

SECTION C: CORPORATE GOVERNANCE

Montelbaanstoren, Amsterdam



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BOARD PROFILE AND BOARD OF DIRECTORS

The role for the Chesnara board of directors is to establish the culture, values and ethics of the group and provide leadership to maintain high standards of corporate governance and behaviour throughout all levels of the organisation.

The diversity of skills, knowledge and experience of our board members ensure we continue to deliver against our strategic objectives. The board composition, as summarised on the right, indicates the core competencies that have been identified as being key to the board discharging its responsibilities and shows the collective score of the current board.

The biographies below show the specific areas of specialism each board member provides, with each letter correlating to the competency matrix on the right. Where a board member has a competency in blue, this indicates a primary specialism. A light grey colour indicates that this competency is a secondary specialism for that board member.

THE BOARD

LUKE SAVAGE CHAIR

Non-executive Chair of the board, Luke is responsible for the leadership of the board, setting the agenda and ensuring the board's effectiveness in all aspects of its role.

Appointment to the board: Appointed to the board and as Chair in February 2020.

Committee membership: Nomination & Governance (Chair to 31 December 2021) and a member of the Remuneration Committee (from February 2020). Attends the Audit & Risk Committee by invitation.

Current directorships/business interests:

- Numis Corporation plc, Chair
- DWF Group plc, NED
- Chesnara Holdings BV

Skills and experience: A B C D E F G H I J L M

JANE DALE SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIR OF THE AUDIT & RISK COMMITTEE

Appointment to the board: Appointed to the Chesnara plc board in May 2016 and as Chair of the Audit & Risk Committee in December 2016. Appointed as the board's Senior Independent Non-Executive Director in October 2018.

Committee membership: Audit & Risk and Nomination & Governance.

Current directorships/business interests:

- Countrywide Assured plc, Chair of the Audit & Risk Committee
- CASLP Ltd, Chair of the Audit & Risk Committee
- Covea – Covea Insurance plc and Covea Life Limited, NED and Chair of the Audit Committee
- Anacap Financial Partners – Amber Financial Investments Limited, NED and Chair;
- Novia Financial plc and Novia Financial Holdings Limited, NED
- Global Risk Partners Limited, NED and Chair of the Governance & Audit Committee and Chair of the Remuneration Committee

Skills and experience: A B C D E F G H I J K

STEVE MURRAY GROUP CHIEF EXECUTIVE

Appointment to the board: Appointed as a director of Chesnara on 2 August 2021 and as Group Chief Executive on 19 October 2021.

Career, skills and experience: Steve joined Chesnara from Royal London where as part of their Group Executive Committee he was Chief Commercial Officer with group-wide accountability for M&A and Strategy, Transformation and Analytics & Insight as well as accountability for its legacy business with c5million customers and the take to market activity across the UK insurance and savings. He was also a NED of Royal London Asset Management. Prior to that he spent 15 years at Standard Life across a variety of roles, including its demutualisation and IPO before leading Group M&A and strategy. He then worked in the UK & European insurance business initially as CEO of 1825 financial planning before becoming MD Commercial & Strategy. After leading the first phase of the separation of the UK & European insurance business to Phoenix, he was appointed as Deputy Head of the Private Market division in Aberdeen Standard Investments. Steve started his career with EY.

Current directorships/business interests:

- Movestic Livförsäkring AB
- Scildon NV Supervisory Board
- Waard Group Supervisory Board
- Chesnara Holdings BV
- Cattanach – a private charity, Chair

Skills and experience: A B C D E F G H I J K L M

DAVID RIMMINGTON GROUP FINANCE DIRECTOR

Appointment to the board: Appointed as Group Finance Director with effect from May 2013.

Career, skills and experience:

David trained as a chartered accountant with KPMG, has over 20 years' experience in financial management within the life assurance and banking sectors and has delivered a number of major acquisitions and business integrations. Prior to joining Chesnara plc in 2011 as Associate Finance Director, David held a number of financial management positions within the Royal London Group including six years as Head of Group Management Reporting.

Current directorships/business interests:

- CA Services Ltd
- Movestic Livförsäkring AB

Skills and experience: A B C D E F G H I J L M

BOARD KNOWLEDGE, SKILLS AND EXPERIENCE SUMMARY

KEY	KNOWLEDGE/SKILL/EXPERIENCE	SUMMARY
A	Chesnara company knowledge	●●●●●●●●
B	Industry knowledge – UK	●●●●●●●●
C	Industry knowledge – Sweden/Netherlands	●●●●●●●●
D	Governance – actuarial	●●●●●●●●
E	Governance – financial	●●●●●●●●
F	Audit and risk management	●●●●●●●●
G	Investment management	●●●●●●●●
H	M&A and business development	●●●●●●●●
I	Commercial management	●●●●●●●●
J	Operational change management	●●●●●●●●
K	Customer operational/management	●●●●●●●●
L	Information technology	●●●●●●●●
M	Environmental, social and governance (ESG)	●●●●●●●●

Annual assessment confirms that our board continues to hold significant experience in the insurance sector and also has a range of specialisms which ensure all aspects of our competency profile are well covered.

