

DIRECTORS' REPORT

Statement of Corporate Governance Arrangements

Approach to Corporate Governance

In accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the "Regulations"), the directors of the company are required to provide a statement stating which corporate governance code has been followed during the year, including how the company applied the code, and whether it departed from any aspects of the code. For the year ended 31 July 2024, the company has applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles") in its corporate governance arrangements. The company complied with the Principles in full throughout the financial year.

The following section explains the company's approach to corporate governance, and its application of the Principles.

High standards of governance and effective board oversight play an important role in supporting the company's performance, the successful delivery of its strategy and its long-term sustainable success for the company's shareholder and other stakeholders. The company's own corporate governance arrangements are also key to ensuring that it operates effectively. Whilst the company forms part of the wider Group, it is a separate legal entity and, as such, it has its own board of directors and maintains its own corporate governance arrangements which form part of the broader Group's corporate governance framework. That framework includes a range of different policies, procedures and standards which together set out the Group's approach to corporate governance.

At the highest level of the Group, the board of CBG provides effective leadership for the Group as a whole, including in relation to strategy, purpose, culture, values and risk management. As a company listed on the London Stock Exchange, CBG applies the principles and provisions of the UK Corporate Governance Code (the "Code"). Further detail on its compliance with the Code in the financial year ended 31 July 2024 can be found in the Corporate Governance Report within CBG's 2024 Annual Report and Accounts (the "CBG Annual Report"). Among other things, that report also provides information on the role and activities of the CBG board (including its oversight of matters relating to the company) and the Group's overarching corporate governance arrangements.

As at the date of this report, all members of the company's board also serve as directors of CBG. This continues to be an important part of the Group's corporate governance framework and reflects the significant contribution of the company to the wider Group.

As part of the Group's corporate governance arrangements, the CBG board is supported by four board committees: the Audit Committee, the Nomination and Governance Committee, the Remuneration Committee and the Risk Committee, which have oversight of matters across the Group, including relevant items relating to the company. Each committee has written terms of reference setting out its delegated responsibilities. The membership of the CBG board committees comprises individuals with the appropriate skills and experience from among the non-executive directors of CBG. Further information on the role, activities and operation of each of the CBG board committees, including their consideration of matters relating to the company, can be found in their respective reports in the CBG Annual Report.

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Principle One - Purpose and Leadership

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

The board's primary role is to provide effective leadership and to ensure that the company is appropriately managed and delivers long-term shareholder value, thereby making a contribution to wider society. The board also supervises the company's operations, with the aim of ensuring that it maintains a framework of prudent and effective controls which enables risks to be properly assessed and appropriately managed.

A key function of the board is to establish, within the wider strategy of the Group, the company's strategic objectives, values, strategy and purpose in alignment with its culture. The board also monitors management's performance against those objectives and provides direction for the company. During the year, a range of activities enabled the board to focus on these areas. These included a strategy session held with senior management which covered a broad range of strategic issues, opportunities for individual businesses, and people-related issues, including the results of employee opinion surveys.

In addition, the board considers strategic issues as part of regular meetings throughout the year. At each meeting, Group and divisional executives provide updates on performance against strategic goals and relevant developments in the wider market, including from a competitor or regulatory perspective. During the year, the board has also held a number of 'deep-dive' strategy sessions, each focused on an individual business.

Consistent with that of the Group, the company's strategic approach focuses on three objectives: to protect, grow and sustain the company's business model. The company's purpose is helping the people and businesses of Britain thrive over the long term. The company has a long-established, proven business model that is focused on driving sustainable outcomes and business performance, creating value for its stakeholders.

A key responsibility of the board is to define, promote and monitor the company's culture. The board recognises the importance that culture and values play in the long-term success and sustainability of the company, and the role of the board in 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, promoting the desired culture, and setting the "tone from the top".

During the year, the board has spent time monitoring and overseeing the alignment of the company's business to its values, strategy and culture. Examples include the board's consideration of the role and impact of culture as part of individual decisions and its oversight of the company's operations, including in the context of investment planning and the challenges presented by the broader macro-economic outlook. Considerations relating to culture and values have also formed an important part of the board's discussions on the company's strategy, model and purpose, including in the context of potential merger and acquisition opportunities.

