

# Close Brothers Group plc

## Schedule of Matters Reserved for the Board

### 1. Purpose

The Board's primary role is to provide effective leadership, to ensure that the company is appropriately managed, and to promote its long-term sustainable success, thereby generating shareholder value and making a contribution to wider society. The Board establishes the company's values, strategy and purpose in alignment with its culture, and a framework of prudent and effective controls to enable the assessment and management of risks. The Board ensures that the company has adequate resources to meet its objectives and to measure performance against such objectives. The Board promotes the desired culture, and ensures effective engagement with, and participation from, shareholders and other stakeholders.

In carrying out its duties, the Board will act in accordance with relevant legislative and regulatory requirements. In particular, it will take into account the directors' duties contained in the Companies Act 2006, and will consider the factors listed in section 172 of the Act and any other relevant factors.

A number of key decisions are reserved for and may only be made by the Board, which enables the Board and executive management to operate within a clear governance framework. These specific responsibilities include:

### 2. Setting and monitoring strategy

- 2.1 Responsibility for the overall direction of the group and oversight of the group's management, including setting the group's purpose, strategy and values and ensuring that these are aligned with the group's culture, and determining the nature and extent of the principal risks it is willing to take to achieve its long-term strategic objectives.
- 2.2 Approval of the group's strategic aims and objectives.
- 2.3 Approval of the annual business plans and operating budgets and any material changes to them.
- 2.4 Oversight of the group's operations ensuring: competent and prudent management and its succession; and high standards of ethics and consumer/client relationships.
- 2.5 Review of performance in the light of the group's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- 2.6 Any decision to cease to operate all or any material part of the group's business.
- 2.7 Any decision to enter major new areas of business.

- 2.8 Leading the development, adoption, assessment and monitoring of the group's culture framework and ensuring that any necessary corrective action is taken to ensure the alignment of the group's policy, practices or behaviour with its purpose, values and strategy.

### **3. Structure, capital and ensuring adequate financial resources**

- 3.1 Changes relating to the group's capital structure including reduction of capital, share issues (except under employee share plans) and share buy backs.
- 3.2 Significant changes to the group's corporate structure.
- 3.3 Changes to the group's management and control structure.
- 3.4 Changes to the company's listing and significant changes relating to the group's debt structure or its status as a public limited company.
- 3.5 Approval of the group Internal Capital Adequacy Assessment Process (ICAAP).
- 3.6 Approval of the group Recovery & Resolution Plans.
- 3.7 Review of current and forecast Funding, Liquidity and Capital reserves available to the group.

### **4. Financial reporting and controls**

- 4.1 Approval of the half-yearly report, preliminary announcement of final results, trading updates and any other formal announcement relating to the group's financial performance.
- 4.2 Approval of the annual report and accounts, including the strategic report, directors' report and the reports on corporate governance and directors' remuneration.
- 4.3 Approval of the publication of the annual Pillar 3 disclosures report.
- 4.4 Responsibility for ensuring that the group's published financial reports present a fair, balanced and understandable assessment of its position and prospects.
- 4.5 Approval of the dividend policy.
- 4.6 Declaration of the interim dividend and recommendation of the final dividend.
- 4.7 Approval of any significant changes in accounting policies or practices.

### **5. Oversight of Risk Management, Regulatory Compliance and Internal controls**

Ensuring a sound and effective internal control and risk management system and oversight process operate across the group including:

- 5.1 receiving reports on, and monitoring, the group's risk management and internal control systems and processes, and at least annually, undertaking an assessment of their effectiveness, such review covering all material controls, including financial, operational and compliance controls;
- 5.2 undertaking an annual assessment of the group's emerging and principal risks, including the procedures in place to identify emerging risks, and how these are managed and mitigated;
- 5.3 approving an appropriate statement of the assessments referred to in paragraphs 5.1 and 5.2 for inclusion in the annual report;
- 5.4 reviewing its risk appetite to support its strategy and objectives;
- 5.5 approval of the group risk appetite statements;
- 5.6 approval of procedures for the prevention of bribery;
- 5.7 oversight of the group's management of conduct risk.

## **6. Financial Matters including Acquisitions, disposals and investments**

- 6.1 Transactions involving equity consideration (including goodwill) of £25 million or more.
- 6.2 Transactions which would increase or decrease the group's loan book by £250 million or more.
- 6.3 Class 1 transactions (as defined by the Listing Rules, published by the Financial Conduct Authority).
- 6.4 Related party transactions (as defined by the Listing Rules).
- 6.5 Any transactions involving the issue of shares in the company as consideration.
- 6.6
  - 6.6.1. Capital expenditure in excess of £10 million including VAT for any specific vendor engagement or business case<sup>1</sup>; and
  - 6.6.2. Revenue expenditure above £5 million in aggregate on an individual project.
- 6.7 Major investments including the acquisition or disposal of any interest of more than 3 percent in the voting shares of any listed company or the making of any takeover approach or offer.

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<sup>1</sup> Capital expenditure on assets for rental or lease by the Banking division to customers is excluded from sub paragraph 6.1.1, and shall instead be subject to approval in accordance with the Group Expenditure Approval Standards.