In the diagram to the left a blue symbol represents the number of individuals with a primary specialism in that area, with a grey symbol reflecting a secondary area of expertise. Where board members are not deemed to have a level of specialism regarding a specific competency they clearly contribute constructively to those matters through their general level of board and business experience.

CAROL HAGH

NON-EXECUTIVE DIRECTOR AND DESIGNATED WORKFORCE NED

Appointment to the board: Appointed to the Chesnara plc board on 14 February 2022.

Committee membership: Nomination & Governance Committee and Remuneration Committee.

Current directorships/business interests:

- Countrywide Assured plc, NED
- CASLP Ltd, NED
- Old Game New Rules Ltd, Director and Founder
- Women on Boards, Ambassador

Skills and experience: A B C D E F H I J K L M

KARIN BERGSTEIN

NON-EXECUTIVE DIRECTOR

Appointment to the board: Appointed to the Chesnara plc board on 14 February 2022.

Committee membership: Nomination & Governance and Audit & Risk.

Current directorships/business interests:

- Movestic Livförsäkring AB, NED
- Chesnara Holdings BV
- Van Lanschot Kempen N.V., NED
- Bank Nederlandse Gemeenten N.V., NED
- University Medical Center Groningen, NED
- Bergstein Advies B.V., General Manager
- Foundation for Continuity of NN Group, NED

Skills and experience: A C D E F H I J K L M

EAMONN FLANAGAN

NON-EXECUTIVE DIRECTOR AND CHAIR OF THE REMUNERATION COMMITTEE from 15 January 2022

Appointment to the board: Appointed to the Chesnara plc board in July 2020 and as Chair of the Remuneration Committee in January 2022.

Committee membership: Audit & Risk and Remuneration.

Current directorships/business interests:

- Movestic Livförsäkring AB, NED and Chair of the Audit & Risk Committee (from 10 June 2022)
- Movestic Fonder AB, Chair
- AJ Bell, NED
- Randall & Quilter Investment Holdings Ltd (Bermuda), NED

Skills and experience: A B C D E F G H I J K L M

MARK HESKETH

NON-EXECUTIVE DIRECTOR

Appointment to the board: Appointed to the Chesnara plc board in December 2018 and as Chair of the Nomination & Governance Committee in January 2022.

Committee membership: Nomination & Governance and Audit & Risk.

Current directorships/business interests:

- Countrywide Assured plc, NED
- CASLP Ltd, NED
- Chesnara Holdings BV, NED
- Stonebridge International Insurance Limited, Chair
- Bethany Christian Trust, Treasurer and NED
- Bethany Enterprises Ltd, NED

Skills and experience: A B C D E F G H I J K

GOVERNANCE OVERVIEW BY THE CHAIR

‘Our robust governance framework enables us to effectively manage risks and opportunities, as well as take appropriate steps to address relevant environmental and social issues in a proportionate manner.’



Dear Shareholder,

On behalf of the Chesnara board, I am pleased to present our Corporate Governance Report for the year ended 31 December 2022.

Chesnara's corporate governance framework underpins the delivery of sustainable value to our customers and shareholders through effective deployment of our staff and technology, and constructive engagement with our suppliers, partners and regulators. The board sets the tone for the group's culture and values with a view to achieving the strategic objectives by assigning clear roles and responsibilities and setting high expectations of business performance and ethical conduct.

I believe that our robust governance framework enables us to effectively manage risks and opportunities, as well as take appropriate steps to address relevant environmental and social issues in a proportionate manner.

In December 2020, the FCA introduced a rule for UK premium listed firms requiring disclosure, on a comply or explain basis, against the recommendations of the TCFD. Our TCFD report can be found on pages 70 to 84. We have also published our first annual sustainability report which can be found on our website: www.chesnara.co.uk.

This section of the Annual Report and Accounts sets out our governance policies and practices, and includes details of how the company has materially, during 2022, applied the UK Corporate Governance Code 2018 (the 'Code').

The board recognises that sustainability and stewardship are central to a company's ability to operate responsibly. The board is also mindful of the ever-increasing importance of the interests of its employees, customers and suppliers for the purposes of delivering sustainable performance, whilst engaging constructively with regulators and shareholders to understand and meet their expectations.

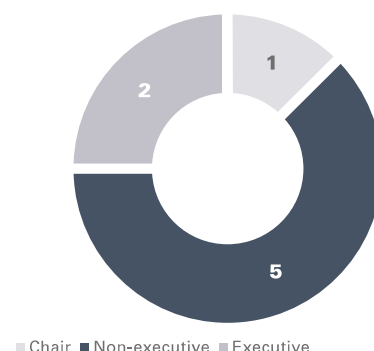
No NED chairs the board and a board committee nor does a NED chair more than one Chesnara plc board committee. The principles and policies that support the governance framework outlined in the Group Corporate Governance & Responsibilities Map are designed to encourage high standards of ethical and business conduct and consideration of matters such as diversity. Each of the businesses within the group has continued to make further progress in ensuring that the governance arrangements remain effective, whilst also integrating environmental and social factors within their risk assessment system.

