

# Nomination and Governance Committee Report

## Chair's Overview

On behalf of the board, I am pleased to present the report of the Nomination and Governance Committee for 2021. The report sets out an overview of the Committee's roles and responsibilities, and its key activities during the year.

In the 2021 financial year, non-executive succession and recruitment has been an important focus for the Committee. The Committee adopts a proactive and structured approach to succession planning. In the appointments made in the year it has remained mindful of board changes that will naturally occur in the years ahead as directors reach the end of their terms and the need to ensure continuity of knowledge and experience among the board as a whole.

During the year, the Committee oversaw the processes for the appointment of three new independent non-executive directors: Mark Pain, who joined the board on 1 January 2021; Tesula Mohindra, who joined the board on 15 July 2021; and Patricia Halliday, who joined the board on 1 August 2021. Mark joined the board as the company's senior independent director ("SID"), taking over from Geoffrey Howe who stepped down from the board at the AGM in November 2020 following more than nine years as a director. A description of the processes that resulted in the appointments of Mark, Tesula and Patricia can be found below. For all searches undertaken this year, the Committee has put in place arrangements to ensure that changes to the board are well managed, with consideration of candidates from a diversity of backgrounds and experiences.

Following Mark's appointment as a director, the Committee reviewed the membership of the board's committees and recommended a number of changes. The board has moved away from its previous model which saw all non-executive directors serve on all of the board's committees. We consider this new approach to be more effective and the change is in line with a recommendation from the previous external evaluation of the board's effectiveness in 2018.

The Committee spent time considering succession planning and talent management for roles below board level. Once again this year, it has monitored activities and initiatives to develop the group's talent pipeline and improve gender and other diversity among senior management. The Committee reviewed the skills and experience of the non-executive directors to ensure that the board continues to be able to perform its role effectively. In light of this and other activities in the year, it recommended to the board that all serving directors be reappointed at the 2021 AGM.

The Committee has closely monitored sustainability and environmental, social and governance ("ESG") developments relevant to the group, including consideration of points arising from engagement with shareholders and other stakeholders in these areas. These will continue to be key areas for the Committee and the board as a whole in the coming years.

## Committee Roles and Responsibilities

The Committee's key roles and responsibilities are:

- regularly reviewing the structure, size and composition of the board and its committees, and making recommendations to the board with regard to any changes;
- considering the leadership needs of the group and considering succession planning for directors and senior executives;
- considering the appointment or retirement of directors;
- reviewing the continued independence of the non-executive directors;
- assessing the board's balance of skills, knowledge and experience;
- evaluating the skills, knowledge and experience required for a particular appointment, normally with the assistance of external advisers to facilitate the search for suitable candidates; and
- assessing the contribution and time commitment of the non-executive directors.

The Committee's full role and responsibilities are set out in written terms of reference and are available at [www.closebrothers.com](http://www.closebrothers.com).

## Key Activities in the 2021 Financial Year

During the year the Committee's activities included:

- considering board composition and succession, including searches for a new SID and other non-executive roles;
- assessing the composition of each of the board's committees;
- reviewing talent and executive management succession planning, including oversight of activities to support and encourage the development of a diverse and inclusive talent pipeline;
- the annual review of the board diversity and inclusion policy;
- oversight of the external board and committee evaluation undertaken during the year;
- monitoring sustainability and ESG developments and considering the implications for the group;
- assessing the non-executive directors' skill sets, knowledge, suitability and experience to ensure that an appropriate balance of skills, knowledge and experience has been maintained; and
- reviewing the non-executive directors' time commitment and independence.

## Membership and Meetings

The Committee's membership changed during the year following the retirement of Geoffrey Howe from the board and the appointment of Mark Pain. It now comprises Mark Pain, the senior independent director, Oliver Corbett, Lesley Jones and Bridget Macaskill, who chair the Audit, Risk and Remuneration Committees respectively, and me as chair. The composition of the Committee satisfies the relevant requirements of the UK Corporate Governance Code.

In addition, the chief executive attends meetings by invitation. The group head of human resources attended a number of meetings during the year, including when presenting reviews of talent and executive management succession planning, and updating the Committee on the progress of searches for board-level and other appointments.

Five scheduled meetings of the Committee were held during the year and details of members' attendance are set out on page 80. In addition, five ad hoc meetings were held to consider matters relating to specific board appointments during the year, including meetings to consider the nomination of Mark Pain, Tesula Mohindra and Patricia Halliday as members of the board, and to finalise the recommendation to the board regarding changes to the membership of its committees.

