

# Corporate governance report

## Board governance and activities

### Governance framework

Our governance framework, as illustrated on page 119, supports the delivery of the group's strategy through effective decision-making, long-term shareholder value and contribution to wider society.

Certain matters are reserved for the Board, primarily in relation to:

- setting and monitoring strategy for the group;
- corporate structure, capital and ensuring adequate financial resources;
- financial reporting and controls;
- oversight of risk management, regulatory compliance, internal controls and whistleblowing;
- significant financial matters including acquisitions, disposals and investments;
- shareholder, market and regulatory communications;
- Board and committee membership;
- delegation of authority; and
- corporate governance matters.

The matters reserved for the Board, which are periodically reviewed, are available at [www.closebrothers.com/investor-relations/investor-information/corporate-governance](http://www.closebrothers.com/investor-relations/investor-information/corporate-governance). When carrying out its duties, the Board acts in accordance with relevant legislative and regulatory requirements while at all times having regard to the directors' duties set out in the Companies Act 2006, including the duty pursuant to s.172 of the Companies Act 2006, being the duty to promote the success of the company for the benefit of its members as a whole. Stakeholder considerations are a core focus of all Board decisions, about which you can read more on page 132.

The Board delegates responsibility for certain matters to its committees. Each committee has terms of reference, which are available at [www.closebrothers.com/investor-relations/investor-information/corporate-governance](http://www.closebrothers.com/investor-relations/investor-information/corporate-governance). The chair of each committee reports at each subsequent Board meeting on matters discussed at committee meetings. All Non-executive Directors have access to committee papers and have a standing invitation to attend any committee meeting. Reports from the Board's committees are set out later in this Annual Report 2025 and they include further detail on each committee's role and responsibilities, along with a summary of the activities undertaken during the year.

The Board delegates the execution of the group's strategy and the day-to-day management of the business to the Executive Committee, which is led by the Chief Executive and supported by management committees.

Robust governance is embedded throughout the organisation, and numerous committees at management level provide oversight across day-to-day operations. Management committees ensure that matters are sufficiently developed and challenged as they are escalated upwards.

### 2025 Board strategy day

- The Board strategy day in 2025 focused the Board's thinking on where the group sits within its market, sector and the opportunities available to deliver returns for shareholders in the coming years.
- The Board reviewed the group's portfolio and plans to simplify the group and optimise its cost base, including detailed reviews of strategic programmes in each Banking division.
- The cost reduction programme, developed in three phases and aiming to save at least £20 million per year, was challenged by the Board alongside the three-year strategic plan.

### Board leadership

The Board provides effective leadership and oversight of the group as a whole, to ensure the group's activities and performance continue to meet stakeholder expectations. The Board sets the group's purpose and strategic objectives and monitors management's performance against those objectives, ensuring alignment with the group's culture and values. The Board oversees the group's risk management and internal controls systems which enables risk to be appropriately assessed and managed.

This year, the Board has been particularly focused on reshaping and simplifying the group to position it well for growth and to enable it to deliver sustainable shareholder returns. Strategic decision-making has been supported by detailed insights from senior management and guidance from expert external advisers. Board decision-making is also influenced by the interests and views of our key stakeholders, including employees, customers, shareholders and regulators.

In a year where the Board's focus has been on navigating considerable market uncertainty arising from the FCA's review of historical motor commission arrangements and the Court of Appeal's October decision in Hopcraft, the annual Board strategy day was particularly significant. The strategy day allows the Board to engage with senior management on the long-term strategic direction of the group and to challenge and scrutinise longer-term planned investment and initiatives.

### Risk management, internal controls and whistleblowing

The Board is responsible for, and actively monitors, the group's risk management and internal control systems. The Board considers a range of matters in relation to risk management and internal controls, and the Group Chief Risk Officer attends all scheduled Board meetings to report to the Board on risk management activities across the group.

During the year under review, the Board considered and approved:

- the group's ICAAP and ILAAP statements;
- the annual compliance plan;
- the Enterprise Risk Management Framework;
- the principal and emerging risks facing the group; and
- the group risk appetite statements.

Further information on the Board's work throughout the year can be found on page 124.

### Effectiveness of risk management and internal control systems

The Board defines the level of risk the group is willing to accept in achieving its strategic goals and ensures that effective risk management internal control systems are in place. These systems are designed to provide reasonable, not absolute, assurance against material misstatement, loss, and fraud.