This report summarises the steps the board and its committees have taken to fulfil their governance responsibilities.

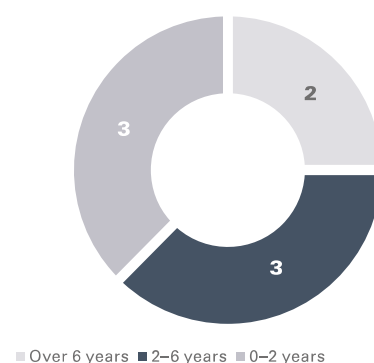


Luke Savage
Chair
29 March 2023

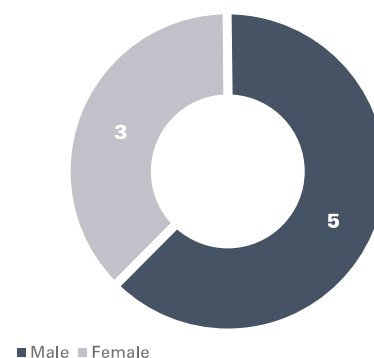
Current balance of executive and non-executive directors



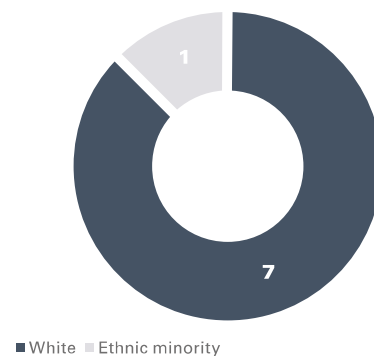
Board tenure



Current gender diversity of the board



Current ethnic diversity of the board



CORPORATE GOVERNANCE REPORT

The group's governance framework has continued to operate effectively in 2022 and we have taken further steps to improve our approach.

Compliance with the Code

The company has complied throughout the year with all of the relevant provisions of the Code including Provision 29 on the risk management and internal controls systems noted in the respective sections that follow. The UK Corporate Governance Code is available at www.frc.org.uk.

The board

At 31 December 2022, the board comprised of a non-executive Chair, five other non-executive directors and two executive directors.

Biographical details of current directors are given on pages 88 and 89 and a board profile, which assesses the core competencies required to meet the group's strategic objectives, is provided on page 89. The board, which plans to meet at least eight times during the year, has a schedule that it reviews annually on matters reserved for its consideration and approval. These matters include:

- setting corporate strategy;
- approving the annual budget and medium-term projections;
- reviewing operational and financial performance;
- approving acquisitions, investments and capital expenditure;
- reviewing the group's system of financial and business controls and risk management and setting risk appetite parameters;
- approving appointments to the board and to its committees;
- appointment of the Company Secretary; and
- approval of policies relating to directors' remuneration.

In addition:

- (i) three directors of the company were during the year also directors of Countrywide Assured plc and of CASLP Ltd from the date of its acquisition, those being Miss Dale, Miss Hagh and Mr Hesketh. Further segregation of the boards was introduced by Messrs Flanagan, Murray and Rimmington resigning their Countrywide Assured directorships from 14 February 2022;
- (ii) four directors of the company, being Miss Bergstein (from 01 May 2022) and Messrs Hesketh, Savage and Murray, are also directors of Chesnara Holdings BV, which is in the process of being liquidated;
- (iii) two directors of the company, being Messrs Flanagan and Rimmington, were also directors of Movestic Livförsäkring AB throughout the year and were joined during 2022 by Miss Bergstein and Mr Murray; and
- (iv) Mr Murray was also a director of the Scildon, Waard and Robein Leven Supervisory Boards throughout the year.

Under local legislation or regulation for all divisions of the group, the directors have responsibility for maintenance and projections of solvency and for assessment of capital requirements, based on risk assessments, and for establishing the level of long-term business provisions, including the adoption of appropriate assumptions. The Prudential Regulation Authority is the group supervisor and maintains oversight of all divisions of the group through the college of supervisors.

The responsibilities that the board has delegated to the respective executive management teams of the UK, Dutch and Swedish businesses include: the implementation of the strategies and policies of the group as determined by the board; monitoring of operational and financial results against plans and budget; prioritising the allocation of capital, technical and human resources and developing and managing Risk Management Systems.

The roles of the Chair and Group Chief Executive

The division of responsibilities between the Chair of the board and the Group Chief Executive is clearly defined and has been approved by the board. The Chair leads the board in the determination of its strategy and in the achievement of its objectives and is responsible for organising the business of the board and availability of timely information, ensuring its effectiveness, encouraging challenge from non-executive directors and setting its agenda. The Chair has no day-to-day involvement in the management of the group. The Group Chief Executive has direct charge of the group on a day-to-day basis and is accountable to the board for the strategic, financial and operational performance of the group.

Senior Independent Director

Jane Dale, who has been a non-executive board member since May 2016, was appointed as the Senior Independent Director in October 2018. The Senior Independent Director supports the Chair in both the delivery of the board's objectives and in ensuring that the view of all shareholders and stakeholders are conveyed to the board. Jane Dale is available to meet shareholders on request and to ensure that the board is aware of shareholder concerns not resolved through the existing mechanisms for shareholder communication. The Senior Independent Director also meets with the non-executive directors, without the Chair present, at least annually, and conducts the annual appraisal of the Chair's performance and provides feedback to the Chair and the board on the outputs of that appraisal.

