

Chairman's Introduction to Governance

Focused on delivering stakeholder value



Michael N. Biggs
Chairman

“We are firmly committed to high standards of corporate governance which are critical as we lead the group to enhance the strategy, performance and long-term sustainable success of the business for all of our stakeholders.”

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 2024.

The following pages explain the group's corporate governance arrangements and the key activities undertaken by the board during the year to ensure effective decision-making and stewardship 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.

We are firmly committed to high standards of corporate governance which are critical as we lead the group to enhance the strategy, performance and long-term sustainable success of the business for all of our stakeholders. This has been even more important in the past 12 months, as we have navigated the FCA's review of historical motor finance commission arrangements, while being mindful of the impact on our stakeholders, particularly employees and shareholders. Effective corporate governance has been at the forefront of the board's mind, given the need for strong decision-making in light of the pending outcome of the FCA's review.

Strategic Priorities and Culture

This year was particularly challenging for the board and the group, against a backdrop of external uncertainty and our unwavering focus on matters of critical strategic importance to protect, grow and sustain our successful business model. The board leveraged its collective skills and expertise to navigate the industry uncertainty arising from the FCA's review of historical motor finance commission arrangements. In response, the board developed and communicated to the market clear actions to preserve and further strengthen the group's capital position. In considering the range of possible outcomes of the FCA's review and to ensure a prudent approach to safeguarding our valuable franchise and ensuring the group's resilience, the board took the difficult decision not to pay a dividend in respect of the financial year ended 31 July 2024. Following a comprehensive strategic review, we are pleased to announce the agreed sale of CBAM to Oaktree. The transaction is expected to enhance our position to navigate the current environment and marks an important step towards the delivery of the capital plan we outlined in March 2024. The board has unanimously approved the transaction and believes that the agreed sale represents competitive value for our shareholders, allowing us to simplify the group and focus on our core lending business.

Throughout the financial year, I have once again been pleased to see that our strong and distinctive culture remains firmly embedded within the organisation. Our employees have consistently demonstrated their commitment to supporting our customers, clients, partners and each other. More information on the board's oversight of culture can be found on page 138.

Stakeholder Engagement

Our understanding of the views of our stakeholders is critical to the success of the group. We have taken great care to assess the potential impact of industry-wide uncertainty resulting from the FCA's review of historical motor finance commission arrangements and our robust response to it. The board remains committed to open dialogue with all of our key stakeholders, being our shareholders, colleagues, regulators and partners, and has taken these views into consideration in decision-making throughout the year.

During the year, the board met with a number of stakeholder groups, and considered a wide range of stakeholder interests. Our formal statement in relation to Section 172 of the Companies Act 2006, together with further detail regarding how the directors have engaged with and had regard to the interests of stakeholders, can be found on pages 29 and 137.

Board Composition and Succession Planning

The board is mindful of the need to refresh its membership at the appropriate time. Each of Oliver Corbett and Peter Duffy resigned as directors of the board in November 2023 and February 2024, respectively. On behalf of my fellow directors, I sincerely thank both Oliver and Peter for their unwavering commitment to the group and their valued expertise and perspectives.

Following Oliver's resignation, Kari Hale has been appointed as chair of the Audit Committee and as whistleblowing champion. The board now stands at nine members, which includes two executive directors. See page 122 for further detail.

The board is committed to diversity at all levels of the group and comprises directors from a range of backgrounds. Our board is composed of 44% female directors and includes one director from a minority ethnic background. With this, we have met our own gender and ethnicity targets and the recommendations of each of the FTSE Women Leaders and Parker Reviews in terms of the composition of the board. Though the composition of the board does not currently meet the FCA Listing Rule requirement to have one of the senior board positions occupied by a female director, the board recognises that this Listing Rule will be a consideration for future appointments to these roles. We remain committed to ensuring that our board is able to meet the needs of all relevant stakeholders. We shall continue to consider all types of diversity when making future board appointments, while ensuring that this is consistent with the skills, experience and expertise required at a particular point in time. Further information on the composition of the board and its diversity can be found on pages 122 and 141 to 142.

During the year, the board has also successfully overseen a number of new appointments to key roles on our Executive Committee. Further detail on the board's approach to succession planning can be found on page 141.

Board Effectiveness

This year's annual board and committee effectiveness evaluation was conducted by an external facilitator. In accordance with the recommendations of the Code and best practice, the evaluation process was formal and rigorous and covered a broad range of elements relevant to the effectiveness and performance of the board and its committees. The findings are set out on page 135 and the board will shortly be developing an action plan to identify opportunities to implement these findings during the year ahead.

Sustainability, ESG and D&I

During the year, the board and its committees considered a number of sustainability and people matters relevant to the group and its operations. This included regular discussions about the group's climate strategy and landscape through frequent environmental, social and governance ("ESG") updates. An enhanced climate risk governance framework has been adopted during the financial year and is supported at management level by a climate committee underpinned by five distinct working groups, each with an Executive Committee sponsor.

The board has continued to monitor closely and support the enhancement of diversity and inclusion at all levels of the organisation. This has included oversight of the group's refreshed diversity and inclusion strategy and three-year implementation plan to promote and continue the development of a diverse and inclusive talent pipeline below board level. Further information on the board's approach to diversity and inclusion can be found on pages 141 and 142.

Engagement with Shareholders

Engagement and dialogue with shareholders remains a key priority of the board, and this year I have been pleased to meet 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. Importantly, this has included a heightened level of shareholder engagement following the FCA's initial announcement regarding its review of historical motor finance commission arrangements and the subsequent announcement by the company of the decisions not to pay a dividend for FY 2024 and to initiate a number of actions to preserve and grow capital. Such engagement has been highly valuable to me and to the board. Now, more than ever, the views of our shareholders form a critical part of decision-making in the boardroom at this very important time for us as an organisation.

This year's AGM will be held on 21 November 2024. 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.

Michael N. Biggs
Chairman

19 September 2024

Governance at a Glance

Compliance with the UK Corporate Governance Code 2018

The UK Corporate Governance Code 2018, published by the Financial Reporting Council (“FRC”), applied to the company throughout the financial year ended 31 July 2024. A copy of the Code can be found on the FRC’s website at www.frc.org.uk.

