

Chairman's Introduction to Governance

Focused on delivering stakeholder value



Michael N. Biggs
Chairman

Dear Shareholder

On behalf of the board, I am pleased to introduce the Corporate Governance Report for the year ended 31 July 2023.

The following pages explain the group's governance structure and key activities undertaken by the board and its committees during the year in order to ensure effective decision making and oversight of the group's strategy, business model and performance. The report describes how we have complied with the UK Corporate Governance Code 2018 (the "Code") during the year.

At Close Brothers, we firmly believe in the importance of effective board oversight and high standards of corporate governance and the role that they play in underpinning the group's performance, the delivery of its strategy and the achievement of long-term sustainable success for the company's shareholders and other stakeholders. It continues to be a focus of the board to maintain a robust and effective governance, control and risk management framework.

Strategy, Purpose and Culture

The board plays an important role in setting the group's strategy, purpose, business model and culture and the board spends time on each of these areas throughout the year. The directors recognise the important role that they play in setting the tone from the top and in monitoring how the group's culture and values are formed, communicated and embedded. As a board, we also acknowledge the crucial link between culture, governance and leadership and the role that clear and effective decision-making plays as a key driver of culture.

Once again, during the financial year under review, in my own engagement with employees I have been pleased to see the group's strong and distinctive culture in action, as shown by the continuing commitment on the part of our employees to support our customers, clients and partners.

As a board, we have been mindful throughout the year of the wider macroeconomic climate within which we are operating and the impact that this has had on our customers, clients, partners and employees. We regularly consider these external factors when reviewing the group's strategy, discussing opportunities for growth and seeking to identify ways in which we can maximise shareholder value.

Changes to the Board

We were pleased to welcome Kari Hale to the board as a non-executive director on 28 June 2023. More details on the robust and formal search process leading to Kari's appointment can be found on page 156 together with an overview of his induction process. We are confident that his skills complement those of the rest of the board.

At the conclusion of the AGM in November 2022, Tracey Graham became chair of the Remuneration Committee and Patricia Halliday became chair of the Risk Committee. Oliver Corbett will not be standing for re-election at the AGM in November 2023, having completed nine years' service on our board. On behalf of the board and everyone at Close Brothers, I would like to express my sincere thanks to Oliver for his long and dedicated service to the group.

Board Effectiveness

This year, as required by the Code, the board undertook a formal and rigorous internal evaluation to review the effectiveness and performance of the board and its committees. The findings are set out on page 151 and the board will develop an action plan to identify opportunities to implement these findings during the year ahead.

Stakeholder Engagement

Stakeholder engagement continues to be a priority for the board. During the year, the board used formal meetings and other opportunities to discuss the group's performance and delivery of its strategy with group and divisional executives. These discussions included consideration of a wide range of stakeholders and their interests, as well as consideration of the relevant regulatory, economic and political factors which are inherent within the environment in which we operate. During the board's regular meetings and in sessions specifically focusing on strategy, the directors spent considerable time assessing and having regard to the impact of individual decisions and the group's operations on different stakeholder groups. This included extensive discussion of matters arising from engagement with shareholders, customers, employees, regulators and other stakeholder groups.

You can find our formal statement in relation to section 172 of the Companies Act 2006, together with further detail about how the directors have engaged with, and had regard to the interests of, stakeholders in the Strategic Report on pages 1 to 133 and in the Corporate Governance Report on pages 134 to 166.

Sustainability and ESG

The board and its committees also spent time considering a broad range of sustainability matters, including during regular discussions about the group's strategy and through frequent environmental, social and governance ("ESG") updates at both board and committee level. The board and the Nomination and Governance Committee have also reviewed our climate risk reporting framework at board and management level.

I have been pleased to discuss the board's approach to ESG during my regular meetings with shareholders. In considering our wider responsibilities with respect to sustainability, the board has continued to focus on external and internal developments in relation to climate change and climate risk. This has included discussion of the group's climate strategy and goals, together with oversight of our progress towards meeting the disclosure requirements arising out of the Task Force on Climate-related Financial Disclosures ("TCFD").

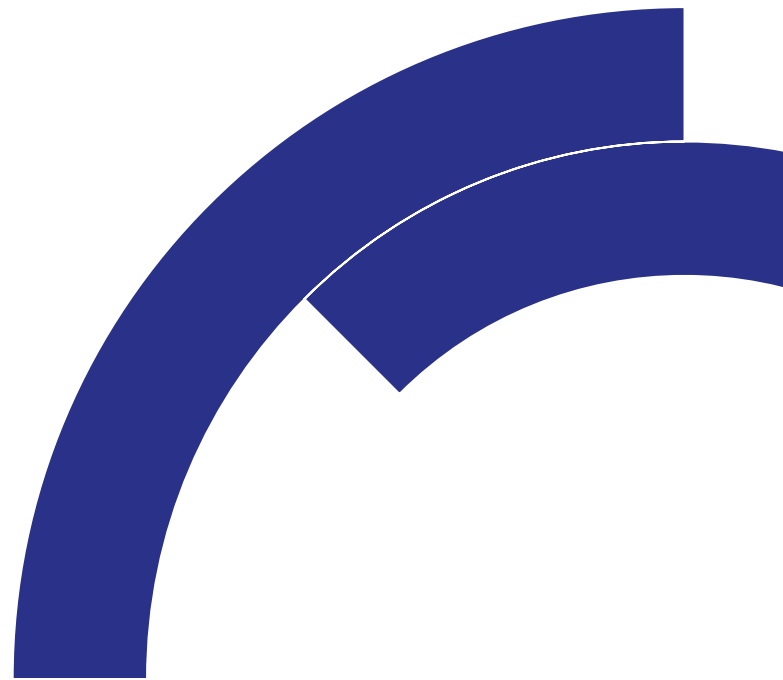
Diversity and Inclusion

The board and the Nomination and Governance Committee have continued to monitor diversity and inclusion, both as part of our ongoing board and executive management succession planning and in relation to activities aimed at developing a diverse and inclusive talent pipeline below board level.

The board's composition continues to be diverse, comprising directors from a range of backgrounds. Following the appointment of Kari Hale to the board in June 2023, board gender diversity has reduced in the short term to 36%. We expect that we will once again meet our target of 40% female directors from November 2023, when Oliver Corbett steps down from the board at the conclusion of the 2023 AGM.

We aim to comply at all times with the recommendations of the FTSE Women Leaders and Parker Reviews in terms of the composition of the board. The composition of the board does not currently meet the new FCA Listing Rule requirement to have one of the senior board positions occupied by a female and the board recognises that this will be an important consideration for all future board appointments.

Further information on the board's approach to diversity and inclusion can be found on pages 156 to 158.



Engagement with Shareholders

Engagement and dialogue with shareholders continues to be a key focus for the board and I have enjoyed meeting with a number of our shareholders during the year to discuss a range of topics in order to ensure that the board is aware of, and can take into account, our shareholders' views.

We are delighted to welcome shareholders to this year's AGM. Further details will be set out in the Notice of AGM sent to shareholders in due course.