Directors and directors' independence

During 2022 a review was conducted to assess the independence of the board as a whole when set against a matrix of key measures set out in the Code. The table below shows the results of that review under the Code Provisions 11, 12 and 17 and Principle G.

Code consideration	Questions	
Provisions 11 & 12	1. Are at least half the board, excluding the chair, NEDs whom the board considers to be independent?	Y
	2. Has the board appointed one of the independent NEDs to be the Senior Independent Director (SID) to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders?	Y
Principle G	3. Does the board include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision making?	Y
	4. Is there a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business?	Y
Provision 17	5. Has the board established a Nomination Committee to lead the process for appointments, ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession?	Y
	6. Are a majority of members of the Nomination Committee independent NEDs?	Y
	7. Is the Nomination Committee chaired by an individual other than the chair of the board when it is dealing with the appointment of their successor?	Y

The following statement, together with the Directors' Remuneration Report on pages 100 to 111, the Nomination & Governance Committee Report on pages 96 to 97, and the Audit & Risk Committee Report on pages 119 to 125 describes how the principles set out in the UK Corporate Governance Code 2018 (the 'Code') have been applied by the company and details the company's compliance with the Code's provisions for the year ended 31 December 2022.

The review went further and, based on Code Provision 10, assessed each NED against a list of ten Yes/No questions, where, for each, a 'No' is determined to be a positive assessment of independence.

The table below shows the results of that review:

Questions: Has the non-executive director?	LS	JD	EF	MH	CH	KB
1. Been an employee of the company or group within the last five years?	No	No	No	No	No	No
2a. Had within the last three years, a material business relationship with the company: – Directly?	No	No	No	No	No	No
2b. Had within the last three years, a material business relationship with the company: As a partner, shareholder, director or senior employee of a body that has such a relationship with the company?	No	No	No	No	No	No
3. Received additional remuneration from the company apart from a director's fee?	No	No	No	No	No	No
4. Participated in the company's share option or performance-related pay scheme?	No	No	No	No	No	No
5. A member of the company's pension scheme?	No	No	No	No	No	No
6. Got close family ties with any of the company's advisors, directors or senior employees?	No	No	No	No	No	No
7. Held cross-directorships or had significant links with other directors through involvement in other companies or bodies?	No	No	No	No	No	No
8. Represented a significant shareholder?	No	No	No	No	No	No
9. Served on the board for more than nine years from the date of their first appointment?	No	No	No	No	No	No

As a result of this review the board considers that all non-executive directors were independent during the year under review.

The board has no familial relationship with any other member of the board or senior management team.

Other than their fees, and reimbursement of taxable expenses, which are disclosed on page 102, the non-executive directors received no remuneration from the company during the year. The directors are given access to independent professional advice, at the company's expense, when the directors deem it necessary, in order for them to carry out their responsibilities. Independent professional advice of this nature was drawn upon with regard to remuneration matters. This has been disclosed on page 99 and page 101 in the Remuneration Report.

The board is satisfied that its overall balance continues to provide significant independence of mind and judgement and further considers that, taking the board as a whole, the independent directors are of sufficient calibre, knowledge and number that they are able to challenge the executive directors, their views carry significant weight in the company's decision making and bring diverse cultural and territory insight and skills.

Professional development

The directors were advised, on their appointment, of their legal and other duties and obligations as directors of a listed company. This has been supplemented by the adoption and circulation to each director, their responsibilities and duties as contained within the group's Corporate Governance & Responsibilities Map, which covers all aspects of the specific operation of corporate governance standards and of policies and procedures within the group. Throughout their period in office, the directors have, through the conduct of business at scheduled board meetings and training, been updated on the group's business and on the competitive and regulatory environment in which it operates. During the year, specific specialist areas of training have also been provided to the board including IFRS 17, climate change, corporate reporting, BEIS corporate reform, directors' duties and cyber risk. Members of the CA plc and CASLP Ltd boards, who served during the period under review, have considerable knowledge and experience of the UK-based businesses of the group. Similarly, Miss Bergstein and Messrs Savage, Flanagan, Hesketh, Murray and Rimmington, through their membership of the overseas boards, between them displayed considerable knowledge and experience of the Swedish and/or Dutch based businesses of the group.

Information

Regular reports and information are circulated to the directors in a timely manner in preparation for board and committee meetings.

As stated above, the company's directors are also variously members of the boards of subsidiaries within the UK, Dutch and Swedish divisions. These boards hold scheduled meetings, at least quarterly, which are serviced by regular reports and information, covering all of the key areas relevant to the direction and operation of those subsidiary entities, including business development, key projects, financial performance and position, actuarial assumptions setting and results analysis, compliance, investments, information technology and security, operations, customer care and communication, internal audit, all aspects of the Risk function and own risk and solvency assessment.

