

Nomination and Governance Committee Report



Dear Shareholder

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

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

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

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

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

Michael N. Biggs

Chair of the Nomination and Governance Committee

19 September 2024

Membership

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

Other regular attendees by invitation

- Chief executive
- Group head of human resources

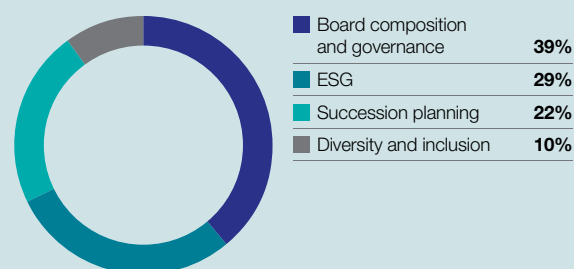
Meetings

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

Interaction with other committees

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

How time was spent



2024 highlights

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

Key Responsibilities of the Committee

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

Appointments to the Committee

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

Board Effectiveness and Non-executive Directors’ Skills

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

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

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

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

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

Board Roles and Responsibilities

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

Changes to Board and Committee Composition

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

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

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

The composition of each committee is as follows:

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

Election and Re-election of Directors at the 2024 AGM

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

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

Senior Management Talent Development and Succession Planning

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

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

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

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

Diversity and Inclusion

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

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

Gender identity reporting¹ under LR9.8.6R(10)

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

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

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

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

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

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

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

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

Ethnic background reporting¹ under LR9.8.6R(10)

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

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

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

Board diversity



Male 56%
Female 44%

Senior management¹



Male 61%
Female 39%

Workforce diversity²



Male 54%
Female 46%

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

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

Workforce Engagement

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

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

Environmental, Social and Governance Matters and Sustainability

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

Areas of focus this year included:

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

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

Committee Effectiveness

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

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