

## Corporate Governance Report



**Michael N. Biggs** Chairman

On behalf of the board, I am pleased to introduce the Corporate Governance Report for the year ended 31 July 2021. The following pages explain the group's governance structure and key activities undertaken by the board and its committees during the year to ensure effective decision-making and oversight of the group's strategy, business model and performance.

### Chairman's Introduction

#### Commitment to high standards of corporate governance

At Close Brothers we firmly believe in the important role that high standards of corporate governance and effective board oversight play in supporting the group's performance, the delivery of its strategy and achieving long-term sustainable success for the company's shareholders and other stakeholders. The board is committed to maintaining a robust and effective governance, control and risk management framework and I have been pleased once again this year to see the benefits of that framework.

This has been another year impacted by the pandemic and whilst opportunities to meet in person have been limited, our focus on robust corporate governance practices has enabled the board to continue to ensure effective oversight of the group's activities, together with challenge and support for senior management. Throughout the last year, stakeholder considerations relating to the pandemic have been central to the board's agenda with significant time spent monitoring the impact on the group's customers, clients, partners and employees. Further information on the operation of the board during the pandemic is set out later in this report.

#### Strategy, purpose and culture

The board plays an important role in setting the group's strategy, purpose, business model and culture, and the board spends time on each of these areas throughout the year. Among other things this year, the board considered and approved the evolution of the group's strategic objectives following the appointment of Adrian Sainsbury as chief executive. In these discussions, the board was keen to ensure consistency with the existing model and strategy whilst reflecting the need for evolution as the group matures and the external environment changes. Each of the directors recognises the role we have to play in setting the tone from the top and in monitoring how the group's culture and values are communicated and embedded. We also acknowledge the crucial link between culture, governance and leadership, and the role that decision-making plays as a key driver of culture. Once again

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

#### Changes to the board

Since the start of the financial year under review, the board has been refreshed with the appointment of Adrian Sainsbury, who succeeded Preben Prebensen as chief executive on 21 September 2020, and the appointments of Mark Pain, Tesula Mohindra and Patricia Halliday, who became independent non-executive directors on 1 January 2021, 15 July 2021 and 1 August 2021, respectively. Information on Adrian's appointment was set out in last year's Annual Report. More detail on the robust and formal search processes led by the Nomination and Governance Committee that culminated in the appointments of Mark, Tesula and Patricia can be found on pages 94 and 95. The appointment of three new non-executive directors has further strengthened the range of skills, backgrounds and experience on the board and forms part of our orderly and proactive approach to succession planning. The board continues to be diverse, with directors from a range of backgrounds, and I am pleased that we comply with the recommendations of the Hampton-Alexander and Parker Reviews in terms of the composition of the board.

On 21 September 2020, Preben Prebensen stepped down after 10 years as chief executive and a member of the board. Geoffrey Howe did not submit himself for reappointment at the company's 2020 AGM, having informed the board of his decision to step down after more than nine years' service. Once again, I would like to thank Preben and Geoffrey for their contribution to the group over many years.

#### Board effectiveness

This year, in line with the UK Corporate Governance Code, the board appointed an external evaluator to review its effectiveness and performance. The review concluded that the board remains strong and

effective, and that it has responded well to the challenges arising from the pandemic. The evaluation also acknowledged that the board has addressed each of the recommendations made in the previous external evaluation in 2018. The board welcomes the findings and we will work to consider opportunities for incremental improvements during the year ahead. Further detail on the evaluation can be found on page 86.

### Stakeholder engagement

Stakeholder engagement remains a priority for the board. During the year the board has used formal meetings and other opportunities to discuss the group's performance and delivery of its strategy with group and divisional executives. These discussions included consideration of stakeholders and their interests, as well as risks arising from the wider regulatory, economic and political environment. As part of the board's regular meetings and in sessions specifically focusing on strategy, the directors have spent considerable time assessing and having regard to the impact of individual decisions and the group's operations on different stakeholder groups. This has included extensive discussion of points arising from engagement with shareholders, customers, employees, regulators and other groups. You can find our formal statement in relation to section 172 of the Companies Act 2006, together with further detail about how the directors have engaged with, and had regard to the interests of, stakeholders in the Strategic Report on pages 36 to 41.

### Sustainability and ESG

In the 2021 financial year, the board and its committees spent time on a broad range of sustainability considerations, including as part of strategy discussions and regular environmental, social and governance ("ESG") updates. I have been pleased to discuss the board's approach in this area as part of my regular meetings with shareholders. The board and the Nomination and Governance Committee have continued to monitor diversity and inclusion, both as part of ongoing board succession planning and in relation to activities aimed at developing a diverse and inclusive talent pipeline below board level. Further information on the board's approach to diversity and inclusion can be found on page 79. As part of wider sustainability discussions, the board has continued to focus on external and internal developments in relation to climate change. This has included discussion of the group's climate strategy and goals, together with oversight of progress towards disclosure requirements relating to the Task Force on Climate-related Financial Disclosures ("TCFD").

### Executive remuneration

Executive remuneration remains an important topic, and I was pleased that our Directors' Remuneration Policy received the strong support of shareholders at last year's AGM. As a result of the implementation of the new CRD V directive, the Remuneration Committee has spent a large portion of its time reviewing our current policy and engaging with shareholders on proposed changes to reflect new regulatory requirements. The revised policy will be submitted to shareholders for approval at the forthcoming AGM. More detail on the proposed changes to the policy can be found as part of the Directors' Remuneration Report on pages 97 to 125.

### Engagement with shareholders

Engagement and dialogue with shareholders continue to be a key focus for the board and I have been pleased to meet virtually with a number of our shareholders during the year to discuss a range of topics and to ensure that the board is aware of our shareholders' views. Unfortunately, last year we were required to hold a "closed AGM" due to Covid regulations. We provided alternative means for shareholders to engage with the board, including via written questions and a video presentation by our chief executive, Adrian Sainsbury, and I hope these were useful. This year, the board hopes to be able to return to a more typical AGM and, following the approval of new articles of association by shareholders at last year's AGM, it currently intends to hold a "hybrid" meeting that enables shareholders to attend and participate in the business of the meeting either in person or online. Further details will be set out in the Notice of AGM sent to shareholders in due course but we hope that this new form of meeting will allow more shareholders to participate and discuss the performance of the group with the board.

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

**Michael N. Biggs**  
Chairman

28 September 2021

### UK Corporate Governance Code

The UK Corporate Governance Code 2018, published by the Financial Reporting Council ("FRC") (the "Code"), applied to the company throughout the financial year. A copy of the Code can be found on the FRC's website: [www.frc.org.uk](http://www.frc.org.uk).

The Code sets out guidance on best practice in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice. The Financial Conduct Authority ("FCA") requires companies with a premium listing in the UK to disclose, in relation to the Code, how they have applied its principles and whether they have complied with its provisions throughout the financial year. Where the provisions have not been complied with, companies must provide an explanation.

It is the board's view that throughout the year the company has applied the principles and complied with the provisions set out in the Code, with the exception of the two items noted below.

As explained in the 2020 Annual Report, the pension contribution rate of the former chief executive, Preben Prebensen, was higher than that of the general employee population in line with his service contract and the Directors' Remuneration Policy approved by shareholders in 2017 prior to publication of the Code. Preben served as chief executive for a small part of the 2021 financial year before stepping down on 21 September 2020. For this portion of the year in relation to Preben's pension, the company was not therefore compliant with provision 38 of the Code, which requires the pension contribution rates of executive directors to be aligned with those available to the workforce. The pension contribution rate of the group's current chief executive, Adrian Sainsbury, is (like that of the group finance director, Mike Morgan) aligned with the general employee population, and the group is therefore now fully compliant with provision 38 and has been since 21 September 2020.

During the 2021 financial year, an administrative error resulted in the inadvertent exercise of a vested 2017 LTIP award held by Preben Prebensen prior to the expiry of the applicable post-vesting holding period. This inadvertent exercise was not compliant with provision 36 of the Code, which requires a total vesting and holding period for such awards of five years or more. Further information can be found on page 124 of the Directors' Remuneration Report, including steps taken by the company and Preben following identification of the error to put alternative arrangements in place to largely replicate the overall vesting and holding schedule applicable to the LTIP award in question.