All divisional entities monitor risk management procedures, including the identification, measurement and control of risk through the auspices of a risk committee. These committees are accountable to and report to their boards on a quarterly basis.

Annual reports are produced which cover an assessment of the capital requirements of the life assurance subsidiaries, their financial condition and a review of risk management and internal control systems.

Also, the divisions are required to submit a quarterly risk report and an annual report on risk management and internal control systems. In addition to these structured processes, the papers are supplemented by information which the directors require from time to time in connection with major events and developments, where critical views and judgements are required of board members outside the normal reporting cycle.

'THE BOARD OF DIRECTORS RECEIVE REGULAR UPDATES AS WELL AS SPECIFIC SPECIALIST AND REGULATORY TRAINING.'

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board effectiveness and performance evaluation

As part of the annual performance, an external effectiveness evaluation of the board and each of its committees was undertaken. The 2022 board effectiveness reviews were facilitated by an external third party, Nasdaq Governance Solutions. This was through an anonymous questionnaire and individual meetings with each director and regular attendee to obtain their views on what was working well and what could be improved.

The questionnaire contained wide-ranging matters, covering how well the board operates, the process of decision making, the balance between the focus on risk, fair customer outcomes and running the business, the culture and dynamics of the board ensuring its composition and that of its committees are aligned. In addition, using similar methods to those described above, the non-executive directors, led by Jane Dale as Senior Independent Director under a separate process, contributed to a formal performance evaluation of the Chair.

The outcome of the reviews of the board and its committees indicated that they continue to be effective and that each of the directors demonstrates commitment to his or her role, along with sufficient time required to discharge their responsibilities to the company. The evaluation findings were presented back to each committee and formally approved on that basis before each committee then confirmed to the board that it continued to operate effectively.

Directors' conflicts of interest

The board has a policy and effective procedures in place for managing and, where appropriate, approving conflicts or potential conflicts of interest. This is a recurring agenda item at all board meetings, giving directors the opportunity to raise any conflicts of interest they may have or to update the board on any changes to previously lodged interests. A director may be required to leave a board meeting whilst such matters are discussed.

The Company Secretary holds a register of interest, and a log of all potential conflicts raised is maintained and updated. The board is empowered to authorise potential conflicts and agree what measures, if any, are required to mitigate or manage them. No material conflicts of interest were noted in 2022.

Whenever a director takes on additional external responsibilities, the Chair considers any potential conflicts that may arise and whether or not the director continues to have sufficient time to fulfil his or her duties taking into account Chesnara's policy on executive directors' external appointments. There were considered to be no such concerns in 2022.

Customer/third party conflicts of interest

The board has a policy in place to manage customer and third-party conflicts of interest. This policy sets out how the company and its regulated subsidiaries manage conflicts of interest fairly, both between the relevant company and its customers, between groups of customers and between customers, suppliers and shareholders.

No material conflicts of interest were noted in 2022.

Employee engagement

With COVID-19 still a feature of the external environment, we continued with our policy to ensure that our employees remained safe, whilst also maintaining the necessary service standards for our customers. Hybrid working arrangements are in place across the group to the extent appropriate to each territory and business unit to allow staff to continue to work from home to some extent.

The board has a standard agenda item at each of its meetings to cover culture and stakeholder engagement, including workforce engagement. This has helped highlight workforce and other stakeholder matters as part of board discussion and decision making.

A full description of our employee engagement and well-being is provided in our corporate and social responsibility section on pages 67 to 68.

Customer/supplier engagement

The board remains vigilant to ensure the importance of customer and supplier engagement remains high on the group's agendas.

TCFD

In accordance with Listing Rules, we have compiled our second report covering the broad range of climate-related information to be disclosed under the four overarching pillars (Governance, Strategy, Risk Management and Metrics & Targets) of the TCFD, of which the full report is contained on pages 70 to 84.

Company Secretary

Amanda Wright became Group General Counsel & Company Secretary from 3 October 2022 when Al Lonie stood down as Group Company Secretary. Amanda is responsible for advising the board, through the Chair, on all governance matters. The directors had access to the advice and services of a Company Secretary throughout the year.

Remuneration Committee

Full details of the composition and work of the Remuneration Committee are provided on page 101.

Audit & Risk Committee

Full details of the composition and work of the Audit & Risk Committee are provided on pages 119 to 125.

Nomination & Governance Committee

Full details of the composition and work of the Nomination & Governance Committee are provided on pages 96 and 97.

The attendance record of each of the directors at scheduled board and committee meetings for the period under review is:

	Scheduled board ¹	Nomination & Governance Committee	Remuneration Committee	Audit & Risk Committee
Luke Savage – Non-executive Chair	14 (14)	4 (4)	7 (7)	n/a
Veronica Oak ² – Non-executive Director (resigned 14 January 2022)	0 (0)	0 (0)	0 (0)	0 (0)
Steve Murray – Executive Director (appointed 19 October 2021)	14 (14)	n/a	n/a	n/a
David Rimmington – Executive Director	14 (14)	n/a	n/a	n/a
Jane Dale – Non-executive Director	14 (14)	4 (4)	n/a	8 (8)
Mark Hesketh – Non-executive Director	14 (14)	4 (4)	n/a	8 (8)
Eamonn Flanagan – Non-executive Director	14 (14)	n/a	7 (7)	8 (8)
Karin Bergstein ³ – Non-executive Director	12 (12)	4 (4)	n/a	6 (6)
Carol Hagh ⁴ – Non-executive Director	12 (12)	4 (4)	6 (6)	n/a

The figures in brackets indicate the maximum number of scheduled meetings in the period during which the individual was a board or committee member.

