Directors' Remuneration Report

Tracey Graham
Chair of the Remuneration Committee

Membership

Tracey Graham (Chair), Mike Biggs, Peter Duffy and Mark Pain.

Other regular attendees by invitation

- Group chief executive
- Group head of human resources
- Head of reward and HR operations

Meetings

- Number of scheduled meetings: five
- For details of attendance, see page 143

Interaction with other committees

The Remuneration Committee works with the Audit and Risk Committee chairs on the design and implementation of remuneration policies and the determination of remuneration outcomes.

How time was spent

Remuneration Policy and disclosure	30%
Risk and reward	16%
Annual Remuneration discussions	54%

This report sets out our approach to remuneration for the group's employees and directors for the 2023 financial year.

The Directors' Remuneration Report is divided into three sections:

Dear Shareholder

Following my appointment as the chair of the Remuneration Committee at the AGM in November 2022, I am pleased to present the Directors' Remuneration Report for the 2023 financial year. I would like to place on record my sincere thanks to my predecessor, Bridget Macaskill, for her service to the Remuneration Committee and for her support in ensuring a smooth handover. I would also like to thank my fellow Remuneration Committee members for their support and contribution to the work of the Remuneration Committee throughout the year. This report sets out our pay decisions for the year, including how we implemented the Remuneration Policy approved by shareholders at the 2021 AGM. The report also provides the proposed 2024 executive directors' bonus and group LTIP measures, where we have made a limited number of changes.

How the group performed during the 2023 financial year

This year has seen a challenging market backdrop, with the weaker UK macroeconomic outlook creating significant uncertainty for both our consumer and SME customers. Against this volatile backdrop, we continued to support our customers and apply our consistent, lending criteria.

As described in the Chairman's and Chief Executive's Statements, the financial results for the year were impacted by a significant increase in provisions in relation to the Novitas loan book in the first half, as we have taken measures to address the issues relating to that business. As a result, adjusted operating profit before tax decreased to £113.5 million (2022: £234.8 million) and we achieved a return on opening equity of 5.0% (2022: 10.6%).

Directors' Remuneration Report continued

In Banking, excluding Novitas, profit performance reflected growth in income, more than offset by higher forward-looking provisions to take into account the uncertain macroeconomic outlook, and increased costs related to our investment programmes and wage inflation. We accelerated our efforts to grow CBAM and delivered strong net inflows of 9% (2022: 5%), although profit reduced, reflecting wider market conditions and costs related to our successful hiring strategy. Performance at Winterflood reflected the continuation of challenging trading conditions, with retail investor appetite remaining subdued. Nevertheless, Winterflood has a long track record of trading profitably in a range of market conditions and remains well positioned to retain its market position and benefit when investor appetite returns.

We have maintained our strong capital, funding and liquidity positions, in line with our prudent and conservative approach. Our common equity tier 1 ("CET1") capital ratio was 13.3%, significantly above the applicable minimum regulatory requirement of 9.5%.

Reflecting our underlying performance and the Board's confidence in the group's outlook, the board is proposing a final dividend of 45.0p per share. This will result in a full-year dividend per share of 67.5p (2022: 66.0p per share).

While developments at Novitas and the impact they have had on our financial performance in the 2023 financial year are disappointing, the financial strength of the group leaves us well placed to move forward on the delivery of our strategic priorities.

The table below sets out an overview of our one-year and three-year key performance indicators which provide context for the Remuneration Committee's decisions taken this year.

Key performance indicator	2023	2022
Return on opening equity	5.0%	10.6%
Average return on opening equity over three years[1]	10.0%	11.0%
CET1 capital ratio	13.3%	14.6%
Adjusted operating profit (£ million)	113.5	234.8
Adjusted earnings per share growth over three years[1]	(26.0)%	(18.4)%
Distributions to shareholders (£ million)[2]	99.1	98.4

1. For the three-year periods ended 31 July 2023 and 31 July 2022.
2. For the 2023 financial year, interim dividend paid and proposed final dividend.

Executive director remuneration outcomes for the 2023 financial year

In light of shareholder experience of the last year, the executive directors advised the Remuneration Committee that they wished to forgo their bonus for the 2023 financial year. Additionally, acknowledging that there have been a number of headwinds over which our executive team have had no control, the Remuneration Committee determined, in agreement with the executives, that there will be no pay-out under the group LTIP for the 2023 financial year.

However, the Remuneration Committee recognises that there has been strong progress against key strategic, people, customer and risk priorities, including an acceleration of the efforts to address the issues relating to Novitas. As announced in January 2023, we initiated formal legal action against one of the After the Event ("ATE") insurers regarding the potential recoverability of funds in relation to failed cases. We have since entered into a settlement with another smaller ATE insurer. We have also prioritised and maintained strong employee engagement, as evidenced by our engagement score of 86% achieved in our most recent employee opinion survey. This progress against key priorities together with the CET1 capital ratio outcome would have resulted in an annual bonus of 31.8% and 35.8% of maximum opportunity for Adrian Sainsbury and Mike Morgan, respectively. The 2020 group LTIP would have vested at 35.3% of maximum opportunity based on the RoE outcome and performance against risk management objectives. Further details on performance against the financial metrics and non-financial objectives are set out on pages 174 to 179.

Prior to the grant of the 2022 LTIP awards, external factors resulted in significant market volatility, resulting in a decline in the value of Close Brothers shares. The Remuneration Committee therefore decided, supported by the executive directors, to scale back the number of LTIP shares granted, in order to mitigate the risk of windfall gains at the point of vesting as a result of this market-related decline in the Close Brothers share price. Instead of granting LTIP awards in line with the company's standard approach (being the average share price for the five business days following the company's preliminary results announcement, which would have resulted in a grant price of £9.231) the share price at the year end of £11.10 was used to determine the number of LTIP shares granted.

Supporting the wider workforce

As a responsible business, we are committed to paying all staff at or above the national living wage, which is in excess of the national minimum wage. We have continued to support our people with the challenges they are facing as a result of the difficult economic environment and the increasing cost of living.

During the 2023 financial year the average staff salary increase was 4.7%, excluding executive directors. At the start of the 2024 financial year a further average salary increase of 6.6% was awarded across the group. These base salary uplifts have been targeted to more junior staff to ensure those most susceptible to the economic environment are best protected.

We are committed to creating an inclusive environment where all our colleagues can thrive. The Remuneration Committee has overseen the publication of our gender pay gap report, which is published on our website. We are confident that men and women are paid equally for performing equivalent roles across our businesses and are committed to taking steps to continue to reduce our gender pay gap, which is primarily driven by a lower proportion of women in senior and front office roles, where market rates are higher.

Our focus on closing the gender pay gap is through increasing female representation at all levels by setting representation targets and supporting development programmes. Whilst gender pay provides the most direct link to remuneration, our broader focus on inclusion ensures we prioritise fairness and equality for all colleagues. We are signatories to a wide range of charters and commitments across a broad spectrum of inclusion themes and social enterprises, including the Race at Work Charter, the Social Mobility Pledge, the Women in Finance Charter and the Valuable 500. We also partner with leading diversity organisations, including Stonewall, the Business Disability Forum and the charity Stop Hate UK, to help inform our thinking and subsequent actions. We have seven executive-sponsored inclusion networks which actively lead internal events and initiatives to raise awareness across the group.

Objectives to support inclusion are linked to executive pay through risk management objectives within our executives' long-term incentive plan. We are pleased that our employees continue to feel that we are an inclusive organisation, as demonstrated by responses to this question in the employee opinion survey 96% (2022: 94%) and we continue to push forward and implement activities and initiatives in this sphere to ensure we are building an inclusive environment where all our colleagues feel proud to work for us.

Proposed implementation of the Policy for the 2024 financial year

Neither the chief executive nor the group finance director have received a salary increase since the 2021 Policy review. Over the same period, the average increase for the wider workforce has been 10.9%. For the 2024 financial year, the Remuneration Committee has decided to apply a 2% increase to executive directors' salaries. These increases are below the average increase of 6.6% awarded to the wider workforce.

There will be no change to the incentive opportunities available to the executive directors, which will remain at 95% and 125% of salary for both directors under the annual bonus and LTIP respectively. There will also be no change to the level of pension provision, which will remain aligned with the wider workforce at 10% of salary.

