREVIOUS ANNUAL GENERAL MEETING (UNAUDITED)

The Directors' Remuneration Policy and the Remuneration Committee's Annual Report (Report) for the year ended 30 September 2022 was approved by shareholders at the AGM held on 18 January 2023, with the following votes being cast:

	Policy		2022 Report	
Votes for	104,630,292	96.18%	104,468,636	95.56%
Votes against	4,158,730	3.82%	4,849,065	4.44%
Withheld	683,816	–	155,137	–

At the AGM in January 2023, the 2022 DRR was approved with 95.56% of votes in favour. Given the positive voting outcome there was no immediate need for shareholder follow up. Consultation was conducted during 2023 on the 2023 DRR. During consultation there was an opportunity to check with shareholders if they had any outstanding issues from 2021 and none were raised.

REMUNERATION POLICY

REMUNERATION POLICY

This section of the Report sets out our Policy in detail. The current Policy for Executive Directors came into effect from 18 January 2023, and remains unchanged. The Policy can be found on pages 120 to 128 of the 2022 Annual Report and Accounts, which can be found on our Company website, www.diplomaplc.com, and a summary is set out in this Report on pages 118 to 125.

The Committee reserves the right to approve payments on terms that differ from the Policy where the terms of the payment were agreed before the Policy came into effect or were agreed at a time when the relevant individual was not a Director of the Company.

The Committee may also make minor amendments to the arrangements for Directors described in the Policy without shareholder approval for regulatory, tax or administrative purposes or to take account of a change in legislation.

EXECUTIVE DIRECTORS

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary	To attract and retain people of the calibre and experience needed to develop and execute the Company's strategy.	Salaries are reviewed annually, with changes normally effective from 1 October.	There is no maximum limit set. Salaries will be market competitive to retain skilled executive talent and attract new talent as required. Salary increases will generally be no higher than those awarded to other employees, although the Committee retains discretion to award larger increases if it considers it appropriate.	Salary levels and increases are determined based on a number of factors, including individual and business performance, level of experience, scope of responsibility, salary increases both for UK employees and for senior management more generally and the competitiveness of total remuneration against companies of a similar size and complexity.
Pensions	Designed to be fair.	Pension contributions can either be paid directly into a pension savings scheme or taken as a separate cash allowance.	Maximum pension contributions will be no higher than the rate offered to the majority of our UK workforce for UK-based Executive Directors. Maximum pension contributions for non-UK-based Executive Directors will be aligned with employees in the relevant local market.	No performance metric.

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Benefits	To provide a competitive package of benefits.	Includes various cash/non-cash benefits such as: payment in lieu of a company car, life assurance, income protection, annual leave, medical insurance. The Committee may offer any additional benefits it considers appropriate in line with the interests of the Company and local market practice. Any renewable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.	No maximum limit is prescribed, but the Committee monitors annually the overall cost of the benefit provision.	No performance metric.
Annual Performance Bonus Plan	To incentivise and reward Executive Directors on the achievement of the annual budget and other business priorities for the financial year.	Provides an opportunity for additional reward based on annual performance against targets set and assessed by the Committee. Where shareholding guidelines have not been met, half of any annual bonus awarded (net of tax) will be used to purchase shares on behalf of the Executive. The shares, which are beneficially owned by the Executive, are eligible for dividends and will only be released once the Executive reaches the minimum shareholding requirement. The remaining bonus shall be paid in cash following the relevant year end. Malus and clawback provisions apply to bonus awards. The Committee may amend the formulaic outcome should it not be a fair reflection of the Company's underlying performance or in exceptional circumstances.	Maximum of 125% of base salary for the Executive Directors. Performance below threshold results in zero payment. Achievement of threshold performance results in payment of 5% of base salary. On-target bonus is 50% of maximum bonus.	Performance metrics are selected annually based on the current business objectives. The majority of the bonus will be linked to financial performance. Personal or strategic objectives, if used, will account for no more than 20% of the bonus.

