



CORPORATE GOVERNANCE REPORT

For the financial year ending 31 December 2023
Capital One (Europe) plc (the "Company")

1. SECTION 172(1) STATEMENT

Statement of Responsibilities

During the year ending 31 December 2023, the directors of the Company (the “Board”), have acted in the way that they consider, in good faith, promoted the success of the Company for the benefit of its members as a whole, whilst having regard to its stakeholders and the matters set out in Section 172(1) of the Companies Act 2006 (the “Act”).

Effective decision making and long term value

The Board demonstrated effective decision making to promote the long term success of the Company during 2023 in the following ways:

Review and approval of the Company’s business strategy and resource allocation:

The Board are responsible for oversight and approval of the Company’s strategy (the “Strategy”), providing direction and guidance on the medium and long term goals of the Company. The Strategy approved by the Board for 2023 focused on matters that align with the directors’ duties under Section 172(1), such as maintaining strong relationships with stakeholders, including customers and employees. In 2023, the Board also approved the Company’s annual budget, ensuring the allocation of appropriate resources to deliver the Strategy in the near-term and long term. In particular, the Board was supportive of management’s plans to accelerate its technology transformation.

Review and approval of the Company’s Lending Policy:

The Board reviewed and approved the Company’s “Lending Policy” in 2023, which outlines the approach to extending credit to new and existing customers. Effective decision making and oversight of management regarding lending is crucial to the Company’s long term financial success and resilient growth and underpins the Company’s relationships with its customers.

Maintaining robust governance arrangements:

The Board strives to maintain robust governance within the Company and receives regular reports from management and management-level committees, which support the Board’s ability to make effective decisions. Following the establishment of the Board’s Risk Committee (“BRC”) in 2022, the Company’s governance arrangements have been continually reviewed and enhanced. This has ensured they are evolving to align with regulatory developments and the Board’s expectations. For example, in 2023, the Board reviewed and approved changes to management-level risk committee structure, whereby committees are accountable to the Board and BRC. This resulted in a simplified structure and formation of a Customer Outcomes and Insights Committee (“COIC”), in support of the Company’s delivery of activity to comply with the Financial Conduct Authority’s (“FCA”) Consumer Duty, providing an enhancement of information flowing up to the Board.

Continual improvements and Board effectiveness:

The Board maintains a dedicated focus on improvements that enhance its effectiveness, including review of its purpose, administration and composition. This is facilitated and monitored under the direction of the Company Secretary and Chair. In 2023, activity improving the Board's effectiveness included:

- Enhancing documentation setting out the roles and responsibilities of Board members, the Chair, and Company Secretary and related processes for assessing performance.
- The Board completed an annual review of succession planning and conducted a skills assessment to ensure future continuity for the Board to meet its long term objectives.
- Enhancements to Board reports to align with developments to the Strategy and a review of metrics and reporting to ensure the Board has appropriate oversight of the Company's implementation of and adherence to Consumer Duty.
- Bringing external insight to the Board, e.g. via external speakers or training as referenced later in this statement.

Stakeholder engagement:

The Board reviews and approves a stakeholder map each year which supports the Board's consideration of who its key stakeholders are. In addition to Board activity, Board members engage directly with the Company's key stakeholders as part of their management roles through a number of different activities and initiatives (the details of which are beyond the scope of this statement). This engagement helps to ensure that Board decision making aligns with the strategic objectives, risk appetite and the values of the Company's shareholders, each of which are other companies within the Capital One Group (the "Capital One Group"), whilst also appropriately balancing the priorities of its other key stakeholders.

The Board's approach to engagement with its key stakeholders

Customers

The Board recognises that fostering positive relationships with the Company's customers, including understanding their needs and circumstances, is fundamental to the Company's success and achieving good customer outcomes. As such, the Company's business model and Strategy is centered on achieving good customer outcomes. Examples of the Board's engagement to understand the needs of, and the impact of the Company on, its customers in 2023 included:

- Engagement and oversight of the Company's approach to implementing the Consumer Duty. The successful completion of the Consumer Duty implementation plan, approved by the Board in 2022, was monitored through regular Board engagement. Multiple Board and BRC meetings were especially convened to discuss the implementation of Consumer Duty, providing the Board with close oversight of management activities and an opportunity to provide challenge.

Following implementation on 31 July 2023, the Board received reports from management on how it has embedded Consumer Duty.

- The Chair and Consumer Duty Board Champion encouraged the natural integration of Consumer Duty into Board meetings, including through internal and external presentations and engagements which have brought further insights to the Board.
- The Board received quarterly reports regarding the Company's interaction and engagement with its customers, particularly on areas which are central to the delivery of the Strategy. These reports included metrics which the Board helped management shape in order to support the Board's assessment of the Company's delivery of good customer outcomes. The Board had sight of the impacts to customers from the rising cost of living and discussed interventions to ensure the Company's lending continued to be affordable and that the Company was allocating sufficient resource to support struggling customers.