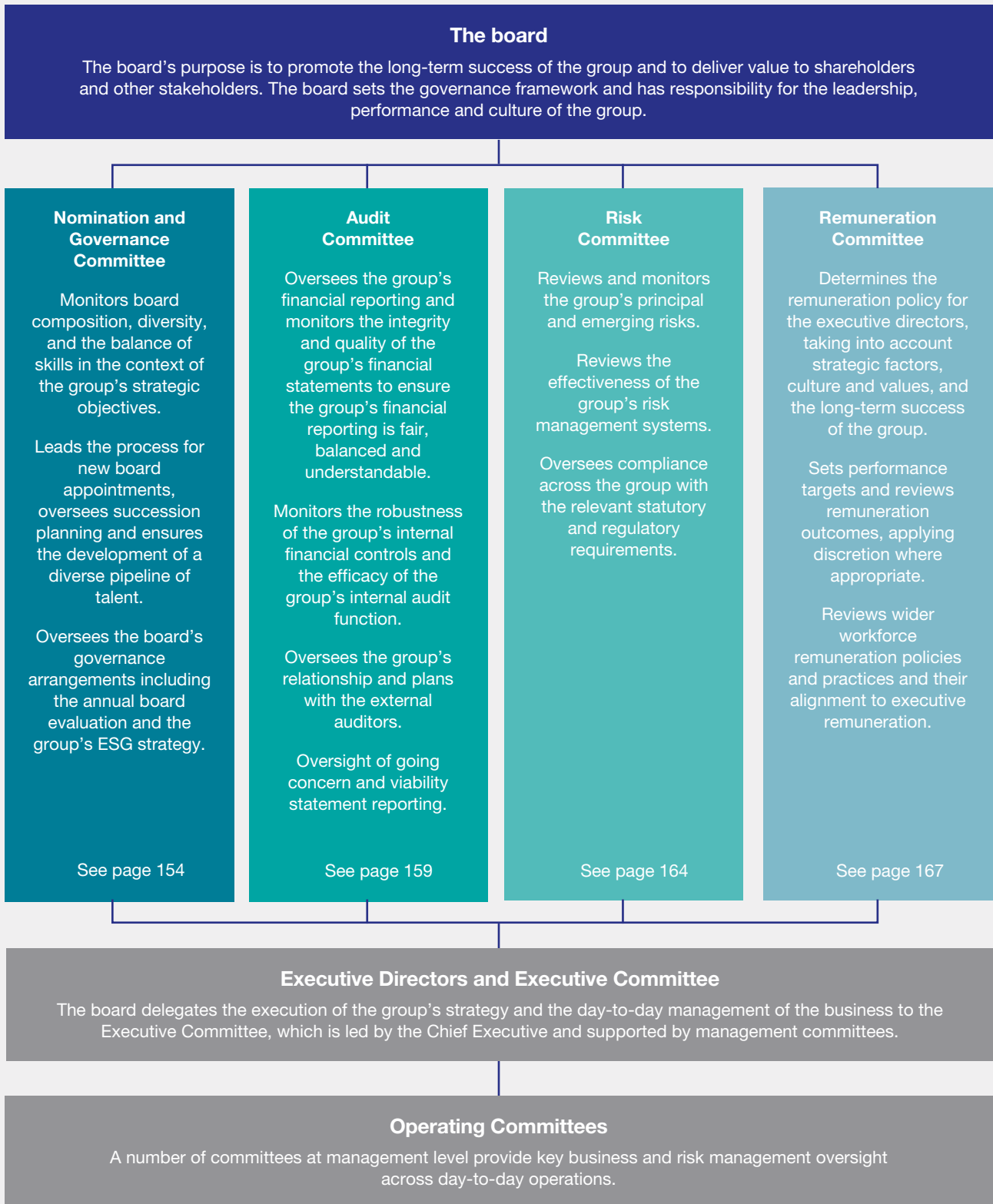
On behalf of the board, I would like to thank shareholders for their continued support. My fellow directors and I look forward to continuing to engage with you in the year ahead, including at the AGM.

Michael N. Biggs
Chairman

26 September 2023

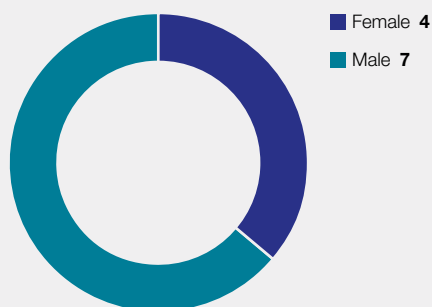
Governance at a Glance

Our Governance Framework

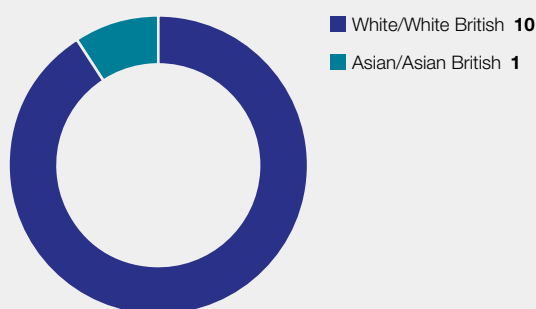


Board Statistics

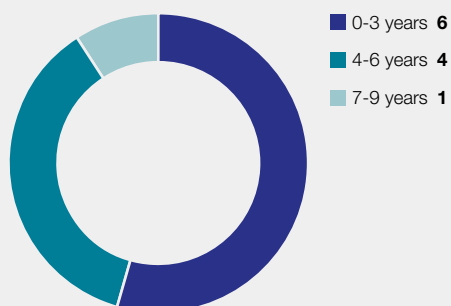
Gender diversity



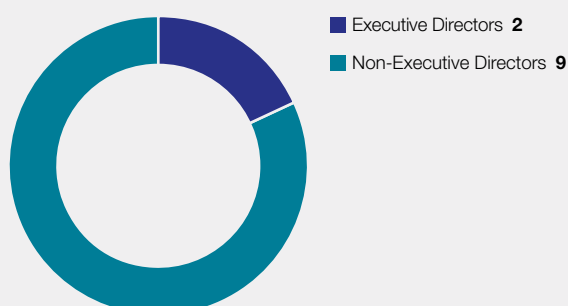
Ethnic diversity



Board tenure



Board composition



Find our diversity tables on page 157

Non-executive directors' skills/experience

Broad financial services	8 out of 9
Finance, audit & accounting	9 out of 9
People & culture	9 out of 9
Risk	9 out of 9
Regulatory framework	9 out of 9
ESG	8 out of 9
Technology, digital and operations	8 out of 9
Strategy	9 out of 9
Leadership	8 out of 9
Listed company governance	9 out of 9



Board Highlights this Year

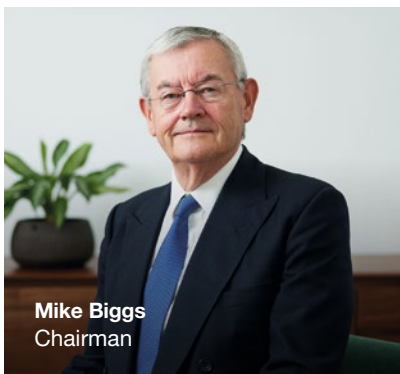
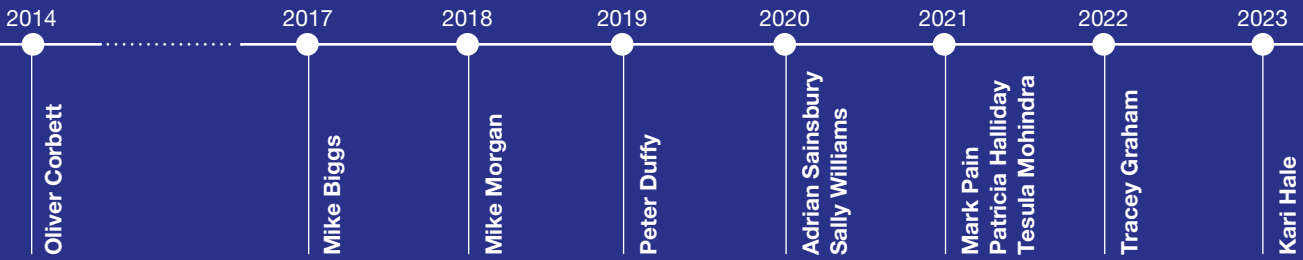
- Completed a successful bond issuance
- Orderly committee chair succession, with Patricia Halliday and Tracey Graham becoming chairs of the Risk and Remuneration Committees respectively at the conclusion of the 2022 AGM
- Oversaw the successful implementation of Consumer Duty
- Approved enhanced Pillar 3 disclosures
- Completed an internal board evaluation which concluded that the board and its committees continue to operate effectively
- Appointed an additional non-executive director, Kari Hale, in June 2023
- Initiated a review of ESG and climate risk reporting