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Performance Share Plan (PSP)	Incentivise Executive Directors to achieve superior returns and long-term value growth.	Performance assessed over rolling three-year performance periods. Awards are discretionary and do not vest until the date on which the performance is measured. If employment ceases during a three-year performance period, awards will normally lapse except in the case of a 'good leaver'. Executive Directors are required to retain shares vesting under the PSP (net of tax) until the fifth anniversary of grant. Awards may include dividend equivalents which are cash bonuses or shares in lieu of dividends foregone on vested shares, from the time of award up to the time of vesting. Malus and clawback provisions apply. The Committee may amend the formulaic outcome should it not be a fair reflection of the Company's underlying performance or in exceptional circumstances.	The maximum opportunity as a percentage of salary is 300% for the CEO and 250% for other Executive Directors. No more than 25% of the award will be payable at threshold performance.	Awards will be granted subject to a combination of financial and strategic measures closely aligned to the Company's strategy and measured over a period of no less than three years. Strategic non-financial objectives, if used, will account for no more than 20% of the PSP.

CHAIR AND NON-EXECUTIVE DIRECTORS

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Chair and Non-Executive Directors' fees	To attract and retain a Chair and Independent Non-Executive Directors of the required calibre and experience.	Paid quarterly in arrears and reviewed each year. Although Non-Executive Directors currently receive their fees in cash, the Company may pay part or all of their fees in the form of shares. Any reasonable business-related expenses (including tax thereon if determined to be a taxable benefit can be reimbursed).	The Chair's and Non-Executive Directors' fees are determined by reference to the time commitment and relevant benchmark market data.	No performance metric.

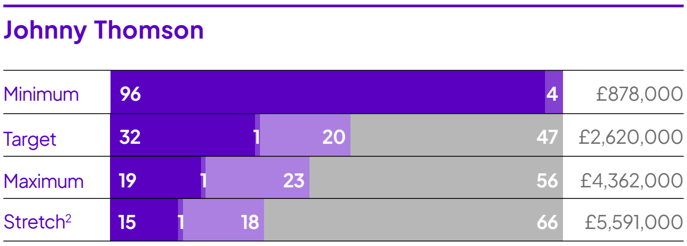
Selection of performance measures and targets for Annual Bonus and PSP

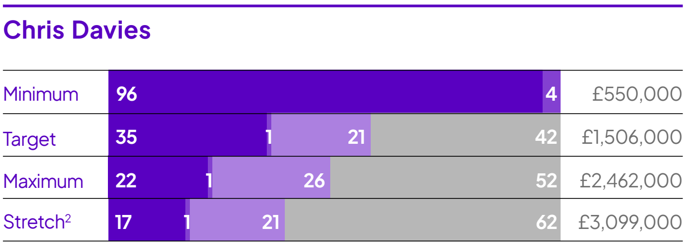
The Annual Bonus Plan is designed to drive the annual financial and strategic objectives of the business. Performance measures selected are aligned to the Company's strategic plan and key objectives. Targets are set by reference to internal budget. Details of the measures selected for FY24 and the rationale behind the selection can be found in the Annual Report on Remuneration.

The PSP is designed to drive the delivery of the Company's longer-term objectives and support the delivery of value for shareholders. Performance measures are selected to align with these objectives and targets are set by reference to internal long-term business plans. Any major adjustment in the calculation of performance measures will be disclosed to shareholders on vesting. Details of the measures selected for FY24 and the rationale behind the selection can be found in the Annual Report on Remuneration.

Illustration of application of Policy

Pay-for-performance: Executive Directors' potential value of 2024 remuneration packages.





Fixed: Base salary and benefits Pension
Variable: Annual performance bonus Long-term incentive plans

1 Base salary is as at 1 October 2023; benefits are as set out on page 108.
2 Stretch is calculated on the same basis as the Maximum bar; however, it includes a share price uplift of 50% over three years for the PSP.

On-target remuneration assumes an Annual Performance Bonus Plan of 50% of the maximum for the Executive Directors. It has been assumed that a face value limit of 300% of base salary (CFO: 250%) applies to each PSP award. On-target vesting of PSP awards assumes an adjusted EPS growth of 7.67% p.a. and TSR performance which is equivalent to 50% of the maximum vesting under the PSP. Maximum remuneration assumes maximum annual performance bonus and maximum vesting of PSP awards. No dividend equivalents are assumed, and no share price growth is assumed other than in the Stretch bar.

Consideration of shareholder views

The Committee will consult with its major shareholders in advance of any significant changes to the approved Policy or exercise of discretion, as appropriate, to explain their approach and rationale fully and to understand shareholders' views. Additionally, the Committee considers shareholder feedback received in relation to each AGM alongside any views expressed during the year. The Committee also reviews the executive remuneration framework in the context of published investor guidelines or appropriate regulation including the UK Corporate Governance Code.