More information on the executive directors' remuneration can be found in the Directors' Remuneration Report that follows later in this Annual Report. Further detail and examples as to how the company has applied and complied with the Code are set out in the remainder of this Corporate Governance Report and in other sections of the Annual Report noted in the table overleaf.

## Corporate Governance Report continued

### Section 1: Board Leadership and Company Purpose

<b>Principle A:</b> A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and wider society	Pages 23, 24 to 34, 38, 68, 69, 79, 81 and 82
<b>Principle B:</b> The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture	Pages 5, 14, 16, 76 and 85
<b>Principle C:</b> The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls	Pages 20, 21, 56 to 59 and 87
<b>Principle D:</b> In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties	Pages 37, 40, 87 and 88
<b>Principle E:</b> The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern	Pages 38, 85 and 86

### Section 2: Division of Responsibilities

<b>Principle F:</b> The chair leads the board and is responsible for its overall effectiveness in directing the company. The chair should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors and that directors receive accurate, timely and clear information	Pages 82 and 83
<b>Principle G:</b> The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business	Pages 5, 7, 68, 69, 79, 83 and 84
<b>Principle H:</b> Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account	Pages 83 to 84
<b>Principle I:</b> The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently	Page 85

### Section 3: Composition, Succession and Evaluation

<b>Principle J:</b> Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths	Pages 26, 27, 79, 80, 94 and 95
<b>Principle K:</b> The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed	Pages 86, 94, 95 and 96
<b>Principle L:</b> Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively	Page 86

### Section 4: Audit, Risk and Internal Control

<b>Principle M:</b> The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements	Pages 56 to 59, 92 and 93
<b>Principle N:</b> The board should present a fair, balanced and understandable assessment of the company's position and prospects	Pages 74, 75 and 92
<b>Principle O:</b> The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives	Pages 56 to 59, 89 and 90

### Section 5: Remuneration

<b>Principle P:</b> Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy	Pages 97 to 125
<b>Principle Q:</b> A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome	Pages 97 to 125
<b>Principle R:</b> Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances	Pages 97 to 125

## The Board

### Leadership of the board

The board's primary role is to provide effective leadership and direction for the group as a whole, and to ensure that the company is appropriately managed, delivers long-term shareholder value and contributes to wider society. It establishes the group's purpose and strategic objectives, and on an ongoing basis monitors management's performance against those objectives. The board also supervises the group's operations, with the aim of ensuring that it maintains a framework of prudent and effective controls which enables risks to be properly assessed and appropriately managed.

The board acknowledges its role in assessing the basis on which the group generates and preserves value over the long term. It spends time during the year, in scheduled board meetings, during its annual strategy discussions and in other sessions with senior management and stakeholders, considering how opportunities and risks to the future success of the group's business should be addressed, alongside discussions on the sustainability of the group's model. Further information on these considerations can be found in the Strategic Report on pages 1 to 67 of this Annual Report.

Another key function of the board is to define, promote and monitor the company's culture and values, setting the "tone from the top". It also ensures effective engagement with, and participation from, shareholders and other stakeholders. When making decisions, the board has regard to the interests of a range of stakeholders, including employees, customers, clients and shareholders, as well as its broader duties under section 172 of the Companies Act 2006. The company's formal section 172 statement can be found on page 40 of this Annual Report.

### Board size and composition

The board has 11 members: the chairman, two executive directors and eight independent non-executive directors. The board's members come from a range of backgrounds and the board is structured to ensure that no individual or group of individuals is able to dominate the decision-making process and no undue reliance is placed on any individual. The Nomination and Governance Committee monitors the overall size of the board and the balance between its executive and non-executive membership.

During the 2021 financial year, the board appointed three new non-executive directors as part of its proactive and orderly approach to succession planning. One of these was the appointment of a successor to the long-standing senior independent director who retired from the board during the year, whilst the remaining two were incremental appointments which resulted in an increase in the overall size of the board compared with the prior financial year. The overall size of the board has grown slightly in recent years as new directors have been appointed to bring additional and complementary knowledge, skills and experience, and to ensure continuity of membership and knowledge as other directors near the end of their terms in the years ahead. The board considers that the size and structure of the board remains appropriate given the company's operations, and the need to ensure an orderly succession and transition between directors.

The board considers that recent appointments have resulted in a valuable refreshing of the board, providing new perspectives and challenge which have further strengthened the board's effectiveness and the quality of its deliberations. As the membership of the board has evolved, it has also taken the opportunity to review and refresh the membership of its committees. During the year, new members were added to each of the board's committees and, following a review by the Nomination and Governance Committee, other changes were made to the membership of the Audit and Remuneration Committees. Further detail can be found on pages 94 and 95.

Details of the individual directors and their biographies are set out on pages 68 and 69.

### Board and senior management diversity and inclusion

The board acknowledges the benefits that diversity and inclusion can bring to the board and to all levels of the group's operations. As such, the board is committed to the promotion of diversity and inclusion across the group and to ensuring that all employees are treated fairly.

The board maintains a board diversity and inclusion policy, which is reviewed annually by the Nomination and Governance Committee. The policy recognises the importance of having directors with a range of skills, knowledge and experience, and embraces the benefits to be derived from having directors who come from a diversity of backgrounds, bringing different perspectives and the challenge needed to ensure effective decision-making. Following review by the Nomination and Governance Committee and the board during the year, a small number of incremental changes were made to the policy.

The key aims and principles set by the board in its diversity and inclusion policy for board-level appointments and progress made include:

#### 1. Maintaining female representation on the board of at least 30%

Whilst the board aims to maintain female representation of at least 30%, it recognises that due to its relatively small size, the appointment or departure of a single director can have a significant impact on the achievement of this aim. At the date of this report, five of the board's 11 members are women. At 45%, this means that female representation currently exceeds the recommendation of the Hampton-Alexander Review. Five of the company's nine non-executive directors are women.

#### 2. Having at least one director of colour

The board acknowledges the importance of cultural and ethnic diversity and the benefits this can bring. At the date of this report, the composition of the board is in line with the recommendation of the Parker Review that a FTSE 250 board should have at least one director of colour. External search firms used by the Nomination and Governance Committee will continue to be instructed to consider candidates from a broad range of backgrounds and experiences when preparing long-lists for review by the Committee.

#### 3. Engaging only external search firms which are signatories to the Voluntary Code of Conduct for Executive Search Firms

For board-level appointments, the Nomination and Governance Committee aims to engage only executive search firms which are signatories to the Voluntary Code of Conduct for Executive Search Firms. During the year, the Committee was supported in searches by Heidrick & Struggles and Russell Reynolds, both of which are signatories to the Voluntary Code.

The board remains committed to seeking to improve further its position on gender, cultural and ethnic diversity when appropriate opportunities arise, whilst continuing to make appointments based on merit, objective and defined criteria, and the particular skills and experience required for the role.

The Nomination and Governance Committee regularly reviews and evaluates the structure, size and composition of the board and is responsible for identifying and recommending new directors for appointment. Board appointments are made following rigorous consideration by the Nomination and Governance Committee of the balance of skills, experience, knowledge and diversity required for the board to operate effectively as a whole. When considering board composition and appointments, the board and the Nomination and Governance Committee continue to have regard to relevant best practice and the findings of the Hampton-Alexander Review and the Parker Review.

The board regularly considers diversity and inclusion, including activities across the group to encourage a diverse pipeline, as part of discussions around succession planning and talent management



## Corporate Governance Report continued

throughout the year. During the year, the Nomination and Governance Committee received updates in this area, including in relation to the activities of employee networks established to consider a broad range of discrete areas relating to diversity and inclusion matters. Further information on these initiatives can be found on pages 26 to 27 of the Strategic Report.

In line with the Code, further commentary on the diversity of the board, the Nomination and Governance Committee's oversight of diversity and inclusion matters, and future plans in this regard, is set out in the Nomination and Governance Committee Report on page 95. The board's diversity and inclusion policy is available on the Corporate Governance section of the company's website. The policy is subject to annual review by the Nomination and Governance Committee.