Board Priorities for the Next Year

- Continuing to explore new growth opportunities
- Focusing on strategic objectives and investing in transformation programmes
- Identifying opportunities to maximise shareholder value
- Focusing on further growing and nurturing the executive talent pipeline, supporting the identification of high performing employees and championing their progression through the organisation
- Further enhancing the group's strategy on managing climate risk and the wider ESG agenda
- Receiving updates, relevant management information and training to support the board in ensuring its continued effectiveness in the evolving technological, macroeconomic and regulatory landscape

Board of Directors

Directors' appointments



Appointed to the board on 14 March 2017, and as chairman on 1 May 2017

Background and experience: Mike was the chairman of Direct Line Insurance Group plc from 2012 until August 2020. He was previously chairman of Resolution Limited, then a FTSE 100 UK life assurance business, and has acted as both chief executive officer and group finance director of Resolution plc. Mike was group finance director of Aviva plc and is an Associate of the Institute of Chartered Accountants in England and Wales (“ICAEW”).

N R



Appointed on 1 January 2021

Current external appointments: Mark serves as the chairman of AXA UK plc where he chairs the nomination committee and he serves on the risk, remuneration and investment committees, and serves as the non-executive chairman of London Square Limited and Empiric Student Property plc.

Background and experience: Mark has extensive finance, risk management and commercial experience, having held board positions at Barratt Developments plc and Abbey National Group. Mark has previously been a non-executive director of Yorkshire Building Society (where he served as senior independent director), Ladbroke's Coral Group plc, Punch Taverns plc, Spirit Pub Company plc, Johnston Press plc, and Aviva Insurance Limited, among others.

N Ri R



Appointed on 21 September 2020

Background and experience: From 2016 until September 2020, Adrian was managing director of Close Brothers' Banking division. Since August 2013 he has been a director of Close Brothers Limited, the group's banking subsidiary. Adrian has previously held executive roles at Barclays, RBS and Bank of Ireland and was chief executive of ANZ Bank in Europe. Adrian has also served as chairman of the Asset Based Finance Association, the UK and Ireland industry body.

- Committee chair
- N Nomination and Governance Committee member
- A Audit Committee member
- Ri Risk Committee member
- R Remuneration Committee member



Appointed on 15 November 2018

Background and experience: From 2010 to 2018 Mike was chief financial officer of Close Brothers' Banking division, and since 2010 he has been a director of Close Brothers Limited, the group's banking subsidiary. Mike is a chartered accountant and from June 2013 to June 2019 was a member of the ICAEW Financial Services Faculty Board, and appointed the Board chair and an ICAEW Council member from June 2019 to June 2021. Prior to joining Close Brothers, Mike held a number of senior roles at Scottish Provident and RBS, most recently as finance director of the Wealth Management Division of RBS.

A Ri N



Appointed on 3 June 2014

Current external appointments: Consultant to McGill and Partners Group Limited.

Background and experience: Oliver was formerly chief financial officer of McGill and Partners Group, Hyperion Insurance Group Limited and finance director of LCH. Clearnet Group Limited and of Novae Group plc. Oliver is a chartered accountant and previously worked for KPMG, SG Warburg, Phoenix Securities (later Donaldson Lufkin Jenrette) and Dresdner Kleinwort Wasserstein, where he was managing director of investment banking. Oliver was also a non-executive director of Rathbone Brothers plc.

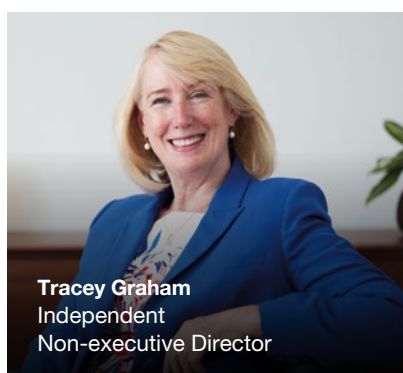
Ri A



Appointed on 1 August 2021

Background and experience: Patricia has over 30 years' experience in risk management across the investment, corporate and retail banking sectors. Patricia was chief risk officer ("CRO") of Santander UK with responsibility for risk management and oversight across retail and commercial banking. Prior to Santander, Patricia was CRO of GE Capital International Holdings Limited. She began her career at NatWest, followed by senior credit risk roles at Barclays Capital and then Deutsche Bank, including as Head of Leveraged and Structured Finance and Commercial Real Estate, and chair of the Underwriting Committee, covering the UK, European and US markets.

R N Ri



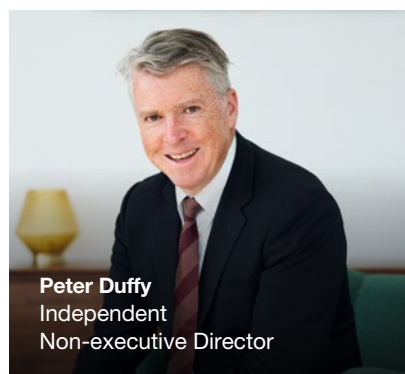
Appointed on 22 March 2022

Current external appointments: Non-executive director of DiscoverIE Group plc, LINK Scheme Limited and Nationwide Building Society.

Background and experience: Tracey has broad executive experience from companies operating in the financial and business services sectors, both in the UK and internationally. She has extensive experience as a remuneration committee chair and also serving as a senior independent director. Tracey began her career at HSBC and subsequently held the role of director of customer services at AXA Insurance plc. She was chief executive officer of Talaris Limited, an international cash management business. Before that, she held a number of senior roles in De La Rue plc, including as managing director—Identity Systems, president—Sequoia Voting Systems and managing director—Cash Systems. Tracey served as a non-executive director of Royal London Mutual Insurance Society Limited for nine years until March 2022, as well as Istock plc for seven years until April 2023.

Board of Directors continued

- Committee chair
- N Nomination and Governance Committee member
- A Audit Committee member
- Ri Risk Committee member
- R Remuneration Committee member



Appointed on 1 January 2019

Current external appointments: Chief executive officer of Moneysupermarket.com Group plc.

Background and experience: Peter previously served as chief executive officer of Just Eat Limited, having been interim chief executive officer and chief customer officer of Just Eat plc before that. Between 2011 and 2018, Peter held a number of senior roles at easyJet plc, including as chief commercial officer and group commercial director. Prior to that, Peter held roles at Audi UK Ltd and Barclays Bank plc over a period of more than 15 years. Peter was also president of the Incorporated Society of British Advertisers.

N Ri R



Appointed on 1 January 2020

Current external appointments: Non-executive director of Lancashire Holdings Limited and of Family Assurance Friendly Society Limited (OneFamily) and chair of the audit committee at both companies.

Background and experience: Sally is a member of the ICAEW. She has extensive risk, compliance and governance experience, having held senior executive positions at Marsh, National Australia Bank and Aviva. Prior to that, Sally held roles at PricewaterhouseCoopers LLP in both their risk management and audit teams over a period of 15 years.

A Ri



Appointed on 15 July 2021

Current external appointments: Non-executive director and chair of risk and audit committee of RAC Group, non-executive director and chair of consumer committee at NHBC (National House-Building Council) and trustee of Variety, the Children's Charity.

Background and experience: Tesula qualified as a chartered accountant with PricewaterhouseCoopers LLP, and held managing director roles at JP Morgan and at UBS, specialising in corporate finance for financial institutions and pension fund risk management. She was a founding member of the management team of Paternoster, the specialist bulk annuity insurer, where she was a member of the executive committee. Tesula has also worked as an independent corporate finance consultant on business plans and capital raising.

