

STRATEGIC REPORT

Section 172 Statement and Statement of Engagement with Employees and Other Stakeholders

The directors provide the following statement pursuant to the Companies Act 2006 (as amended by Companies (Miscellaneous Reporting) Regulations 2018) (the "Act") to describe how they have acted in accordance with their duty under Section 172 of the Act ("Section 172") to promote the success of the company for the benefit of its member(s) as a whole, and in so doing, how they have had regard to those factors set out in Section 172, (1) (a) to (f) during the financial year.

Furthermore, in compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the directors provide the statement which follows to describe how they have engaged with employees, and how they have had regard to employee interests and the need to foster the company's business relationships with suppliers, customers and others, and in each case, the effect of that regard, including on the principal decisions taken by the company during the financial year.

Section 172(1) of the Companies Act 2006 requires the directors of a company to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other factors) to various other considerations and stakeholder interests:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The board of the company is collectively responsible for managing the affairs of the company to achieve its long-term prosperity by making important decisions, monitoring the underlying performance of the company, as well as being a means for establishing ethical standards. Understanding the interests of key stakeholders is an important part of the Company's strategy and helps inform the directors' decision making throughout the year.

Board meetings are held as required where the directors will consider the Company's principal activities and make decisions. Meetings are scheduled to provide adequate time for consideration and discussion by the directors of the interests of stakeholders, and for the directors to seek further information from management, as required. As a part of those meetings, the directors receive information in a range of different formats to assist them in discharging

their responsibilities under Section 172 when making relevant decisions. This information may include, among other things, reports and presentations on financial and operational performance, business updates, budget planning and forecasts, HR matters, as well as specific areas of engagement, such as employee opinion surveys. When making decisions, the board seeks to understand the impact on each of its stakeholders, including the likely consequences of a decision in the long term, whilst acknowledging that a decision will not necessarily be favourable for all stakeholders, as there may be competing interests between them.

The company is part of the wider Close Brothers Group (the "Group"), and as such it follows a range of group-wide policies in place to protect employees and provide a safe working environment, to ensure compliance with all regulatory requirements and adherence to the highest professional and ethical standards in dealing with customers, suppliers and colleagues, as well as ensuring that it continues to be cognisant of its social and environmental responsibilities. In doing so, and by balancing the interests of the company's stakeholders when making decisions, the board seeks to maintain a reputation for high standards of business conduct. Further information on these group-wide policies can be found in the annual report and accounts of the company's ultimate holding company, Close Brothers Group plc.

The directors seek to engage directly with stakeholders wherever possible on certain issues, though the size of the Group means that stakeholder engagement often takes place at an operational or Group level. This approach creates greater efficiency and facilitates a greater positive impact on environmental, social and other issues than may be possible at an individual company level, as well as ensuring consistency of approach across the Group. Where engagement has taken place at operational level, the outcome of that engagement has been brought to the board for its consideration where relevant throughout the year. During the financial year, the company has taken advantage of greater flexibility brought about by the Covid-19 pandemic to engage with stakeholders both in-person and virtually, including holding 'hybrid' events to widen participation. Additional details on engagement at Group level with stakeholders, including employees, suppliers, customers, the community and environment can be found in the Strategic Report section of the Annual Report and Accounts of Close Brothers Group plc.

The table and case study below set out further examples of the ways in which the board has engaged directly and indirectly with stakeholders during the financial year, as well as detailing how the Directors have had regard to employee interests and the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on principal decisions taken throughout the year, as well as matters set out in Section 172 (1)(a)-(f) when discharging their duties under Section 172.

