

Corporate Governance Report

Chairman's Introduction



I am pleased to introduce the Corporate Governance Report for the year ended 31 July 2018. It includes an overview of the group's governance structure, its risk and control framework, and a description of the key activities of the board and its committees during the year as part of its oversight of the group's strategy, business model and performance.

The board strongly believes that robust corporate governance makes a significant contribution to the long-term success of the group and the achievement of its strategy. We are committed to ensuring that the principles of good corporate governance are reflected throughout the group's governance framework. I am pleased to report that, as in prior years, the company has complied with the principles and provisions of the UK Corporate Governance Code during the year. Further details of the company's approach to corporate governance and how it complies with the Code can be found later in this report.

2018 has been a busy year for corporate governance reform in the UK. The board has monitored developments closely, including the publication of a new Corporate Governance Code. The strength of the group's existing corporate governance framework means it is well placed for the implementation of the new Code, which will first apply to the company in the financial year ending 31 July 2020. The board and its committees have already spent time assessing the implications for the group and over the coming months we will continue to consider the actions required in a small number of areas to deliver compliance with the new Code.

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. As part of its decision-making and scrutiny, the board has considered the interests of the company's stakeholders, as well as risks arising from the wider regulatory, economic and political environment.

The board recognises its role in establishing and monitoring the group's purpose and values. To that end, the board spent time in the year overseeing the development of the group's purpose statement and key cultural attributes, which are set out at the beginning of this Annual Report.

The board has been unchanged this year. However, in January we announced that after 10 years as group finance director, Jonathan Howell will be leaving the company following the forthcoming Annual General Meeting to pursue the next stage of his career. The Nomination and Governance Committee oversaw an extensive search process, involving internal and external candidates, to identify Jonathan's successor. In June, we were pleased to announce that Mike Morgan, chief financial officer of our Banking division, will succeed Jonathan as group finance director. Mike's appointment as a director will be proposed for approval at the AGM. On behalf of the board, I would like to thank Jonathan for his significant contribution to the group over so many years.

This year, in line with the Corporate Governance Code, the board appointed an external evaluator to review its effectiveness and performance. The review concluded that the board is strong and effective. The board welcomes the findings and we will work to consider opportunities for incremental improvements during the year ahead. Further details of the evaluation can be found on pages 70 and 71.

The board's four committees continue to play an important role in the governance of the group, and in helping the board operate effectively and efficiently. Reports from each of the committees, describing their activities during the year, are set out later in this report.

Executive remuneration remains an important topic, and I was pleased that the group's new remuneration policy received the strong support of shareholders at last year's AGM. The Directors' Remuneration Report, which includes further detail on the application of the new policy during the year, can be found later in this section of the Annual Report.

Engagement and dialogue with shareholders continue to be very important to the board. Personally, I have been pleased to meet with a number of our shareholders during the year. The company's AGM, which will take place on 15 November 2018, is a valuable opportunity for me and my fellow directors to meet with shareholders, and for shareholders to raise questions about the performance of the group. I very much look forward to discussing the group's progress and the work of the board with shareholders at that meeting.

Michael N. Biggs
Chairman

25 September 2018

UK Corporate Governance Code

The UK Corporate Governance Code, as published by the Financial Reporting Council (“FRC”) in April 2016 (the “Code”), has been applied by the company throughout the financial year. A copy of the Code can be found on the FRC’s website: 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 complied with the principles and provisions set out in the Code. Further detail as to how the company has complied with the Code is set out in the remainder of this Corporate Governance Report.

In July 2018, the FRC published a revised version of the Code (the “Revised Code”), which applies to accounting periods beginning on or after 1 January 2019. The Revised Code is therefore not applicable to the company in the year under review, but the company will report under it with respect to the financial year ending 31 July 2020. Further information on the Nomination and Governance Committee’s consideration of the Revised Code can be found in the Committee’s report on page 79. A copy of the Revised Code can be found on the FRC’s website: www.frc.org.uk.

The Board

Leadership of the board

The board’s primary role is to provide leadership, and to ensure that the company is appropriately managed and delivers long-term shareholder value. It sets the group’s strategic objectives, monitors management’s performance against those objectives and provides direction for the group as a whole. 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.

