

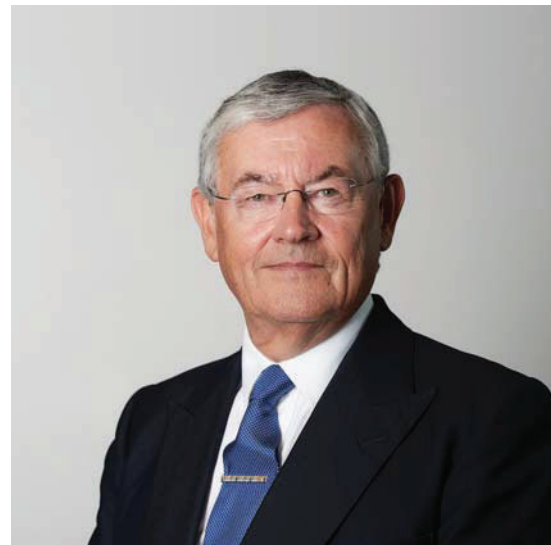
Corporate Governance Report

Compliance with the UK Corporate Governance Code

The UK Corporate Governance Code 2018 (the "Code"), published by the Financial Reporting Council ("FRC"), 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.

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. Details on how the company has applied and complied with the Code are set out in this Corporate Governance Report and in other sections of the Annual Report. We have aligned our report with the five sections of the Code and the underlying principles and provisions.

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Michael N. Biggs

Chairman

On behalf of the board, I am pleased to introduce the Corporate Governance Report for the year ended 31 July 2022. The following pages explain the group's governance structure and key activities undertaken by the board and its committees during the year. The report describes how we have complied with the UK Corporate Governance Code in full during the year.

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.

As the country has moved out of the pandemic and restrictions eased, the board has returned to a more normal schedule of meetings and board operations. The meetings have been mainly in person, except where circumstances have prevented individuals from attending. The board has welcomed the return to the office and the opportunity to meet board colleagues and employees in person again.

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. Each of the directors recognises their role 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.

Corporate Governance Report continued

Changes to the Board

During the year, we were pleased to welcome Patricia Halliday and Tracey Graham as non-executive directors. More details on their appointments and the process may be found on page 114. Lesley Jones and Bridget Macaskill will retire from the board at the conclusion of the annual general meeting ("AGM"). Patricia will assume the role of chair of the Risk Committee from the date of the AGM.

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 FTSE Women Leaders and Parker Reviews in terms of the composition of the board.

Board Effectiveness

This year, in line with the Code, the board undertook an internal process 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 uncertain current economic situation. The evaluation also acknowledged that the board has addressed each of the recommendations made in the external evaluation in 2021. The board welcomes the findings and will work to consider opportunities for incremental improvements during the year ahead. Further detail on the evaluation can be found on page 111.

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. The board has engaged with its employees in a variety of forums as part of its workforce engagement activities. 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 14 to 17 and in the Corporate Governance Report on pages 106 to 107.

Sustainability

The board and its committees spent time on a broad range of sustainability considerations, including as part of its regular discussions about the group's strategy 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. 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") which apply to the group for the first time this year.

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 115.

Engagement with Shareholders

Engagement and dialogue with shareholders continues to be a key focus for the board and I have been pleased to meet 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.

We are delighted to welcome shareholders to an in-person AGM this year. Further details will be set out in the Notice of AGM sent to shareholders in due course.

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

27 September 2022

Board leadership

Effective Leadership

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 ensuring that these are aligned with the group's culture and monitors management's performance on an ongoing basis 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. These discussions include the sustainability of the group's model. Further information on these considerations can be found in the Strategic Report on pages 3 to 59 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 17 of this Annual Report.

Board Size and Composition

The board has 12 members: the chairman, two executive directors and nine 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 2022, the board appointed two additional non-executive directors as part of its proactive and orderly approach to succession planning. 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 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 mentioned above, Lesley and Bridget, who have served on the Board for nine years, will retire at the forthcoming AGM.