The Remuneration Committee believes the current Policy continues to maintain a fair balance between the interests of all our stakeholders, while rewarding the management team for delivery against the group's key strategic priorities. For the 2024 financial year, we are making some limited changes to the performance measures and weightings used across the annual bonus and LTIP, as well as our approach to target setting.

The proposed annual bonus and LTIP measures and weightings for the 2024 financial year are set out below.

Annual bonus		Long-term incentive	
Measure	Weighting	Measure	Weighting
Return on average tangible equity ("RoTE")	30%	Return on average tangible equity ("RoTE")	30%
Cost:Income ratio ("C:I")	15%	Adjusted EPS growth	20%
Adjusted operating profit ("AOP")	15%	Relative TSR vs. FTSE 250 FS companies	20%
Strategic scorecard	40%	Strategic scorecard (10% each on Risk, Capital and Liquidity, and ESG objectives)	30%
CET1 underpin applies across the 2024 financial year bonus			

Directors' Remuneration Report continued

The key changes, which are permitted within the Remuneration Policy agreed by the shareholders in 2021, are as follows:

Annual bonus

We will add a Costs metric (C:I) and a Profit metric (AOP) to the annual bonus for the 2024 financial year. Our Capital (CET1) metric will become an underpin across the whole bonus. This change aims to ensure executive focus on resuming the group's track record of earnings growth and returns, while focusing on cost efficiency. The CET1 metric underpin will ensure appropriate capital levels are maintained against/above the regulatory minimum requirements.

Currently we use return on opening equity as a measure of return. We will move to RoTE; this change means the return measure will be based on the equity profile of the group across the performance period, and strips out intangible equity (e.g. goodwill) from the calculation basis. This change is aligned with market practice as RoTE is a widely used measure in the reward frameworks of other UK banks.

We have evolved our approach to target setting for our financial metrics (i.e. the RoTE, AOP and C:I targets). Historically, we have set annual bonus target ranges for RoE that are static through the cycle. We will move to an approach of setting target ranges that are dynamic year-to-year and set taking into account market conditions as well as budgetary outlook and market forecasts. This is aligned with the approach taken by the majority of FTSE-listed companies, including banking peers. Annual bonus targets will be disclosed retrospectively in line with market practice where targets are commercially sensitive.

LTIP

Taking into account the feedback we have had from investors, we are adding a relative total shareholder return ("TSR") metric to the LTIP. This is to ensure executive focus on capital markets performance and to align outcomes more directly with the shareholder experience. We propose to evaluate TSR performance against other FTSE 250 Financial Services businesses. The use of relative TSR is widespread among peer banks and the wider listed environment.

We are splitting the strategic scorecard into three distinct elements: based on "Risk", "Capital and Liquidity" and "ESG" objectives. We are simplifying the number of objectives within each element to ensure there is clarity for executives around priorities and expectations for the year. The introduction of a distinct "ESG" category allows clear promotion of our group priorities around sustainability and diversity and inclusion.

These important changes to the remuneration framework are somewhat limited, they fully align with stakeholder interest and follow best corporate governance practice. We believe they are important in incentivising consistency with our proven and resilient model and will position us well to navigate the uncertainty in the external environment, continue supporting our customers and clients, and resuming on our long track record of profitability and disciplined growth.

Looking ahead – key focus areas for the Remuneration Committee for 2024

During the course of the 2024 financial year we will be reviewing our Remuneration Policy, in advance of its triennial renewal at the 2024 AGM, to ensure that it continues to support our strategic priorities and appropriately rewards and incentivises executive performance. The external environment is expected to remain uncertain in the 2024 financial year. We will continue to monitor the operation of the Remuneration Policy to ensure that targets remain relevant and stretching and that it provides an appropriate level of reward to attract and retain high-calibre individuals in a competitive market.

We will continue to consider the experiences of colleagues, our shareholders and other stakeholders and to remunerate executives fairly and responsibly. We remain committed to a responsible approach to executive pay, as I hope this Directors' Remuneration Report demonstrates.

We remain committed to ongoing dialogue with our shareholders on remuneration matters. I hope that you will find this report on the directors' remuneration accessible and clear, that you agree with the decisions we have taken, which balance the interests of all stakeholders, and may vote in favour of the resolution to approve the Annual Report on Remuneration.

Tracey Graham
Chair of the Remuneration Committee

26 September 2023

Annual Report on Remuneration

Remuneration Committee

The Remuneration Committee's main responsibilities are to:

- review and determine the total remuneration packages of executive directors and other senior executives, including group material risk-takers and senior control function staff in consultation with the chairman and chief executive and within the terms of the agreed policy;
- approve the design and targets of any performance-related pay schemes operated by the group;
- review the design of all-employee share incentive plans;
- ensure that contractual terms on termination and any payments made are fair to the individual and the group, that failure is not rewarded and that a duty to mitigate risk is fully recognised;
- review any major changes in employee benefits structures throughout the group;
- ensure that the remuneration structures in the group are compliant with the rules and requirements of regulators, and all relevant legislation;
- ensure that provisions regarding disclosure of remuneration are fulfilled; and
- seek advice from group control functions to ensure remuneration structures and annual bonuses are appropriately aligned to the group's risk appetite.

Membership activity in the 2023 financial year

There were seven meetings of the Remuneration Committee held during the year. There is a standing calendar of items which is supplemented by other significant issues that arise during the year. The key matters addressed during the year were as follows:

	September 2022	Additional December 2022	January 2023	Additional March 2023	April 2023	June 2023	July 2023
Remuneration policy and disclosures							
Annual remuneration governance review			•				
Annual review of Total Reward Principles	•						
Review and approve Remuneration Policy Statement, Directors' Remuneration Report and the remuneration section of the Pillar 3 disclosure for 2022	•						
Gender pay gap review			•				
Risk and reward							
Review and approve risk-adjustment process/outcomes	•				•	•	•
Annual review whether to apply malus and clawback to remuneration	•						
Material Risk Takers identification for 2023	•		•				
Annual remuneration discussions							
Approve EDs' annual bonus and group LTIP financial and non-financial targets for 2023	•						
Review and determine 2023 EDs' annual bonus outcome			•		•	•	•
Review and approve 2020 group LTIP vesting						•	•
Review and approve approach to year-end compensation			•	•	•		
Year-end all-employee group-wide salary and bonus analysis/proposals for 2023					•	•	•
Review proposed 2023 compensation for Material Risk Takers			•			•	•
Initial review of EDs' annual bonus targets and objectives for 2024							•
Review of formulaic incentive schemes and approval of schemes for 2024	•	•			•		•
Committee remit and effectiveness							
Review terms of reference							•

Directors' Remuneration Report continued

UK Corporate Governance Code

We continue to be compliant with the executive pay provisions of the 2018 UK Corporate Governance Code. Our pay arrangements are also consistent with the following principles set out in the Code:

Clarity	This Directors' Remuneration Report provides open and transparent disclosure of our executive remuneration arrangements for our internal and external stakeholders.
Predictability	Our incentive arrangements contain maximum opportunity levels with outcomes varying depending on the level of performance achieved against specific measures. The charts on page 107 of the 2021 Annual Report provide estimates of the potential total reward opportunity for the executive directors under the Policy.
Simplicity and alignment to culture	Incentive arrangements for our executives are straightforward, with individuals eligible for an annual bonus and, at more senior levels, a single long-term incentive plan. Performance measures used in these plans are designed to support delivery of the group's key strategic priorities and our commitment to adopt a responsible, sustainable business model, in line with our purpose and values.
Proportionality and risk	Our variable remuneration arrangements are designed to provide a fair and proportionate link between group performance and reward. In particular, partial deferral of the annual bonus into shares, five-year release periods for LTIP awards and stretching shareholding requirements that apply during and post-employment provide a clear link to the ongoing performance of the group and therefore long-term alignment with stakeholders. We are also satisfied that the variable pay structures do not encourage inappropriate risk-taking. Notwithstanding this, the Remuneration Committee retains an overriding discretion that allows it to adjust formulaic annual bonus and/or LTIP outcomes so as to guard against disproportionate out-turns. Malus and clawback provisions also apply to both the annual bonus and LTIP and can be triggered in circumstances outlined in the Policy.

Advice

During the year under review and up to the date of this report, the Remuneration Committee consulted and received input from the chairman of the board, the chief executive, the group head of human resources, the head of reward and HR operations, the group chief risk officer and the company secretary. Where the Remuneration Committee seeks advice from employees, this never relates to their own remuneration.

