

Chairman's Introduction to Governance

Focused on delivering stakeholder value



Michael N. Biggs
Chairman

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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