

# Directors' Remuneration Report



## Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the 2024 financial year. I would like to thank my fellow Remuneration Committee members, including Peter Duffy who stepped down from the board and the Remuneration Committee on 15 February 2024, for their support and contribution to the work of the Remuneration Committee during the year.

This report sets out our pay decisions for the year, including how we implemented the Remuneration Policy approved by shareholders at the 2021 AGM. It also provides detail on our proposed approach to the triennial renewal of the existing Remuneration Policy (the "Policy"), which is due at the November 2024 AGM, and our proposed approach to executive remuneration for the 2025 financial year.

The Remuneration Committee believes that in the ordinary course of events the current Policy is fit for purpose and provides fair balance between the interests of all our stakeholders, while rewarding the management team for delivery against the group's key strategic priorities. We are therefore not proposing to make any substantive changes to our "ordinary course" go-forward Policy that will apply until 2027.

However, we are proposing to add flexibility to operate an interim Restricted Stock incentive model, which replaces both the annual bonus for 2025 and the performance share award grant under the Long-Term Incentive Plan in 2025. This intended Restricted Stock award will be granted at a discount of c.65% to the face value of the normal annual bonus and performance share award LTIP opportunities. This level of discount is higher than the market standard discount of 50%, and materially higher than the level of discount accepted in the wider market. Further details are set out on page 152. This reflects the unprecedented circumstances faced by the business given the range of potential outcomes from the FCA's review of historical motor finance commission arrangements and continued uncertainty about the timing, scope and quantum of any potential financial impact on the group. On 20 July 2024, the FCA announced that it now aims to set out steps by the end of May 2025, rather than by September 2024 as previously expected.

In advance of finalising our proposed approach, we consulted with all of our major shareholders, covering c.80% of our shareholder register. We had written responses or held

## Membership

Tracey Graham (Chair), Mike Biggs, Mark Pain and Patricia Halliday (appointed 1 August 2024).

## Other regular attendees by invitation

- Chief executive
- Head of human resources
- Head of reward and HR operations

## Meetings

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

## Interaction with other committees

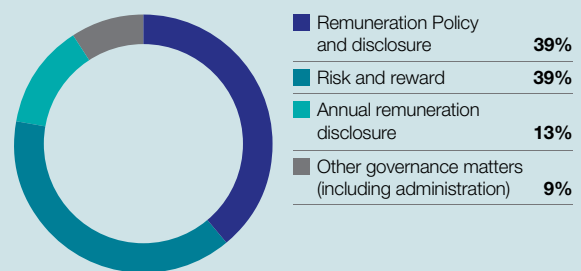
The Remuneration Committee works with the Audit Committee and Risk Committee chairs on the design and implementation of remuneration policies and the determination of remuneration outcomes.

This report sets out our approach to remuneration for the group's employees and directors for the 2024 financial year.

The Directors' Remuneration Report is divided into three sections:

- Annual Statement from the Remuneration Committee Chair – pages 150 to 153
- Directors' Remuneration Policy – pages 154 to 164
- Annual Report on Remuneration – pages 164 to 175

## How time was spent



## 2024 highlights

- Considered the Remuneration Committee's approach to the triennial renewal of the existing Remuneration Policy, which is due at the 2024 AGM.
- Consultation with over 40 of our major shareholders to discuss the proposed 2024 Directors' Remuneration Policy.
- Conducted the 2024 annual compensation review for executive directors and the wider workforce.
- Undertook regulatory matters including Material Risk Takers framework, annual internal audit of remuneration and group risk adjustment.
- Reviewed statutory and regulatory remuneration disclosures including gender pay gap report.

meetings with 24 shareholders who wished to discuss the proposals in more detail. The majority of our larger shareholders who provided feedback have advised that they are minded to support the proposal. This is in recognition of the unprecedented uncertainty impacting the business requiring a simple and effective model to retain and motivate executive talent. As part of the consultation exercise a number of shareholders expressed a strong preference for all of the award to be subject to a two-year holding period, extending the award over a total of five years. A number of shareholders noted the substantial discount of 65% on face value of the normal annual bonus and performance share award LTIP but also requested reassurance that the Remuneration Committee retain discretion on vesting outcomes to ensure alignment with the shareholder experience. We have refined our approach to address this feedback. As set out below, both executive directors will revert back to participating in the normal course annual bonus and LTIP as soon as practicable. The Committee agreed to go forward with this Policy in the context of this shareholder support during consultation.

## How the Group Performed During the 2024 Financial Year

2024 has presented material challenges for the group, with significant uncertainty introduced by the FCA's review of historical motor finance commission arrangements announced in January. Against this backdrop, our top priority has been to further strengthen our capital position and protect our valuable franchise. We have made significant progress against the capital actions previously outlined.

As described in the Chairman's and Chief Executive's Statements, this year's performance demonstrates the group's resilience. In Banking, we grew our loan book with strong margins and stable underlying credit quality, while progressing our cost actions to improve efficiency. CBAM delivered strong net inflows, though Winterflood's performance remained impacted by the unfavourable market conditions.

As a result, on an adjusted basis, excluding the impact from certain items which do not reflect the underlying performance of our business, the group's operating profit increased 50% to £170.6 million (2023: £113.5 million) as the significant decrease in impairment charges and 1% growth in income more than offset a 10% growth in adjusted operating expenses. The group's return on opening equity increased to 6.9% (2023: 5.0%).

We have maintained our strong balance sheet position, with our Common Equity Tier 1 ("CET1") ratio of 12.8% at 31 July 2024 (31 July 2023: 13.3%), significantly above our applicable requirement of 9.7%. Total funding increased 5% to £13.0 billion (31 July 2023: £12.4 billion), with 36% growth in our retail deposit base, demonstrating the strength of our Savings proposition. We maintained our prudent liquidity position, with our Liquidity Coverage Ratio over 1,000%, substantially exceeding regulatory requirements.

In March 2024, we announced a range of management actions which have the potential to strengthen the group's available CET1 capital by approximately £400 million by the end of the 2025 financial year. We have retained c.£100 million of CET1 capital in the 2024 financial year as a result of the group's previously announced decision not to pay a dividend for the 2024 financial year. To optimise risk weighted assets, we have been growing our loan book selectively and have concluded the work in preparation for a significant risk transfer of assets in Motor Finance. We have continued to deliver against the cost management initiatives previously announced and have also progressed a range of other capital actions. Following a comprehensive strategic

review, the group announced that it entered into an agreement to sell CBAM to Oaktree on 19 September 2024. The transaction is expected to increase the group's CET1 capital ratio by approximately 100 basis points. The board remains confident that these actions leave the group well positioned to navigate the current uncertainty.

The table below sets out an overview of our one-year and three-year key performance indicators which provide context for the Remuneration Committee's decisions taken this year.

Key performance indicator	2024	2023
Return on average tangible equity	<b>8.3%</b>	5.9%
Average return on opening equity over three years <sup>1</sup>	<b>7.5%</b>	10.0%
CET1 capital ratio	<b>12.8%</b>	13.3%
Adjusted operating profit (£ million)	<b>170.6</b>	113.5
Adjusted earnings per share growth over three years <sup>1</sup>	<b>(45.8)%</b>	(26.0)%
Distributions to shareholders (£ million) <sup>2</sup>	-	100.5

1. For the three-year periods ended 31 July 2024 and 31 July 2023.

2. For the 2024 financial year, no dividend was paid.

We have a track record of applying restraint on executive pay. The table below summarises the level of annual bonus and LTIP vesting since 2021.

Financial year	Annual bonus	LTIP
2021	78% of maximum.	40% of maximum.
2022	46.7% of maximum.	27.5% of maximum – <b>downwards discretion</b> applied, in agreement with the executives, to reduce vesting to 20.6% of maximum.
2023	31.8% and 35.8% of maximum opportunity for Adrian Sainsbury and Mike Morgan, respectively. In light of the shareholder experience, the executive directors advised the Remuneration Committee that they wished to forgo their bonus for the 2023 financial year. <b>Downwards discretion</b> applied to reduce vesting to 0% of maximum.	35.3% of maximum opportunity – <b>downwards discretion</b> applied, in agreement with the executives, to reduce vesting to 0% of maximum.
2024	As described below, 28% of maximum opportunity for Adrian Sainsbury and Mike Morgan – <b>downwards discretion</b> applied, in agreement with the executive directors, to reduce vesting to 0% of maximum.	The LTIP granted in 2021 which vested in respect of performance over the three years to the end of the 2024 financial year vested at 22.0%.

As we navigate this period of unprecedented uncertainty, the Remuneration Committee is seeking to balance rewarding and retaining our people, including our executive directors, in order to safeguard the future of our strong franchise, with the experience of all of our stakeholders. Further details regarding the actions we have taken for the wider workforce are set out on page 153.

## Executive Director Remuneration Outcomes for the 2024 Financial Year

As disclosed at the start of the year, the Committee made a number of changes to the performance assessment approach for the annual bonus for 2024. We added a costs

metric (cost:income ratio ("C:I")) and a profit metric (adjusted operating profit ("AOP")) to the annual bonus for the 2024 financial year with the aim of ensuring executive focus on resuming the group's track record of earnings growth and returns, while focusing on cost efficiency. These measures each had a weighting of 15%. We also updated our return measure to be based on return on average tangible equity ("RoTE"), meaning the return measure is based on the equity profile of the group across the performance period, with a weighting of 30%. The balance of the annual bonus was based on the strategic scorecard, worth 40% of the overall bonus.

As well as introducing changes to our measures, we disclosed an adapted approach to target setting for 2024, with bonus targets set to be dynamic year-to-year and set taking into account market conditions, as well as budgetary outlook and market forecasts. This is to better align with typical market practice, and ensures the bonus is appropriately calibrated to motivate management outperformance.

The financial performance targets on the annual bonus were not met. The out-turn under the strategic scorecard element of the bonus, which represents 40% of the maximum opportunity, was 70% for both the chief executive and finance director. This reflects the continued progress against key strategic, people, customer and risk priorities, including the actions being taken to build our capital strength, leaving the group in a strong position to continue to support our customers and protect our valuable franchise. This would have resulted in an annual bonus of 28% of the maximum opportunity for Adrian Sainsbury and Mike Morgan. However, in recognition of the shareholder experience, the executive directors and the Remuneration Committee have agreed that no bonus will be paid.

The 2021 LTIP was based on adjusted EPS growth (35%), return on opening equity ("RoE") (35%) and a scorecard of risk management objectives (30%). The financial metrics were not met, reflecting the impact of the legacy issues that crystallised in the performance period. The risk management objectives over the three years to 2024 were partially met. The Committee approved a vesting out-turn of 22%. Further detail on the LTIP outcome is set out on page 169.

The Remuneration Committee is mindful that we currently have limited lock-in for the executive team. The decision to apply downward discretion in both the annual bonuses for 2023 and 2024 means there are limited deferred share awards outstanding. Furthermore, the downward discretion exercised in respect of the LTIPs vesting in respect of the three-year performance periods ending in the 2022 and 2023 financial years means there are limited LTIP shares in a holding period. This also means that the shareholdings of the executive team are currently 77% and 104% for our chief executive and finance director respectively.

### Policy Review

Our last Policy was approved by shareholders in November 2021 and was widely supported by our shareholders. At the November 2024 AGM, we are due to renew our Directors' Remuneration Policy in line with the usual three-year cycle. No changes are proposed to the current Policy, which would be operated in the ordinary course of events.

- The maximum 2:1 variable:fixed pay cap will continue to apply, with the maximum opportunities for both directors under the annual bonus and Long Term Incentive Plan ("LTIP") remaining 95% and 125% of salary respectively.
- Clawback periods on variable pay will continue to be seven years, extendable to 10 years.
- Pension contributions for executive directors will continue to be in line with the rate paid to all employees (this currently equates to a 10% contribution).

- There will be no changes to deferral or retention periods for the annual bonus or LTIP.
- In-employment and post-employment shareholding requirements will remain at 200% of salary.

The FCA's review of historical motor finance commission arrangements in the motor finance market, and range of potential outcomes and timeframes, presents an unprecedented challenge setting robust performance metrics. The Remuneration Committee has therefore reviewed a range of approaches to ensure that the incentive framework continues to align the reward outcomes for our executives with the long-term interests of our shareholders. The conclusion of this review was that:

- There is significant uncertainty around target ranges given the extended timeframe of the FCA's review.
- Adjusting performance targets for in-flight awards would not be aligned with good practice.
- Using our "business as usual" annual bonus and LTIP structure with re-balanced performance metrics and/or increasing the weighting on non-financial metrics would add complexity to the challenge of setting transparent performance targets that are aligned with the creation of shareholder value.