Controls aim to manage, not eliminate, risks to business objectives, support efficient operations, ensure reporting integrity, and maintain regulatory compliance. Key controls are regularly reviewed for design and operational effectiveness and to seek to ensure compliance with applicable laws and regulations.

In its annual review, the Board considered the group's key risks, the operation of the risk framework, and the evolving control culture. Following this review, the Board is satisfied that the systems are effective, with any identified weaknesses addressed through management oversight and action plans.

This assessment is supported by the work of the Risk Committee and the Audit Committee, which monitor effectiveness of the systems of risk management and internal control through regular updates and reviews by the second line of defence, internal audit, and external auditors. The Risk Committee also reviewed the Enterprise Risk Management Framework to ensure alignment with the group's risk appetite and regulatory requirements.

Detailed information in respect of the risk management and internal control systems is provided within the Risk Report on pages 68 to 112 and the Risk Committee report on pages 144 to 146.

### Principal and emerging risks

The Board has performed a robust assessment of the principal and emerging risks facing the group, including those that would threaten the group's business model, future performance, solvency or liquidity. These principal and emerging risks are regularly reviewed and challenged by the Risk Committee and at management-level governance forums, via risk management information and commentary provided by the Group Chief Risk Officer. The risk management information provides a view of the risk profile of the group, performance in line with risk appetite, an assessment of the group-level emerging risks and mitigating actions to ensure the group's preparedness should a risk crystallise. The process for identifying, managing and mitigating these risks forms a core part of the Enterprise Risk Management Framework and further detail is provided in the Risk Report on pages 68 to 112.

## Deep dives

During the year the Board held a number of deep dives to discuss significant matters in greater depth than would normally be possible in normal Board meetings. Where relevant, external advisers supported the delivery of the sessions.

Topics this year have included:

- group cost reduction initiatives and operational efficiency enhancements;
- strategic repositioning of the Premium Finance business to focus the growth of the business towards commercial lines insurance premium finance and to streamline operations;
- the group's successful appeal of the Hopcraft case to the Supreme Court, which included extensive scenario planning for a range of possible outcomes; and
- annual refresher on the Senior Managers and Certification Regime and regulatory obligations and expectations.

*Further information on areas of specific focus can be found on page 127.*

The Board confirms that throughout the year ended 31 July 2025 and up to the date of approval of this Annual Report 2025, there have been rigorous processes in place to identify, evaluate and manage the principal and emerging risks faced by the group. The Board has also assessed the likelihood of a risk crystallising and the costs of control in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the FRC.

Further information on the group's principal and emerging risks can be found in the Risk Report on pages 68 to 112.

### Whistleblowing arrangements

The Board oversees the group's whistleblowing arrangements, which include channels through which a person may raise matters of concern anonymously. It monitors the operation and effectiveness of these arrangements, ensuring that processes are in place for the proportionate and independent investigation of matters raised through the mechanisms available and for follow-up action. During the year, the Board received half-yearly updates from the Group Head of Operational Risk and Compliance. These updates covered:

- the status and outcomes of any whistleblowing matters raised within the six-month period;
- an overview of the group's whistleblowing arrangements across all jurisdictions in which the group operates and an assessment of the effectiveness of those arrangements; and
- information on steps taken by the group to ensure the protection of those using the group's whistleblowing arrangements.

In addition, the Board appoints one of the Directors, currently Kari Hale, to act as the group's whistleblowing champion. In this role, Kari engages with the Group Head of Operational Risk and Compliance regularly in relation to whistleblowing matters. For more details about the group's whistleblowing procedures, see page 41.

## Board activities during the year

During the year, the Board and its committees considered various matters and took carefully considered decisions for the long-term benefit of the group and its stakeholders. The Board's focus this year was on the FCA motor commissions review and the appeal of the Court of Appeal's decision in Hopcraft to the Supreme Court, and also the longer-term activities to deliver simplification, optimisation and growth.



Colleagues



Regulators and government



Suppliers



Customers and partners



Communities and environment



Investors

Key events and areas of focus this year are set out below.

