

Nomination committee report



Greg Lock

Chair, nomination committee

The appointments made during the year have led to an improved balance and blend of complementary experiences and attributes among board members.

Nomination committee members and meeting attendance

	Meeting attendance ¹
Greg Lock	5/5
Richard Atkins	4/5
Amanda Brown	5/5
Pauline Campbell ²	1/1
Lawton Fitt	5/5
Karen Slatford	5/5
Sander van 't Noordende	5/5
Robert Youngjohns	5/5

¹ Attendance is expressed as the number of meetings attended out of the number eligible to be attended.

² Pauline Campbell served as a director and member of the nomination committee from 1 October 2021.

Dear fellow shareholders,

I am pleased to present the nomination committee report on behalf of the board for the year ended 31 October 2021, which explains the committee's activities during the year. This year the committee continued to focus on succession planning and ensuring the board has the correct balance of skills, knowledge, experience and independence. This year we welcomed one new non-executive director and a new executive director to complement and further enhance the depth and strength of the board and gave due consideration to diversity and inclusion and corporate governance.

Composition of the committee

The nomination committee comprises myself (who serves as its chair), Karen Slatford, Richard Atkins, Amanda Brown, Pauline Campbell, Lawton Fitt, Sander van 't Noordende and Robert Youngjohns. All members of the committee are independent non-executive directors. Executive directors and senior executives attend the meetings by invitation, as required, but do not do so as of right.

The committee normally meets at least twice during each financial year, and more frequently as required.

Role and responsibilities

The committee's principal responsibility is proposing candidates for appointment to the board, having regard to the balance and structure of the board and taking into consideration the benefits of diversity in all its forms, including gender, ethnicity, religion, disability, age and sexual orientation. The terms of reference of the committee include, among other matters, the following responsibilities:

- to review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the board and make recommendations to the board with regard to any changes;
- to identify and nominate, for the approval of the board, candidates to fill board vacancies as and when they arise;
- to give full consideration to succession planning for directors and other senior executives;
- to keep under review the leadership needs of the Group, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace; and

- to review annually the time required from non-executives, evaluating whether they are spending enough time to fulfil their duties.

The committee's terms of reference are available on the Company's website: www.microfocus.com.

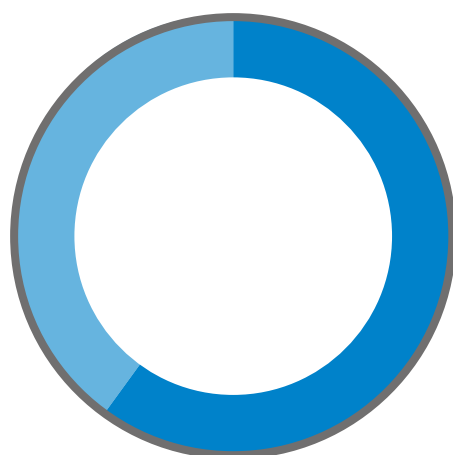
Diversity

The board has considered diversity in broader terms than just gender and ethnicity, and believes it is also important to reach the correct balance of skills, knowledge, experience and independence on the board. The Group has formal policies in place to promote equality of opportunity across the whole organisation, regardless of gender, ethnicity, religion, disability, age or sexual orientation. In working towards greater diversity, the committee requires that all lists of candidates for new board positions include where possible a diverse set of candidates and aims to keep the Company policy statement relating to diversity and inclusion under review, to attract and retain the most talented people who can deliver sustained outstanding performance.

At 31 October 2021 the board comprised six male members (60%) and four female members (40%), from three different nationalities, bringing experience across a diverse range of disciplines and experience. The board is also supported by a female Company Secretary. The board is pleased that it has achieved the recommendations set out in the Hampton-Alexander Review of having a minimum 33% female representation on its board. The committee will continue to consider candidates from a wide range of backgrounds, assessing them on merit against objective criteria to maximise the benefits of diversity on the board.

