

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

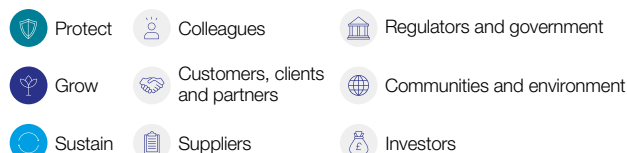
The board oversees the group's whistleblowing arrangements, which include channels through which a person may raise matters anonymously. It monitors the operation and effectiveness of these arrangements, ensuring that processes are in place for the proportionate and independent investigation of matters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

Nomination and Governance Committee Report



Dear Shareholder

On behalf of the board, I am pleased to present the report of the Nomination and Governance Committee (the “Committee”) for 2024. The report sets out an overview of the Committee’s role and responsibilities and its key activities during the year.

Board effectiveness and composition remained an important focus for the Committee during the year, with a view to ensuring an appropriate balance of skills, knowledge, independence, experience, time commitment and diversity in order for the board to operate effectively. The need for the right skills around the board table has been ever-more acute, given the external challenges facing the group.

In addition to leading the annual board evaluation process, which this year was conducted by an external evaluator and is described on pages 134 and 135, the Committee reviewed the board’s collective skill set and the time commitment required of the non-executive directors. The Committee also oversaw Kari Hale’s succession as chair of the Audit Committee in November 2023 and reviewed and refreshed the composition of the board’s committees.

Succession planning and talent management at Executive Committee level and below has been a key focus during the financial year. This has included identifying, retaining and motivating potential successors to develop the group’s talent pipeline.

Building on the Committee’s work in prior years, the Committee continued to monitor sustainability and environmental, social and governance (“ESG”) developments relevant to the group, with a particular focus on diversity and inclusion at all levels of the organisation. The Committee also oversaw the proposals for workforce engagement during the financial year, including the successful board visit to the group’s office in Brighton. ESG will remain a key focus of the Committee in coming years as the group seeks to build on its now well-established sustainability framework and strategy.

Michael N. Biggs

Chair of the Nomination and Governance Committee

19 September 2024

Membership

Mike Biggs (Chair), Tracey Graham, Kari Hale and Mark Pain.

Other regular attendees by invitation

- Chief executive
- Group head of human resources

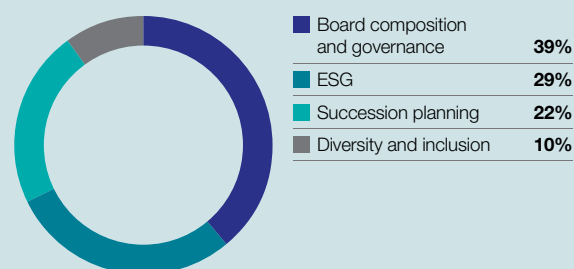
Meetings

- Number of scheduled meetings: five
- For details of attendance, see page 132

Interaction with other committees

The Nomination and Governance Committee makes recommendations to the board and all other committees regarding the appointment and removal of their members and chair.

How time was spent



2024 highlights

- Led the external board evaluation process, described on pages 134 and 135.
- Considered board and committee composition and implemented changes, including appointing Kari Hale as chair of the Audit Committee and a member of the Nomination and Governance Committee. Patricia Halliday was also appointed as a member of the Remuneration Committee.
- Reviewed the group’s approach to succession planning with particular focus on executive and senior management roles.
- Oversight of activities to support and encourage the development of a diverse and inclusive talent pipeline.
- Monitored sustainability and ESG developments and considered their implications for the group.

Key Responsibilities of the Committee

- Regularly reviewing the structure, size and composition of the board and its committees, and making recommendations to the board with regard to any changes.
- Considering the leadership needs of the group now and in the future and succession planning of directors and senior management.
- Overseeing the group’s approach to the development of a diverse talent pipeline.
- Reviewing the continued independence of the non-executive directors and assessing the board’s balance of skills, knowledge and experience.
- Evaluating the skills, knowledge and experience required for a particular appointment, where appropriate with the assistance of external advisers, to facilitate the search for suitable candidates.
- Leading the board’s annual evaluation process, including the appointment of an external board evaluator, when appropriate.
- Monitoring ESG and sustainability developments relevant to the group (including diversity and inclusion and developments relating to climate change and associated reporting requirements).

Appointments to the Committee

Following a review of the Committee’s composition, Kari Hale was appointed as a member of the Committee in the year. Given his extensive financial services and governance experience, Kari will bring valuable perspectives to the Committee.

Board Effectiveness and Non-executive Directors’ Skills

During the year, the Committee led the annual board evaluation process. The Committee supported the chairman and the company secretary in agreeing the scope of the evaluation and oversaw the process to select Lintstock as independent board evaluator. Further information can be found on page 134.

The Committee also conducted its annual review of the individual and collective skills possessed by members of the board, and reaffirmed that the non-executive directors continue to possess the relevant skills and expertise, including extensive experience within financial services and in regulated or listed companies, to be effective in their roles. Where areas for further enhancement were identified, either from the findings of the prior year’s board evaluation or as a result of horizon scanning, these were incorporated into the deep dive sessions and annual training programme overseen by the company secretary with input from the chairman and the chief executive and approved by the Committee.