Board size and composition

The board has eight members: the chairman, three executive directors and four independent non-executive directors. The board’s members come from a range of backgrounds and it 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.

Details of the individual directors and their biographies are set out on pages 58 and 59.

Board diversity

The board acknowledges the benefits that diversity can bring to the board and to all levels of the group’s operations. It recognises the importance of having a board with a range of skills, knowledge and experience. It also 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.

The board comprises three female and five male members. This means that more than a third of the directors are women.

The board actively considers its diversity as part of discussions around succession planning and talent management throughout the year. It is committed to making board appointments on the basis of merit against objective and defined criteria, following a consideration of the balance of skills, experience, knowledge and diversity required. The Nomination and Governance Committee ensures that the external search firms that it uses to assist with board appointments engage with candidates from a broad and diverse range of backgrounds and experience in drawing up long-lists for consideration.

The board will look for 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 board remains committed to improving diversity at all levels of the group’s operations. As such, it supports, and is updated on, diversity initiatives in place below board level across the group. Further information on these initiatives can be found on pages 46 and 47 of the Strategic Report.

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 of risk management, regulatory compliance and internal control;
- 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;
- leading the development of the group’s culture framework; and
- approval and oversight of the group’s policy framework.

Corporate Governance Report continued

Board and committee meeting attendance 2017/2018

During the year the board held seven regular scheduled meetings. In addition, all members of the board attended an off-site strategy session with senior management over two days in May.

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.

The attendance of directors at scheduled board and committee meetings of which they were members during the 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. Specifically, all members of the board were present at all meetings of the Audit and Risk Committees in the year.

	Board		Audit Committee		Remuneration Committee		Risk Committee		Nomination and Governance Committee	
	Attended	Total	Attended	Total	Attended	Total	Attended	Total	Attended	Total
Executive directors										
Preben Prebensen	7	7								
Jonathan Howell	7	7								
Elizabeth Lee	7	7								
Non-executive directors										
Mike Biggs	7	7							5	5
Oliver Corbett	7	7	5	5	5	5	6	6	5	5
Geoffrey Howe	7	7	5	5	5	5	6	6	5	5
Lesley Jones	7	7	5	5	5	5	6	6	5	5
Bridget Macaskill	7	7	5	5	5	5	6	6	5	5

The board held two additional ad hoc meetings in the year to consider matters relating to the ICAAP and the creation of the company's Euro Medium Term Note Programme. The Nomination and Governance Committee held one additional ad hoc meeting during the year to consider, and recommend to the board, the appointment of Mike Morgan as the new group finance director. These additional meetings are not reflected in the table above.

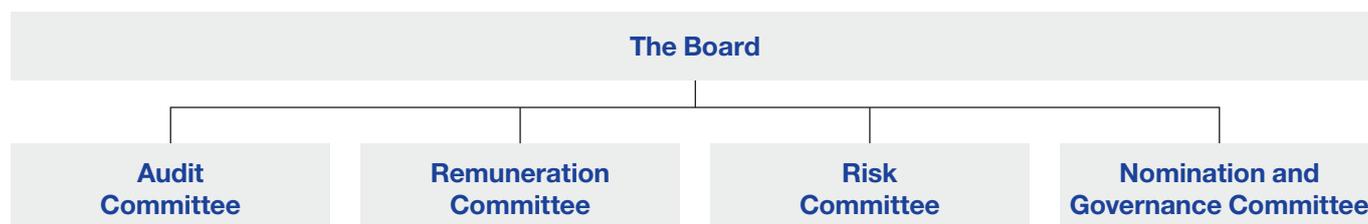
At the end of each of the seven board meetings in the year, the chairman and the other non-executive directors met without any of the executive directors. In addition, the non-executive directors met throughout the year on an informal basis to discuss matters relevant to the group.

Governance Framework

Board governance structure

The board committee structure is shown in the diagram below. The board has delegated responsibility for certain matters to its committees, as set out in 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. The chairman of each committee reports regularly to the board on matters discussed at committee meetings.

