

CHAIR'S STATEMENT



# DECENTRALISED CULTURE SHARED VALUES

DAVID LOWDEN  
CHAIR

“Our success is underpinned by the characteristics of our decentralised model, which embodies entrepreneurship, autonomy and leadership.”

I am delighted to present the Chair’s statement for 2023. This year has been an exceptional year for our Group, both strategically and operationally, as you will read in this report. Our success is underpinned by the characteristics of our decentralised business model which embodies entrepreneurship, autonomy and exceptional leadership, allowing us to remain resilient and maintain strong financial success in challenging environments.

### VERY STRONG FINANCIAL PERFORMANCE AND EXCELLENT STRATEGIC PROGRESS

The Group has delivered another very strong financial performance, with 8% organic revenue growth and consistent strong operating margins translating to 18% growth in adjusted earnings per share (EPS). Our strong organic growth shows that our strategy and growth frameworks continue to produce results and remain resilient.

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8%

We are also seeing growth in a number of areas aligned with positive impact, demonstrating that our businesses are embedding Delivering Value Responsibly (DVR), our ESG programme, into their commercial strategies. It has been another busy year for acquisitions, with 12 high-quality businesses joining the Group; these will accelerate our future organic growth. In particular, I am very pleased to warmly welcome our colleagues at DICSА, T.I.E. and all other businesses joining the Group during the year.

Given the challenges of the external operating environment, improving our adjusted operating margin by 80bps to 19.7% (2022: 18.9%) is a great achievement and reflects both our differentiated value-add servicing model and the hard work of colleagues across the Group.

Ensuring the sustainability of our growth is paramount, and the team has continued to build scale by investing across our businesses and the Group to ensure we can continue to deliver for customers as we grow. Throughout this, we remain financially disciplined, maintaining high-teens ROATCE of 18.1%, and a strong balance sheet, which allows us to invest in growth. I would like to thank the Executive Team and all of our businesses for another great year at Diploma.

### COLLEAGUES AND CULTURE

Our colleagues are the foundation of the Group’s success and they are central to our identity. Our culture and values play a pivotal role in supporting our colleagues’ engagement, growth, and fulfilment as valued members of the Diploma family.

We are guided by five core values that shape our every decision and action. We remain steadfastly customer-centric, ensuring that our customers’ needs remain at the forefront. We believe in doing the right thing, even when it’s challenging, because integrity is non-negotiable. Accountability is paramount, holding us responsible for our actions and decisions. We firmly believe in growing together, as it is in unity that we reach new heights. And finally, we are down to earth, maintaining a culture of humility and approachability.

It is through these values and the dedication of our colleagues that we continue to deliver excellence in all that we do. Our colleagues have been an integral part of our ongoing success.

## CHAIR'S STATEMENT CONTINUED

We are committed to developing our colleagues and fostering growth. Over the past year, we have made a concerted effort to offer apprenticeships to individuals who are eager to learn and gain practical experience. These initiatives not only allow us to discover fresh talent but also provide a valuable learning experience for new colleagues.

Our Group Colleague Engagement Survey continues to indicate excellent levels of engagement. The results and learnings from this were discussed by the Board, and each of our businesses has now developed appropriate engagement plans to ensure we continue to create and maintain optimal working environments to support the wellbeing and success of our colleagues.

#### BOARD CHANGES

After nearly nine years of service, Anne Thorburn will be stepping down from the Board and the positions of Chair of the Audit Committee and Senior Independent Director during 2024. The Nomination Committee has begun a search process and an announcement will be made at the appropriate time regarding Anne's successor.

We welcomed Jennifer Ward to the Board on 1 June 2023 as Non-Executive Director and Chair-Designate of the Remuneration Committee. Andy Smith will step down from the Board and its Committees in a few months, following nearly nine years of service, to facilitate a smooth handover of the Remuneration Committee Chair.

I would like to take this opportunity to also thank both Anne and Andy on behalf of the Board for their outstanding contribution and dedication throughout their service to the Group.

We recognise that diverse perspectives and experiences drive innovation, decision-making, and long-term sustainability. We are therefore mindful of the diversity and inclusion targets set by the FCA's listing rules for gender and ethnic diversity on the Board, as well as senior management teams. These targets are factored into our succession planning processes to ensure that we are inclusive, representative and equipped to thrive as our business grows. Further information on the composition and diversity of the Board, as well as senior management, can be found in the Nomination Committee Report.

#### DIVIDENDS

The Board has a progressive dividend policy that aims to increase the dividends per share each year, by 5%. The combination of very strong results and free cash generation, supported by a robust balance sheet, has led the Board to recommend a final dividend of 40.0p (2022: 38.8p) taking the total dividend to 56.5p (2022: 53.8p). Subject to shareholder approval at the Annual General Meeting, this dividend will be paid on 2 February 2024 to shareholders on the register at 19 January 2024 (ex-div 18 January 2024).

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#### OUTLOOK

In conclusion, it has been a remarkable year for our Group. Not only have we achieved significant financial success, we have also evolved as an organisation that values its people, embraces change and remains resilient in the face of a changing world. Our commitment to our colleagues, culture, and values, along with our adaptive governance structure and sustainability initiatives position us for a prosperous and sustainable future.

On behalf of the Board, I would like to take this opportunity to thank all of our colleagues for their invaluable contribution to our success over the last year as we look forward to embarking on another exciting year of growth and transformation.

**David Lowden**  
Chair

# DEVELOPING A DIPLOMA CULTURE AND IDENTITY

Our ongoing success is driven by brilliant, effective leadership and strong colleague engagement.

Both of these are supported by our culture. As a Group, Diploma has a strong purpose, values and common cultural fundamentals that govern our actions and provide guidance across our businesses.

Our culture is a commercial and strategic advantage and reflects our decentralised model. It empowers our businesses to deliver the right solutions for their customers, in their own way.

All businesses feel a sense of belonging and allegiance to the Group thanks to our shared values, brilliant leadership teams, and intercompany networks and best practice sharing.

As part of Diploma, our businesses can leverage the additional resources, opportunities and expertise of a large, international and diversified Group to benefit their customers, colleagues, suppliers and communities.