We are therefore proposing to add flexibility to operate an interim Restricted Stock incentive model. Instead of using a framework and performance measures designed for typical market conditions, the long-term nature of this interim approach with no short-term cash element is aligned with:

- Retaining and motivating an executive team focused on executing our strategy and protecting our valuable franchise.
- Operating a simple interim incentive framework that will allow our executive team to concentrate on navigating through this period of unprecedented circumstances.
- Increasing the executive directors' equity stake in the business in the long-term interests of all of our stakeholders.

The proposed Restricted Stock award in 2025 will:

- replace both the annual bonus for 2025 and performance share award grant under the LTIP in 2025;
- be granted at a discount of c.65% of the face value of the normal annual bonus and performance share award LTIP opportunities. This level of discount is higher than the market standard discount of 50%. This higher discount has been proposed taking into account a number of factors including: i) the need to mitigate the risk of windfall gains at vesting taking into account the current share price; ii) the fact that the Restricted Stock award is replacing both an annual bonus and LTIP; and iii) the need to ensure that we can reward and retain the executive directors and to protect our strong franchise;
- be subject to performance underpins;
- the Restricted Stock awards would vest 100% after year three subject to assessment against the performance underpins. We had originally proposed that 50% of the award would also be subject to a two-year holding period. Taking into account the feedback from shareholders, our revised approach is that 100% of the award will be subject to a two-year holding period. This reflects that the current LTIP has a five-year time horizon and shareholder preference for the entirety of the award to be aligned with the long-term sustainable success of the business; and
- consistent with the normal course Policy, clawback periods will continue to be seven years, extendable to 10 years.

Consistent with the current Policy and risk adjustment framework, the Remuneration Committee will continue to have overriding discretion to adjust vesting outcomes where it considers appropriate, taking into account the wider



stakeholder experience. While the significant discount is intended to proactively address the risk of potential windfall gains, the Remuneration Committee will nonetheless retain discretion on vesting outcomes in the event of a significant increase in our share price to ensure the value delivered to executives is appropriate in the context of the overall business performance and the wider stakeholder experience.

This interim Restricted Stock incentive model is expected to apply for the 2025 financial year. Given the revised timetable for the FCA's work in the motor finance market, in the event that the extraordinary circumstances continue beyond the 2025 financial year, this interim Restricted Stock model may be operated in future years. The maximum Restricted Stock awards that may be granted will be capped at 80% of fixed pay, excluding pension and benefits in lieu of any annual bonus and performance share LTIP grant. We would keep shareholders updated in the event we extend the use of the interim pay model beyond 2025. Both executive directors will revert back to participating in the normal course annual bonus and LTIP as soon as practicable. We would not envisage a return to the interim pay model once we have reverted to our normal Policy.

The full Policy is set out on pages 154 to 164 and will be subject to a binding shareholder vote at the 2024 AGM.

### Proposed Implementation of the Policy for the 2025 Financial Year

For the 2025 financial year, the Remuneration Committee has decided to apply 2% and 2.1% salary increases to the chief executive and finance director, respectively. These increases are below the average increase of 3.4% awarded to the wider workforce.

There will be no change to the level of pension provision, which will remain aligned with the wider workforce at 10% of salary.

As set out on the opposite page, the executive directors will not be entitled to receive an annual bonus for the 2025 financial year, and they will not be granted a performance share award in the 2025 financial year (i.e. no 2024 LTIP grant). In lieu of the normal course annual bonus and performance share LTIP, it is our intention to grant a Restricted Stock award over shares with a value of £750k for the chief executive and £450k for the finance director. This equates to less than 80% of their respective base salaries. This is a c.65% discount to the aggregate normal annual bonus and performance share LTIP opportunities of 220% of base salary (which would equate to a normal aggregate maximum face value at award of c.£2,130k for the chief executive and c.£1,283k for the finance director).

The Restricted Stock award will be subject to the following performance underpins for the 2025 financial year, which would be assessed after the three-year vesting period:

- Individual: At least strong personal performance rating, as rated by the Chairman of the Board in consultation with the Board;
- Financial: The group achieving a CET1 of at least 1% above regulatory requirement at vesting, calculated on a standardised basis;
- Non-financial: Satisfactory progress against strategic objectives designed to promote the long-term success of the business, as judged by the Chairman of the Board in consultation with the Board; and
- Risk: No material regulatory censure relating to the executive director's time in office.

Consistent with the current Policy and risk adjustment framework, the Remuneration Committee will continue to have overriding discretion to adjust vesting outcomes where it

considers appropriate taking into account the wider stakeholder experience.

### Supporting the Wider Workforce

The Remuneration Committee's aim is to always consider the wider workforce, our shareholders and other stakeholders by taking a fair, prudent and balanced approach to remuneration.

The Remuneration Committee is particularly focused on ensuring that Close Brothers supports its broader workforce and demonstrates its ethos as a responsible business. We are committed to paying all staff at or above the national living wage, which is in excess of the national minimum wage. The average salary increase for the wider workforce for the 2025 financial year is 3.4%.

During this period of uncertainty, Close Brothers have been mindful of the need to retain and motivate our talented workforce to continue to protect the franchise, support our customers and to operate the business within our risk appetite. Recognising this context, we have continued to fund the bonus pool for colleagues guided by affordability, and will pay bonuses to eligible employees, excluding the executive directors.

We remained dedicated to closing the gender pay gap through increasing female representation at all levels.

Our focus on closing the gender pay gap is through increasing female representation at all levels by setting representation targets and supporting development programmes. Whilst gender pay provides the most direct link to remuneration, our broader focus on inclusion ensures we prioritise fairness and equality for all colleagues. We are signatories to a wide range of charters and commitments across a broad spectrum of inclusion themes. We partner with leading organisations and participate in wider membership bodies, to help inform our thinking and subsequent actions. We have eight executive sponsored inclusion networks which actively lead internal events and initiatives to raise awareness across the group. Objectives to support inclusion are linked to executive pay through risk management objectives within our executives' long-term incentive plan. We are pleased that our employees continue to feel that we are an inclusive organisation, as demonstrated by responses to this question in the employee opinion survey of 90% (2023: 96%) and we continue to push forward and implement activities and initiatives in this sphere to ensure we are building an inclusive environment where all our colleagues feel proud to work for us.

### Looking Ahead – Key Focus Areas for the Remuneration Committee for 2025

The Committee intends to continue its openness to dialogue with shareholders in the coming year, recognising that pay remains in focus for our investors. We will continue to consider the experiences of colleagues, our shareholders and other stakeholders and to remunerate executives fairly and appropriately. We remain committed to a responsible approach to executive pay, as I hope this Directors' Remuneration Report demonstrates.

I hope that you will find this report on the directors' remuneration accessible and clear, and that you agree with the decisions we have taken, which balance the interests of all stakeholders. I look forward to receiving your support on the Directors' Remuneration Report and Directors' Remuneration Policy resolutions at the forthcoming AGM.

**Tracey Graham**  
Chair of the Remuneration Committee

19 September 2024

## Directors' Remuneration Policy

This section of the report sets out the group's proposed Remuneration Policy for directors and explains each element and how it will operate. This Directors' Remuneration Policy will be subject to a binding shareholder vote at our AGM in November 2024 and, if approved, will apply from the date of the AGM.

As set out in the Remuneration Committee Chair's letter, the Remuneration Committee believes that in the ordinary course of events the current Policy is fit for purpose and provides a fair balance between the interests of all our stakeholders, while rewarding the management team for delivery against the group's key strategic priorities. We are therefore not proposing to make any substantive changes to our "ordinary course" go-forward Policy that will apply until 2027. Minor changes to the detailed text have been made to improve the operation and function of the Policy.

However, we are proposing to add flexibility to operate an interim Restricted Stock incentive model. In any financial year where this award is made, the Restricted Stock grant would replace both the annual bonus and the performance award LTIP grant in that year. Further detail is set out below and in the Remuneration Committee Chair's letter. The interim Restricted Stock incentive model is intended

to provide a simple and transparent incentive framework that motivates and retains our executive team through this period of uncertainty, and that increases the executive directors' equity stake in the business, thereby enhancing shareholder alignment.

In developing the Policy, input was sought from the management team, while ensuring that conflicts of interest were suitably mitigated. An external perspective was provided by our major shareholders and independent advisers.

The reward structure aims to:

- attract, motivate and retain high calibre executive directors;
- reward good performance;
- promote the achievement of the group's annual plans and its long-term strategic objectives;
- align the interests of executive directors with those of all key stakeholders, in particular our shareholders, clients and regulators; and
- support effective risk management and promote a positive corporate culture and appropriate conduct to both employees and clients.

### Remuneration Policy for Executive Directors

The below table sets out the "ordinary course" go-forward Directors' Remuneration Policy

Element and how it supports the group's short-term and long-term strategic objectives	Operation and maximum payable	Performance framework, recovery and withholding
<p><b>Base salary</b></p> <p>Attracts and retains high calibre employees.</p> <p>Reflects the employee's role and experience.</p>	<p>Salaries are based on the individual's role, skills and experience and external factors, as applicable. Typically paid monthly in cash.</p> <p>Salaries will be reviewed annually or when there is a change in role or responsibility. Any changes normally take effect from 1 August and will generally not exceed those for the broader employee population. Increases may be made above this level in certain circumstances, such as:</p> <ul style="list-style-type: none"> <li>• a change in the regulatory environment;</li> <li>• progression within the role;</li> <li>• increase in scope and responsibility of the role;</li> <li>• increase in experience where an individual has been recruited on a lower salary initially; and</li> <li>• increase in size and complexity of the company.</li> </ul>	Not applicable.
<p><b>Changes from previous Policy:</b> No change from the previous approach.</p>		
<p><b>Benefits</b></p> <p>Enables the executive directors to perform their roles effectively by contributing to their wellbeing and security.</p> <p>Provides competitive benefits consistent with the role.</p>	<p>Any benefit allowances will typically be paid monthly and will not form part of pensionable salary.</p> <p>Benefits may include:</p> <ul style="list-style-type: none"> <li>• private medical cover;</li> <li>• health screening;</li> <li>• life assurance cover;</li> <li>• income protection cover;</li> <li>• directors' and Officers' liability insurance;</li> <li>• allowance in lieu of a company car. Currently the maximum allowance is £18,000 for the chief executive and £12,000 for other executive directors; and</li> <li>• other benefits or payments in lieu of benefits may also be provided in certain circumstances (such as relocation expenses).</li> </ul>	Not applicable.
<p><b>Changes from previous Policy:</b> Limited change. Flexibility to calibrate allowance to market levels.</p>		

<p><b>Pension</b></p> <p>Provides an appropriate and competitive level of personal and dependent retirement benefits.</p>	<p>Executive directors will receive a level of pension contribution (in the form of a cash allowance or contribution to a pension arrangement) that is in line with the wider workforce.</p> <p>The Remuneration Committee retains the discretion to determine the methodology and basis used in calculating the pension rate available to the wider workforce, including the jurisdictions deemed as relevant for comparison. The definition of the wider workforce will be as determined by the Remuneration Committee.</p>	<p>Not applicable.</p>
<p><b>Changes from previous Policy:</b> Limited change to detailed provision.</p>		
<p><b>Annual bonus</b></p> <p>Rewards good performance.</p> <p>Motivates employees to support the group's goals, strategies and values over both the medium and long-term.</p> <p>Aligns the interests of senior employees and executives with those of key stakeholders, including shareholders, and increases retention for senior employees, through the use of deferrals.</p>	<p>60% of the annual bonus will usually be deferred into shares (in the form of nil cost options or conditional awards) and will usually vest in equal tranches over three years, subject to remaining in service. The remaining annual bonus will be delivered immediately in cash.</p> <p>The annual bonus is capped at 95% of base salary.</p> <p>At the Remuneration Committee's discretion, dividend equivalents will usually be paid in cash or additional shares when the deferred awards vest.</p>	<p>Individual bonuses are determined based on both financial and non-financial performance measures in the financial year, including adherence to relevant risk and control frameworks.</p> <p><b>Recovery and withholding</b></p> <p>The cash element is subject to clawback and the deferred element is subject to malus and clawback conditions, as outlined on page 159.</p> <p><b>Weightings</b></p> <p>At least 60% of the annual bonus opportunity will be based on financial performance.</p> <p>The non-financial element will be determined based on performance measured against a balanced scorecard, including (but not limited to):</p> <ul style="list-style-type: none"> <li>• strategic objectives; and/or</li> <li>• people objectives; and/or</li> <li>• customer metrics; and/or</li> <li>• risk, conduct and compliance measures; and/or</li> <li>• personal/individual objectives.</li> </ul> <p>The Remuneration Committee maintains discretion to vary the measures and their respective weightings within each category.</p> <p>Performance targets and objectives will typically be set at the beginning of each financial year but will not be disclosed prospectively due to commercial sensitivity reasons. They will be designed to align the interests of executive directors with the key stakeholders over the medium term, be challenging and also provide an effective incentive for the executive directors. The Committee has overriding discretion to adjust the bonus outcome where it considers the application of formulaic performance conditions to be inappropriate, guided by factors such as overall business or individual performance and risk.</p>

Element and how it supports the group's short-term and long-term strategic objectives

Operation and maximum payable

Performance framework, recovery and withholding

**Annual bonus**  
continued

Performance assessment will usually be in respect of the full financial year although the Remuneration Committee retains discretion, in exceptional circumstances, to assess performance over an alternative period.