The Remuneration Committee's remuneration advisers are Deloitte LLP (a member of the Remuneration Consultants Group) who were appointed by the Remuneration Committee following a competitive tendering process. During the year, separate teams within Deloitte provided advice and support in a range of areas including, operations, corporate development and regulatory compliance. The Remuneration Committee is satisfied that the provision of these other services does not affect the objectivity and independence of the remuneration advice provided by Deloitte as the other services are unrelated to reward matters. Total fees paid to Deloitte were £115,300 during the 2023 financial year, calculated on a time and material basis.

Slaughter and May provided legal advice on the company's equity scheme rules. Fees paid to Slaughter and May were £22,000, calculated on a time and material basis.

Statement of voting on the Directors' Remuneration Policy at the 2021 AGM

	For	Against	Number of abstentions
Directors' Remuneration Policy	84.2%	15.8%	3,218,903

Statement of voting on the Directors' Remuneration Report at the 2022 AGM

	For	Against	Number of abstentions
Directors' Remuneration Report	95.6%	4.4%	685,758

Implementation of the Policy in 2023

The single total figure of remuneration for executive directors for the years ended 31 July 2023 and 31 July 2022 is set out in the tables below. (Audited[1])

	2023							
	Salary £'000	**Benefits £'000**	**Pension £'000**	**Total fixed remuneration £'000**	**Annual bonus £'000**	**Performance awards £'000**	**Total variable remuneration £'000**	**Total remuneration £'000**
Adrian Sainsbury	**930**	**30**	**93**	**1,053**	**–**	**–**	**–**	**1,053**
Mike Morgan	**560**	**8**	**56**	**624**	**–**	**–**	**–**	**624**

	2022							
	Salary £'000	Benefits £'000	Pension £'000	Total fixed remuneration £'000	Annual bonus[2] £'000	Performance awards[3] £'000	Total variable remuneration £'000	Total remuneration £'000
Adrian Sainsbury[4]	930	37	93	1,060	412	130	542	1,602
Mike Morgan	560	8	56	624	248	121	369	993

1. All disclosures in the Directors' Remuneration Report are unaudited unless otherwise stated.
2. 60% of Adrian Sainsbury's and Mike Morgan's annual bonus is deferred into shares.
3. The figures for the performance awards for 2022, granted in 2019, have been recalculated using the actual share price on the date of vesting for the LTIP of £9.345. The three-month average to 31 July 2022 was used for the 2022 report given that the awards were vesting after publication of the report.
4. Adrian Sainsbury's performance awards for 2022 were granted before he was appointed to the board. The full awards relate to vested LTIPs that were subject to the performance criteria outlined in the 2022 Annual Report on page 136.

Link between reward and performance

The group performed well in the last six months of the financial year, following a challenging first half, with the full-year 2023 results significantly impacted by the increased provisions in relation to Novitas. There was an acceleration of loan book growth since the first half, with strong margins and a stable credit performance in Banking. CBAM continued to attract new client assets and achieved strong net inflows, though Winterflood's performance remained impacted by significantly subdued trading activity. Group adjusted operating profit reduced 52% to £113.5 million (2022: £234.8 million). Excluding Novitas, adjusted operating profit reduced 20% to £220.1 million (2022: £274.1 million), mainly reflecting an increase in impairment charges and a reduction in income in Winterflood.

The group achieved an RoE of 5.0% (2022: 10.6%). RoTE reduced to 5.9% (2022: 12.2%), with the loss after tax recorded by Novitas reducing the group's RoTE by 6.1%.

The board is proposing a final dividend of 45.0p per share, resulting in a full-year dividend per share of 67.5p (2022: 66.0p). This reflects the group's underlying performance and the board's confidence in the group's outlook.

Whilst there has been strong progress against non-financial objectives, due to the challenging first half of the financial year, the executive directors have forgone their bonuses for the 2023 financial year. Additionally, the Remuneration Committee, in agreement with the executives, decided there will be no pay-out for the group LTIP for the 2023 financial year.

Additional disclosures on the single total remuneration figure for executive directors table (Audited)

Salary

The per annum salaries paid during the year are as shown in the single total remuneration figure table above. When reviewing salary levels, the Remuneration Committee takes into account the individual's role and experience, pay for the broader employee population, market and external factors, where applicable. No salary increase was awarded to the executive directors for the 2023 financial year, whilst the average increase for the general employee population was 4.7%.

Benefits

Adrian Sainsbury received an £18,000 allowance in lieu of a company car. Mike Morgan does not receive an allowance in lieu of a company car. They also received private health cover. The discount to the share price on grant of SAYE options is included in the year of grant. In line with disclosure requirements, taxable expenses are included.

Pension

Adrian Sainsbury and Mike Morgan received a pension allowance equivalent to 10% of base salary, in line with the upper limit contribution the general employee population can elect to receive.

Directors' Remuneration Report continued

Annual bonus

As set out in the Remuneration Committee Chair's letter, notwithstanding the performance delivered against these targets, in light of shareholder experience, the executive directors advised the Remuneration Committee that they wished to forgo their bonus for the 2023 financial year. Details of the targets and performance are outlined on pages 175 and 176.

Annual bonus in respect of 2023

Financial metric	Weighting	Threshold (33.3% of maximum)	Target (50% of maximum)	Maximum (100% of maximum)	**2023 outcome**	**% achieved**	**Bonus outcome after weighting (% of max)**
RoE	40%	10.0%	13.0%	18.0%	**5.0%**	**0.0%**	**0.0%**
CET1 capital ratio	20%	12.6%	14.6%	15.6%	**13.3%**	**39.0%**	**7.8%**
Total financial metrics	60%						**7.8%**
						Adrian Sainsbury	Mike Morgan
Group-wide strategic scorecard[1]	40%					24.0%	28.0%
Percentage of maximum annual bonus awarded	100%					31.8%	35.8%
Assessed outcome						**£280,953**	**£190,456**
Discretionary adjustment (-100%)						**(£280,953)**	**(£190,456)**
Bonus-turn (including application of discretion)						**£0**	**£0**

1. The group-wide strategic scorecard objectives relating to the 2023 bonus can be found on pages 175 and 176.

Group-wide performance and executive directors' objectives for the 2023 financial year

Annual performance objectives are determined by the Remuneration Committee at the start of each financial year, and are designed to support the group's wider strategic priorities to "Protect", "Grow" and "Sustain" our business model.

The table on pages 175 and 176 sets out examples of the strategic scorecard objectives which were in place in 2023, performance metrics against these objectives where appropriate, and an overview of the factors that the Remuneration Committee has taken into account when assessing the performance of the executives.

The Remuneration Committee determines the overall outcome of the balanced scorecard and, if appropriate, adjusts the final individual rating to take into account the individual contributions to successful outcomes of the scorecard objectives. This year, overall performance against the strategic scorecard was rated at target or above target for most goals, except for the operating margin achieved in Asset Management. The outcome, before the discretionary downward adjustment, was assessed as 60% of the maximum award. For Mike Morgan, the outcome, before the discretionary downward adjustment, was assessed as 70% of the maximum to acknowledge the considerable additional effort undertaken to cover the Senior Manager Function 24 (chief of operations) for six months, whilst we sought to replace this role.

For reasons of commercial sensitivity, not all performance criteria and factors taken into consideration by the Remuneration Committee have been disclosed.