The chart on page 122 indicates the key skills expected of the board and possessed by the non-executive directors. Further information on the background and experience of each of the non-executive directors can be found in their biographies on pages 124 to 126. Given the regulated environment within which the group operates, directors are also required to undergo an annual fitness and propriety assessment, pursuant to the Senior Managers and Certification Regime.

During the year, the Committee carried out a review of the expected time commitment of each director based on their committee membership, other board roles and industry benchmarking. This resulted in non-executive directors’ letters of appointment being updated to reflect an increased time commitment, given the increased regulatory oversight

and industry challenges which the board spent a great deal of time navigating collectively. In addition, the Committee approved the issue of new letters of appointment for further terms for both the chairman and senior independent director, following consideration of their respective competencies and contribution to the board, and approval of their re-election at the 2023 AGM.

Board Roles and Responsibilities

The Committee undertook a review of the responsibilities of the chairman, senior independent director and the chief executive to ensure these remain fit for purpose and reflective of the expectations of these roles. The Committee recommended a number of incremental enhancements to the stated responsibilities which were subsequently approved by the board. In accordance with the Code, a statement of responsibilities can be found at www.closebrothers.com/investor-relations/investor-information/corporate-governance and further detail is available on page 132.

Changes to Board and Committee Composition

As part of the Committee’s considered and orderly approach to succession planning, it oversaw the succession of Kari Hale as chair of the Audit Committee in November 2023. Kari has deep and extensive audit experience within financial services and is very well qualified to perform the role of Audit Committee chair.

In June 2024, the Committee also considered and recommended the appointment of Kari Hale as a member of the Nomination and Governance Committee, given his broad financial services expertise and understanding of the governance environment, and Patricia Halliday as a member of the Remuneration Committee, in order to further strengthen the Remuneration Committee’s oversight of risk-related remuneration matters.

The Committee adopts a proactive and structured approach to succession planning and remains mindful of board changes that will occur in the future as directors reach the end of their term of office and of the need to ensure continuity of knowledge and experience within the board as a whole. The Committee notes the chairman’s tenure, which is now at seven years, and is aware of the need to ensure the orderly succession of his role in the near future.

The composition of each committee is as follows:

	Nomination and Governance Committee	Audit Committee	Risk Committee	Remuneration Committee
Mike Biggs	Chair			•
Mark Pain	•		•	•
Tracey Graham	•		•	Chair
Kari Hale	•	Chair	•	
Patricia Halliday		•	Chair	•
Tesula Mohindra		•	•	
Sally Williams		•	•	

Election and Re-election of Directors at the 2024 AGM

The Committee is responsible for considering and making recommendations to the board concerning the election and re-election of directors, having regard to their performance, suitability, time commitment and ability to continue to contribute to the board. Following this year’s review, the Committee has recommended to the board that all serving directors be re-elected at the AGM.

You can read more about the board's recommendation that all directors be elected or re-elected at the 2024 AGM on page 133.

Senior Management Talent Development and Succession Planning

The Committee spent considerable time during the year considering the group's succession planning at Executive Committee level and below. During the year, the Committee oversaw a number of key appointments to the Executive Committee, including the appointment of a new chief operating officer, and new chief executives in the Retail and Property businesses. To support Executive Committee succession planning, the Committee oversaw a rigorous recruitment process and considered a range of candidates with extensive sector experience.

Recognising that investing in our workforce and nurturing talent is critical to the future success of the group, the Committee also paid particular attention to succession planning below the level of Executive Committee. It monitored initiatives to ensure that there is a suitably experienced pipeline in place for internal promotion to senior management roles in future years. Activities undertaken by the Committee included a formal review of senior management succession planning, assessing the capability and potential of incumbents in key roles and the succession pipeline across the group as well as monitoring attrition rates across the group.

Ensuring that the group continues to attract, retain and develop skilled, high-potential individuals will remain an important focus in future years. All non-executive directors are invited to attend Committee meetings which consider talent and development, in order to provide them with full visibility of the succession pipeline.

Further information on talent and succession planning can be found in the Sustainability Report on pages 49 to 52.

Diversity and Inclusion

Diversity and inclusion remains a priority of the Committee, whether at board level, senior management or within our wider workforce. The Committee recognises the importance of ensuring that the board and its committees collectively possess the appropriate range and balance of skills, knowledge and expertise, and embrace the advantages to be derived from having diversity of gender, social and ethnic backgrounds represented on the board, bringing different perspectives and the challenge needed to ensure effective decision-making.

It is recognised that the group's stakeholders are diverse and they have a variety of needs. These needs are met by the diversity of thought, culture, background and perspectives that are reflected within our board through an inclusive environment which allows different perspectives to be given due consideration in strategic matters, and enables the board to consider the needs and expectations of all stakeholders.

Gender identity reporting¹ under LR9.8.6R(10)

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	56%	4	10	77%
Women	4	44%	–	3	23%
Not specified/prefer not to say	–	–	–	–	–

The Committee considers that the board remains diverse, with directors from a range of backgrounds, but will seek to take opportunities to further improve the diversity of the board, where this is consistent with the skills, experience and expertise required at a particular point in time.