Performance against the objectives that comprise the balanced scorecard and their weightings will typically be disclosed retrospectively on an annual basis as part of the Annual Report on Remuneration.

Normally, the amount payable for threshold performance will be no more than one third of maximum, and the amount payable for target performance will be no more than 50% of maximum.

**Changes from previous Policy:** No change from the previous approach.

**Long-Term Incentive Plan**

Motivates executives to achieve the group's longer-term strategic objectives.

Aids the attraction and retention of key staff.

Aligns executive interests with those of shareholders.

Awards are made in the form of nil cost options or conditional awards and usually vest after three years subject to achieving performance conditions and remaining in service.

On vesting, awards will usually be subject to a further two-year post-vesting retention period before options can be exercised by, or conditional awards paid to, executive directors.

At the Remuneration Committee's discretion, dividend equivalents will usually be paid in cash or additional shares when LTIP awards are released.

Executive directors are eligible to receive an annual award of shares with a face value of up to 125% of base salary, excluding dividend equivalents.

**Measures and weightings**

Individual awards vest based on performance against both financial and non-financial performance measures.

At least 70% of the award will be based on performance against financial measures. The remainder will be based on non-financial performance.

The Remuneration Committee maintains discretion to vary the measures and their respective weightings within each category.

The choice of measures, relevant target ranges and their respective weightings will be typically disclosed as part of the Annual Report on Remuneration. Performance against target ranges will typically be reported annually at vesting.

The Remuneration Committee has an overriding discretion to adjust vesting outcomes where it considers the application of formulaic performance conditions to be inappropriate.

**Amount payable for threshold performance**

For each element of the award, vesting starts at 25% for threshold performance, rising on a straight-line basis to 100% for maximum performance.

**Recovery and withholding**

LTIP awards are subject to malus and clawback provisions, as outlined on page 159.

**Changes from previous Policy:** No material changes.

Element and how it supports the group's short-term and long-term strategic objectives

Operation and maximum payable

Performance framework, recovery and withholding

**Save As You Earn ("SAYE")**

Aligns the interests of executives with those of shareholders through building a shareholding.

Executive directors have the option to save a fixed amount per month over a three or five-year timeframe.

At the end of the period employees can withdraw all of their savings, or use some or all of their savings to buy shares at the guaranteed option price.

The option price is set at the beginning of the participation period and is usually set at a 20% discount to the share price at invitation.

Executive directors can make total maximum contributions of up to £6,000 per annum, or up to the maximum permitted by HMRC rules at any given time.

The Remuneration Committee reserves the discretion to increase the maximum contributions in line with any HMRC rule changes during the period of the Policy.

Not applicable, as this is a voluntary scheme where executive directors have invested their own earnings.

**Changes from previous Policy:** No material changes.

**Share Incentive Plan ("SIP")**

Aligns the interests of executives with those of shareholders through building a shareholding.

Executive directors are able to contribute up to a maximum of £1,800 per annum from pre-tax income and national insurance earnings to buy Partnership Shares.

At present the Remuneration Committee has determined that EDs have the ability to buy Partnership Shares. Currently there is no match, but the Remuneration Committee retains the discretion to offer Matching Shares of up to twice the number of Partnership Shares and/or award free shares. This will be on the same basis for all employees should the Remuneration Committee exercise this discretion.

Dividends paid on shares held in the SIP are reinvested to acquire further Dividend Shares.

The Remuneration Committee reserves the discretion to increase the maximum contributions in line with any HMRC rule changes during the period of the Policy.

Not applicable, as this is a voluntary scheme where executive directors have invested their own earnings.

**Changes from previous Policy:** None.

**Shareholding requirement**

Aligns the interests of executives with those of shareholders through building a shareholding.

Executive directors are expected to build and maintain a holding of company shares equal to at least 200% of base salary.

Executive directors will normally be expected to maintain a minimum shareholding of 200% of base salary for the first two years after stepping down as an executive director.

The Remuneration Committee retains discretion to waive this guideline if it is not considered appropriate in the specific circumstances.

Not applicable.

**Changes from previous Policy:** None.

**Other**

The group will pay legal, training and other reasonable and appropriate fees, including any relevant tax liabilities, incurred by the executive directors as a result of doing their job.

**Changes from previous Policy:** None.



Interim Remuneration Policy Features – Extraordinary Circumstances

Element and how it supports the group's short-term and long-term strategic objectives	Operation and maximum payable	Performance framework, recovery and withholding
<p><b>Restricted Stock</b></p> <p>Interim arrangement to retain and motivate the executive directors during this period of uncertainty. Restricted Stock will increase the executive directors' equity stake and promote stewardship to protect our valuable franchise. This would be in lieu of the normal course annual bonus and performance award LTIP grant in the financial year.</p>	<p>Awards are made in the form of nil cost options or conditional awards and usually vest after three years subject to achieving performance underpins and remaining in service.</p> <p>On vesting, 100% of awards will usually be subject to a further two-year post-vesting retention period before options can be exercised by, or conditional awards paid to, executive directors.</p> <p>At the Remuneration Committee's discretion, dividend equivalents will usually be paid in cash or additional shares when awards are released.</p> <p>The maximum award level is 80% of fixed pay, excluding pension and benefits. For the 2025 financial year, the intention is that awards with a face value of £750,000 for the chief executive and £450,000 for the finance director will be granted.</p> <p>Restricted Stock may only be awarded in a financial year in which the executive directors are not eligible for an annual bonus, and do not receive a performance award LTIP grant.</p>	<p>Awards would be subject to a performance underpin, which would be assessed at vesting.</p> <p>For the awards to be granted in 2025, the following performance underpins will apply:</p> <ul style="list-style-type: none"> <li>• Individual: At least strong personal performance rating, as rated by the Chairman of the Board in consultation with the Board.</li> <li>• Financial: Company achieving a CET1 of at least 1% above regulatory requirement, calculated on a standardised basis.</li> <li>• Non-financial: Satisfactory progress against strategic objectives designed to promote the long-term success of the business, as judged by the Chairman of the Board in consultation with the Board.</li> <li>• Risk: No material regulatory censure relating to the executive director's time in office.</li> </ul> <p>The Remuneration Committee has an overriding discretion to adjust vesting outcomes where it considers it appropriate taking into account the wider stakeholder experience.</p>

**Changes from the previous Policy:** The ability to make Restricted Stock awards is a new addition to the Policy. This is intended as a structure to incentivise and retain the executive directors through the period of significant uncertainty currently impacting the group. This would be in lieu of the normal course annual bonus and performance award LTIP grant in the financial year. Both executive directors will revert back to participating in the normal course annual bonus and LTIP as soon as practicable.

**Additional Details on the Directors' Remuneration Policy**

The Remuneration Committee may amend the performance conditions or underpins applying to a performance award LTIP or Restricted Stock award if an event or a series of events happens as a result of which the Remuneration Committee considers it fair and reasonable to make the change, provided that the performance conditions are not made either materially easier or materially more difficult to achieve than when the award was originally granted. The power to change includes the power to adjust the existing performance conditions, underpins or to impose a new performance condition or objective condition. The Remuneration Committee will make full and clear disclosure of any such adjustments within the Annual Report on Remuneration for the relevant financial year.

The Remuneration Committee has an overriding discretion, notwithstanding any performance conditions, to adjust vesting outcomes where it considers the application of formulaic performance conditions to be inappropriate. The Remuneration Committee will make full and clear disclosure of any such adjustments within the Annual Report on Remuneration for the relevant financial year.

The Remuneration Committee may make minor amendments to this Policy (for regulatory, exchange control, tax or administrative purposes, to correct clerical errors or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

In the event of a variation of share capital, demerger, special dividend, distribution or any other corporate event which may affect the current or future value of a share award, the Remuneration Committee may adjust an award as appropriate.

**Rationale for Choice of Performance Conditions**

The Remuneration Committee selects financial and non-financial performance measures that strengthen the alignment of the remuneration arrangements with the business model and the interests of our shareholders.

Under the ordinary course Policy, at maximum performance, the ratio of financial to non-financial measures for the chief executive and finance director across the annual bonus and performance award LTIP is approximately two-thirds. The Remuneration Committee believes this combination provides a good balance of financial and non-financial measures, supports the medium and long-term strategic objectives of the group, is consistent with regulatory requirements and provides alignment with shareholders' interests.

The actual performance targets will typically be set at the beginning of each financial year based on prior year performance, expected performance, strategic priorities for the year and other internal and external factors as appropriate. All targets will be set at levels that are stretching but remain achievable within the context of our model and the broader external environment.

Performance underpins that apply to the Restricted Stock award are set to appropriately mitigate risk and ensure satisfactory financial, non-financial and individual performance.

## Malus and Clawback

The LTIP rules, which also cover the grant of the Restricted Stock awards, and the rules which apply to the deferred element of the annual bonus contain malus and clawback provisions that allow the Remuneration Committee to reduce or recover a payment or an award. The cash element of the annual bonus is also subject to clawback provisions.

Malus is the adjustment of performance award LTIP awards, Restricted Stock awards or the deferred element of the annual bonus because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced, including to nil.

Clawback is the recovery of the cash element of the annual bonus, vested performance award LTIP award and Restricted Stock awards (including adjustments in respect of dividends) and/or vested awards over the deferred element of the annual bonus (including adjustments in respect of dividends) as a result of the occurrence of one or more circumstances listed below. Clawback may apply to all or part of a payment and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of other awards or bonuses.

In 2020/21 the company extended the circumstances in which malus and clawback can be applied, to align the terms between the performance award LTIP, Restricted Stock and annual bonus (cash and deferred elements). The company has applied the extended malus and clawback conditions for LTIP awards granted in 2020 onwards and applied the extended malus and clawback conditions for the annual bonus awards from 2021 onwards.

In determining whether to exercise its discretion to apply malus and clawback, the Remuneration Committee will have regard to all relevant circumstances, which will typically include (where relevant) an assessment of the extent to which the executive director was responsible for the events in question.

The cash element of the annual bonus is subject to clawback for a period of seven years from the award date, extendable to 10 years by the Remuneration Committee where there is an ongoing investigation. The deferred element vests in equal tranches over three years, and is subject to malus prior to vesting and clawback for seven years from the date of grant, extendable to 10 years by the Remuneration Committee where there is an ongoing investigation. Performance award LTIP and Restricted Stock awards are subject to malus for the three-year period to the point of vesting, and are subject to clawback for seven years from the date of grant (four years after vesting), extendable to 10 years by the Remuneration Committee where there is an ongoing investigation.

### Malus triggers

The Remuneration Committee may apply malus to unvested LTIP awards (including Restricted Stock awards) granted on or after 21 September 2020 and to annual bonus awards granted on or after 23 September 2021 in the following circumstances:

- the assessment of any performance target or condition, the related bonus and/or the number of shares subject to an award was based on material error, or materially inaccurate or misleading information;
- the executive director's employment is terminated for misconduct, or if the executive has been issued with

a formal disciplinary warning for misconduct under the company's disciplinary policy (or, if the executive director has left employment, the Remuneration Committee becomes aware of circumstances that would have led to their employment being terminated for misconduct or to the issue of a formal disciplinary warning for misconduct had the executive director still been in employment);

- the company or a material proportion of the group become(s) insolvent or suffer(s) a corporate failure so that ordinary shares in the company no longer have material value, and for which the Remuneration Committee determines the executive director was wholly or partly responsible;
- an event has occurred which has caused, or in the opinion of the Remuneration Committee is reasonably likely to cause, serious reputational damage to the company or any member of the group, and for which the Remuneration Committee determines the executive director was wholly or partly responsible;
- the company suffers a material loss, financial or otherwise, where the executive director has operated outside the risk parameters or risk profile applicable to their position and for which the Remuneration Committee determines the executive director was wholly or partly responsible; and
- the payment of the award in whole or in part is not sustainable when assessing the overall financial viability of the company.

### Clawback triggers

The Remuneration Committee may apply clawback to LTIP awards (including Restricted Stock awards) granted on or after 21 September 2020 and to annual bonus awards granted on or after 23 September 2021 in the following circumstances:

- discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the group, or the audited accounts of any material subsidiary;
- the assessment of any performance target or condition, the related bonus and/or the number of shares subject to an award was based on material error, or materially inaccurate or misleading information;
- action or conduct which, in the reasonable opinion of the board, amounts to fraud or gross misconduct (or, if the executive director has left employment, the Remuneration Committee becomes aware of circumstances that would have amounted to fraud or gross misconduct had the executive director still been in employment);
- the company or a material proportion of the group become(s) insolvent or suffer(s) a corporate failure so that ordinary shares in the company no longer have material value, and for which the Remuneration Committee determines the executive director was wholly or partly responsible;
- an event has occurred which has caused, or in the opinion of the Remuneration Committee is reasonably likely to cause, serious reputational damage to the company or any member of the group, and for which the Remuneration Committee determines the executive director was wholly or partly responsible; and
- the company suffers a material loss, financial or otherwise, where the executive director has operated outside the risk parameters or risk profile applicable to their position and for which the Remuneration Committee determines the executive director was wholly or partly responsible.

