Directors' Remuneration Report

Remuneration Committee

Membership
Bridget Macaskill (Chair)
Mike Biggs
Peter Duffy
Lesley Jones
Mark Pain
Tracey Graham

The chief executive, group head of human resources and the head of reward and HR operations also attend meetings by invitation.

Meetings
Five scheduled meetings held
Two additional ad-hoc meetings held
100% attendance (see page 103)

Key responsibilities
- Determine the overarching principles and parameters of the Remuneration Policy on a group-wide basis.
- Establish and maintain a competitive remuneration package to attract, motivate and retain high-calibre executive directors and senior management across the group.
- Align senior executives' remuneration with the interests of shareholders.
- Promote the achievement of the group's annual plans and strategic objectives by providing a remuneration package that contains appropriately motivating targets that are consistent with the group's risk appetite.
- Provide oversight of all the group's remuneration policies and practices, to ensure fair and equitable pay for all employees.

This report sets out our approach to remuneration for the group's employees and directors for the 2022 financial year.

The Directors' Remuneration Report is divided into three sections:

Bridget Macaskill
Chair of the Remuneration Committee

Annual Statement from the Remuneration Committee Chair
On behalf of the board and the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the 2022 financial year. This sets out our pay decisions for the year, including how we implemented the Remuneration Policy approved by shareholders at the 2021 AGM.

How the group performed during the 2022 financial year
Close Brothers has a well-established business model that enables us to support our clients and deliver strong returns for shareholders in a wide range of market conditions. Our model is focused on sustainable lending, with a strong net interest margin and disciplined underwriting, supported by a clearly defined risk appetite and a prudent approach to managing our business and financial resources.

As described in the Chairman's and Chief Executive's Statements, in 2022 the group performed solidly despite a backdrop of continued market uncertainty. Adjusted operating profit was down 13% to £234.8 million (2021: £270.7 million) and we achieved a return on opening equity ("RoE") of 10.6% (2021: 14.5%). The group maintained strong capital, funding and liquidity positions. The common equity tier 1 ("CET1") capital ratio decreased to 14.6% (2021: 15.8%), but remained well ahead of the applicable minimum regulatory requirements.

The Banking division performed well reflecting continued good demand across our lending businesses, with loan book growth of 5%, and strong net interest margin of 7.8%. Adjusted operating profit in the Banking division increased 7% to £227.2 million (2021: £212.5 million). While our market-facing businesses were negatively impacted by volatility and falling markets, we continued to attract client assets in CBAM, with net inflows of 5%. CBAM's adjusted operating profit was down 8% to £21.7 million (2021: £23.7 million). Winterflood's performance was adversely impacted by cyclicality in the trading business, with a market wide slowdown in trading activity and periods of volatility in falling markets. Winterflood's operating profit was down 77% to £14.1 million (2021: £60.9 million), following the exceptionally strong trading performance in the prior year.

Following the group's solid financial performance in the year and strong capital position, and to reflect our continued confidence in business model, the board is proposing a final dividend of 44.0p per share. This will result in a full-year dividend per share of 66.0p (2021: 60.0p), returning to the pre-pandemic level.

Directors' Remuneration Report continued

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	2022	2021
Return on opening equity	**10.6%**	14.5%
Average return on opening equity over three years[1]	**11.0%**	12.7%
CET1 capital ratio	**14.6%**	15.8%
Adjusted operating profit (£ million)	**234.8**	270.7
Adjusted earnings per share growth over three years[1]	**(18.4)%**	0.1%
Distributions to shareholders (£ million)[2]	**98.4**	89.5

1 For the three-year periods ended 31 July 2022 and 31 July 2021.
2 For the 2022 financial year, interim dividend paid and proposed final dividend.

Executive director remuneration outcomes for the 2022 financial year

Last year, as required by new regulations, we introduced a new capital requirement directive V ("CRD V") compliant Remuneration Policy (the "Policy"). I am pleased that this was widely supported by our shareholders, receiving an 84.2% vote in favour at the AGM. The 2021 Policy included much-reduced maximum incentive opportunities to reflect requirements that the group adopt the maximum 2:1 variable: fixed pay cap required for Level 3 banks under CRD V. Under the new Policy, the maximum opportunities for both directors under the annual bonus and long-term incentive plan ("LTIP") are 95% and 125% of salary respectively.

In determining executive director outcomes for the year, which are the first under the new Policy, the Remuneration Committee considered the need to maintain a fair balance between the interests of all our stakeholders, while rewarding the management team for delivery of good performance, including on culture and conduct aspects.

For 2022, the overall bonus outcome was 46.7% of maximum for both directors. The financial element of the executive directors' bonus, which is linked to RoE and the CET1 capital ratio, paid out at 41.1% of maximum. Performance against the strategic scorecard was assessed at the year end, and an outcome of 55% of maximum was approved for this element. This scorecard outcome reflects progress against key strategic, people, customer and risk priorities, including completion of a strategic review of the group, maintaining good employee engagement, delivering strong customer satisfaction and improving on risk objectives. Full details, including detail on performance against the balanced scorecard, is set out on pages 131 to 133.

The 2019 LTIP vested at 27.5% of maximum. The award was based on adjusted EPS growth, average RoE and a scorecard of risk management objectives assessed over the three-year performance period. Unfortunately, neither the EPS nor the RoE financial metrics achieved the threshold target, due to the difficult conditions following the pandemic, which have depressed our performance over the past three years. Adjusted EPS growth over the three-year period declined by 18.4% against a performance threshold of 10%, while average annual RoE over the performance period was 11.0% against a performance threshold of 12%. The risk management objectives element scored 27.5% out of a maximum 30%, based on executives demonstrating prudent capital management and strong performance in risk, compliance and controls and capital management across the period.

Although acknowledging that there have been a number of headwinds over which our executives had no control, the Committee decided after careful consideration that the risk management objectives, and therefore the LTIP outcome, should be reduced by 25% to align better with the returns our shareholders experienced over the three years of the vesting period. The total award that will vest is therefore 20.6%.

The Committee decided to apply no reduction to the annual bonus outcome as it considered that the outcome appropriately reflects performance achieved in the year, with significant progress made in key strategic areas. While continued pressure on the share price over the last year is disappointing, the Committee believed it appropriate to reflect this through the discretionary LTIP adjustment, rather than an adjustment to the annual bonus. Both the LTIP and annual bonus vesting outcomes are lower than those achieved last year, which the Committee judged as appropriate in light of group performance.

Proposed implementation of the Policy for the 2023 financial year

For the 2023 financial year, the Committee has decided to apply no increase to the executive directors' salaries. There will be no change to the incentive opportunities available to the executive directors, which will remain at 95% and 125% of salary for both directors under the annual bonus and LTIP respectively. There will also be no change to the level of pension provision, which will remain aligned with the wider workforce at 10% of salary.

Over the last year, the Committee has reviewed the performance metrics in the annual bonus and LTIP to ensure they continue to reflect the group's strategy, incentivise outperformance and reflect group objectives around risk and conduct.

The Committee determined that the current metrics in the annual bonus remain appropriate, and therefore the annual bonus for the 2023 financial year will continue to be based on RoE (40%), CET1 (20%) and a strategic scorecard (40%). The Committee decided to retain the current target range on the RoE and CET1 measures for 2023 (10% to 18% and 12.6% to 15.6% respectively). The Committee has also refreshed the strategic scorecard to align with the forward-looking objectives for the group. Detail on performance against the scorecard will be provided in next year's report. Further detail on the targets for 2023 is set out on page 135.