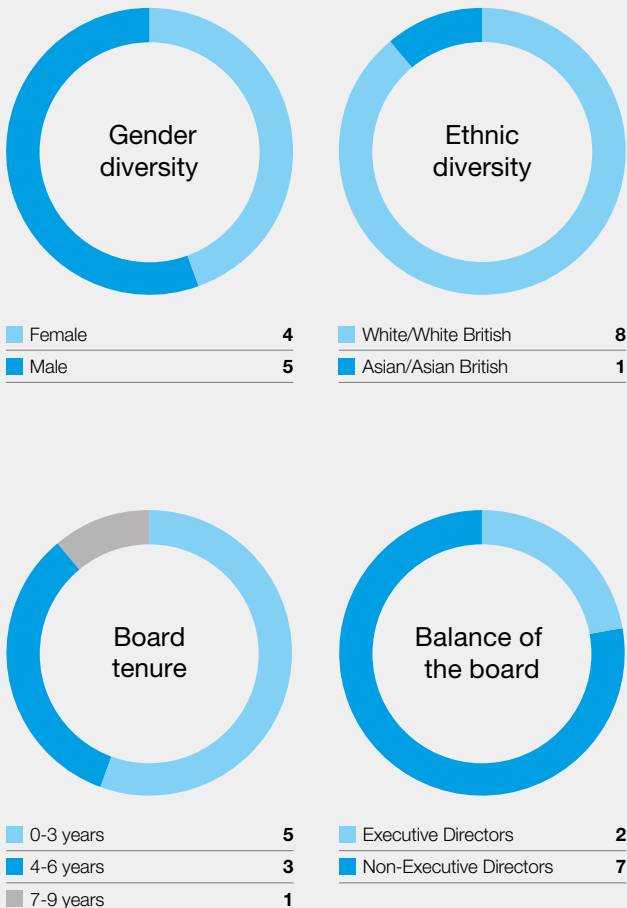
It is the board’s view that, throughout the year, the company has applied the principles and complied in full with the provisions set out in the Code. The following table sets out the relevant sections of our Annual Report, where shareholders can read in more detail how we have embedded governance principles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

Board leadership	Page 128
Division of responsibilities	Page 133
Composition, succession and evaluation	Page 139
Audit, risk and internal control	Page 143
Remuneration	Page 150

The FRC has recently published a revised UK Corporate Governance Code 2024, the provisions and principles of which shall apply to the group with effect from 1 August 2025. The group is in the process of evaluating its practices and internal governance arrangements to ensure continued compliance upon adoption of the new UK Corporate Governance Code 2024. More information on the work done so far in anticipation of the UK Corporate Governance Code 2024 can be found on page 146.

Board Statistics

A summary of the key board statistics is set out below. More information on how the composition of the board is regularly reviewed in order to ensure that the board continues to be comprised of individuals with the appropriate skill sets and experience to serve the group’s current and future needs can be found on page 140, while detailed diversity reporting can be found on pages 141 and 142.



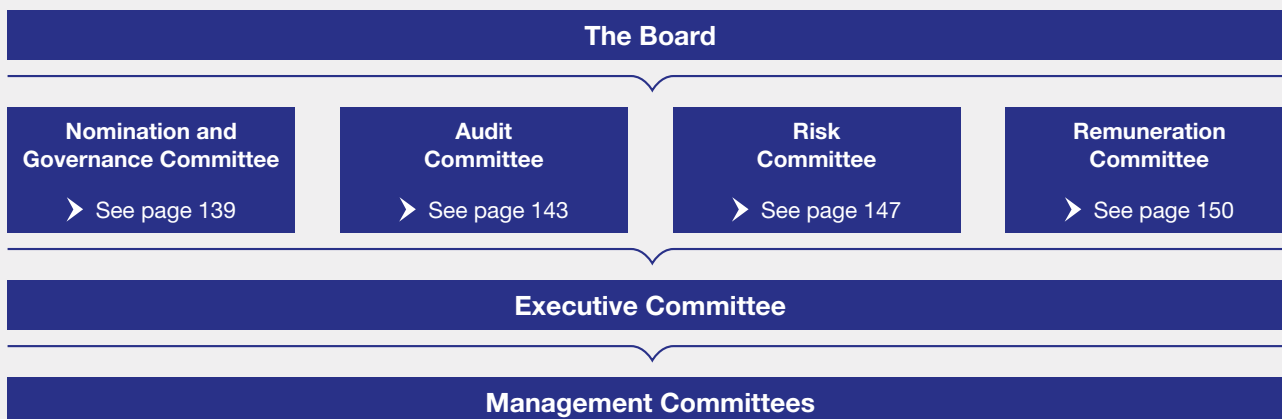
Non-executive Directors’ Skills and Experience

All appointments to the board follow a robust search process. Our view is that the board possesses the right balance of skills and experience to navigate the challenges ahead and to deliver long-term, sustainable growth. The effectiveness of the board and its committees has been assessed this financial year by an external evaluator, which confirmed that the board and its committees continue to be effective. The findings of the annual board evaluation can be found on page 135.



Our Governance Framework

The Board's principal responsibilities are to promote the long-term success of the group and to create and deliver value for shareholders, while protecting the interests of other stakeholders. The board sets the group's strategy and has responsibility for the governance, performance, culture and risk management and internal controls of the group.



Overview of the Board's Work this Year

Protecting the group's valuable franchise while supporting sustainable growth against a backdrop of industry-wide challenges. The board took decisive action in order to build and preserve capital. As a result, the group continues to be well placed to navigate the current uncertainty arising from the FCA's review of historical motor finance commission arrangements.



Kari Hale succeeded Oliver Corbett on 16 November 2023 as chair of the Audit Committee.



Oversight of key appointments to the Executive Committee.



Delivery of multi-year cost saving programmes, including successfully partnering with an IT outsourced provider, while ensuring that any investment was responsible and proportionate, having regard to the industry-wide challenges that the group is facing into.



Oversight of an Asset Finance transformation programme and the introduction of a new cloud platform within the business.



Spending time with colleagues across the group, including a two-day visit to the group's new and sustainable Brighton office, which provided an extended opportunity for the board to meaningfully engage with colleagues.



Undertaking a rigorous and thorough external board evaluation. Details can be found on page 134.



Responsibility for inaugural Consumer Duty assessment, which was the culmination of an extensive programme of work across the group, overseen by the board providing extensive check and challenge throughout the course of the year.