## Consistency of Executive Directors' Remuneration with Wider Employee Population

The pay and terms and conditions of employment of employees within the group were taken into consideration when setting the Policy and pay of the executive directors.

## Directors' Remuneration Report continued

The Remuneration Committee does not formally consult with employees when setting the Policy, although the employee opinion survey conducted every year includes remuneration as one of the topics surveyed. The Remuneration Committee also receives feedback from engagement with, and communication to, employees on matters relating to remuneration issues, which it uses to inform its broader approach to remuneration, including with respect to the alignment between executive remuneration and the approach to compensation for employees across the group. The Remuneration Committee frequently reviews a "Remuneration Dashboard" containing metrics, analysis and other information, which the Committee uses as part of its decision-making, including as part of the annual compensation process. It covers a wide range of areas throughout the year, such as workforce demographics, pay and reward at different levels across the group, gender pay and SAYE participation.

The principles of remuneration are applied throughout the group and are designed to support the group's key attributes across our businesses, which are expertise, service and relationships. Remuneration structures and arrangements for all employees are based on the individual's role, experience, performance and relevant market practice.

Annual bonuses are based on role, business performance, market conditions and individual performance. These bonuses are not capped; except for executive directors and

group and bank Material Risk Takers. All highly remunerated employees have a portion of their bonuses deferred.

A limited group of senior employees typically receive performance award LTIP awards, generally on the same basis as the executive directors, but the maximum face value of these awards is generally materially lower. Restricted Stock awards will be granted in the coming financial year to senior employees to reflect the current uncertainty impacting the group.

Members of the group Executive Committee who are not executive directors are required to build and maintain shareholdings of at least one times base salary.

Employees receive the same level of pension contributions (in the form of a cash allowance or contribution to a pension arrangement) as executive directors.

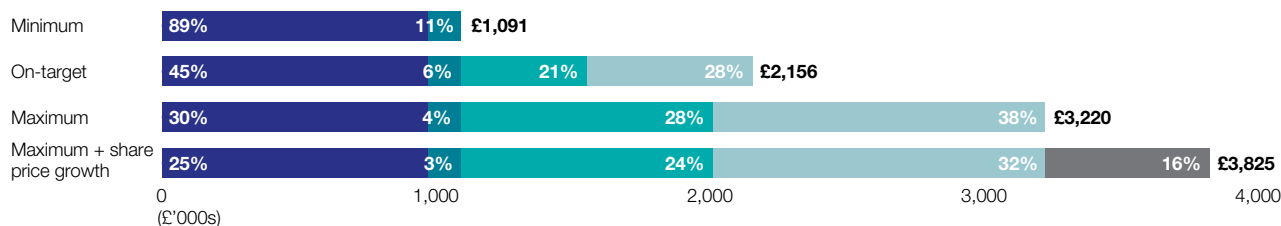
All UK employees are eligible to participate in the SAYE and SIP plans.

### Illustrations of Application of Remuneration Policy for the Executive Directors

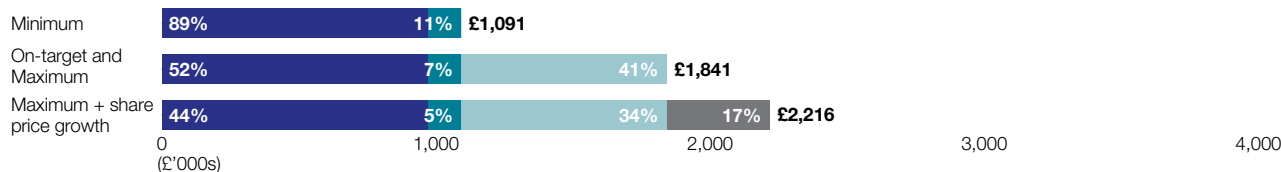
The scenario charts below provide illustrations of potential remuneration outcomes for our executive directors in 2025, based on the proposed 2024 Remuneration Policy set out on pages 154 to 158, and on the assumptions provided in the tables on the opposite page.

#### Chief Executive: Adrian Sainsbury

##### Normal "go-forward" Remuneration Policy

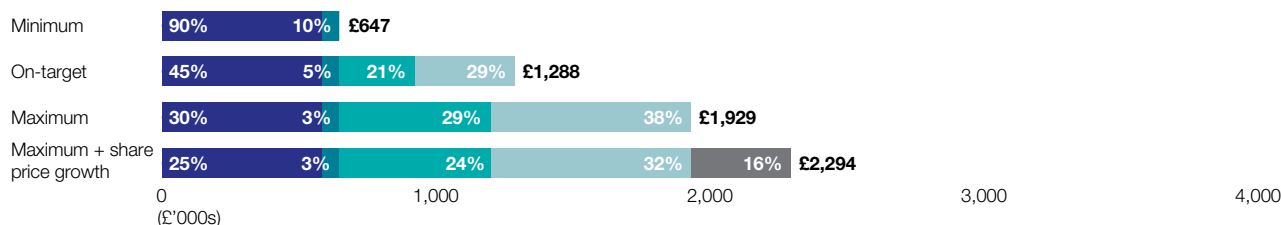


##### Interim Remuneration Policy



#### Finance Director: Mike Morgan

##### Normal "go-forward" Remuneration Policy



##### Interim Remuneration Policy



■ Salary ■ Allowances, Benefits and Pensions ■ Annual Bonus ■ LTIP/Restricted Stock ■ Maximum

## Normal “Go-Forward” Remuneration Policy

Element	Assumptions used
<b>Fixed remuneration</b>	Consists of 2025 base salary (chief executive £968,000; finance director £583,000), 2025 benefits and 2025 pension allowance (10% of salary).
<b>Minimum</b>	No variable elements are awarded.
<b>On target</b>	<b>Annual bonus:</b> Awarded at 47.5% of base salary for the chief executive and the finance director (50% of maximum potential). <b>LTIP:</b> Awards with face value of 125% of salary for the chief executive and the finance director and assumed 50% vesting.
<b>Maximum</b>	<b>Annual bonus:</b> Awarded at 95% of base salary for the chief executive and the finance director (100% of maximum potential). <b>LTIP:</b> Awards with face value of 125% of salary for the chief executive and the finance director and assumed 100% vesting.
<b>Maximum (with share price growth)</b>	Maximum scenario with assumed 50% share price growth on the LTIP element.
<b>Other</b>	No adjustment to dividend equivalents.

## Interim Remuneration Policy

Element	Assumptions used
<b>Fixed remuneration</b>	Consists of 2025 base salary (chief executive £968,000; finance director £583,000), 2025 benefits and 2025 pension allowance (10% of salary).
<b>Minimum</b>	No variable elements are awarded.
<b>On target and Maximum</b>	<b>Restricted Stock:</b> Awards with face value of £750,000 for the chief executive and £450,000 for the finance director and assumed 100% vesting, based on the proposed grant levels for 2025.
<b>Maximum (with share price growth)</b>	Maximum scenario with assumed 50% share price growth on the LTIP element.
<b>Other</b>	No adjustment to dividend equivalents.

## Approach to Recruitment Remuneration

The remuneration package for new executive directors will comply with the Policy for executive directors outlined on pages 154 to 158 and as varied by the following paragraphs. The Remuneration Committee will seek to pay no more than is necessary to secure the right candidate.

The Remuneration Committee may, to the extent permitted by the Listing Rules and any other regulatory requirements to which the group is subject, seek to “buy out” remuneration or any other compensation arrangements with another employer that the director forfeits as a result of joining the group. In such cases, the Remuneration Committee will seek to replace this with awards that match the quantum and terms of the forfeited awards as closely as possible. There may be situations where a new director has to relocate in order to take up the post with the group. In such situations, reasonable financial and/or practical support will be provided to enable the relocation. This may include the cost of any tax that is incurred as a result of the move. Flexibility is also retained for the Remuneration Committee to pay for legal fees and other role-appropriate costs incurred by the individual in relation to their appointment.

In the event that an internal appointment is made, or where an executive director is appointed as a result of transfer into the group on an acquisition of another company, the Remuneration Committee may continue with existing remuneration provisions for any such individual where appropriate.

If considered appropriate, the Remuneration Committee may apply different performance measures, underpins and/or targets to an executive director’s first incentive awards in their year of appointment.

In the event of an interim appointment being made to fill an executive director role on a short-term basis or if exceptional circumstances require that the Chairman or a non-executive director takes on an executive function on a short-term basis, the Remuneration Committee retains discretion to make appropriate remuneration decisions outside the normal “go-forward” Remuneration Policy or interim Remuneration Policy to meet the individual circumstances of recruitment or appointment.

## Legacy Awards

The Remuneration Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretion available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before this Policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not a director of the company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a director of the company. For these purposes “payments” includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are “agreed” at the time the award is granted.



Policy for Payment on Loss of Office

Standard provision	Policy	Details
<b>Notice period</b>	<p>12 months' notice from the company.</p> <p>12 months' notice from the executive director.</p>	<ul style="list-style-type: none"> <li>Executive directors may be required to work during the notice period, may be placed on garden leave or may be provided with pay in lieu of notice if not required to work the full period.</li> <li>All executive directors are subject to annual re-election by shareholders.</li> </ul>
<b>Compensation for loss of office in service contracts</b>	No more than 12 months' salary, pension allowance and benefits.	<ul style="list-style-type: none"> <li>Payment will be commensurate with the company's legal obligations and we will seek appropriate mitigation of loss by the executive director.</li> </ul>
<b>Treatment of annual bonus on termination</b>	No bonus is paid unless the executive director is employed on date of payment (unless the Remuneration Committee determines otherwise).	<ul style="list-style-type: none"> <li>The Remuneration Committee may award a pro-rated bonus to executive directors who work for part of the year or are "good leavers" (as determined by the Remuneration Committee) in certain circumstances, although there is no automatic entitlement. "Good leaver" status may be granted in cases such as death, disability or retirement.</li> <li>The Remuneration Committee has discretion to reduce the entitlement of a "good leaver" in line with performance, the circumstances of the termination, and the malus conditions applicable to the annual bonus. In determining the level of bonus to be paid, the Remuneration Committee may, at its discretion, take into account performance up to the date of cessation or over the financial year as a whole based on appropriate performance measures as determined by the Remuneration Committee.</li> <li>The bonus may, at the Remuneration Committee's discretion, be paid entirely in cash.</li> </ul>
<b>Treatment of unvested deferred awards under the annual bonus plan</b>	Deferred awards will usually be released on the normal release date, unless the Remuneration Committee elects to release the shares on an earlier date.	<ul style="list-style-type: none"> <li>An executive director's deferred shares will lapse (unless the Remuneration Committee determines otherwise) if their employment ends for cause or by reason of their bankruptcy or because they join another financial services company within 12 months of termination. In all other circumstances, deferred shares will be released to a departing executive director on the normal release dates (unless the Remuneration Committee elects to release the shares on an earlier date).</li> <li>The deferred shares are released in full in the event of a change in control unless the Committee determines otherwise in circumstances specified in the incentive plan rules.</li> </ul>
<b>Treatment of the performance award LTIP and Restricted Stock awards</b>	<p>Vested awards will usually be released on the normal release date, unless the Remuneration Committee elects to release the shares on an earlier date.</p> <p>Unvested awards lapse unless the individual is a "good leaver" (leaves employment because of death, retirement, ill-health, injury or disability, redundancy, their employing company transfers out of the group or the business for which the individual works transfers out of the group, or otherwise at the discretion of the Remuneration Committee).</p>	<ul style="list-style-type: none"> <li>For "good leavers", unvested awards are, unless the Remuneration Committee determines otherwise, usually pro-rated for the period of employment during the performance period. Unless the Remuneration Committee determines otherwise, the extent of vesting will be based on the original performance condition assessed over the full performance period.</li> <li>Unless the Remuneration Committee determines otherwise in circumstances specified in the incentive plan rules, in the event of a change in control, unvested awards will vest normally subject to time pro-rating and the achievement against the performance targets at that point (or such other date that the Remuneration Committee determines). However, the Remuneration Committee retains the discretion to adjust the extent to which any such unvested awards vest taking into consideration other relevant factors, including the circumstances of the change in control.</li> </ul>
<b>Outside appointments</b>	Executive directors may accept external appointments.	<ul style="list-style-type: none"> <li>Board approval must be sought before accepting the appointment.</li> <li>The fees may be retained by the director.</li> </ul>
<b>Chairman and non-executive directors</b>	<p>Engaged under letters of appointment for terms not exceeding three years.</p> <p>Renewable by mutual agreement and can be terminated on one month's notice.</p>	<ul style="list-style-type: none"> <li>All non-executive directors are subject to annual re-election.</li> <li>No compensation is payable if required to stand down.</li> </ul>

Standard provision	Policy	Details
<b>Other</b>	The Remuneration Committee reserves the right to make any other payments in connection with a director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and/or the director's legal and/or professional advice fees and/or reasonable relocation costs in connection with cessation of office or employment.	
<b>Other notable provisions in service contracts</b>	There are no other notable provisions in the service contracts.	

