

Chairman's introduction to governance



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Michael N. Biggs
Chairman

Dear shareholder

On behalf of the Board, I am pleased to introduce the Corporate Governance Report (the “Report”) for the year ended 31 July 2025.

The following pages explain the group's corporate governance arrangements and the key activities undertaken by the Board during the year to ensure effective decision-making and stewardship of the group's strategy, business model and performance. The report explains how we have complied with the UK Corporate Governance Code 2018 (the “Code”) during the year.

Outlook

During the course of the 2025 financial year, the FCA's review of historical motor finance commission arrangements and the October Court of Appeal decision in Hopcraft, gave rise to significant industry-wide uncertainty. Notwithstanding the fact that the outcome of our Supreme Court appeal of Hopcraft provides clarity as to the law, there remains a significant amount of uncertainty pending the outcome of the FCA's review of motor finance commissions and any industry-wide redress scheme. As we navigate this continued uncertainty, now more than ever before, the importance of maintaining high standards of corporate governance is paramount. The Board's purpose is to lead the group to generate long-term value for shareholders and all its stakeholders. High-quality and effective corporate governance and considered decision-making underpin the long-term, sustainable success of the group.

Strategic priorities

This year has brought unique challenges for the group. The uncertainty relating to historical motor commissions has been the major focus for the year and has required the Board to lead dynamically and prepare the group to deal with a wide range of possible outcomes. We made the decision to appeal the Hopcraft judgment and the case was heard at the Supreme Court in April 2025, with the judgment announced on 1 August 2025. We look forward to the greater clarity that will come with the conclusion of the FCA's consultation on a redress scheme.

The Board also initiated a separate remediation exercise in relation to historical deficiencies which have been identified in certain operational processes in relation to the early settlements of loans in the Motor Finance business. Effective Board decision-making in these areas has been supported by a great deal of additional meeting time through a significant number of ad hoc Board meetings. I would like to thank my fellow Directors for the dedication and significant extra time commitment they have demonstrated this year in particular.

The Board has navigated these challenges while continuing to look more broadly to the group's strategic outlook, resilience and growth. During the year we continued to build capital through a variety of methods, including the sale of Close Brothers Asset Management, in line with our previously announced approach to further strengthening the group's capital position. We have also taken important strategic decisions to drive organisational simplification and efficiency to optimise our cost base, as shown on page 10.

The group's business model relies on the excellent service, specialist expertise and strong relationships with our customers, and I am pleased that these strong foundations continue to lie at the heart of what we do and why we do it.

Leadership and culture

During the year, following a period of medical leave, Adrian Sainsbury stood down from his position as Group Chief Executive to focus on his health. Mike Morgan was subsequently appointed Group Chief Executive in January 2025, following several years as Group Finance Director. Mike brings deep knowledge of the organisation to the role and his appointment ensures continuity in the leadership of the group and delivery of our strategy. On behalf of the entire Board, I sincerely thank Adrian for his contribution to the group which included overseeing a period of significant growth and development and successfully leading the organisation through challenging periods and heightened geopolitical uncertainty.

Following the end of the 2025 financial year, the Board was pleased to appoint Fiona McCarthy, Group Chief Finance Officer, as an Executive Director. Fiona has over 30 years' experience in financial services across the retail, commercial, corporate and investment banking sectors, including six years at Close Brothers. We are looking forward to working with Fiona in this new capacity.

As I approach the end of my tenure as Chairman, having been appointed in 2017, Mark Pain, Senior Independent Director, will lead the search for my successor over the next year. In the meantime, I look forward to continuing to lead the Board as we navigate the current uncertainty facing the market and ensure the group is well positioned for sustainable growth once there is greater clarity with regard to the FCA's review of historical motor finance commission arrangements.

Board composition and diversity

The Board is committed to ensuring that it possesses the right balance of skills and diversity to ensure the success of the group, and I am pleased to report that our Board is composed of 56% female Directors and includes one Director from a minority ethnic background. Furthermore, the Board now meets the FCA Listing Rule requirement to have one of the most senior Board positions occupied by a female Director, following Fiona McCarthy's appointment as an Executive Director post year end. Further information on the composition of the Board and its diversity can be found on pages 118 and 137.

I am pleased to report that, despite the challenges facing the group and the market as a whole, our distinctive culture remains embedded. Once again, our colleagues have demonstrated commitment to our values, providing our customers with the expertise and service we are renowned for. More information on the Board's oversight of culture can be found on page 133.

Board effectiveness

This year's annual review of the Board and committee effectiveness was led internally by the Company Secretary, building on the findings of last year's externally led performance review. The review was thorough and rigorous and found that the Board and its committees continue to operate effectively. More information is set out on page 130.

Sustainability, ESG and diversity and inclusion

During the year, the Board and its committees oversaw a range of ESG priorities. These support our continued commitment to aligning climate positioning with the business-led strategy that supports customers and clients in their transition to a low carbon future and achieving net zero across our operations, our supply chain and the activities we finance by 2050 or sooner.

To ensure that ESG matters are considered holistically as part of Board decision-making and strategy, responsibility for ESG will be transferred in the 2026 financial year to the Board from the Nomination and Governance Committee.

Diversity and Inclusion ("D&I") has been a key focus in the year and the Board has overseen progress made against the group's recently refreshed D&I strategy to continue the development of a diverse and inclusive talent pipeline. Further detail on how we oversee D&I can be found on pages 136 and 137.

Stakeholder engagement

The Board places great emphasis on stakeholder interests when steering the group's strategy and overseeing the group's risk profile. The uncertainty resulting from the Court of Appeal's October decision in Hopcraft and the FCA's review has had a significant effect on our stakeholders. The Board's response to these events and the decisive actions taken have been guided by stakeholder views.

During the year, the Board met with a number of stakeholder groups, and considered a wide range of stakeholder interests. Our formal statement in relation to Section 172 of the Companies Act 2006, together with further detail regarding how the Directors have engaged with and had regard to the interests of stakeholders, can be found on pages 22 and 132.

Shareholder engagement remains a key priority and members of the Board have been pleased to meet with investors during the year to discuss the group's immediate priorities and capital actions as well as the longer-term outlook. This included our annual corporate governance roadshow where I met with approximately 50% of the share register to engage and understand their views on a variety of topics. I look forward to meeting with shareholders at the forthcoming AGM on 20 November 2025. 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 and all stakeholders for their continued support. I, along with my fellow Directors, look forward to further engagement in the year ahead as we continue to create a more efficient and resilient business, delivering greater value for shareholders and continuing to support our valued customers.

Michael N. Biggs
Chairman

30 September 2025