

# Report of the Nomination Committee



**Paul Burger, Chair of the Committee**

*"The committee understands the importance of its role in ensuring the Board contains the right mix of skills and experience to support the business strategy."*

## Dear Shareholder,

I am pleased to present the Nomination Committee report for the year ended 31 March 2023. The composition of the Nomination Committee meets with the requirements of the AIC Code and, in line with good practice, membership is reviewed annually.

During the year we focussed on the composition of the Board and membership of its committees, succession planning, talent and diversity and commenced a recruitment process for an additional Director.

## Purpose and Aim

The terms of reference of the Nomination Committee, which are reviewed annually, are set out on the Company's website: <https://www.hipgnosisongs.com/governance/>. Our principal responsibility is to ensure that, collectively and at any given time, the members of the Board possess the necessary balance of knowledge, skills and experience to support and develop the strategy of the Company. In seeking to achieve this, we recommend new Board appointments as and when considered appropriate and ensure that adequate succession planning procedures are in place and kept under review. In accordance with our Terms of Reference, I, as the Chair of the Nomination Committee, report our conclusions to the Board and it is the Board as a whole which is responsible for making new appointments upon our recommendation. We review the composition of the Board and its Committees and evaluate if the Board has the appropriate balance of skills, knowledge, experience and independence to ensure their continued effectiveness.

## Membership and Meetings

During the year we met on one occasion, on 7 December 2022. Attendance is disclosed on page 82. We also provided a formal update on our work to the Board at each scheduled quarterly board meeting. A quorum is two members. Members of the committee are not involved in matters affecting their own position.

**Mr Paul Burger** (Chair of the Committee)

**Ms Sylvia Coleman**

**Mr Simon Holden**

**Ms Vania Schlogel** (resigned 30 April 2023)

**Mr Andrew Sutch**

**Mr Andrew Wilkinson**

Due to the current size of the Board it is deemed appropriate and efficient that each Director is a member of the committee. This ensures that individual directors are not working in silos and that each Director has knowledge of the deliberations of the committee.

During the year we:

- Reviewed the results of the annual internal board performance evaluation, which was conducted during December 2022, and discussed where improvements could be made. Further details of both the internal and external board evaluation are outlined on page 84.
- Reviewed our longer-term strategy for the succession of Board members. Further details of succession planning are outlined on page 84.
- Commenced our programme of succession planning and engaged Nurole to work with us on this.
- Recommended the appointment of Cindy Rampersaud to the Board with effect from 1 August 2023.

## Board Composition

We give full consideration to succession planning for Directors of the Company in the course of our work, considering the challenges and opportunities facing the Company and determining what skills and expertise will thus be required on the Board in the future. In making recommendations for the annual re-election of the Chair and Non-executive Directors, we consider the skills, knowledge, experience, independence and also the time commitments of each Director to ensure that they have sufficient time to fulfil their responsibilities to the business.

New Directors receive an induction on joining the Board. During the year the Board arranged for presentations from the Investment Adviser, the Company's brokers and other advisers on matters relevant to the Company's business and assessed the training needs of Directors.

As part of corporate governance, we review our own performance annually and consider where improvements can be made. Our performance was reviewed as part of the annual internal board performance evaluation which was conducted during December 2022 as outlined on page 84.

### Board Appointment Process

In general terms, when considering candidates for appointment as Directors of the Company, we draft a detailed job specification and candidate profile, and will give consideration to the existing experience, knowledge and background of Board members as well as the strategic and business objectives of the Company.

Once a detailed specification has been agreed with the Board, we would then work with an appropriate external search and selection agency to identify candidates of the appropriate calibre and with whom an initial candidate shortlist could be agreed. The consultants are required to work to a specification that includes the strong desirability of producing a full list of candidates who meet the essential criteria, whilst reflecting the benefits of diversity. The Board will only engage such consultants who are signed up to the voluntary code of conduct on gender diversity on corporate boards.

Shortlisted candidates would then be invited to interview with members of the committee and, if recommended by us, would be invited to meet the entire Board before any decision is taken relating to their appointment. Appointments are therefore made on personal merit and against objective criteria with the aim of bringing new skills and different perspectives to the Board whilst considering the existing balance of knowledge, experience and diversity. The Board also believes that diversity of experience and approach, including gender and racial diversity, amongst Board members is of great importance and it is the Company's policy to give careful consideration to issues of Board balance and diversity when making new appointments.

During the year we appointed independent consultants Nurole to assist with our succession plan. Nurole was appointed based on its track record and also worked with the Remuneration Committee during the year to review Board remuneration. Nurole commenced the search for an additional director and were requested to identify candidates with accounting and audit expertise. There was a requirement for a qualified accountant, and we were open minded with regards to sector, as investment trust and music industry experience was already well represented on the Board. We were also committed to improving our gender and ethnic minority representation and as such diversity was a consideration in the decision-making process.

We interviewed shortlisted candidates and confirmed that the proposed candidates were independent and had relevant experience. The process resulted in the appointment of Cindy Rampersaud to the Board with effect from 1 August 2023. Cindy brings a wealth of experience across a broad range of sectors including education, entertainment, media and charitable institutions.