Area of focus	Summary of the Board's work in this area
<b>Succession planning</b> 	<ul style="list-style-type: none"> <li>approved the appointment of Mike Morgan as Chief Executive</li> <li>oversaw various key appointments to the Executive Committee</li> <li>reviewed succession planning and the talent pipeline in each business and functional area</li> </ul>
<b>Motor commissions</b> 	<ul style="list-style-type: none"> <li>decided to appeal the Court of Appeal's decision in Hopcraft to the Supreme Court, which had an ultimately positive outcome</li> <li>continued to navigate the group through a period of market uncertainty</li> <li>executed the capital plan announced in March 2024, resulting in over £400 million of CET1 capital generated or preserved as of 31 July 2025</li> </ul>
<b>Simplification</b> 	<ul style="list-style-type: none"> <li>reviewed the group's portfolio and opportunities to simplify business activities</li> <li>made several key decisions to reshape the group, including reaching agreement to sell Close Brothers Asset Management, Winterflood, and Close Brewery Rentals Limited, to wind down Close Brothers Vehicle Hire, and reposition the premium business to focus on commercial lines</li> </ul>
<b>Budget review</b> 	<ul style="list-style-type: none"> <li>implemented enhanced governance and scrutiny in relation to discretionary spend and third-party management to ensure prudence and challenge in balancing appropriate investment with cost discipline</li> </ul>
<b>Cost management</b> 	<ul style="list-style-type: none"> <li>developed and challenged wide-ranging proposals to reduce the group's cost base by at least £20 million of annualised cost savings by the end of the 2025 financial year, with £25 million already delivered. This has been achieved through streamlining of our technology, suppliers and property, and workforce, whilst having regard to the current and future expectations of customers and employees</li> </ul>
<b>External reporting</b> 	<ul style="list-style-type: none"> <li>considered and approved the half-year results and full-year results and accompanying reports, including scrutiny of the assumptions underpinning them in relation to the uncertainty pending the Supreme Court's decision in respect of the Hopcraft appeal and the FCA's review of historical motor finance commission arrangements</li> <li>recognised and subsequently reconfirmed a £165 million charge for the provision in relation to motor finance commissions and other adjusting items</li> </ul>
<b>People and culture</b> 	<ul style="list-style-type: none"> <li>considered the results of the annual employee opinion survey, which this year was facilitated by a new external provider and was redesigned to provide enhanced insights, reaching the conclusion that employee sentiment remains positive in comparison to sector benchmarks despite the challenging environment</li> </ul>
<b>Corporate governance reforms</b> 	<ul style="list-style-type: none"> <li>assessed the group's readiness for the adoption of the new 2024 Code and continued to oversee management-led workstreams to develop the group's internal controls framework</li> </ul>
<b>Regulatory matters</b> 	<ul style="list-style-type: none"> <li>continued positive engagement with the PRA and FCA as well as other relevant regulators, and received updates on management-level interaction with the PRA and FCA</li> <li>focused on maintaining strong relationships with regulators and embedding regulatory expectations within the business</li> </ul>
<b>Customers</b> 	<ul style="list-style-type: none"> <li>implemented enhanced customer documentation to ensure greater transparency regarding commission arrangements in light of the Court of Appeal's decision in the Hopcraft case</li> </ul>

## Financial calendar

### September 2024

- Full-year results and roadshows
- Publication of Annual Report 2024
- Pillar 3 disclosures
- Announcement of sale of Close Brothers Asset Management

### October 2024

- Court of Appeal's decision in Hopcraft handed down

### November 2024

- Annual General Meeting 2024
- Q1 trading update

### January 2025

- Mike Morgan appointed as Chief Executive

### February 2025

- Announcement of anticipated £165 million provision relating to motor finance commissions

### March 2025

- Half-year results and UK roadshow
- Sale of Close Brothers Asset Management completed

### April 2025

- Hopcraft case appealed to the Supreme Court

### May 2025

- Q3 trading update

### June 2025

- Annual corporate governance roadshow

### July 2025

- Announcement of the repositioning of the Premium business to focus on Commercial lines and the sale of each of the Brewery Rentals and Winterflood businesses



### Workforce engagement

Workforce engagement is a valuable means by which the Directors, and in particular the Non-executive Directors, are able to ensure employee interests are understood and embedded in Board decision-making. Spending time with colleagues across the group also provides Directors with first-hand insight into the group's day-to-day operations.

In June 2025, and in celebration of 50 years of the Property business, a number of the Non-executive Directors met with a group of representatives from all levels and roles within the Property business to discuss current business trends and challenges and market outlook. The Board heard directly from colleagues about a variety of matters and it was an opportunity for the Board to congratulate the team on their recent successes.

The Property team then arranged a site visit for the Non-executive Directors to a development of former industrial space into residential properties and commercial space in east London. The development, which was nearing completion, is being built by a long-standing customer and financed by Close Brothers, and the Non-executive Directors were given a tour of the development by the customer. The visit was very well received by both the Non-executive Directors and the Property team.

Opportunities like this allow the Board to receive direct insights from customers and ensure that the Board is able to focus its decision-making on delivering outstanding service and expertise for customers.