During the year, the Committee undertook its annual review of the board diversity policy, which applies to both the board and its committees. The policy sets out specific objectives with regard to diversity and inclusion in the boardroom, the recruitment of new directors, and longer-term targets, as well as corresponding governance responsibilities. The Committee noted that a number of enhancements in line with the FTSE Women Leaders Review (previously the Hampton-Alexander Review) and the Parker Review had been made to the policy in the prior year, and the Committee considered that the policy remains appropriate and that no further updates were required at this stage. The board diversity policy is available at www.closebrothers.com/investor-relations/investor-information/corporate-governance.

The Committee also considered the group's diversity in the context of the Listing Rule requirements on diversity metrics and reporting. At 31 July 2024, being the reference date for the purposes of Listing Rule 9.8.6R(9)(a), which requires the disclosure of certain diversity statistics, and as shown in the tables below:

- the board met its target of having 40% female directors;
- the board met its target of having one director from a minority ethnic background; and
- the board does not currently meet the requirement to have one of the senior board positions (chair, senior independent director, chief executive or chief financial officer) occupied by a female director. The directors who hold these roles were appointed following formal, rigorous and transparent procedures and are the most suitable and experienced individuals for their roles and the group's needs. The board recognises that this will be a consideration for future appointments to these roles.

In accordance with Listing Rule 9.8.6R(11), the data for the above disclosure is as disclosed by the relevant individuals at 31 July 2024.

The tables below illustrate the gender and ethnic diversity of the executive management population, which comprises the Executive Committee and company secretary, but excludes administrative or support staff, pursuant to Listing Rule 9.8.6R(10).

The Committee takes seriously its role in overseeing the development of a diverse pipeline for senior management positions and the link between diversity and inclusion and delivery of the company's purpose and strategic aims. To that end, the Committee considered updates during the year in relation to diversity and inclusion initiatives across the group and oversaw the group's refreshed three-year diversity and inclusion plans, focusing on attraction and retention of diverse talent, enhancing the culture of the group, and shaping the group's inclusive brand and embedding inclusion in all interactions with stakeholders.

Ethnic background reporting¹ under LR9.8.6R(10)

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	8	89%	4	10	77%
Mixed/Multiple Ethnic Groups	–	–	–	1	8%
Asian/Asian British	1	11%	–	2	15%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1. The numerical data detailing gender identity and ethnic background is as disclosed by the relevant individuals at 31 July 2024, being the chosen reference date for the purposes of LR9.8.6R(9)(a), and reflects the composition of the board and executive management at that date.

The Committee continues to monitor the approach to diversity and inclusion across the group. Please see the charts below for a breakdown of the group’s gender diversity. More detail on the group’s approach to diversity and inclusion can be found in the Sustainability Report on pages 49 to 52.

Board diversity



Male 56%
Female 44%

Senior management¹



Male 61%
Female 39%

Workforce diversity²



Male 54%
Female 46%

1. Comprises all members of the Executive Committee as shown on page 127 and the company secretary, as well as their direct reports.

2. Comprises all employees of the group including senior management.

Workforce Engagement

The Committee keeps the board’s workforce engagement arrangements, which are described on page 138, under review. During the year, the Committee considered the range of proposed workforce engagement opportunities for FY 2024 and discussed their suitability and effectiveness. Following a successful couple of days engaging with employees in the Brighton office, the board looks forward to arranging similar engagement programmes in the coming financial year.

- reviewing the group’s sustainability credentials and climate ranking and stakeholders’ perception of the group’s climate strategy;
- consideration of the legislative and government-backed climate changes following changes to the UK political landscape; and
- receiving updates on the group’s charitable and community involvement including colleague-led donations and group-initiative donations to corporate charity partners.

Environmental, Social and Governance Matters and Sustainability

Throughout the year, the Committee received and considered dedicated updates on ESG matters relevant to the group. The group’s head of sustainability attended the Committee’s meetings on a regular basis to provide updates on the group’s activities in this area. The Committee’s consideration of ESG matters throughout the year covered a wide range of topics and was informed by, among other things, engagement with shareholders and other stakeholders, legislative and regulatory initiatives and wider market developments.

Areas of focus this year included:

- consideration of the group’s climate disclosures including the group’s Net Zero Banking Alliance (“NZBA”) reporting and assessing the group’s portfolio against its NZBA targets specifically in relation to vehicle emissions, climate disclosure peer benchmarking, and oversight of the Asset Management division’s inaugural TCFD reporting;
- oversight of the group’s sustainability strategy including green lending growth aligned to existing businesses and customers;

The Committee recognises and welcomes the continuing and increasing focus on sustainability and the contribution that the group makes to the wider community. The Committee will continue to consider ESG and broader sustainability matters in the year ahead and make such recommendations to the board as it considers necessary. Further information on the group’s approach to sustainability can be found in the Sustainability Report on pages 33 to 54 of this Annual Report.

Committee Effectiveness

An external evaluation of the effectiveness of the board and its committees was undertaken during the year in line with the requirements of the UK Corporate Governance Code, as described on page 134. The evaluation found that the Committee continues to operate effectively.