The Committee also decided to retain the current balance of metrics in the LTIP, and so the award will continue to be based on average three-year RoE (35%), adjusted EPS growth (35%) and risk management objectives (30%). Further detail on the targets for this year's award is set out on page 136.

Environmental, social and governance metrics

The Committee is conscious that shareholders are increasingly expecting environmental, social and governance measures ("ESG") to be embedded within remuneration frameworks for senior management. As part of the review of performance objectives for 2023, the Committee considered how ESG is reflected within our incentives, and whether there are additional ESG metrics that should be introduced. Customer, people and risk metrics already feature in the strategic scorecard for directors in the annual bonus, and risk management objectives, including sustainability, form a significant part of the LTIP. Close Brothers is currently reviewing its broader ESG strategy, and the Committee expects to reflect any key outputs from that in the remuneration framework in the 2023 financial year and future years.

Group-wide employee remuneration

The Committee is also responsible for determining the reward practices on a group-wide basis. As in previous years, the Committee continues to direct effort into reviewing and approving the overall remuneration for all levels of employees across the group. For further details, please see the Remuneration Committee activity table on page 129.

During the 2022 financial year, the average salary increase for the general population was 5.7%, which included a 3% mid-year salary increase for all Banking employees, excluding executive directors and group Executive Committee members. At the start of the 2023 financial year a further average salary increase of 4.3% was awarded across the group with base salary uplifts focused on more junior staff. These increases reflect the continuing pressures on wages and the cost of living, driven by the current inflationary environment and ensures those most susceptible to the economic environment are best protected. The group continues to pay all staff at or above the national living wage, which is in excess of the national minimum wage.

During the year, the Committee also reviewed the approach to remuneration within group subsidiaries Close Brothers Asset Management ("CBAM") and Winterflood Securities ("WINS") to ensure that the remuneration policies within each comply with requirements under the new Investment Firms Prudential Regime ("IFPR") and the associated MIFIDPRU remuneration code. While the executive directors are identified as Material Risk Takers under the MIFIDPRU code for both CBAM and WINS, no changes to their remuneration will be required given the existing directors' remuneration policy reflects the necessary remuneration features. As WINS is an Extended firm for MIFIDPRU purposes, changes have been made to the remuneration for some affected staff to reflect new deferral and payment in instruments requirements.

Diversity and inclusion

The FCA has introduced new listing rules that include reporting requirements around diversity. While these will only take effect for Close Brothers for the 2023 financial year, with the first mandatory comply-or-explain reporting in next year's report, Close Brothers currently meets the requirements that more than 40% of the board are women and one board member is from a minority ethnic background.

This year the Remuneration Committee has again overseen the publication of our gender pay gap report, which is published on our website. We are confident that men and women are paid equally for performing equivalent roles across our businesses and are committed to taking steps to reduce our gender pay gap, which is primarily driven by a lower proportion of women in senior and front office roles where market rates are higher. 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 of the Social Mobility Pledge and of the Race at Work Charter to help direct our actions around race equality.

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 in the employee opinion survey, 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.

Concluding remarks

I would like to again thank shareholders who supported our new Remuneration Policy at the 2021 AGM. Though passed with a strong vote in favour, I am conscious that some shareholders felt unable to support our proposals. The Committee undertook significant shareholder consultation in advance of the new Policy and we remain committed to ongoing dialogue with our shareholders on remuneration matters. 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.

Finally, I would like to thank my fellow members of the Remuneration Committee for their commitment and engagement in the last year. After nine years on the Board of Close Brothers, at the AGM, I will be stepping down from the Board and as Chair of the Remuneration Committee.

Bridget Macaskill
Chair of the Remuneration Committee

27 September 2022

Directors' Remuneration Report continued

Directors' Remuneration Policy

The directors' Remuneration Policy was approved by shareholders at the 2021 AGM on 18 November 2021. It is intended that the policy will apply for three years up to the 2024 AGM, unless amendments are required, in which case further shareholder approval will be sought.

The policy can be read in full on pages 100 to 110 of the 2021 Annual Report, which is available on our website at www.closebrothers.com. A summary of the main elements of the Remuneration Policy is set out in the table below.

Information on how the Remuneration Policy will be applied in 2023 is included in the Annual Report on Remuneration section, on pages 135 to 136.

Remuneration Policy for executive directors

Element and how it supports the group's short-term and long-term strategic objectives	Operation and maximum payable	Performance framework, recovery and withholding
Base salary Attracts and retains high calibre employees.	Reflects the individual's role and experience and external factors, as applicable. Paid monthly in cash. Increases will generally not exceed those for the broader employee population unless there is a change in role, responsibility or the regulatory environment.	Not applicable.
Benefits Enables the EDs to perform their roles effectively by contributing to their wellbeing and security. Provides competitive benefits consistent with the role.	Benefits may include private medical cover, health screening, life assurance, income protection cover and an allowance in lieu of a company car. Other benefits may also be provided in certain circumstances, such as relocation expenses.	Not applicable.
Pension Provides an appropriate and competitive level of personal and dependant retirement benefits.	EDs 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.	Not applicable.
Annual bonus Rewards good performance. Motivates executives to support the group's goals, strategies and values over both the medium and long term. 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.	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. The annual bonus is capped at 95% of base salary. At the Remuneration Committee's discretion, dividend equivalents will usually be paid in cash or additional shares when the deferred awards vest.	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. At the Remuneration Committee's discretion, an element of the bonus may also be based on personal performance. At least 60% of the annual bonus opportunity will be based on financial performance. The non-financial element will be determined based on performance measured against a balanced scorecard, including (but not limited to): • strategic objectives; and/or • people and customer metrics; and/or • risk, conduct and compliance measures. The Remuneration Committee has overriding discretion to adjust vesting outcomes where it considers appropriate. The cash element is subject to clawback and the deferred element is subject to malus and clawback conditions.

Element and how it supports the group's short-term and long-term strategic objectives	Operation and maximum payable	Performance framework, recovery and withholding
Long-Term Incentive Plan Motivates executives to achieve the group's longer-term strategic objectives and aligns their interests with those of shareholders. Aids the attraction and retention of key staff.	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, EDs. EDs are eligible to receive an annual award of shares with a face value of up to 125% of base salary, excluding dividend equivalents.	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 has overriding discretion to adjust vesting outcomes where it considers appropriate. LTIP awards are subject to malus and clawback provisions.
Shareholding requirement Aligns the interests of executives with those of shareholders.	EDs are expected to build and maintain a holding of company shares equal to at least 200% of base salary. EDs will normally be expected to maintain a minimum shareholding of 200% of base salary for the first two years after stepping down as an ED.	Not applicable.
Other	The group will pay legal, training and other reasonable and appropriate fees, including any relevant tax liabilities, incurred by the EDs as a result of doing their job. The EDs are also permitted to participate in the group-wide Save As You Earn schemes and Share Incentive Plan.	
Legacy arrangements	Share awards granted under the previous Remuneration Policy will continue to vest and be released on their usual timescales. These awards to executive directors are also subject to a three-year performance period and usually post-vesting to a two-year retention period. The single figure for 2022 includes values relating to the 2019 LTIP grant.	
Additional details on the directors' Remuneration Policy	The Remuneration Committee has discretion to amend performance conditions in appropriate circumstances, provided that the performance condition is not made either materially easier or materially more difficult to achieve. The Committee also has discretion to adjust vesting outcomes where it considers the application of formulaic performance conditions to be inappropriate. 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.	
Rationale for choice of performance conditions	The Remuneration Committee selects financial and non-financial performance measures that strengthen the alignment of the remuneration arrangements to the business model and the interests of our shareholders. The Committee believes the current combination of metrics provides a good balance between financial and non-financial measures, and supports the medium and long-term strategic objectives of the group.	
Malus and clawback	Malus and clawback provisions apply to the variable pay that can be earned by executive directors. The specific circumstances in which malus and clawback can be applied are set out in our full Policy on pages 105 and 106 of the 2021 Annual Report, which is available on our website.	