### Matters reserved to the board

A number of key decisions are reserved for, and may only be made by, the board. These specific matters and decisions are set out in a formal schedule, which enables the board and executive management to operate within a clear governance framework. The schedule of matters reserved to the board is reviewed annually and is published on the company's website.

The matters and decisions specifically reserved for the board include:

- responsibility for the overall direction of the group and oversight of the group's management;
- approval of the group's strategy and monitoring its delivery;
- oversight and monitoring of risk management, regulatory compliance and internal control systems and processes, and assessing the effectiveness of material controls;
- assessing the group's emerging and principal risks, the procedures in place to identify those risks and how they are managed and mitigated;
- ensuring adequate financial resources, including approving the group's Recovery and Resolution Plans, and the Internal Capital Adequacy Assessment Process ("ICAAP");
- changes to the group's dividend policy and significant changes in accounting policies;
- approving acquisitions, disposals, other transactions and expenditure over certain thresholds;
- changes to the capital structure of the group;
- approval of communications to shareholders;
- changes to the structure, size and composition of the board, following recommendations from the Nomination and Governance Committee;
- approval of corporate governance matters, including the evaluation of the performance of the board and its committees;
- undertaking appropriate engagement to understand the views of other stakeholders and reviewing stakeholder engagement mechanisms;
- leading the development, adoption, assessment and monitoring of the group's culture framework; and
- approval and oversight of the group's policy framework and ensuring that the group's policies, practices and behaviour are consistent with the company's values and support long-term, sustainable success.

When carrying out its duties, the board acts in accordance with relevant legislative and regulatory requirements and, in particular, takes into account the directors' duties contained in the Companies Act 2006 (the "Act"), including section 172 of the Act, the interests of the company's stakeholders, and any other relevant factors.

### Board and committee meeting attendance in 2020/2021

During the year the board held seven regular scheduled meetings. In addition, all members of the board at the relevant dates attended strategy sessions with senior management in December 2020 and May 2021.

The attendance of directors at scheduled meetings of the board and the committees of which they were members during the 2021 financial year is shown in the table below. Some directors also attended committee meetings as invitees during the year, which is not reflected in the table. This included attendance by the executive directors at all meetings of the Audit and Risk Committees during the year. Patricia Halliday did not join the board until the start of the 2022 financial year. She was not therefore eligible to attend any meetings in the 2021 financial year and, as such, is not listed in the table.

The board held 19 additional ad hoc meetings in the year to consider a number of matters, including the group's response to Covid-19 and proposed board appointments. The Audit Committee held two

	Board		Audit Committee		Remuneration Committee		Risk Committee		Nomination and Governance Committee	
	Attended	Total	Attended	Total	Attended	Total	Attended	Total	Attended	Total
<b>Executive directors</b>										
Adrian Sainsbury <sup>1</sup>	6	<b>6</b>								
Mike Morgan	7	<b>7</b>								
Preben Prebensen <sup>2</sup>	1	<b>1</b>								
<b>Non-executive directors</b>										
Mike Biggs <sup>3</sup>	7	<b>7</b>			3	<b>3</b>			5	<b>5</b>
Oliver Corbett <sup>4</sup>	7	<b>7</b>	5	<b>5</b>	2	<b>2</b>	6	<b>6</b>	5	<b>5</b>
Peter Duffy <sup>5</sup>	6	<b>7</b>			3	<b>3</b>	6	<b>6</b>		
Lesley Jones	7	<b>7</b>	5	<b>5</b>	5	<b>5</b>	6	<b>6</b>	5	<b>5</b>
Bridget Macaskill <sup>6</sup>	7	<b>7</b>	3	<b>3</b>	5	<b>5</b>	6	<b>6</b>	5	<b>5</b>
Tesula Mohindra <sup>7</sup>	1	<b>1</b>								
Mark Pain <sup>8</sup>	5	<b>5</b>			3	<b>3</b>	4	<b>4</b>	3	<b>3</b>
Sally Williams	7	<b>7</b>	5	<b>5</b>			6	<b>6</b>		
Geoffrey Howe <sup>9</sup>	2	<b>2</b>	2	<b>2</b>	1	<b>1</b>	2	<b>2</b>	2	<b>2</b>

1 Adrian Sainsbury joined the board as chief executive at the conclusion of the board's meeting on 21 September 2020 and was not therefore eligible to attend all board meetings during the 2021 financial year as a director. However, before becoming a director, he attended all board meetings in the year in his previous role as Banking division managing director.

2 Preben Prebensen ceased to be a director at the conclusion of the board's meeting on 21 September 2020 after deciding to step down as chief executive as previously announced on 24 September 2019.

3 Mike Biggs became a member of the Remuneration Committee with effect from 1 March 2021.

4 Oliver Corbett stepped down as a member of the Remuneration Committee with effect from 1 March 2021.

5 Peter Duffy was unable to attend one meeting of the board due to a pre-existing commitment prior to the finalisation of the board's schedule for 2021. Peter became a member of the Remuneration Committee on 1 March 2021.

6 Bridget Macaskill stepped down as a member of the Audit Committee with effect from 1 March 2021.

7 Tesula Mohindra was appointed as an independent non-executive director and a member of the Risk and Audit Committees with effect from 15 July 2021.

8 Mark Pain was appointed as an independent non-executive director and a member of the Nomination and Governance, and Risk Committees with effect from 1 January 2021 and a member of the Remuneration Committee with effect from 1 March 2021.

9 Geoffrey Howe stepped down as a director at the conclusion of the company's AGM on 19 November 2020, as announced by the company on 22 September 2020.

additional ad hoc meetings during the year to discuss progress on the 2020 Annual Report and review the group's Recovery Plan. The Nomination and Governance Committee held five additional ad hoc meetings during the year to discuss, among other things, the non-executive director recruitment processes, and to consider and recommend to the board the appointments of Mark Pain, Tesula Mohindra and Patricia Halliday. The Remuneration Committee held four additional ad hoc meetings during the year to discuss, among other things, matters relating to compensation planning and changes to the Directors' Remuneration Policy. The Risk Committee held two additional ad hoc meetings during the year to review, among other things, the 2020 ICAAP and key changes to the Internal Liquidity Adequacy Assessment Process. These additional meetings are not reflected in the table on the previous page. Further information on the operation of the board during the Covid-19 pandemic can be found below.

The annual schedule of board meetings is decided a substantial time in advance in order to ensure, so far as possible, the availability of each of the directors. In the event that directors are unable to attend meetings, they receive papers in the normal manner and have the opportunity to relay their comments and questions in advance of the meeting, as well as follow up with the chairman if necessary. The same process applies in respect of the various board committees.

At the end of each of the seven scheduled board meetings in the year, the chairman and the other non-executive directors met without any of the executive directors. In addition, the non-executive directors met during the year on an informal basis to discuss matters relevant to the group.

All non-executive directors receive the papers for meetings of those board committees of which they are not a member, and have a standing invitation to attend those meetings as an observer.

In addition to the calendar of formal board and committee meetings, there are other opportunities for all the directors to meet, both with and without senior management, to discuss the group, its operations, strategy and performance. This year, many of these opportunities have taken place remotely, and include working sessions at which the board considers a particular part of the company's business, performance or strategy in depth. These sessions are valued by the board and provide an additional chance to explore discrete issues in detail and to engage with employees from different levels across the group.

#### Operation of the board during the Covid-19 pandemic

The board met regularly via video conference during the Covid-19 pandemic specifically to monitor the development of the pandemic and its impact on the group and key stakeholders, and to oversee the group's response. In addition to scheduled board meetings in the period (included in the table on page 80), the board held 10 ad hoc meetings during the financial year to oversee the operation and performance of the group during the pandemic or to consider other specific issues relating to Covid-19. During earlier phases of the pandemic in the previous financial year, the board met weekly at times but this moderated during the 2021 year.

The board's focus and agenda evolved during these meetings as the pandemic and its impact on the group moved into different phases. Throughout, a key priority for the board was consideration of the impact of the pandemic on key stakeholder groups, including employees, customers, clients, partners, suppliers and shareholders, and the directors received regular updates on developments relating to individual stakeholder groups. The meetings were also used to provide information on senior management's regular engagement with regulators and other external stakeholders.