Reports for each of 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. In addition, the Banking division managing director, the Banking division chief financial officer, the Asset Management chief executive and the Winterflood chief executive attend each meeting to update the board on performance, strategic developments and initiatives in their respective areas, and the head of legal and regulatory affairs provides updates on legal and regulatory matters. In addition, the board receives regular updates from the group human resources, corporate development, risk, 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 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 board meeting includes time for discussion between the chairman and 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 strategic aims and performance of businesses across the Banking division and the Asset Management division and Winterflood;
- customer matters, including the group's customer experience programme;
- IT and cyber strategy, and associated transformation projects;
- the development of the group's culture framework and purpose statement;
- capital planning and the implications of regulatory changes during the year;
- consideration and approval of the company's issue of notes under its newly created Euro Medium Term Note Programme;
- reviewing the competitive landscape;
- engagement with regulators and regulatory developments during the year, including the General Data Protection Regulation ("GDPR"), Brexit and MiFID II;
- the review and approval of the group's Recovery and Resolution Plans;
- considering and approving the ICAAP and the Internal Liquidity Adequacy Assessment Process;
- the annual review of group risk appetite statements; and
- the triennial external board and committee effectiveness evaluation.

Chairman and chief executive

The roles of the chairman and chief executive are separate and there is a clear division of responsibilities between the two roles.

The chairman is Mike Biggs. His other significant commitments are set out in his biography on page 58. The board has considered Mike's chairmanship of Direct Line Insurance Group plc and remains satisfied that those commitments do not restrict him from devoting such time as is necessary to discharging his duties effectively as the company's chairman.

As chairman, Mike is primarily responsible for leading the board and ensuring the effective engagement and contribution of all the directors. His other responsibilities include setting the agenda for board meetings, providing the directors with information in an accurate, clear and timely manner and the promotion of effective decision-making. The chairman is also 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.

The chief executive is Preben Prebensen, who is primarily responsible for the day-to-day management of the group's business. 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 shareholders 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.

Preben 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 60.

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

Independent non-executive directors

There have been no changes in the period to the company's independent non-executive directors, who are Geoffrey Howe, Oliver Corbett, Lesley Jones and Bridget Macaskill. 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 Geoffrey Howe. The senior independent director acts as a sounding board for the chairman and executive directors and leads the chairman's annual performance review. In addition to the existing channels for shareholder communications, shareholders may discuss any issues or concerns they have with the senior independent director.

Non-executive directors' independence

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.

The company has therefore 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.

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 2017 AGM. Further detail regarding these authorisations is set out on pages 61 and 62.

Corporate Governance Report continued

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 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 2018 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 standing for re-election at the 2018 AGM be reappointed by shareholders. As previously announced, Jonathan Howell will not be submitting himself for re-election at the AGM.

Induction and professional development

On appointment, all new directors receive a comprehensive and personalised induction programme to familiarise them with the group and to meet their specific requirements. The company also provides bespoke inductions for directors when they are appointed as a committee chairman 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' liabilities and responsibilities.

There is a central training programme in place for the directors, which is reviewed and considered by the board. 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 informal meetings with senior management within the businesses and control functions, in-depth business reviews, lunches with emerging leaders and with members of the group's graduate and Aspire programmes, attendance at external seminars and briefings from management and external advisers covering topics such as corporate governance updates, regulatory developments, changes in remuneration regulation and practice, accounting changes (including IFRS 9) and risk modelling. 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.

Board and Committee Effectiveness

Annual board and committee evaluation

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 shortlist of potential external evaluators drawn up by the company secretary and appointed Margaret Exley CBE of SCT Consultants Ltd to undertake the evaluation. Neither Ms Exley nor SCT Consultants Ltd have any other 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 and agreed 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 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;
- the work of the board on strategy;
- performance oversight of the business;
- management of the work of the board;
- talent and succession planning;
- stakeholder engagement;
- committee effectiveness;
- risk management; and
- board behaviours.

Ms Exley presented her report to the board for discussion at its meeting in July 2018. The directors also spent time considering the evaluation at an informal board session in September 2018.

The evaluation concluded that the board is strong and effective. It found the board to be clear on its role and diligent in its execution of that role. Ms Exley noted that the board's composition provides a range of skills and experience which effectively meet the needs of the business. Her report also referred to the strength of the board's engagement with stakeholders. The evaluation found the board's committees to be well chaired, with effective decision-making processes.