Their management roles also provide Board members with a detailed understanding and valuable first-hand experience of the needs and voice of customers, which supports them in fulfilling their directors' duties under section 172(1) of the Act. The Board, through their management roles, undertook regular customer call listening sessions and also attended customer insight sessions organised by other members of management, which included direct feedback from customers, sharing their experiences with credit.

Employees

Delivery of the Strategy is driven by the Company's employees and the Board understands they are key to the Company's success. Therefore, the Board continually considers employees as part of Board discussions and decision-making. Examples of the Board's engagement with employees in 2023 included:

- Receiving information from management on the outcome of employee surveys, including employee views on topics such as engagement, inclusion and belonging, people leadership and hybrid working.
- Maintaining awareness of key workforce metrics, including hiring and attrition.
- Reviewing management's approach to ensuring employee compensation remains competitive and supports lower wage earners impacted by rising cost of living.
- In support of maintaining a positive culture, the Board oversaw delivery of the Company's Diversity, Inclusion, and Belonging Strategy through bi-annual progress reports from management, and approved updates to the strategy.
- In support of the Company's commitments to gender representation, the Board approved reporting on the Company's Gender Pay Gap Report, and reporting relating to the 'Women in Finance Charter'.

- The results from a comprehensive evaluation of management culture were reported to the Board, highlighting the actions supporting Consumer Duty implementation, and suggested metrics for future monitoring.
- The Board encouraged management's continued operation in line with the Company's values and Mission, including regular discussions with management about maintaining a positive Company culture.
- The Board received updates on a new employee channel, "Continuing the Conversation", established by management to provide a forum to enable the regular and timely sharing of pertinent information with employees.

Regulators, government bodies and advocacy groups

The Board understands the need for the Company to engage with its regulators, government bodies and advocacy groups, and to understand their priorities, which helps to support the Company's strategic aims. Examples of the Board's engagement relating to regulators, government bodies and advocacy groups in 2023 included:

- Deliberating on matters emanating from UK government bodies and UK/US regulators. This included: (i) new regulatory requirements, including the FCA's Consumer Duty; (ii) review of the Company's operational resilience plans, including approval of its self assessment; (iii) approval of the Company's wind down plans; (iv) the FCA's annual business plan; and (iv) various "Dear CEO" letters published by the FCA, e.g. in relation to the impact of the rising cost of living on consumers.
- Management briefings to the Board on the Company's interactions with regulators. For example, information was shared on FCA's surveys and data requests, as well as regulatory examinations conducted by the US Federal Reserve Board and the Office of the Comptroller of the Currency.
- The Chair, in their capacity as Chief Executive Officer ("CEO"), is a member of the Financial Ombudsman Service ("FOS") "Industry Steering Group (Banking)". Meetings held in 2023 focused on key industry trends in complaints and the FOS's engagement with firms.
- Board members, in their management capacities, engaged in policy, industry and regulatory matters both directly and through industry trade bodies such as UK Finance. The aim of which is to understand and influence policymaker and industry thinking on matters impacting consumers, the Company and its customers.
- As part of its regulatory and industry engagement, the Board interacted with consumer advocacy groups and stakeholders. In 2023, the Company hosted a Consumer Stakeholder Forum, centred around the cost of living, with a mix of industry attendees from regulators, trade bodies, debt charities and consumer groups. In this forum, management shared its approach to supporting customers and ensuring good customer outcomes, and also provided a platform for listening to diverse perspectives on the challenges posed by the cost of living. This also provided the Board, through their management roles, first-hand insight into emerging trends concerning customers.

Suppliers and partners

The Board monitors the Company's key supplier and partner relationships, who support the Company to operate effectively and deliver its Strategy. As part of this, it has oversight of how external factors may impact suppliers and therefore delivery of the Strategy and the success of the Company.

Examples of the Board's oversight relating to suppliers and partners in 2023 included:

- Oversight of material changes in the Company's supply chain, supplier trends and performance data, including through updates on the performance of its Appointed Representatives' (i.e. suppliers who perform regulated activity as an agent of the Company), as well as information regarding the strategy applicable to one of the Company's key partners, as specifically requested by the Board.
- Board reports from Management relating to:
 - Approval of the Company's Appointed Representatives Self Assessment in accordance with new FCA requirements.
 - Evaluation and approval of ASOS as a new partner, providing co-branded credit cards.
 - Critical suppliers and material outsourcing, as part of the European Banking Authority rules on outsourcing.
 - Cyber monitoring information on the Company's supply chain, providing the Board with oversight of the cyber impacts to the Company's suppliers and its business operations.