The Committee considers that it has access to sufficient resources to enable it to carry out its duties and it has continued to perform effectively.

Audit Committee Report



Dear Shareholder

On behalf of the board, I am pleased to present the report of the Audit Committee (“the Committee”) for 2024, outlining how the Committee discharged its responsibilities and met its objectives.

The Committee oversees and challenges the group’s financial reporting and maintenance of an effective internal control environment. This year the Committee’s schedule has been full, with focus on the key accounting judgements and estimates set out on the following pages, assessing the integrity and fair presentation of the group’s financial reporting and reviewing the group’s internal controls.

Looking ahead to 2025, along with the core responsibilities, the Committee will continue to remain focused on the implications of the FCA review into motor commission arrangements and the resultant accounting and reporting impacts across the group, and readiness for the corporate governance and audit reform changes.

Kari Hale
Chair of the Audit Committee

19 September 2024

Membership

Kari Hale (Chair), Patricia Halliday, Tesula Mohindra and Sally Williams.

Other regular attendees by invitation

- Chairman of the board
- Executive directors
- Group head of internal audit
- Group chief risk officer
- Group financial controller
- Group financial planning and analysis director
- Group head of operational risk and compliance
- External auditor

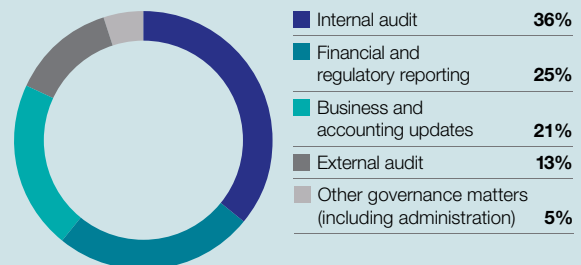
Meetings

- Number of scheduled meetings: five
- For details of attendance, see page 132

Interaction with other committees

The chair of the Audit Committee must be a member of the Risk Committee. The Audit Committee jointly oversees, along with the Risk Committee, the recommendations of the Group’s internal and external auditors and the effectiveness of the Group’s internal control and risk management systems.

How time was spent



2024 highlights

- Challenging key accounting judgements with focus on expected credit loss provisions, impairment assessments of goodwill, revenue recognition, and the implications of the FCA review in to motor commission arrangements.
- Assisting in the 2024 dividend recommendation which took into account the group’s capital position and going concern assessment.
- Reviewing the integrity of the group’s financial reporting and considering key disclosure matters.
- Assisting with the determination of the appropriateness of adopting the going concern basis of accounting and in performing the assessment of the viability of the group.
- Monitoring the group’s readiness for the revised UK Corporate Governance Code.
- Reviewing, challenging and approving the annual internal audit plan and internal audit reports.
- Overseeing the effectiveness and continuous improvement of internal control.
- Overseeing and challenging the external audit plan and reports, including materiality, risk assessments and scope.

Key Responsibilities

The Committee’s key responsibilities, on behalf of the board, are to:

- monitor significant accounting judgements and estimates;
- monitor the integrity of financial reporting including recommending to the board whether it is fair, balanced and understandable;
- oversee the effectiveness of the group’s internal controls;
- review the activities and effectiveness of the group internal audit function;
- review the effectiveness and quality of the external audit process and the independence of the external auditor;
- recommend the external auditor of the group and their fees; and
- review the plan and findings of the audit with the external auditor.

The Committee reports to the board on how it discharges its responsibilities and makes recommendations to the board, all of which have been accepted during the year.

Committee Composition, Operation and Effectiveness

The Committee acts independently of management to ensure the interests of shareholders are properly protected in relation to financial reporting and internal control.

On 16 November 2023, Oliver Corbett resigned as a director of the board. Following Oliver’s resignation, Kari Hale was appointed Chair of the Committee.

The Committee members continue to bring a diverse range of experience in finance, risk, control and business, with particular experience in the financial services sector. The board has confirmed that the members of the Committee have the necessary expertise to provide effective challenge to management; this includes the chair. The qualification for each of the members is outlined on pages 124 to 126.

During the course of the year, the Committee held separate sessions with the internal and external audit teams, without management present.

An external evaluation of the board and its committees was undertaken during the year in line with the requirements of the UK Corporate Governance Code, as described on page 134. The evaluation found that the Committee continues to operate effectively. The Committee considers that it has access to sufficient resources to enable it to carry out its duties and it has continued to perform effectively.

External Audit

The Committee oversees the relationship with PricewaterhouseCoopers LLP (“PwC”), its external auditor, covering engagement terms, fees and independence. The Committee and the external auditor have policies and procedures designed to protect independence and objectivity. PwC has been auditor to the group since August 2017, following the group’s last competitive tender during the financial year ended 31 July 2017. Heather Varley has been the group’s lead audit partner since March 2022. Heather attended all meetings of the Committee. Matters discussed with PwC are set out in its report on pages 180 to 191.

External Auditor Effectiveness and Appointment

The Committee assesses the independence and objectivity, qualifications and effectiveness of the external auditor on an annual basis as well as making a recommendation on the reappointment of the auditor to the board. The evaluation includes consideration of quality, independence and objectivity, technical competence and auditor challenge.