The main areas considered by the board during the pandemic included:

- reviewing the operational and financial performance of the group and each of its divisions;
- close monitoring of the group's liquidity, funding and capital positions;

- the impact of the pandemic on the group's model and strategy;
- oversight and discussion of the group's operational and technology response to lockdown and, subsequently, planning for the return of employees to the workplace in line with government guidance;
- monitoring the impact of the pandemic on employees, including discussion of the results of, and actions taken by management in response to, all-employee wellbeing surveys throughout the pandemic;
- consideration of customer, client and partner matters, including oversight of the Banking division's approach to customer forbearance, through regular reviews of management information and dashboards;
- the Banking division's participation in HM Government's coronavirus loan schemes;
- monitoring and oversight of the group's control and risk framework, including consideration of issues arising from home working by employees and a "hybrid" working model as employees began to return to the workplace;
- evolving government guidance and regulations relating to the pandemic, including the impact on field and office-based employees;
- updates on guidance published by, and on management's engagement with, regulators;
- the need to adapt the format of the 2020 AGM in response to rapidly changing government guidance; and
- the review and approval of scheduled trading updates to the market, and discussion of associated disclosure considerations.

In addition, the non-executive directors have continued to meet via video conference with senior management outside formal board meetings to discuss the group's response to the pandemic and relevant developments. These meetings have included, among others, regular sessions between the chairman and the chief executive, the chair of the Audit Committee and each of the group finance director and the group head of internal audit, and the chair of the Risk Committee and the group chief risk officer.

During the pandemic the regular flow of high quality information to the board has been maintained. As the group's response to the pandemic has evolved, additional metrics and reporting have been provided to the board to ensure that it has access to all relevant information to enable it to effectively oversee the group's response and to assess the impact of the pandemic on the group's performance. Examples of additional information provided to the board have included regular reporting and data on customer forbearance, information on the Banking division's participation in HM Government's coronavirus loan schemes and updates on the group's approach to home working and, subsequently, the gradual return to the workplace.

The effectiveness of the board during the pandemic was specifically considered as part of this year's external board and committee evaluation. The evaluation concluded that the board continued to perform effectively throughout the pandemic and that it responded well to the external business challenges arising from Covid-19 as well as to its effect on employees. Further detail on the evaluation can be found on page 86.

Further information on the group's broader response to Covid-19 can be found in the Strategic Report at the beginning of this Annual Report.

#### Role of the board in relation to strategy and purpose

The board recognises its responsibility for establishing and monitoring the strategy and purpose of the group. During the year, a range of activities enabled the board to focus on these areas. These included two strategy sessions: the usual session held in May 2021, but also an additional session in December 2020 which presented a first opportunity for the board to discuss strategic issues in detail at a discrete session with the new chief executive, Adrian Sainsbury. These sessions covered a broad range of strategic issues, including the group's three-year strategic plan, matters connected with the pandemic, shareholder feedback during the year, opportunities for

## Corporate Governance Report continued

individual businesses and people-related issues, including the results of the recent employee opinion survey and plans in relation to future ways of working.

In addition, the board considers strategic issues and the group's model as part of regular meetings throughout the year. At each scheduled meeting, group and divisional executives provide updates on performance against strategic goals and relevant developments in the wider market, including from a competitor or regulatory perspective. During the year, the board has held a number of "deep-dive" strategy sessions, each focused on an individual business. The board aims to cover each of the group's businesses at such a session on a rolling two-year basis.

In the 2021 financial year, the board spent time with management discussing the introduction of Our Responsibility as a core component of the group's model. As part of this, the board considered the group's broader responsibility to help address the social, economic and environmental challenges facing its business, colleagues and customers. Throughout the year, the board and its committees have discussed the connection between the group's responsibility, wider stakeholder considerations and its long-term positioning, including the link to attracting and retaining talent at all levels of the group's operations, supporting customers, clients and partners, and the group's continuing efforts towards reducing its impact on the environment.

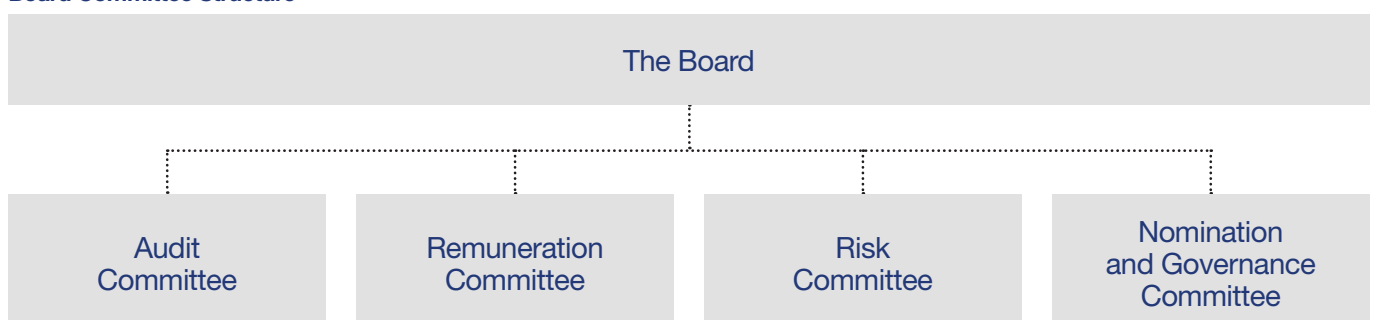
In addition, during the year, the board discussed with management actions to build on the core strengths of the group's successful and differentiated business model through the next stage of its development. Among other things, this resulted in the decision that the group's strategic approach would focus on three objectives: to protect, grow and sustain the group's business model. Further information on this and the board's discussions can be found on page 41.

The Nomination and Governance Committee also discussed the chief executive's plans, which took effect in late 2020, to make changes to the group executive team. These included bringing the leadership of the Motor Finance and Premium Finance businesses together under the Retail CEO, Rebecca McNeil, as well as appointing Neil Davies as Commercial CEO, with responsibility for Asset Finance and Invoice and Speciality Finance. Rebecca and Neil, along with Frank Pennal, Property CEO, joined the Executive Committee, with all of the group's businesses now represented at this level.

### Governance Framework Board governance structure

The board has delegated responsibility for certain matters to its committees. The committee structure is shown in the diagram below. Each committee has written terms of reference which are reviewed annually. These terms of reference outline each committee's role and responsibilities and the extent of the authority delegated by the board. They are available on the company's website at [www.closebrothers.com/investor-relations/investor-information/corporate-governance](http://www.closebrothers.com/investor-relations/investor-information/corporate-governance). This year, each committee's terms of reference were updated to reflect, among other things, recent industry guidance, best practice and changes in applicable legislation. The chair of each committee reports regularly to the board on matters discussed at committee meetings.

### Board Committee Structure



All members of the board have access to the papers of all committees, and have a standing invitation to attend any committee meeting.

Reports for the board's committees are set out later in this report and they include further detail on each committee's role and responsibilities, and the activities undertaken during the year.

### Meetings of the board

At each scheduled meeting, the board receives reports from the chief executive and group finance director on the performance and results of the group. The board discusses performance, strategic initiatives and developments in each of the group's divisions, including updates from divisional chief executives on their respective areas. The group chief risk officer and the group general counsel have a standing invitation and provide updates on their respective functions. The board also receives regular reports from the group human resources, operations, corporate development, compliance and internal audit functions.

There is an annual schedule of rolling agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the financial and regulatory cycle. Meetings are structured to ensure that there is sufficient time for consideration and debate of all matters. In addition to scheduled or routine items, the board also considers key issues that impact the group, as they arise. The schedule of agenda items includes regular "deep-dives" into particular areas of importance to the board. These include quarterly updates in relation to customers, IT and culture, and half-yearly updates on whistleblowing and the portfolio of major investment programmes across the group. A key feature of these 'deep-dives' is an assessment and consideration of relevant issues relating to key stakeholder groups, including the outputs from engagement by the board and senior management.