Community and environment

The Board understands the value the Company can add to the community and environment, and requires management to focus on supporting community engagements. These are delivered primarily through the Company's corporate social responsibility ("CSR") and broader engagement activities. An example of the Board's engagement with community and the environment in 2023 included the Board's review and challenge of management's approach to 'Environmental, Social and Governance' ("ESG"). The Board's input assisted management in its preparation of mandatory climate-related financial disclosures for 2023. Management briefed the Board on the Company's interactions with regulators. For example, the FCA's data collection surveys which involved questions regarding the Company's customers; and the US Federal Reserve Board and Office of the Comptroller of the Currency's annual regulatory exams of the Company.

2. STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

The Board approved the continued adoption of the Wates Corporate Governance Principles for Large Private Companies (“Wates Principles”) during 2023. The following considers how the Wates Principles were applied by the Company. Further information illustrating the Company’s adoption of the Wates Principles can be seen in the ‘Section 172(1) Statement’ above.

Principle 1 - Purpose and Leadership

The Company operates with a clear sense of purpose through its Strategy, which sets out clear goals for the Company, aligning with Capital One Financial Corporation’s (the “Corporation”) values and Mission. The Strategy is delivered by management under the Board’s leadership; with the goals communicated to employees in a number of ways.

In 2023, the Board reviewed and approved the Strategy and maintained close oversight of progress against the Strategy, ensuring that the Company was adhering to those goals. The Board’s Terms of Reference also outlined the Board’s accountability for leading the adoption of the Company’s values.

The Board is committed to investing in its business, employees and local communities to deliver value to its stakeholders; and this is embedded as a key goal within its Strategy. All Board decision making is underpinned by the Company’s values and culture, putting the customer and the Company’s other stakeholders at the centre of decision making. The Board prides itself on the Company’s positive and inclusive company culture, with a continued focus in 2023 on employee engagement and continuing to embed its hybrid working model.

The governance framework adopted by the Board ensures the purpose and direction of the Company is communicated to employees through management, who provide regular updates on progress against the Company’s ‘Imperatives’ (i.e. the Company’s key objectives for the year, sitting in parallel to the Strategy) to all employees.

For further detail regarding the Board’s approach to Purpose and Leadership, see the ‘Effective decision making and long-term value’ section of the Company’s ‘Section 172(1) Statement’.

Principle 2 - Board Composition

The members of the Board collectively possess a wide spectrum of skills, knowledge, and backgrounds, bringing varied perspectives and experiences to the Board. The Chair takes an active role in leading the Board, fostering an environment of open debate and constructive challenge during meetings.

Throughout 2023, the Board continued to review its size and composition, including following the resignation of one of its members following their departure from the Company, and the departure of the Board’s independent adviser. In 2023, the appointment of a new Company Secretary brought fresh

perspectives to the role. In addition, the Chair and Head of Human Resources reviewed succession planning, discussing the output with the Board in order to lay a robust foundation for the future composition of the Board.

With support from the Company Secretary, Board members effectively manage time and commitment to their responsibilities, for example by having a dedicated pre-reading day of Board material, which is followed by a pre-meeting allowing for initial discussion on Board reports and the proposed agenda for the Board meeting. Key themes and questions from the pre-reading day are compiled during this pre-meeting and shared with management so they can respond prior to or in the Board meeting. This assists the Board in discharging their duties and drives more focused discussions in Board meetings, allowing Board members to make valuable contributions to discussions.

Principle 3 - Director Responsibilities

The Board's overall accountability and responsibility are clearly documented within the Company's Management Responsibilities Map. The governance structure and risk management framework adopted by the Company support the Board in discharging its responsibility to oversee the Company, including ensuring that it has appropriate systems and controls. Matters reserved for the Board are documented within the Board's Terms of Reference, providing a clear remit of the Board to support effective Board decision making. Matters which require Board approval, are supported by detailed information from management to enable effective and informed debate and decision making. The structure and organisation of Board meetings, including content and agenda design, are also crafted to support and enable effective decision making.

Board members understand their individual accountability and responsibilities in relation to their role on the Board, as set out in Company's internal documentation, which was enhanced during 2023 with the creation of specific Board role profiles. Independent challenge is actively integrated into Board processes, for example by Board Members receiving insights from various sources, including external third parties on specific topics. This approach ensures diverse perspectives and rigorous examinations of decisions, contributing to the overall effectiveness of Board oversight.