## Board governance and activities

### Attendance at scheduled Board and committee meetings during FY 2025

	Board	Nomination and Governance Committee	Risk Committee	Audit Committee	Remuneration Committee
Mike Biggs	8/8	5/5	–	–	4/4
Mike Morgan	8/8	–	–	–	–
Mark Pain	8/8	5/5	6/7	–	4/4
Tracey Graham	8/8	5/5	7/7	–	4/4
Kari Hale	8/8	5/5	7/7	5/5	–
Patricia Halliday	8/8	–	7/7	5/5	4/4
Tesula Mohindra	8/8	–	7/7	5/5	–
Sally Williams	8/8	–	6/7	4/5	–
<b>Former Directors</b>					
Adrian Sainsbury <sup>1</sup>	1/3	–	–	–	–

1. Adrian Sainsbury resigned as Chief Executive and as Executive Director with effect from 6 January 2025.

### Meetings of the Board

The ordinary schedule of Board and committee meetings is designed to ensure a sufficient number of meetings are held for each forum and that these fall at the optimal checkpoints during the financial year.

In addition to the scheduled Board and committee meetings as detailed in the table, 20 further ad hoc Board meetings were convened this year to ensure the Board was able to oversee additional important business that included managing developments with regard to the group's Supreme Court appeal of the Hopcraft case and the ongoing FCA review of historical motor finance commission arrangements.

Board and committee meeting dates are scheduled in advance to ensure, so far as possible, the availability of all Directors. In the event that, in exceptional circumstances, Directors are unable to attend a meeting, they receive papers as usual and have the opportunity to relay their comments and questions in advance of the meeting, as well as follow up with the Chairman or Committee Chair if necessary.

The agendas for Board and committee meetings are set by the Chairman and committee chairs working with the Company Secretary and with input from the Chief Executive and relevant functional heads. Management are invited to attend meetings as appropriate. Each scheduled Board and committee meeting includes dedicated time for discussion between the Non-executive Directors, without the Executive Directors and management present.

Board and committee papers are circulated to the Directors with sufficient time in advance of meetings and include dedicated reporting on stakeholder considerations and senior manager insights with regard to employee and customer sentiment and culture across the group.

The Board also makes use of a range of other engagement mechanisms to consider matters and steer the group including:

- The annual Board strategy day (refer to page 124)
- Workforce engagement opportunities as detailed on page 133
- Meetings with investors and significant shareholders, including at the corporate governance roadshow
- Separate informal Board sessions to explore important topics with management in the form of deep dives

### Roles and responsibilities

In line with the Code, the role of the Chairman is distinct and separate from that of the Chief Executive and there is a clear division of responsibilities between the two. The roles of the Chairman, Chief Executive and Senior Independent Director, as approved by the Board in July 2025, can be found on the company's website at [www.closebrothers.com/investor-relations/investor-information/corporate-governance](http://www.closebrothers.com/investor-relations/investor-information/corporate-governance). A summary of various Board roles is set out below.

In addition, the Chairman, Chief Executive and each of the committee chairs have various prescribed responsibilities under the Senior Managers and Certification Regime, overseen by the FCA. Other Board members also take on additional responsibilities required by legislation such as whistleblowing champion, although responsibility for oversight of these matters remains with the whole Board.

### Division of responsibilities

Role	Responsibilities
<b>Mike Biggs</b> Chairman	<ul style="list-style-type: none"> <li>• Responsible for leading the Board and ensuring that it operates effectively, observing the highest standards of corporate governance.</li> <li>• Promotes balanced and effective decision-making and challenge of executive management with sufficient time for constructive debate and discussion.</li> <li>• Ensures that the Board as a whole is responsible for developing the group's strategy and assessing and monitoring culture across the group.</li> <li>• Promotes effective engagement between the Board, its shareholders and other stakeholders.</li> <li>• Chairs the Nomination and Governance Committee, monitors the Board's composition and succession planning, and leads the annual Board evaluation process.</li> </ul>



