

Directors' Report

The directors of Close Brothers Group plc (the "company") present their report for the year ended 31 July 2022.

The Strategic Report set out on pages 1 to 94 of this Annual Report, and the Corporate Governance Report, the committee reports and the Directors' Remuneration Report set out on pages 123 to 140 of this Annual Report include information that would otherwise need to be included in this Directors' Report. Readers are also referred to the cautionary statement on page 211 of this Annual Report.

Disclosures by Reference

Additional information, which is incorporated into this Directors' Report by reference, including information required by the Companies Act 2006, Disclosure and Transparency Rule 7.2, and Listing Rule 9.8.4R, can be located by page reference elsewhere in this Annual Report as follows:

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Results and Dividends

The consolidated results for the year are shown on page 151 of the financial statements. The directors recommend a final dividend for the year of 44p (2021: 42p) on each ordinary share which, together with the interim dividend of 22p (2021: 18p) paid in April 2022, makes an ordinary distribution for the year of 66p (2021: 60p) per share. The final dividend, if approved by shareholders at the 2022 Annual General Meeting ("AGM"), will be paid on 22 November 2022 to shareholders on the register on 14 October 2022. Further information on the final dividend recommended by the directors can be found on page 63 of this Annual Report.

Directors

The names of the directors of the company at the date of this report, together with biographical details, are given on pages 95 to 97 of this Annual Report. All the directors listed on those pages were directors of the company throughout the year, apart from Tracey Graham, who was appointed as a director on 22 March 2022.

In accordance with the UK Corporate Governance Code, each of the current directors will retire at the 2022 AGM and offer themselves for appointment or reappointment at that meeting.

Directors' indemnities and insurance

In accordance with its articles of association, the company has granted a deed of indemnity to each of its directors on terms consistent with the applicable statutory provisions. The deeds indemnify the directors in respect of liabilities (and associated costs and expenses) incurred in connection with the performance of their duties as directors of the company or any associated company. Qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the year, and remain in force at the date of this report.

The company also maintains directors' and officers' liability insurance.

Share Capital

The company's share capital comprises one class of ordinary share with a nominal value of 25p per share.

At 31 July 2022, 152,060,290 ordinary shares were in issue, of which 1,605,100 were held by the company in treasury.

Under section 551 of the Companies Act 2006, the directors may allot equity securities only with the express authorisation of shareholders which may be given in general meeting, but which cannot last more than five years. Under section 561 of the Companies Act, the board may not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer to existing shareholders to allot such shares to them on the same or more favourable terms in proportion to their respective shareholdings, unless this requirement is waived by a special resolution of the shareholders.

Details of directors' authorities approved by shareholders at the 2021 AGM can be found in the 2021 Notice of Meeting and subsequent results announcement.

Since the date of the company's 2021 AGM, with the exception of the authority to make market purchases, the directors have not used these authorities. Details of market purchases of the company's ordinary shares during the year can be found on page 142 in the section headed "Purchase of own shares".

The existing authorities given to the company at the last AGM to allot and purchase shares will expire at the conclusion of the forthcoming AGM. At the AGM, shareholders will be asked to renew these authorities. Details of the relevant resolutions to be proposed will be included in the Notice of AGM.

New issues of share capital

No ordinary shares were allotted and issued during the year. Specifically, no ordinary shares were allotted and issued during the year to satisfy option exercises. Full details of options exercised, the weighted average option exercise price and the weighted average market price at the date of exercise can be found in note 26 on pages 189 to 190 of the financial statements.

Rights attaching to shares

The company's articles of association set out the rights and obligations attaching to the company's ordinary shares. All of the ordinary shares rank equally in all respects.

On a show of hands, each member has the right to one vote at general meetings of the company. On a poll, each member would be entitled to one vote for every share held. The shares carry no rights to fixed income. No person has any special rights of control over the company's share capital and all shares are fully paid.

The articles of association and applicable legislation provide that the company can decide to restrict the rights attaching to ordinary shares in certain circumstances (such as the right to attend or vote at a shareholders' meeting), including where a person has failed to comply with a notice issued by the company under section 793 of the Companies Act 2006.

Restrictions on the transfer of shares

There are no specific restrictions on the transfer of the company's shares which are governed by the general provisions of the articles of association and prevailing legislation. The articles of association set

Directors' Report continued

out certain circumstances in which the directors of the company can refuse to register a transfer of ordinary shares.

The company is not aware of any arrangements between its shareholders that may result in restrictions on the transfer of shares and/or voting rights.

Directors and employees of the group are required to comply with applicable legislation relating to dealing in the company's shares as well as the company's share dealing rules. These rules restrict employees' and directors' ability to deal in ordinary shares at certain times, and require the employee or director to obtain permission prior to dealing. Some of the group's employee share plans also contain restrictions on the transfer of shares held within those plans.