The directors receive detailed papers in advance of each board meeting. The board agenda is carefully structured by the chairman in consultation with the chief executive and the company secretary. Each director may review the agenda and propose items for discussion, with the chairman's agreement. Additional information is also circulated to directors between meetings, including relevant updates on business performance and regulatory interactions.

Each scheduled board meeting includes time for discussion between the chairman and the non-executive directors without the executive directors.

### Key board activities during the year

During the year, the board has spent time particularly on:

- considering the group's response to, and the impact of, the Covid-19 pandemic;
- strategic aims and the performance of businesses across the Banking division, Asset Management division and Winterflood, as well as for the group as a whole;
- customer matters, including the group's customer experience programme;
- the development of the group's operational risk framework and requirements in relation to operational resilience;
- approval of the company's Tier 2 debt issuance;

- review and approval of the group's budget and three-year strategic plan;
- strategic projects affecting the group and individual businesses, including the Motor Finance and Asset Finance transformation programmes, the group's LIBOR transition programme and the project to develop the models, systems and processes required to use the Internal Ratings Based approach for the calculation of regulatory capital requirements for credit risk;
- review and approval of the submission of the group's application to the PRA to use the Internal Ratings Based approach for the calculation of regulatory capital requirements for credit risk;
- updates on the progress of discrete workstreams arising out of the board's annual strategy days;
- consideration and approval of interim and final dividend proposals;
- oversight of developments relating to the company's subsidiary, Novitas including management's strategic review of the business;
- review and approval of the group's half-year and full-year results, together with quarterly trading updates to the market;
- IT and cyber matters, and associated projects;
- the group's culture and values framework and a quarterly review of the group's culture dashboard which sets out information and key metrics in relation to culture across the group and each of its divisions;
- discussing the results of the group's biennial employee opinion survey and follow-up actions proposed by management;
- reviewing the competitive landscape;
- engagement with regulators and regulatory developments during the year, including matters arising out of the Covid-19 pandemic;
- the review and approval of the group's Recovery and Resolution Plans;
- capital planning and considering and approving the ICAAP and the Internal Liquidity Adequacy Assessment Process;
- the annual review of group risk appetite statements; and
- the external board and committee effectiveness evaluation.

#### Chairman and chief executive

In line with the UK Corporate Governance Code, the role of the chairman is distinct and separate from that of the chief executive and there is a clear division of responsibilities between the two roles. A description of the responsibilities of the chairman and chief executive, as approved by the board, can be found on the company's website at [www.closebrothers.com/investor-relations/investor-information/corporate-governance](http://www.closebrothers.com/investor-relations/investor-information/corporate-governance).

The chairman is Mike Biggs. His biography can be found on page 68. As chairman, Mike is primarily responsible for leading the board and ensuring that it is able to operate effectively and efficiently. The chairman's role is to promote effective decision-making, challenge of executive management and constructive debate, including by facilitating contributions and engagement from all members of the board. His other responsibilities include setting the agenda for board meetings, making sure that the directors receive information in an accurate, clear and timely manner, and ensuring that adequate time is available for discussion of relevant items by the board. The chairman is charged with ensuring that the directors continually update their skills and knowledge and that the performance of the board, its committees and the individual directors is evaluated on an annual basis. Mike also has responsibility for leading the development of the group's culture by the board and for ensuring that the board sets the "tone from the top". As chairman, he is required to ensure that the board as a whole has a clear understanding of the views of shareholders and, to that end, he regularly engages with the company's major institutional shareholders on a range of topics including strategy, governance and succession planning.

The chief executive is Adrian Sainsbury, who succeeded Preben Prebensen at the end of the board's meeting held on 21 September 2020. His biography can be found on page 68. Adrian is primarily responsible for all aspects of the performance and the day-to-day management of the group's business in accordance with the objectives and limits defined by the board. His other responsibilities include coordinating all activities to implement the group's strategic objectives,

managing the group's risk exposures in line with board policies and risk appetite, implementing the decisions of the board and facilitating effective communication with stakeholders and regulatory bodies. He also has responsibility for overseeing the adoption of the group's culture and values as part of the day-to-day management of the group.

Adrian chairs the Executive Committee, the forum that exercises management oversight of the group, including through the monitoring and implementation of strategy and budgetary objectives, as determined by the board. The members of the Executive Committee are shown on page 70.

The chairman and chief executive have various prescribed responsibilities under the Senior Managers Regime overseen by the PRA.

#### Independent non-executive directors

The company's independent non-executive directors are Oliver Corbett, Peter Duffy, Patricia Halliday, Lesley Jones, Bridget Macaskill, Tesula Mohindra, Mark Pain and Sally Williams. Mark, Tesula and Patricia joined the board on 1 January 2021, 15 July 2021 and 1 August 2021, respectively.

Within the board's overall risk and governance structure, the independent non-executive directors are responsible for contributing sound judgement and objectivity to the board's deliberations and the decision-making process. They also provide constructive challenge and scrutiny of the performance of management and delivery of the company's strategy.

#### Senior independent director

The senior independent director is Mark Pain. The senior independent director acts as a sounding board for the chairman and serves as an intermediary for the other directors and shareholders. In addition to the existing channels for shareholder communications, shareholders may discuss any issues or concerns they have with the senior independent director. At least annually, the senior independent director leads meetings of the non-executive directors and senior management, without the chairman present, to appraise the chairman's performance and then communicates the results of that appraisal to the chairman.

A description of the responsibilities of the senior independent director, as approved by the board, can be found on the company's website at [www.closebrothers.com/investor-relations/investor-information/corporate-governance](http://www.closebrothers.com/investor-relations/investor-information/corporate-governance).

#### Non-executive directors' independence and time commitment

The board has assessed the independence of each of the non-executive directors and is of the opinion that each acts in an independent and objective manner and therefore, under the Code, is independent and free from any relationship that could affect their judgement. The board's opinion was determined by considering for each non-executive director, among other things:

- whether they are independent in character and judgement;
- how they conduct themselves in board and committee meetings;
- whether they have any interests which may give rise to an actual or perceived conflict of interest; and
- whether they act in the best interests of the company, its shareholders and other stakeholders at all times.

As part of its consideration of non-executive independence, the board has given particularly rigorous consideration to the overlapping directorships held by Lesley Jones and Peter Duffy on the boards of the company and Moneysupermarket.com Group PLC. It has considered the nature of those directorships, and the character, behaviour, contribution and judgement of Lesley and Peter during the year. It has concluded that both Lesley and Peter continue to demonstrate independence as evidenced by, among other things, their contribution to board meetings and their continuing challenge of senior management.



## Corporate Governance Report continued

The chairman, Mike Biggs, was considered to be independent on appointment in line with the provisions of the Code.

The company has complied with the Code provision that at least half the board, excluding the chairman, should comprise independent non-executive directors. Each non-executive director is required to confirm at least annually whether any circumstances exist which could impair their independence.

In addition, the board is satisfied that each non-executive director is able to dedicate the necessary amount of time to the company's affairs, following consideration of each non-executive director's other time commitments. The letters of appointment for each of the company's non-executive directors set out a minimum time commitment in discharging their duties as a director, and require them to seek prior board approval before they take on additional commitments.

Lesley Jones was appointed to the board of Sainsbury's Bank as chair on 29 January 2021, and joined the board of Moneysupermarket.com Group PLC on 1 September 2021 as an independent non-executive director. As required by the Code and in advance of Lesley taking on each directorship, the board reviewed the proposed role, including the time commitment and whether it presented any potential conflict of interest for the group. In each case following that review, the board was satisfied that neither of the proposed appointments would restrict Lesley from carrying out her duties and responsibilities as a director of the company (including as chair of the Risk Committee), and accordingly it approved the appointments.

During the year, the board also considered the proposed appointment of Adrian Sainsbury as a director of the financial services trade body, UK Finance. Among other things, the board considered the nature of the role and the anticipated time commitment. It was satisfied that the appointment would not adversely impact Adrian's role as chief executive and considered that there were benefits to the group from Adrian taking up the position. Accordingly, it approved the proposed appointment, which took effect on 1 February 2021. Adrian's role with UK Finance is not remunerated.