Performance assessment against strategic scorecard objectives

Objective	Measured through reference to	Progress	Objective achieved?
Strategic			
Strategic initiatives	Delivery of disciplined growth and strategic milestones, including • Review of single name exposure limit. • Launch syndication product.	Notable progress against the group's strategic growth agenda with our growth initiatives delivering a significant contribution to loan book growth in the year. • Expansion to cover larger loan sizes, taking advantages of opportunities in the asset-based lending space. • In Invoice Finance, syndication product approved at GRCC. First participation deal closed in the 2023 financial year, with lead opportunities under consideration.	• On track • On track
	• Expanded offering in Invoice Finance.	• New team in Invoice Finance providing bespoke term loan structures for SMEs, requiring growth and investment capital hired, and closed their first deal in the 2023 financial year.	• On track
	• Asset Management set stretching targets: – Net inflows of 7.3%. – Operating margin of 16%.	• Net inflows within the target range and operating margin of 11%. – Strong net inflows of 9% in the 2023 financial year, demonstrating successful execution of our growth strategies through new hires. – Lower than budgeted operating margin as income down by 7% in the 2023 financial year.	• Ahead of track • Behind track
	• Winterflood – WBS onboarding of new flagship client. – Winterflood to maintain number 1 position by volume.	• WBS grew AuA to £12.9 billion at 31 July 2023, supported by the successful onboarding of Fidelity International. • Winterflood ranked number one by volume traded (per Bloomberg rankings) in the calendar year 2022.	• On track • On track
Prepare for downturn	• Undertake economic stress-based Crisis Management Test playbook simulation in preparation for a downturn.	• Downturn planning overview covering both Bank-wide and business-specific initiatives undertaken.	• On track
Deliver against agreed cost workstreams	• Deliver the 2023 financial year benefits of strategic cost management initiatives.	• Multi-year technology transformation programme is well under way, with reduction in the cost base and efficiency gains through the use of a third-party service provider. • Retail operations simplification programme is on track to deliver operational enhancements whilst improving broker and customer experience. New customer relationship management platform has been introduced in Premium Finance.	• On track • On track

Directors' Remuneration Report continued

Objective	Measured through reference to	Progress	Objective achieved?
People			
Maintain current engagement scores	• Group 2023 financial year EOS engagement scores at or above 86% (2022: 86%).	• Engagement score of 86% retained and compares favourably to external benchmark of 83%.	• On track
Turnover within risk appetite	• Group employee turnover at or below 16.5%.	• Voluntary annual turnover at 13.4% in May 2023 and consistently below 16.5% throughout the 2023 financial year.	• Ahead of track
Customer			
Maintain high levels of customer satisfaction	• Key customer satisfaction metrics above peer benchmarks.	• Key metrics (including NPS, NET Ease and Repeat Buying) remained stable and compared well against available peer benchmarks.	• On track
Meet regulatory requirements in respect of Consumer Duty	• Delivery against implementation plan agreed with the board, including creation of appropriate dashboard to measure customer outcomes in relation to Consumer Duty.	• Implemented a programme directly aligned to regulatory requirements. • Conduct Risk MI enhanced to provide increased customer outcome visibility. • Key milestone for sharing information with distributors met across all relevant businesses.	• On track
Borrow long, lend short	• Complete behaviouralisation exercise on customer deposits by end of January.	• 1st generation model launched in January 2023 and reported at ALCO and BRC on a monthly basis. 2nd generation model results presented at June 2023 ALCO.	• On track

Long-term performance awards (Audited)

The overall vesting of the 2020 LTIP grant is outlined in the table below.

Details of the overall vesting for the LTIP

Performance measure	Threshold target[1]	Maximum target	Actual achieved	Overall vesting
Adjusted EPS growth[2] (35% weighting)	10%	30%	**(26.0)%**	**0.0%**
RoE[3] (35% weighting)	10%	18%	**10.0%**	**8.8%**
Risk management objectives ("RMO") (30% weighting)	n/a	n/a	**88.3%**	**26.5%**
Assessed outcome (before discretion)				**35.3%**
Discretionary adjustment (-100%)				**(35.3)%**
Overall vesting (including application of discretion)				**0.0%**

1. 25% of the awards vest for satisfying the threshold target.
2. Over three years.
3. Average over three-year performance period.

As explained in the Remuneration Committee chair's letter, despite the RoE performance measure meeting threshold target and making strong progress against the risk management objectives, the Remuneration Committee, with the support of the Board, including the executive directors, determined that there should be no pay-out from the LTIP. This decision acknowledges the shareholder experience over the last year and the impact of Novitas on the group's financial performance.

Details of the assessment of the risk management objectives for the LTIP

The Remuneration Committee considers it to be of critical importance that remuneration arrangements continue to incentivise discipline in the management of the firm's capital and balance sheet and in the delivery of the business model.

The Remuneration Committee undertakes a robust assessment of performance against the risk management objectives to ensure that payments to executive directors are fair and appropriate with consideration for individual and corporate performance. In doing so, the Remuneration Committee assesses performance against a number of key measures in making its determination.

Performance was assessed after each of the three years of the LTIP performance period, with each year's review carrying a weighting of one-third towards the overall vesting for the award, ensuring a fair assessment of progress over the three-year period.

Year one and year two assessments were set out in the 2021 and 2022 Directors' Remuneration Reports respectively. The year three performance assessment is detailed below.

Year three performance assessment against risk management objectives

Objective	Measured through reference to	Progress	Objective achieved?
Capital			
Implement formal capital strategy and framework	• Capital optimisation strategy to be formalised and communicated.	• Strategy published as part of the 2022 financial year results. • Committed to optimising capital structure including issuance of debt capital market securities if appropriate.	• On track
Dividend			
Maintain progressive and sustainable dividend	• Commitment to the group's dividend policy, which aims to provide sustainable dividend growth year-on-year, while maintaining a prudent level of dividend cover.	• Progressive dividend maintained. Although the proposed level of dividend cover for 2023 is below the group's historical range it reflects our underlying performance and the Board's confidence in the group's outlook.	• On track
Funding			
Maintain prudent amount of term funding	• Prudent term funding maintained, that supports our "borrow long, lend short" strategy.	• Average maturity of funding allocated to loan book was 21 months, well in excess of the loan book at 16 months.	• Slightly ahead of track
Maintain appropriate Net Stable Funding Ratio	• Maintain Net Stable Funding Ratio above 110%.	• Net Stable Funding Ratio of 126.0% improved over the course of the 2023 financial year due to growth in Retail Banking.	• Slightly ahead of track
Liquidity			
Maintain prudent level of headroom to Liquidity Coverage Ratio	• Maintain a prudent level of headroom to LCR.	• Liquidity metrics well in excess of internal target and regulatory requirements, with a 12-month average to 31 July 2023 LCR of 1,143% (2022: 924%). • Events impacting the global banking sector earlier this year highlighted the benefits of our prudent approach to managing financial resources.	• Ahead of track

Directors' Remuneration Report continued

Objective	Measured through reference to	Progress	Objective achieved?
Risk priorities			
Conduct Risk Framework roll-out	• Complete roll-out of Conduct Risk Framework to remainder of the business.	• The Conduct Risk Framework has now been rolled out to all key business areas.	• On track
Effective management of Novitas run-off	• Ensure work is completed to achieve good customer outcomes.	• Work substantively completed on time fulfilling all objectives and residual activities absorbed into normal business activities, with FCA updated.	• On track
Operational risk and resilience			
Operational resilience to align with regulatory compliance	• Completion of refreshed group operational resilience self-assessment, including board approval. • Execution of remediation activity for the 2023 financial year completed in line with approved plan to ensure full compliance by March 2025.	• Operational resilience self-assessments were updated as planned and approved by the board. • All three divisions remain on track to complete remediation by the regulatory deadline of March 2025.	• On track • On track
Improve technology resilience and risks	• Remediate significant risks and reduce high-level residual technology risks.	• Significant risks have been remediated. • The number of high rated IT Security and Data Loss risks have been reduced.	• On track
Sustainability			
Develop the group's sustainability strategy, to include targets and transition plans	• Develop improved climate data across the group to enhance the Scope 3 reporting and improve the quality of analysis across lending activities. • Set and meet milestones needed to achieve net zero targets.	• Significant advancements made in our approach to assessing the carbon emissions relating to the assets we finance in the bank. • Assessment of carbon-intensive sectors (including transport) across the loan book to enable setting of intermediate reduction targets to be completed by March 2024.	• On track
Meeting operational emissions reduction targets and support transition to green growth in lending	• Evolve to a fully electric car fleet by 2025. • Ambition to provide £1 billion of funding for battery electric vehicles by 2027.	• Progress on bringing the average fleet emissions down, reaching 23.5 gCO_2/km (2022: 32.9 gCO_2/km). • UK fleet is now almost wholly battery electric or plug-in hybrid cars and c.50% of our fleet is fully electric. • Against our disclosed ambition of financing £1 billion of battery electric vehicles by the 2027 financial year, we were on track with £164 million lent in the first year.	• On track
Improve diversity – make progress towards 2025 targets	• 2025 gender balance and ethnicity targets: – Female senior managers, target of 36%. – Managers with an ethnic background, target of 14%.	• Female senior managers: current position July 2023: 31%. • Managers with an ethnic background: current position July 2023: 9%.	• Behind track

Objective	Measured through reference to	Progress	Objective achieved?
Culture			
Review and enhance employee communications	• Ensure appropriate "tone from top" questions included in 2023 financial year EOS and strong scores achieved.	• 95% of colleagues felt the leaders "take risk and compliance issues seriously". • 91% of colleagues also felt that "senior leadership act in line with our values and business principles".	• Ahead of track
Show strong leadership in managing remediation of control issues	• No overdue high or significant audit or assurance review items unless specifically agreed by the relevant committees.	• The group has maintained zero overdue audit issues for the past three months.	• Ahead of track

The table below summarises the Remuneration Committee's assessment of performance against the risk management objectives after each of the three years of the LTIP performance period.