Board Priorities for Next Year

Continuing to identify opportunities and implement actions to further build, manage and preserve the group's capital position.



Exploring strategic opportunities within the group to deliver increased value for shareholders.



Overseeing the further design and embedding of enhanced internal controls processes ahead of the implementation of the UK Corporate Governance Code 2024 applicable to the financial year commencing 1 August 2025.



Implementing the recommendations of the externally facilitated board evaluation.



Continuing to react and respond to the ever-changing macroeconomic and regulatory landscape within which we operate, with the core priorities being the interests of our stakeholders.



 Protect
  Grow
  Sustain
  Communities and environment
  Investors

 Colleagues
  Customers, clients and partners
  Suppliers
  Regulators and government

Board of Directors



Mike Biggs
Chairman



Appointed: non-executive director March 2017; chairman May 2017

Experience and competencies

Mike has more than 40 years' experience within the financial services sector, gained in both executive and non-executive roles. He has extensive experience as a listed company chairman and uses his broad skills and deep knowledge to lead the board and ensure that it operates effectively. Mike's considerable experience of engaging with key stakeholders, including major shareholders and regulators, makes him well placed to lead the board and drive the strategy and culture of the group. Mike is an Associate of the ICAEW.

External roles

Current – none

Past

- Direct Line Insurance Group plc, chairman*
- Resolution Limited, chairman
- Resolution plc, chief executive officer and group finance director*
- Aviva plc, finance director*



Adrian Sainsbury
Chief Executive

Appointed: executive director September 2020

Experience and competencies

Adrian's broad experience in the banking industry makes him qualified to lead Close Brothers. Having joined the group in 2013, Adrian was appointed to the board as chief executive in September 2020. Prior to this, Adrian was managing director of Close Brothers' Banking division from 2016 to 2020. Adrian has served as a director of Close Brothers Limited, the group's principal banking subsidiary, since August 2013. He has deep knowledge and experience of the group and the wider UK banking sector. His strong leadership and commercial expertise support his valuable contribution to the board, ensuring that the group continues delivering for its stakeholders in the years to come.

External roles

Current – none

Past

- UK Finance, board member
- Asset Based Finance Association, chairman
- Barclays, various executive roles
- RBS, various executive roles
- Bank of Ireland, head of global specialised finance
- ANZ, chief executive of Europe



Mike Morgan
Finance Director

Appointed: executive director November 2018

Experience and competencies

Between 2010 and 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 principal banking subsidiary. Mike is a chartered accountant and his combined extensive experience of financial services and financial leadership, as well as his strong understanding of the group and its businesses, are an asset to the board. He is an experienced finance director and his financial expertise plays a fundamental role in driving strategy.

External roles

Current

- Member of the finance, audit and risk committee of Battersea Dogs & Cats Home

Past

- ICAEW Financial Services Faculty Board, chair
- RBS, divisional finance director
- Scottish Provident, various senior roles



Chair



Nomination and Governance



Audit



Risk



Remuneration

* Directorship of publicly listed organisation

**Mark Pain**

Senior Independent Director ("SID")



Appointed: non-executive director and SID January 2021

Experience and competencies

Mark brings to the board more than 30 years' finance, risk management and commercial experience. He has held executive and non-executive roles in both listed and private financial services companies, including in retail banking and insurance. Mark has experience as a SID and makes a highly valuable contribution to the board. He was previously finance director of Barratt Developments plc and Abbey National plc and this experience equips him to support the chair as SID.

External roles**Current**

- AXA UK plc, chairman
- Empiric Student Property plc, non-executive chairman*

Past

- Barratt Developments plc, finance director*
- Abbey National plc, finance director*
- Yorkshire Building Society, senior independent director
- London Square Limited, non-executive chairman
- Ladbrokes Coral Group plc, non-executive director*
- Punch Taverns plc, non-executive director*
- Spirit Pub Company plc, non-executive director*
- Johnston Press plc, non-executive director*
- Aviva Insurance Limited, non-executive director

**Tracey Graham**

Independent Non-executive Director



Appointed: non-executive director March 2022

Experience and competencies

Tracey brings to the board significant executive leadership experience from organisations in the financial and business services sectors, both in the UK and internationally. She is an experienced non-executive director, having served on a number of listed company boards across a range of financial services sectors. She is an experienced remuneration committee chair and has extensive experience serving as a senior independent director. Tracey's significant commercial, operational and customer service insights are of great benefit to the board.

External roles**Current**

- Nationwide Building Society, SID
- DiscoverIE Group plc, SID*
- LINK Scheme Limited, non-executive director

Past

- Royal London Mutual Insurance Society Limited, non-executive director
- Ibstock plc, SID*
- AXA Insurance plc, director of customer services
- Talaris Limited, chief executive officer
- De La Rue plc, various executive roles
- HSBC, various senior positions

**Kari Hale**

Independent Non-executive Director



Appointed: non-executive director 28 June 2023

Experience and competencies

Kari brings to the board extensive audit and commercial expertise and a deep understanding of the audit and governance environment, drawing on his many years in senior audit roles at Deloitte, including membership of its financial services industry board. His expertise includes leading sensitive and complex audits of high-profile organisations. Kari has deep experience of the financial services sector and served as a senior adviser to the Financial Reporting Council, having previously been an executive director at the Financial Services Authority. Kari also brings experience of chairing audit committees at large financial services organisations, making him qualified to chair the Audit Committee of the group.

External roles**Current**

- AXA UK plc, non-executive director

Past

- Deloitte, senior audit partner
- Financial Reporting Council, senior adviser
- Financial Services Authority, executive director

Committee membership

● Chair ● N Nomination and Governance ● A Audit ● Ri Risk ● R Remuneration

* Directorship of publicly listed organisation



Patricia Halliday
Independent Non-executive Director

Ri R A

Appointed: non-executive director August 2021

Experience and competencies

Patricia brings considerable risk and commercial expertise to the board. She has more than 30 years' experience in risk management across the investment, corporate and retail banking sectors, including serving as chief risk officer in financial services organisations. Her deep understanding of the regulatory, risk and governance environment is immeasurably valuable and supports the board's leadership of the group. Her experience qualifies her to chair the Risk Committee.