## Overview of Main Activities During the Year

### NED succession

During the year, the Committee oversaw the formal and robust search processes that culminated in the decisions by the board to appoint Mark Pain, Tesula Mohindra and Patricia Halliday as independent non-executive directors. The searches were part of the Committee's ongoing and orderly approach to succession planning. The resulting appointments will ensure that the board continues to be of an appropriate size and composition as other directors reach nine years' service in the years ahead.

In each case, the Committee reviewed and approved a detailed description for the role, having considered the particular skills, experience and background required for each role. As part of all board recruitment searches, the Committee assesses the balance of knowledge and expertise needed to ensure the continued effective leadership of the group, and the development and oversight of its strategy, purpose and culture. In identifying and recommending candidates for appointment to the board, the Committee considers candidates from a wide range of backgrounds, assessing them on merit against objective criteria and with due regard for the benefits of diversity on the board.

Each of the three searches was conducted in conjunction with an external search firm: Heidrick & Struggles, in the case of the search that resulted in Mark Pain's appointment; and Russell Reynolds, in the case of the searches that culminated in the appointments of Tesula Mohindra and Patricia Halliday. Both firms were instructed to consider candidates from a diversity of backgrounds and experiences. Neither firm is connected to the company in any way and each is a signatory to the Voluntary Code of Conduct for Executive Search Firms.

For all three searches, following the preparation of a long-list of candidates, a shortlist was selected by the Committee and interviews were held with the involvement of both non-executive and executive members of the board and members of senior management. As part of the process, the Committee considered the other commitments of candidates to ensure that they would have sufficient time to devote to their duties to the group. Following completion of the processes to the Committee's satisfaction (including, in Mark's case, receipt of all necessary regulatory approvals for his appointment as SID), it recommended the appointment of Mark, Tesula and Patricia to the board. The Committee also considered and recommended to the board their appointment to the various committees referred to in their biographies on pages 68 and 69.

Further details on Mark, Tesula and Patricia's experience can be found in their biographies. Each of them brings significant experience of financial services, and is a strong addition to the existing range of skills and expertise on the board.

#### Committee memberships

Following the appointment of Mark Pain to the Board in January 2021, the Committee reviewed the membership of the board's committees. It agreed that Mark's appointment, and the increase in the size of the board in recent years, presented an opportunity to refresh the membership of certain committees. Following its review, the Committee recommended a number of changes to the Audit and Remuneration Committees, which have seen the board move away from its previous model whereby all non-executive directors served as members of all committees. The new approach is considered to be more efficient and effective, and enables the work of committee members to be shared among the directors. The board approved the Committee's recommendation and the following changes took effect on 1 March 2021: Bridget Macaskill stepped down as a member of the Audit Committee; Oliver Corbett stepped down as a member of the Remuneration Committee; and Peter Duffy, Mark Pain and I joined the Remuneration Committee. The Committee will continue to monitor the composition of each of the board's committees.

#### Senior management talent development and succession planning

The Committee spent considerable time during the year reviewing talent and considering the group's succession planning at board and senior management level. Activities included a formal review by the Committee of senior management succession planning, looking at the capability and potential of incumbents in key roles and the succession pipeline across the group. The Committee also considered specific appointments to senior management roles at both group and divisional level. The Committee recognises the importance of talent development and ensuring that the group continues to attract, retain and develop skilled, high potential individuals, and this will remain an important focus in the year ahead.

During the year, the Committee was updated on the various initiatives in place across the group to support talent development at different levels of the group's operations. Among other things, it discussed a recently launched pilot rotational programme to improve the long-term leadership pipeline in the Banking division. Further information in relation to the group's activities in this area can be found on page 27 of the Sustainability Report.

#### Sustainability

The Committee recognises and welcomes the continuing focus on sustainability and the contribution that business makes to the wider community. On behalf of the board, during the year, the Committee regularly discussed sustainability considerations across a broad range of different areas, including diversity and inclusion, and ESG. Further details on each of these areas are set out below.

#### Diversity and inclusion

Diversity and inclusion remain a key focus of the Committee. The Committee recognises the importance of having directors with a range of skills, knowledge and experience, and embraces the advantages to be derived from having a diversity of gender and social and ethnic backgrounds represented on the board, bringing different perspectives and the challenge needed to ensure effective decision-making. Diversity and inclusion have been discussed throughout the year, including in the context of succession planning at both board and senior management level and in the consideration of particular appointments. In addition, the Committee undertook its annual review of the board diversity and inclusion policy, and recommended a number of incremental enhancements. The updated policy was subsequently approved by the board. Further information on the policy (including its objectives and progress against them) can be found on pages 79 and 80 of this Annual Report.