Role	Responsibilities
<b>Mike Morgan</b> Chief Executive	<ul style="list-style-type: none"> <li>• Executes the group's strategy as agreed with the Board.</li> <li>• Leads the Executive Committee in the day-to-day management of the group.</li> <li>• Ensures that the group's business is conducted with the highest standards of integrity aligned with the group's culture.</li> <li>• Manages the group's risk exposure in line with Board policies and risk appetite.</li> <li>• Leads the group's investor relations activities.</li> </ul>
<b>Mark Pain</b> Senior Independent Director	<ul style="list-style-type: none"> <li>• Provides a sounding board for the Chairman.</li> <li>• Provides an alternative channel of communication for shareholders and other stakeholders.</li> <li>• Meets with Non-executive Directors annually without the Chairman present to appraise the Chairman's performance.</li> <li>• Leads the process for Chairman succession.</li> </ul>
<b>Non-executive Directors</b>	<ul style="list-style-type: none"> <li>• Provide constructive challenge and scrutiny of the performance of management.</li> <li>• Bring external perspective, knowledge and experience to the Board.</li> <li>• Assist in the development of strategy and the decision-making process.</li> <li>• Promote the highest standards of integrity and governance.</li> <li>• 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.</li> <li>• Gather the views of the workforce through attendance at key business events and through employee engagement.</li> </ul>
<b>Sarah Peazer-Davies</b> General Counsel and Company Secretary	<ul style="list-style-type: none"> <li>• Advises the Directors on corporate governance, legal matters and the discharge of their duties.</li> <li>• Ensures the Board receives high-quality information and in sufficient time.</li> <li>• Supports relationship-building and the flow of information between the Board and the Executive Committee.</li> <li>• Facilitates Board inductions, the annual Board evaluation and ongoing development.</li> <li>• Available to provide advice and support to all Directors on matters of corporate governance.</li> <li>• Organises all Board and committee meetings as well as the Annual General Meeting ("AGM").</li> </ul>

## Directors' independence

The Board considers that each Non-executive Director is independent under provision 10 of the Code. The Chairman, Mike Biggs, was considered to be independent on appointment in line with the provisions of the Code. Directors' independence is annually reviewed and challenged, taking into consideration (amongst other things) the factors set out within provision 10 of the Code.

## Conflicts of interest

The Board, with the support of the Company Secretary, regularly reviews Directors' interests to identify any actual or potential conflicts of interest. Directors are responsible for notifying the Chairman and the Company Secretary of any changes to the nature of their interests and are reminded of this at the start of each Board and committee meeting. The Company Secretary maintains a register of Directors' interests, including those conflicts authorised by the Board.

As required by the Code, the Board's practice is to assess whether Directors' external appointments should be approved in advance of proposed additional appointments being taken on by any of our Directors, with significant consideration given to the following factors:

- whether the external appointment is likely to give rise to any actual or potential conflicts of interest;
- how any such conflicts could be managed or mitigated; and
- whether the proposed external appointment would be likely to compromise the Director's ability to dedicate appropriate time and diligence to their existing responsibilities to the group.

## Time commitment

The Non-executive Directors' letters of appointment set out the time commitment expected of them, and all Directors must seek prior Board approval before taking on significant additional commitments. The Board is satisfied that each

Non-executive Director continues to and is able to dedicate sufficient time to the company's affairs. The Directors' attendance at scheduled meetings is on page 128.

During the year, Tracey Graham was appointed to the boards of Virgin Money UK PLC, Clydesdale Bank PLC and Pension Insurance Corporation plc. Patricia Halliday was also appointed to the boards of State Street Corporation and TD Bank Europe Limited. Ahead of each of these appointments, the Board considered whether these roles would give rise to any conflicts of interest or affect Tracey Graham and Patricia Halliday's independence or ability to devote sufficient time to the company's business. The Board concluded that each of Tracey Graham and Patricia Halliday would be able to appropriately manage any conflicts of interest which may arise and continue to dedicate sufficient time to the business of the company.

## Election and re-election of Directors at the 2025 AGM

In accordance with the Code, all Directors retire and submit themselves for election or re-election at each AGM. The Board will only recommend to shareholders that Executive and Non-executive Directors be proposed for election or re-election at an AGM after evaluating the performance of the individual Directors and considering their suitability, time commitment and ability to continue to contribute to the Board.

Fiona McCarthy was appointed to the Board on 29 August 2025 and will be proposed for election at the 2025 AGM.

The Board has determined that all Directors continue to be effective and demonstrate sufficient commitment to their role. At the recommendation of the Nomination and Governance Committee, the Board will therefore be recommending that all serving Directors be elected or re-elected by shareholders at the 2025 AGM. Please see page 164 for further information.

## Board performance review, training and induction

### Board performance review

In line with recognised best practice and the recommendations of the Code, the Board undertakes a formal and rigorous review of its performance annually to assess the effectiveness of the Board and to identify areas for improvement. The performance review process is externally facilitated at least every three years by an independent provider.