The board also ensures effective engagement with and participation from stakeholders. The company's culture and values are aligned with those of CBG, which are discussed in more detail in the CBG Annual Report.

Principle Two - Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

At the date of this report, the board has nine members: the chairman, two executive directors and six independent non-executive directors. The board's members come from a range of backgrounds and the board is structured to ensure that no individual or group of individuals is able to dominate the decision-making process and that no undue reliance is placed on any individual. Within the board's overall risk and governance structure, the independent non-executive directors are responsible for contributing sound judgement and objectivity to the board's deliberations and the decision-making process. They also provide constructive challenge and scrutiny of the performance of management and delivery of the company's strategy. Further details of the directors and the changes to the board during the financial year can be found on pages ## and ##.

The chairman is primarily responsible for leading the board and ensuring that it is able to operate effectively and efficiently. The chairman's role is to promote effective decision-making, challenge of executive management and constructive debate, including by facilitating contributions and engagement from all members of the board. His other responsibilities include setting the agenda for board meetings, making sure that the directors receive information in an accurate, clear and timely manner, and ensuring that adequate time is available for discussion of relevant items by the

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board. The chairman is charged with ensuring that the directors continually update their skills and knowledge and that the performance of the board and the individual directors is evaluated on an annual basis.

The CBG Nomination and Governance Committee, which is concerned with the business of the Group including the company, reviews the structure, size and composition of the board and is responsible for identifying and recommending to the board new directors for appointment. The board considers that its current size and structure remain appropriate given the scale and complexity of the company's operations, which include regulated activities, and the need to ensure an orderly succession and transition between directors.

Board appointments are made following rigorous consideration by the CBG Nomination and Governance Committee of the balance of skills, experience, knowledge and diversity required for the board to operate effectively as a whole. When considering board composition and appointments, the board and the CBG Nomination and Governance Committee continue to have regard to relevant best practice and the findings of relevant industry reviews. Further detail is set out in the Corporate Governance Report within the CBG Annual Report.

The board acknowledges the importance of diversity in its broadest sense and its membership is made up of individuals from a range of different backgrounds and experiences. At the date of this report, four of the nine members of the board are women, and the composition of the board meets the recommendation of the Parker Review that a FTSE 250 board should have at least one director of colour.

The board remains committed to improving further its position on gender, cultural and ethnic diversity when appropriate opportunities arise, whilst continuing to make appointments based on merit, objective and defined criteria, and the particular skills and experience required for individual appointments. External search firms used by the CBG Nomination and Governance Committee will continue to be instructed to consider candidates from a broad range of backgrounds and experiences when preparing long-lists for review by the committee.

As part of its deliberations each year, the CBG Nomination and Governance Committee regularly considers diversity and inclusion matters relevant to the company and its business, including actions to encourage a diverse pipeline as part of discussions around succession planning and talent management throughout the year.

The board undertakes an annual evaluation of its effectiveness. During the year ending 31 July 2024, the board appointed an external evaluator to carry out an independent review of its effectiveness. The evaluation found that the board and its committees continue to operate effectively. In particular, the board provides effective oversight of the overall business, is well led and provides valuable counsel to management. The dynamics inside and outside the boardroom, including the relationship with key leaders, received particularly positive feedback, and there was good consensus regarding the strategic priorities facing the group.

A detailed review of the findings will be undertaken and the board, together with the company secretary, will develop an action plan to build on and address the recommendations of the evaluation.

The chairman also ensures that the performance of individual directors is reviewed regularly. The board recognises annual reviews as an important opportunity to consider the performance of board members and to identify strengths and opportunities to further enhance effectiveness.

Principle Four - Opportunity and Risk

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

Together with the CBG board, the board retains overall responsibility for overseeing the maintenance of a system of internal control which ensures that an effective risk management framework and oversight process is in operation. The risk management framework and associated governance arrangements for the Group are designed to ensure a clear organisational structure with distinct, transparent and consistent lines of responsibility and effective processes to identify, manage, monitor and report the risks to which the Group (including the company) is, or may become, exposed.