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 a strategy session in May 2022. The session covered a broad range of strategic issues, including the group's three-year strategic plan, shareholder feedback during the year, opportunities for individual businesses and people-related issues, including the results of the recent employee opinion survey.

In addition, the board considers strategic issues and the group's business 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.

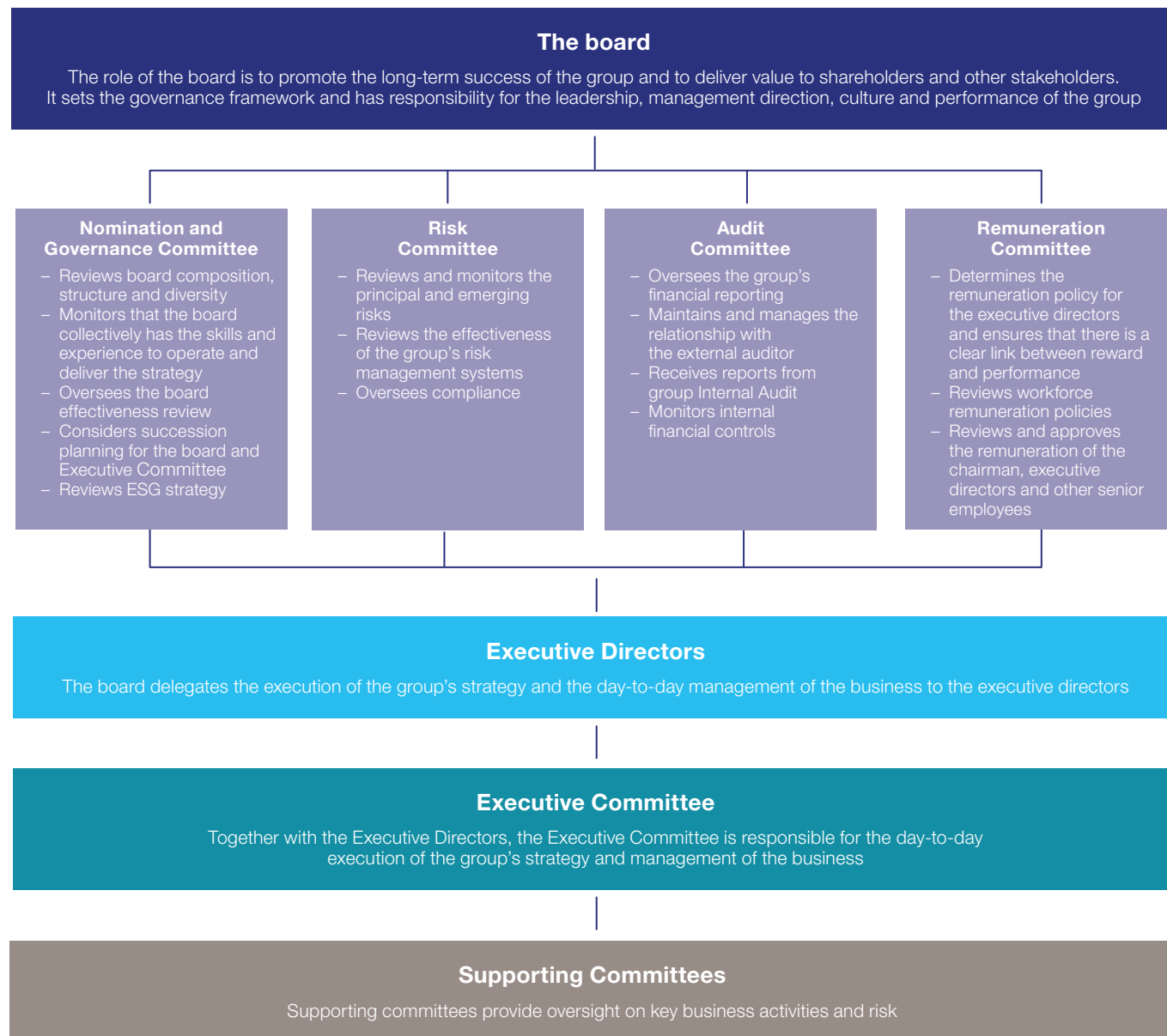
Corporate Governance Report continued

Board leadership

Governance Framework and Board Resources

The governance framework supports good governance across the group and facilitates delivery of the strategy through effective decision-making.