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OUR STAKEHOLDERS	WHY WE FOCUS ON THEM AND THE IMPACT OF ENGAGEMENT	STAKEHOLDERS' KEY PRIORITIES	HOW THE BOARD AND MANAGEMENT HAVE ENGAGED AND CONSIDERED STAKEHOLDER INTERESTS DURING THE YEAR
Colleagues	<p>With approximately 2,800 employees around the UK, in Ireland, the Channel Islands and Germany, we have a diverse and motivated workforce which delivers the highest levels of service to our customers, clients and partners. We are committed to the development of our colleagues, ensuring they are supported and engaged.</p> <p>Listening to our colleagues enables us to build an engaged workforce, allowing us to develop and retain high levels of expertise. We are able to ensure we are considering the views of all colleagues and making sure everyone feels included.</p>	<ul style="list-style-type: none"> • A safe working environment. • A fair, supportive, diverse and inclusive culture where employee feedback is valued. • Being appropriately rewarded for their contributions. • Opportunities for training and development. 	<p>Our engagement</p> <p>We conducted our latest employee opinion survey, which closed in February 2023, to gather feedback from our colleagues anonymously. The results of our employee opinion survey gave us insight into key topics including customers and clients, leadership, wellbeing, culture, a sense of belonging, and reward and recognition.</p> <p>Follow-up focus groups were conducted with different teams to understand more around colleague sentiment, with action plans created to ensure we are focusing on the areas that matter most to our colleagues as well as ensuring we are meeting the needs of other stakeholders.</p> <p>We have seven employee-led inclusion networks which control their own agendas and act as a voice for our minority colleague groups.</p>
Customers, clients and partners	<p>Our long-term success depends on the strength of our relationships with customers, clients and partners, our specialist expertise and the maintenance of high standards of service. Central to all decision-making is doing the right thing for customers, clients and partners, by helping them access financial solutions to meet their needs across all market conditions. We engage with our customers throughout their end-to-end journey and actively seek their feedback.</p>	<ul style="list-style-type: none"> • Building and maintaining strong personal relationships based on trust, understanding and specialist expertise. • Understanding, treating and valuing them as individuals. • Fair and equitable conduct of business. • Receiving consistent, responsive and supportive service delivered with simplicity, clarity and ease. 	<p>Our engagement</p> <p>We undertook an independent customer experience assessment, versus other organisations and sectors, which identified opportunities for enhancing the experience we deliver to our customers.</p> <p>We continued to hold customer forums across each of our businesses, with feedback proactively reviewed, areas of improvement identified, and actions taken to meet our customers' changing needs.</p> <p>We created our Customer Commitment to provide a framework for further embedding customer centricity into our culture and decision-making and outlining how we</p>

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		<ul style="list-style-type: none"> Meeting their needs throughout changing economic cycles. Implementing customer-led propositions that meet their individual needs. 	<p>want customers, clients and partners to feel in doing business with us.</p> <p>We conducted an independent assessment of how we are supporting vulnerable customers, are sharing good practice via our Vulnerable Customer forum, and building a charter that articulates our commitment and approach.</p>
Suppliers	<p>Our business is supported by a broad range of suppliers, enabling us to provide high standards of service to our customers, clients and partners. We are focused on ensuring we have transparent and sustainable working relationships with our suppliers.</p> <p>Engagement is focused on driving an open and collaborative approach with our suppliers, as we work together to ensure services support us to meet our goals, whilst considering areas for improvement.</p>	<ul style="list-style-type: none"> Strong and sustainable relationships with Close Brothers. Fair and equitable conduct of business. Appropriate and clear payment procedures. An understanding of the Close Brothers Group purpose and strategy. Robust risk management framework. 	<p>Our engagement</p> <p>We conducted our annual supplier survey to engage with our suppliers on topics such as how they feel about doing business with us, how likely they would be to recommend us as a client and the transparency of our strategies and priorities. This year's survey has indicated that:</p> <ul style="list-style-type: none"> - 41% of our suppliers have described the support they receive in delivering their services to Close Brothers as "Excellent", a 14% increase from last year. - 43% of our suppliers have described Close Brothers transparency and fairness in doing business as "Excellent", a 22% increase from last year. - 33% of our suppliers have described Close Brothers understanding of their business as "Excellent", a 14% increase from last year. <p>We piloted an enhanced Code of Conduct with seven suppliers to be used within our supply chain.</p> <p>Engagement took place with suppliers on a range of sustainability topics.</p> <p>Regular review meetings were held with our suppliers, with strategic meetings taking place</p>

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Regulators and Government	<p>We are committed to sustaining high standards of business conduct in line with regulatory, governmental and legal expectations and operate prudently within the laws and regulations that apply to us.</p> <p>We foster an open and transparent relationship with all our regulators, government authorities and trade associations in the jurisdictions in which we operate. Active engagement helps to ensure we are aware of and adapting to the evolving regulatory framework.</p>	<ul style="list-style-type: none"> • Customer outcomes. • Operational and financial resilience. • Financial crime prevention. • Environmental, social and governance. • Digitisation and analytics. 	<p>at least quarterly with our top-tier suppliers.</p> <p>Our engagement</p> <p>We engaged with relevant regulatory supervision teams through regular meetings and maintained dialogue through event-driven discussions.</p> <p>We undertook reporting and analysis as requested, enabling these stakeholders to better understand our business activities and how we are operating in a controlled and prudent manner in line with their expectations.</p> <p>We continued to engage with the PRA on our IRB approach application, with additional documentation submitted to the regulator during the year.</p> <p>We have provided information in support of the FCA's focus on the cost of living.</p> <p>We have actively monitored the FCA's formal and informal guidance regarding implementation of Consumer Duty to help us align our approach with regulatory expectations.</p>
Communities and Environment	<p>Close Brothers is committed to contributing lasting value and making a positive impact on the communities in which we operate and the environment more broadly. This underpins the growing range of programmes and initiatives we support that benefit society and the environment.</p> <p>Engaging with local communities helps the board and our employees develop their understanding of our clients, customers and partners so that we can support them and help them to achieve their ambitions, whilst also building employee</p>	<ul style="list-style-type: none"> • A suitable strategy for approaching sustainability issues. • Support for community initiatives. • Take active steps to ensure equity of opportunity, regardless of background or experience. • A long-term focus on addressing the 	<p>Our engagement</p> <p>Colleagues completed numerous volunteering activities to positively impact local communities including volunteering at food banks and supporting youth groups such as guide, scout and cadet groups and children's sports teams.</p> <p>Several colleagues, including members of our group executive committee, continue to fulfil trustee roles for various charities to support local communities.</p>