Risk management across the Group (including the company) is monitored and overseen by the CBG Risk Committee. The Risk Committee is responsible for reviewing risk appetite, monitoring the Group's risk profile against this, and reviewing the day-to-day effectiveness of the risk management framework. In addition, the Risk Committee oversees the maintenance and development of an appropriate and supportive risk culture and provides risk input into the alignment of remuneration with performance against risk appetite. The company closely monitors its risk profile to ensure that it continues to align with the company's strategic objectives and those of the Group.

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The company's risk appetite forms a key component of the Group's risk management framework and is managed through an established framework that facilitates ongoing communication between the board with respect to the group's evolving risk profile. Appetite measures, both qualitative and quantitative, are applied to inform decision making and monitoring and reporting processes. Early warning trigger levels are also employed to drive required correction action before overall tolerance levels are reached. The board undertakes a formal, annual review of the company's risk appetite statements for the year ahead. Adherence is monitored through the Group's risk committees on an ongoing basis, with interim updates to individual risk appetites considered as appropriate through the year. Further information on the Group's risk management framework including risk appetite, controls and governance can be found in the CBG Annual Report.

As described above, the board also oversees the development and implementation of the company's strategy, within the context of the Group's overall strategy set by the CBG board. This includes consideration of strategic opportunities and the development of appropriate objectives.

Principle Five - Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

The Remuneration Committee of the company's ultimate parent company, CBG, assumes responsibility for determining reward practices and the approach to remuneration on a Group-wide basis. This includes reviewing and making recommendations on remuneration policy for the Group, including the remuneration of directors, senior management and other employees across the company.

The Group's wider employee remuneration structure aims to attract, motivate and retain high calibre employees, reward good performance, and promote the achievement of the company's annual plans and its longer-term strategic objectives. It also aligns the interests of employees with those of other key stakeholders – including customers, clients and shareholders – and supports good risk management procedures and a positive client conduct culture.

The linkage between culture, purpose, risk and compensation remains important for the board, and the Group's Risk function provides regular input to the CBG Remuneration Committee to ensure that risk behaviours and the management of operational risk incidents over the course of the financial year are appropriately reflected in decisions taken about performance and reward. As part of the assessment of executive director variable remuneration, executive performance is assessed against a Group-wide balanced scorecard, with variable pay subject to malus and clawback provisions.

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Principle Six - Stakeholders

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

As mentioned above, the board is responsible for establishing and overseeing the company's values, strategy and purpose, all of which focus on the interests of key stakeholders and other factors set out in section 172(1) of the Companies Act 2006. The directors are conscious of both the effects on the company of changes in its operating environment, but also the impact that their decisions and actions may have on current and future stakeholders, including employees, customers, suppliers, communities and investors. The directors have had regard to these stakeholder considerations and other factors in section 172(1) during the year.

The company has a broad set of stakeholders with differing views and objectives, so it is important that it engages with each group, whether directly or indirectly via management, to understand more fully their priorities and take these into account when making decisions. As part of the wider Group, the company undertakes a comprehensive programme of stakeholder engagement and values the feedback provided, which is considered in the decision-making process both at a board level and throughout the company.

Regular engagement with stakeholders, both directly and indirectly via management, has continued to be an important focus for the board and has ensured that the directors are aware of and have effective regard to the matters set out in section 172(1). During the financial year, the board has continued to make use of both in-person meetings and video conferencing to allow for flexibility.

As part of the board's regular meetings and in sessions specifically focussing on strategy, the directors have spent considerable time assessing and having regard to the impact of individual decisions and the group's operations on different stakeholder groups. This has included extensive discussion of points arising from engagement with shareholders, customers, employees, regulators and other groups. During the year, the directors received regular updates on developments relating to individual stakeholder groups.

In the 2024 financial year, the board spent time considering its broader responsibility to help address the social, economic and environmental challenges facing its business, colleagues and customers. This included considerations of the potential implications of the FCA's review of historical motor finance commission arrangements and the effects on the company's stakeholders. Throughout the year, the board has discussed the connection between the company's responsibility, wider stakeholder considerations and its long-term positioning, including the link to attracting and retaining talent at all levels of its operations, supporting customers, clients and partners, and the Group's continuing efforts towards reducing its impact on the environment.

More information about the company's key stakeholders, why they are important, their key priorities and some of the ways the company has engaged with, and had an impact on, each group can be found in the section 172 statement and statement of engagement with employees and other stakeholders in the Strategic Report section of this Annual Report.