Copies of the directors' service contracts and letters of appointment are available for inspection at the group's registered office.

### Dates of Executive Directors' Service Contracts

Name	Date of service contract
Adrian Sainsbury	1 May 2020
Mike Morgan	15 November 2018

### Remuneration Policy for the Chairman and Non-executive Directors

Element and how it supports the group's short-term and long-term strategic objectives

Operation and maximum payable

<p><b>Fees</b></p> <p>Attract and retain a chairman and independent non-executive directors who have the requisite skills and experience to determine the strategy of the group and oversee its implementation.</p>	<ul style="list-style-type: none"> <li>Fees are paid in cash and are reviewed periodically.</li> <li>Fees for the chairman and non-executive directors are set by the board. The non-executive directors do not participate in decisions to set their own remuneration.</li> <li>The chairman of the board receives a fee as chairman but receives no other fees for chairmanship or membership of any committees.</li> <li>Non-executive directors receive a base fee.</li> <li>The senior independent director receives an additional fee for this role.</li> <li>Additional fees are paid for chairmanship of each of the Audit, Remuneration and Risk Committees.</li> <li>Additional fees are paid for membership of committees, with the exception of the Nomination and Governance Committee, for which no additional fees are payable.</li> <li>Additional fees may be payable for other additional board responsibilities and/or time commitments.</li> <li>The chairman and non-executive directors are entitled to claim reimbursement for reasonable expenses and associated tax liabilities incurred in connection with the performance of their duties for the company, including travel expenses.</li> <li>Overall aggregate fees will remain within the limit as authorised within the articles of association, which may change from time-to-time.</li> <li>There is no performance framework, recovery or withholding.</li> </ul>
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### Non-executive Directors' Appointment Letters

Name	Date of appointment	Current letter of appointment start date
Mike Biggs	14 March 2017	21 November 2023
Mark Pain	1 January 2021	1 January 2024
Kari Hale	28 June 2023	26 June 2024
Tracey Graham	22 March 2022	1 January 2024
Patricia Halliday	1 August 2021	1 August 2024
Tesula Mohindra	15 July 2021	1 January 2024
Sally Williams	1 January 2020	1 January 2024

### Statement of Consideration of Shareholder Views

The Chairman of the Board and the Chair of the Remuneration Committee consult our major shareholders on a regular basis on key issues, including remuneration, and welcome feedback from shareholders at any point throughout year. Where the Committee proposes to make any significant changes to the Remuneration Policy, or the manner in which the Policy is operated, we would seek major shareholders' views and take these into account. A formal consultation exercise was undertaken during 2021 during the development of the previous Policy with our major shareholders and shareholder advisory bodies. Engagement with investors on matters relating to executive pay has continued in subsequent years, including in 2023 when a number of changes were made to the implementation of the existing Policy.

Upon agreement of the proposed approach to executive remuneration for 2025, as detailed in the Remuneration Committee Chair's letter, a letter was sent to major shareholders in August 2024 setting out the intended approach and inviting feedback.

We consulted with over 40 of our major shareholders, covering c.80% of our shareholder register. We had responses from 24 shareholders and held meetings with those shareholders who wished to discuss the proposals in more detail. The majority of our larger shareholders, who provided feedback, have advised that they are minded to support the proposal. As part of the consultation exercise, a number of shareholders expressed a strong preference for all of the Restricted Stock award to be subject to a two-year holding period, extending the award over a total of five years. A number of shareholders noted the substantial discount of c.65% on face value of the normal annual bonus and performance share award LTIP but also requested reassurance that the Remuneration Committee will retain discretion on vesting outcomes to ensure alignment with the shareholder experience. We therefore refined our approach to address this feedback. The Committee intends to continue to consult with shareholders going forward, particularly when the Committee anticipates any substantial change to the remuneration framework.

## Annual Report on Remuneration

### Remuneration Committee

The Remuneration Committee's main responsibilities are to:

- review and determine the total remuneration packages of executive directors and other senior executives, including group Material Risk Takers and senior control function staff in consultation with the chairman and chief executive and within the terms of the agreed Policy;
- approve the design and targets of any performance-related pay schemes operated by the group;
- review the design of all-employee share incentive plans;
- ensure that contractual terms on termination and any payments made are fair to the individual and the group, that failure is not rewarded and that a duty to mitigate risk is fully recognised;
- review any major changes in employee benefits structures throughout the group;
- ensure that the remuneration structures in the group are compliant with the rules and requirements of regulators, and all relevant legislation;
- ensure that provisions regarding disclosure of remuneration are fulfilled; and
- seek advice from group control functions to ensure remuneration structures and annual bonuses are appropriately aligned to the group's risk appetite.

### Remuneration 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 Remuneration Committee continues to operate effectively.

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

## Membership activity in the 2024 financial year

There were five meetings of the Remuneration Committee held during the year. There is a standing calendar of items which is supplemented by other significant issues that arise during the year. The key matters addressed during the year were as follows:

	September 2023	January 2024	April 2024	June 2024	July 2024
<b>Remuneration Policy and disclosures</b>					
Annual remuneration governance review		•			
Annual review of Total Reward Principles		•			
Review and approve Remuneration Policy Statement for 2023		•			
Review and approve Directors' Remuneration Report and the remuneration section of the Pillar 3 disclosure for 2023	•				
Review of Directors' Remuneration Policy for 2024		•	•	•	•
Gender pay gap review		•			
<b>Risk and reward</b>					
Review and approve risk-adjustment process/outcomes	•		•	•	•
Annual review whether to apply malus and clawback to remuneration					•
Material Risk Takers identification for 2024	•	•	•	•	
<b>Annual remuneration discussions</b>					
Approve group LTIP financial and non-financial targets for 2024	•				
Review and determine 2024 EDs' annual bonus outcome		•	•	•	•
Review and approve 2021 group LTIP vesting				•	•
Review and approve approach to year-end compensation		•	•		
Year-end all-employee group-wide salary and bonus analysis/proposals for 2024				•	•
Review proposed 2024 compensation for Material Risk Takers				•	•
Initial review of EDs' annual bonus targets and objectives for 2025					•
Review of formulaic incentive schemes and approval of schemes for 2025			•		•

## UK Corporate Governance Code

We continue to be compliant with the executive pay provisions of the 2018 UK Corporate Governance Code. Our pay arrangements are also consistent with the following principles set out in the Code:

<b>Clarity</b>	This Directors' Remuneration Report provides open and transparent disclosure of our executive remuneration arrangements for our internal and external stakeholders.
<b>Predictability</b>	Our incentive arrangements contain maximum opportunity levels with outcomes varying depending on the level of performance achieved against specific measures. The charts on page 160 of the report provide estimates of the potential total reward opportunity for the executive directors under the Policy.
<b>Simplicity and alignment to culture</b>	Under our ordinary course Policy, incentive arrangements for our executives are straightforward, with individuals eligible for an annual bonus and, at more senior levels, a single performance-based long-term incentive plan. As part of the new Policy, an interim pay model based on restricted stock may be operated in lieu of an annual bonus and grant of performance-based LTIP. Performance measures or underpins used in these plans are designed to support delivery of the group's key strategic priorities and our commitment to adopt a responsible, sustainable business model, in line with our purpose and values.
<b>Proportionality and risk</b>	Our variable remuneration arrangements are designed to provide a fair and proportionate link between group performance and reward. In particular, partial deferral of the annual bonus into shares, five-year release periods for LTIP awards and stretching shareholding requirements that apply during and post-employment provide a clear link to the ongoing performance of the group and therefore long-term alignment with stakeholders. We are also satisfied that the variable pay structures do not encourage inappropriate risk-taking. Notwithstanding this, the Remuneration Committee retains an overriding discretion that allows it to adjust formulaic annual bonus and/or LTIP/Restricted Stock outcomes so as to guard against disproportionate out-turns. Malus and clawback provisions also apply to both the annual bonus and LTIP/Restricted Stock and can be triggered in circumstances outlined in the Policy.



## Directors' Remuneration Report continued

### Advice

During the year under review and up to the date of this report, the Remuneration Committee consulted and received input from the chairman of the board, the chief executive, the group head of human resources, the head of reward and HR operations, the group chief risk officer and the company secretary. Where the Remuneration Committee seeks advice from employees, this never relates to their own remuneration.

The Remuneration Committee's remuneration advisers are Deloitte LLP (a member of the Remuneration Consultants Group) who were appointed by the Remuneration Committee following a competitive tendering process. During the year, separate teams within Deloitte provided advice and

support in a range of areas, including operations, corporate development and regulatory compliance. The Remuneration Committee is satisfied that the provision of these other services does not affect the objectivity and independence of the remuneration advice provided by Deloitte as the other services are unrelated to reward matters. Total fees paid to Deloitte were £79,350 during the 2024 financial year, calculated on a time and material basis.

Slaughter and May provided legal advice on the company's equity scheme rules and the fees paid were £18,000, calculated on a time and material basis. The Remuneration Committee is satisfied with of the independence of the advice.

### Statement of Voting on the Directors' Remuneration Policy at the 2021 AGM

	For	Against	Number of abstentions
Directors' Remuneration Policy	84.2%	15.8%	3,218,903

### Statement of Voting on the Directors' Remuneration Report at the 2023 AGM

	For	Against	Number of abstentions
Directors' Remuneration Report	95.4%	4.6%	10,040

### Implementation of the Policy in 2024

The single total figure of remuneration for executive directors for the years ended 31 July 2024 and 31 July 2023 is set out in the tables below. (Audited<sup>1</sup>)

	2024							
	Salary £'000	Benefits £'000	Pension £'000	Total fixed remuneration £'000	Annual bonus <sup>2</sup> £'000	Performance awards <sup>3</sup> £'000	Total variable remuneration £'000	Total remuneration £'000
Adrian Sainsbury	949	31	95	1,075	–	108	108	1,182
Mike Morgan	571	12	57	640	–	65	65	705

	2023							
	Salary £'000	Benefits £'000	Pension £'000	Total fixed remuneration £'000	Annual bonus <sup>2</sup> £'000	Performance awards <sup>3</sup> £'000	Total variable remuneration £'000	Total remuneration £'000
Adrian Sainsbury	930	30	93	1,053	–	–	–	1,053
Mike Morgan	560	8	56	624	–	–	–	624

1. All disclosures in the Directors' Remuneration Report are unaudited unless otherwise stated.

2. 60% of Adrian Sainsbury's and Mike Morgan's annual bonus is deferred into shares.

3. The figures for the performance awards for 2024, granted in 2021, have been calculated using the three-month average to 31 July 2024. As this share price is lower than the grant date share price, none of this value relates to share price appreciation.

### Link Between Reward and Performance

In the financial year 2024, the group delivered a resilient performance in an uncertain environment. In Banking, the adjusted operating profit performance increased 71% to £205.4 million. This reflected higher income, driven by loan book growth of 6%, a strong net interest margin of 7.4% (2023: 7.7%), and a stable underlying credit performance, with a bad debt ratio of 0.9% excluding Novitas (2023: 0.9%). Banking costs increased by 8%, driven mainly by inflationary-related increases in staff costs, higher regulatory compliance and assurance expenses and continued investment spend, partly offset by the progress we have made on our tactical and strategic cost management initiatives. CBAM delivered strong net inflows of 8%, although profit reduced, as income growth was more than offset by costs primarily related to wage inflation and new hires to support future growth. Winterflood's performance remained impacted by lower trading income resulting from continued weakness in investor appetite and market uncertainty, with an operating loss of £1.7 million.

As a result, the group's adjusted operating profit increased 50% to £170.6 million (2023: £113.5 million). The group's return on opening equity increased to 6.9% (2023: 5.0%).

In line with our previous announcement, no dividend will be paid in respect of the 2024 financial year.

There remains significant uncertainty for the industry and the group regarding any potential remedial action as a result of the FCA's work in the motor finance market. We are making significant progress against the initiatives previously outlined to further strengthen our capital position.

Whilst there has been strong progress against non-financial objectives in the annual bonus, due to shareholder experience, the Remuneration Committee applied downward discretion, in agreement with the executive directors, to reduce vesting from 28% of maximum to zero for the 2024 financial year. The 2021 Long-Term Incentive Plan vesting this year achieved good performance against risk management objectives (see page 169 for further details), resulting in 22% overall vesting of maximum of potential.