Directors' Remuneration Report continued

Dates of EDs' 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
Fees 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.	Fees are paid in cash and are reviewed periodically. 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. The chairman of the board receives a fee as chairman but receives no other fees for chairmanship or membership of any committees. Non-executive directors receive a base fee. The senior independent director receives an additional fee for this role. Additional fees are paid for chairmanship of each of the Audit, Remuneration and Risk Committees. Additional fees are paid for membership of committees, with the exception of the Nomination and Governance Committee, for which no additional fees are payable. Additional fees may be payable for other additional board responsibilities and/or time commitments. 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. Overall aggregate fees will remain within the £1.25 million authorised by our articles of association. There is no performance framework, recovery or withholding.

Non-executive directors' appointment letters

Name	Date of appointment	Current letter of appointment start date
Mike Biggs	14 March 2017	21 September 2020
Lesley Jones	23 December 2013	21 November 2019
Bridget Macaskill	21 November 2013	21 November 2019
Oliver Corbett	3 June 2014	21 November 2019
Peter Duffy	1 January 2019	21 November 2019
Sally Williams	1 January 2020	1 January 2020
Mark Pain	1 January 2021	1 January 2021
Tesula Mohindra	15 July 2021	15 July 2021
Patricia Halliday	1 August 2021	1 August 2021
Tracey Graham	22 March 2022	22 March 2022

Consideration of shareholders' and employees' views

The chairman of the board consults our major shareholders on a regular basis on key issues, including remuneration. A formal consultation exercise was undertaken during 2021 with our major shareholders and shareholder advisory bodies as part of the process of reviewing this Policy.

The pay and terms and conditions of employment of employees within the group are taken into consideration when setting the Directors' Remuneration Policy and pay of the EDs. 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. At each scheduled meeting, the Remuneration Committee 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.

Annual Report on Remuneration

Remuneration Committee

The 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.

Membership activity in the 2022 financial year

There were seven meetings of the 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 2021	Additional September 2021	Additional September 2021	January 2022	April 2022	June 2022	July 2022
Remuneration policy and disclosures							
Review and approval of Remuneration Policy Statement for 2021	●						
Review and approval of Directors' Remuneration Report for 2021	●						
Review and approval of the remuneration section of the Pillar 3 disclosure for 2021	●						
Annual remuneration governance review				●			
Annual review of Total Reward Principles					●		
Risk and reward							
Review and approve risk-adjustment process/outcomes		●			●	●	●
Annual review whether to apply malus and clawback to remuneration	●						
Annual remuneration discussions							
Approval of LTIP performance targets for 2022 awards	●						
Final review and approval of EDs' annual bonus targets and objectives	●						
Review of performance testing results for vesting 2018 LTIP awards	●						
Review EDs' performance against their annual bonus targets and objectives	●		●	●		●	●
Review and approval of approach to year-end compensation					●		
Year-end all-employee group-wide salary and bonus analysis/ proposals for 2022						●	●
Governance review of the sales incentive schemes					●		
Review and approval of the risk management objectives for the 2019 LTIP vesting						●	●
Review of the risk management objectives for the 2023 LTIP							●
Review proposed 2022 compensation for Material Risk Takers						●	●
Initial review of EDs' annual bonus targets and objectives for 2023							●
Review of sales incentive schemes and approval of schemes for 2023							●
Regulatory and external developments							
Material Risk Takers identification for 2022	●			●			
MIFIDPRU impact on CBAM's and Winterflood's remuneration				●	●	●	●
Gender pay gap review				●			
Special business							
Approve Save As You Earn plan rules	●						
Approve Omnibus Scheme rules changes	●			●			
Review and approve mid-year salary increases, including Material Risk Takers in group and central functions				●			
Committee remit and effectiveness							
Review terms of reference							●

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:

Directors' Remuneration Report continued

- Clarity – this Directors' Remuneration Report provides open and transparent disclosure of our executive remuneration arrangements for our internal and external stakeholders.
- Simplicity and alignment to culture – incentive arrangements for our executives are straightforward, with individuals eligible for an annual bonus and, at more senior levels, a single long-term incentive plan. Performance measures 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.
- Predictability – our incentive arrangements contain maximum opportunity levels with outcomes varying depending on the level of performance achieved against specific measures. The charts on page 107 of the 2021 annual report provide estimates of the potential total reward opportunity for the executive directors under the Policy.
- Proportionality and risk – 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 outcomes so as to guard against disproportionate out-turns. Malus and clawback provisions also apply to both the annual bonus and LTIP and can be triggered in circumstances outlined in the Policy.

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 HR, 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 to the group on risk, cyber, IT, internal audit and related projects. 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 £112,750 during the 2022 financial year, calculated on a time and material basis.

Slaughter and May provided legal advice on the company's equity scheme rules. Fees paid to Slaughter and May were £46,800, calculated on a time and material basis.

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 2021 AGM

	For	Against	Number of abstentions
Annual Report on Remuneration	97.8%	2.2%	386,154

Implementation of the Policy in 2022

Single total figure of remuneration for executive directors 2022 (Audited)

	Salary		Benefits		Pension		Total fixed remuneration		Annual bonus[1]		Performance awards[2,3]		Total variable remuneration		Total remuneration	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Name	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Adrian Sainsbury[4,5,6]	**930**	475	**37**	30	**93**	47	**1,060**	552	**412**	843	**146**	325	**558**	1,168	**1,618**	1,720
Mike Morgan[6]	**560**	400	**8**	14	**56**	35	**624**	449	**248**	551	**136**	263	**384**	814	**1,008**	1,263

1 60% of Adrian Sainsbury's and Mike Morgan's annual bonus is deferred into shares.
2 The figures for the performance awards for 2021, granted in 2018, have been recalculated using the actual share price on the date of vesting for the LTIP of £15.27. The three-month average to 31 July 2021 was used for the 2021 report given that the awards were vesting after publication of the report.
3 The figures for the performance award for 2022, granted in 2019, have been calculated using the three-month average to 31 July 2022. As this share price is lower than the grant date share price, none of this value relates to share price appreciation.
4 Adrian Sainsbury was appointed chief executive on 21 September 2020. His 2021 salary, benefits, bonus and pension relate to the period he was an executive director.
5 Adrian Sainsbury's performance awards for 2021 and 2022 were granted before he was appointed to the board. The full awards relate to vested LTIPs that were subject to the performance criteria outlined in the 2021 annual report on page 117 and in this report on page 133 respectively.
6 Benefits for 2021 have been restated to include additional taxable expenses. Adrian Sainsbury's benefit figure has changed from £22,463 to £29,587 and Mike Morgan's from £9,091 to £13,674.