External roles

Current – none

Past

- Santander UK, chief risk officer
- GE Capital International Holdings Limited, chief risk officer
- Deutsche Bank, credit risk managing director
- Barclays Capital, various senior risk management roles



Tesula Mohindra
Independent Non-executive Director

A Ri

Appointed: non-executive director July 2021

Experience and competencies

Tesula brings to the board extensive finance and commercial expertise, drawing on over 25 years' experience which includes senior executive and advisory roles in the banking, insurance and pension fund sectors. Tesula qualified as a chartered accountant with PwC 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. Since then, she has worked as an independent financial consultant advising on business plans and capital raising. Tesula's considerable financial services expertise gained in a broad range of organisations, from investment banks to start-ups, supports the board's leadership of the group and makes her well positioned to serve the board.

External roles

Current

- RAC Group, non-executive director
- NHBC (National House Building Council), non-executive director
- Variety, the Children's Charity, trustee

Past

- JP Morgan, managing director
- UBS, managing director



Sally Williams
Independent Non-executive Director

A Ri

Appointed: non-executive director January 2020

Experience and competencies

Sally brings extensive risk, regulatory and governance experience to the board, having held senior executive positions at Marsh, National Australia Bank and Aviva. Prior to that, Sally held roles at PwC in both their risk management and audit teams, over a period of 15 years. She is a chartered accountant, and also has significant experience chairing audit committees. The board benefits from Sally's considerable experience of the broader UK financial services and insurance sectors, and her understanding of risk management, compliance and audit matters.

External roles

Current

- Lancashire Holdings Limited, non-executive director*
- Family Assurance Friendly Society Limited (OneFamily), non-executive director
- Ovarian Cancer Action, trustee

Past

- Marsh Ltd, director of risk and governance
- National Australia Bank, head of risk, London
- Aviva, group risk and governance director
- PwC, director, risk management

Executive Committee

The biographies of the Executive Committee members can be found at www.closebrothers.com/who-we-are. The role of the Executive Committee is described on page 128, and the process for succession planning and appointments to the Executive Committee is overseen by the Nomination and Governance Committee as described on page 141.



Adrian Sainsbury
Group Chief Executive



Mike Morgan
Group Finance Director



Ian Cowie
Chief Executive Officer Retail



Bradley Dyer
Winterflood Chief Executive



Rebekah Etherington
Group Head of Human Resources



Phil Hooper
Chief Executive Officer Property



Simon Jacobs
Group Chief Operating Officer



Naz Kazi
Group Head of Internal Audit



Eddy Reynolds
Asset Management Chief Executive



Matt Roper
Chief Executive Officer Commercial



Robert Sack
Group Chief Risk Officer



Angela Yotov
Group General Counsel

Corporate Governance Report

Board governance and activities

Governance Framework

Our governance framework, as illustrated on page 123, supports the delivery of the group's strategy through effective decision-making, long-term shareholder value and contribution to wider society.

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 communications;
- board and committee membership;
- delegation of authority; and
- corporate governance matters.

The matters reserved for the board, which are periodically reviewed, are available at www.closebrothers.com/investor-relations/investor-information/corporate-governance. When carrying out its duties, the board acts in accordance with relevant legislative and regulatory requirements while at all times having regard to the directors' duties set out in the Companies Act 2006, including the duty pursuant to s.172 of the Companies Act 2006, being the duty to promote the success of the company for the benefit of its members as a whole. Stakeholder considerations are a core focus of all board decisions, about which you can read more on page 137.

The board delegates responsibility for certain matters to its committees. Each committee has terms of reference, which are available at www.closebrothers.com/investor-relations/investor-information/corporate-governance. The chair of each committee reports at each subsequent board meeting on matters discussed at committee meetings. All non-executive directors have access to committee papers 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, along with a summary of the activities undertaken during the year.

The board delegates the execution of the group's strategy and the day-to-day management of the business to the Executive Committee, which is led by the chief executive and supported by management committees.

Robust governance is embedded throughout the organisation, and numerous committees at management level provide oversight across day-to-day operations. Management committees ensure that matters are sufficiently developed and challenged as they are escalated upwards.

Board Leadership

The board's primary role is to provide effective leadership and stewardship for the group as a whole. 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 core stakeholder expectations. The board oversees the group's risk management and internal controls systems which enable risk to be appropriately assessed and managed.

When considering strategic issues and the group's business model, the board regularly engages directly with executives and members of senior management on performance against strategic goals, as well as external experts on relevant trends and developments in the wider market, including from a regulatory perspective. While considered in the context of all decision-making, this year a range of specific activities enabled the board to focus on areas of strategic importance. This included a dedicated strategy session in May 2024, as well as targeted discussions at board and committee meetings, with detailed briefings from the relevant executives. The board also participated in a series of deep dive sessions on key matters of strategic, regulatory and stakeholder importance as described on page 129.



2024 Board Strategy Day

- The board held a strategy event focusing on, amongst other things, the short-term priorities for the group to strengthen its capital position, as well as the longer-term financial plan and opportunities for delivering growth and shareholder returns.
- The board carefully considered various matters to support long-term value creation, focusing on cost efficiency, disciplined growth and capital optimisation.
- As part of the strategy day, the board assessed a range of strategic opportunities relating to specific business divisions against the group's desired operating model.

Risk Management, Internal Controls and Whistleblowing

The board is responsible for, and actively monitors, the group's risk management and internal control systems. Detailed information in respect of the risk management and internal controls systems is provided within the Risk Report on pages 74 to 116.

The board considers a range of 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.

During the year under review, the board considered and approved:

- the group's ICAAP and ILAAP statements;
- the annual compliance plan;
- the Enterprise Risk Management Framework;
- the group risk appetite statements, updated and expanded to reflect the current and emerging risks faced by the group; and
- enhancements to the risk management policies supporting the group's risk management framework, which this year included a new policy on operational resilience.

Particular attention was given this year to capital risk and the internal controls in place throughout the group to support capital management, which has resulted in enhanced capital reporting to the board and strengthened capital management processes being embedded through the group. Further information on the board's work throughout the year can be found on page 130.

Effectiveness of risk management and internal control systems

The board has reviewed the effectiveness of the group's risk management and internal control systems and considers that the group has in place adequate and effective risk management and internal control systems with regard to its risk profile and strategy.