The process was facilitated by a group-wide survey, a survey of the PwC senior audit team and a review of audit and non-audit fees. Overall, the Committee has concluded that PwC remains independent, and it was satisfied with the auditor’s performance and recommended to the board a proposal for reappointment at the AGM. Looking ahead, subject to shareholder approval, PwC will undertake the audit of the company and the group for the year ending 31 July 2025.

In conformance with the required provisions and UK Corporate Governance Code in respect of audit tendering and rotation, the group will be required to tender for the external audit in the 2027 financial year end. Rotation of senior members of the audit team from 2022 onwards has reduced the potential familiarisation threat and therefore a tender has not been completed. Instead during the 2025 financial year, the Committee will commence planning for the next tender, taking into account shareholder interests as well as the FRC’s Audit Committees and the External Audit: Minimum Standard.

Financial Reporting and Critical Accounting Judgements and Estimates

The Committee spent considerable time reviewing the Interim Report and Annual Report. The Committee discussed and challenged the key accounting judgements made by management in preparing the financial statements. This also included consideration of the internal controls over financial reporting. The Committee noted that there were no new material standards, or amendments to standards, relevant to the group that became effective for the reporting period. The Audit Committee reviewed and challenged the accounting and disclosure considerations surrounding the non-adjusting post balance sheet event for the agreed sale of CBAM.

Summary of Financial Reporting and Critical Accounting Judgements and Estimates

Key issue	Committee review and conclusion
<p>Expected credit loss (“ECL”) provision</p> <p>31 July 2024: £445.8 million 31 July 2023: £380.6 million</p> <p>The group’s ECL provision is dependent on management’s judgements and estimates.</p> <p>Given the materiality of the group’s loan book, ensuring that the group’s ECL models and related IFRS 9 judgements and disclosures are appropriate remains a key priority for the Committee.</p>	<p>Regular IFRS 9 updates were provided to the Committee throughout the year. The Committee challenged the level of provisions held by the group, and the judgements and estimates used to calculate these provisions. Particular focus was given to:</p> <ul style="list-style-type: none"> • the latest macroeconomic backdrop and the extent to which models are able to capture these risks; • the ongoing use, approval and exiting of model adjustments; • whether coverage levels continue to reflect the economic risks for customers and the credit risk in the loan book; and • single name loss risks and appropriateness of specifically assessed provisions. <p>Credit risk and provision disclosures were discussed to ensure they gave a balanced articulation of the group’s credit risk profile, and key drivers of the ECL charge.</p> <p>Conclusion: the Committee was satisfied that the impairment provision and the disclosures provided in the financial statements were appropriate.</p>

Key issue	Committee review and conclusion
<p>Goodwill</p> <p>31 July 2024: £102.9 million 31 July 2023: £94.6 million</p> <p>Goodwill is allocated to nine (31 July 2023: eight) cash generating units (“CGUs”), all of which must be tested annually for impairment. This assessment is based on management judgement.</p>	<p>The Committee was presented with goodwill impairment assessments throughout the course of the year. The Committee challenged the appropriateness of the assessment, conclusions and resulting disclosures. Particular focus was given to the cash flow assumptions for Winterflood Securities, which continued to record lower profits driven by difficult market conditions, and Motor Finance where the market and regulatory backdrop is expected to present challenges to the future cash flows.</p> <p>Committee updates included comprehensive information on the impairment assessment methodology, results and sensitivity analysis. Enhancements to the methodology were discussed and challenged including the cash flow approach which takes into account capital requirements as well as the timing and extent of cash flow recovery for certain CGUs, the discount rate used, and the assessment of allocation of central assets to CGU carrying values.</p> <p>Conclusion: the Committee was satisfied that there was no impairment and the disclosures provided in the financial statements were appropriate.</p>
<p>Revenue recognition</p> <p>The group offers a range of products and services for which revenue is recognised under IFRS 9, IFRS 15 and IFRS 16. Appropriate recognition is a key focus of the Committee.</p>	<p>The Committee reviewed management’s approach to revenue recognition, highlighting the key areas where judgement is required across interest, fee and commission income. The Committee noted the consistency of approach with prior years and the detailed assessment that is performed by management and challenged by PwC.</p> <p>Conclusion: the Committee was satisfied that revenue recognition for each of the group’s key businesses is appropriate.</p>
<p>Motor finance commission arrangements</p> <p>During the 2024 financial year the accounting judgements surrounding the FCA’s review of historical motor finance commission arrangements was identified as a critical accounting judgement.</p>	<p>The FCA review of historical motor finance commission arrangements is progressing to determine whether there has been industry-wide failure to comply with regulatory requirements which has caused customers harm and, if so, whether it needs to take any actions.</p> <p>Taking into account all available information, significant judgement is required in determining whether the criteria for recognition of a provision or a contingent liability under IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” have been met. The Committee was presented with detailed analysis comparing the current facts and circumstances with the decision tree contained within IAS 37. In addition, the Committee discussed and challenged the qualitative disclosure approach for the contingent liability and the conclusion it was also not practicable at this early stage to estimate or disclose any financial impact range arising from this issue.</p> <p>Conclusion: the Committee was satisfied with the matter being disclosed as a contingent liability and the qualitative disclosures provided in the financial statements were concluded to be appropriate.</p>
<p>Going concern and Viability Statement</p> <p>The directors are required to confirm whether they have a reasonable expectation that the company and the group will be able to continue to operate and meet their liabilities as they fall due for a specified period. The Viability Statement must also disclose the basis for the directors’ conclusions and explain why the period chosen is appropriate.</p>	<p>The Committee assisted the board in determining the appropriateness of adopting the going concern basis of accounting and in performing the assessment of the viability of the group.</p> <p>The Committee reviewed and challenged papers which were in support of the going concern basis and the longer-term viability of the group. The analysis took in to account a severe but plausible scenario for the outcome of the FCA’s review into motor finance commission arrangements and downside risks, including consideration of wider impacts such as economic deterioration, Basel 3.1, cost of funding, and liquidity. In addition to these factors, the capital action plan disclosed in the interim results announcement and the underlying performance of the group were taken into account. The Committee focused on the strong capital loss absorption capacity of the group and the sound liquidity position in a range of scenarios. The Committee reviewed the disclosures, including the information provided on a severe but plausible scenario.</p> <p>Conclusion: the Committee concluded that it remained appropriate to prepare the accounts on a going concern basis, advised the board that three years was a suitable period of review for the Viability Statement, and recommended the Viability Statement to the board for approval, as set out on pages 117 to 119.</p>