Link between reward and performance

The group delivered a solid performance in the 2022 financial year, with strong income growth in Banking, offset by reduced income in Winterflood. Group adjusted operating profit reduced 13% to £234.8 million (2021: £270.7 million). The board is proposing a final dividend of 44.0p per share. This will result in a full-year dividend per share of 66.0p (2021: 60.0p), returning to the pre-pandemic level. This reflects the group's financial performance in the year and strong capital position, as well as the board's continued confidence in the business model.

The group achieved an RoE of 10.6% (2021: 14.5%), reflecting the reduction in Winterflood's profit and continued growth in the equity base. This has been reflected in the ED's bonuses, with this element vesting at 36.7% of the potential maximum. The CET1 measure, introduced in the 2021 financial year, has decreased to 14.6% (2021: 15.8%) and is vesting at 50.0%. The resulting combined overall vesting of the two financial measures is 41.1% of the potential maximum. The executive directors demonstrated a strong level of progress against specified objectives, and this resulted in performance scores against the strategic scorecard of 55% (see pages 131 to 133 for further details).

For the 2019 Long-Term Incentive plan vesting this year, 70% of the vesting is based on financial goals and 30% is based on risk, compliance and control objectives. For the financial goals, the adjusted earnings per share growth, which decreased by 18.4% over the last three years, and the average annual return on equity of 11.0% per annum, were below the threshold targets of 10% and 12.0% per annum, respectively. The continued prudent approach to capital management combined with a good performance in risk, compliance and controls mean that the risk management objectives element vested at 91.7%, contributing 27.5% to the overall vesting. Acknowledging the returns to shareholders over the past three years, which were depressed by the pandemic, the Committee decided after careful consideration to reduce the risk management objectives, and therefore the LTIP vesting by 25%. The total award that shall vest is therefore 20.6%.

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 on the previous page. 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. No merit-base or cost of living increases were given to the executive directors, although base salaries did increase from £550,000 to £930,000 for the group chief executive and £400,000 to £560,000 for the group finance director as part of a compensation mix adjustment in response to the implementation of the bonus cap introduced as part of CRD V during the 2022 financial year. The compensation mix adjustments received shareholder approval at the 2021 AGM. The average increase for the general employee population was 5.7%; this includes the 3% mid-year salary increase given to all Banking employees.

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.

Pension

Adrian Sainsbury and Mike Morgan received a pension allowance equivalent to 10% of base salary, the maximum percentage the general employee population are eligible to receive.

Annual bonus

Maximum bonus potential for the 2022 financial year was 95% of salary for Adrian Sainsbury and Mike Morgan. The bonuses for executive directors were determined with reference to RoE and CET1 targets and a group-wide strategic scorecard. Details of the achievements and targets are outlined below.

Summary of annual bonus achievement

	Financial Target (RoE)				Financial Target (CET1)				Group-wide strategic scorecard				Overall total	
	Weighting	Potential maximum £'000	**Actual percent of maximum**	**Actual amount awarded £'000**	Weighting	Potential maximum £'000	**Actual percent of maximum**	**Actual amount awarded £'000**	Weighting	Potential maximum £'000	**Actual percent of maximum**	**Actual amount awarded £'000**	**Total bonus percent awarded**	**Total bonus awarded £'000**
Adrian Sainsbury	40%	353	**36.7%**	**130**	20%	177	**50.0%**	**88**	40%	353	**55.0%**	**194**	**46.7%**	**412**
Mike Morgan	40%	213	**36.7%**	**78**	20%	106	**50.0%**	**53**	40%	213	**55.0%**	**117**	**46.7%**	**248**

The RoE for the 2022 financial year was 10.6% against a target range of 10% to 18%, warranting an award of 36.7% of the potential maximum bonus for this element.

The CET1 capital ratio for the 2022 financial year was 14.6% against a target range of 12.6% to 15.6%, warranting an award of 50% of the potential maximum bonus for this element.

Financial measures

Financial measure	Threshold 33.3% of maximum potential	Target 50% of maximum potential	Maximum 100% of maximum potential	**Actual financial element achieved**	**Percentage of financial element paid**
RoE	10.0%	13.0%	18.0%	**10.6%**	**36.7%**
CET1 capital ratio	12.6%	14.6%	15.6%	**14.6%**	**50.0%**

For Adrian Sainsbury and Mike Morgan, 60% of any annual bonus is deferred into group shares vesting in equal tranches over three years in line with the 2021 Remuneration Policy.

Group-wide performance and executive directors' objectives for the 2022 financial year (Audited)

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 132 to 133 sets out examples of the strategic scorecard objectives which were in place in 2022, 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 most goals, with some delays in the implementation of risk programmes. There was no adjustment on the final individual rating.

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

Directors' Remuneration Report continued

Key: Performance objective has been achieved

Satisfactory outcome, further progress to be made

Performance objective has not been met

Objective	Assessment of performance against objectives including performance metrics
Embed and deliver on the evolved "Protect, Grow, Sustain" strategy	Performance metrics • Net interest margin at 7.8% (2021: 7.7%) • Bad debt ratio of 1.2% (2021: 1.1%) • Good loan book growth of 5% (10-year range: 0%-14%) • Return on net loan book of 2.6% (10-year range: 1.3%-3.7%) • RoE of 10.6% (2021: 14.5%) • Over 90% of the loan book is secured or has some form of structural protection • Average loan book maturity of 17 months (31 July 2021: 17 months) • Average maturity of funding allocated to loan book of 21 months (31 July 2021: 24 months) • £1.9 billion of treasury assets (31 July 2021: £1.8 billion), predominantly held on deposit with the Bank of England • CET1 capital ratio of 14.6% (31 July 2021: 15.8%) • Leverage ratio of 12.0% (31 July 2021: 11.8%) • Group's strong credit ratings have been affirmed by Moody's Investors Services ("Moody's") and Fitch Ratings ("Fitch") in the 2022 financial year
	Assessment • The Banking division performed well while the market-facing businesses were negatively impacted by extreme volatility and falling markets • Strong net interest margin at 7.8% • Bad debt ratio of 1.2% included the impact of updated assumptions for the Novitas loan book, which resulted in further impairment charges related to this business. Excluding Novitas, the bad debt ratio was 0.5% (2021: 0.2%) • The group achieved an RoE of 10.6% (2021: 14.5%), reflecting the reduction in Winterflood's profit and continued growth in the equity base • Continued focus on delivering disciplined growth. For example, the asset coverage in Asset Finance has been expanded with the hiring of agricultural equipment and materials handling teams, with further initiatives identified for future development • Significant progress has been made developing our climate strategy, covering not just our operational impacts, but also understanding the implications across our financed activities
Complete a further review of the group's growth prospects	Assessment • Completed an in-depth further review of existing businesses focusing on potential growth prospects, with a pipeline of identified target areas that are aligned with the group's model • Examples of growth initiatives can be found on page 27
People Maintain strong employee engagement and reinforce position as employers of choice	Performance metrics • 86% employee engagement, closely aligned to pre-pandemic engagement score • 97% of colleagues believe their immediate team work well together • 92% see colleagues go the extra mile to meet the needs of customers and clients • 96% of colleagues believe our culture encourages them to treat customers and clients fairly • 94% of colleagues feel included and that they are treated with respect • Organisational culture particularly strong when compared to other financial services firms, with all scores aligned or higher than the Financial Services Culture Board ("FSCB")
	Assessment • Employee opinion survey confirms the group's continued strong employee engagement scores, above external benchmark • Strong organisational culture scores, particularly when compared to industry benchmarks
Embed hybrid working model	Assessment • Hybrid working model implemented where appropriate, aimed at maintaining an effective balance of customer service, operational risk, collaborative culture and turnover