The board has delegated responsibility for certain matters to its committees. Each committee has written terms of reference. The chair of each committee reports regularly to the board on matters discussed at committee meetings. All members of the board have access to the papers of all committees, and have a standing invitation to attend any committee meeting. Reports from 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 to attend 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.

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

The non-executive directors meet during the year on an informal basis to discuss matters relevant to the group.

In addition to the scheduled meetings, all directors attended a strategy session with senior management in May 2022. There were a further eight ad hoc meetings during the year to discuss progress on key projects and the Annual Report. The Nomination and Governance Committee held two additional ad hoc meetings during the year to discuss, among other things, non-executive director recruitment, and to consider and recommend to the board the appointment of Tracey Graham. The Remuneration Committee held two additional ad hoc meetings during the year to discuss, among other things, matters relating to compensation planning. The Risk Committee held one additional ad hoc meeting during the year to receive project updates. These additional meetings are not reflected in the table 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.

	Board	Nomination and Governance Committee	Risk Committee	Audit Committee	Remuneration Committee
Executive directors					
Adrian Sainsbury	7/7				
Mike Morgan	7/7				
Non-executive directors					
Mike Biggs	7/7	5/5			5/5
Oliver Corbett	7/7	5/5	5/5	5/5	
Peter Duffy	7/7		5/5		5/5
Tracey Graham ¹	3/3		1/1		3/3
Patricia Halliday ²	7/7		5/5	5/5	
Lesley Jones	7/7	5/5	5/5	5/5	5/5
Bridget Macaskill	7/7	5/5	5/5		5/5
Tesula Mohindra	7/7		5/5	5/5	
Mark Pain	7/7	5/5	5/5		5/5
Sally Williams	7/7		5/5	5/5	

¹ Tracey Graham was appointed as an independent non-executive director and a member of the Remuneration and Risk Committees with effect from 22 March 2022.

² Patricia Halliday was appointed as an independent non-executive director and a member of the Audit and Risk Committees with effect from 1 August 2021.

Corporate Governance Report continued

Board leadership

Board Activities

2021					
	August	September	October	November	December
Strategy	<ul style="list-style-type: none"> Held an offsite strategy session in conjunction with the Executive Committee Reviewed Investment Programme strategy and update Reviewed the group's sustainability strategy Received regular business unit updates Received deep-dive reviews of selected business areas Received regular updates on climate and sustainability activities Approved annual tax strategy 				
Financial and Corporate Reporting	<ul style="list-style-type: none"> Received regular reports from the group finance director on financial performance Reviewed rolling forecasts and approved 2023 budget Approved full-year and half-year results Received reports from group Internal Audit Reviewed new disclosure framework to ensure compliance with TCFD reporting 				
Structure/Capital	<ul style="list-style-type: none"> Reviewed the group's stress testing policy Reviewed the group's treasury policy Reviewed the group's capital strategy 				
Board and committee meetings	<ul style="list-style-type: none"> Board papers 	<ul style="list-style-type: none"> Board Remuneration Audit Risk Nomination and Governance 	<ul style="list-style-type: none"> Board Nomination and Governance 	<ul style="list-style-type: none"> Board papers Risk Audit Annual General Meeting 	<ul style="list-style-type: none"> Board update
Announcements and investor engagement	<ul style="list-style-type: none"> Appointment of Patricia Halliday as a non-executive director on 1 August 2021 	<ul style="list-style-type: none"> Year-end results and Annual Report Year-end analyst briefing Year-end roadshow 		<ul style="list-style-type: none"> Trading update Results of AGM 	