The Committee considers that the board remains diverse, drawing on the knowledge, skills and experience of directors from a range of backgrounds, but will seek to take opportunities to further improve the diversity of the board, where it is consistent with the skills, experience and expertise required at a particular point in time. The Committee is pleased with the progress made in recent years to ensure that the board comprises individuals from a diversity of backgrounds. The board now comprises 45% women, and five of its nine non-executive directors are women. This continues to exceed the recommendation of the Hampton-Alexander Review. The board supports the recommendations set out in the Parker Review, and aims at all times to have at least one director of colour. Due to the relatively small size of the board, the Committee also recognises the impact that the retirement of an individual director can have on the overall composition of the board from a diversity perspective. As a result, diversity and inclusion at board level will continue to be an area of focus for the Committee, particularly as directors reach the end of their nine-year terms in the years ahead.

The Committee takes seriously its role in overseeing the development of a diverse pipeline for senior management positions and the link between diversity and inclusion and delivery of the company's purpose and strategic aims. To that end, it considered updates during the year in relation to diversity and inclusion initiatives across the group. Among other things, the Committee discussed the group's approach to recruitment, training and development programmes for employees, management's work with diversity and inclusion campaign groups, and activities of discrete employee networks including in the areas of gender, ethnic diversity, disability, LGBTQ+, working parents and carers, mental wellbeing and social mobility. During the year it also discussed a "deep-dive" update in relation to people-related sustainability issues, including a wide-ranging overview of the broad range of activities and initiatives across the group to ensure that it continues to meet its obligations to employees. The Committee recognises the importance, and the benefits to the group, of developing a diverse pipeline and it will continue to work with senior management in this area.

In line with the UK Corporate Governance Code, the Committee discloses that the gender balance of those in senior management (being the members of the Executive Committee and the company secretary) and their direct reports at 31 July 2021 was 33% (2020: 35%) female and 67% (2020: 65%) male. More detail on the group's approach to diversity and inclusion can be found in the Sustainability Report on pages 26 to 27.

## Nomination and Governance Committee Report continued

### Environmental, social and governance

Throughout the year, the Committee received and considered dedicated updates on ESG issues relevant to the group. The group's head of sustainability attends relevant parts of the Committee's meetings to present. The Committee's discussion of ESG issues covered a wide range of areas and was informed by, among other things, engagement with shareholders and other stakeholders, legislative and regulatory initiatives and wider market developments. Areas of focus this year included the group's sustainability strategy and targets (including progress in the year and future plans), the impact of Covid-19 on the broader sustainability agenda, wider market themes and trends including issues connected with the forthcoming UN Climate Change Conference of the Parties (COP26) later in 2021, and the group's progress towards disclosure requirements relating to the Task Force on Climate-related Financial Disclosures ("TCFD"). The Committee will continue to consider ESG and broader sustainability matters in the year ahead and make such recommendations to the board as it considers necessary.

Further information on the group's approach to sustainability can be found in the Sustainability Report starting on page 24 of this Annual Report.

### Non-executive directors' skill sets

The Committee has considered and reaffirmed the skill sets and experience of the company's non-executive directors, including their extensive experience within financial services and in regulated or listed companies. Further information on the background and experience of each of the non-executive directors can be found in their biographies on pages 68 and 69.

### Reappointment of directors

Prior to the company's AGM each year, the Committee considers, and makes recommendations to the board concerning, the reappointment of directors, having regard to their performance, suitability, time commitment and ability to continue to contribute to the board. Following this year's review in advance of the 2021 AGM, the Committee has recommended to the board that all serving directors be reappointed at the AGM.

Oliver Corbett, Lesley Jones and Bridget Macaskill have served as directors for more than six years. The extension of each of their terms of office has been subject to particularly rigorous review by the Committee, including with respect to each director's performance, contribution and independence. No individual participated in the discussion on the proposed extension of his or her own term of office. The Committee has noted the significant contribution that each of these directors makes, including with respect to the particular responsibilities they undertake as a committee chair. The Committee values the knowledge, experience and continuity that their continued appointments would bring.

### Committee Effectiveness

As described in more detail on page 86, an external evaluation of the effectiveness of the board and its committees was undertaken during the year in line with the requirements of the UK Corporate Governance Code. The Committee was involved in determining the format, scope and timing of the evaluation, and in selecting the evaluator.

The Committee considers that during the year it continued to have access to sufficient resources to enable it to carry out its duties and has continued to perform effectively. During the year, the Committee reviewed its terms of reference to ensure that they remain appropriate.

### Michael N. Biggs

Chair of the Nomination and Governance Committee

28 September 2021