- 6.8 The issuance of bonds or debt by the company.
- 6.9 The issue of any documents under seal including the giving of guarantees by the company.
- 6.10 Contracts which are material strategically or by reason of size, entered into by the company or any subsidiary in the ordinary course of business.
- 6.11 Contracts of the company or any subsidiary not in the ordinary course of business.

## **7. Communication**

- 7.1 Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 7.2 Approval of all circulars, prospectuses and listing particulars.
- 7.3 Approval of regulatory press releases concerning matters decided by the Board.

## **8. Board membership and other appointments**

- 8.1 Changes to the structure, size and composition of the Board, following recommendations from the Nomination and Governance Committee.
- 8.2 Ensuring adequate succession planning for the Board and senior management, based on merit and objective criteria, including the promotion of diversity in line with the Board's Diversity Policy.
- 8.3 Approval of appointments to the Board, including any special terms and conditions attached to the appointment and remuneration of directors, following recommendations by the Nomination and Governance Committee and the Remuneration Committee.
- 8.4 Appointment of the Chairman of the Board and the Chief Executive.
- 8.5 Appointment of the Senior Independent Director.
- 8.6 Appointment of members and chairman of any Board committee.
- 8.7 Continuation in office of directors, including re-appointment to committees, at the end of their term of office, when they are due to be re-elected by shareholders at the AGM and otherwise as appropriate.
- 8.8 Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the company, subject to the law and their service contract.
- 8.9 Appointment or removal of the Company Secretary.
- 8.10 Appointment, reappointment or removal of the external auditors to be put to shareholders for approval, following the recommendation of the Audit Committee.

## **9. Remuneration**

- 9.1 Approval of the remuneration of the Chairman and non-executive directors, the Chairman and non-executive directors (as the case may be) having recused themselves from the relevant discussion. Remuneration policy for the executive directors and other members of the executive management is delegated to the Remuneration Committee.
- 9.2 The introduction of new share incentive plans or major changes to existing plans, subject to shareholder approval.

## **10. Delegation of Authority**

- 10.1 Agreeing and approving the responsibilities of the Chairman, the Chief Executive, and the Senior Independent Director, respectively.
- 10.2 Establishing Board committees and approving their terms of reference and any material changes.
- 10.3 Receipt of reports from Board committees on their activities.

## **11. Corporate governance matters**

- 11.1 The undertaking of an annual evaluation of the performance of the Board, its committees, the Chairman and individual directors.
- 11.2 Determination of whether each of the non-executive directors is independent (in accordance with the criteria set out in the UK Corporate Governance Code).
- 11.3 Review of the group's overall corporate governance arrangements.
- 11.4 Receipt of reports on the views of the company's shareholders.
- 11.5 Ensuring regular engagement and a satisfactory dialogue with major shareholders based on the mutual understanding of objectives and ensuring that the Board has a clear understanding of shareholder views.
- 11.6 Undertaking appropriate engagement to understand the views of other stakeholders (including employees, regulators, customers and partners) and periodically reviewing the Group's stakeholder engagement mechanisms (including arrangements for engagement with employees in line with the Code) to ensure they remain effective.
- 11.7 Approval and oversight of the Group Policy Framework, and the review and approval of individual group policies (including any material updates to those policies) which are overseen by the Board under the Group Policy Framework.
- 11.8 Ensuring that employee policies and practices are consistent with the company's values and support long-term, sustainable success.
- 11.9 Recommendations for any alteration to the articles of association of the company to be put to shareholders in general meeting.

**12. Whistleblowing**

- 12.1 Routinely reviewing the group's arrangements for its workforce to raise any concerns in confidence and, if they wish, anonymously, together with the reports arising from such whistleblowing arrangements.
- 12.2 Ensuring that those whistleblowing arrangements allow proportionate and independent 'second line' investigation of relevant matters and appropriate follow up action.
- 12.3 Appointment of a whistleblowers' champion from among its members, to oversee the integrity, independence and effectiveness of the group's whistleblowing arrangements.

**12 Other**

- 12.3 Prosecution, defence or settlement of litigation relating to claims expected to result in a financial consequence of more than £10 million.
- 12.4 Approval of significant changes to any of the company's significant pension schemes.
- 12.5 The making of political donations.
- 12.6 Approval of the appointment of the company's principal professional advisers.
- 12.7 Approval of the levels of financial institution insurance for the group including Directors' & Officers' liability insurance.
- 12.8 Agreeing the policy for authorising claims for expenses from directors.
- 12.9 Authorisation of directors' conflicts of interest, including those resulting from significant shareholdings, and ensuring that independent judgment is not compromised or overridden.
- 12.10 Approval of this schedule of matters reserved for Board decisions.

Matters which the Board considers suitable for delegation are contained in the terms of reference of its committees.

In addition, the Board shall receive reports and recommendations from time to time on any matter which it considers significant to the group.

Without prejudice to the matters contained in the terms of reference of any Board committee, all matters not referred to in this document, including the day to day responsibility for the operation of the group, are delegated to the Group Chief Executive in accordance with such directions and policies as the Board determines appropriate from time to time.

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