The board's assessment is supported by the work of the Risk Committee and the Audit Committee which together keep under review the effectiveness of the systems of risk management and internal control via a range of mechanisms. This includes receipt of regular risk management metrics, review and challenge of audit and risk self-assessments, oversight of internal audit activity, and review and challenge of various risk-related processes and plans.

Further information on risk management and internal controls can be found in the Risk Report on pages 74 to 116 and in the Risk Committee report on pages 147 to 149.

Principal and emerging risks

The board has performed a robust assessment of the principal and emerging risks facing the group, including those that would threaten the group's business model, future performance, solvency or liquidity. These principal and emerging risks are regularly reviewed and challenged by the Risk Committee and at management-level governance forums, via risk management information and commentary provided by the group chief risk officer. The risk management information provides a view of the risk profile of the group, performance in line with risk appetite, an assessment of the group-level emerging risks and mitigating actions to ensure the group's preparedness should a risk crystallise. The process for identifying, managing and mitigating these risks forms a core part of the Enterprise Risk Management Framework and further detail is provided in the Risk Report on pages 74 to 116.

The board confirms that throughout the year ended 31 July 2024 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 and emerging risks faced by the group. The board has also assessed the likelihood of a risk crystallising 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.

Further information on the group's principal and emerging risks can be found in the Risk Report on pages 74 to 116.



Deep Dives

- A number of deep dive sessions were held during the year. These focused on key areas of business or regulatory importance or on topics of increasing significance. Where relevant, external experts supported the delivery of the sessions to bring a wider perspective which was overlaid on the specific organisational context for the group.
- Highlights this year have included sessions on:
 - cyber resilience and responding to cyber breaches;
 - developments in artificial intelligence and the relevance to financial services;
 - regulatory perspectives on industry-wide challenges, including the FCA's review of historical motor finance commission arrangements;
 - significant risk transfer transactions; and
 - customer perspectives on green financing products.
- The board attended the regular refresher training sessions on directors' duties and the Senior Managers and Certification Regime. This provided an opportunity for the directors to consider their responsibilities both in a broad sense but also by reference to the specific challenges currently facing the financial services industry.

Further information on areas of specific focus can be found on page 130.

Whistleblowing arrangements

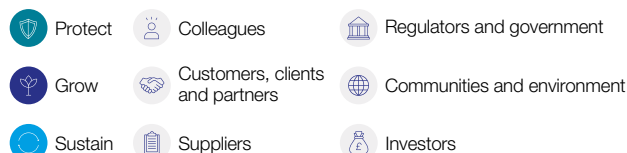
The board oversees the group's whistleblowing arrangements, which include channels through which a person may raise matters anonymously. It monitors the operation and effectiveness of these arrangements, ensuring that processes are in place for the proportionate and independent investigation of matters raised through the mechanisms available 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.

In addition, the board appoints one of the directors to act as the group's whistleblowing champion and this is currently Kari Hale. In this role, Kari 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 procedures, see page 48.

Board activities during the year

During the year, the board and its committees undertook a range of activities to drive forward the group’s purpose and strategy aimed at protecting, growing and sustaining the group’s valuable franchise. Key events and areas of focus this year are set out below.



Our customer focus includes oversight and challenge of affordability strategies in the various businesses across the group, implementation of the Asset Finance transformation programme to deliver significant customer benefits and review of the Customer Commitment Framework. During the year we have also continued to embed Consumer Duty across the business and undertaken our first Consumer Duty annual assessments.

Area of focus	Summary of the board’s work in this area
Strategy 	Considered the FY 2025 budget and the longer-term three-year strategic plan for the group. Considered various commercial opportunities and scenarios against the group’s Model Fit Assessment Framework which is kept under review and challenged as appropriate.
Cost management 	Considered, challenged and approved programmes to deliver significant multi-year cost savings, including the delivery of group-wide outsourcing of IT infrastructure whilst maintaining operational resilience, and the reduction of the group’s physical office footprint.
Capital actions 	Took decisive and prudent action to strengthen the group’s capital position. This included the decision not to pay a dividend in respect of FY 2024, as part of the wider capital action plan to ensure the group is well positioned to navigate the current uncertainty arising out of the FCA’s review of historical motor finance commission arrangements.
Capital management 	Undertook a detailed review of the group’s capital management framework, reporting and governance. Oversaw enhancements including the expansion of specialist knowledge within the group and the adoption of revised capital risk appetite statements.
Capital structure 	Built on the success of the bond issuance in the prior year, with an inaugural issue of AT1 securities in a £200 million transaction to optimise the capital structure and provide further flexibility to grow the business, in line with the group’s strategy and capital management framework.
External reporting 	Acting upon the recommendation of the relevant committees, the board approved various external reports and announcements, including the Annual Report 2023 and trading updates during the year as well as communication of the decision not to pay a dividend for FY 2024.
Customer focus 	Customer focus included oversight and challenge of affordability strategies in the various businesses across the group, implementation of the Asset Finance transformation programme to deliver significant customer benefits and review of the Customer Commitment Framework. During the year, the board has also continued to embed Consumer Duty across the business and has undertaken its first Consumer Duty annual assessment.
Succession planning 	Oversaw changes to committee composition including Kari Hale’s succession as chair of the Audit Committee and supported a number of appointments to the Executive Committee during the year.
Board and committee evaluation 	Commissioned the externally led board and committee evaluation and is developing an action plan to implement the findings of the evaluation. The board also supported and contributed to the annual review of the chairman’s performance by the senior independent director.
Corporate governance reforms 	Supported the commencement of a number of workstreams on enhancements to the internal controls environment and reporting in preparation for the new UK Corporate Governance Code 2024, which will apply to the group with effect from the financial year beginning 1 August 2025.
Regulatory matters 	Continued engagement with the PRA and FCA during the year as well as other relevant regulators, and received updates on management-level interaction with the PRA and FCA. Focused on further strengthening the group’s relationships with regulators and embedding regulatory expectations within the business.
Strategic growth 	Oversaw the acquisition of Bluestone Motor Finance in Ireland (now Close Brothers Motor Finance Ireland). The strategic acquisition aligned to the group’s commitment to Ireland as an important market and represents an important milestone in our commitment to delivering disciplined growth in our Retail business.
People and culture 	Received regular updates on culture and people across the group, particularly in response to challenges affecting colleagues during the year. Discussed a detailed analysis of the results of the periodic employee engagement survey. Oversaw the implementation of the three-year group diversity and inclusion strategy. Met with a range of colleagues across the group to hear from them about their experience of working at Close Brothers.