### Powers of directors

The directors are responsible for the management of the company. They may exercise all powers of the company, subject to any directions given by special resolution and the articles of association. The directors have been authorised to allot and issue ordinary shares and to make market purchases of the company's ordinary shares by virtue of resolutions passed at the company's 2020 AGM. Further detail regarding these authorisations is set out on pages 71 and 72.

### Appointment and removal of directors

The appointment of directors is governed by the company's articles of association, the Companies Act 2006 and other applicable regulations and policies. Directors may be elected by shareholders in general meeting or appointed by the board of directors in accordance with the provisions of the articles of association.

In accordance with the Code, all directors retire and submit themselves for reappointment at each AGM. The board will only recommend to shareholders that executive and non-executive directors be proposed for reappointment at an AGM after evaluating the performance of the individual directors.

Letters of appointment or service contracts (as applicable) for individual directors are available for inspection by shareholders at each AGM and during normal business hours at the company's registered office. The non-executive directors' letters of appointment were reviewed by the Nomination and Governance Committee during the year to ensure compliance with the Code and best practice.

The articles of association provide that in addition to any power to remove directors conferred by the Companies Act 2006, the company's shareholders can pass a special resolution to remove a director from office.

### Reappointment of directors at the 2021 AGM

Following performance evaluations undertaken during the year, the board has confirmed that each director continues to be effective and demonstrate commitment to their role. On the recommendation of the Nomination and Governance Committee, the board will therefore be recommending that all serving directors be reappointed by shareholders at the 2021 AGM.

### Induction and professional development

On appointment, all new directors receive a comprehensive and personalised induction programme to familiarise them with the group and the regulatory, market, risk and governance framework within which it operates, and to meet any specific development requirements identified during the recruitment process. The company also provides bespoke inductions for directors when they are appointed as a committee chair or member. Induction programmes are tailored to a director's particular requirements, but would typically include site visits, one-to-one meetings with executive directors, the company secretary, senior management for the business areas and support functions, and a confidential meeting with the external auditor. Directors also receive guidance on directors' responsibilities and the Senior Managers Regime, together with a range of relevant current and historical information about the group and its business. A key aim of the induction is to ensure that new board members are equipped to contribute to the group and the work of the board as quickly as possible.

Directors provide input on how their individual inductions should be tailored both in terms of content and structure. The company secretary engages regularly with individual directors as their inductions progress, and, once they have served on the board for a period, seeks their input on any further induction or development requirements they may have. The chairman also discusses induction plans, and training and development more broadly, with new joiners as part of regular one-to-one meetings.

Tailored induction programmes have been completed or commenced for the three new non-executive directors who joined the board in the last year. Relevant activities are continuing for Tesula Mohindra and Patricia Halliday who only joined the board in July and August 2021, respectively. These programmes have included, or will include, detailed meetings and briefings with members of the board and the Executive Committee, the head of operational risk and compliance, the head of group internal audit, the chief credit risk officer, the director of investor relations and corporate development, and the group's external auditor. The new directors have also met other senior managers from across the central and control functions (including risk, finance and IT). Specific topics covered in these sessions include the regulatory framework applicable to the group, capital and other prudential requirements, the group's risk management framework, strategy and purpose, culture and values, and financial performance. In addition, they each received briefings on the duties and responsibilities of a listed company director, the group's governance framework and the wider UK corporate governance, listing and disclosure regime from the company secretary and the group's external legal advisers.

There is a central training programme in place for the directors, which is reviewed at least annually by the Nomination and Governance Committee. In addition, the chairman discusses and agrees any specific requirements as part of each non-executive director's regular reviews. During the year, training and development activities took a number of forms, including meetings with senior management within the businesses and control functions, in-depth business reviews, attendance at external seminars and dedicated briefings from management and external advisers covering topics such as climate change, regulatory developments and horizon-scanning, corporate governance changes, accounting updates, the regulatory Senior Managers Regime, cyber, changes in remuneration regulation and practice, and the Internal Ratings Based approach for the calculation of regulatory capital requirements for credit risk. In addition to training organised by the group specifically for the board, directors attend a range of other training and development sessions as part of other roles they hold.

Training and development records are maintained by the company secretary and reviewed annually by the chairman and each individual director.

### Company secretary

The company secretary is responsible for ensuring that board procedures and applicable rules and regulations are observed. All directors have direct access to the services and advice of the company secretary, who also acts as secretary to each of the board committees. The company secretary provides advice and support to the board, through the chairman, on all governance matters and on the discharge of their duties. Directors are able to take independent external professional advice to assist with the performance of their duties at the company's expense.

### Conflicts of Interest

The articles of association include provisions giving the directors authority to approve conflicts of interest and potential conflicts of interest as permitted under the Companies Act 2006.

Directors are responsible for notifying the chairman and the company secretary of any actual or potential conflicts as soon as they become aware of them. A procedure has been established, whereby actual and potential conflicts of interest are regularly reviewed and appropriate authorisation sought. This procedure includes mechanisms for the identification of conflicts prior to the appointment of any new director or if a new conflict arises during the year. The decision to authorise a conflict of interest can only be made by non-conflicted directors and in making such a decision the directors must act in a way they consider, in good faith, will be most likely to promote the success of the company. The company secretary maintains a register of conflicts authorised by the board. The board believes this procedure operated effectively throughout the year.

### Culture and Values

The board recognises the importance that culture and values play in the long-term success and sustainability of the group, and the role of the board in establishing, monitoring and assessing culture. The board also acknowledges the importance of individual directors, and the board as a whole, acting with integrity, leading by example and promoting the desired culture.

The ongoing assessment of the contribution of culture and values to the group's long-term success remains a key focus for the board. The board also spends time monitoring, and satisfying itself as to, the alignment of the group's purpose, values and strategy with its culture. During the year, the board monitored, assessed and promoted the group's culture, including in the following ways:

- review and discussion by the board of a quarterly culture dashboard, setting out an assessment of culture, and culture and conduct metrics, across the group and each of its divisions from the perspective of customers, people and control;
- regular updates to the board on external guidance and insight on culture, including from regulators and industry bodies, which are used by the board to benchmark the group's approach and plans;
- discussing feedback received from employees across the group in regular employee opinion surveys. This year, surveys included specific questions in the areas of culture and inclusivity, together with surveys during the Covid-19 pandemic on employee wellbeing;
- updates on activities across the group in relation to culture and values, including employee training programmes, activities in relation to the group code of conduct, the Close Brothers Way, and other initiatives;
- following the activities of employee networks considering discrete areas in relation to diversity and inclusion, including gender, ethnic diversity, LGBTQ+, disability, working parents and carers, mental wellbeing and social mobility;
- inclusion of culture-related objectives as part of the executive directors' balanced scorecard assessed by the Remuneration Committee, further detail on which can be found in the Directors' Remuneration Report later in this Annual Report;

- continuing to focus on rewarding and investing in the group's employees, including discussions by the Remuneration Committee in relation to gender pay reporting and a strong focus on employee considerations as part of board decision-making and oversight;
- consideration of culture, behaviour and conduct issues by the Remuneration Committee;
- discussion of cultural and behavioural attributes by the Nomination and Governance Committee as part of regular talent reviews and succession planning;
- reviewing the group's whistleblowing arrangements by which employees can raise concerns in confidence and, if they wish, anonymously;
- the Risk Committee's regular review of a conduct risk dashboard covering an assessment of relevant issues and developments for each of the group's divisions;
- considering the impact of Covid-19, including for employees working from home during the UK lockdown, on the group's culture and on the wellbeing of employees, together with oversight of actions taken by management to support employees and deliver great customer outcomes;
- discussing culture and conduct issues arising out of specific activities and programmes being undertaken by the group, including the conduct implications of the group's activities in relation to the transition away from LIBOR and the cultural implications of significant transformation programmes and other strategic initiatives;
- regular direct engagement with employees as part of the board's employee engagement programme, including site visits (whether in person or virtual) and participation in employee meetings;
- supporting and participating in training and development programmes for employees; and
- encouraging and enabling eligible employees to participate in schemes to promote share ownership. Eligible employees are able to participate in the group's Save As You Earn ("SAYE") and Buy As You Earn ("BAYE") schemes, which provide cost-effective opportunities for employees to acquire shares in the company.