Our most senior management forum is the operating committee, which has three male members and one female member, so 25% of its members are female. The operating committee is the senior sub-set of the executive committee, which has nine male members and three female members, so 25% of its members are female. Of the 95 employees who report directly to the executive committee members, 18 are female, being 18.9%. The board is committed to increasing the representation of women in executive management and improving diversity more generally, whilst it recognises that it is in an industry which is traditionally male dominated.

Board gender



● Male 6
● Female 4

Board changes

Progressively refreshing the board remains a priority given the challenges we face are constantly evolving. During the year ended 31 October 2021 there were three changes to the board:

- Matt Ashley joined the Company as Chief Financial Officer on 28 June 2021 and joined the board as an executive director from 1 July 2021;
- Brian McArthur-Muscroft left the Company as Chief Financial Officer and executive director on 30 June 2021; and
- Pauline Campbell joined the board as an independent non-executive director on 1 October 2021.

The process to find our new Chief Financial Officer was led by the nomination committee, appointing a search committee, which was a mix of board members, committee members and management, and instructing Russell Reynolds, an external search consultancy. A full role profile was prepared, discussed and agreed with Russell Reynolds. The CEO and CHRO reviewed the initial list of candidates with Russell Reynolds for the purposes of initial screening. The CEO and the search committee then reviewed an updated long list of candidates. A shortlist of candidates was interviewed initially by the CEO and then by members of the search committee, board and other management (taking different formats of meeting subject to COVID-19 restrictions).

The committee took the opportunity to strengthen existing board expertise and experience in recruiting a further independent non-executive director, Pauline Campbell on 1 October 2021. The main recruitment focus areas were strengthening the board's financial, regulatory and governance experience, which informed the candidates brief for the internally managed recruitment process.

In accordance with our policy of all board appointments being made with the aim of achieving a correct balance and blend of skills, experience, knowledge, backgrounds and diversity, in all its forms, the recruitment process aims to ensure that new additions to the board have the ability to connect with a geographically diversified employee and customer base and has sufficient time to dedicate to the role. The recruitment process for a new non-executive director involves an interview process by a selection panel made up of the Chairman, CEO and the Senior Independent Director, from which a shortlist of candidates meet with each member of the board. The views of the directors are provided to the committee and a recommendation is made to the board by the committee.

Russell Reynolds has no other connection with the Company.

The appointments made during the year have led to an improved balance and blend of complementary experiences, and attributes among board members.

On joining, each new director receives a comprehensive, formal and tailored induction into the Company's operations. This includes briefings on the Company's business, strategy, constitution and decision making process, the roles and responsibilities of a director and the legislative and regulatory framework. New directors also meet (whether virtually or physically) with the Group's CEO, CFO, senior product and other managers and, under normal circumstances, have the opportunity to meet shareholders face-to-face at the AGM. All directors regularly update and refresh their skills and knowledge and can request that appropriate training is provided, at the Company's expense, as required. The executive directors ensure regular informal contact is maintained with non-executive directors throughout the year, and this would conventionally include providing opportunities to visit Group offices around

the world. The non-executive directors have unrestricted access to anyone in the Company. The non-executive Chairman also meets separately with the non-executive directors.

Key activities in the year ended 31 October 2021

The committee met five times during the year, all of which were held virtually due to COVID-19 restrictions, and attendance at those meetings is shown in the table on page 76 of the Corporate governance report. The main items of business discussed at those meetings were:

- continued succession planning for board and senior executive roles, through a review of the management structure and a talent review update, to maintain a diverse pipeline of talent;
- recruitment and onboarding of a new non-executive director and new CFO and executive director;
- reviewing and updating the composition of board committees;
- reviewing governance trends and updating the terms of reference; and
- reviewing the status of the Company's diversity and inclusion initiatives.

Committee evaluation

As noted on page 83, an internally facilitated review was undertaken during the year. The main finding was that, while the committee had focused on board and senior management succession, it recognises that this continues to be an area of work for the committee, along with managing diversity for board, senior management and other key roles.

Greg Lock

Chair, nomination committee
7 February 2022