Site Visit to Close Brothers' Brighton Office

Workforce engagement provides directors with first-hand insight into the group's day-to-day operations and an opportunity to meet and engage directly with colleagues across the group.

In July 2024, the board held its meetings at the office of the Invoice Finance business in Brighton. The Brighton-based team had recently been relocated to new premises, which have significantly reduced the group's carbon footprint in the region, contributing to the group's cost-saving initiatives and better supporting collaborative working.

During the course of the two-day visit, the board met informally with business leadership and other colleagues, enjoyed an employee-led tour of the new premises to learn about the building's sustainability credentials and held an informal mingling session to which all Brighton-based employees were invited. The board was able to discuss directly with employees various topics including career development, work/life balance and culture across the group.

The board also attended a deep dive session from the Invoice Finance leadership team covering strategy, technological investment, customer experience and key performance indicators.

The Brighton visit was well received by both the board and the local workforce and was an opportunity for the board to interact with a diverse group of colleagues. As a result of the visit, the board gained a better understanding of how the group's culture is embedded within the wider organisation. The visit also enhanced the board's understanding of employee interests and colleague experiences, while providing the board with the opportunity to see the business in action.

In addition, the two-day visit served as a further opportunity for board members to engage with one another outside of the boardroom and in a less formal setting.

Financial calendar

September 2023

- Full-year results and roadshows
- Publication of Annual Report 2023
- Publication of 2023 Pillar 3 disclosures

November 2023

- Annual General Meeting 2023
- Q1 trading update
- AT1 issuance

January 2024

- Announcement by the FCA of its review of historical motor finance commission arrangements

February 2024

- Announcement of a series of capital strengthening actions, including the decision not to pay a dividend for the financial year

March 2024

- Half-year results and UK roadshow
- Further detail of capital strengthening actions announced

April 2024

- US investor roadshows

May 2024

- Q3 trading update
- First AT1 coupon payment
- Chairman's governance roadshow

June 2024

- European investor roadshow

Board governance and activities

Meetings of the Board

The annual schedule of board and committee meetings is agreed a significant length of time in advance of the meetings in order to ensure, so far as possible, the availability of all directors. In the event that directors are unable to attend a meeting, they receive papers as usual and have the opportunity to relay their comments and questions in advance of the meeting, as well as follow up with the chairman if necessary. The same process applies with respect to the board committees. Board and committee papers include dedicated reporting on stakeholder considerations where appropriate, and senior manager insights with regard to employee and customer sentiment and culture across the group are of particular value. Each scheduled board meeting includes dedicated time for discussion between the chairman and the non-executive directors, without the executive directors present.

The board has appointed Sally Williams to act as the Banking division's Consumer Duty champion. Sally challenges senior management with regard to consumer outcomes. She has played an active role as Consumer Duty champion and contributed to the development of the Banking division's inaugural Consumer Duty annual

assessment, providing appropriate and robust challenge to senior management on matters relating to Consumer Duty throughout the year.

In addition to the scheduled board and committee meetings as detailed in the table below, there were a number of ad hoc board meetings this year, to afford the board opportunities to consider a number of particularly dynamic issues arising during the year.

The board also continued to assess the basis on which the group generates and preserves value over the long term and consider how opportunities and risks to the future success of the group are addressed via a range of other engagement mechanisms:

- The board held a strategy day in May 2024, details of which can be found on page 128.
- The board met with local employees and interacted with staff informally through a range of opportunities, as detailed on page 138.
- Members of the board met with significant shareholders, as set out on page 138.

Attendance at scheduled board and committee meetings during FY 2024

	Board	Nomination and Governance Committee	Risk Committee	Audit Committee	Remuneration Committee
Mike Biggs	8/8	5/5	–	–	5/5
Adrian Sainsbury	8/8	–	–	–	–
Mike Morgan	8/8	–	–	–	–
Mark Pain	8/8	5/5	5/6	–	4/5
Tracey Graham	8/8	5/5	6/6	–	5/5
Kari Hale ¹	8/8	1/1	5/6	5/5	–
Patricia Halliday	8/8	–	6/6	5/5	–
Tesula Mohindra	8/8	–	6/6	5/5	–
Sally Williams	8/8	–	6/6	5/5	–
Former directors					
Peter Duffy ²	4/4	3/3	4/4	–	2/2
Oliver Corbett ²	3/3	2/2	2/2	2/2	–

1. Kari Hale was appointed a member of the Nomination and Governance Committee with effect from 26 June 2024.

2. Oliver Corbett and Peter Duffy resigned as non-executive directors with effect from 16 November 2023 and 15 February 2024, respectively.

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. The roles of the chairman, chief executive and senior independent director, as approved by the board in July 2024, can be found on the company's website at www.closebrothers.com/investor-relations/investor-information/corporate-governance. A summary of various board roles is set out below.

In addition, the chairman, chief executive, finance director and each of the committee chairs have various prescribed responsibilities under the Senior Managers and Certification Regime, overseen by the FCA. Other board members also take on additional responsibilities required by legislation such as whistleblowing champion or Consumer Duty champion, although responsibility for oversight of these matters remains with the whole board.

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, observing the highest standards of corporate governance. – 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 is responsible for developing the group’s strategy and assessing and monitoring culture across the group. – Promotes effective engagement between the board, its shareholders and other stakeholders. – Chairs the Nomination and Governance Committee, monitors the board’s composition and succession planning, and leads the annual board evaluation process.
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.
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.
Sarah Peazer-Davies Company Secretary	<ul style="list-style-type: none"> – Advises the directors on corporate governance, 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 inductions, the annual board evaluation and ongoing development. – Available to provide advice and support to all directors on matters of corporate governance. – Organises all board and committee meetings as well as the Annual General Meeting (“AGM”).

Directors’ Independence

The board considers that each non-executive director is independent under provision 10 of the Code. The chairman, Mike Biggs, was considered to be independent on appointment in line with the provisions of the Code. The board annually reviews the directors’ independence.