Differences in remuneration policy for other employees

The Group seeks to promote positive relations with colleagues. The Committee is mindful of the pay increases, incentive outcomes and share award participation in relevant markets across the rest of the Group when considering the remuneration of the Executive Directors.

The Board as a whole takes responsibility for gathering the views of Diploma's workforce, and does so through multiple channels of engagement. While the Committee does not consult employees directly when setting the Executive Directors' remuneration policy, the senior management team engages with employees, either on a business-wide basis in the context of smaller focus groups, to solicit feedback generally on a wide range of matters, including remuneration. Feedback is passed to the Committee via the Executive Team.

The Company reviews compensation arrangements including base salaries for the wider employee population annually. In line with the Group's decentralised model, compensation is agreed locally, with governance and guidance provided by the Group. Salary increases for the wider population are determined based on a number of factors, including individual and business performance, level of experience, scope of responsibility, external competitive benchmarking, and general salary increases across the Group. The Company also seeks to provide an appropriate range of competitive benefits (including pension) to employees in line with their local markets. Senior managers have incentive plans aligned with the Executive Directors and there is a framework on remuneration which ensures alignment at different levels. Bonus plans for the workforce are agreed locally with oversight from the Sector management teams.

Service contracts

The Executive Directors' service contracts, including arrangements for early termination, are carefully considered by the Committee and are designed to recruit, retain and motivate Directors of the calibre required to manage the Company and successfully deliver its strategic objectives. The Committee considers that a rolling contract with a notice period of one year is appropriate for existing and newly appointed Directors.

The Executive Directors' service contracts, copies of which are held at the Company's registered office, together with any service contract for new appointments, contain provisions for compensation in the event of early termination or change of control, equal to the value of salary, pension and contractual benefits for the Director's notice period. The Company may make a payment in lieu of notice in the event of early termination and the Company may make any such payment in instalments with the Director being obliged in appropriate circumstances to mitigate loss (for example by gaining new employment). The Committee considers that these provisions assist with recruitment and retention and that their inclusion is therefore in the best interests of shareholders.

Details of the service contracts of the Executive Directors who served during the year are set out below:

	Contract date	Unexpired term	Notice period	Compensation payable upon early termination
Johnny Thomson	15 Jan 2019	Rolling	1 year	1 year
Chris Davies	25 October 2022	Rolling	1 year	1 year

Payment for loss of office

The Committee has considered the Company's policy on remuneration for Executive Directors leaving the Company and is committed to applying a consistent approach to ensure that the Company pays no more than is fair and reasonable in the circumstances.

The loss of office payment policy is in line with market practice and will depend on whether the departing Executive Director is, or is deemed to be treated as, a 'good leaver' or a 'bad leaver'. In the case of a 'good leaver' the Policy includes:

- Notice period of 12 months' base salary, pension and contractual benefits or payment in lieu of notice.
- Bonus payable for the period worked, subject to achievement of the relevant performance conditions. Different performance measures (to the other Executive Directors) may be set for a departing Director as appropriate, to reflect any change in responsibility.
- Vesting of award shares under the Company's long-term incentive plan is not automatic and the Committee would retain discretion to allow partial vesting depending on the extent to which performance conditions had been met and the length of time the awards have been held. Time prorating may be disapplied if the Committee considers it appropriate, given the circumstances. Performance will normally be measured to the end of the normal performance period and, to the extent applicable, vest on the normal vesting date, save in exceptional circumstances when the Committee may determine that early vesting should still apply.
- The Committee will provide for the leaver to be reimbursed for a reasonable level of legal fees in connection with a settlement agreement and outplacement services, where appropriate.

When calculating termination payments, the Committee will take into account a variety of factors, including individual and Company performance, the obligation for the Executive Director in appropriate circumstances to mitigate loss (for example, by gaining new employment) and the Executive Director's length of service.

The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

Change of control

Change of control provisions provide compensation equal to the value of salary, pension and contractual benefits for the notice period. In the event of a change in control, vesting of an award of shares under the Company's PSP depends on the extent to which performance conditions had been met at that time. Time prorating may be disapplied if the Committee considers it appropriate, given the circumstances of the change of control.