## Additional Disclosures on the Single Total Remuneration Figure for Executive Directors Table (Audited)

### Salary

The per annum salaries paid during the year are as shown in the single total remuneration figure table above. When reviewing salary levels, the Remuneration Committee takes into account the individual's role and experience, pay for the broader employee population, market and external factors, where applicable. For the 2024 financial year the Remuneration Committee applied 2% salary increases to both the chief executive and finance director, whilst the average increase for the general employee population was 3.8%.

### Benefits

Adrian Sainsbury received an £18,000 allowance in lieu of a company car. Mike Morgan does not receive an allowance in lieu of a company car. They also received private health cover. The discount to the share price on grant of SAYE options is included in the year of grant. In line with disclosure requirements, taxable expenses are included.

### Pension

Adrian Sainsbury and Mike Morgan received a pension allowance equivalent to 10% of base salary, in line with the upper limit contribution the general employee population can elect to receive.

### Annual bonus

As set out in the Remuneration Committee Chair's letter, notwithstanding the good performance delivered against the group-wide strategic scorecard, in light of shareholder experience, the executive directors and Remuneration Committee determined that, as with the 2023 financial year annual bonus, the executive directors would forgo their bonus for the 2024 financial year. However, details of the targets that applied and performance against these are set out below.

#### Annual bonus in respect of 2024

Financial metric	Weighting	Threshold (33.3% of maximum)	Target (50% of maximum)	Maximum (100% of maximum)	2024 outcome	% achieved	Bonus outcome after weighting (% of max)
RoTE	30%	10.0%	12.0%	14.0%	8.3%	0.0%	0.0%
AOP	15%	£183m	£229m	£275m	£170.6m	0.0%	0.0%
C:I	15%	69.4%	68.0%	66.6%	71.0%	0.0%	0.0%
<b>Total financial metrics</b>	60%						0.0%
						Adrian Sainsbury	Mike Morgan
Group-wide strategic scorecard <sup>1</sup>	40%					28.0%	28.0%
Percentage of maximum annual bonus awarded	100%					28.0%	28.0%
<b>Assessed outcome</b>						<b>£252,328</b>	<b>£151,939</b>
<b>Discretionary adjustment (-100%)</b>						<b>(£252,328)</b>	<b>(£151,939)</b>
<b>Bonus out-turn (including application of discretion)</b>						<b>£0</b>	<b>£0</b>

1. The group-wide strategic scorecard objectives relating to the 2024 bonus can be found on pages 168 and 169.

#### Group-wide performance and executive directors' objectives for the 2024 financial year

Annual performance objectives are determined by the Remuneration Committee at the start of each financial year, and are designed to support the group's wider strategic priorities to "Protect", "Grow" and "Sustain" our business model.

The table on pages 168 and 169 sets out examples of the strategic scorecard objectives which were in place in 2024, performance metrics against these objectives where appropriate, and an overview of the factors that the Remuneration Committee has taken into account when assessing the performance of the executives.

The Remuneration Committee determines the overall outcome of the balanced scorecard and, if appropriate, adjusts the final individual rating to take into account the individual contributions to successful outcomes of the scorecard objectives. This year, overall performance against the strategic scorecard was rated at target or above target for all goals. The outcome, before the discretionary downward adjustment, was assessed as 70% of the maximum award for both Adrian Sainsbury and Mike Morgan.

For reasons of commercial sensitivity, not all performance criteria and factors taken into consideration by the Remuneration Committee have been disclosed.

Performance assessment against strategic scorecard objectives

Objective	Measured through reference to	Progress	Objective achieved?
<b>Strategic: 28% of 40%</b>			
<b>Strategic initiatives</b>	<ul style="list-style-type: none"> <li>CET1 capital ratio.</li> </ul>	<ul style="list-style-type: none"> <li>In March 2024, we announced a range of management actions which have the potential to strengthen the group's available CET1 capital by approximately £400 million by the end of the 2025 financial year.</li> <li>Significant progress has been made against these management actions. See page 9 for an update on the progress since March 2024.</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> </ul>
	<ul style="list-style-type: none"> <li>Funding and capital.</li> </ul>	<ul style="list-style-type: none"> <li>Successful AT1 issuance in November 2023.</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> </ul>
	<ul style="list-style-type: none"> <li>Cost imperative.</li> </ul>	<ul style="list-style-type: none"> <li>As announced in March 2024, additional cost management initiatives have been mobilised, which are expected to generate annualised savings of c.£20 million, reaching the full run rate by the end of the 2025 financial year, with the total benefit in the 2026 financial year.</li> <li>Good progress on strategic cost management initiatives. As part of the group's Technology transformation programme initiated in 2023, we have partnered with Wipro, a leading technology services and consulting company. To date, we have reduced our headcount by c.100 and removed over 115 IT applications.</li> </ul>	<ul style="list-style-type: none"> <li>Ahead of track</li> </ul>
	<ul style="list-style-type: none"> <li>Major investment.</li> </ul>	<ul style="list-style-type: none"> <li>The Asset Finance transformation programme was completed in the 2024 financial year, introducing a single technology platform across the business that has standardised processes, increased efficiencies and improved customer and colleague experience.</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> </ul>
	<ul style="list-style-type: none"> <li>Medium-term growth.</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of Bluestone Motor Finance (Ireland) (DAC) completed in October 2023 and have since rebranded the business to Close Brothers Motor Finance. Integration and alignment of our pricing and underwriting standards and credit risk appetite is progressing well.</li> <li>Growth initiatives in our Commercial business continue to prove successful, with healthy new business volumes written by both our Materials Handling and Agricultural Equipment teams and our second syndication deal completed in Invoice Finance.</li> <li>The group has been approved to lend under the UK government's Growth Guarantee Scheme, launched in July 2024, and the Irish Growth and Sustainability Loan Scheme, which launched in August 2024.</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> </ul>
<b>People: 4% of 40%</b>			
	<ul style="list-style-type: none"> <li>Maintain strong engagement scores.</li> </ul>	<ul style="list-style-type: none"> <li>Latest employee opinion survey ("EOS") was conducted in February 2024 to monitor overall engagement alongside colleague sentiment around inclusion, speaking up and treating customers and clients fairly. We have retained high levels of employee engagement at 83% (2023: 86%).</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> </ul>
<b>Customer: 4% of 40%</b>			
	<ul style="list-style-type: none"> <li>Complaint levels.</li> </ul>	<ul style="list-style-type: none"> <li>Complaint levels in line or below relevant sector benchmarks.</li> <li>Since the announcement by the FCA of its review of historical motor finance commission arrangements in January 2024, we have seen a further increase in enquiries and complaints. We have deployed automated solutions to assist in new complaints, improving our processing speed, as well as outsourcing.</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> </ul>
	<ul style="list-style-type: none"> <li>Maintain high level of customer satisfaction.</li> </ul>	<ul style="list-style-type: none"> <li>Asset Finance CSAT at 92%.</li> <li>Motor Finance NPS at +67.</li> <li>Property Finance NPS at +98.</li> <li>Premium Finance (personal lines) customer Net Ease at +80.</li> <li>Savings online CSAT at 75%.</li> <li>CBAM Net Ease at +72.</li> </ul>	<ul style="list-style-type: none"> <li>Ahead of track</li> </ul>

Objective	Measured through reference to	Progress	Objective achieved?
<b>Risk, conduct and compliance: 4% of 40%</b>			
	<ul style="list-style-type: none"> <li>Effectively embed regulatory requirement in respect of Consumer Duty.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation activities for Consumer Duty were successfully delivered ahead of the relevant FCA deadlines, including the completion of the group's first Annual Assessment of Customer Outcomes.</li> <li>Full review of requirements to implement Consumer Duty for books of business not open to new customers completed.</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> </ul>

### Long-term performance awards (Audited)

The overall vesting of the 2021 LTIP grant is outlined in the table below.

#### Details of the overall vesting for the LTIP

Performance measure	Threshold target <sup>1</sup>	Maximum target	Actual achieved	Overall vesting
Adjusted EPS growth <sup>2</sup> (35% weighting)	10%	30%	(46.0)%	0.0%
RoE <sup>3</sup> (35% weighting)	10%	18%	7.5%	0.0%
Risk management objectives ("RMO") (30% weighting)	n/a	n/a	73.3%	22.0%
Overall vesting (including application of discretion)				22.0%

1. 25% of the awards vest for satisfying the threshold target.

2. Over three years.

3. Average over three-year performance period.

In addition to the overall vesting of the performance measures, both share price and dividend equivalents affect the payout from the LTIP.

The share price during the relevant performance period for the LTIP decreased by 69% over the three-year period from the date of grant to the end of the performance period. The average share price used to value the awards due to vest in October 2024 was 475.2p from 1 May 2024 to 31 July 2024, which was the measurement period. The 2021 LTIP award was originally granted at 1,545.8p.

The performance awards also include the amount (in cash or shares) equal to the dividend which would have been paid during the period from the beginning of the performance period to the time that the awards vest.

#### Details of the assessment of the risk management objectives for the LTIP

The Remuneration Committee considers it to be of critical importance that remuneration arrangements continue to incentivise discipline in the management of the firm's capital and balance sheet and in the delivery of the business model. The Remuneration Committee undertakes a robust assessment of performance against the risk management objectives to ensure that payments to executive directors are fair and appropriate with consideration for individual and corporate performance. In doing so, the Remuneration Committee assesses performance against a number of key measures in making its determination.

Performance was assessed after each of the three years of the LTIP performance period, with each year's review carrying a weighting of one-third towards the overall vesting for the award, ensuring a fair assessment of progress over the three-year period.

Year one and year two assessments were set out in the 2022 and 2023 Directors' Remuneration Reports respectively. The year three performance assessment is detailed below.

#### Year three performance assessment against risk management objectives

Objective	Measured through reference to	Progress	Objective achieved?
<b>Risk and operational resilience: 10% of 30%</b>			
<b>Corporate governance reform</b>	<ul style="list-style-type: none"> <li>Compliance with corporate audit and governance reforms.</li> </ul>	<ul style="list-style-type: none"> <li>The group has initiated several workstreams aimed at enhancing the internal controls environment and reporting, in preparation for the new UK Corporate Governance Code 2024. This includes commissioning of an externally led board and committee evaluation.</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> </ul>
<b>Cyber security</b>	<ul style="list-style-type: none"> <li>Continued assessment of our cyber security controls and score against internal targets.</li> </ul>	<ul style="list-style-type: none"> <li>The maturity and effectiveness of our cyber security controls were assessed, with the relevant scores in line with the agreed targets.</li> <li>A cyber incident exercise to enhance our readiness for any potential incidents has been conducted.</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> </ul>
<b>Operational resilience</b>	<ul style="list-style-type: none"> <li>Compliance with operational resilience regulatory requirements.</li> </ul>	<ul style="list-style-type: none"> <li>The annual self-assessment of operational resilience capabilities has been completed, and remediation actions have been agreed with the board and are progressing as planned.</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> </ul>



## Directors' Remuneration Report continued

Objective	Measured through reference to	Progress	Objective achieved?
<b>ESG: 10% of 30%</b>			
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>Operation emissions targets.                             <ul style="list-style-type: none"> <li>Progress against green growth ambition to provide funding for at least £1 billion of battery electric vehicles by 2027.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The group's first sector-based intermediate 2030 reduction ambition for transport assets, the largest carbon-intensive sectors in our loan book, was published in March 2024.</li> <li>Funded £316 million of BEVs since September 2022.</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> </ul>
<b>People</b>	<ul style="list-style-type: none"> <li>Progress against the group's diversity targets by 31 July 2025:                             <ul style="list-style-type: none"> <li>36% female senior managers.</li> <li>14% managers from an ethnic minority.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>31% female senior managers at 31 July 2024.</li> <li>10% of managers from an ethnic minority at 31 July 2024.</li> <li>The group's Diversity and Inclusion Strategy outlining our priorities and focus areas for the next three years has been introduced.</li> </ul>	<ul style="list-style-type: none"> <li>Behind track</li> </ul>
<b>Financials: 10% of 30%</b>			
<b>Capital</b>	<ul style="list-style-type: none"> <li>Maintain a strong capital position, ahead of regulatory requirements and in line with the group's medium-term CET1 capital target range of 12% to 13%.</li> </ul>	<ul style="list-style-type: none"> <li>The group's CET1 capital ratio was 12.8% at 31 July 2024 (31 July 2023: 13.3%), significantly above our applicable requirement of 9.7%.</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> </ul>
<b>Dividend</b>	<ul style="list-style-type: none"> <li>Maintain a progressive dividend that is sustainable over the medium term.</li> </ul>	<ul style="list-style-type: none"> <li>In light of the uncertainty regarding any potential financial impact as a result of the FCA's review of historical motor finance commission arrangements, the group decided not to pay a dividend on its ordinary shares for the 2024 financial year. The decision is one of the management actions identified to further build the group's CET1 capital position.</li> </ul>	<ul style="list-style-type: none"> <li>Behind track</li> </ul>
<b>Funding</b>	<ul style="list-style-type: none"> <li>Maintain a prudent amount of term funding that supports our "borrow long, lend short" strategy.</li> <li>Maintain appropriate net stable funding.</li> </ul>	<ul style="list-style-type: none"> <li>Surplus tenor of allocated funding of 4.1 months at 31 July 2024, and behaviouralisation work completed, which if adopted would add c.3 additional months.</li> <li>The four-quarter average NSFR to 31 July 2024 was 134.4% (31 July 2023: 126.0%).</li> </ul>	<ul style="list-style-type: none"> <li>Ahead of track</li> </ul>
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>Maintain liquid assets at or above 10% of total assets in line with our risk appetite.</li> <li>Maintain a prudent level of headroom to LCR.</li> </ul>	<ul style="list-style-type: none"> <li>Treasury assets, predominantly held on deposit with the Bank of England, increased 3% to £2.3 billion (31 July 2023: £2.2 billion) and represented 16.3% of total assets at 31 July 2024.</li> <li>We regularly assess and stress test the group's liquidity requirements and continue to exceed the LCR regulatory requirements, with a 12-month average to 31 July 2024 LCR of 1,034% (31 July 2023: 1,143%).</li> </ul>	<ul style="list-style-type: none"> <li>Ahead of track</li> </ul>

The table below summarises the Remuneration Committee's assessment of performance against the risk management objectives after each of the three years of the LTIP performance period. For the 2024 financial year, we added ESG metrics as a distinct category to the risk management objectives.