Purchase of own shares

Under section 724 of the Companies Act 2006, a company may purchase its own shares to be held in treasury ("Treasury Shares").

The existing authority given to the company at the last AGM to purchase Treasury Shares of up to 10% of its issued share capital will expire at the conclusion of the next AGM.

The board considers it would be appropriate to renew this authority and intends to seek shareholder approval to purchase Treasury Shares of up to 10% of its issued share capital at the forthcoming AGM in line with current investor sentiment. Details of the resolution renewing the authority will be included in the Notice of AGM.

Awards under the company's employee share plans are met from shares purchased in the market (and held either in treasury or in the employee share trust).

During the year, the company made market purchases of 415,000 Treasury Shares with an aggregate nominal value of £103,750 and representing 3.96% of its issued share capital, for an aggregate consideration of £6.0 million. It transferred 70,978 shares out of treasury to satisfy share option awards, with an aggregate nominal value of £17,745 and representing 0.05% of the Company's issued share capital, for a total consideration of £0.84 million.

At 31 July 2022, the company held 1,605,100 Treasury Shares with a nominal value of £0.4 million and representing 1.07% of its issued share capital. The maximum number of Treasury Shares held at any time during the year was 1,669,288 with a nominal value of £0.4 million and representing 1.11% of its issued share capital.

Significant Shareholdings

The table below sets out details of the interests in voting rights notified to the company under the provisions of the FCA's Disclosure Guidance and Transparency Rules. Information provided by the company pursuant to the Disclosure Guidance and Transparency Rules is publicly available via the regulatory information services and on the company's website.

	20 September 2022 Voting rights	31 July 2022 Voting rights
abrdn plc	12.42%	12.07%
BlackRock, Inc.	5.11%	5.83%
FIL Limited	5.06%	5.06%
Royal London Asset Management	4.99%	4.99%
M&G plc	4.83%	4.83%

Substantial shareholders do not have different voting rights from those of other shareholders.

Employee Share Trust

Ocorian Trustees (Jersey) Limited is the trustee of the Close Brothers Group Employee Share Trust, an independent trust which holds shares for the benefit of employees and former employees of the

group. The trustee will only vote on those shares in accordance with the instructions given to the trustee and in accordance with the terms of the trust deed. The trustee has agreed to satisfy a number of awards under the employee share plans. As part of these arrangements the company funds the trust from time to time, to enable the trustee to acquire shares to satisfy these awards, details of which are set out in note 26 on pages 189 to 190 of the financial statements. The trustee has waived its right to dividends on all shares held within the trust.

During the year, the employee share trust made market purchases of 231,544 ordinary shares.

Auditor

PricewaterhouseCoopers LLP ("PwC") has expressed its willingness to continue in office as the company's external auditor. Resolutions to reappoint PwC and to determine their remuneration will be proposed at the forthcoming AGM. The full text of the relevant resolutions will be set out in the Notice of AGM.

Significant Agreements Affected by a Change of Control

A change of control of the company, following a takeover bid, may cause a number of agreements to which the company is a party to take effect, alter or terminate. These include certain insurance policies, bank facility agreements and employee share plan rules.

The group had committed facilities totalling £1.8 billion at 31 July 2022 which contain clauses requiring lender consent for any change of control. Should consent not be given, a change of control would trigger mandatory repayment of those facilities.

All of the company's employee share plan rules contain provisions relating to a change of control. Outstanding awards and options may vest and become exercisable on a change of control, subject, where applicable, to the satisfaction of any performance conditions at that time and pro-rating of awards.

Research and Development Activities

During the normal course of business, the group continues to invest in new technology and systems and to develop new products and services to improve operating efficiency and strengthen its customer proposition.

Post-Balance Sheet Events

There were no material post-balance sheet events.

Political Donations

No political donations were made during the year (2021: £nil).

Branches

The Company has no branches outside the United Kingdom.

Disclosure of Information to the Auditor

Each of the persons who are directors at the date of approval of this Annual Report confirms that: so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors' Report has been approved by the board and signed on its behalf by:

Penny Thomas
Company Secretary

27 September 2022

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors, whose names and functions are listed on pages 95 to 97, are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

In preparing the group financial statements, the directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards and IFRSs issued by IASB have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the group and company financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Confirmations

Each of the current directors, whose names and functions are listed on pages 95 to 97, confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with UK-adopted international accounting standards and IFRSs issued by IASB, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the Strategic Report, together with the Directors' Report and the Corporate Governance Report, includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the group's and company's position and performance, business model and strategy.

By order of the board

Adrian Sainsbury
Chief Executive

Mike Morgan
Group Finance Director

27 September 2022