Board members receive regular training on their responsibilities as Board members, e.g. on Directors' duties. During 2023, planning for bespoke Chair training commenced for delivery in early 2024. There was additional training and information provided to Board members to support the Board in discharging its role relating to Consumer Duty. For example, training from external counsel and assurance from second and third line functions as part of the Company's implementation of Consumer Duty. Additionally, management who regularly report to the Board were provided with training on the Company's governance framework, the purpose of the Board and the drafting of effective Board reports. This supported management to improve their understanding of the Board's role and enhance their reports; thus supporting the Board in effectively discharging its responsibility.

Board members understand the separation between their membership of the wider management and the Board. This distinction allows for effective independent challenge and oversight, fostering a governance structure that mitigates conflicts of interests and ensures robust decision making. Various management forums have been established to provide effective governance, with appropriate reporting up to the Board. While these forums play a critical role, the Board retains overall responsibility for challenging and overseeing decision making by management, ensuring alignment with strategic objectives.

Principle 4 - Opportunity and Risk

The Board ensures its oversight identifies and considers opportunities to create and preserve value, as well as the identification and mitigation of risk. The Board receives information from both management and external third parties on the external market and environment, including on new innovations, trends and emerging risks. This supports the Board in identifying potential opportunities and risks in relation to the Strategy. In 2023, this included data relating to inflation and the rising cost of living, providing the Board with context on decisions made by management to support customers. During the year, the Board actively encouraged management to report to the Board on identified opportunities to support delivery of the Company's strategy, as well as risks posed to the delivery of the Company's Strategy.

Risk management is overseen by the Board Risk Committee ("BRC"), which has responsibility for approval and monitoring of risk appetite within the Company. Dedicated management risk fora facilitate in depth subject matter expert discussions on specific risk categories such as credit risk, liquidity risk and operational risk, the contents of which are escalated to BRC as appropriate to allow for appropriate risk discussion and challenge at Board level.

The Board actively seeks external perspectives on risk and regulatory developments, for example from external counsel, acknowledging the valuable perspectives provided. This inclusive approach broadens the understanding of potential risks, compliance requirements, and regulatory trends, contributing to a well informed risk management strategy. By upholding this approach to strategic oversight and risk management, the Board remains agile and proactive in navigating an evolving economic, regulatory and business landscape. The continuous refinement of the Strategy, informed by detailed risk discussions and external insights, positions the Company to capitalise on opportunities while effectively mitigating potential risks.

For further detail regarding the Board's approach to Opportunity and Risk, see the 'Effective decision making and long term value' section of the Company's 'Section 172(1) Statement'.

Principle 5 – Remuneration

The Company's approach regarding payment of competitive compensation to employees is included within the Strategy and is designed to support the sustainable success of the Company, whilst taking market rates into account. Compensation for all employees, including Board members, is managed through a Corporation policy. It is subject to performance management processes which assess individual performance. Processes are transparent and fair, and are subject to monitoring to ensure appropriate application. Performance management takes a balanced scorecard approach to reviewing employee performance, including taking account of the individuals' objectives, and their approach to business risk and customer outcomes, including an assessment for both management and Executive Director performance for the Board.

Whilst the Board does not have a remuneration committee, the Company's adoption of the Corporation's policy is approved by the Board annually. The policy is accessible to all employees to promote transparency of the remuneration structures applicable within the Company.

The Company publishes an annual Gender Pay Gap Report which is available publically. The Board reviews and approves this annually, as it is a 'Matter Reserved by the Board'.

Principle 6 – Stakeholder Relationships and Engagement

Board members have regard to the need to foster effective stakeholder relationships and foster relationships which are aligned to the Company's purpose and Strategy, through both their roles as Board members and members of management, which includes regular first-hand interactions with employees, suppliers and other key stakeholders. For example, quarterly business updates from the CEO of the Company and senior management to employees provide updates on the Company's progress against its Strategy.

The Board receives the output from the Company's key stakeholder feedback channels, such as employee surveys and customer engagement forums through management information presented to the Board, as well as hearing directly from certain stakeholders invited into Board meetings, such as the Company's external auditors.

For more information regarding the Company's stakeholder relationships, including its interactions with the Capital One Group and the Board's oversight of ESG, see the 'Shareholder Engagement' and 'The Board's approach to engagement with its key stakeholders' sections of the Company's 'Section 172(1) Statement'.

STATEMENT ON EMPLOYEE ENGAGEMENT

See the 'Section 172(1) Statement' in the Strategic Report for information regarding how the Company has engaged with its employees in 2023.

STATEMENT ON STAKEHOLDER ENGAGEMENT

See the 'Section 172(1) Statement' in the Strategic Report for information regarding how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company in 2023.