### Diversity

The Board acknowledges the importance of diversity in its broadest sense in the boardroom as a driver of board effectiveness. This encompasses diversity of perspective, experience, background, directorship style and personality traits. The Board will keep under review and evaluate its balance and composition to ensure that both it and its committees have the appropriate mix of skills, experience, independence and knowledge to ensure their continued effectiveness. In doing so, the Board considers diversity, including age, gender, ethnicity, educational and professional backgrounds, cognitive and personal strengths amongst other relevant factors.

The Board supports the progress being made to improve the governance of listed companies by increasing both gender and racial diversity amongst the Directors who serve these businesses. As at the previous year-end, 31 March 2022, the Board was compliant with the Hampton-Alexander and Parker Review recommendations with 33.33% female representation and one member from a minority ethnic background.

We have continued to monitor and assess the Board's composition and diversity but, as reported in our report last year, believe that due to the size of the Board,

compliance with the revised targets announced by the FCA effective 1 April 2022 present a challenge to us due to the current tenure, knowledge and experience of our relatively small Board. Further consideration will be given to these guidelines during the course of implementing future succession plans which include reducing the size of the Board to five members.

As at 31 March 2023 our Board composition does not comply with the revised gender targets which require at least 40% of the Board to be women and at least one of the senior board positions to be filled by a woman, however we continued to meet the ethnic diversity target of at least one member of the board being from a minority ethnic background.

#### Reporting table on gender representation

at 31 March 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair and Senior Independent Director)
Men	4	66.67%	2
Women	2	33.33%	-
Other categories	-	-	-
Not specified/prefer not to say	-	-	-

#### Reporting table on ethnicity representation

at 31 March 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair and Senior Independent Director)
White British or other White (including minority-white groups)	5	83.33%	2
Mixed/Multiple Ethnic Groups	1	16.67%	-
Asian/Asian British	-	-	-
Black/African/Caribbean/Black British	-	-	-
Other ethnic group, including Arab	-	-	-
Not specified/prefer not to say	-	-	-

The Company's approach to collecting the data used for the purposes of the above disclosures was to use data from the Directors together with permission to use it for this purpose.

Improving our gender and ethnic minority representation will continue to be a very important consideration in our succession planning.

Our objective of driving the benefits of a diverse Board is underpinned by our Board Diversity Policy which can be viewed on the Company's website: <https://www.hipgnosissongs.com/company-policies/>. The Board keeps the Diversity Policy under review to ensure that it remains an effective driver of diversity having due regard to gender, ethnicity, social background, skillset and breadth of experience.

#### 2024 Objectives

It is our intention to continue to oversee the composition and structure of the Board, ensuring that the Company is at all times structured to successfully deliver its strategy and to compete effectively in the marketplaces within which it operates.

Our proposed activities for the year ahead are to:

- review the Terms of Reference of the committee to ensure they reflect best practice under the Code;
- review the membership and composition of committees of the Board; and
- continue to review longer term strategy for the succession of Board members which includes reducing the size of the Board to five Directors and improving gender and ethnic minority representation.

On behalf of the Nomination Committee,

#### Paul Burger

Chair of the Nomination Committee

12 July 2023

# Audit, Risk and Internal Control

## Internal Control and Financial Reporting

The Directors acknowledge that they are responsible for establishing and maintaining the Group's system of internal controls and reviewing their effectiveness. Internal control systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or loss.

The Board has delegated the day-to-day operations of the Group to the Investment Adviser, the Administrator and Portfolio Administrators; however, it remains accountable for all functions it delegates.

The Board clearly defines the duties and responsibilities of the Company's agents and advisers and appointments are made by the Board after due and careful consideration. The Board monitors the on-going performance of such agents and advisers and will continue to do so through the Management Engagement Committee.

During the year responsibility for the maintenance of the Group's accounting books and records, and associated internal controls and financial reporting, transferred from the Administrator to the Investment Adviser. Subsequently a third party firm was engaged to independently review controls associated with this transition (specifically in relation to accounts payable and receivables) and recommendations from this review are being addressed by the Investment Adviser. This is incorporated within the Board monitoring of the Investment Adviser. The Investment Adviser formally reports to the Board at quarterly Board meetings and also engages with the Board on an ad-hoc basis as required to provide updates on developments, including relevant updates regarding their policies and procedures.

The Administrator maintains a system of internal control and reports to the Board regarding the policies and procedures in place with regards to the administration services it provides to the Company and also formally reports to the Board through a quarterly compliance report. The Administrator undertakes an ISAE 3402: Assurance Report on Controls at a Service Organisation audit which is provided to the Board when finalised. No weaknesses or failing within the Administrator have been identified.

The systems of control referred to above are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows, therefore, that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss. These processes have been in place for the year under review and up to the date of approval of this Annual Report and Consolidated Financial Statements. They are reviewed by the Board and are in accordance with the FRC's internal control publication: Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Investment Adviser and the Administrator, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control, which safeguards Shareholders' investment and the Group's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.