Objective	Assessment of performance against objectives including performance metrics
Customers Deliver strong customer satisfaction	Performance metrics • All businesses scored above average net promoter score ("NPS") benchmark performance for the broad financial services sector (+50), with scores ranging from +73 to +87 in the 2022 financial year
	Assessment • In Banking, customer satisfaction scores are well above industry averages, with complaints remaining at low levels • Fund performance over the 12 months since 31 July 2021 at CBAM has been mixed, reflecting volatile markets across asset classes since the start of 2022. In relative terms, eight of our 15 funds have outperformed their relevant peer group averages • Winterflood continued to deliver high quality execution services to clients, with a very strong execution success rate
Enhance customer choice by delivering new digital platforms	Assessment • Enhanced digital capabilities in Banking, CBAM and Winterflood, leading to improved customer journeys and new business acquisition • Investment in the Motor Finance transformation programme enabled the business to further broaden its offering, improve customer journey and take advantage of heightened demand for used cars. This included the introduction of an e-sign functionality and the development of APIs that enable the business to connect into strategic partners and provide finance offering at various points of the customer journey • Technology transformation projects in CBAM included the delivery of a CRM platform, which was integrated into CBAM's client portal and supported an improved digital engagement with clients • Further details on the group's investment in digital can be found on page 13
Risk, conduct and compliance Operate within risk appetite, preserve compliance with legal and regulatory obligations, maintain strong control framework and overall operational resilience	Assessment • Continued strengthening of operational risk and compliance framework although risk mitigation needs to be implemented in certain areas to align with evolving environment and standards • Maintained key regulatory and compliance controls • Continued progress on the implementation of the enhanced cyber security strategy agreed with the Board Risk Committee, with improved cyber risk measurement and reporting across all of the group's divisions

Long-term performance awards (Audited)

The performance awards in the single total figure of remuneration include the 2019 LTIP grant. This will vest on 1 October 2022, and the overall vesting is outlined in the table below.

Details of the overall vesting for the LTIP

Performance measure	Threshold target[1]	Maximum target	Actual achieved	Overall vesting
Adjusted EPS growth[2] (35% weighting)	10%	30%	**(18.4)%**	**0.0%**
RoE[3] (35% weighting)	12%	20%	**11.0%**	**0.0%**
Risk management objectives ("RMO") (30% weighting)	n/a	n/a	**91.7%**	**27.5%**
Assessed outcome (before discretion)				**27.5%**
Discretionary adjustment (-25%)				**(6.9)%**
Overall vesting (including application of discretion)				**20.6%**

1 25% of the awards vest for satisfying the threshold target.
2 Over three years.
3 Average over three-year performance period.

The Committee decided after careful consideration that the risk management objectives, and therefore the LTIP outcome, should be reduced by 25% to align better with the returns our shareholders experienced over the three years of the vesting 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 22.7% 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 2022 was 1,056.6p from 1 May 2022 to 31 July 2022, which was the performance measurement period. The 2019 LTIP award was originally granted at 1,366.4p.

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 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 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 Committee assesses performance against a number of key measures in making its determination.

Directors' Remuneration Report continued

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 2020 and 2021 Directors' Remuneration Reports respectively. The year three performance assessment is detailed below.

Year three performance assessment against risk management objectives

Key: ✓ Performance objective has been achieved
= Satisfactory outcome, further progress to be made
X Performance objective has not been met

Element	Measure	Extent to which the Committee determined the target has been met
Capital and balance sheet management	Capital requirements ✓	• CET1 capital ratio of 14.6% (31 July 2021: 15.8%) providing significant headroom above the applicable minimum regulatory requirement of 7.6% excluding any PRA buffers
	Dividend ✓	• Interim dividend in 2022 of 22.0p declared and paid, reflecting the group's strong underlying performance • The board is proposing a final dividend of 44.0p per share, which will result in a full-year dividend per share of 66.0p (2021: 60.0p), returning to the pre-pandemic level. This follows the group's solid financial performance in the year and strong capital position, and reflects the board's continued confidence in the business model
	Funding ✓	• Average maturity of funding allocated to loan book was 21 months, well in excess of the loan book at 17 months
	Liquidity ✓	• Continued to comfortably meet the liquidity coverage ratio requirement ("LCR") with a 12-month average LCR to 31 July 2022 of 924% (12 month average to 31 July 2021: 1,003%)
Risk, compliance and controls	Internal Ratings Based approach ✓	• Continued to make good progress on the preparations for a transition to the IRB approach • Following the submission of the initial application to the PRA in December 2020, the group received confirmation that the application has successfully transitioned to Phase 2 in the second half of the year • While all key objectives and milestones were achieved, the timetable for the next phase of formal review remains under the direction of the regulator
	Culture ✓	• Continued enhancement of the group's Conduct Risk Framework with a group-wide roll out commenced this financial year, with a view to ensure the group continues to achieve positive customer outcomes • Overall cultural assessment for the group remains positive with strong scores on culture achieved in the latest employee opinion survey completed • Remain on track to achieve target of 36% of senior manager roles being held by a female by 2025. At 31 July 2022, 33% of our senior managers were female (31 July 2021: 32%) • The group's ethnicity data disclosure has materially increased from 75% at the end of the 2021 financial year to 83% as of 31 July 2022, allowing a more accurate measurement of the group's ethnic balance • At 31 July 2022, 10% of our managers identified as being from an ethnic minority background, versus our target of 14% by 2025
	Sustainability ✓	• Sustainability targets met, exceeded or on track. These include the achievement of a 44.8% reduction in group-wide overall Scope 1 and 2 emissions since the 2019 financial year, maintenance of strong customer satisfaction scores across all our businesses, and a 42.6% improvement in fleet vehicle emissions. Our fleet of 639 cars is now almost wholly battery, electric or hybrid and we anticipate the majority of the vehicles to be battery, electric later in calendar year 2022 • Significant progress was made during the year in developing the group's climate strategy, with a comprehensive assessment of the group's indirect Scope 3 emissions across all categories of operational emissions as well as an initial assessment of financed emissions, focusing on the loan book • The group set wider and longer-term ambition to align all of our operational and attributable GHG emissions from our lending and investment portfolios on a path to net zero by 2050. To this end, Close Brothers joined over 115 banks globally, as a signatory to the Net Zero Banking Alliance in September 2022

Element	Measure	Extent to which the Committee determined the target has been met
	Operational resilience	• The group's operational resilience framework and strategy have been fully built out in the financial year • Self-assessment completed by businesses and functions, in line with regulatory compliance timelines, with an external review confirming the appropriateness of the group's approach • Remediation plans established for vulnerabilities identified, with remediation work underway • Important business services and impact tolerances agreed with the Board Risk Committee

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.

Element	Year one assessment	Year two assessment	Year three assessment	Overall vesting
Capital and balance sheet management	95%	100%	95%	96.7%
Risk, compliance and controls	95%	90%	75%	86.7%
Overall vesting				**91.7%**

Implementation of the Policy in 2023

Base salary

	Salary effective from 1 August 2022	Increase
Chief executive – Adrian Sainsbury	£930,000	0.0%
Group finance director – Mike Morgan	£560,000	0.0%

Base salaries were determined with reference to the executive director's role, increases for the broader population and external factors. The Remuneration Committee determined that it was appropriate for the executive directors' salaries not to be increased. The average salary increase approved in July 2022 across the wider employee population was 4.3%.