The activities described above have allowed the board to monitor effectively the group's culture during the year and to ensure that culture continues to be aligned with the group's purpose, values and strategy. In the year, the board and its committees considered the role and impact of culture as part of individual decisions and its oversight of the group's operations. This included discussions in the context of investment planning, the response of the group and its employees to ongoing challenges presented by the pandemic and preparations for the gradual return of employees to the workplace in line with government guidance. Considerations relating to culture and values have also formed an important part of the board's discussions on the group's strategy, model and purpose, including in the context of M&A opportunities considered by the group.

### Whistleblowing

The board has responsibility for oversight of the group's whistleblowing arrangements. It monitors the operation and effectiveness of these arrangements and ensures that processes are in place for the proportionate and independent investigation of matters raised through the mechanisms available to the workforce and for follow-up action.

Among other things, the board discharges this responsibility through the provision of at least half-yearly updates by the group head of compliance. These updates include:

- an overview of the group's whistleblowing arrangements and an assessment of their effectiveness;
- information on steps taken by the group to ensure the protection of those using the group's whistleblowing arrangements; and
- a summary of whistleblowing events, including outcomes and any follow-up actions.

In addition, the board appoints one of the directors to act as the group's whistleblowing champion. This is currently Oliver Corbett. As part of his role, Oliver engages with the group head of compliance regularly in relation to whistleblowing matters during the course of the year.

## Corporate Governance Report continued

### Board and Committee Effectiveness

#### Annual board and committee evaluation

The board undertakes a formal and rigorous evaluation of its effectiveness and the performance of the whole board, its individual directors and its committees annually. During the year, in accordance with the Code, the board appointed an external evaluator to carry out an independent review of its effectiveness and that of its committees. The Nomination and Governance Committee considered a short list of potential external evaluators drawn up by the company secretary and appointed Margaret Exley CBE of SCT Consultants to undertake the evaluation. Ms Exley also carried out the previous external evaluation in 2018, and the Committee agreed that, given her existing knowledge of the board and the group, it would be advantageous for her to carry out a further review in order to assess the development of the board in the intervening three years and to review progress against the recommendations she made in 2018. Ms Exley has a small shareholding in the company which she acquired prior to her engagement to carry out the 2021 evaluation, but otherwise neither Ms Exley nor SCT Consultants has any connections with the company.

The scope and timing of the evaluation were discussed by the Nomination and Governance Committee, and the chairman and company secretary then discussed the process to be followed with Ms Exley.

Each of the directors and the company secretary completed a confidential questionnaire and then held one-to-one interviews with Ms Exley. In advance of these sessions, Ms Exley was provided with a wide range of documents and other information in response to a request list and observed a meeting of the board.

The evaluation focused on a range of different areas relevant to board effectiveness and corporate governance, including:

- the role and composition of the board;
- strategy;
- oversight of business performance;
- culture, purpose and values;
- management of the work of the board;
- board behaviours;
- the operation of the board during the Covid-19 pandemic;
- the work and contribution of committees;
- stakeholder engagement and wider societal impact; and
- risk management.

Ms Exley presented her report to the board for discussion at its meeting in July 2021.

The overall conclusion of the evaluation was that the board and its committees remain strong and effective, with clarity on their role and purpose. Ms Exley noted the evolution of the board since her previous evaluation in 2018, and that its membership had been further strengthened. The evaluation noted that each of the recommendations raised in 2018 had been addressed and that, as a result, the board's practices had improved in a number of areas. Ms Exley observed that the board has responded well to the pandemic, with strong oversight of the resulting external business challenges and the impact of Covid on employees and other stakeholder groups.

In terms of the operation of the board, the evaluation found that the board is chaired well, demonstrating rigour and focus in its work, whilst creating an atmosphere of inclusivity and openness, combined with constructive challenge, which allows for diversity of opinion. Ms Exley found that board processes, including agenda management and follow-up actions, are very effective.

As regards the activity of the board, the evaluation concluded that the board has sustained high levels of performance in terms of its oversight of the business, strategy development and stakeholder engagement. Among other things, Ms Exley highlighted the board's strong focus in relation to culture and risk management.

The evaluation concluded that the board's committees are chaired very effectively and demonstrate deep professionalism in the way their work is managed. The report noted, in particular, actions taken since 2018 to streamline the membership of certain committees, which has enabled more focus and a better division of workload between directors.

The board welcomes the positive conclusions of the evaluation and will focus during the next financial year on the recommendations made by Ms Exley in a small number of areas, with the aim of further improving the effectiveness of the board and its committees in the years ahead. The recommendations made in this year's evaluation include: further enhancing the richness of customer-related data presented to the board about individual businesses; in addition to the existing strong work of the Nomination and Governance, and Remuneration Committees, including an annual review of the group's talent management strategy as part of the full board's agenda; continuing to inform and educate directors in relation to cyber risk, digitisation and the changing economic and financial context within which the group operates, as part of its ongoing training and development programme; and following changes to board committee membership, continuing to ensure that where committees do not have all non-executive directors sitting on them, a full report is provided to the full board on relevant discussion points and decisions.

The board also considers that improvements have been made in the areas identified for improvement in the internal evaluations undertaken in the previous two years, including in relation to the further streamlining of board and committee papers, the provision of additional training and development sessions in particular areas and in continuing to capture positive learnings from the operation of the board during the pandemic.

#### Directors' performance

During the financial year, the chairman holds regular meetings with individual directors at which, among other things, their individual performance is discussed. Informed by the chairman's continuing observation of individual directors during the year, these discussions form part of the basis for recommending the reappointment of directors at the company's AGM, and include consideration of the director's performance and contribution to the board and its committees, their time commitment and the board's overall composition.

#### Chairman's performance

As in previous years, the senior independent director has led an annual performance assessment process in respect of the chairman. This involves review meetings during the year with the other non-executive directors, without the chairman being present, and consultation with the chief executive, group finance director and other members of senior management. The senior independent director subsequently provides feedback to the chairman.

#### Directors' fitness and propriety

In line with its regulatory obligations, the group undertakes annual reviews of the fitness and propriety of all those in senior manager functions, including all of the company's directors and a number of other senior executives. This process comprises assessments of individuals' honesty, integrity and reputation; financial soundness; competence and capability; and continuing professional development. This year's reviews have confirmed the fitness and propriety of all of the company's directors and other senior executives who perform senior manager functions. Consideration of matters relating to fitness and propriety also form an important part of the board's recruitment process for non-executive directors.

#### Risk, Audit and Internal Control

An explanation of how the board and the group comply with the requirements of the Code in relation to risk and control matters is set out in the Risk Report on pages 56 to 67 of this Annual Report.

The report of the Risk Committee, setting out further information on its role, responsibilities and key activities during the year, starts on page 89.



Acting under delegated authority from the board, the Audit Committee oversees matters relating to audit and financial control, including accounting policies, the board's relationship with the external auditor and oversight of the group's internal audit function. Further details on the Audit Committee's role, activities and its relationship with the external and internal auditors can be found in the Committee's report on pages 91 to 93 of this Annual Report. Further information on financial control matters can also be found in the Risk Report on page 58.

### Substantial 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 2021 Voting rights	31 July 2021 Voting rights
Standard Life Aberdeen plc	13.64%	13.64%
M&G plc	5.73%	5.73%
Aviva plc and its subsidiaries	4.99%	4.99%
Royal London Asset Management	4.99%	4.99%

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

### Engagement with Stakeholders

The board recognises that, for the company to be successful over the long term, it is important to build and maintain successful relationships with a wide range of stakeholders and for the board to understand the views of key stakeholders. When taking decisions, the board considers the interests of, and impact on, key stakeholders, including its relationships with shareholders, customers, partners, regulators, employees and suppliers.

Further detail on the company's stakeholders and examples of how the board has considered stakeholder interests, as well as the company's section 172 statement, can be found in the Strategic Report on pages 36 to 41.

The sections below describe the board's approach to engagement with employees and shareholders. Further information about how the directors have engaged with employees, and had regard to employee interests, and how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of this on the principal decisions taken by the company during the financial year, can be found in the Strategic Report on pages 36 to 41.