2022						
January	February	March	April	May	June	July
<p>Stakeholders</p> <ul style="list-style-type: none"> Received regular updates on customers Received regular updates on suppliers Reviewed the annual employee opinion survey results Reviewed regular updates on the culture dashboard Received regular updates on investor relations activities including meetings with shareholders and post-results roadshows Approved the annual Modern Slavery Statement Held the 2021 Annual General Meeting in hybrid format 	<p>Risk and Control</p> <ul style="list-style-type: none"> Received reports from the chief risk officer Approved the group's Enterprise Risk Management Framework Approved the group's Recovery Plan Approved the annual review of the ICAAP and ILAAP Reviewed the group's risk appetite statements Reviewed Pillar 3 disclosures Reviewed the group's principal risks and considered emerging risks Reviewed the group's annual compliance plan Reviewed the group's whistleblowing policy and received an update on activity Approved the annual renewal of the group's insurances 	<p>Governance</p> <ul style="list-style-type: none"> Appointed Tracey Graham as an independent non-executive director Reviewed the board and committee performance evaluation and the review of the chairman's performance by the senior independent director Monitored progress on actions from previous years' board and committee performance evaluations Reviewed the terms of reference of the Audit, Remuneration, Risk and Nomination and Governance Committees Reviewed the matters reserved for the board Approved the board Diversity and Inclusion Policy Received regular training and updates Undertook a review of NED fees and recommended no change Approved the arrangements for the Annual General Meeting 2021 Recommended the reappointment of directors 				
<ul style="list-style-type: none"> Board Remuneration Audit Risk Nomination and Governance 	<ul style="list-style-type: none"> Board papers 	<ul style="list-style-type: none"> Board Audit Risk 	<ul style="list-style-type: none"> Board Remuneration Nomination and Governance 	<ul style="list-style-type: none"> Strategy session Board update 	<ul style="list-style-type: none"> Board Remuneration Audit Risk 	<ul style="list-style-type: none"> Board Remuneration Nomination and Governance
<ul style="list-style-type: none"> Pre-close trading update 		<ul style="list-style-type: none"> Half-year results Half-year analyst briefing Half-year roadshow Appointment of Tracey Graham as a non-executive director on 22 March 2022 		<ul style="list-style-type: none"> Trading update 		<ul style="list-style-type: none"> Pre-close trading update

Corporate Governance Report continued

Board leadership

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.

Stakeholders include:

- Colleagues
- Customers, clients and partners
- Suppliers
- Regulators and government
- Communities and environment
- Investors

Further detail 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 14 to 17.

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 their interests is set out in the Strategic Report on page 14. This section further explains 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.

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 £150,000 each to Stop Hate UK, The Wildlife Trusts and Smart Works.

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 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. An example of engagement and consultation in the year included working arrangements on the easing of restrictions. In addition, engagement with, and consideration of the interests of, employees continues to form a significant part of the board's oversight of 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 year included:

- attendance or participation in business and other functional Town Hall sessions to explain the group's strategy and operations;
- regular communications from executive directors to employees on the performance and operations of the group, in relation to the half-year and full-year results;
- detailed discussion of the results, themes and next steps arising out of the group's employee opinion survey;
- attendance at committees and other forums below board level to understand employee-related issues and priorities;
- reviewing the quarterly culture dashboard which summarises the group's cultural attributes and provides an overall cultural assessment;
- site visits by non-executive directors to meet employees at different levels of the group's operations. The board has started to resume its programme of visits, in particular for newly appointed non-executive directors as part of their induction programmes;
- 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; and
- attendance or participation in diversity and inclusion events.

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. This contributes to a better understanding of the group's activities, purpose, strategic aims, and 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. Members of the Nomination and Governance Committee have discussed their own observations from their engagement with employees as part of the committee's oversight of diversity and inclusion initiatives around the group.