Notes.

1. The number of scheduled board meetings includes 6 meetings that were called at short notice to discuss ad hoc/subject specific matters.
2. Veronica Oak stepped down from the board effective 14 January 2022.
3. Karin Bergstein was appointed to the board effective 14 February 2022.
4. Carol Hagh was appointed to the board effective 14 February 2022.

Relations with shareholders

The Group Chief Executive and the Group Finance Director meet with institutional shareholders and are available for additional meetings when required. Should they consider it appropriate, institutional shareholders are able to meet with the Chair, the Senior Independent Director and any other director. The Chair is responsible for ensuring that appropriate channels of communication are established between the Group Chief Executive and the Group Finance Director with shareholders and, with support from the Senior Independent Director as appropriate, is responsible for ensuring that the views of shareholders are known to the board. This includes twice yearly feedback prepared by the company's brokers on meetings the executive directors have held with institutional shareholders. The company has a programme of meetings with its larger shareholders, which provides an opportunity to discuss, on the basis of publicly available information, the progress of the business. This programme continued during 2022 with enhanced use made of audio and video facilities. Following the issuance of a Tier 2 bond in 2022, the company also meets with existing and prospective debt investors. These include specific meetings for the debt investor community as well as ad hoc meetings arranged either directly or through investor conferences. A significant proportion of the company's shareholders are retail investors. In order to ensure that these retail investors have access to relevant information, the company maintains a detailed website for investors which includes access to equity research. Management also undertake webinars on the company's prospects that are publicly available to private investors.

Annual and interim reports are published and those reports, together with a wide range of information of interest to existing and potential shareholders, are made available on the company's website, www.chesnara.co.uk.

All shareholders are encouraged to attend the Annual General Meeting ('AGM') at which the results are explained and opportunity is provided to ask questions on each proposed resolution.

At our AGM on 17 May 2022 all resolutions were passed, with votes for ranging from 99.99% to 96.50% (votes against ranging from 0.01% to 3.50%).

Our next AGM is to be held on 16 May 2023 and details of the resolutions to be proposed can be found in the Notice of the Meeting on pages 227 to 233. It is intended that the meeting be held in person at the time of writing, with the Chairs of the board committees available to answer such questions as appropriate. Shareholders are nonetheless encouraged to submit in advance any questions that they may have in order that the Chairs of the board committees can answer them on the day.

Internal control

The board is ultimately responsible for the group's system of internal control and for reviewing its effectiveness. In establishing the system of internal control, the directors have regard to the significance of relevant risks, the likelihood of risks occurring and the methods and costs of mitigating risks. It is, therefore, designed to manage rather than eliminate the risks, which might prevent the company meeting its objectives and, accordingly, only provides reasonable, but not absolute, assurance against the risk of material misstatement or loss.

In accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group. This process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. The process is regularly reviewed by the board and accords with the guidance.

In accordance with the regulatory requirements of the PRA, local regulators and SII, the relevant business divisions have maintained and enhanced their risk and responsibility regime. This ensures that the identification, assessment and control of risk are firmly embedded within the organisation and that there are procedures for monitoring and update of the same. The Audit & Risk Committee regularly reviews and reports quarterly on risks to the board.

The group also maintains a principal risk register, which ensures identification, assessment and control of the significant risks subsisting within the company, CA, CASLP, Waard Group, Movestic and Scildon. The principal risks and uncertainties of the group can be found on pages 59 to 65.

The maintenance of the principal risk registers is the responsibility of senior management, who report on them quarterly to the respective divisional Audit & Risk Committees and to each Chesnara Audit & Risk Committee meeting. The divisions maintain a risk and responsibility regime, which ensures that:

- the boards and Group Chief Executive have responsibility for ensuring that the organisation and management of the operation are characterised by sound internal control, which is responsive to internal and external risks and to changes in them;

- the boards have responsibility for the satisfactory management and control of risks through the specification of internal procedures;
- there is an explicit Risk function, which is supported by compliance; and
- the Internal Audit functions provide independent assurance that the risk management, governance and internal control processes are operating effectively.

As an integral part of this regime a detailed risk register is maintained, which is used to identify, monitor and assess risk by appropriate classification of risk. It includes climate change risk.

With regards to Countrywide Assured plc, CASLP, Waard Group, Robein Leven, Scildon and Movestic, the group ensures that effective oversight is maintained, by way of the membership of Chesnara directors on their local boards and quarterly reporting to the Chesnara plc Audit & Risk Committee.