Element	Year one assessment	Year two assessment	Year three assessment	Overall vesting
Capital and balance sheet management	100%	95%	95%	96.7%
Risk, compliance and controls	90%	75%	75%	80.0%
Overall vesting				**88.3%**

Implementation of the Policy in 2024

Base salary

	Salary effective from 1 August 2023	Increase
Group chief executive – Adrian Sainsbury	£948,600	2.0%
Group finance director – Mike Morgan	£571,200	2.0%

As set out in the chair letter, neither the group chief executive or group finance director has received a salary increase since the 2021 Policy review. For the 2024 financial year the Remuneration Committee has decided to apply a 2% salary increase to the directors' salaries. These base salary increases are lower than the 3% increases awarded to higher-earning colleagues and significantly lower than the average employee salary increase of 6.6% for the 2024 financial year. The Remuneration Committee was mindful of the changes made to the Remuneration Policy in 2021 in order to comply with the variable to fixed pay cap imposed by CRD V. Taking into account the feedback received from shareholders at that time, instead of applying a 3% increase to the current base salaries in line with higher-earning colleagues, the increase for the 2024 financial year was determined by reference to the group chief executive and the group finance director base salaries of £550,000 and £400,000 that had applied at the date they were appointed to the board in 2020 and 2019 respectively.

Adrian Sainsbury and Mike Morgan's allowance in lieu of pension will be 10% of base salary, in line with the upper limit contribution the general employee population can elect to receive.

The executive directors will receive benefits in line with those outlined in the Remuneration Policy table on page 187. There will be no other increases to allowances or benefits other than any potential increase in the cost of providing them.

Directors' Remuneration Report continued

2024 annual bonus (i.e. bonus awarded in respect of the 2024 performance year)

As set out in the chair's letter, a Costs metric (C:I) and a Profit metric (AOP) have been added to the annual bonus for the 2024 financial year. Our Capital metric (CET1) will become an underpin across the whole bonus.

RoTE will replace return on opening equity as a measure of return. This change is aligned with market practice as RoTE is a widely used measure in the reward frameworks of other UK banks.

The approach to target setting for the financial metrics (i.e. the RoTE, AOP and C:I targets) has evolved. Historically, annual target ranges set for RoE were static through the cycle. The Remuneration Committee has decided to move to an approach of setting target ranges that are dynamic year-to-year and take into account market conditions as well as budget outlook and market forecasts. This is aligned with the approach taken by the majority of FTSE-listed companies, including banking peers. Annual bonus targets will be disclosed retrospectively in line with market practice where targets are commercially sensitive.

Nature of measures	Choice of measures	Percentage of bonus opportunity	Vesting ranges
Financial	RoTE	30%	Threshold – 33%[1] Maximum – 100%
	AOP	15%	
	Cost:income ratio	15%	
Non-financial	Strategic scorecard	40%	Minimum – 0%
	Strategic, People, Customer and Risk objectives		Maximum – 100%

1. Performance below threshold in the financial measures would result in zero vesting of financial measure.

The Remuneration Committee retains discretion to adjust the targets if the board gives approval for a material transaction, to ensure that performance is measured on a fair and consistent basis.

2023 LTIP (i.e. LTIP awarded in respect of the 2024 to 2026 cycle)

The 2023 LTIP awards due to be granted in October 2023 are shown in the table below.

	Chief executive Adrian Sainsbury	Group finance director Mike Morgan
2023 LTIP award	£1,185,750	£714,000
Percentage change in LTIP award from 2022	2%	2%
2023 LTIP award as a percentage of 2024 salary	125%	125%

The Remuneration Committee determined that it was appropriate to grant the executive directors an LTIP award at the maximum level of 125% of their 2024 base salary. The Remuneration Committee will review the level of vesting upon completion of the performance period.

The 2023 LTIP targets are detailed in the table below.

Nature of measures	Choice of measures	Targets	Weightings	Vesting ranges
Financial	RoTE	10% to 18%[1]	30%	Threshold – 25% Maximum – 100%
	Relative TSR vs. FTSE 250 FS companies	Median to upper quartile ranking	20%	
	Adjusted EPS growth	10% to 30% over 3 years	20%	
Non-financial	Risk management objectives	Discretionary assessment against specific goals	30%	

1. Average over three-year performance period.

The RoTE and adjusted EPS growth targets for the 2023 LTIP are consistent with those that applied for the last three LTIP awards. The Remuneration Committee believes that these targets are appropriately stretching and effectively align the executive directors' interest with those of shareholders through many economic cycles. The stretch in the targets was also considered to be appropriate when viewed on a holistic basis and in the context of the modest levels of LTIP vesting over a number of years, as shown in the table on page 183.

The risk, ESG, and capital and liquidity elements within the risk management objectives for the 2024 financial year are detailed in the following table.

Risk and operational resilience
Continue annual achievement of outcome reviews and maintenance to long-term goals
Sustainably embedded compliance with corporate audit and governance reforms
Ensure full regulatory compliance with operational resilience requirements
ESG
Define and publish transition pathways to meet our net zero ambition
Improve diversity through meeting defined targets
Capital and liquidity
Maintain a strong and prudent capital position that is above regulatory minimum
Maintain a progressive dividend that is sustainable over the medium term
Maintain a prudent amount of liquid assets over the period
Maintain a prudent amount of term funding that supports our "borrow long, lend short" strategy

Due to commercial sensitivity, the full details of the milestones for the objectives will be outlined in the Directors' Remuneration Report throughout the performance period rather than prospectively.

Relative spend on pay

The following table shows the total remuneration paid compared to the total distributions to shareholders.

	2023 £ million	2022 £ million	Percentage change
Remuneration paid	**347.0**	344.5	0.8%
Distributions to shareholders[1]	**100.5**	98.4	0.7%

1. Interim dividend paid and final dividend proposed for the financial year.

Changes in remuneration of the directors and all employees

The table on the following page shows how the remuneration for the directors changed compared to employees of the parent company of the group and the average group-wide employee population for each year between the 2020 and 2023 financial years.

The decrease in executive directors' annual bonus is due to their decision to forgo their bonus for the 2023 financial year, as detailed in the Remuneration Committee chair's letter on page 168. The change to benefits relates to costs of providing private medical cover and, for Adrian Sainsbury, the inclusion of the discount of share price for a SAYE option granted.

The year-on-year movement in salary for the average group employee and average group-wide employee between the 2020 and 2023 financial years reflects the annual review implemented in August 2022 and ad hoc salary changes throughout the 2023 financial year.

The average decrease in bonus for the average group-wide employee population is greater than the average Group employee; this is largely driven by the reduction in average bonus for Winterflood employees due to business performance.

Directors' Remuneration Report continued

Non-executive directors who joined on or after 1 August 2022 are not included. The changes in fees shown below relate to changes in responsibility for the non-executive directors.