Adrian Sainsbury and Mike Morgan's allowance in lieu of pension will be 10% of base salary, which is in line with the maximum level of benefit offered to the general employee population.

The executive directors will receive benefits in line with those outlined in the Remuneration Policy table on page 126. There will be no other increases to allowances or benefits other than any potential increase in the cost of providing them.

2023 annual bonus (i.e. bonus awarded in respect of the 2023 performance year)

RoE continues to be a long-standing metric for the financial element of the executive directors' remuneration framework. The Remuneration Committee considers it to be a significant key performance indicator, as it provides strong evidence of adherence to the group's business model. At the start of the 2022 financial year, the Remuneration Committee reduced the weighting of CET1 capital ratio from 30% to 20% of the bonus opportunity and have decided to maintain this weighting for 2023.

Nature of measures	Choice of measures	Targets	Percentage of bonus opportunity	Vesting ranges
Financial	RoE	10% to 18%	40%	Threshold – 33%[2]
	CET1	12.6% to 15.6%	20%	Maximum – 100%
Non-financial	Strategic scorecard: Strategic, People, Customers and Risk, Conduct and Compliance objectives	Discretionary assessment[1]	40%	Minimum – 0% Maximum – 100%

1 Due to commercial sensitivity, the details of the performance targets and achievement against those will be outlined in the 2023 Annual Report on Remuneration.
2 Performance below threshold in the financial measures would result in zero vesting of the financial measure.

The Committee retains discretion to adjust the targets if the Board gives approval for a material transaction, to ensure that performance is measured on a fair and consistent basis. The level of pay-out under the CET1 element may also be adjusted based on an assessment of how the CET1 has been achieved and whether this is aligned with the capital strategy set out on page 8.

2022 LTIP (i.e. LTIP awarded in respect of the 2023 to 2025 cycle)

The 2022 LTIP awards due to be granted in October 2022 are shown in the table below.

	Chief executive **Adrian Sainsbury**	Group finance director **Mike Morgan**
2022 LTIP award	£1,162,500	£700,000
Percentage change in LTIP award from 2021	0%	0%
2022 LTIP award as a percentage of 2022 salary	125%	125%

The Remuneration Committee determined that it was appropriate to grant the executive directors an LTIP award at the maximum level of 125% of their base salary, in line with their 2021 LTIP award. The Committee will review the level of vesting upon completion of the performance period, being particularly mindful of windfall gains, and apply an adjustment to the vesting outcome if appropriate.

Directors' Remuneration Report continued

The 2022 LTIP targets are detailed in the table below.

Nature of measures	Choice of measures	Targets	Weightings	Vesting ranges
Financial	Adjusted EPS growth	10% to 30% over 3 years	35%	Threshold – 25% Maximum – 100%
	RoE	10% to 18%[1]	35%	Threshold – 25% Maximum – 100%
Non-financial	Risk management objectives	Discretionary assessment against specific goals	30%	Threshold – 25% Maximum – 100%

1 Average over three-year performance period.

The Remuneration Committee believes these targets are appropriately stretching and effectively align the executive directors' interests with those of shareholders.

The four risk, compliance and control measures within the risk management objectives for the 2023 financial year are detailed in the following table.

Measure
Continue to enhance Risk, Compliance, and Control Infrastructure
Continue to develop the effectiveness of our operational risk and resilience control environment
Continue to evolve the oversight of the conduct and culture and progress towards 2025 diversity representation targets
Develop transition plans and meet targets set against climate strategy

Due to commercial sensitivity, the full details of the milestones for the risk objectives will be outlined in the Directors' Remuneration Report throughout the performance period rather than prospectively.

Relative spend on pay

The following table shows the total remuneration paid compared to the total distributions to shareholders.

	2022 £ million	2021 £ million
Remuneration paid	**344.5**	363.2
Distributions to shareholders[1]	**98.4**	89.5

1 Interim dividend paid and final dividend proposed for the financial year.

Changes in remuneration of the directors and all employees

The following table shows how the remuneration of the directors changed compared to the average employee population for the 2022 financial year. The year-on-year movement in fees and salary for the directors and employees reflects the annual review implemented in August 2021 and changes throughout the financial year ending 31 July 2022, including the mid-year salary review conducted for Banking employees in January 2022. There were a number of changes to the board and committees which are reflected in the salary figures below. The year-on-year salary increase for the executive directors relates to the compensation mix adjustments made in response to CRD V, which contributed to a reduction in the bonus opportunity. Details of the annual bonus decrease for the executive directors is outlined on page 131. The average decrease in bonus for the general population is largely driven by the reduction in average bonuses for Winterflood employees due to business performance. Tesula Mohindra was appointed a director at the end of the 2021 financial year, however no remuneration was paid until the 2022 financial year and has therefore been omitted from the table below. Patricia Halliday and Tracey Graham were appointed directors during the 2022 financial year and have been omitted from the table below as there are no year-on-year remuneration comparisons.

	2022			2021			2020		
	Salary	**Benefits**	**Bonus**	Salary	Benefits	Bonus	Salary	Benefits	Bonus
Average Employee[1]	**5.7%**	**5.7%**	**(32.7)%**	0.0%	0.0%	21.2%	1.8%	1.8%	13.1%
Executive Directors[2]									
Adrian Sainsbury[3]	**95.7%**	**68.5%**	**(51.1)%**	–	–	–	–	–	–
Mike Morgan[4]	**40.0%**	**30.7%**	**(54.9)%**	0.0%	32.7%	152.2%	0.0%	0.0%	(54.7)%
Chairman & Non-Executive Directors[5]									
Mike Biggs[6]	**0.0%**	**159.9%**	**–**	0.0%	119.5%	–	0.0%	(25.7)%	–
Lesley Jones[7]	**3.5%**	**0.4%**	**–**	0.0%	(0.4)%	–	5.6%	(57.0)%	–
Bridget Macaskill[7,8]	**0.1%**	**125.3%**	**–**	(1.8)%	33.5%	–	5.6%	(50.5)%	–
Oliver Corbett[9]	**(1.7)%**	**87.3%**	**–**	(0.1)%	0.0%	–	5.6%	0.0%	–
Peter Duffy[7]	**7.7%**	**(77.3)%**	**–**	2.8%	0.0%	–	0.0%	0.0%	–
Sally Williams[10]	**3.8%**	**1,165.6%**	**–**	0.0%	(85.3)%	–	–	–	–
Mark Pain[11]	**27.5%**	**0.0%**	**–**	–	–	–	–	–	–

1 Calculated by dividing staff cost related to salaries, bonus and benefits by the average number of employees.
2 Calculated using the data from the single figure table in the annual report on remuneration.
3 Adrian Sainsbury was appointed as Group CEO in September 2020 and his 2021 figures are pro-rated based on part-year. Adrian's salary and benefits have increased year-on-year and this is driven by the part-year in 2021 and the compensation mix adjustment awarded during the 2022 financial year.
4 Mike Morgan's 2022 benefits increased 30.7%, this is driven by an increase in pension allowance based on the compensation mix adjustment awarded during the 2022 financial year.
5 Calculated using the fees and taxable benefits from the single figure table for non-executive directors on page 140.
6 Mike Biggs' 2022 benefits increased by £13,245, this related to additional travel and entertainment expenses.
7 Lesley Jones', Bridget Macaskill, Peter Duffy and Sally Williams 2022 fees increased as the fees for standard non-executive director, committee chair and committee member increased.
8 Bridget Macaskill's 2022 benefits increased by £8,000, this related to reimbursement of travel expenses.
9 Oliver Corbett's 2022 fees reduced as they are no longer in a senior independent director role.
10 Sally Williams' 2022 benefits increased from £75 in 2021 to £953 in 2022.
11 Mark Pain's 2022 fees increased as they joined during 2021 and was paid a part year fee.