Malus and clawback
Malus provisions apply to all awards made under the Company's long-term incentive and annual bonus plans which give the Committee the right to cancel or reduce unvested share awards (or in the case of the Annual Performance Bonus Plan, cash payments) in the event of material misstatement of the Company's financial results, significant reputational damage to the Company, miscalculation of a participant's entitlement, individual gross misconduct or of corporate failure (resulting in a liquidation or the appointment of administrators).

The clawback arrangements permit the Committee to recover amounts paid to Executive Directors in specified circumstances and further safeguard shareholders' interests.

Remuneration for new appointments
The Committee has determined that new Executive Directors will receive a compensation package in accordance with the terms of the Group's approved Policy in force at the time of appointment.

The Committee has agreed the following principles that will apply when arranging a remuneration package to recruit new Executive Directors:

- The remuneration structure will be kept simple where practicable.
- The emphasis on linking pay with performance shall continue, with variable pay representing a significant component of the Executive Directors' total remuneration package.
- Initial base salary will take into account the experience and calibre of the individual and their existing remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be given over subsequent years subject to individual performance.
- The structure of variable pay will be in accordance with Diploma's approved Policy detailed above with a maximum aggregate variable pay opportunity of 425% of salary for the CEO and 375% for other Executive Directors. Different performance measures may be set in the first year for the annual bonus, taking account of the responsibilities of the individual and the point in the financial year that the executive joined the Company.
- Benefits will generally be provided in accordance with the approved Policy, with relocation expenses/an expatriate allowance paid, if appropriate.
- In the case of an external recruitment, the Committee may also offer additional cash and/or share-based elements when it considers these to be in the best interests of Diploma and shareholders, to replace variable remuneration awards or arrangements that an individual has foregone in order to join the Group. This includes the use of awards made under section 9.4.2 of the UK Listing Rules. Any such payments would take account of the details of the remuneration foregone including the nature, vesting dates and any performance requirements attached to that remuneration and any payments would not exceed the expected value being forfeited.
- In the case of an internal appointment, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to the terms of grant.
- For all new Executive Director appointments, the mandated shareholding requirement, deferral of annual performance bonus and the Holding Period for PSP awards will apply in accordance with the Policy and the relevant Plan rules.
- Fees for a new Chair or Non-Executive Director will be set in line with the approved Policy.

Committee discretion
The Committee operates the Annual Performance Bonus Plan and the Performance Share Plan (the Plans) in accordance with the relevant Plan rules and, where appropriate, the Listing Rules and HMRC legislation.

The Committee will exercise its powers in accordance with the terms of the relevant Plan rules.

The Committee retains discretion over a number of areas relating to the operation and administration of the Plans. These include, but are not limited to:

- selecting the Executive Director participants and wider employee participation parameters for the annual bonus and PSP awards;
- timing of awards and grants of setting performance criteria each year;
- determining the quantum of grants and/or payments (within the limits set out in the Policy Table);
- adjusting the constituents of the TSR comparator group;
- determining the extent of vesting based on the assessment of performance;
- overriding formulaic outcomes and amending payouts under the Annual Bonus Plan and for PSP should it determine that either it is not a fair reflection of the underlying performance of the business or in exceptional circumstances;

- applying or disapplying time prorating;
- dealing with leavers;
- discretion to waive or shorten the holding period for shares acquired under the PSP;
- discretion to retrospectively amend performance targets in exceptional circumstances, including making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- in respect of share awards, to adjust the number of shares subject to an award in the event of a variation in the share capital of the Company.

Policy in respect of external board appointments for Executive Directors

The Committee recognises that external Non-Executive Directorships may be beneficial for both the Company and Executive Director. At the discretion of the Board, Executive Directors are permitted to retain fees received in respect of any such Non-Executive Directorship.

Employee and post-employment shareholding requirements

The Committee has adopted shareholding requirements for Executive Directors, to encourage substantial long-term share ownership. These specify that, over a period of five years from the date of appointment, each Executive Director should build up and then retain a holding of shares with a value equivalent to 300% of base salary in the case of the CEO, and for other Executive Directors, to 250% of base salary (the MSR).

Vested PSP awards and deferred annual bonus payments which are issued as shares must be retained until the required shareholding (net of tax) level is reached.

As explained in the long-term incentive award section on page 120, Executive Directors are required to hold shares vesting under the PSP (net of tax) until the fifth anniversary of the grant (the Holding Period). The Holding Period continues to apply to post-cessation of employment except where cessation is by reason of death, if there is a change of control, or the Committee exercises its discretion.