This year the Board performance review was conducted internally. All Directors attended a private meeting with the Company Secretary which was guided by a series of questions put together by the Company Secretary and taking into account the Board's activity in the past year as well as the findings of the prior year's externally led evaluation. A number of senior managers who interact most closely with the Board were also interviewed so as to provide a broader perspective.

Following the interviews, the Company Secretary collated the feedback and produced a report outlining the performance of the Board and its committees. The report was shared with the Chairman in the first instance, with any committee feedback being provided directly to the committee chairs, and was then put to the Board for review. The findings of the review have informed a detailed action plan to be implemented over the coming year.

The Nomination and Governance Committee is responsible for overseeing the annual Board performance review and considered and approved the proposals for the 2025 evaluation.

### Findings of the performance review

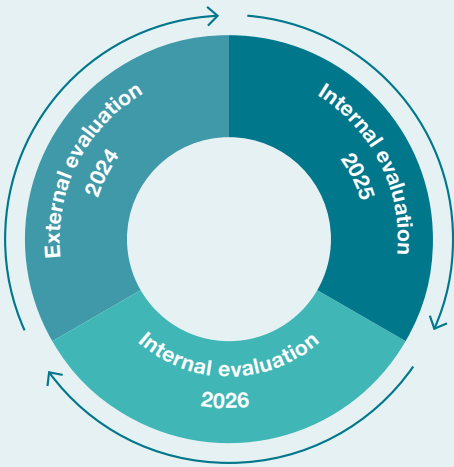
The review of the Board's performance found that the Board and its committees continue to operate effectively. In particular, the review evidenced that the Board is focusing on the right matters, given the challenging backdrop against which the group is operating. The Board provides effective oversight of the overall business, is well led and provides valuable counsel to management. The dynamics inside and outside the boardroom, including the relationship with key leaders, received particularly positive feedback, and there was good consensus regarding the strategic priorities facing the group.

A number of priorities for the Board in the upcoming year were identified, including:

- ensuring appropriate focus on forward-looking strategy and growth opportunities to ensure that the group continues to develop its value proposition;
- continuing to ensure appropriate balance between strategy and risk in Board and committee discussions, while maintaining a prudent approach to risk appetite;
- continuing to maintain focus on efficiency and cost management to protect the group's valuable franchise;
- giving appropriate consideration to the balance of skills, experience and diversity of the Board when considering succession planning; and
- allowing additional opportunities for informal engagement with management where possible.

A detailed review of the findings will be undertaken, including a comparison to the findings of last year's external Board evaluation. The Board, together with the Company Secretary, will develop an action plan to build on and address the recommendations of the evaluation.

### Evaluation cycle



### Implementation of the findings of the FY 2024 evaluation

The Board has also considered its progress against the findings of the FY 2024 evaluation, as shown in the following table:

Areas of focus	Progress made
Continued refinements to oversight of risk, strategy and people, ensuring appropriate mechanisms are in place to deal with emerging challenges	Increased NED-only time both during meetings and more informally to ensure greater opportunity for discussion; increased focus on horizon scanning through sessions led by legal and regulatory experts.
Maintaining alignment with management in key areas to ensure continued focus on overarching priorities and capacity to execute strategy	Detailed focus on cost management and delivery of cost reduction through the year (see page 6; continued emphasis on refined Board reporting from senior management and focused agendas; increased oversight and monitoring of progress against agreed strategic objectives.
Further review of decision-making processes and lessons learnt from past decisions to support future success	Greater emphasis within Board reporting to challenge core assumptions and inform key business priorities.

## Directors' performance

In addition to the review of the Board's performance, 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 election and re-election 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, led the annual assessment of the Chairman's performance. This involved discussions with the other Non-executive Directors individually, without the Chairman being present, and consultation with the Chief Executive. The Senior Independent Director subsequently provided 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 management functions. Consideration of matters relating to fitness and propriety also form an important part of the Board's recruitment process for Non-executive Directors.

## Ongoing training and development

Each year, and taking into account the annual assessment of Directors' skills and experience and the findings of the Board performance review, the Nomination and Governance Committee considers the group's strategy and operating environment to identify development opportunities for the Board. A tailored programme of sessions covering topics of strategic, regulatory and operational relevance is approved and scheduled for the year. In addition, the Company Secretary is available to advise all Directors on all matters of corporate governance.

## Induction

On appointment, all new Directors receive a comprehensive and personalised induction programme. The programme is developed and overseen by the Company Secretary to familiarise new Directors with the group.