Pay ratios

The table below compares the chief executive's single total remuneration figure to the remuneration of the group's UK employees as at 31 July, over the last three 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 2022 has declined on the previous year. Largely this relates to lower variable pay outcomes for the executive directors having a corresponding impact on the pay ratio, as well as structural changes to pay introduced last year for CRD V purposes having an impact on the single figure value.

Year	Method	25th percentile	Median	75th percentile
2022	Option A	48 : 1	28 : 1	17 : 1
2021	Option A	79 : 1	37 : 1	29 : 1
2020	Option A	64 : 1	38 : 1	23 : 1

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 2022 total remuneration value for the employee at the 25th percentile, median and 75th percentile was £33,571, £56,952 and £93,459 respectively, of which the salary component made up £26,780, £30,000 and £85,000 respectively.

Chief executive: Historical information

	2013	2014	2015	2016	2017	2018	2019	2020	2021[1,2]	**2022**
Preben Prebensen										
Single figure of total remuneration ('000)[3]	£5,748	£7,411	£5,962	£3,995	£3,337	£2,541	£2,770	£2,043	£860	**–**
Annual bonus against maximum opportunity	100%	100%	98%	95%	91%	86%	82%	40%	78%	**–**
LTIP, SMP and Matching Share Award vesting[4]	79%	95%	97%	68%	51%	19%	30%	42%	40%	**–**

1 The figures for the performance awards for 2021 have been recalculated using the actual share price on the dates of vesting for the LTIP of £15.27. In the 2021 report, the three-month average to 31 July 2021 was used, given that the awards were vesting after publication of the report.
2 Preben Prebensen's remuneration for the 2021 financial year has been time pro-rated to 21 September 2020, the day he stepped down as chief executive.
3 The figures for 2012 to 2014 include the Matching Share Awards that were granted in 2009 at the time of Preben Prebensen's appointment as chief executive.
4 SMP and Matching Share Awards were last granted in the 2016 financial year.

	2021[1,2]	**2022**
Adrian Sainsbury		
Single figure of total remuneration ('000)	£1,720	**£1,618**
Annual bonus against maximum opportunity	78%	**47%**
LTIP, SMP and Matching Share Award vesting	40%	**21%**

1 The figures for the performance awards for 2021 have been recalculated using the actual share price on the dates of vesting for the LTIP of £15.27. In the 2021 report, the three-month average to 31 July 2021 was used, given that the awards were vesting after publication of the report.
2 Adrian Sainsbury was appointed chief executive on 21 September 2020 and his remuneration included in the single figure has been time pro-rated accordingly.

LTIP vesting for the last nine years

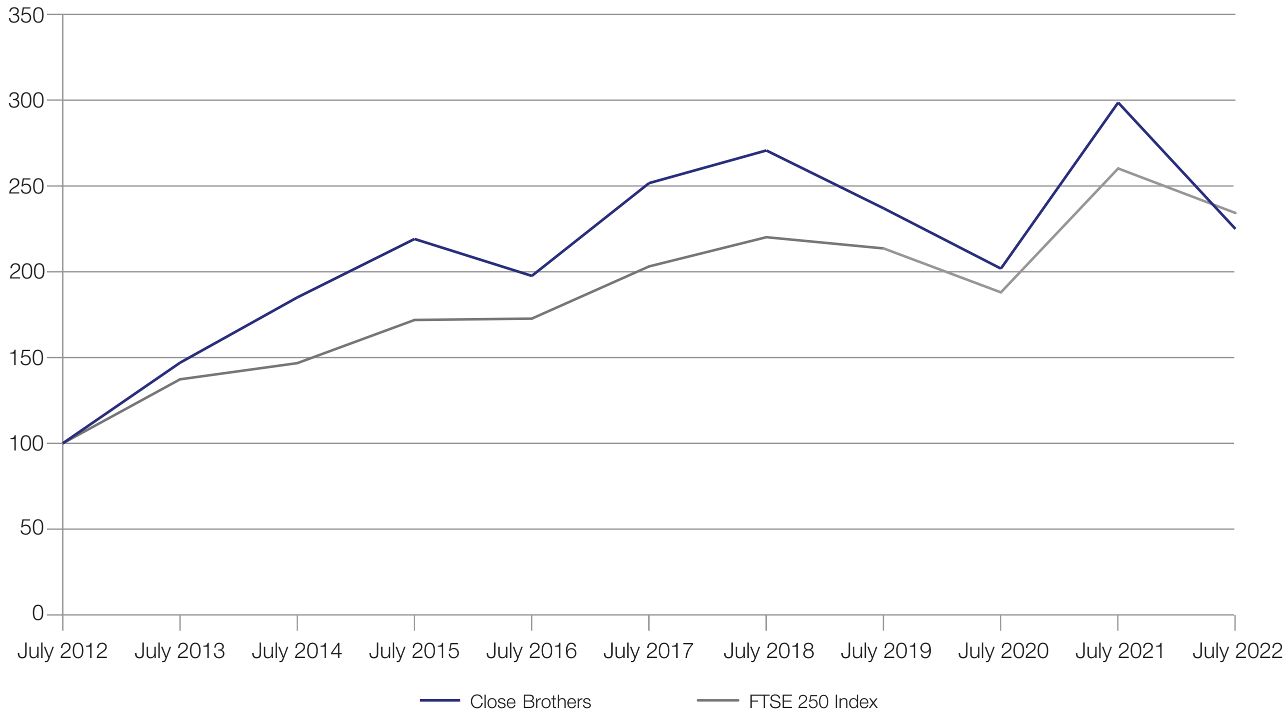
		Vesting percentage				
Year awarded	Year vested	Adjusted EPS	TSR	RoE	RMO	Total
2011[1]	2014	100%	100%	–	85%	95%
2012[2]	2015	100%	100%	–	87%	97%
2013[2]	2016	100%	25%	–	89%	68%
2014[2]	2017	56%	26%	–	92%	51%
2015[2]	2018	0%	0%	–	93%	19%
2016[2]	2019	0%	28%	–	94%	30%
2017[3]	2020	0%	–	38%	94%	42%
2018[3]	2021	0%	–	32%	95%	40%
2019[3,4]	2022	0%	–	0%	92%	28%

1 Vesting was subject to one-third adjusted EPS, one-third absolute TSR and one-third strategic goals for all awards granted for 2011.
2 Vesting was subject to 40% adjusted EPS, 40% absolute TSR and 20% risk management objectives for the 2012 to 2016 awards.
3 Vesting was subject to 35% adjusted EPS, 35% RoE and 30% risk management objectives for the 2017, 2018 and 2019 awards.
4 Including the 25% discretionary reduction, the 2019 LTIP award vested at 20.6%.

Directors' Remuneration Report continued

Performance graph

The graph below shows a comparison of TSR for the company's shares for the 10 years ended 31 July 2022 against the TSR for the companies comprising the FTSE 250 Index.