In addition, a revised post-cessation shareholding requirement will apply being 50% of the MSR for two years after the termination date (or if less than the MSR, the value of shares held at the cessation date). Post-cessation holding continues to apply to shares granted under the PSP since the approval of the 2020 Policy.

CHAIR AND NON-EXECUTIVE DIRECTORS

Recruitment and term

The Board aims to recruit Non-Executive Directors of a high calibre, with broad and diverse commercial, international, sectoral or other relevant experience. Non-Executive Directors are appointed by the Board on the recommendation of the Nomination Committee. Appointments of the Non-Executive Directors are for an initial term of three years, subject to election by shareholders at the first AGM following their appointment and subject to annual re-election thereafter. The terms of engagement are set out in letters of appointment which can be terminated by either party serving three months' notice.

Fees

The Non-Executive Directors are paid a competitive basic annual fee which is approved by the Board on the recommendation of the Chair and the Executive Directors. The Chair's fee is approved by the Committee, excluding the Chair. Additional fees may also be payable for chairing a Committee of the Board, for acting as Senior Independent Director, or in respect of any other material additional responsibilities taken up. Fees are reviewed each year and take account of the fees paid in other companies of a similar size and complexity, the responsibilities of the role and the required time commitment.

If there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro rata basis to recognise the additional workload.

The Non-Executive Directors are not eligible to participate in any of the Company's share plans, incentive plans or pension schemes and there is no provision for payment in the event of early termination.

PROVISION 40 TABLE

The following table summarises how the Remuneration Policy fulfils the factors set out in Provision 40 of the 2018 UK Corporate Governance Code.

Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce. Example: the structure of the Annual Performance Bonus Plan is completely based on financial metrics which align with published accounts.	The Committee is committed to providing open and transparent disclosures to shareholders, the workforce and other stakeholders with regard to executive remuneration arrangements. The Committee determines the Remuneration Policy and agrees the remuneration of each Executive Director as well as the remuneration framework for other senior managers. The Company provides open and transparent disclosures of our Executive Directors' remuneration arrangements including undertaking engagement with key shareholders when considering changes to Remuneration Policy.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand. Example: variable pay for Executive Directors is a simple Annual Bonus Plan and a Performance Share Plan.	Our remuneration arrangements for Executive Directors, as well as those throughout the organisation, are simple in nature and well understood by participants. The structure for Executive Directors consists of fixed pay (salary, benefits, pension) and variable pay (annual bonus plan and a long-term incentive plan, the PSP).
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated. Example: the ROATCE underpin in the PSP reduces risk of low quality earnings.	Targets are reviewed to ensure they do not encourage excessive risk taking. Malus and clawback provisions also apply to both the annual bonus and long-term incentive plans. Members of the Committee are provided with regular briefings on developments and trends in executive remuneration.
Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy. Example: variable pay maximums are set out in the Policy.	The potential value and composition of the Executive Directors' remuneration packages at below threshold, target and maximum scenarios are provided in the relevant policy.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance. Example: 95% of budget must be achieved to trigger payment of Annual Performance Bonus; 95% of budget only results in 5% payment.	Annual bonus payments and PSP awards require robust performance against challenging conditions that are aligned to the Company's strategy. The Committee has discretion to override formulaic results to ensure that they are appropriate and reflective of overall performance.
Alignment to culture Incentive schemes should drive behaviours consistent with company purpose, values and strategy. Example: one of the Diploma values is continuous improvement; continuous improvement is required each year to reach remuneration targets.	The variable incentive schemes and performance measures are designed to be consistent with the Group's purpose, values and strategy.

DIRECTORS' REPORT

This section comprises information which the Directors are required by law and regulation to include within the Annual Report & Accounts. The Directors who held office during the year are set out on page 82.

SHAREHOLDERS

Incorporation and principal activity

Diploma PLC is domiciled in England and registered in England and Wales under Company Number 3899848. At the date of this report there were 134,091,975 ordinary shares of 5p each in issue, all of which are fully paid up and quoted on the London Stock Exchange.

The principal activity of the Group is the supply of specialised technical products and services. A description and review of the activities of the Group during the financial year including the Company's business model and strategy, principal risks and uncertainties facing the Group and how these are managed and mitigated, together with an indication of future developments is set out in the Strategic Report on pages 1 to 75, which incorporates the requirements of the Companies Act 2006 (the Act).

