

# Chairman's Introduction to Governance

Focused on delivering stakeholder value



**Michael N. Biggs**  
Chairman

## Dear Shareholder

On behalf of the board, I am pleased to introduce the Corporate Governance Report for the year ended 31 July 2023.

The following pages explain the group's governance structure and key activities undertaken by the board and its committees during the year in order to ensure effective decision making and oversight of the group's strategy, business model and performance. The report describes how we have complied with the UK Corporate Governance Code 2018 (the "Code") during the year.

At Close Brothers, we firmly believe in the importance of effective board oversight and high standards of corporate governance and the role that they play in underpinning the group's performance, the delivery of its strategy and the achievement of long-term sustainable success for the company's shareholders and other stakeholders. It continues to be a focus of the board to maintain a robust and effective governance, control and risk management framework.

## Strategy, Purpose and Culture

The board plays an important role in setting the group's strategy, purpose, business model and culture and the board spends time on each of these areas throughout the year. The directors recognise the important role that they play in setting the tone from the top and in monitoring how the group's culture and values are formed, communicated and embedded. As a board, we also acknowledge the crucial link between culture, governance and leadership and the role that clear and effective decision-making plays as a key driver of culture.

Once again, during the financial year under review, in my own engagement with employees I have been pleased to see the group's strong and distinctive culture in action, as shown by the continuing commitment on the part of our employees to support our customers, clients and partners.

As a board, we have been mindful throughout the year of the wider macroeconomic climate within which we are operating and the impact that this has had on our customers, clients, partners and employees. We regularly consider these external factors when reviewing the group's strategy, discussing opportunities for growth and seeking to identify ways in which we can maximise shareholder value.

## Changes to the Board

We were pleased to welcome Kari Hale to the board as a non-executive director on 28 June 2023. More details on the robust and formal search process leading to Kari's appointment can be found on page 156 together with an overview of his induction process. We are confident that his skills complement those of the rest of the board.

At the conclusion of the AGM in November 2022, Tracey Graham became chair of the Remuneration Committee and Patricia Halliday became chair of the Risk Committee. Oliver Corbett will not be standing for re-election at the AGM in November 2023, having completed nine years' service on our board. On behalf of the board and everyone at Close Brothers, I would like to express my sincere thanks to Oliver for his long and dedicated service to the group.

## Board Effectiveness

This year, as required by the Code, the board undertook a formal and rigorous internal evaluation to review the effectiveness and performance of the board and its committees. The findings are set out on page 151 and the board will develop an action plan to identify opportunities to implement these findings during the year ahead.

## Stakeholder Engagement

Stakeholder engagement continues to be a priority for the board. During the year, the board used formal meetings and other opportunities to discuss the group's performance and delivery of its strategy with group and divisional executives. These discussions included consideration of a wide range of stakeholders and their interests, as well as consideration of the relevant regulatory, economic and political factors which are inherent within the environment in which we operate. During the board's regular meetings and in sessions specifically focusing on strategy, the directors spent considerable time assessing and having regard to the impact of individual decisions and the group's operations on different stakeholder groups. This included extensive discussion of matters arising from engagement with shareholders, customers, employees, regulators and other stakeholder groups.

You can find our formal statement in relation to section 172 of the Companies Act 2006, together with further detail about how the directors have engaged with, and had regard to the interests of, stakeholders in the Strategic Report on pages 1 to 133 and in the Corporate Governance Report on pages 134 to 166.

### Sustainability and ESG

The board and its committees also spent time considering a broad range of sustainability matters, including during regular discussions about the group's strategy and through frequent environmental, social and governance ("ESG") updates at both board and committee level. The board and the Nomination and Governance Committee have also reviewed our climate risk reporting framework at board and management level.

I have been pleased to discuss the board's approach to ESG during my regular meetings with shareholders. In considering our wider responsibilities with respect to sustainability, the board has continued to focus on external and internal developments in relation to climate change and climate risk. This has included discussion of the group's climate strategy and goals, together with oversight of our progress towards meeting the disclosure requirements arising out of the Task Force on Climate-related Financial Disclosures ("TCFD").

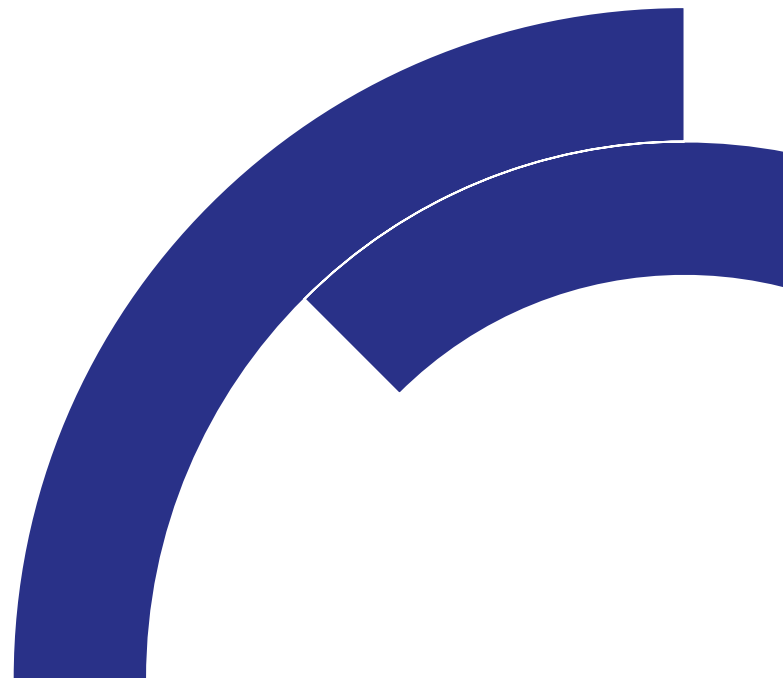
### Diversity and Inclusion

The board and the Nomination and Governance Committee have continued to monitor diversity and inclusion, both as part of our ongoing board and executive management succession planning and in relation to activities aimed at developing a diverse and inclusive talent pipeline below board level.

The board's composition continues to be diverse, comprising directors from a range of backgrounds. Following the appointment of Kari Hale to the board in June 2023, board gender diversity has reduced in the short term to 36%. We expect that we will once again meet our target of 40% female directors from November 2023, when Oliver Corbett steps down from the board at the conclusion of the 2023 AGM.

We aim to comply at all times with the recommendations of the FTSE Women Leaders and Parker Reviews in terms of the composition of the board. The composition of the board does not currently meet the new FCA Listing Rule requirement to have one of the senior board positions occupied by a female and the board recognises that this will be an important consideration for all future board appointments.

Further information on the board's approach to diversity and inclusion can be found on pages 156 to 158.



### Engagement with Shareholders

Engagement and dialogue with shareholders continues to be a key focus for the board and I have enjoyed meeting with a number of our shareholders during the year to discuss a range of topics in order to ensure that the board is aware of, and can take into account, our shareholders' views.

We are delighted to welcome shareholders to this year's AGM. Further details will be set out in the Notice of AGM sent to shareholders in due course.

On behalf of the board, I would like to thank shareholders for their continued support. My fellow directors and I look forward to continuing to engage with you in the year ahead, including at the AGM.

**Michael N. Biggs**  
Chairman

26 September 2023