	2023			2022			2021			2020		
	Salary/Fee	**Benefits[1]**	**Bonus**	Salary/Fee	Benefits[1]	Bonus	Salary/Fee	Benefits[1]	Bonus	Salary/Fee	Benefits[1]	Bonus
Average Group employee[2]	**7.0%**	**16.2%**	**(11.7)%**	5.8%	21.3%	29.5%	2.4%	6.6%	34.3%	11.7%	2.3%	(32.9)%
Average employee[3]	**4.7%**	**4.7%**	**(27.6)%**	5.7%	5.7%	(32.8)%	0.0%	0.0%	21.2%	1.8%	1.8%	13.1%
Executive directors[4]												
Adrian Sainsbury[5]	**0.0%**	**2.7%**	**(100.0)%**	95.7%	62.2%	(51.1)%	–	–	–	–	–	–
Mike Morgan[6]	**0.0%**	**(0.1)%**	**(100.0)%**	40.0%	30.8%	(54.9)%	0.0%	20.2%	152.2%	0.0%	0.0%	(54.7)%
Chairman and non-executive directors[7]												
Mike Biggs	**0.0%**	**–**	**–**	0.0%	–	–	0.0%	–	–	0.0%	–	–
Oliver Corbett	**0.0%**	**–**	**–**	(1.7)%	–	–	(0.1)%	–	–	5.6%	–	–
Peter Duffy	**0.0%**	**–**	**–**	7.7%	–	–	2.8%	–	–	0.0%	–	–
Sally Williams	**0.0%**	**–**	**–**	3.8%	–	–	0.0%	–	–	–	–	–
Mark Pain	**0.0%**	**–**	**–**	27.5%	–	–	–	–	–	–	–	–
Patricia Halliday[8]	**23.9%**	**–**	**–**	–	–	–	–	–	–	–	–	–
Tracey Graham[8]	**23.9%**	**–**	**–**	–	–	–	–	–	–	–	–	–
Tesula Mohindra	**0.0%**	**–**	**–**	–	–	–	–	–	–	–	–	–
Lesley Jones	**0.0%**	**–**	**–**	3.5%	–	–	0.0%	–	–	5.6%	–	–
Bridget Macaskill	**0.0%**	**–**	**–**	0.1%	–	–	(1.8)%	–	–	5.6%	–	–

1. Non-executive directors have received other benefits that relate to reimbursement for expenses incurred in the course of duties. Reimbursement of these expenses does not provide an accurate comparison to benefits received by employees and they are therefore not included.
2. Changes for employees of the parent company excluding executive directors.
3. Changes for group-wide employees, as this is more representative of changes across the wider workforce excluding executive directors.
4. Calculated using the data from the single figure table in the Annual Report on Remuneration excluding reimbursement for expenses incurred in the course of duties. For Adrian Sainsbury and Mike Morgan, their expenses were £6,020 and £6,328 for the 2023 financial year and £16,441 and £5,939 for the 2022 financial year respectively.
5. Adrian Sainsbury was appointed as group executive director in September 2020 and his 2021 figures are pro-rated based on part-year. Adrian's 2022 salary and benefits increase is driven by the part-year in 2021 and the compensation mix adjustment awarded during the 2022 financial year.
6. Mike Morgan's 2022 benefits increased 30.8%, this is driven by an increase in pension allowance based on the compensation mix adjustment awarded during the 2022 financial year.
7. Calculated using the fees from the single figure table for non-executive directors on page 185. Where non-executives have pro-rated fees, the prior year has either been pro-rated up or down accordingly.
8. Patricia Halliday and Tracey Graham's fees have increased year-on-year and this is driven by their appointment to the chair of the Risk Committee and the chair of the Remuneration Committee respectively during the 2023 financial year.

Pay ratios

The table below compares the chief executive's single total remuneration figure to the remuneration of the group's UK employees at 31 July, over the last four financial years. The Remuneration Committee is satisfied that the median ratio is consistent with the pay, reward and progression policies for our employee population.

The ratio for 2023 has declined on the previous year. This is largely as a result of the executive directors' decision to forgo their bonus for the 2023 financial year and the joint decision by the Remuneration Committee and the executives that the 2020 LTIP should not vest this year.

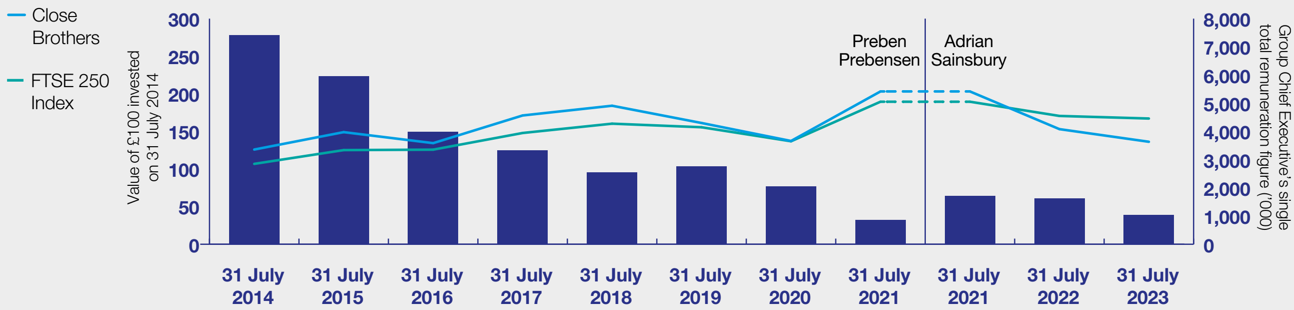
					Lower quartile employee		Median employee		Upper quartile employee	
Year	Method	25th percentile	Median	75th percentile	Total remuneration	Salary	Total remuneration	Salary	Total remuneration	Salary
2023	**A**	**29: 1**	**18: 1**	**11: 1**	**£36,093**	**£30,000**	**£59,000**	**£50,000**	**£92,969**	**£72,600**
2022	A	48: 1	28: 1	17: 1	£33,571	£26,314	£56,952	£40,983	£93,459	£85,000
2021	A	79: 1	37: 1	29: 1	£32,437	£28,820	£54,729	£38,500	£89,927	£70,000
2020	A	64: 1	38: 1	23: 1	£32,194	£27,167	£54,245	£36,950	£90,029	£75,000

Our ratios have been calculated using the most robust methodology option "A" prescribed under the UK Companies (Miscellaneous Reporting) Regulations 2018. Under this option, the ratios are calculated using the following:

- the full-time equivalent salaries and allowances for employees in the UK;
- pensions and benefits paid during the financial years;
- annual bonus awarded for the financial years;
- actual and projected gains realised from exercising awards from taxable employee share plans;
- sales incentives paid during the financial years; and
- projection of vested performance awards.

The group chief executive's total remuneration over the past ten years

The chart below illustrates the group chief executive's single total remuneration figure over the past 10 years and compares it to the total shareholder return of the company's shares and the FTSE 250 over this period. Further detail on the single total remuneration figure outcomes and how variable pay plans have paid out each year is shown in the table below.



	Preben Prebensen								Adrian Sainsbury		
	2014	2015	2016	2017	2018	2019	2020	2021[1]	2021[2]	2022[3]	**2023**
Single figure of total remuneration ('000)	£7,411	£5,962	£3,995	£3,337	£2,541	£2,770	£2,043	£860	£1,720	£1,602	**£1,053**
Annual bonus against maximum opportunity	100%	98%	95%	91%	86%	82%	40%	78%	78%	47%	**0%**
LTIP, SMP and Matching Share Award vesting[4,5,6]	95%	97%	68%	51%	19%	30%	42%	40%	40%	21%	**0%**

1. Preben Prebensen's remuneration for the 2021 financial year was time pro-rated to 21 September 2020, the day he stepped down as chief executive.
2. Adrian Sainsbury was appointed chief executive on 21 September 2020 and his remuneration included in the single figure for the 2021 financial year was time pro-rated accordingly.
3. The figures for the performance awards for 2022 have been recalculated using the actual share price on the date of vesting for the LTIP of £9.345. In the 2022 report, the three-month average to 31 July 2022 was used, given that the awards were vesting after publication of the report.
4. The figures for 2014 include the Matching Share Awards that were granted in 2009 at the time of Preben Prebensen's appointment as chief executive.
5. The 2019 LTIP award vested at 20.6%, the assessed outcome before the 25% discretionary reduction was 27.5%.
6. SMP and Matching Share Awards were last granted in the 2016 financial year.

Scheme interests granted during the year (Audited)

The face value and key details of the share awards granted in the 2023 financial year are shown in the table below. These were all delivered as nil cost options. The Deferred Share Award ("DSA") is a mandatory deferral of a portion of the annual bonus. The share price used to calculate the number of shares awarded for the DSA was £9.231, the average mid-market closing price for the five days from and including the date the preliminary results were announced.

As set out in the Remuneration Committee chair's letter, instead of granting the LTIP in line with the company's standard approach (being the average share price for the five business days following the company's preliminary results announcement, which would have resulted in a grant price of £9.231) the closing mid-market share price on the final trading day of the 2022 financial year (29 July 2022) of £11.100 was used to calculate the number of shares awarded for the LTIP.