Induction programmes are tailored to each Director and typically include visits to local offices, one-to-one meetings with Executive Directors, the Company Secretary and senior management, and a meeting with the external auditor. Directors also receive guidance on their statutory and regulatory responsibilities, 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.

During the year, Mike Morgan was appointed as Chief Executive. As Mike had already served as Group Finance Director for a number of years and had held senior roles within the business prior to that, he was already familiar with the group and its activities on appointment to his new role. Mike was also interim Chief Executive during the former Chief Executive's period of medical absence, so he was well placed to take on the role on a permanent basis when appointed in January.

Fiona McCarthy will receive a tailored induction to her new role as Director in due course.

### Director induction programme

#### Strategy

- Markets
- Opportunities
- Culture

#### Financial

- Forecast and budget
- Investor views
- Audit

#### Regulatory

- Risk management
- Regulatory landscape
- Corporate governance

### Chief Executive induction

Notwithstanding his extensive prior experience, upon appointment as Chief Executive, Mike participated in additional training and development activities to support his transition into his new role. These included:

- meetings with each of his direct reports and other key individuals to discuss the strategy and priorities in each business area
- regular one-to-one meetings with the Chairman and SID
- tailored executive coaching



## Stakeholder engagement

The Board recognises that the group's stakeholders have different values and priorities. It is important for the Board to understand and consider the interests of stakeholders. Further information about the company's key stakeholder groups, as well as the company's Section 172 Statement, can be found in the Strategic Report on pages 22 to 25.

The Board assesses stakeholder views and takes them into account when making decisions. The two case studies shown on this page provide practical examples of how the Board takes into account the company's different stakeholders as an integral part of its decision-making process.

### Sale of Close Brothers Asset Management

In September 2024, the Board agreed to sell Close Brothers Asset Management ("CBAM") to Oaktree Capital Management ("Oaktree") for consideration of up to £200 million. The transaction completed in February 2025 following regulatory approval. The sale of CBAM supports our wider strategy of simplifying the group, driving operational efficiencies and growing the core lending business, as we seek to deliver sustainable risk-adjusted returns for shareholders. The proceeds from the sale also contributed to the previously announced plan to strengthen the group's capital base by £400 million. Due to the level of consideration received, the sale was deemed to be a significant transaction according to the UK Listing Rules and the Board was therefore required to confirm its view that the transaction was in the best interests of all stakeholders.

The Board considered the impact of the sale on CBAM's clients. Having regard to Oaktree's strong reputation and experience in UK wealth management, and their intention to continue to operate the business on an independent basis, the Board determined that a sale to Oaktree would help ensure continuity of service for clients. The Board noted Oaktree's intention to maintain CBAM's client-centric culture, invest in the business to accelerate its growth trajectory, and preserve the bespoke investment manager model within the business.

The Board also considered the need to ensure the CBAM team would be supportive of the new ownership structure and selected Oaktree as the preferred partner on the basis that they offered a good outcome for all stakeholders.

### Hopcraft response and Supreme Court appeal

As a result of the Court of Appeal's decision in October 2024, the Board took several key decisions.

Following an assessment of the legal position, the Board decided to temporarily pause all new UK motor finance business while the impact of the judgment was analysed and customer documents and processes were updated. Though this resulted in a reduction of new business volumes in the Motor Finance business, the Board was clear as to the importance of ensuring compliance with the law. During the days following the handing down of the Court of Appeal's decision, Mike Morgan, acting as interim Chief Executive, initiated the group's executive crisis management committee, which met on a daily basis to monitor and manage the immediate response to, and impact of, the decision on the group. There were also a series of all-colleague briefings to keep colleagues updated as to the latest developments and to ensure transparency, giving colleagues the opportunity to ask questions.

The Board commissioned an urgent review of the customer journeys in other businesses within the group to identify any other areas in which improvements should be made outside of Motor Finance, with the result being that a number of other processes and documents were updated.

During the six weeks following the Court of Appeal's decision, the Board met a number of times to consider a number of impacts of the Court of Appeal's decision on the group, including customer, partner and shareholder queries, market reaction, regulatory engagement, industry body consultation and impact on employees.

After careful consideration, the Board decided to apply for permission to appeal the decision to the Supreme Court in order to challenge the legal position as set out in the Court of Appeal's judgment. Permission to Appeal was granted on 11 December 2024. In preparing for the Supreme Court appeal, the Board reviewed its advisory panel and approved the appointment of a new external legal and counsel team in order to maximise the group's chances of a successful outcome.