Annual General Meeting

The Annual General Meeting (AGM) will be held at 09.00am on Wednesday, 17 January 2024 in The Charterhouse, Charterhouse Square, London EC1M 6AN. The Notice of the AGM, which is a separate document, will be sent to all shareholders and will be published on the Diploma PLC website.

Substantial shareholdings

At 30 September 2023, the Company had received formal notifications of the following holdings in its ordinary shares in accordance with the requirements of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTRs):

	Percentage of ordinary shares (September 2023)	Percentage of ordinary share capital (November 2023)
Capital Research Global Investors	13.0	12.97
Mawer Investment Management Limited	4.99	No change
Royal London Group	4.95	No change
The Vanguard Group, Inc	3.42	No change
Mondrian Investment Partners Limited	3.14	No change
BlackRock Inc	Below 5%	No change

Other than Capital Research Global Investors, there have been no changes in the interests notified to the Company pursuant to the DTRs up to the date of this report.

Share capital

The rights attaching to the Company's ordinary shares, as well as the powers of the Company's Directors, are set out in the Company's Articles of Association (the Articles), a copy of which is available on the Company's website. The Articles may be amended by special resolution of the Company's shareholders.

Shareholders

Shareholders are entitled to attend and speak at general meetings of the Company and to appoint one or more proxies, or corporate representatives. On a show of hands each holder of ordinary shares shall have one vote, as shall proxies. On a poll, every holder of ordinary shares present in person or by proxy shall have one vote for every share of which they are the holder. Electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before a general meeting.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfers of securities and/or voting rights. No person holds securities in the Company carrying special rights with regard to control of the Company.

Contracts of significance and change of control
There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, principally bank facility agreements, the Company's Long-Term Incentive Plan and the Annual Performance Bonus Plan.

Restrictions on transfer of shares
The Directors may refuse to register a transfer of a certificated share that is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis, or where the Company has lien over that share. The Directors may also refuse to register a transfer of a certificated share, unless the instrument of transfer is: (i)lodged, duly stamped (if necessary), at the registered office of the Company or any other place as the Board may decide accompanied by the certificate for the share(s), or (ii) in favour of not more than four persons. Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertified share in accordance with the regulations governing the operation of CREST.

There are no other restrictions on the transfer of ordinary shares in the Company except certain restrictions which may from time to time be imposed by laws and regulations (for example insider trading laws); or where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

Share allotment
A general allotment power and a limited power to allot shares in specific circumstances for cash, otherwise than pro rata to existing shareholders, were given to the Directors by resolutions approved at the AGM of the Company held on 18 January 2023.

Authority to make market purchases of own shares
An authority to make market purchases of up to 10% of the issued share capital shares was given to the Directors by a special resolution at the AGM of the Company held on 18 January 2023. In the year to 30 September 2023, the Company has not acquired any of its own shares.

Liability insurance and indemnities
As at the date of this report, the Company has granted qualifying third-party indemnities to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Act. In addition, Directors and officers of the Company and its subsidiaries have been, and continue to be, covered by Director and officer liability insurance.

Disclosures required under Listing Rule 9.8.4C
To comply with Listing Rule 9.8.4C, the following table provides the information to be disclosed by the Company in respect of Listing Rule 9.8.4R.

	Listing Rule
The Trustees of the Diploma PLC Employee Benefit Trust waived dividends on all shares.	9.8.4(12)R and 9.8.6(13)R

Equity raise

An allotment was made on 17 March 2023 otherwise than to the holders of the Company's equity shares in proportion to their holdings of such equity shares and which was not specifically authorised by the Company's shareholders. The details of the allotment are set out below in accordance with LR 9.8.4R(7) and the most recently published Pre-Emption Group Statement of Principles (2022).