Name	Award type[1]	Vesting period	Performance conditions	Face value '000	Percentage vesting at threshold	Number of shares	Vesting end date
Adrian Sainsbury	DSA[2]	1-3 years	No	£247	n/a	26,799	11 October 2025
	LTIP[3,4]	3 years	Yes	£1,163	25%	104,730	11 October 2025
Mike Morgan	DSA[2]	1-3 years	No	£149	n/a	16,137	11 October 2025
	LTIP[3,4]	3 years	Yes	£700	25%	63,064	11 October 2025

1. The awards are all delivered as nil cost options.
2. The DSA vests in equal tranches over three years.
3. Performance targets are detailed in the 2022 Annual Report on page 136.
4. LTIPs vested from 2020 have an additional two-year holding period.

Directors’ Remuneration Report continued

External appointments

No executive directors held external directorships during the financial year.

Payments for loss of office and past directors (Audited)

There were no payments for loss of office or payments to past directors during the year other than vesting of outstanding share awards as disclosed in previous remuneration reports.

Executive directors’ shareholding and share interests (Audited)

The interests of the directors in the ordinary shares of the group at 31 July 2023 are set out below:

	Shareholding requirement	Number of shares owned outright[2]	Outstanding options not subject to performance conditions[3]		Outstanding options subject to performance conditions[4]	
Name	**2023[1]**	**2023**	**2023**	2022	**2023**	2022
Adrian Sainsbury	**202,339**	**142,200**	**73,476**	46,435	**383,452**	322,287
Mike Morgan	**121,839**	**115,919**	**38,592**	39,001	**204,929**	194,802

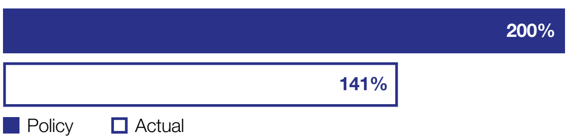
1. Based on the closing mid-market share price of 919p on 31 July 2023.
2. This includes shares owned outright by closely associated persons and SIP.
3. This includes DSA and SAYE options.
4. This includes LTIP awards.

At 31 July 2023, Adrian Sainsbury held 40,873 vested but unexercised shares. There were no changes in notifiable interests between 1 August 2023 and 11 September 2023, other than the purchase of shares by Adrian Sainsbury within the SIP which increased his shareholding to 142,236 shares.

Executive directors’ shareholding

The chart below compares the current executive directors’ shareholding versus shareholding policy, as a percentage of salary. At the end of the 2021 financial year, both executive directors exceeded the minimum requirement under the Directors’ Remuneration Policy. Following the implementation of the compensation mix adjustments in response to CRD V in the 2022 financial year, Adrian Sainsbury and Mike Morgan are building up their shareholding over a reasonable time frame to meet the revised minimum requirement.

Adrian Sainsbury



Mike Morgan

Details of executive directors’ share exercises during the year (Audited)

Name	Award type	Held at 1 August 2022	Called[1]	Lapsed	Market price on award p	Market price on calling p	Total value on calling[1] £	Dividends paid on vested shares £
Mike Morgan	2019 DSA	4,996	4,996	–	1,366.4	1,082.0	54,057	7,698
	2020 DSA	4,421	4,421	–	987.9	1,082.0	47,835	7,341
	2021 DSA	7,128	7,128	–	1,545.8	1,082.0	77,125	10,492
	2017 LTIP	12,276	12,276	–	1,459.0	1,082.0	132,826	41,125

1. These are the actual number of shares and values realised on calling. Any variances in totals are due to rounding.

Adrian Sainsbury did not exercise any shares during the year.

Notes to the details of executive directors' share exercises during the year

The DSA is a mandatory deferral of a portion of the annual bonus.

The DSA and LTIP give executive directors the right to call for shares in the company from the employee benefit trust or Treasury Shares, at nil cost, together with a cash amount representing accrued notional dividends thereon. They may be called for at any time up to 12 months from the date of vesting. The DSA and LTIP awards may be forfeited in certain circumstances if the executive director leaves employment before the vesting date. The value of the awards is charged to the group's income statement in the year to which the award relates for the DSA and spread over the vesting period for the LTIP award.

Details of executive directors' option exercises during the year (Audited)

Name	Award type	Held at 1 August 2022	Exercised	Lapsed	Exercise price p	Market price on exercise p	Gain on calling £
Adrian Sainsbury	2020 SAYE (Spring)	1,013	1,013	–	888.0	968.0	810

Single total figure of remuneration for non-executive directors (Audited)

	2023						2022					
Name	**Basic fee[1] £'000**	**Committee chair £'000**	**Committee member £'000**	**Senior independent director £'000**	**Benefits[2] £'000**	**Total £'000**	Basic fee[1] £'000	Committee chair £'000	Committee member £'000	Senior independent director £'000	Benefits[2] £'000	Total £'000
Mike Biggs	**300**	**–**	**–**	**–**	**22**	**322**	300	–	–	–	22	322
Lesley Jones[3]	**21**	**10**	**4**	**–**	**2**	**37**	71	34	12	–	1	118
Bridget Macaskill[3]	**21**	**10**	**2**	**–**	**2**	**35**	71	34	6	–	16	127
Oliver Corbett	**71**	**34**	**6**	**–**	**1**	**112**	71	34	6	–	–	111
Peter Duffy	**71**	**–**	**12**	**–**	**1**	**84**	71	–	12	–	–	83
Sally Williams	**71**	**–**	**12**	**–**	**2**	**85**	71	–	12	–	1	84
Mark Pain	**71**	**–**	**12**	**34**	**1**	**118**	71	–	12	34	–	117
Tesula Mohindra[4]	**71**	**–**	**12**	**–**	**1**	**84**	74	–	12	–	–	86
Patricia Halliday[5]	**71**	**24**	**8**	**–**	**1**	**104**	71	–	12	–	–	83
Tracey Graham[5]	**71**	**24**	**8**	**–**	**2**	**105**	26	–	4	–	–	30
Kari Hale[6]	**7**	**–**	**1**	**–**	**–**	**8**	–	–	–	–	–	–

1. Non-executive director fees were last increased with effect from 1 August 2021.
2. Benefits include travel-related expenses in respect of attendance at board meetings which are taxable. Amounts disclosed have been grossed up using the appropriate tax rate as the company pays the non-executive directors' tax.
3. Lesley Jones and Bridget Macaskill both retired as a non-executive director on 17 November 2022.
4. Tesula Mohindra was appointed a non-executive director on 15 July 2021 and fees relating to the 2021 financial year (15 July 2021 to 31 July 2021) were paid in the 2022 financial year.
5. Patricia Halliday and Tracey Graham were appointed chair of the Risk Committee and chair of the Remuneration Committee respectively on 17 November 2022.
6. Kari Hale was appointed a non-executive director on 28 June 2023.

Notes to the single total figure of remuneration for non-executive directors

The fees payable to non-executive directors for the 2023 and 2024 financial years are as follows. The committee membership fee increased with effect from 1 August 2023.

Role	**2024**	2023
Chairman[1]	**£300,000**	£300,000
Non-executive director	**£71,000**	£71,000
Supplements		
Senior independent director	**£34,000**	£34,000
Chair of Audit Committee	**£34,000**	£34,000
Chair of Remuneration Committee	**£34,000**	£34,000
Chair of Risk Committee	**£34,000**	£34,000
Committee membership[2]	**£7,000**	£6,000

1. The chairman receives no other fees for chairmanship or membership of board committees.
2. No fees are payable to the chairman, or for membership, of the Nomination and Governance Committee.

Directors' Remuneration Report continued

Non-executive directors' share interests (Audited)

The interests of the non-executive directors in the ordinary shares of the company are set out below:

Name	**Shares held beneficially at 31 July 2023**	Shares held beneficially at 31 July 2022
Mike Biggs	**3,500**	1,500
Oliver Corbett	**–**	–
Peter Duffy	**848**	848
Sally Williams	**–**	–
Mark Pain	**–**	–
Bridget Macaskill[1]	**2,500**	2,500
Lesley Jones[1]	**–**	–
Tesula Mohindra	**–**	–
Patricia Halliday	**–**	–
Tracey Graham	**1,000**	–
Kari Hale	**–**	–

1. Bridget Macaskill and Lesley Jones's shareholding is at 17 November 2022, the date they retired as non-executive directors.

There were no changes in notifiable interests between 1 August 2023 and 11 September 2023.

This report was approved by the board of directors on 26 September 2023 and signed on its behalf by:

Tracey Graham
Chair of the Remuneration Committee

Directors' Remuneration Policy

The Directors' Remuneration Policy was approved by shareholders at the 2021 AGM on 18 November 2021. It is intended that the policy will apply for three years up to the 2024 AGM, unless amendments are required, in which case further shareholder approval will be sought.