The board welcomes the positive findings of the evaluation but will focus during the next financial year on a number of areas with the aim of further improving its effectiveness. 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. Recommendations for further incremental improvements arising from this year's evaluation include: considering ways in which the board could gain additional exposure to front line operations; and finding time for further opportunities for board members to spend informal, unstructured time together.

Directors' performance

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

Chairman's performance

As in previous years, Geoffrey Howe, 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. 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.

Risk and Control Framework

The board has overall responsibility for maintaining a system of internal control to ensure that an effective risk management and oversight process operates across the group. The risk management framework and associated governance arrangements are designed to ensure that there is a clear organisational structure with distinct, transparent and consistent lines of responsibility and effective processes to identify, manage, monitor and report the risks to which the group is, or might become, exposed. The board has a well defined risk appetite with risk appetite measures which are integrated into decision-making, monitoring and reporting processes. Early warning trigger levels are set to drive the required corrective action before overall tolerance levels are reached. The risk management and internal control framework, overseen by a number of committees, including the Risk Committee and the Audit Committee, is the mechanism that ensures the board receives comprehensive risk and control information in a timely manner.

The group maintains a range of internal controls relating to financial management, reporting and control processes, which are designed to ensure the accuracy and reliability of its financial information and reporting. The main features of these controls include consistently applied accounting policies, clearly defined lines of responsibility and processes for the review and oversight of disclosures within the Annual Report. These internal controls are overseen by the Audit Committee.

Identification, measurement and management of risk are fundamental to the success of the group. Over the past 12 months the group has continued to strengthen its risk management framework and further develop the organisation's risk committees, at both a group and business level. These continue to work efficiently and effectively.

The group's risk and control framework is designed to support the capture of business opportunities while maintaining an appropriate balance of risk and reward within the group's agreed risk appetite. It further ensures that the risks to which the group is, or may become, exposed are appropriately identified, and that those which the group chooses to take are managed, controlled and, where necessary, mitigated, so that the group is not subject to material unexpected loss.

The group closely monitors its risk profile to ensure that it continues to align with its strategic objectives as documented on page 18.

The group reviews and adjusts its risk appetite annually as part of the strategy setting process. This aligns risk-taking with the achievement of strategic objectives. Adherence to appetite is monitored by the group's risk committees.

The board considers that the group's current risk profile remains consistent with its strategic objectives.

Throughout the year the Risk Committee undertakes a robust assessment of the principal risks facing the group, and reviews reports from the risk function on the processes that support the management and mitigation of those risks. As part of this ongoing review process, a specific review of the principal risks and uncertainties facing the group is also carried out by the board. A summary of the group's principal risks and uncertainties is provided on pages 20 to 23.

In addition, the Risk Committee and the Audit Committee, between them, assess and review the adequacy and effectiveness of the group's risk management and internal control arrangements in relation to the group's strategy and risk profile for the financial year. This covers all material controls, including financial, operational and compliance controls. The board reviews the effectiveness of both committees on an annual basis and considers that it has in place systems and controls appropriate for the group's profile and strategy.

Corporate Governance Report continued

The risk management framework is based on the concept of “three lines of defence”, as set out in the table below.

The key principles underlying risk management in the group are that:

- business management owns all the risks assumed throughout the group and is responsible for their management on a day-to-day basis to ensure that risk and return are balanced;
- the board and business management together promote a culture in which risks are identified, assessed and reported in an open, transparent and objective manner;
- the overriding priority is to protect the group’s long-term viability and produce sustainable medium to long-term revenue streams;
- risk functions are independent of the businesses and provide oversight of and advice on the management of risk across the group;
- risk management activities across the group are proportionate to the scale and complexity of the group’s individual businesses;
- risk mitigation and control activities are commensurate with the degree of risk; and
- risk management and control supports decision-making.