A Ri



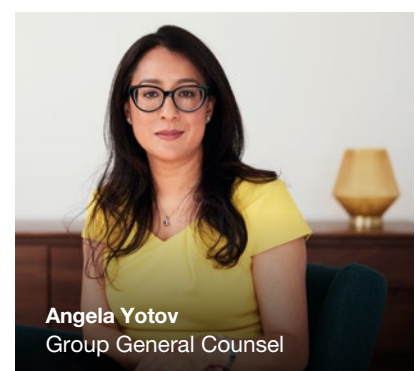
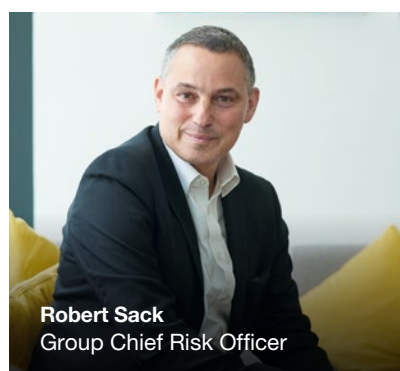
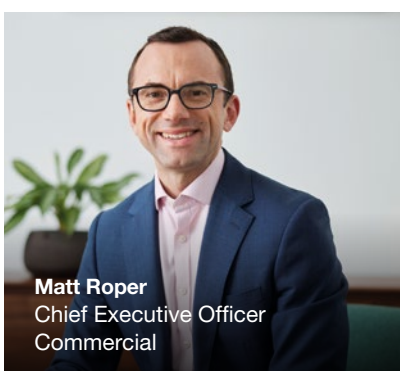
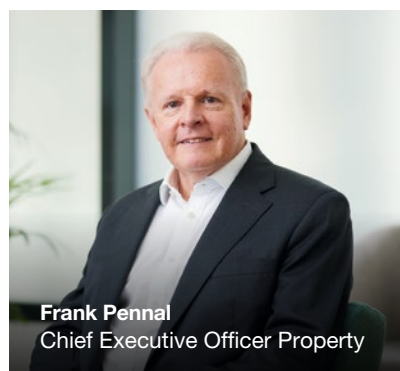
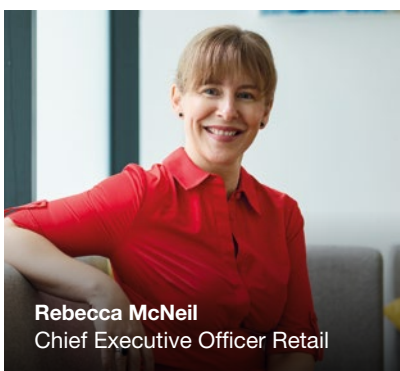
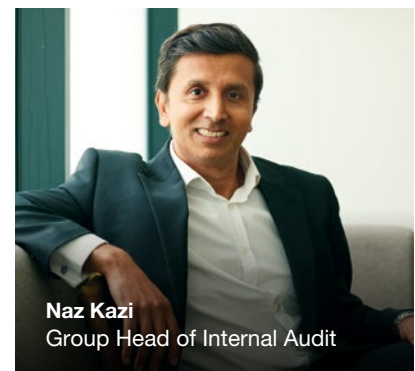
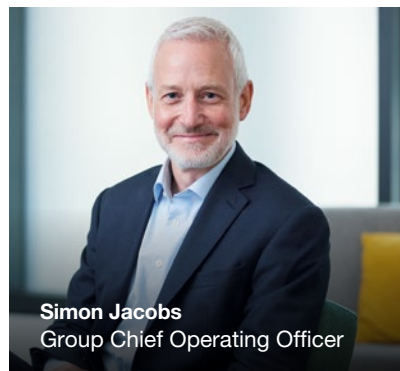
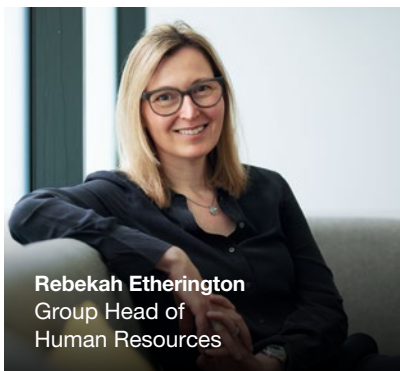
Appointed on 28 June 2023

Current external appointments: Non-executive director and audit committee chair at AXA UK plc and currently a senior adviser to the Financial Reporting Council.

Background and experience: Kari held a range of senior roles at Deloitte including serving on its UK Financial Services Industry Board as head of strategy for the financial services practice. Previously Kari was an executive director at the Financial Services Authority.

A Ri

Executive Committee



Corporate Governance Report

Board operations and compliance

Compliance with the UK Corporate Governance Code

The Code, published by the Financial Reporting Council (“FRC”), applied to the company throughout the financial year. A copy of the Code can be found on the FRC’s website: www.frc.org.uk.

It is the board’s view that, throughout the year, the company has applied the principles and complied with the provisions set out in the Code. The table below sets out the relevant sections of our Annual Report, where shareholders can read in more detail how we have embedded governance principles and specific provisions of the Code across our organisation.

Board leadership	Page 142
Division of responsibilities	Page 144
Composition, succession and evaluation	Page 154
Audit, risk and internal control	Page 159
Remuneration	Page 167

Governance Framework

Our governance framework supports good governance across the group and facilitates delivery of the strategy through effective decision-making.

Certain matters are reserved for the board, primarily in relation to:

- Setting and monitoring strategy for the group
- Corporate structure, capital, and ensuring adequate financial resources
- Financial reporting and controls
- Oversight of risk management, regulatory compliance, internal controls and whistleblowing
- Significant financial matters including acquisitions, disposals and investments
- Shareholder, market and regulatory communication
- Board and committee membership
- Remuneration of the board and executive management
- Delegation of authority
- Corporate governance matters

When carrying out its duties, the board acts in accordance with relevant legislative and regulatory requirements and, in particular, takes into account the directors’ duties set out in the Companies Act 2006, including s.172, the interests of the company’s stakeholders, and any other relevant factors.

The board has delegated responsibility for certain matters to its committees. Each committee has written terms of reference, which are available at www.closebrothers.com. The chair of each committee reports at each subsequent board meeting to the board on matters discussed at committee meetings. All non-executive directors have access to the papers of committees and have a standing invitation to attend any committee meeting. Reports from the board’s committees are set out later in this Annual Report and they include further detail on each committee’s role and responsibilities, and the activities undertaken during the year.

Board Leadership

The board’s primary role is to provide effective leadership and stewardship for the group as a whole and to ensure that the company is effectively managed, delivers long-term shareholder value and contributes to wider society.

The board sets the group’s purpose and strategic objectives and monitors management’s performance against those objectives, ensuring alignment with the group’s culture and stakeholder expectations. The board also supervises the group’s operations, with the aim of ensuring that it maintains a framework of prudent and effective controls, enabling risks to be properly assessed and appropriately managed.

The board considers strategic issues, the group’s business model and receives regular group and divisional executive updates on performance against strategic goals and relevant developments in the wider market, including from a regulatory perspective. During the year, a range of activities enabled the board to focus on these areas, including a strategy session in May 2023 and regular deep dives, more information about both of which can be found in the box below.

May 2023 Strategy Session

- Considered group strategic issues and opportunities
- Facilitated by external strategic experts
- Topics of discussion included the group’s budget, funding and growth plans, and investor feedback
- Various strategic opportunities across the business were presented for consideration, challenge and debate
- Follow-up actions agreed and tracked

Deep Dives

- A number of “deep-dive” sessions were held during the year
- Each focused on an individual business area or topic relevant to the legal and regulatory landscape within which our businesses operate
- The board aims to cover each of the group’s businesses at such a session on a rolling two-year basis

Meetings of the Board

The board's role in assessing the basis on which the group generates and preserves value over the long term is supported by continuous focus on consumer outcomes and other stakeholder considerations. It spends time during the year, in scheduled board meetings, during its annual strategy discussions and in other sessions with senior management and stakeholders, considering how opportunities and risks to the future success of the group's business should be addressed. These discussions include extensive consideration of the sustainability of the group's business model. Further information on these considerations can be found in the Strategic Report on pages 38 to 64 of this Annual Report.