Key issue	Committee review and conclusion
<p>Fair, balanced and understandable</p> <p>Under the UK Corporate Governance Code, the board is required to perform an assessment of fair, balanced and understandable reporting.</p>	<p>On behalf of the board, the Committee reviewed the Annual Report as a whole to assess whether they were fair, balanced and understandable. Ahead of presentation to the Committee, a robust review process was conducted to ensure disclosures were balanced and accurate.</p> <p>The Committee reviewed the group's performance in light of the principal and emerging risks, along with the uncertainties surrounding the FCA's review in to motor finance commission arrangements and the capital plan. Challenge was given the use of adjusted measures. The Committee discussed and challenged the balance and fairness of the overall report with management and considered the views of the external auditor.</p> <p>Conclusion: the Committee was satisfied that the Annual Report, taken as a whole, could be regarded as fair, balanced and understandable and proposed that the board approved the Annual Report in that respect.</p>

Financial reporting controls

Risk management and internal controls

In conjunction with the Risk Committee, we have satisfied ourselves that the group's internal financial control framework is effective and adequately aligned with the group's risk profile. We are also satisfied that internal financial controls are appropriately designed and effective in identifying risks faced by the group. Full details of the internal control framework are given within the Risk management section on pages 74 to 79.

At each meeting the Committee is presented with a report from the head of internal audit, and reviews major findings relating to control weaknesses and management's response. In addition, metrics and updates are provided to the Committee throughout the year covering the Group Financial Control Framework.

Revised UK Corporate Governance Code 2024

The Committee received a number of updates through the course of the year covering the group's preparations for the revised UK Corporate Governance Code 2024. Committee discussions particularly focused on controls transformation requirements.

Group Internal Audit

The Committee continued to have oversight of Group Internal Audit through quarterly reports provided to the Committee and through one-to-one meetings with the group head of internal audit. The Chair also met members of the function through a roundtable discussion.

The Committee reviewed, challenged and approved the six-monthly internal audit plans and amendments made during the year. It also approved an updated internal audit charter, which sets out the mandate and remit of the function.

It received regular reports on internal audit activities across the group, including thematic root cause analysis, detailing areas identified during audits for strengthening across the group's risk management and internal control framework and management's progress on remediation of issues. On occasion, the Committee invited relevant members of management to attend the Committee and provide progress updates on remediation of issues.

The annual internal audit assessment, which found the governance and risk and control framework of the group to be generally effective, was received by the Committee in accordance with the Chartered Institute of Internal Auditors' guidance.

The Committee completed its annual review of the effectiveness of the internal audit function and its level of independence. The evaluation for the year under review was completed internally and supported by feedback from the Committee and Executive Management. The internal audit function was found to be working well with a good culture of engagement between management and internal audit.

In addition to reviewing the internal audit function's effectiveness, the Committee assessed the level of internal audit resource and the appropriateness of the skills and experience of the internal audit function. It concluded the function was adequately resourced with additional co-source available for specialist skills.

Non-audit Services

The Committee oversees the group's policy on the provision of non-audit services by the external auditor, which incorporates the Financial Reporting Council's Revised Ethical Standard from March 2020.

The group's policy is that permission to engage the external auditor will always be refused where there is an actual or potential threat to independence. However, the Committee will give permission where the service complies with the group policy and where work is closely related to the audit, a detailed understanding of the group is required and the external auditor can provide a higher quality and/or better value service. The group follows the mandatory regulatory cap requirement of 70% which compares the annual value of non-audit services to the average of three years' audit fees.