In addition, the Chesnara board confirms that it has undertaken a formal annual review of the effectiveness of the system of internal control for the year ended 31 December 2022, and that it has considered material developments between that date and the date of approval of the Annual Report and Accounts. The board confirms that these reviews took account of the findings by the Internal Audit and Compliance functions on the operation of controls, internal financial controls, as well as management assurance on the maintenance of controls, and reports from the external auditor on matters identified in the course of statutory audit work. Conclusions of the Audit & Risk Committee's annual review of effectiveness of the group's risk management and internal control systems is reported in more detail in the Audit & Risk Committee Report as set out on pages 119 to 125. The board is not aware of any significant deficiencies in the effectiveness of the group's systems of internal control and risk management for the year under review, however it does acknowledge the need to enhance certain aspects of its general IT controls across the group, which will be considered as part of the IFRS 17 implementation. There has been no change of status to this up to the date of approval of this report.

Financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

The group has comprehensive planning, budgeting, forecasting and reporting processes in place. A summary of the group's financial results supported by commentary and performance measures are provided to the board before each board meeting.

In relation to the preparation of the group financial statements, the controls in place include:

- the finance governance team review new developments in reporting requirements and standards to ensure that these are reflected in group accounting policies; and
- the finance governance team develop the group's financial control processes and procedures which are implemented across the group.

The reporting process is supported by transactional and consolidation finance software. Reviews of the applications of controls for external reporting purposes are carried out by senior finance management. The results of these reviews are considered by the board as part of its monitoring of the performance of controls around financial reporting. The Audit & Risk Committee reviews the application of financial reporting standards and any significant accounting judgements made by management.

Going Concern and Viability Statement

The Statement on Going Concern is included in the Directors' Report on page 128 and the Long-Term Viability Statement is set out on page 56.

Financial crime and whistleblowing

Amongst others, the company operates policies for Anti-Bribery & Corruption as well as Anti-Fraud in order to manage risks such as financial crime, money laundering, fraud, corruption and terrorist financing. Related to this, a Whistleblowing Policy is also operated to facilitate the communication of wrongdoing or suspected wrongdoing with clear communication lines highlighted to enable individuals to advise of their concerns in a safe and confidential manner. No instances of whistleblowing or financial crime were noted during the year. These policies are all reviewed annually and staff are asked to attest to their embedding and understanding. A Gifts & Hospitality Register is maintained and no breaches were recorded during the year.

NOMINATION & GOVERNANCE COMMITTEE REPORT

The main focus of the Nomination & Governance Committee considers the mix of skills and experience that the board requires to be effective and with focus on talent development and succession planning across the group.



NOMINATION & GOVERNANCE COMMITTEE

During the period under review, the committee comprised Mark Hesketh, who also served as Chair of the committee, Jane Dale, Luke Savage, Karin Bergstein and Carol Hagh, with Karin and Carol having joined from their 14 February appointment. No individual participated in discussion or decision making when the matter under consideration related to themselves.

The committee Chair reports material findings and recommendations from each meeting at the next board meeting.

The Terms of Reference for the committee can be found on the company website, www.chesnara.co.uk.

The role of the Nomination & Governance Committee is to:

- keep under review the balance, structure, size, diversity and composition of the board and its committees, ensuring that they remain appropriate;
- assess the independence of each NED and any circumstances that are likely to impair, or could impair, their independence;
- be responsible for overseeing the board's succession planning requirements including the identification and assessment of potential board candidates and making recommendations to the board for its approval;
- scrutinise and hold to account the performance of the executive directors against agreed performance objectives and advise the Remuneration Committee of their assessments;
- keep under review the leadership needs of, and succession planning for, the group in relation to both its executive directors and other senior management;
- identify and nominate, for the approval of the board, candidates to fill board vacancies as and when they arise;
- manage the search process for new directors, recommending appointments to the board; and
- evaluate the balance of skills, knowledge, experience and diversity of the board.

This includes consideration of recommendations made by the Group Chief Executive for changes to the executive membership of the board.

During the period, the committee met four times and attendance at those meetings is shown on page 94. This reflected the committee reverting to its more typical number of meetings following an uplift in 2021 when it oversaw the recruitment of Steve Murray as Group Chief Executive and Karin and Carol as our two newest non-executive directors. By invitation, the Group CEO attends the Nomination & Governance Committee, but was not present when matters relating to his own performance were discussed.

The composition of the board

The committee has continued to focus on succession planning, with a view to maintaining an appropriate composition for the board and its committees to support the continued development of the group. The review also identified areas where the board should evolve to meet any expected future business and strategic direction of the group.

The development of talent below board level is vital and an area of focus for the board. The company continues to both build an internal leadership pipeline for senior roles and ensure that the necessary skills and experience exist within the business to deal with challenges and to achieve set objectives. A notable example of this is the appointment in October of Amanda Wright to the new role of Group General Counsel and incorporating the Group Company Secretary role within that.

Board appointment process

The committee adopts a formal and transparent procedure for the appointment of new directors to the board.