The board supports and encourages the involvement of employees in the company's performance through two types of share scheme operated by the group: Save As You Earn ("SAYE") and Buy As You Earn ("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 improve participation levels.

Engagement with Shareholders

The group has a comprehensive investor relations 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 investor relations team, reporting to the group finance director, has primary responsibility for managing the group's relationship with shareholders. The 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. Once again throughout the year, the team has responded to a range of enquiries and points of feedback raised by shareholders, including in relation to ESG issues.

The board is regularly updated on the investor relations programme through a 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 investor relations 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. The Remuneration Committee chair is available to discuss remuneration matters. 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 chairs of the board's committees 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. Relevant presentations, together with all results announcements, Annual Reports, regulatory news announcements and other relevant documents are available on the investor relations section of the company's website.

The group engages with institutional shareholder bodies and proxy advisers during the year.

Annual General Meeting

The directors regard the company's AGM as an important opportunity for shareholders to engage directly 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.

All voting at general meetings of the company is conducted by way of a poll which results in a fairer and more accurate indication of the views of shareholders as a whole. 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.

The company will return to a solely in-person meeting this year. The meeting is scheduled to take place on Thursday 17 November 2022 at 11.00 am.

Principal Board Decision: Climate Risk Scenario Analysis Stress Testing

As a regulated lender, we are required by the Bank of England/ Prudential Regulation Authority to conduct stress testing annually as part of our Internal Capital Adequacy Assessment Process ("ICAAP"). This year, we further enhanced our consideration of climate risk impacts within our ICAAP approach and specifically addressed long-horizon climate scenario analysis, aligning with PRA Supervisory Statement SS3/19, to assess the potential financial implications of climate-related risks and opportunities and assess our resilience to both physical and transition risks.

The Close Brothers Group also enhanced its climate risk disclosures to align with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), which incorporated the scenario analysis and stress testing conducted on certain lending portfolios.

How the board considered, and had regard to, the interests of key stakeholders and the requirements of section 172(1)

- The board recognises its requirement by the regulator to understand the financial risks and opportunities from climate change and assess their impact on the company, including business strategy and risk appetite. The review of the climate risk scenario analysis by the board formed a core part of satisfying this requirement.
- The analysis considered various scenario temperature transition paths and the impact that these would have on the environment, our people, our customers and strategic partners.
- The behaviour of customers in response to the various climate scenarios was considered and taken into account when deciding on likely management actions and any potential impact on business strategy. In these scenarios, some customer behaviours were likely to be guided by personal choice, with others impacted by government policy.
- The impact of any management actions influence future business strategy and risk appetite.
- The climate disclosures produced by the Group are focused on enhancing transparency for the Group's stakeholders.

Corporate Governance Report continued

Division of responsibilities

The roles and responsibilities of the chairman and chief executive are separate with clear divisions and set out formally in writing. Each member of the board has a distinct role and is part of the cohesive membership of the board. Each role on the board is discussed below.

Role	Responsibility
Mike Biggs Chairman	<ul style="list-style-type: none"> Responsible for leading the board and ensuring it operates effectively Sets the agenda for meetings and ensures efficient and balanced decision-making and sufficient time for boardroom discussion Ensures that the board as a whole develops the group's strategy Ensures the culture in the boardroom promotes effective debate and good governance Supports the development of the group's culture and sets the tone from the top Promotes effective engagement between the board, its shareholders and other stakeholders Leads the annual board evaluation process Chairs the Nomination and Governance Committee and monitors the board's composition
Adrian Sainsbury Chief Executive	<ul style="list-style-type: none"> Executes the group's strategy as agreed with the board Leads the Executive Committee in the day-to-day management of the group Ensures the group's business is conducted with the highest standards of integrity aligned with the group's culture Manages the group's risk exposure in line with board policies and risk appetite Leads the group's investor relations activities
Mark Pain Senior Independent Director	<ul style="list-style-type: none"> Provides a sounding board for the chairman Provides an alternative channel of communication for shareholders and other stakeholders Leads the annual meeting of non-executive directors without the chairman present to appraise the chairman's performance
Non-Executive Directors	<ul style="list-style-type: none"> Provide constructive challenge and scrutiny of the performance of management Bring an external perspective, knowledge and experience to the board Assist in the development of strategy and the decision-making process Promote the highest standards of integrity and governance Through membership of the group's committees, determine appropriate levels of remuneration, review the integrity of the financial statements, review succession plans for the board and the Executive Committee and monitor the risk profile of the group Gather the views of the workforce through attendance at key business events and through employee engagement
Company Secretary	<ul style="list-style-type: none"> Ensures the board receives high quality information and in sufficient time Advises on corporate governance Facilitates board induction and training Available to provide advice and services to support all directors Organises the Annual General Meeting