Conflicts of Interest

The board, with the support of the company secretary, regularly reviews actual or potential conflicts of interest of each of the directors. Directors are responsible for notifying the chairman and the company secretary of any changes to the nature of their interests and are reminded of this at the start of each board and committee meeting. The company secretary maintains a register of directors’ interests, including those conflicts authorised by the board, and the board annually reviews each non-executive director’s external interests.

As required by the Code, the board’s practice is to assess whether directors’ external appointments should be approved in advance of proposed additional appointments being taken on by any of our directors, with significant consideration given to the following factors:

- whether the external appointment is 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.

Time Commitment

The non-executive directors’ letters of appointment set out the time commitment expected of them, and all directors must seek prior board approval before taking on significant additional commitments. The board is satisfied that each non-executive director continues to and is able to dedicate sufficient time to the company’s affairs. The directors’ attendance at scheduled meetings is on page 132.

Election and Re-election of Directors at the 2024 AGM

In accordance with the Code, all directors retire and submit themselves for election or 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.

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 2024 AGM.

Board induction, training and evaluation

Induction

On appointment, 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.

Induction programmes are tailored to each director and typically include visits to local offices, one-to-one meetings with executive directors, the company secretary and senior management, and a 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.

Kari Hale was appointed to the board in June 2023 and became chair of the Audit Committee in November 2023. His induction programme during the year included sessions with the executive directors and senior management to discuss strategic, regulatory and corporate governance matters and a meeting with the lead audit partner of the group's external auditor.

Ongoing Development

A tailored development programme for the directors was reviewed and approved by the Nomination and Governance Committee. The programme covers topics of strategic, regulatory and operational relevance. Where appropriate, external advisers facilitate sessions to offer an external perspective on emerging themes, or to support the directors' consideration of strategic opportunities. Further information on sessions held during the year can be found on page 129.

The directors also receive annual training on the Senior Managers and Certification Regime as well as their directors' duties and listed company obligations. The company secretary is available to advise all directors on all matters of corporate governance.

Board Evaluation

In line with recognised best practice and the recommendations of the Code, the board undertakes a formal and rigorous evaluation annually to assess the effectiveness of the board and to identify areas for improvement. The evaluation process is externally facilitated at least every three years by an independent provider.

This year the board appointed Lintstock Ltd to conduct an external review of the effectiveness of the board and its committees. Lintstock is an advisory firm that specialises in board effectiveness reviews and has no other connection with the company or its individual directors. Lintstock is accredited by the UK Chartered Governance Institute and the board evaluation was undertaken in line with the 2023 Code of Practice for Board Reviewers. Lintstock have not provided any other services to the company and have had advanced sight of the disclosures set out below.

The Nomination and Governance Committee oversaw the board evaluation process, having considered proposals from external firms on the basis of cost, experience, and the proposed scope of the evaluation and subsequent reporting. In addition, Mark Pain, the senior independent director, met with two of the external providers under consideration to discuss their proposed approach. The Committee selected Lintstock to undertake the external evaluation on the basis that Lintstock were thought to be the best provider given their holistic approach, and would consider the effectiveness of the board within the current external corporate governance framework, while also being mindful of the specific challenges the board is facing.

Director induction programme

Strategy

Markets
Opportunities
Culture

Forecast and budget
Investor views
Audit

Financial

Regulatory

Risk management
Regulatory landscape
Corporate governance

Board evaluation methodology

Scoping and tailoring

February – March 2024

The scope and objectives of the evaluation were agreed following a briefing meeting with Lintstock. Lintstock collaborated with the chairman and the company secretary to design a review process tailored to the business needs of the group.

As well as covering core aspects of governance such as provision of information, composition and dynamics of the board and its committees, the evaluation considered people, strategy and risk areas relevant to performance. It had a particular focus on:

- the board dynamics and communication;
- the board's response to the FCA's review of historical motor finance commission arrangements; and
- the board's oversight of risk, including horizon scanning.

Completion of surveys

April 2024

Board members and selected members of the Executive Committee and senior management completed bespoke surveys assessing the performance of the board and each of its committees. Each director also completed a self-assessment questionnaire assessing their own performance.

Interviews

May 2024

In-depth interviews with board members were conducted by two Lintstock partners. The findings from the survey enabled Lintstock to focus discussions on the key priorities and comments of each director.

Analysis and delivery of reports

June 2024

Lintstock analysed the surveys and interviews and delivered focused reports documenting the findings, including a number of recommendations to ensure continued effectiveness.

Board discussion

Lintstock's findings were shared with the chairman and were discussed initially with each of the chairman and the senior independent director. The board is in the process of considering the recommendations of the report, which will be considered further at a targeted session in the coming weeks.

Findings of the evaluation

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 number of priorities for the board in the upcoming year were identified, including:

- continued refinements to the board's oversight of risk, strategy and people, ensuring that appropriate mechanisms are in place to deal with any emerging challenges;

- maintaining alignment with management in key areas and ensuring continued focus on the overarching priorities for the group and its capacity to deliver on plans; and
- reviewing the decision-making process and the way in which lessons are drawn from past decisions, ensuring these are captured to support future success.

As part of the review, Lintstock provided an analysis of the board's effectiveness relative to other organisations, specifically within financial services, putting the findings into context. The effectiveness of the board ranked favourably as compared with other companies included in Lintstock's comparator index.

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.

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.

Implementation of the Findings of the FY 2023 Evaluation

The board has also considered its progress against the findings of the FY 2023 evaluation.

Key recommendations	Progress made
Greater consideration of board composition and succession planning at executive director and Executive Committee level.	Board size reduced to nine directors and committee composition adjusted throughout the year to ensure appropriate diversity of skills and experience. The Nomination and Governance Committee significantly increased its focus on succession planning at Executive Committee level.
Meeting agendas to allow for longer discussion on key topics, and reporting to the board and committees to be more targeted.	Deep dives held on relevant matters to allow greater discussion, and additional board meetings convened during the year. Board agendas reviewed throughout the year to optimise available time. The company secretary ran sessions with senior management to focus board reporting with updated board paper templates.
Greater focus on stakeholder engagement and the extent to which the group contributes to wider society.	Greater time has been allocated to dedicated ESG sessions, and the board continues to increase its engagement with a variety of stakeholder groups. Work in this area will continue in FY 2025.

Stakeholder engagement

The board recognises that the group's stakeholders have different values and priorities. It is important for the board to understand and consider the interests of stakeholders. Further information about the company's key stakeholder groups, as well as the company's Section 172 Statement, can be found in the Strategic Report on pages 29 to 31.