In February 2025, following a detailed assessment of the potential outcomes that could flow from each of the Supreme Court appeal and the FCA's ongoing review of historical motor finance commission arrangements, the Board took the decision to recognise a £165 million provision, based on a series of probability-weighted scenarios. This £165 million charge for the provision has subsequently been reassessed in light of all available information and recent developments and remains unchanged.

Throughout the period, the Board had the benefit of increased reporting, capital and liquidity analysis and updates from management on dialogue with the group's primary regulator, in each case in order to ensure full oversight as to the group's ability to respond to a range of potential outcomes.

The Supreme Court's judgment, which was announced on 1 August 2025, provided clarity on important legal and commercial principles. The FCA subsequently announced on 3 August its intention to launch a public consultation by early October 2025 on an industry-wide redress scheme. The Board remains poised to continue to respond pro-actively, taking into account the views of all stakeholders, as the FCA's consultation proceeds.

## Culture and workforce engagement

### Culture and values

The Board recognises the importance of our unique and distinctive culture for the long-term success of the group. The Board plays a key role in establishing, monitoring and assessing how culture has been embedded and leading by example to promote the desired culture. The Board 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 embedding of the group's culture in the following ways:

- The Board received updates from the Group Head of HR on the results of the anonymous employee opinion survey which tracks against our own and sector-wide cultural markers in addition to a quarterly culture dashboard which includes external stakeholder considerations. This reporting is used by the Board to assess the extent to which desired behaviours are embedded across the employee population.
- The Chief Executive's updates to the Board included dedicated reporting on people and culture within each division to allow the Board to consider cultural issues with suitable granularity.
- Site visits and attendance by the Non-executive Directors at various employee events and management committees, as well as structured site visits with dedicated employee engagement sessions, more information about which can be found below.
- The Remuneration Committee considered culture, behaviour and conduct issues and the inclusion of culture-related objectives as part of the Executive Directors' performance assessment (further detail on which can be found in the Directors' Remuneration Report on page 147).
- The Board reviewed the group's whistleblowing arrangements. See page 125 for further detail.

### Engagement with employees

The Board's engagement with employees is mutually beneficial. It allows the Board to monitor the group's culture and maintain an engaged and motivated workforce to support the group in delivering a high level of service to our customers. Our values of service, expertise, relationships, teamwork, integrity and prudence form an important part of who we are.

As permitted by the Code, the Board has put in place its own arrangements to engage with employees across the group. With oversight from the Nomination and Governance Committee, a programme to facilitate Board engagement is managed by the Company Secretary. The Board, through the work of the Nomination and Governance Committee, keeps its workforce engagement arrangements under review to ensure they remain appropriate to the group.

The Board values opportunities for Directors to engage with employees, across regional locations and at events of different levels of formality. This allows the Board to engage with the group's workforce authentically and for the workforce to raise topics which they might not otherwise have the opportunity to discuss with the Board. The Board acknowledges the benefits of meaningful engagement with senior management, who play an important role in embedding the group's culture through the business and in reporting to the Board on employee sentiment within the businesses.

Examples of engagement and consultation in the year with employees included:

- In June 2025, members of the Board met with representatives of the Property business and visited a residential development financed by Close Brothers, as described on page 127.
- Non-executive Directors' participation at local governance fora and events which are attended by significant numbers of employees and can include Q&A sessions.
- Participation by Directors in focused initiatives operated by the group's diversity and inclusion networks through the year.
- Informal networking events hosted by the Directors and which are open to smaller groups of employees to attend.
- Regular all-employee town halls run by the Executive Directors and Executive Committee, providing updates on the performance and operations of the group.

The Board considers that its employee engagement activities during the year have been effective, have allowed the Directors to engage widely with employees across a broad manner of settings and engagement styles, and afford the Board meaningful insight as to employee sentiment to ensure employee interests are embedded in Board decision-making.

### Engagement with shareholders

The Board believes it is important to maintain an open and constructive relationship with shareholders in order to provide shareholders with reliable and timely information.

Examples of engagement and consultation with our shareholders undertaken by the Chairman and Chief Executive during the year include:

- The AGM, which is an opportunity for shareholders to engage with and question the Directors and senior management.
- The Chairman met with a number of institutional shareholders, covering c.50% of the share register by holding, to discuss matters such as strategy, corporate governance, succession planning and the Board's actions to strengthen the group's capital position.
- Frequent updates on shareholder engagement and investor feedback following results announcements and investor roadshows.

Additionally, the Remuneration Committee Chair is available to discuss remuneration matters with stakeholders, and the SID is available to meet with shareholders when required.