During the year, as part of the group's responsibility to wider society, the board discussed the group's charitable efforts and community activities, including donations of £100,000 each to two charities facing challenges in the wake of Covid-19: the children's literacy charity, Bookmark; and the foodbank charity, The Trussell Trust. Both charities make a material difference to children's and families' lives throughout the UK, and these donations were made in support of the vital role they play in helping some of the most vulnerable in our communities.

### Engagement with Employees

As permitted by the Code, the board has put in place its own arrangements to engage with employees across the group rather than using one of the specific methods set out in the Code. The board believes that there is value to be derived from all directors participating in meaningful employee engagement activities and, following discussion by the Nomination and Governance Committee, a framework for board engagement with employees is managed by the group head of HR and the company secretary. This framework builds on existing employee engagement activities that have been in place for some time, and presents a range of different opportunities for board members to engage directly with employees and also to receive feedback on relevant issues

from management. The framework takes account of guidance and suggestions published by the FRC in this area.

The board acknowledges the benefits of meaningful "two-way" engagement between the directors and senior management (on the one hand) and employees (on the other hand). To this end, the board and senior management provide employees with regular information on matters of interest or concern to them and consult with them or relevant representatives in order to take their views into account when making relevant decisions which are likely to affect their interests. Examples of engagement and consultation in the year have included considerations in relation to the group's preparations for the entry of the UK into lockdowns during the Covid-19 pandemic and planning for the return of employees to the workplace following the lifting of restrictions in line with government guidance. In addition, engagement with, and consideration of the interests of, employees continues to form a significant part of the board's oversight of major transformation programmes across the group.

The directors undertake a range of direct and indirect employee engagement activities during the year to ensure that they are aware of relevant issues and considerations as part of their decision-making and oversight activities. The directors have opportunities throughout the year to discuss their own observations following engagement activities and also to feed back comments raised with them by employees. The board considers that its employee engagement activities during the year have been effective.

Employee engagement activities undertaken by the board in the 2021 financial year included:

- detailed discussion of the results, themes and next steps arising out of the group's employee opinion survey, including pulse surveys conducted during the Covid-19 pandemic with a particular focus on employee wellbeing and health considerations;
- attendance at committees and other forums below board level to understand employee-related issues and priorities;
- reviewing the quarterly culture dashboard;
- site visits by non-executive directors to meet employees at different levels of the group's operations. Whilst fewer site visits have taken place this year due to the Covid-19 pandemic, the board looks forward to resuming fully its programme of visits when it is safe to do so in line with government guidance;
- participation by directors in programmes and initiatives operated for different groups of employees, including training and development programmes;
- participation by executive and non-executive directors in Q&A sessions with employees;
- attendance or participation in business and other functional Town Hall sessions; and
- regular communications from executive directors to employees on the performance and operations of the group, including in relation to the half-year and full-year results and updates on the impact of Covid-19.

The board recognises that the activities above are important in helping to achieve a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company, and in contributing to a better understanding of the group's activities, purpose and strategic aims, and ultimately, the long-term success of the company. Throughout the year, both as part of its oversight of business performance and developments, and in the context of strategic discussions, individual board members have provided insight from their own engagement with employees across the group. This insight makes a meaningful contribution to the board's discussions and decision-making. By way of example, the Remuneration Committee has considered points arising from the employee opinion survey undertaken in the year in its discussions in relation to compensation, and members of the Nomination and Governance Committee have discussed their own observations from employee engagement activity as part of the committee's oversight of diversity and inclusion initiatives around the group.



## Corporate Governance Report continued

In addition, the board spent time in the year considering employee-related actions and proposals in response to the pandemic. These discussions were informed by the results of different employee engagement activities and included extensive consideration of the group's plans for future ways of working in light of the pandemic and other trends.

The board supports and encourages the involvement of employees in the company's performance through two types of share benefit operated by the group: a sharesave scheme (SAYE) and a share incentive plan (BAYE). Both schemes are open to eligible employees who have completed six months' continuous employment with the group. During the year, the Remuneration Committee has considered data showing the participation of employees in the schemes and discussed steps to further improve participation levels.

### Engagement with Shareholders Investor relations

The group has a comprehensive investor relations ("IR") programme to ensure that current and potential shareholders, as well as financial analysts, are kept informed of the group's performance and have appropriate access to management to understand the company's business and strategy.

The group's IR team, reporting to the group finance director, has primary responsibility for managing the group's relationship with shareholders. The IR team runs a structured programme of meetings, calls and presentations around the financial reporting calendar, as well as throughout the year. The team also regularly seeks investor feedback, both directly and via the group's corporate brokers, which is communicated to the board and management.

The board is regularly updated on the IR programme through an IR report, which is produced for each board meeting and summarises share price performance, share register composition and feedback from any investor meetings. In addition, periodic specific "deep dives" on IR matters are provided to the board.

The board believes it is important to maintain open and constructive relationships with shareholders and for them to have opportunities to share their views with the board. The chief executive and group finance director engage with the group's major institutional shareholders on a regular basis. In addition, the chairman meets with major institutional shareholders to discuss matters such as strategy, corporate governance and succession planning. Feedback on these meetings is provided to the board during the course of the year. Separately, the senior independent director is available to meet with shareholders.

The chair of the Remuneration Committee takes part in consultations with major institutional shareholders on remuneration issues from time to time, including an extensive consultation in recent months with the company's major shareholders as part of the Committee's review of the Directors' Remuneration Policy to be submitted to shareholders for approval at this year's AGM. The chairs of the board's other committees will periodically seek engagement with shareholders on significant matters that arise relating to their areas of responsibility and are available for engagement with shareholders at other times.

Periodically, the group runs seminars covering different aspects of its business to provide additional detail to investors and analysts. In June 2021, the group hosted a group-wide online event for investors and analysts, in which the chief executive provided further details on the group's strategy and other members of the executive team presented on their businesses and how they are delivering the group's strategy. The session involved extensive Q&A with attendees, covering a wide range of areas. Relevant presentations, together with all results announcements, Annual Reports, regulatory news announcements and other relevant documents, are available on the IR section of the company's website ([www.closebrothers.com/investor-relations](http://www.closebrothers.com/investor-relations)).

The group engages with leading institutional shareholder bodies and proxy advisers during the year. Once again throughout the year, the IR team has responded to a range of enquiries and points of feedback raised by shareholders, including in relation to ESG issues.

### Annual General Meeting

The directors regard the company's AGM as an important opportunity for shareholders to engage directly with the board. Unfortunately, in 2020 government restrictions during the pandemic meant that it was not possible for shareholders to attend the AGM other than those forming the minimum quorum which was facilitated by the company. At all times in relation to the 2020 AGM, the board's priority was to protect the wellbeing of employees, shareholders and the wider community. The board was mindful of the value that shareholders place on hearing presentations from the board on the group's performance and strategy. Accordingly, a video presentation from the chief executive was made available ahead of the meeting and shareholders were encouraged to submit questions about the business of the meeting to the company secretary. Each of the questions submitted received an individual response. In normal circumstances, all members of the board would typically attend the AGM; however in 2020 only the chairman attended, in line with government guidance. Shareholders were strongly encouraged to cast their votes on the AGM resolutions by proxy and it was pleasing to note that shareholders representing nearly 80% of the share register voted in this way.

The board hopes that the company will be able to return to a more typical AGM this year. The AGM is scheduled to take place on 18 November 2021. Following shareholder approval to amend the company's articles of association at the 2020 AGM, the company currently intends to hold a "hybrid" meeting that enables shareholders to attend and participate in the business of the meeting either in person or online. Further details will be set out in the Notice of AGM sent to shareholders in due course but the company believes that this new form of meeting will allow more shareholders to join the meeting and discuss the performance of the group with the board. The board acknowledges the importance of shareholders receiving presentations from the board at the meeting and being able to ask questions on the business of the AGM and the performance of the group. The company will provide a means for them to ask questions of the directors.

All voting at general meetings of the company is conducted by way of a poll. All shareholders have the opportunity to cast their votes in respect of proposed resolutions by proxy, either electronically or by post. Following the AGM, the voting results for each resolution are published and made available on the company's website.

By order of the board

**Alex Dunn**  
Company Secretary

28 September 2021