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

Non-Executive Directors' Independence and Time Commitment

The board has assessed the independence of each of the non-executive directors, in accordance with provision 10 of the Code, 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 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. At the start of each board meeting, all directors are reminded of their obligations relating to conflicts of interest and asked to declare any changes since the last meeting. The company secretary maintains a register of conflicts of interest.

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.

As required by the Code, and in advance of Tesula Mohindra taking on an additional directorship of a non-listed entity and the change of responsibilities at AXA UK for Mark Pain, the board reviewed the proposed roles. It considered the time commitment and whether the roles presented any potential conflicts of interest for the group. In each case following that review, the board was satisfied that none of the proposed appointments would restrict these directors from carrying out their duties and responsibilities as a director of the company, and accordingly it approved the appointments.

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 2021 AGM. Further detail regarding these authorisations is set out on page 141.

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.

Appointment and Reappointment of Directors at the 2022 AGM

Tracey Graham joined the board on 22 March 2022 and will be proposed for appointment at the 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 other serving directors be reappointed by shareholders at the 2022 AGM, with the exception of Lesley Jones and Bridget Macaskill, who will retire from the board at the conclusion of 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 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.

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, changes in remuneration regulation and practice, and consumer duty of care, climate risk and ESG.

Induction Programme for Tesula Mohindra, Patricia Halliday and Tracey Graham

All new directors joining the board undertake a comprehensive and tailored induction process which is designed to provide an understanding of the company's business, strategy, culture, governance, management and stakeholders. In relation to the most recent non-executive directors that have joined the board, namely Tesula Mohindra, Patricia Halliday and Tracey Graham, personalised induction programmes have been completed or are ongoing. The chairman and the company secretary design and facilitate the programme and their ongoing training.

For these new non-executive directors, their induction programmes included the following elements:

- one-to-one meetings with the executive directors, covering strategy, operational and financial matters, people, the regulatory framework and culture and values;
- briefings from the company secretary, the investor relations team and the group's external legal advisers on legal and governance matters and shareholder relationships, which are followed up by sessions with the company's corporate brokers;
- meeting with the external audit partner;
- briefings from Executive Committee members and senior managers about their business areas and support functions including risk, corporate development, human resources, IT and cyber security;
- access to reference materials including relevant current and historical information about the group and its business such as financial data, the corporate team and policies supporting our business practices;
- access to board papers through the online board paper portal; and
- site visits to the group's offices with the relevant senior management recommenced following the easing of Covid-19 restrictions.

Additional sessions are tailored to the individual to reflect their previous experience and committee responsibilities:

- in her role as a member of the Audit and Risk Committees, Tesula attended, in an observer capacity, a number of the business risk committees as well as the Group Risk and Compliance Committee;
- as a member of the Risk Committee, Patricia met with relevant subject matter experts on technical risk matters and modelling and attended a number of the business risk committees and Group Risk and Compliance Committee; and
- Tracey, in her role as a member of the Remuneration Committee, met with the Remuneration Committee's advisers.

Regular meetings with the chairman and company secretary were held to monitor progress and ensure that the non-executive directors were receiving all the information they required to fulfil their roles.