Element	Year one assessment	Year two assessment	Year three assessment	Overall vesting
Capital and balance sheet management	95.0%	95.0%	37.5%	75.8%
Risk and operational resilience	75.0%	75.0%	75.0%	75.0%
ESG <sup>1</sup>	n/a	n/a	37.5%	37.3%
<b>Overall vesting<sup>2</sup></b>	<b>85.0%</b>	<b>85.0%</b>	<b>50.0%</b>	<b>73.3%</b>

1. The ESG element in years one and two was incorporated within the risk and operational resilience element, whilst in year three it was agreed ESG would be a separate element.

2. The overall vesting percentage is calculated on the average of the overall vesting per element per year.

### Implementation of the Policy in 2025

#### Base salary

	Salary effective from 1 August 2024	Increase
Chief executive – Adrian Sainsbury	£968,000	2.0%
Finance director – Mike Morgan	£583,000	2.1%

Base salaries were determined with reference to the executive director's role, increases for the broader population and external factors. For the 2025 financial year the Remuneration Committee has decided to apply 2% and 2.1% salary increases to the chief executive and the finance director, respectively. These base salary increases are lower than the average salary increase approved for the wider employee population at 3.4%.

Adrian Sainsbury and Mike Morgan's allowance in lieu of pension will be 10% of base salary, in line with the upper limit contribution the general employee population can elect to receive. The executive directors will receive benefits in line with those outlined in the Remuneration Policy table on page 154. There will be no other increases to allowances or benefits other than any potential increase in the cost of providing them.

### 2024 Restricted Stock award (for the 2025 to 2027 cycle)

The proposed 2024 Restricted Stock awards due to be granted in November 2024 are shown in the table below.

	Chief executive Adrian Sainsbury	Finance director Mike Morgan
2024 Restricted Stock award	£750,000	£450,000
2024 Restricted Stock award as a percentage of proposed 2025 salary	77%	77%

As advised in the Remuneration Committee Chair's letter, and subject to approval of the proposed Remuneration Policy, in lieu of the normal course annual bonus and performance share LTIP, it is proposed that for 2025 a Restricted Stock award is granted over shares with a value at grant of £750,000 for the chief executive and £450,000 for the finance director. This equates to less than 80% of their respective base salaries. This is a c.65% discount to the aggregate normal annual bonus and performance share LTIP opportunities of 220% of salary (which would equate to a normal aggregate maximum face value at award of c.£2,130k for the chief executive and c.£1,283k for the finance director).

This level of discount is higher than the market standard discount of 50%. This higher discount has been proposed taking into account a number of factors including i) the need to mitigate the risk of windfall gains at vesting taking into account the current share price; ii) the fact that the Restricted Stock award is replacing both an annual bonus and LTIP; and iii) the need to ensure that we can reward and retain the executive directors and to protect our strong franchise.

The award would be subject to the following performance underpins:

- Individual: At least strong personal performance rating as rated by the Chairman of the Board in consultation with the Board;
- Financial: Company achieving a CET1 of at least 1% above regulatory requirement, calculated on a standardised basis;
- Non-financial: Satisfactory progress against strategic objectives designed to promote the long-term success of the business, as judged by the Chairman of the Board in consultation with the Board; and
- Risk: No material regulatory censure relating to the ED's time in office.

Consistent with the current Policy and risk adjustment framework, the Remuneration Committee will continue to have overriding discretion to adjust vesting outcomes where it considers this appropriate taking into account the wider stakeholder experience. While the significant discount is intended to proactively address the risk of potential windfall gains, the Remuneration Committee will nonetheless retain discretion on vesting outcomes in the event of a significant increase in our share price to ensure the value delivered to the executive directors is appropriate in the context of the overall business performance and the wider stakeholder experience.

The Restricted Stock awards would vest 100% after year three subject to assessment against the performance underpins. 100% of the award would also be subject to a two-year holding period. This is to reflect shareholder preference for the holding period to apply for the entirety of the award and that the current LTIP has a five-year time horizon.

Consistent with the normal course Policy, clawback periods will continue to be seven years, extendable to 10 years.

Both executive directors will revert back to participating in the normal course annual bonus and LTIP as soon as practicable. In the event that the extraordinary circumstances continue beyond the 2025 financial year, the maximum Restricted Stock awards that may be granted will be capped at 80% of fixed pay, excluding pension and benefits in lieu of any annual bonus or performance share LTIP grant.

### Relative Spend on Pay

The following table shows the total remuneration paid compared to the total distributions to shareholders. No dividend will be paid in 2024, and the increase in remuneration paid to employees reflects inflation-related wage increases, a normalisation of performance-driven bonuses and new hires.

	2024 £ million	2023 £ million	Percentage change
Remuneration paid	382.0	347.0	10.2%
Distributions to shareholders <sup>1</sup>	–	100.5	(100)%

1. For the 2024 financial year, no dividend was paid.

### Changes in Remuneration of the Directors and all Employees

The table on the following page shows how the remuneration for the directors changed compared to employees of the parent company of the group and the average group-wide employee population for each year between the 2020 and 2024 financial years.

The year-on-year movement in fees and salary for the directors, average group employee and average group-wide employee reflects the annual review implemented in August 2023 and ad hoc salary changes throughout the financial year ended 31 July 2024.

## Directors' Remuneration Report continued

Kari Hale's year-on-year fee increase also relates to his change of responsibilities (appointment as chair of the Audit Committee) during the 2024 financial year. The change to benefits relates to costs of providing private medical cover and the inclusion of the discount of share price for a SAYE option granted. Due to the attractive discounted share price, a larger number of employees elected to participate in the 2024 SAYE option scheme.

	2024			2023			2022			2021			2020		
	Salary/ Fee	Benefits <sup>1</sup>	Bonus	Salary/ Fee	Benefits <sup>1</sup>	Bonus	Salary/ Fee	Benefits <sup>1</sup>	Bonus	Salary/ Fee	Benefits <sup>1</sup>	Bonus	Salary/ Fee	Benefits <sup>1</sup>	Bonus
Average group employee <sup>2</sup>	6.9%	10.7%	1.8%	7.0%	16.2%	(11.7)%	5.8%	21.3%	29.5%	2.4%	6.6%	34.3%	11.7%	2.3%	(32.9)%
Average employee <sup>3</sup>	3.8%	19.2%	7.9%	4.7%	4.7%	(27.6)%	5.7%	5.7%	(32.8)%	0.0%	0.0%	21.2%	1.8%	1.8%	13.1%
<b>Executive directors<sup>4</sup></b>															
Adrian Sainsbury <sup>5</sup>	2.0%	2.9%	0.0%	0.0%	2.7%	(100.0)%	95.7%	62.2%	(51.1)%	-	-	-	-	-	-
Mike Morgan <sup>6</sup>	2.0%	7.9%	0.0%	0.0%	(0.1)%	(100.0)%	40.0%	30.8%	(54.9)%	0.0%	20.2%	152.2%	0.0%	0.0%	(54.7)%
<b>Chairman and non-executive directors<sup>7</sup></b>															
Mike Biggs	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-
Oliver Corbett	0.9%	-	-	0.0%	-	-	(1.7)%	-	-	(0.1)%	-	-	5.6%	-	-
Peter Duffy	2.4%	-	-	0.0%	-	-	7.7%	-	-	2.8%	-	-	0.0%	-	-
Sally Williams	2.4%	-	-	0.0%	-	-	3.8%	-	-	0.0%	-	-	-	-	-
Mark Pain	1.7%	-	-	0.0%	-	-	27.5%	-	-	-	-	-	-	-	-
Patricia Halliday <sup>8</sup>	0.9%	-	-	23.9%	-	-	-	-	-	-	-	-	-	-	-
Tracey Graham <sup>8</sup>	0.9%	-	-	23.9%	-	-	-	-	-	-	-	-	-	-	-
Tesula Mohindra	2.4%	-	-	0.0%	-	-	-	-	-	-	-	-	-	-	-
Kari Hale <sup>9</sup>	25.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-

1. Non-executive directors have received other benefits that relate to reimbursement for expenses incurred in the course of duties. Reimbursement of these expenses does not provide an accurate comparison to benefits received by employees and they are therefore not included.
2. Changes for employees of the parent company excluding executive directors.
3. Changes for group-wide employees, as this is more representative of changes across the wider workforce, excluding executive directors.
4. Calculated using the data from the single figure table in the Annual Report on Remuneration excluding reimbursement for expenses incurred in the course of duties. For Adrian Sainsbury and Mike Morgan, their expenses were £5,330 and £6,437 for the 2024 financial year, £6,020 and £6,328 for the 2023 financial year and £16,441 and £5,939 for the 2022 financial year respectively.
5. Adrian Sainsbury was appointed as group executive director in September 2020 and his 2021 figures are pro-rated based on part-year. Adrian's 2022 salary and benefits increase is driven by the part-year in 2021 and the compensation mix adjustment awarded during the 2022 financial year.
6. Mike Morgan's 2022 benefits increased 30.8%; this is driven by an increase in pension allowance based on the compensation mix adjustment awarded during the 2022 financial year.
7. Calculated using the fees from the single figure table for non-executive directors on page 175. Where non-executives have pro-rated fees, the prior year has either been pro-rated up or down accordingly.
8. Patricia Halliday and Tracey Graham's fees increased year-on-year between 2022 and 2023; this is driven by their appointment to the chair of the Risk Committee and the chair of the Remuneration Committee respectively during the 2023 financial year.
9. Kari Hale's fees have increased year-on-year and this is driven by his appointment to the chair of the Audit Committee during the 2024 financial year.

### Pay Ratios

The table below compares the chief executive's single total remuneration figure to the remuneration of the group's UK employees at 31 July, over the last five financial years. The Remuneration Committee is satisfied that the median ratio is consistent with the pay, reward and progression policies for our employee population.

The ratio for 2024 has marginally increased on the previous year. This is largely as a result of the 2021 LTIP award vesting this year.