Each scheduled board meeting also includes time for discussion between the chairman and the non-executive directors, without the executive directors present.

Another key function of the board is to define, promote and monitor the group's culture and values, setting the tone from the top. More on our culture and values can be found on pages 30 to 31 of this Annual Report. When making decisions, the board has regard to the interests of a range of stakeholders, including employees, customers, clients and shareholders, as well as its broader duties under section 172 of the Companies Act 2006. The company's section 172 statement can be found on page 34 of this Annual Report. Case studies illustrating key decisions of the board while having regard to section 172 can be found on page 152.

In addition, the board appoints one of the directors to act as the group's whistleblowing champion and this is currently Oliver Corbett. As part of this role, Oliver engages with the group head of operational risk and compliance regularly in relation to whistleblowing matters during the course of the year. For more details about the company's whistleblowing procedure, see page 55.

The board also appoints one of its directors to act as the group's consumer duty champion and this is currently Sally Williams. For more details about the company's compliance with the new consumer duty regulation, see page 25.

The annual schedule of board meetings is decided a significant length of time in advance in order to ensure, so far as possible, the availability of all directors. In the event that, in exceptional circumstances, directors are unable to attend a meeting, they receive papers as usual and have the opportunity to relay their comments and questions in advance, as well as follow up with the chairman if necessary. The same process applies in respect of the board committees.

In addition to these meetings, a number of ad hoc meetings were held to consider specific items of business. All directors attended a strategy session with senior management in May 2023, more details of which can be found on page 142.

Attendance at Board and Committee Meetings

	Board	Nomination and Governance Committee	Risk Committee	Audit Committee	Remuneration Committee
Executive Directors					
Adrian Sainsbury	7/7	–	–	–	–
Mike Morgan	7/7	–	–	–	–
Non-executive Directors					
Mike Biggs	7/7	5/5	–	–	6/6
Mark Pain	7/7	5/5	6/6	–	6/6
Oliver Corbett	7/7	5/5	6/6	4/5	–
Patricia Halliday	7/7	–	6/6	5/5	–
Tracey Graham ¹	7/7	2/2	6/6	–	6/6
Peter Duffy ¹	7/7	2/2	6/6	–	6/6
Sally Williams	7/7	–	5/6	4/5	–
Tesula Mohindra	7/7	–	6/6	5/5	–
Kari Hale ²	2/2	–	–	–	–
Former Non-executive Directors					
Lesley Jones ³	2/2	1/2	1/2	1/2	0/1
Bridget Macaskill ³	2/2	2/2	2/2	–	1/1

1. Tracey Graham and Peter Duffy were appointed as members of the Nomination and Governance Committee with effect from 26 January 2023.

2. Kari Hale was appointed as a director and as a member of the Audit and Risk Committees with effect from 28 June 2023.

3. Lesley Jones and Bridget Macaskill retired as non-executive directors at the conclusion of the company's AGM on 17 November 2022.

Corporate Governance Report continued

Board operations and compliance

Roles and Responsibilities

In line with the Code, the role of the chairman is distinct and separate from that of the chief executive and there is a clear division of responsibilities between the two roles. The roles of the chairman, chief executive and senior independent director, as approved by the board in July 2019, can be found on the company's website at www.closebrothers.com. The roles of certain members of the board are summarised below.

In addition, the chairman and chief executive have various prescribed responsibilities under the Senior Managers Regime overseen by the PRA. Some board members also take on additional responsibilities required by legislation

such as whistleblowing champion or Consumer Duty champion. More information about these specific roles can be found on page 143.

Powers of Directors

The directors are responsible for the management of the company. They may exercise all powers of the company, subject to any directions given by special resolution and the articles of association. The directors have been authorised to allot and issue ordinary shares and to make market purchases of the company's ordinary shares by virtue of resolutions passed at the company's 2022 AGM.

Further detail regarding these authorisations is set out on page 191.

Division of Responsibilities

Role	Responsibilities
Mike Biggs Chairman	<ul style="list-style-type: none"> Responsible for leading the board and ensuring that it operates effectively Sets the agenda for meetings and promotes balanced and effective decision-making and challenge of executive management with sufficient time for constructive debate and discussion Ensures that the board as a whole develops and monitors the group's strategy Ensures that the culture in the boardroom promotes effective debate and good governance Supports the development of the group's culture and sets the tone from the top Promotes effective engagement between the board, its shareholders and other stakeholders Leads the annual board evaluation process Chairs the Nomination and Governance Committee and monitors the board's composition and non-executive succession planning
Mark Pain Senior Independent Director	<ul style="list-style-type: none"> Provides a sounding board for the chairman Provides an alternative channel of communication for shareholders and other stakeholders Meets with non-executive directors annually without the chairman present to appraise the chairman's performance
Non-executive Directors	<ul style="list-style-type: none"> Provide constructive challenge and scrutiny of the performance of management Bring external perspective, knowledge and experience to the board Assist in the development of strategy and the decision-making process Promote the highest standards of integrity and governance Through membership of the group's committees, determine appropriate levels of remuneration, review the integrity of the financial statements, review succession plans for the board and the Executive Committee and monitor the risk profile of the group Gather the views of the workforce through attendance at key business events and through employee engagement
Adrian Sainsbury Chief Executive	<ul style="list-style-type: none"> Executes the group's strategy as agreed with the board Leads the Executive Committee in the day-to-day management of the group Ensures that the group's business is conducted with the highest standards of integrity aligned with the group's culture Manages the group's risk exposure in line with board policies and risk appetite Leads the group's investor relations activities
Sarah Peazer-Davies Company Secretary	<ul style="list-style-type: none"> Advises the directors on governance and legal matters, and the discharge of their duties Ensures the board receives high-quality information and in sufficient time Supports relationship-building and the flow of information between the board and the Executive Committee Facilitates board induction and training Available to provide advice and services to support all directors Organises all board and committee meetings as well as the Annual General Meeting ("AGM")

Non-executive Directors' Independence and Time Commitment

The board has assessed the independence of each of the non-executive directors. It is of the opinion that each non-executive director acts in an independent and objective manner under provision 10 of the Code, free from any relationship that could affect their judgement. The board considers, for each non-executive director, among other things:

- whether they are independent in character and judgement;
- how they conduct themselves in board and committee meetings;
- whether they have any interests which may give rise to an actual or perceived conflict of interest; and
- whether they act in the best interests of the company, its shareholders and other stakeholders at all times.

Each non-executive director is required to confirm at least annually whether any circumstances exist which could impair their independence. At the start of each board meeting, all directors are reminded of their obligations relating to conflicts of interest and are asked to declare any changes since the last meeting. The company secretary maintains a register of conflicts authorised by the board.

As part of its consideration of non-executive independence, the board has given particularly rigorous consideration to the overlapping directorships held by Kari Hale and Mark Pain on the boards of the company and AXA UK plc. It has considered the nature of those directorships, and the character, behaviour, contribution and judgement of Kari and Mark during the proportion of the year for which they have each been directors of the company. It has concluded that both directors continue to demonstrate independence as evidenced by, among other things, their contribution to board meetings and their challenge of senior management.

The board has also given particular consideration to the independence of Oliver Corbett who has been a non-executive director for more than nine years, having been appointed in June 2014. The board has determined that, notwithstanding his term of office, Oliver is independent in character, judgement and in his valuable contributions to the board and its committees, including in his challenge of management.

The chairman, Mike Biggs, was considered to be independent on appointment in line with the provisions of the Code.