Risk Management Framework

First line of defence	Second line of defence	Third line of defence
<p>The Businesses Group Risk and Compliance Committee (Reports to the Risk Committee)</p> <p>Chief executive delegates to divisional and operating business heads day-to-day responsibility for risk management, regulatory compliance, internal control and conduct in running their divisions or businesses.</p> <p>Business management has day-to-day ownership, responsibility and accountability for:</p> <ul style="list-style-type: none"> • identifying and assessing risks; • managing and controlling risks; • measuring risk (key risk indicators/early warning indicators); • mitigating risks; • reporting risks; and • committee structure and reporting. <p>Key Features</p> <ul style="list-style-type: none"> • Promotes a strong risk culture and focus on sustainable risk-adjusted returns; • Implements the risk framework; • Promotes a culture of adhering to limits and managing risk exposures; • Promotes a culture of customer focus and appropriate behaviours; • Ongoing monitoring of positions and management and control of risks; • Portfolio optimisation; and • Self-assessment. 	<p>Risk and Compliance Risk Committee (Reports to the board)</p> <p>Risk Committee delegates to the group chief risk officer day-to-day responsibility for oversight and challenge on risk-related issues.</p> <p>Risk functions (including compliance) provide support and independent challenge on:</p> <ul style="list-style-type: none"> • the design and operation of the risk framework; • risk assessment; • risk appetite and strategy; • performance management; • risk reporting; • adequacy of mitigation plans; • group risk profile; and • committee governance and challenge. <p>Key Features</p> <ul style="list-style-type: none"> • Overarching “risk oversight unit” takes an integrated view of risk (qualitative and quantitative); • Supports through developing and advising on risk strategies; • Facilitates constructive check and challenge – “critical friend”/“trusted adviser”; and • Oversight of business conduct. 	<p>Internal Audit Audit Committee (Reports to the board)</p> <p>Audit Committee mandates the head of group internal audit with day-to-day responsibility for independent assurance.</p> <p>Internal audit provides independent assurance on:</p> <ul style="list-style-type: none"> • first and second line of defence; • appropriateness/effectiveness of internal controls; and • effectiveness of policy implementation. <p>Key Features</p> <ul style="list-style-type: none"> • Draws on deep knowledge of the group and its businesses; • Independent assurance on the activities of the firm, including the risk management framework; • Assesses the appropriateness and effectiveness of internal controls; and • Incorporates review of culture and conduct.

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.

	16 September 2018	31 July 2018
	Voting rights %	Voting rights %
Standard Life Aberdeen plc group ¹	16.99	17.57
M&G Investment Management	6.58	6.58
Royal London Asset Management	5.03	5.03

¹ On 6 August 2018, the Standard Life Aberdeen group notified the company that its interest in voting rights had decreased from 17.57% to 17.24%. On 23 August 2018, the Standard Life Aberdeen group notified the company that its interest in voting rights had decreased from 17.24% to 17.12%. On 31 August 2018, the Standard Life Aberdeen group notified the company that its interest in voting rights had decreased from 17.12% to 16.99%.

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

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. When taking decisions, the board considers the interests of, and impact on, key stakeholders, including its relationships with its customers, employees and regulators. Further detail on the company's stakeholders and examples of how the company engages with them is included in the Strategic Report on pages 44 to 54.

Engagement with Shareholders

Investor relations

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 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, and they run a structured programme of meetings, calls and presentations around the financial reporting calendar, as well as throughout the year. The IR team regularly seeks investor feedback, 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.

The chief executive and group finance director engage with the group's major institutional shareholders on a regular basis. In addition, the chairman arranges to meet with major institutional shareholders to discuss matters such as strategy, corporate governance and succession planning. Separately, the senior independent director is available to meet with shareholders, should they wish to discuss any concerns they may have.

As discussed further in the Directors' Remuneration Report, the chairman of the Remuneration Committee takes part in consultations with major institutional shareholders on remuneration issues from time to time.

Periodically, the group runs seminars covering different parts of its business to provide additional detail to investors and analysts. 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).

The group also engages with leading institutional shareholder bodies and proxy advisers throughout the year.

Annual General Meeting

The directors regard the company's AGM as an important opportunity for all shareholders to engage directly with the board. All shareholders are able to raise questions with the board at the AGM, either in person or by submitting written questions in advance. The chairmen of each of the board committees attend the AGM and all other directors are expected to attend the meeting. All directors were in attendance at the 2017 AGM.

At the AGM, the chairman and the chief executive present a review of the group's business. 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

25 September 2018