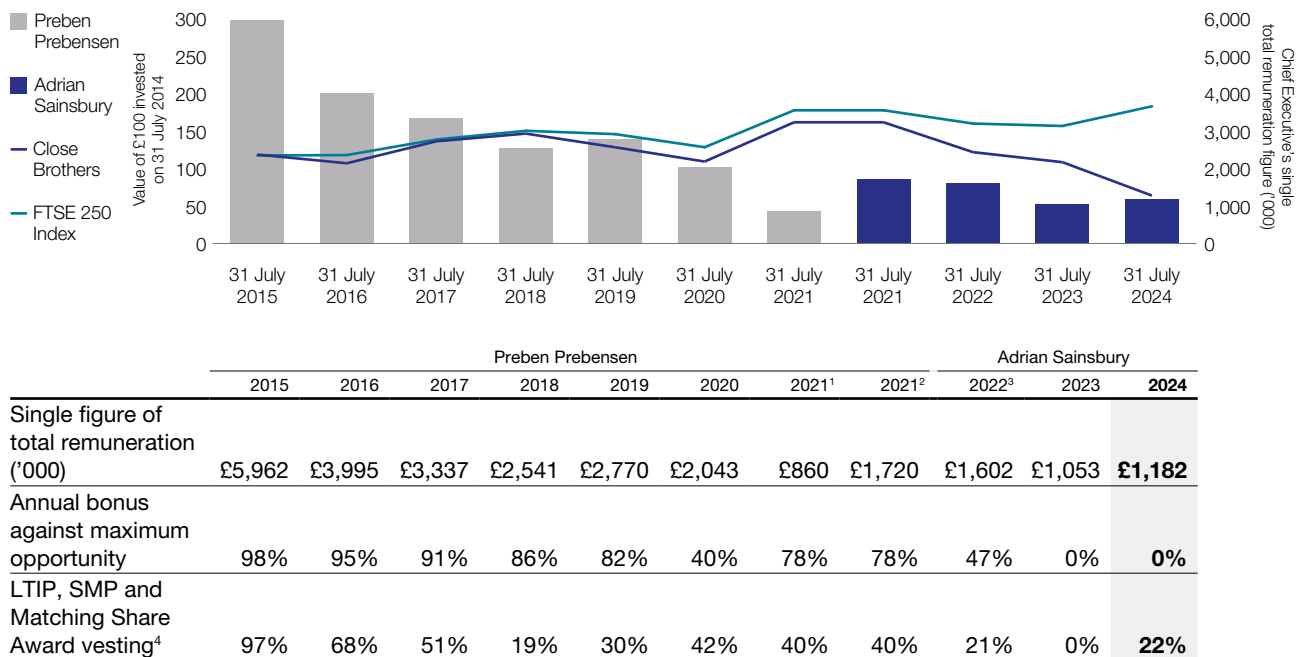
Year	Method	25 <sup>th</sup> percentile			Lower quartile employee		Median employee		Upper quartile employee	
		Method	25 <sup>th</sup> percentile	Median	75 <sup>th</sup> percentile	Total remuneration	Salary	Total remuneration	Salary	Total remuneration
2024	A	31: 1	19: 1	12: 1	£38,440	£31,500	£61,270	£55,700	£96,856	£61,730
2023	A	29: 1	18: 1	11: 1	£36,093	£30,000	£59,000	£50,000	£92,969	£72,600
2022	A	48: 1	28: 1	17: 1	£33,571	£26,314	£56,952	£40,983	£93,459	£85,000
2021	A	79: 1	37: 1	29: 1	£32,437	£28,820	£54,729	£38,500	£89,927	£70,000
2020	A	64: 1	38: 1	23: 1	£32,194	£27,167	£54,245	£36,950	£90,029	£75,000

Our ratios have been calculated using the most robust methodology option "A" prescribed under the UK Companies (Miscellaneous Reporting) Regulations 2018. Under this option, the ratios are calculated using the following:

- the full-time equivalent salaries and allowances for employees in the UK;
- pensions and benefits paid during the financial years;
- annual bonus awarded for the financial years;
- actual and projected gains realised from exercising awards from taxable employee share plans;
- sales incentives paid during the financial years; and
- projection of vested performance awards.

## The Chief Executive's Total Remuneration Over the Past 10 Years

The chart below illustrates the chief executive's single total remuneration figure over the past 10 years and compares it to the total shareholder return of the company's shares and the FTSE 250 over this period. Further detail on the single total remuneration figure outcomes and how variable pay plans have paid out each year is shown in the table below.



	2015	2016	2017	2018	2019	2020	2021 <sup>1</sup>	2021 <sup>2</sup>	2022 <sup>3</sup>	2023	2024
Single figure of total remuneration ('000)	£5,962	£3,995	£3,337	£2,541	£2,770	£2,043	£860	£1,720	£1,602	£1,053	<b>£1,182</b>
Annual bonus against maximum opportunity	98%	95%	91%	86%	82%	40%	78%	78%	47%	0%	<b>0%</b>
LTIP, SMP and Matching Share Award vesting <sup>4</sup>	97%	68%	51%	19%	30%	42%	40%	40%	21%	0%	<b>22%</b>

1. Preben Prebensen's remuneration for the 2021 financial year was time pro-rated to 21 September 2020, the day he stepped down as chief executive.
2. Adrian Sainsbury was appointed chief executive on 21 September 2020 and his remuneration included in the single figure for the 2021 financial year was time pro-rated accordingly.
3. The 2019 LTIP award vested in the 2022 financial year at 20.6%, the assessed outcome before the 25% discretionary reduction was 27.5%.
4. SMP and Matching Share Awards were last granted in the 2016 financial year.

## Scheme Interests Granted During the Year (Audited)

The face value and key details of the share awards granted in the 2024 financial year are shown in the table below. These were all delivered as nil cost options. The share price used to calculate the number was £8.719, the average mid-market closing price for the five days prior to grant (3 October 2023).

Name	Award type <sup>1</sup>	Vesting period	Performance conditions	Face value '000	Percentage vesting at threshold	Number of shares	Vesting end date
Adrian Sainsbury	LTIP <sup>2,3</sup>	3 years	Yes	£1,186	25%	135,997	4 October 2026
Mike Morgan	LTIP <sup>2,3</sup>	3 years	Yes	£714	25%	81,891	4 October 2026

1. The awards are all delivered as nil cost options.
2. Performance targets are detailed in the 2023 Annual Report on page 180.
3. LTIPs vested from 2020 have an additional two-year holding period.

## External Appointments

No executive directors held external directorships during the financial year other than vesting of outstanding share awards as disclosed in previous remuneration reports.

## Payments for Loss of Office and Past Directors (Audited)

There were no payments for loss of office or payments to past directors during the year other than vesting of outstanding share awards as disclosed in previous remuneration reports.

## Executive Directors' Shareholding and Share Interests (Audited)

The interests of the directors in the ordinary shares of the group at 31 July 2024 are set out below:

Name	Shareholding requirement	Number of shares owned outright <sup>2</sup>	Outstanding options not subject to performance conditions <sup>3</sup>		Outstanding options subject to performance conditions <sup>4</sup>	
	2024 <sup>1</sup>	2024	2024	2023	2024	2023
Adrian Sainsbury	371,273	142,424	33,212	73,476	315,931	383,452
Mike Morgan	223,562	115,865	21,874	38,592	190,239	204,929

1. Based on the closing mid-market share price of 511p on 31 July 2024.
2. This includes shares owned outright by closely associated persons and SIP.
3. This includes DSA and SAYE options.
4. This includes LTIP awards.

No executive directors held shares that were vested but unexercised as at 31 July 2024. There were no changes in notifiable interests between 1 August 2024 and 6 September 2024, other than the purchase of shares by Adrian Sainsbury within the SIP which increased his shareholding to 142,484 shares.

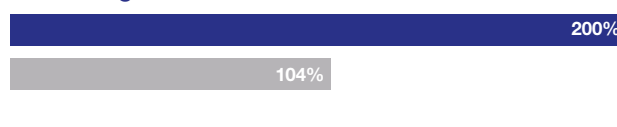
## Executive Directors' Shareholding

The chart below compares the current executive directors' shareholding versus shareholding policy, as a percentage of salary. At the end of the 2021 financial year, both executive directors exceeded the minimum requirement under the Directors' Remuneration Policy. Following the implementation of the compensation mix adjustments in response to CRD V in the 2022 financial year, Adrian Sainsbury and Mike Morgan are building up their shareholding over a reasonable time frame to meet the revised minimum requirement. Neither have sold shares since taking office, except to cover tax liabilities, and have no ability to do so, until the threshold is met.

### Adrian Sainsbury



### Mike Morgan



## Details of Executive Directors' Share Exercises During the Year (Audited)

Name	Award type	Held at 1 August 2023	Called <sup>1</sup>	Lapsed	Market price on award p	Market price on calling p	Total value on calling <sup>1</sup> £	Dividends paid on vested shares £
Adrian Sainsbury	2019 DSA	5,489	5,489	–	1,366.4	832.0	45,668	12,762
	2020 DSA	2,362	2,362	–	987.9	832.0	19,652	4,452
	2020 DSA	2,362	2,362	–	987.9	785.0	18,542	5,515
	2021 DSA	11,359	11,359	–	1,545.8	832.0	94,507	14,824
	2021 DSA	11,359	11,359	–	1,545.8	785.0	89,168	19,935
	2022 DSA	8,933	8,933	–	923.1	785.0	70,124	9,960
	2017 LTIP	21,663	21,663	–	1,459.0	832.0	180,236	77,445
	2018 LTIP	18,693	18,693	–	1,588.8	785.0	146,740	63,837
Mike Morgan	2020 DSA	4,421	4,421	–	987.9	429.0	18,966	10,323
	2021 DSA	7,128	7,128	–	1,545.8	429.0	30,579	12,510
	2022 DSA	5,379	5,379	–	923.1	429.0	23,076	5,998
	2018 LTIP	15,154	15,154	–	1,588.8	790.0	119,717	51,751

1. These are the actual number of shares and values realised on calling. Any variances in totals are due to rounding.

### Notes to the details of executive directors' share exercises during the year

The DSA is a mandatory deferral of a portion of the annual bonus.

The DSA and LTIP give executive directors the right to call for shares in the company from the employee benefit trust or Treasury Shares, at nil cost, together with a cash amount representing accrued notional dividends thereon. They may be called for at any time up to 12 months from the date of vesting. The DSA and LTIP awards may be forfeited in certain circumstances if the executive director leaves employment before the vesting date. The value of the awards is charged to the group's income statement in the year to which the award relates for the DSA and spread over the vesting period for the LTIP award.

## Details of Executive Directors' Option Exercises During the Year (Audited)

No executive director exercised options during the 2024 financial year.



## Single Total Figure of Remuneration for Non-executive Directors (Audited)

Name	2024						2023					
	Basic fee <sup>1</sup> £'000	Committee chair £'000	Committee member £'000	Senior independent director £'000	Benefits <sup>2</sup> £'000	Total £'000	Basic fee <sup>1</sup> £'000	Committee chair £'000	Committee member £'000	Senior independent director £'000	Benefits <sup>2</sup> £'000	Total £'000
Mike Biggs	300	–	–	–	30	330	300	–	–	–	22	322
Oliver Corbett <sup>3</sup>	21	10	2	–	1	34	71	34	6	–	1	112
Peter Duffy <sup>4</sup>	39	–	7	–	–	46	71	–	12	–	1	84
Sally Williams	71	–	14	–	–	85	71	–	12	–	2	85
Mark Pain	71	–	14	34	1	120	71	–	12	34	1	118
Tesula Mohindra	71	–	14	–	1	86	71	–	12	–	1	84
Patricia Halliday	71	34	7	–	–	112	71	24	8	–	1	104
Tracey Graham	71	34	7	–	1	113	71	24	8	–	2	105
Kari Hale <sup>5</sup>	71	24	9	–	1	105	7	–	1	–	–	8

1. Non-executive director fees were last increased with effect from 1 August 2021.
2. Benefits include travel-related expenses in respect of attendance at board meetings which are taxable. Amounts disclosed have been grossed up using the appropriate tax rate as the company pays the non-executive directors' tax.
3. Oliver Corbett resigned as a non-executive director on 16 November 2023.
4. Peter Duffy resigned as a non-executive director on 15 February 2024.
5. Kari Hale was appointed chair of the Audit Committee on 16 November 2023.

### Notes to the single total figure of remuneration for non-executive directors

The fees payable to non-executive directors for the 2024 and 2025 financial years are as follows:

Role	2025	2024
Chairman <sup>1</sup>	£300,000	£300,000
Non-executive director <sup>2</sup>	£71,000	£71,000
<b>Supplements</b>		
Senior independent director	£34,000	£34,000
Chair of Audit Committee	£34,000	£34,000
Chair of Remuneration Committee	£34,000	£34,000
Chair of Risk Committee	£34,000	£34,000
Committee membership <sup>3,4</sup>	£7,000	£7,000

1. The chairman receives no other fees for chairmanship or membership of board committees and the chairman's fee has remained the same since 2018.
2. The non-executive director, senior independent director and committee chair fees have remained the same since 2022.
3. The committee membership fee was last increased in 2024.
4. No fees are payable to the chairman, or for membership, of the Nomination and Governance Committee.

### Non-executive Directors' Share Interests (Audited)

The interests of the non-executive directors in the ordinary shares of the company are set out below:

Name	Shares held beneficially at 31 July 2024	Shares held beneficially at 31 July 2023
Mike Biggs	6,500	3,500
Oliver Corbett <sup>1</sup>	–	–
Peter Duffy <sup>2</sup>	848	848
Sally Williams	1,062	–
Mark Pain	4,000	–
Tesula Mohindra	500	–
Patricia Halliday	500	–
Tracey Graham	1,000	1,000
Kari Hale	–	–

1. Oliver Corbett's shareholding is at 16 November 2023, the date he resigned as a non-executive director.
2. Peter Duffy's shareholding is at 15 February 2024, the date he resigned as a non-executive director.

There were no changes in notifiable interests between 1 August 2024 and 6 September 2024.

This report was approved by the board of directors on 19 September 2024 and signed on its behalf by:

**Tracey Graham**  
Chair of the Remuneration Committee