The board is satisfied that each non-executive director is able to dedicate the necessary amount of time to the company's affairs, following consideration of each non-executive director's other time commitments. The letters of appointment for each of the company's non-executive directors set out a minimum time commitment in discharging their duties as a director and require them to seek prior board approval before they take on additional commitments.

As required by the Code, the board assesses whether external appointments should be approved, with significant consideration being given in advance of proposed additional appointments being taken on by any of our directors.

In September 2022, Tesula Mohindra and Tracey Graham were appointed as non-executive directors of the RAC group and Nationwide Building Society respectively, with Tesula also being appointed as a non-executive director of several subsidiaries within the RAC group. These appointments were considered and approved by the board in July 2022, sufficiently far in advance of the appointments taking effect.

In January 2023, Sally Williams was appointed a trustee of Ovarian Cancer Action and chair of the audit and risk committees. This appointment was considered and approved by the board in November 2022.

As part of its assessment in each case, the board considered whether the external appointment was likely to give rise to any actual or potential conflicts of interest, how any such conflicts could be managed or mitigated, and whether the proposed external appointment would be likely to compromise the director's ability to dedicate appropriate time and diligence to their existing responsibilities to the group. Following review and discussion, the board was satisfied that none of the proposed external appointments would restrict or prevent any of the directors above from carrying out their duties and responsibilities as directors of the company and accordingly, the appointments were approved.

Corporate Governance Report continued

Board operations and compliance

Conflicts of Interest

The articles of association include provisions giving the directors authority to approve conflicts of interest and potential conflicts of interest, as permitted under the Companies Act 2006.

Directors are responsible for notifying the chairman and the company secretary of any actual or potential conflicts as soon as they become aware of them. A procedure has been established whereby actual and potential conflicts of interest are regularly reviewed and appropriate authorisation sought. This procedure includes mechanisms for the identification of conflicts prior to the appointment of any new director or if a new conflict arises during the year. The decision to authorise a conflict of interest can only be made by non-conflicted directors and in making such a decision the directors must act in a way they consider, in good faith, will be most likely to promote the success of the company. The company secretary maintains a register of conflicts authorised by the board. The board believes that this procedure operated effectively throughout the year.

Election and Re-election of Directors at the 2023 AGM

In accordance with the Code, all directors retire and submit themselves for re-election at each AGM. The board will only recommend to shareholders that executive and non-executive directors be proposed for election or re-election at an AGM after evaluating the performance of the individual directors and considering their suitability, time commitment and ability to continue to contribute to the board.

Kari Hale joined the board on 28 June 2023 and will be proposed for election at the AGM in November 2023.

Following individual performance evaluations undertaken during the year of both the executive and non-executive directors, an assessment of the board's skills, knowledge and experience, and completion of the annual evaluation of the board and its committees, the board has determined that all directors continue to be effective and demonstrate sufficient commitment to their role. At the recommendation of the Nomination and Governance Committee, the board will therefore be recommending that all serving directors be elected or re-elected by shareholders at the 2023 AGM, with the exception of Oliver Corbett, who will step down from the board at the conclusion of the AGM, having completed nine years' service on the board.

Risk Management and Internal Controls

The board considers a range of routine and one-off matters in relation to risk management and internal controls, and the group chief risk officer attends all scheduled board meetings to report to the board on risk management activities across the group. For example, in 2023 the board approved the group risk appetite statements, core risk management policies, and the group's enhanced Pillar 3 disclosures.

In addition, throughout the year under review, the board paid particular attention to liquidity risk across the group. As a result of broader macroeconomic and geopolitical factors across Europe and market shocks within the UK economy which resulted in capital market volatility, the decision was made to delay a bond issuance which had been built into the group's funding plans. The board considered and monitored, over a period of time, a range of liquidity scenarios in the context of the group's risk appetite triggers and limits and the bond issuance successfully went ahead in June 2023.

Further information on the bond issuance can be found on page 152.

The board confirms that throughout the year ended 31 July 2023 and up to the date of approval of this Annual Report, there have been rigorous processes in place to identify, evaluate and manage the principal risks faced by the group. These principal risks include those that would threaten the group's business model, future performance, solvency or liquidity. The board has also assessed the likelihood of a risk occurring and the costs of control in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the FRC.

Whistleblowing

The board has responsibility for oversight of the group's whistleblowing arrangements. It monitors the operation and effectiveness of these arrangements, ensuring that processes are in place for the proportionate and independent investigation of matters raised through the mechanisms available to the workforce and for follow-up action.

During the year, the board received half-yearly updates from the group head of operational risk and compliance. These updates covered:

- an overview of the group's whistleblowing arrangements across all jurisdictions in which the group operates and an assessment of the effectiveness of those arrangements;
- information on steps taken by the group to ensure the protection of those using the group's whistleblowing arrangements; and
- a summary of whistleblowing events, outcomes and any follow-up actions.

Corporate Governance Report continued

Board activities

The board and its committees engaged in a range of activities during the year under review, including in relation to the following:

Strategy

- Reviewed the strategic aims and the performance of businesses across the Banking, Winterflood and the Asset Management divisions, as well as for the group as a whole
- Supported the implementation of transformational projects
- Reviewed the competitive landscape
- Reviewed and approved the group's budget and three-year strategic plan
- Held a strategy session in conjunction with the Executive Committee
- Reviewed the investment programme strategy and updates
- Reviewed the group's sustainability strategy
- Received regular business unit updates
- Received deep-dive reviews of selected business areas
- Received regular updates on climate and sustainability activities
- Approved the group's annual tax strategy

Financial and Corporate Reporting

- Received regular reports from the group finance director on financial performance
- Reviewed rolling forecasts and approved the 2024 budget
- Approved full-year and half-year results
- Received reports from the group's internal audit function
- Reviewed the new disclosure framework to ensure compliance with TCFD reporting

Structure, Capital and Liquidity

- Reviewed the group's stress testing policy
- Reviewed the group's treasury policy
- Considered the group's capital strategy
- Approved a senior bond issuance of £250 million in June 2023, following a period of market volatility and adverse market conditions

Stakeholders

- Received regular updates on customers and clients
- Received and discussed the annual Employee Opinion Survey results
- Reviewed periodic updates on the culture dashboard
- Received regular feedback on investor relations activities including meetings with shareholders and post-results roadshows
- Approved the annual Modern Slavery Statement
- Held the 2022 Annual General Meeting

Risk and Control

- Received reports from the chief risk officer
- Approved the group's Enterprise Risk Management Framework
- Approved the annual review of the Group and Bank ICAAP and ILAAP
- Reviewed and considered the group's risk appetite statements
- Reviewed and approved enhanced Pillar 3 disclosures
- Reviewed and discussed the group's principal risks and considered emerging risks
- Reviewed the group's annual compliance plan
- Reviewed the group's Whistleblowing Policy and received an update on activity
- Approved the annual renewal of the group's insurances
- Approved the group Credit Risk Policy, Financial Management Policy, Reporting and Control Policy, Disclosure Policy and ICAAP Policy
- Approved the implementation of the actions set out within the Period Summary Meeting letter from the Prudential Regulation Authority



Site visit to Close Brothers' businesses in Doncaster and Derby

Site visits are designed to provide non-executive directors with first-hand insights into the operational activities of the group and with opportunities to enhance their understanding of colleagues' experiences by engaging with them directly within their working environment.

As more travel became possible in the financial year, following the relaxation of the Covid-19 restrictions, directors visited some Close Brothers' business sites over the course of two days in February 2023. Three non-executive directors were joined by the then company secretary and general counsel on a visit to South Yorkshire and the East Midlands which focused on the retail and commercial businesses. The activities included shadowing colleagues, informal roundtables and networking with management, and touring a vehicle dealership.

The site visit gave the non-executive directors a better understanding of the group's customer and colleague experiences, as it supplemented the reports that the board had received on culture during the year. It was an opportunity to interact with a diverse group of colleagues and learn about their experiences, the challenges they face and their opportunities for career development. The site visit also provided a good opportunity for board members to get to know each other better.