Note:
This graph shows the value, by 31 July 2022, of £100 invested in Close Brothers Group plc on 31 July 2012 compared with the value of £100 invested in the FTSE 250 Index. The other points plotted are the intervening financial year ends. TSR has been calculated assuming that all dividends are reinvested on their ex-dividend date. The index has been selected because the company has been a constituent of the index throughout the period. The closing mid-market price of the company's shares on 29 July 2022 was 1,110p and the range during the year was 987p to 1,602p.

Scheme interests awarded during the year (Audited)

The face value and key details of the share awards granted in the 2022 financial year are shown in the table below. These were all delivered as nil cost options. The Deferred Share Award ("DSA") is a mandatory deferral of a portion of the annual bonus. The share price used to calculate the number of shares awarded was £15.46, the average mid-market closing price for the five days prior to grant (5 October 2021).

Name	Award type[1]	Vesting period	Performance conditions	Face value '000	Percentage vesting at threshold	Number of shares	Vesting/ performance period end date
Adrian Sainsbury	DSA[2]	1-3 years	No	£527	n/a	34,076	05-Oct-24
	LTIP[3,4]	3 years	Yes	£1,163	25%	75,204	05-Oct-24
Mike Morgan	DSA[2]	1-3 years	No	£331	n/a	21,384	05-Oct-24
	LTIP[3,4]	3 years	Yes	£700	25%	45,284	05-Oct-24

1 The awards are all delivered as nil cost options.
2 The DSA vests in equal tranches over three years.
3 Performance conditions are detailed in the 2021 Annual Report on page 119.
4 LTIPs vested from 2020 have an additional two-year holding period.

External appointments

No external appointments.

Payments to departing 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 2022 are set out below:

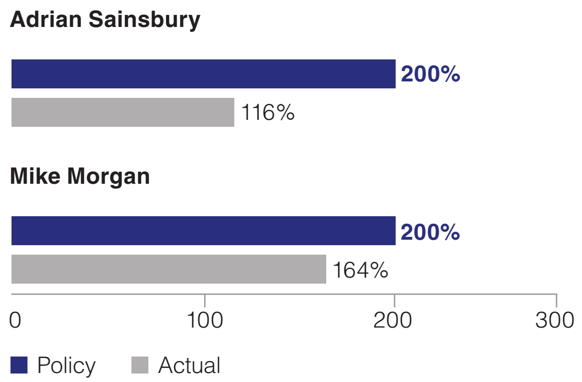
Name	Shareholding requirement at 31 July 2022[1]	**Number of shares owned outright[2] 2022**	Outstanding share awards not subject to performance conditions[3] **2022**	Outstanding share awards not subject to performance conditions[3] 2021	Outstanding share awards subject to performance conditions[4] **2022**	Outstanding share awards subject to performance conditions[4] 2021	Outstanding options[5] **2022**	Outstanding options[5] 2021
Adrian Sainsbury	167,568	**96,797**	**44,289**	22,784	**322,287**	275,596	**2,146**	2,146
Mike Morgan	100,901	**82,796**	**35,223**	23,573	**194,802**	172,632	**3,778**	3,778

1 Based on the closing mid-market share price of 1,110p on 29 July 2022.
2 This includes shares owned outright by closely associated persons.
3 This includes DSA.
4 This includes LTIP awards.
5 These are comprised of SAYE options.

No executive directors held shares that were vested but unexercised at 31 July 2022. There were no changes in notifiable interests between 1 August 2022 and 6 September 2022, other than the purchase of shares by Adrian Sainsbury within the SIP which increased his shareholding to 96,825 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, Adrian Sainsbury and Mike Morgan are building up their shareholding over a reasonable time frame to meet the revised minimum requirement.



Details of executive directors' share exercises during the year (Audited)

Name	Award type	Held at 1 August 2021	Called[1]	Lapsed	Market price on award p	Market price on calling p	Total value on calling[1] £	Dividends paid on vested shares £
Adrian Sainsbury	2018 DSA	4,720	4,720	–	1,588.8	1,544.0	72,877	7,835
	2019 DSA	5,489	5,489	–	1,366.4	1,544.0	84,750	5,599
	2020 DSA	2,362	2,362	–	987.9	1,544.0	36,469	1,370
Mike Morgan	2018 DSA	315	315	–	1,588.8	1,524.0	4,801	523
	2019 DSA	4,997	4,997	–	1,366.4	1,524.0	76,154	5,097
	2020 DSA	4,422	4,422	–	987.9	1,524.0	67,391	2,565

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 2022 financial year.

Directors' Remuneration Report continued

Single total figure of remuneration for non-executive directors (Audited)

	2022						2021					
Name	Basic fee[1] £'000	Committee chair £'000	Committee member £'000	Senior independent director £'000	Benefits[2] £'000	Total £'000	Basic fee[1] £'000	Committee chair £'000	Committee member £'000	Senior independent director £'000	Benefits[2] £'000	Total £'000
Mike Biggs	**300**	**–**	**–**	**–**	**22**	**322**	300	–	–	–	8	308
Lesley Jones	**71**	**34**	**12**	**–**	**1**	**118**	70	33	10	–	1	114
Bridget Macaskill	**71**	**34**	**6**	**–**	**16**	**127**	70	33	8	–	7	118
Oliver Corbett	**71**	**34**	**6**	**–**	**–**	**111**	70	33	8	2	–	113
Peter Duffy	**71**	**–**	**12**	**–**	**–**	**83**	70	–	7	–	–	77
Sally Williams	**71**	**–**	**12**	**–**	**1**	**84**	70	–	10	–	–	80
Mark Pain	**71**	**–**	**12**	**34**	**–**	**117**	41	–	5	19	–	65
Tesula Mohindra[3]	**74**	**–**	**12**	**–**	**–**	**86**	–	–	–	–	–	–
Patricia Halliday[4]	**71**	**–**	**12**	**–**	**–**	**83**	–	–	–	–	–	–
Tracey Graham[5]	**26**	**–**	**4**	**–**	**–**	**30**	–	–	–	–	–	–

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 Tesula Mohindra was appointed a non-executive director on 15 July 2021 and fees relating to the 2021 financial year (15 July 2021 to 31 July 2021) were paid in the 2022 financial year.
4 Patricia Halliday was appointed a non-executive director on 1 August 2021.
5 Tracey Graham was appointed a non-executive director on 22 March 2022.

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

The fees payable to non-executive directors for the 2022 and 2023 financial years are as follows.

Role	2023	2022
Chairman[1]	**£300,000**	£300,000
Non-executive director	**£71,000**	£71,000
Supplements		
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[2]	**£6,000**	£6,000

1 The chairman receives no other fees for chairmanship or membership of board committees.
2 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 2022	Shares held beneficially at 31 July 2021
Mike Biggs	**1,500**	500
Lesley Jones	**–**	–
Bridget Macaskill	**2,500**	2,500
Oliver Corbett	**–**	–
Peter Duffy	**848**	848
Sally Williams	**–**	–
Mark Pain	**–**	–
Tesula Mohindra	**–**	–
Patricia Halliday	**–**	–
Tracey Graham	**–**	–

There were no changes in notifiable interests between 1 August 2022 and 22 September 2022.

This report was approved by the board of directors on 27 September 2022 and signed on its behalf by:

Bridget Macaskill
Chair of the Remuneration Committee