

Chairman's Statement

A distinctive culture

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Michael N. Biggs Chairman

The ongoing impact of the pandemic has been felt during the year both by our businesses and among our people. In the face of this uncertain environment, the benefits of the group's disciplined adherence to the business model have been evidenced by the strong performance delivered this year.

The lending business has delivered significantly higher profit as a result of increased income and lower impairment charges while continuing to progress strategic investments; Asset Management continued to grow and attract client assets and new hires; and Winterflood achieved an exceptional trading performance as it benefited from the heightened market activity for most of the year and the expertise of our traders.

After exceptional and other adjusting items, statutory operating profit before tax increased by 88% to £265.2 million (2020: £140.9 million). The adjusted operating profit increased 88% and returned to pre-Covid-19 levels at £270.7 million, corresponding to a return on opening equity of 14.5% (2020: 8.0%). In light of this year's performance and to reflect the board's continued confidence in the group's business model and financial position, we are pleased to recommend a final dividend of 42.0p per share. If approved at the Annual General Meeting, this will take the full-year dividend to 60.0p per share, a 50% increase on last year.

The Right Model, the Right Strategy

The group has navigated the crisis well, and this is a testament to Adrian and his management team, who led the group during this challenging period, maintaining the passion and engagement of our people and continued support for customers and clients.

In his first year as the group's chief executive, Adrian undertook a review with the objective of evolving the group's strategy to reflect the focus on growth in line with Close Brothers' business model, as well as incorporating the group's approach to sustainability. As a result, the framework for articulating the group's priorities evolved to "protect", "grow" and "sustain" our successful business model. This framework captures our commitment to deliver disciplined growth and to sustain our business for the long term.

The executive team also recently held an Investor Event to explain these strategic priorities and to give details of how it plans to deliver disciplined growth. Continuity and consistency of the business model are two very important tenets for the board, and I am pleased to see these being articulated and executed. I am confident that we have the right strategy and business model to continue delivering for all of our stakeholders.

A Distinctive Culture

One of the most valuable assets of Close Brothers is our distinctive culture. A relentless customer focus and a long-term approach to everything we do are embedded throughout the organisation and play a key role in the achievement of such a successful performance, throughout the years and in this challenging environment.

I was pleased to see the results of our most recent employee opinion survey ("EOS"). We pride ourselves on our excellent levels of service, with 93% of the respondents saying they see colleagues go the extra mile to meet the needs of customers and clients. We also believe in trustworthy behaviour and always "doing the right thing", with 97% of our colleagues agreeing that our culture encourages them to treat customers and clients fairly. These are really strong numbers and we take great pride in the fact that our culture and the values that underpin it are embraced by our colleagues, every day. You can read more about the EOS highlights on page 16 of this report.

During the pandemic, the preservation of this culture and our colleagues' wellbeing have been at the top of the board's agenda. The directors received frequent updates on employee issues arising from Covid-19, including the review and discussion of a quarterly culture dashboard. You can read more about this and other stakeholders' matters considered by the board during the year on page 36.

Chairman's Statement continued

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Board Composition

Adrian Sainsbury was appointed to succeed Preben Prebensen on 21 September 2020 following the announcement of Preben's planned departure and an extensive search process undertaken by the board. Adrian has demonstrated expert leadership as the group makes the most of the opportunities arising and continues to deliver disciplined growth.

After more than nine years' dedicated service on the board, Geoffrey Howe decided not to seek reappointment at the 2020 AGM and ceased to be a director on 19 November 2020. In December 2020, the board was pleased to appoint Mark Pain as a successor to Geoffrey. Mark joined the board as an independent non-executive director with effect from 1 January 2021. Mark brings to the board more than 30 years' executive and non-executive experience in financial services, including in retail banking and insurance, with strong finance, risk management and commercial credentials.

Once again, I would like to thank Preben and Geoffrey for their contribution to the group over many years.

We were also pleased to welcome Tesula Mohindra and Patricia Halliday as independent non-executive directors with effect from 15 July 2021 and 1 August 2021, respectively.

Tesula has over 25 years' experience in the financial sector and brings extensive financial and commercial expertise gained in a broad range of organisations, from investment banks to start-ups. Patricia has over 30 years' experience in risk management across the investment, corporate and retail banking sectors, both in the UK and internationally, with a deep understanding of the regulatory, risk and governance environment in which the group operates.

The appointments of Mark, Tesula and Patricia further strengthen the range of skills, backgrounds and experience on the board, and demonstrate our orderly and proactive approach to succession planning. Diversity and inclusion remains an area of focus for the board's succession planning while ensuring continuity in the stewardship of the group. I am pleased that we comply with the recommendations of the Hampton-Alexander and Parker Reviews in terms of the composition of the board.

Doing the Right Thing

At Close Brothers we believe we have the responsibility to help address the social, economic and environmental changes facing our business, employees and customers, both now and into the future.

We strive to build that responsibility into everything we do. During the year, the board and management team maintained the focus on the group's sustainability agenda, with good progress on our programmes and initiatives. These are aimed at addressing our key priorities such as inclusion, social mobility, supporting customer needs, reducing our impact on the environment, and responding to the threats of climate change.

Promoting an inclusive culture and supporting new ways of working and social mobility are some of the objectives we set ourselves and I am particularly pleased with the great progress we are making in these areas.

Addressing the threat of climate change, as well as identification of the risks and opportunities it poses to our business, is at the forefront of the directors' and the executive team's agendas. We are supportive of the goals of the Paris Agreement and have set ourselves targets for our operational emissions, with good progress made in lowering those emissions over the last financial year. Over the next few months, we will continue to work towards improving our understanding of our indirect Scope 3 emissions, which will help shape our roadmap for lowering emissions from our business activity and setting more ambitious targets in the future.

I have been impressed by the commitment and hard work demonstrated by our colleagues while adapting to new ways of working, and for this I wish to extend my gratitude. Our people are critical to the continued long-term success of the group and I am confident that, together, we will continue to deliver on our purpose.

Michael N. Biggs

Chairman

28 September 2021