Corporate Governance Report continued

Board activities

Governance

- Appointed Kari Hale as an independent non-executive director
- Appointed Tracey Graham as the chair of the Remuneration Committee and Patricia Halliday as the chair of the Risk Committee
- Conducted and reviewed the outcome of the board and committee performance evaluation and supported the review of the chairman's performance by the senior independent director
- Monitored progress on actions from previous years' board and committee performance evaluations
- Reviewed the terms of reference of the Audit, Remuneration, Risk, and Nomination and Governance Committees
- Reviewed and approved minor amendments to the matters reserved for the board
- Approved the updated board Diversity and Inclusion Policy
- Received regular training and updates
- Undertook a review of, and approved an appropriate increase in, non-executive director fees to align with the market
- Approved the arrangements for the Annual General Meeting in 2022
- Recommended the reappointment of directors by shareholders

Customers

- Oversaw the use of new segmental data modelling to deepen and refine the group's understanding of customer needs and financial behaviours, and to allow the group to tailor its products to meet the expectations and needs of its customers
- Considered customer vulnerability
- Consideration of the Customer Commitment Framework
- Discussed the impact of inflationary pressures on its customer base, in light of macroeconomic factors

Regulatory and Compliance

- Received updates from management on meetings held with the PRA and FCA during the year to discuss, amongst other topics, securities issuances and liquidity
- Received updates on Consumer Duty implementation
- Approved the group Recovery Plan, designed to maintain the viability and the financial position of the group through an effective and robust set of recovery options in the event of a broad range of stress scenarios and in accordance with the recommendations of the PRA
- Received detailed reports on progress made against the Annual Compliance Plan
- Received updates from the Money Laundering Reporting Officers

2022

September

- Full-year results and roadshow
- Review of risk appetite and certain policies

2023

January

- Trading update
- Whistleblowing update
- Project updates
- Approval of Modern Slavery Statement

March

- Half-year results and roadshow
- Money laundering update
- Various policy approvals

June

- Appointments and resignations
- Chairman's governance roadshow
- Bond announcement

November

- Annual General Meeting 2022
- Committee chair changes
- Trading update

February

- Doncaster and Derby site visit

May

- Trading update
- Strategy day

July

- Trading update
- Roadshows

Corporate Governance Report continued

Board induction, training and evaluation

Induction

On appointment, and in accordance with the director induction policy which was approved by the Nomination and Governance Committee and is reviewed periodically, all new directors receive a comprehensive and personalised induction programme. The programme is developed and overseen by the company secretary to familiarise new directors with the group and the regulatory, market, risk and governance framework within which it operates. The company also offers additional support and information to directors when they are appointed as a committee chair or member.

Induction programmes are tailored to a director's particular requirements, but typically include site visits, one-to-one meetings with executive directors, the company secretary and senior management, and a confidential meeting with the external auditor. Directors also receive guidance on their statutory and regulatory responsibilities, together with a range of relevant current and historical information about the group and its business. A key aim of the induction is to ensure that new board members are equipped to contribute to the group and the work of the board as quickly as possible.

Directors provide input on how their individual inductions should be tailored in terms of both content and structure. The company secretary engages regularly with individual directors as their inductions progress and, once they have served on the board for a period, seeks their input on any further induction or development requirements they may have. The chairman also discusses induction plans, and training and development more broadly, with new joiners as part of regular one-to-one meetings.

Training and Professional Development

A central training programme is in place for members of the board, which is reviewed at least annually by the Nomination and Governance Committee. The directors attend sessions focusing on specific topics of interest or regulatory and operational relevance. During the year, these sessions included detailed guidance on cyber security, Consumer Duty and directors' duties. Annual training is also provided on the Senior Managers and Certification Regime. In addition, the chairman discusses and agrees any specific requirements as part of each non-executive director's regular review.



Induction Programme for Kari Hale

Kari Hale's induction programme commenced in June 2023 and has included the following elements:

- one-to-one meetings with executive directors covering strategy, operational and financial matters, people, the regulatory framework, and culture and values;
- briefings from executive committee members and senior managers, including the company secretary, about their respective business areas and central functions including legal, risk and compliance, internal audit, investor relations and corporate development, IT and cyber security, and various financial functions;
- a private meeting with the external audit partner;
- access to reference materials including relevant current and historical information about the group and its business such as financial data;
- access to board papers through the online board materials portal; and
- future planned site visits to the group's offices with the relevant senior management.

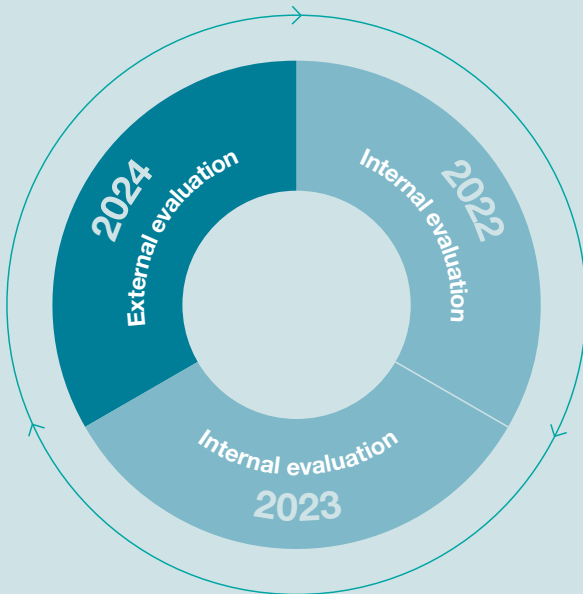
Regular touchpoints with the chairman and company secretary were established to monitor progress and ensure that Kari Hale was receiving all the information required to fulfil his role.

In the coming year, Kari Hale is expected to meet individually with the committee chairs to understand the role of, and interaction between, each committee. He will also visit our regional sites to see the businesses in action and engage with our workforce.

Corporate Governance Report continued

Board induction, training and evaluation

Evaluation Cycle



Evaluation

In accordance with the Code, the board undertakes a formal and rigorous evaluation annually to assess the effectiveness of its individual directors, its committees and the board as a whole, with the evaluation process being externally facilitated every three years.

The evaluation process during the year under review was conducted internally by the company secretary and led by the chairman. Each of the directors completed a questionnaire which considered a range of different areas relevant to board effectiveness and corporate governance including:

- the role and composition of the board and its committees;
- culture, strategy, purpose and values;
- stakeholder engagement;
- the business of the board, board behaviours, and the information and resources available to the board; and
- progress against the recommendations of prior years' evaluations.

The results of the evaluation were presented to the Nomination and Governance Committee and the board in July 2023 and will be considered and discussed further in the coming months. The overall conclusion of the evaluation was that the board and its committees remain strong and continue to operate effectively, with clarity as to their role and purpose. In terms of the operation of the board, the evaluation found that the board is chaired well, with all board members given sufficient opportunity to contribute to board discussions, which involve an appropriate level of constructive challenge as well as clear and collective focus on the link between strategy, the group's business model and the customer proposition.

A detailed review of the findings from the evaluation will be undertaken and a programme scheduled to continue to implement the matters raised throughout the course of the following year.