The policy can be read in full on pages 100 to 110 of the 2021 Annual Report, which is available on our website at www.closebrothers.com. A summary of the main elements of the Remuneration Policy is set out in the table below.

Information on how the Remuneration Policy will be applied in 2024 is included in the Annual Report on Remuneration section, on pages 179 to 181.

Remuneration Policy for executive directors

Element and how it supports the group's short-term and long-term strategic objectives	Operation and maximum payable
Base salary Attracts and retains high calibre employees.	Reflects the individual's role and experience and external factors, as applicable. Paid monthly in cash. Increases will generally not exceed those for the broader employee population unless there is a change in role, responsibility or the regulatory environment. **Performance framework, recovery and withholding:** Not applicable.
Benefits Enables the EDs to perform their roles effectively by contributing to their wellbeing and security. Provides competitive benefits consistent with the role.	Benefits may include private medical cover, health screening, life assurance, income protection cover and an allowance in lieu of a company car. Other benefits may also be provided in certain circumstances, such as relocation expenses. **Performance framework, recovery and withholding:** Not applicable.
Pension Provides an appropriate and competitive level of personal and dependant retirement benefits.	EDs receive a level of pension contribution (in the form of a cash allowance or contribution to a pension arrangement) that is in line with the wider workforce. **Performance framework, recovery and withholding:** Not applicable.
Annual bonus Rewards good performance. Motivates executives to support the group's goals, strategies and values over both the medium and long term. Aligns the interests of senior employees and executives with those of key stakeholders, including shareholders, and increases retention for senior employees, through the use of deferrals.	60% of the annual bonus will usually be deferred into shares (in the form of nil cost options or conditional awards) and will usually vest in equal tranches over three years, subject to remaining in service. The remaining annual bonus will be delivered immediately in cash. The annual bonus is capped at 95% of base salary. At the Remuneration Committee's discretion, dividend equivalents will usually be paid in cash or additional shares when the deferred awards vest. **Performance framework, recovery and withholding:** Individual bonuses are determined based on both financial and non-financial performance measures in the financial year, including adherence to relevant risk and control frameworks. At the Remuneration Committee's discretion, an element of the bonus may also be based on personal performance. At least 60% of the annual bonus opportunity will be based on financial performance. The non-financial element will be determined based on performance measured against a balanced scorecard, including (but not limited to): • strategic objectives; and/or • people and customer metrics; and/or • risk, conduct and compliance measures. The Remuneration Committee has overriding discretion to adjust vesting outcomes where it considers appropriate. The cash element is subject to clawback and the deferred element is subject to malus and clawback conditions.

Directors' Remuneration Report continued

Element and how it supports the group's short-term and long-term strategic objectives	Operation and maximum payable
Long-Term Incentive Plan Motivates executives to achieve the group's longer-term strategic objectives and aligns their interests with those of shareholders. Aids the attraction and retention of key staff.	Awards are made in the form of nil cost options or conditional awards and usually vest after three years subject to achieving performance conditions and remaining in service. On vesting, awards will usually be subject to a further two-year post-vesting retention period before options can be exercised by, or conditional awards paid to, EDs. EDs are eligible to receive an annual award of shares with a face value of up to 125% of base salary, excluding dividend equivalents. **Performance framework, recovery and withholding:** Individual awards vest based on performance against both financial and non-financial performance measures. At least 70% of the award will be based on performance against financial measures. The remainder will be based on non-financial performance. The Remuneration Committee has overriding discretion to adjust vesting outcomes where it considers appropriate. LTIP awards are subject to malus and clawback provisions.
Shareholding requirement Aligns the interests of executives with those of shareholders.	EDs are expected to build and maintain a holding of company shares equal to at least 200% of base salary. EDs will normally be expected to maintain a minimum shareholding of 200% of base salary for the first two years after stepping down as an ED. **Performance framework, recovery and withholding:** Not applicable.
Other	The group will pay legal, training and other reasonable and appropriate fees, including any relevant tax liabilities, incurred by the EDs as a result of doing their job. The EDs are also permitted to participate in the group-wide Save As You Earn schemes and Share Incentive Plan.
Legacy arrangements	Share awards granted under the previous Remuneration Policy will continue to vest and be released on their usual timescales. These awards to executive directors are also subject to a three-year performance period and usually post-vesting to a two-year retention period.
Additional details on the directors' Remuneration Policy	The Remuneration Committee has discretion to amend performance conditions in appropriate circumstances, provided that the performance condition is not made either materially easier or materially more difficult to achieve. The Remuneration Committee also has discretion to adjust vesting outcomes where it considers the application of formulaic performance conditions to be inappropriate. The Remuneration Committee may make minor amendments to this Policy (for regulatory, exchange control, tax or administrative purposes, to correct clerical errors or to take account of a change in legislation) without obtaining shareholder approval for that amendment.
Rationale for choice of performance conditions	The Remuneration Committee selects financial and non-financial performance measures that strengthen the alignment of the remuneration arrangements to the business model and the interests of our shareholders. The Remuneration Committee believes the current combination of metrics provides a good balance between financial and non-financial measures, and supports the medium and long-term strategic objectives of the group.
Malus and clawback	Malus and clawback provisions apply to the variable pay that can be earned by executive directors. The specific circumstances in which malus and clawback can be applied are set out in our full Policy on pages 105 and 106 of the 2021 Annual Report, which is available on our website.

Dates of Executive Directors' service contracts

Date	Date of service contract
Adrian Sainsbury	1 May 2020
Mike Morgan	15 November 2018

Remuneration Policy for the chairman and non-executive directors

Element and how it supports the group's short-term and long-term strategic objectives	Operation and maximum payable
Fees Attract and retain a chairman and independent non-executive directors who have the requisite skills and experience to determine the strategy of the group and oversee its implementation.	• Fees are paid in cash and are reviewed periodically. • Fees for the chairman and non-executive directors are set by the board. The non-executive directors do not participate in decisions to set their own remuneration. • The chairman of the board receives a fee as chairman but receives no other fees for chairmanship or membership of any committees. • Non-executive directors receive a base fee. • The senior independent director receives an additional fee for this role. • Additional fees are paid for chairmanship of each of the Audit, Remuneration and Risk Committees. Additional fees are paid for membership of committees, with the exception of the Nomination and Governance Committee, for which no additional fees are payable. • Additional fees may be payable for other additional board responsibilities and/or time commitments. The chairman and non-executive directors are entitled to claim reimbursement for reasonable expenses and associated tax liabilities incurred in connection with the performance of their duties for the company, including travel expenses. • Overall aggregate fees will remain within the £1.25 million authorised by our articles of association. There is no performance framework, recovery or withholding.

Non-executive directors' appointment letters

Name	Date of appointment	Current letter of appointment start date
Mike Biggs	14 March 2017	21 September 2020
Oliver Corbett	3 June 2014	17 November 2022
Peter Duffy	1 January 2019	17 November 2022
Sally Williams	1 January 2020	17 November 2022
Mark Pain	1 January 2021	1 January 2021
Tesula Mohindra	15 July 2021	15 July 2021
Patricia Halliday	1 August 2021	17 November 2022
Tracey Graham	22 March 2022	17 November 2022
Kari Hale	28 June 2023	28 June 2023

Consideration of shareholders' and employees' views

The chairman of the board consults our major shareholders on a regular basis on key issues, including remuneration. A formal consultation exercise was undertaken during 2021 with our major shareholders and shareholder advisory bodies as part of the process of reviewing this Policy.

The pay and terms and conditions of employment of employees within the group are taken into consideration when setting the Directors' Remuneration Policy and pay of the EDs. The Remuneration Committee does not formally consult with employees when setting the Policy, although the employee opinion survey conducted every year includes remuneration as one of the topics surveyed.

The Remuneration Committee also receives feedback from engagement with, and communication to, employees on matters relating to remuneration issues, which it uses to inform its broader approach to remuneration, including with respect to the alignment between executive remuneration and the approach to compensation for employees across the group. At each scheduled meeting, the Remuneration Committee reviews a "Remuneration Dashboard" containing metrics, analysis and other information, which the Remuneration Committee uses as part of its decision-making, including as part of the annual compensation process. It covers a wide range of areas throughout the year, such as workforce demographics, pay and reward at different levels across the group, gender pay and SAYE participation.