During the year, total audit fees amounted to £5.0 million (2023: £3.9 million) while total non-audit fees including those relating to services required by legislation amounted to £1.4 million (2023: £0.8 million), representing 28% (2023: 21%) of the current year audit fee. This includes non-audit services not required by legislation of £0.7 million (2023: £0.2 million), 14% (2023: 5%) of the audit fee, predominantly relating to the review of the group's interim financial statements and funding assurance work.

The Committee was satisfied that these fees, individually and in aggregate, were consistent with the non-audit services policy and did not believe that they posed a threat to the external auditor's independence.

Statutory Audit Services Order Compliance

The company confirms compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year to 31 July 2024.

Risk Committee Report



Dear Shareholder

On behalf of the board, I am pleased to introduce the Risk Committee report for the year ended 31 July 2024. I would also like to thank the Committee members for their contributions and commitment during the last year. The report sets out an overview of the Risk Committee's key responsibilities and the principal areas of risk we have focused on during the year.

Over the last 12 months, the external economic environment remained challenging for our customers and together with an expansive regulatory agenda this presented an evolving risk profile for the Committee's consideration and focus. Key topics for the Committee included reviews of the ongoing impact of cost of living pressures, inflation and interest rate trends. Time was also focused on reviewing progress on capital planning in line with the measures announced at our interim results, as we considered regular updates in relation to the FCA's review of historical motor finance commission arrangements. Noting the continued uncertainty and wide range of potential outcomes of this review, this will remain a key agenda item for the Committee to review and evaluate in the coming year. The Committee also continued its ongoing oversight of progress in the management of risks that are key to supporting our customers, maintaining our operational resilience and meeting our regulatory commitments where we continued to receive progress updates on key remediation programmes. Further details on our risk management approach and the internal controls are provided in the Risk Report on pages 74 to 116.

These dynamic regulatory and macroeconomic environments are likely to remain in focus in the year ahead as we continue to engage proactively with our regulators and review updates from management on capital planning scenarios as we receive more information on the FCA's review of historical motor finance commission arrangements in particular. We will continue to monitor for signs of stress amongst our borrower population and other key factors influencing our principal areas of risk.

Patricia Halliday
Chair of the Risk Committee

19 September 2024

Membership

Patricia Halliday (Chair), Kari Hale, Tracey Graham, Tesula Mohindra, Mark Pain and Sally Williams.

Other regular attendees by invitation

- Chairman of the board
- Executive directors
- Group head of internal audit
- Group chief risk officer
- General counsel
- Group head of operational risk and compliance
- External auditor

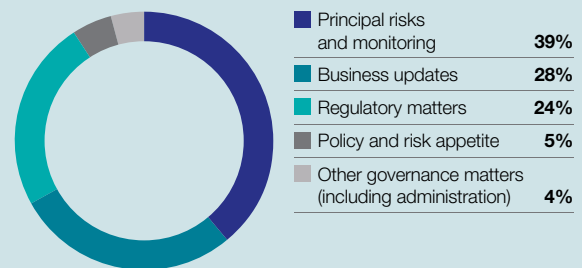
Meetings

- Number of scheduled meetings: six
- For details of attendance, see page 132

Interaction with other committees

The Risk Committee must include, as one of its members, the chair of the Audit Committee. It jointly oversees, along with the Audit Committee, the recommendations of the group's internal and external auditors and the effectiveness of the group's internal control and risk management systems. It also provides advice and input to the Remuneration Committee on remuneration policies and performance objectives.

How time was spent



2024 highlights

- Review of the status of the first annual assessment of Consumer Duty as well as the embedding of reporting enhancements providing enhanced visibility for senior management.
- Reviewed, challenged and approved the first annual self-assessment on operational resilience detailing the current position towards the regulatory requirement of March 2025. Close monitoring and focus on the achievement of our cyber maturity objectives.
- Credit management across all portfolios through the prevailing macroeconomic environment.
- Enhanced planning on incorporating climate risk into our wider stress testing programme.
- Ongoing oversight of the implication of the FCA's review on historical motor finance commission arrangements. Focus and coverage on the implementation and monitoring of the various capital planning measures as outlined in our half-year results announcement.

Key Responsibilities

The Risk Committee's principal roles and responsibilities are to support the board in its oversight of risk management across the group. The identification, management and mitigation of risk is fundamental to the success of the group. The Risk Committee also plays an important role in setting the tone and culture that promotes effective risk management across the group. The Risk Committee's key responsibilities are to:

- oversee the maintenance and development of a supportive culture and "tone from the top" in relation to the management of risk;
- review and recommend to the board for approval the group's risk appetite, which is the level of risk the group is willing to take in pursuit of its strategic objectives;
- monitor the group's risk profile against the prescribed risk appetite;
- review the effectiveness of the risk management framework in ensuring that key risks are identified and appropriately managed;
- provide input from a risk perspective into the alignment of remuneration with performance against risk appetite (through the Remuneration Committee); and
- undertake a robust assessment of both the principal and emerging risks facing the group over the course of the year, and review reports from the risk and compliance functions on the effectiveness of the processes that support the management and mitigation of those risks.