Corporate Governance Report continued

Division of responsibilities

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.

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 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;
- informal feedback from meetings of non-executive directors with employees in their workforce engagement capacity and attendance at various employee forums;
- 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;
- the employee opinion survey included specific questions in the areas of culture and inclusivity, customers and clients and wellbeing;
- 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 on page 132) 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;
- discussing culture and conduct issues arising out of specific activities and programmes being undertaken by the group;
- 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 SAYE and 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. 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 half-yearly updates by the group head of operational risk and 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 operational risk and compliance regularly in relation to whistleblowing matters during the course of the year.

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.

In accordance with the Code, the board has a three-year cycle for evaluations of its performance. In 2021, the board appointed an external evaluator to undertake the board performance review and the results of that review were set out in full in that Annual Report.

This year, the board undertook an internal evaluation led by the chairman. Each of the directors completed a questionnaire which considered a range of different areas relevant to board effectiveness and corporate governance, including:

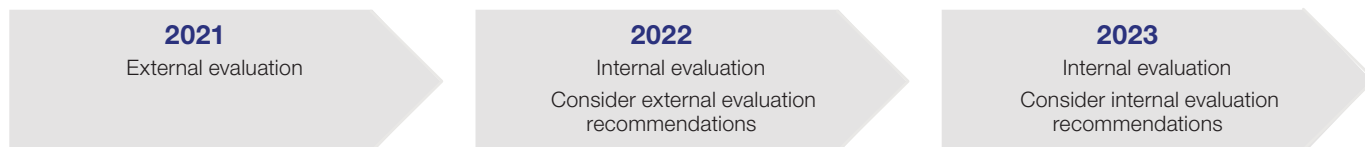
- the role and composition of the board;
- strategy;
- oversight of business performance;
- culture, purpose and values;
- management of the work of the board;

- board behaviours;
- the operation of the board during the Covid-19 pandemic (with a reduced focus this year recognising the easing of restrictions and return to the office for employees);
- the work and contribution of the board’s committees;
- stakeholder engagement and wider societal impact; and
- risk management.

The results were presented and discussed at the July board meeting. The board also discussed the progression against the key outcomes identified in the 2021 external evaluation, recognising that a continuous approach to improvement will continue to deliver good governance.

The overall conclusion of the evaluation was that the board and its committees remain strong and effective, with clarity as to their role and purpose. 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.

Evaluation Cycle



2021 review	
Findings	Actions taken
<ul style="list-style-type: none"> • Increased customer-related data for individual businesses • Included the annual talent review within a dedicated session of the Nomination and Governance Committee, with all non-executive directors invited to attend • Additional topics for inclusion in the board’s annual training and development programme • More detailed reports to the board on committee discussion points and decisions 	<ul style="list-style-type: none"> • More detailed information has been provided to the board • A more frequent talent review by the Nomination and Governance Committee has been introduced and all non-executive directors invited to attend the committee for these sessions • The additional topics have been incorporated into the annual training and development programme • Extra time has been incorporated in the board agenda to provide for more detailed reports to the board from the chairs of the committees. Full minutes of all committee meetings are available to all directors

2022 review	
Findings	Actions taken
<ul style="list-style-type: none"> • To reduce the length and density of Board papers • To consider the number of and frequency of Board meetings • To provide more detailed reporting on stakeholders and engagement • The strategy session was well-received and the format worked well. This will be repeated on an annual basis with the Executive Committee • The board recognised the strategic focus over the last twelve months • Further suggestions on topical areas for Board training and development were provided for inclusion in the annual training programme 	<ul style="list-style-type: none"> • A detailed review of the findings from the evaluation will be undertaken and a programme scheduled to continue to improve the matters raised

Corporate Governance Report continued

Division of responsibilities

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 appointment and 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, Mark Pain, in his role as 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 individually, 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.

Penny Thomas

Company Secretary

27 September 2022