The board's typical process may include the use of independent external recruitment consultants for appointing directors. The company will provide a brief of the candidate desired, along with a role profile, to the recruitment consultant. As part of the appointment process, these external recruitment consultants would be asked to provide candidates from a diverse range of backgrounds. Details of candidates who are deemed suitable, based on merit and against objective criteria, are submitted to the committee and the committee will review a short list of suitable candidates and put forward for interview by the board and the executive management team those most suitably qualified. Any candidate deemed suitable for appointment will, if necessary, first have to go through the fit and proper assessment process as outlined in the FCA Senior Managers & Certification Regime (SMCR).

The board engaged the services of Flint Hyde as independent external recruitment consultants in anticipation of Veronica Oak retiring from her role as a non-executive director in January 2022. With their support as independent external recruitment consultants for this exercise, Karin Bergstein and Carol Hagh were appointed on 14 February 2022 and both have contributed strongly to the board since joining.

Diversity

The committee is mindful of the corporate governance developments in the areas of diversity and gender balance, including the requirements under the Disclosure and Transparency Rules.

The board recognises the benefits of having diversity across all areas of the group – please see the equal opportunities section on page 67 for further detail. When considering the make-up of the board, the benefits of diversity are reviewed and balanced where possible and appropriate, along with the breadth of skills, sector experience, gender, race, disability, age, nationality and other contributions that individuals may make. In identifying suitable candidates, the committee seeks candidates from a range of backgrounds, with the final decision being based on merit against the role criteria set. Through its Board Diversity Policy, the board maintains its practice of embracing diversity and has to date operated a measurable gender-based target of having at least 33% female representation. The directors have more recently set themselves the measurable target of having at least 40% representation of both male and female membership on the board by 31 December 2025 in recognition of the recommendations of the FTSE Women Leaders Review. In addition, the company will target having a female appointee to at least one of the key senior roles of Chair; Senior Independent Non-executive Director; Group CEO or Group CFO by that date. Actual levels of gender diversity will be monitored and be reported upon in the Annual Report and Accounts. The board currently comprises five men and three women (37.5%), with the role of Senior Independent Non-executive Director held by Jane Dale.

Further, Chesnara has determined that it will ensure that it continues to meet the measurable target of having at least one director from an ethnic minority on the board in line with the Parker guidance. In consideration of the longer term, the board has discussed increasing its range of knowledge and experience from outside financial services and also a broader geographical experience base but is satisfied with its current composition. The business operates to principles for other roles and is mindful that it has a small workforce and therefore considers that it needs to take associated staff turnover expectations into account.

Review of effectiveness

The board and its committees undertook annual effectiveness reviews and the respective Chairs discussed the findings in each forum. Other standard processes were also undertaken, including Fit & Proper assessments, Board Diversity Policy review, NED succession planning and the review of the effectiveness of the Chair. The evaluations did not identify any additional changes needed to board composition over and above those that had been initiated.

Any areas where increased focus and/or action was considered to be of potential value has either been addressed in 2022 or will be taken into account as appropriate during 2023. The 2022 board effectiveness reviews were facilitated by an external third party, Nasdaq Governance Solutions.

Succession planning

Succession planning is an important element of good governance, ensuring that Chesnara is fully prepared for planned or sudden departures from key positions throughout the group. The committee, in the year, has reviewed the succession plans for the board and senior executives across the group.

Mindful of the need for effectiveness and engagement, the committee through its annual review of board and committee memberships was determined to make a number of changes in 2022. Carol Hagh and Karin Bergstein were appointed as non-executive directors from 14 February. Eamonn Flanagan became Chair of Movestic Livförsäkring AB Audit and Risk Committee in June 2022. Karin joined the Movestic Livförsäkring AB and Chesnara Holdings BV board and Carol the Countrywide Assured and CASLP boards with Jane Dale and Mark Hesketh joining her as NEDs of CASLP Ltd.

Non-executive director engagement

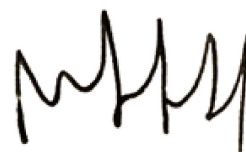
It is important to the board that non-executive directors are provided with training and development both within the business and at a group level. The board believes that ongoing training is essential to maintaining an effective and knowledgeable board. The Company Secretary supports the Chair in ensuring that all new directors receive a tailored and comprehensive induction programme on joining the board. Continuing education and development opportunities are made available to all board members throughout the year. In 2022, a number of development initiatives have continued, these included one-to-one sessions with key members of the senior management team and training sessions given by external providers as well as our own internal IFRS 17 project team ahead of this far reaching accounting change taking effect in 2023.

Directors standing for re-election

In accordance with the Code, all directors will offer themselves for re-election at the company's AGM on 16 May 2023. Following the annual board effectiveness reviews of individual directors, as applicable and subject to re-election/election, the Chair considers that each director:

- continues to operate as an effective member of the board;
- has the necessary skills, knowledge and experience to enable them to discharge their duties and contribute to the continued effectiveness of the board; and
- has sufficient time available to fulfil their duties.

The board, on the advice of the Nomination & Governance Committee, recommends the re-election of each director so proposed at the 2023 AGM. The full 2023 AGM Notice can be found on page 227.



Mark Hesketh
Chair of the Nomination & Governance Committee
29 March 2023