Transaction details	In aggregate, equity raised of 9,350,965 New Ordinary Shares (comprising 9,297,005 Placing Shares, 3,960 Subscription Shares and 50,000 Retail Shares) represented approximately 7.5% of the Company's issued ordinary share capital. Settlement for the New Ordinary Shares and Admission took place at 8.00 a.m. on 21 March 2023.
Use of proceeds	The proceeds of the Placing, Subscription and Retail Offer was used to refinance the consideration paid for the acquisition of Tennessee Industrial Electronics, LLC, a market-leading, value-add distributor of aftermarket parts and repair services into the fast-growing US industrial automation end market, with a focus on robotics and computer numerical control (CNC) machines, and provide greater flexibility to execute further acquisitions.
Quantum of proceeds	In aggregate, the equity raised gross proceeds of approximately £236 million and net proceeds of approximately £232 million.
Discount	The Placing Price of 2,525 pence represented a discount of 4.2% to the closing share price of 2,636 pence on 16 March 2023.
Allocations	Soft pre-emption has been adhered to in the allocations process. Management was involved in the allocations process, which has been carried out in compliance with the MiFID II Allocation requirements. Allocations made outside of soft pre-emption were preferentially directed towards existing shareholders in excess of their pro rata, and wall-crossed accounts.
Consultation	The Joint Bookrunners undertook a pre-launch wall-crossing process, including consultation with major shareholders, to the extent reasonably practicable and permitted by law.
Retail investors	The equity raise included a Retail Offer, for a total of 50,000 Retail Shares, via the PrimaryBid platform. Retail investors, who participated in the Retail Offer, were able to do so at the same Placing Price as all other investors participating in the Placing and Subscription. The Retail Offer was made available to existing shareholders and new investors in the UK. Investors were able to participate through PrimaryBid's platform via its partner network (covering 60+ FCA registered intermediaries) and through PrimaryBid's free-to-use direct channel. Investors had the ability to participate in this transaction through ISAs and SIPPs, as well as General Investment Accounts (GIAs). This combination of participation routes meant that, to the extent practicable on the transaction timetable, eligible UK retail investors (including certificated retail shareholders) had the opportunity to participate in the equity raise alongside institutional investors. Allocations in the Retail Offer were preferentially directed towards existing shareholders in keeping with the principle of soft pre-emption.

NON-FINANCIAL INFORMATION

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, to include certain matters in its Strategic Report on pages 1 to 75 that would otherwise be required to be disclosed in this Directors' Report.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

Other information that is relevant to the Directors' Report and which is incorporated by reference into this report, can be viewed in the section on Delivering Value Responsibly on pages 54 to 75 and includes:

- Our employees
- Environmental matters
- Health & Safety
- Greenhouse gas emissions
- Climate-related disclosures
- Human rights
- Business ethics, corruption and bribery
- Modern slavery
- Community

Other related information can also be found as follows:

- Business model – pages 6 to 10.
- Principal risks and how they are managed or mitigated – pages 44 to 48.
- Non-financial key performance indicators – page 54.
- Employee engagement – pages 55 to 56.
- Stakeholder engagement – pages 50 to 53.
- Corporate governance statement - page 76.

FINANCIAL

Results and dividends

The profit for the financial year attributable to shareholders was £117.7m (2022: £94.7m). The Directors recommend a final dividend of 40.0p (2022: 38.8p) per ordinary share, to be paid, if approved, on 2 February 2024. This, together with the interim dividend of 16.5p (2022: 15.0p) per ordinary share, amounts to 56.5p for the year (2022: 53.8p).

The results are shown more fully in the audited consolidated financial statements on pages 140 to 180 and summarised in the Financial Review on pages 36 to 40.

Independent Auditors

Each of the persons who is a Director at the date of approval of this Annual Report & Accounts confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

PricewaterhouseCoopers LLP (PwC) has expressed its willingness to continue in office as independent auditor and a resolution to reappoint PwC will be proposed at the AGM to be held on 17 January 2024.

Directors' assessment of going concern

The Directors continue to adopt the going concern basis in preparing the Annual Report & Accounts. Their assessment in reaching this conclusion is set out in the notes to the consolidated financial statements on page 173.

Statement of Directors' responsibilities for preparing the financial statements

The Directors are responsible for preparing the Annual Report & Accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law). Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with United Kingdom adopted International Accounting Standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATIONS

The Directors consider that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Parent Company's position and performance, business model and strategy. Each of the Directors, whose names and functions are listed in the Board of Directors confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the relevant financial reporting framework;
- the Parent Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Parent Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Parent Company's auditors are aware of that information.

The Strategic Report and the Directors' Report were approved by the Board of Directors on 20 November 2023 and are signed on its behalf by:

JD Thomson
Chief Executive Officer

C Davies
Chief Financial Officer

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