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	engagement. We firmly believe that environmental considerations should form an integral part of our business decisions, and employees across the group are actively engaged on responsible behaviours and environmental issues.	impacts of climate change.	<p>Extended our partnership with the University of Sheffield AMRC Training Centre to fund a further 20 apprenticeships through the Close Brothers SME Apprentice Programme.</p> <p>Continued to partner with upReach, offering placements to six university students from lower socioeconomic backgrounds.</p>
Investors	<p>Close Brothers has a proven and resilient business model and is focused on generating long-term, sustainable value for its investors, while also maintaining a strong balance sheet.</p> <p>Our investors are the providers of capital to our business, so it is important that we engage actively with them and listen and respond to their feedback through an established and comprehensive programme throughout the year.</p>	<ul style="list-style-type: none"> • Strong returns and financial resilience through the cycle. • Capital generation and distributions. • Sustainable and consistent business model. • Appropriate governance practices and regard for environmental and social responsibility. 	<p>Our engagement</p> <p>We maintained our comprehensive programme of communication throughout the year, providing regular market updates, holding two analyst presentations and presenting at seven sales desk briefings and two conferences.</p> <p>We undertook investor roadshows covering the UK, Europe and North America, meeting more than 70 existing and prospective shareholders.</p> <p>Our chairman held a corporate governance roadshow, meeting with six of our top shareholders.</p> <p>Retail investors had the opportunity to engage with board members at the Group AGM and ask questions.</p> <p>Following our update announcement on Novitas in January 2023, Group engaged with approximately 50% of our shareholders and all of our sell-side analyst followers, as well as our credit rating agencies.</p> <p>We instructed one of our advisers to conduct a survey covering a significant proportion of our share register to collect anonymous feedback on our strategy and communications.</p>

Furthermore, set out below is an example of the way in which the board of the company has engaged directly with key stakeholders during the financial year, how stakeholder interests have been considered in the decision-making of the directors, and how the Directors have had regard to the matters set out in Section 172 (1)(a)-(f) when discharging their duties under Section 172. The company is a wholly owned subsidiary of Close Brothers Group PLC and, as such, the duty of directors to have regard to the need to act fairly as between members of the company is limited.

Case study

Below is an example of the way in which the board has engaged directly with stakeholders during the financial year, how stakeholder interests have been considered in the board's decision-making and wider role, and how the Directors have had regard to the matters set out in section 172(1)(a)-(f) when discharging their duties under section 172.

Principal Board Decision: Investment in Retail Finance

We see investment through the cycle as vital in protecting our model, enhancing efficiency, and future-proofing our income generation capabilities, whilst enabling us to meet emerging regulatory requirements and implement system upgrades. Each year, the consolidated investment plan is presented to the board for its review and challenge, if thought fit, approval. Any material changes proposed subsequently are also presented for approval.

The board initially approved investment in a Retail simplification programme that will transform operations and reduce the cost of running the

business, whilst enhancing the operational risk and control environment. The board then considered subsequent proposals from the Retail Finance business to deliver the projects over a longer time scale than originally anticipated, to balance the operational capacity for delivery and the investment demands across other areas of the business.

The board continues to monitor the progress of the investment programme and any further proposals that may be made in the future.

How the board considered, and had regard to, the interests of key stakeholders and the requirements of section 172(1)

- The board recognises the need for investment to support different areas of the business.
- The board considered various scenarios for extending the time frame of delivery for the Retail simplification programme.
- The need to balance thorough planning with the ability to react and adapt was explored.
- The impact of various investment options on the Retail business, its colleagues and customers were discussed at length.
- Other competing investment priorities were also considered.
- The board noted the revised plans being put in place by Retail to deliver the projects over a longer time scale than originally expected.
- Having considered all factors in depth, the board agreed that extending the time frame for delivery was in the best interests of the company and its stakeholders as a whole.