Implementation of the Findings of the 2022 Evaluation

Key recommendations	Actions taken
Reduction in length and density of board papers and review of board meeting frequency to enhance the flow of information from senior management to the board	Additional board paper guidance and templates were provided to authors. The frequency of board meetings was reviewed and some minor adjustments were made as a result
Increased reporting on stakeholder considerations and stakeholder engagement, particularly for less visible stakeholders	The revised board paper guidance includes greater focus on stakeholders. Additional deep dives and site visits have been scheduled, focusing on less visible areas of the business
Recognition of the strategic focus of the board and the success of the dedicated strategy session, which should be repeated on an annual basis with the Executive Committee	The dedicated strategy session was repeated in May 2023, and actions agreed at the session were tracked
Additional topical areas for board training and development identified for inclusion in the annual training programme	Specific training sessions and materials were provided in response

Directors' Performance

In addition to the formal evaluation, the chairman holds regular meetings with individual directors at which, among other things, their individual performance is discussed. Informed by the chairman's continuing observation of individual directors during the year, these discussions form part of the basis for recommending the election and re-election of directors at the company's AGM, and include consideration of the director's performance and contribution to the board and its committees, their time commitment and the board's overall composition.

Chairman's Performance

As in previous years, Mark Pain, in his role as the senior independent director, led the annual assessment of the chairman's performance. This involved discussions with the other non-executive directors individually, without the chairman being present, and consultation with the chief executive and group finance director. The senior independent director subsequently provided feedback to the chairman.

Directors' Fitness and Propriety

In line with its regulatory obligations, the group undertakes annual reviews of the fitness and propriety of all those in senior manager functions, including all of the company's directors and a number of other senior executives. This process comprises assessments of individuals' honesty, integrity and reputation, financial soundness, competence and capability, and continuing professional development. This year's reviews have confirmed the fitness and propriety of all of the company's directors and other senior executives who perform senior management functions. Consideration of matters relating to fitness and propriety also form an important part of the board's recruitment process for non-executive directors.

Corporate Governance Report continued

Stakeholder engagement

The board recognises that, for the company to be successful over the long term, it is important to build and maintain successful relationships with a wide range of stakeholders and for the board to understand the views of the group's key stakeholders. When taking decisions, the board considers the interests of, and the group's impact on, its relationships with shareholders, customers, partners, suppliers, regulators, employees and local communities.

During the year, as part of the group's responsibility to contribute to wider society, the board discussed the group's charitable efforts and community activities during the year, which included donations totalling £120,000 to Stop Hate UK, The Wildlife Trusts, Smart Works and Bookmark.

Board Decision Making

The board makes decisions and provides oversight with the aim of promoting the Company's success for the long-term sustainable benefit of its shareholders, while having due regard for the interests of all stakeholders and the likely consequences of a particular decision. Further information about the Company's key stakeholder groups can be found in the Strategic Report on pages 35 to 37.

The board recognises that different stakeholders have different values and priorities, even within the same stakeholder group. The board diligently weighs up these differences and takes them into account when making decisions. Feedback from stakeholders, both before and after decisions have been made by the board, represents an important input into the decision-making process.

Further detail of the company's stakeholder groups, as well as the company's section 172 statement, can be found in the Strategic Report on pages 34 to 37.

The two case studies at right provide practical examples of how the board takes into account the Company's different stakeholders as an integral part of its decision-making process.



Investment in Retail Finance

We see investment through the cycle as vital in protecting our model, enhancing efficiency and future-proofing our income generation capabilities, whilst enabling us to meet emerging regulatory requirements and implement system upgrades. Each year, the consolidated investment plan is presented to the board for its review and challenge, and if thought fit, approval. Any material changes proposed subsequently are also presented for approval.

The board initially approved investment in a Retail simplification programme that will transform operations and reduce the cost of running the business, while enhancing the operational risk and control environment. The board then considered subsequent proposals from the Retail Finance business to deliver the projects over a longer time scale than originally anticipated, to balance the operational capacity for delivery and the investment demands across other areas of the business.

The board explored the need to balance thorough planning with the ability to react and adapt. It discussed the impact of various investment options on different stakeholder groups, including the Retail Finance business, its colleagues and customers. Having considered all factors in depth, the board agreed that extending the time frame for delivery was in the best interests of the company and its stakeholders as a whole. The board continues to monitor the progress of the investment programme and any further proposals that may be made in the future.

Bond Issuance

The company issues bonds from time to time as part of its funding strategy. In May 2023, a committee of the board considered a proposal to issue fixed rate senior notes of up to a principal amount of £250 million to the market. The issuance was part of the group's funding strategy including replacing a £250 million 2.75% bond which matured in April 2023. The company was monitoring market conditions over the preceding months and had kept the board updated on market developments.

The committee considered the proposal in light of the best interests of the company, its members and other stakeholders. It considered factors including likely demand for the bond, the company's immediate and longer term funding requirements, and market sentiment. The bond issuance went ahead, being a £250 million 7.75% 5-year Senior fixed rate bond with strong demand and a successful uptake. The board will continue to monitor the company's funding strategy and consider future financing proposals.

Workforce Engagement

Culture and values

The board recognises the importance that culture and values play in the long-term success and sustainability of the group, and the role of the board in establishing, monitoring and assessing culture. The board also acknowledges the importance of individual directors, and the board as a whole, acting with integrity, leading by example and promoting the desired culture. The board spends time monitoring, and satisfying itself as to, the alignment of the group's purpose, values and strategy with its culture.

During the year, the board monitored, assessed and promoted the group's culture in the following ways:

- The chief executive's updates to the board included dedicated reporting on people and culture within each division to allow the board to consider cultural issues with appropriate granularity.
- Site visits and non-executive directors' attendance at various employee events and meetings such as that of the group Asset and Liability Committee, the group Risk and Compliance Committee, and various business risk and compliance committees as well as business sites such as the trip to Doncaster and Derby, more information about which can be found on page 147.
- The board received updates on the Employee Opinion Survey, which tracks against our own and sector-wide cultural markers; the quarterly culture dashboard which includes external stakeholder considerations; and external guidance and insight on culture, including from regulators and industry bodies. All of these are used by the board to benchmark the group's approach and plans, and other initiatives across the group to embed the desired behaviours and the "Close Brothers Way".
- The Remuneration Committee considered culture, behaviour and conduct issues and the inclusion of culture-related objectives as part of the executive directors' performance assessment (further detail on which can be found in the Directors' Remuneration Report on pages 177 to 179).
- The board reviewed the group's whistleblowing arrangements by which employees can raise concerns in confidence and, if they wish, anonymously, and the Risk Committee reviewed a conduct risk dashboard covering an assessment of relevant issues and developments for each of the group's divisions.

Engagement with Employees

As permitted by the Code, the board has put in place its own arrangements to engage with employees across the group and, following discussion by the Nomination and Governance Committee, a framework for board engagement with employees is managed by the company secretary, in conjunction with the group head of human resources. This framework presents a range of different opportunities

for board members to engage directly with employees and also to receive feedback on relevant issues from management. The framework takes account of guidance and suggestions published by the FRC in this area.

The board acknowledges the benefits of meaningful two-way engagement between the directors and senior management and the group's employees. To this end, the board and senior management provide employees with regular information on matters of interest or concern to them and consult with them or relevant representatives when making relevant decisions which are likely to affect their interests.

Examples of engagement and consultation in the year included:

- non-executive directors' participation at town hall events in a number of functions such as finance, risk and human resources, attended by significant numbers of employees. These events typically include Q&A sessions, with employees having the opportunity to submit questions and topics in advance;
- non-executive director site visits to Doncaster, Derby and Brighton to meet employees at different levels of the group's operations across the UK and to understand employee-related issues and priorities, as well as more informal meet and greet events attended by the directors;
- participation by directors in focused initiatives operated for different groups of employees such as the 10,000 Black Interns programme, the upReach internship programme which focuses on social mobility, the Emerging Leaders Programme for high potential employees, our ASPIRE programme for school leavers, and graduate networking sessions; and
- regular communications from executive directors to employees on the performance and operations of the group, in relation to the half-year and full-year results.

The board considers that its employee engagement activities during the year have been effective and have allowed a number of directors to engage widely with employees across a broad manner of settings and engagement styles. The board considers that the activities above have helped to achieve a common awareness on the part of employees and contributed to a better understanding of the group's activities, purpose, strategic aims, and the long-term success of the company.