Board Decision-Making

The board assesses stakeholder views and takes them into account when making decisions. For example, management regularly updates the group's primary regulators on board decisions to engage proactively and maintain a positive relationship. The two case studies shown on this page provide practical examples of how the board takes into account the company's different stakeholders as an integral part of its decision-making process.



Capital Action Plan

Suspension of FY 2024 dividend

The FCA announced a review of historical motor finance commission arrangements in January 2024. This review gave rise to a range of possible outcomes and resulted in industry-wide uncertainty. Following the FCA's announcement and the subsequent volatility in the group's share price, the board took prudent and decisive action to strengthen the group's capital position and reassure the market.

The board considered an extensive list of potential actions to strengthen capital, assessing the merits of each action in terms of ease of execution, impact on the core business franchise and the potential impact on a range of stakeholders, including shareholders. After extensive debate and due consideration, the board made the decision not to pay a dividend for the 2024 financial year, as announced in February 2024.

In making this decision, the board carefully considered the impact that this would have on shareholders and their investment strategies, as well as the need to balance near-term shareholder returns with protecting the business and franchise and, hence, profitability in the longer term. Consequently, the board concluded not to pay a dividend for the financial year under review and that this would promote the long-term success of the company in light of the uncertainty surrounding the outcome of the FCA's review, which persists today.

Capital action plan

Following the announcement of the decision not to pay a dividend, the board announced a range of additional actions to further strengthen the group's available capital. These actions, some of which have already been implemented, included selective loan book growth to optimise risk weighted assets, supported by additional cost management initiatives, and the potential for significant risk transfer of assets.

In deciding to optimise risk weighted assets, the board was mindful of the impact on customers and those employees whose core objective is to deliver growth and consequently sought to distribute the impact of such optimisation across the lending businesses in an appropriate way.

Management have provided regular updates to the board on the impact and delivery of the capital action plan, which has provided important feedback to the board as the plan has continued to evolve.



Capital Management

The board has always been mindful of the need to ensure that the group's capital management oversight remains appropriate and complies with both regulatory expectations and good practice, given the activities of the group and the ever-evolving regulatory landscape.

In the summer of 2023, the board commissioned a review of the group's capital management framework, reporting and governance. This was designed to benchmark capital management practices against evolving good practice and to determine what, if any, improvements could be made. As part of this exercise, management re-assessed the group's capital risk appetite limits, capital triggers and related reporting.

The review led to the board adopting revised capital risk appetite triggers and limits and revisions to the format and frequency of capital-related management information. This refreshed capital management framework has provided considerable support to the board during 2024 when considering the range of potential impacts of, and responding to the uncertainty posed by, the FCA's review of historical motor finance commission arrangements.

A key stakeholder relevant to the board in its decision-making with respect to the adoption of a revised capital management framework is the group's primary regulators, with whom the board, via management, has always maintained a regular dialogue.

Culture and Workforce Engagement

Culture and values

The board recognises the importance of our unique and distinctive culture for the long-term success of the group. The board plays a key role in establishing, monitoring and assessing culture and leading by example to promote 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 board received updates from the group head of HR on the results of the anonymous employee opinion survey which tracks against our own and sector-wide cultural markers, in addition to a quarterly culture dashboard which includes external stakeholder considerations. This reporting is used by the board to assess the extent to which desired behaviours are embedded across the employee population.
- 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 suitable granularity.
- Site visits and attendance by the non-executive directors at various employee events and management committees, as well as structured site visits with dedicated employee engagement sessions, such as the visit to the Brighton offices, more information about which can be found on page 131.
- 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 page 168).
- The board reviewed the group's whistleblowing arrangements. See page 129 for further detail.
- This year's board evaluation provided the board with an external and independent perspective of its own culture, which supports the board as it endeavours to set the right "tone from the top".

Engagement with employees

The board's engagement with employees is mutually beneficial. It allows the board to monitor the group's culture and maintain an engaged and motivated workforce to support the group in delivering a high level of service to our customers. Our values of service, expertise, relationships, teamwork, integrity and prudence form an important part of who we are.

As permitted by the Code, the board has put in place its own arrangements to engage with employees across the group. With oversight from the Nomination and Governance Committee, a programme to facilitate board engagement is managed by the company secretary. The board, through the work of the Nomination and Governance Committee, keeps its workforce engagement arrangements under review to ensure they remain appropriate to the group.

The board values opportunities for directors to engage with employees, across regional locations and at events of different levels of formality. This allows the board to engage with the group's workforce authentically and for the workforce to raise topics which they might not otherwise have the opportunity to discuss with the board. The board acknowledges the benefits of meaningful engagement with senior management, who play an important role in embedding the group's culture through the business and in reporting to the board on employee sentiment within the businesses.

Examples of engagement and consultation in the year with employees included:

- In July 2024, the board visited the new Brighton office, as described on page 131.
- Non-executive directors' participation at local governance fora and events which are attended by significant numbers of employees and can include Q&A sessions.
- Participation by directors in focused initiatives operated by the group's diversity and inclusion networks through the year.
- Informal networking events hosted by the directors and which are open to smaller groups of employees to attend.

The board considers that its employee engagement activities during the year have been effective, have allowed the directors to engage widely with employees across a broad manner of settings and engagement styles, and afford the board meaningful insight as to employee sentiment to ensure employee interests are embedded in board decision-making.

Engagement with Shareholders

The board believes it is important to maintain an open and constructive relationship with shareholders in order to provide shareholders with reliable and timely information.

In addition to the investor engagement undertaken by the chief executive and group finance director during the year, examples of engagement and consultation with our shareholders included:

- The AGM, which is an opportunity for shareholders to engage with and question the directors and senior management.
- Debt investor views in relation to the group's inaugural Additional Tier 1 capital ("AT1") issuance in November 2023, were also communicated to the board.
- The chairman met with a number of institutional shareholders, covering c.50% of the share register by holding, to discuss matters such as strategy, corporate governance, succession planning and the board's actions to strengthen the group's capital position.
- Frequent updates on shareholder engagement and investor feedback following results announcements and investor roadshows.

Additionally, the Remuneration Committee chair is available to discuss remuneration matters and the senior independent director is available to meet with shareholders.