Overview of Main Activities During the Year

The regulatory agenda has naturally determined a large portion of material considered and monitored by the Committee. In addition to ensuring that we keep aligned to the supervisory priorities of our regulatory bodies, risk responses to singular regulatory initiatives and any resulting actions feature accordingly. The FCA's market-wide review of Borrowers in Financial Difficulty, which assessed forbearance and related practices, has been the focus of regular updates to the Committee as it has considered the output of the Past Business Review undertaken and this will continue to feature regularly on our agenda as we head into the next financial year.

Last year the Committee was regularly apprised of enhancements made to meet Consumer Duty requirements for open book products. This year the Committee has been kept regularly updated on further embedding of these processes, together with updates on additional enhancements made this year, including those relating to closed book products. The Committee has also received and reviewed regular monitoring reports of customer outcomes and reviewed and approved on behalf of the board an annual assessment of outcomes received by retail customers.

The embedding of operational resilience throughout the organisation into business practices, including considering the potential impact on clients and markets, has been of keen interest to the Committee; the self-assessment on operational resilience undertaken being brought to the Risk Committee for consideration and sign off.

The Committee has similarly maintained an appropriate focus on the risks associated with cybercrime and has been briefed on progress towards achieving the group's Capability Maturity Model Index target, which was achieved delivering heightened levels of resilience. The established rolling testing schedule will see us well-equipped to monitor the effectiveness of the resilience in an ever-evolving external environment.

In the context of ongoing macroeconomic uncertainty, overall, our loan book has continued to display resilience, demonstrating the positive beneficial impact of our prudent lending criteria, secured nature of lending and application of a consistent risk appetite.

Some lagging impact of the cost of living pressures and run-off of various government schemes has been seen with early signs of credit stress in some pockets of our lending book. Our vigilance and early engagement approach facilitates an ability to react as required and as such the impact thus far is immaterial with overall provision coverage ratios remaining stable.

In addition to our usual schedule of client monitoring, we maintain a rolling programme of credit portfolio reviews which are presented to the Committee. Oversight of key lending portfolios including motor, property, energy, and invoice finance have been regular features on the Risk Committee agenda this year.

During this financial year we have continued to revisit our stress event planning activities; our annual stress testing exercises continue to demonstrate our resilience and sufficient resources of both capital and liquidity. This year has also seen advancements in consideration of how to further incorporate climate risk enhancements into our stress testing programme. Overall, throughout the year we have continued to maintain robust and healthy liquidity levels consistent with our conservative approach to funding based on the principle of "borrow long, lend short." The Committee maintains regular oversight and visibility of funding and liquidity risk.

Since the FCA's announcement of its review of historical motor finance commission arrangements the Committee has closely monitored the capital and liquidity position with focus and challenge on the progress and the impact of management's implementation of the various capital optimisation actions outlined in our half-year results. This has accompanied regular review throughout the year of enhancements in the group's capital management framework, including processes, reporting, governance and capital risk appetite statements. The firm continues to prudently plan for a range of possible outcomes, but noting the uncertainty that remains until further information is available to refine the assumptions made.

As previously, the linkage between culture, risk and compensation remains an important one and the Risk Committee and the group chief risk officer have provided input to the Remuneration Committee again this year 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.

Looking Ahead to 2025

We expect the regulatory agenda and current areas of activity to feature heavily on the Committee's agenda into 2025. We expect to receive and review updates on the completion of the Past Business Review of customer forbearance processes related to motor finance lending during the year.

In line with recent communication provided by the FCA, we expect an update on the FCA's review of historical motor finance commission arrangements in the final quarter of the next financial year. It remains difficult to anticipate what future updates will include, however it is expected that the content and any associated workstreams will form a focal point for the Risk Committee and executive more widely. We will continue to focus on our forecasting of capital and liquidity throughout the period to ensure we are monitoring appropriately in line with our capital planning measures.

Our focus on Consumer Duty will continue, with regular customer outcomes reporting and updates on areas where we are continuing to make further enhancements. Progress in 2024 on operational resilience and cyber maturity will continue to be built upon and will be monitored keenly by the Committee. Market trends observed on cybercrime indicate a wider adverse trend and therefore focus into 2025 will remain critical.

Notwithstanding recent improving indicators in some of the core macroeconomic indicators that we track, instability in the overall economic environment remains from a period of substantial volatility. Vigilance, monitoring and controlled risk appetite will continue to be key as we move forward. Identification of emerging risks and possible emergence periods form part of the regular monthly reporting suite to our risk committees. This, along with our business-as-usual horizon scanning activities, should ensure that we are able to anticipate and take appropriate management actions. Central to our ability to do this is our established risk measurement, monitoring and reporting framework. Our focus on products and markets we know and understand aligns with a consistent risk appetite against which we measure ourselves.

As we look ahead to the next financial year I look forward to seeing the climate risk agenda featuring at the Risk Committee in line with our revised governance arrangements. Combined with our culture dashboard and monitoring of people risk, this ensures that we maintain sustainability considerations at the forefront of all we do whilst we support our businesses in serving our customers.

Committee Effectiveness

An external evaluation of the effectiveness of the board and its committees was undertaken during the year in line with the requirements of the UK Corporate Governance Code, as described on pages 134 and 135. The evaluation found that the Committee continues to operate effectively.

The Committee considers that it has access to sufficient resources to enable it to carry out its duties and it has continued to perform effectively.