

Stakeholder Engagement

Delivering for our stakeholders

At Close Brothers, we have a long-term track record of creating value and delivering positive outcomes for all of our stakeholders.

We work hard to understand and meet the needs of our different stakeholder groups, engaging with them and adapting our service and offering to create value for them. We undertake a comprehensive programme of stakeholder engagement and consider the feedback provided, embedding this in the decision-making process throughout the group.

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

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 is responsible for establishing and overseeing the company's values, strategy and purpose, all of which centre around the interests of key stakeholders and other factors set out in section 172(1).

The directors are conscious that their decisions and actions have an impact on stakeholders, including employees, customers, suppliers, communities and investors, and they have had regard to stakeholder considerations and other factors in section 172(1) during the year.

Regular engagement with stakeholders, both directly and indirectly via management, has continued to be an important focus for the board and has ensured that the directors are aware of and have effective regard to the matters set out in section 172(1). Throughout the year, the board received and discussed stakeholder insight and feedback and it ensured that stakeholder considerations were taken into account in the board's deliberations and decision-making.

Whilst the board acknowledges that, sometimes, it may have to take decisions that affect one or more stakeholder groups differently, it seeks to treat impacted groups fairly and with regard to its duty to act in a way that it considers will be most likely to promote the success of the company for the benefit of its members as a whole, having regard to the balance of factors set out in section 172(1).

Considerations relating to the factors in section 172(1) are an important part of governance processes and decision-making at both board and executive level, and more widely throughout the group. For example, the schedule of matters reserved to the board and the terms of reference for each of the board's committees emphasise the importance of decision-making with regard to relevant factors under section 172(1) and broader stakeholder considerations.

Necessarily in a large and regulated group, some decisions are taken by management or the directors of subsidiary companies. These decisions are taken within parameters set by the board and there is a robust framework that ensures ongoing oversight, monitoring and challenge by the board and its committees (including certain decisions and activities that are always reserved to the board or its committees). The board has regard to relevant factors set out in section 172(1) in its activities in these areas, including considerations relating to the potential impact of delegated decisions on the long-term success of the group as a whole, the group's reputation for high standards of business conduct and the consequences of local decisions on the group's stakeholders.

Detail on the board's engagement with, and consideration of, the company's stakeholders can be found on pages 137 and 138 of the Corporate Governance Report.



Colleagues

With approximately 4,000 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.

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.

Key priorities of our colleagues

- A safe working environment.
- A fair and inclusive culture where employee feedback is valued.
- Being appropriately rewarded for their contributions.
- Opportunities for training and development.

Our engagement during the year

- We conducted a pulse employee opinion survey, which closed in February 2024, to gather feedback from our colleagues anonymously. The results of this survey gave us insight into key topics including customers and clients, culture, a sense of belonging, and comfort in speaking up.
- 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.
- We have eight employee-led inclusion networks which act as a voice for our minority colleague groups.
- We held regular town halls, providing employees with updates from across the business.



Customers, clients and partners

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.

Key priorities of our customers, clients and partners

- 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.
- Meeting their needs throughout changing economic cycles.
- Implementing customer-led propositions that meet their individual needs.

Our engagement during the year

- We have extended the reach of our “Operational Excellence Academy” customer-focused training programme to further enable a culture of continuous improvement to streamline processes and enhance the customer experience.
- We continued to hold customer forums, with feedback proactively reviewed and areas of improvement identified, as well as actions being taken to meet our customers’ changing needs and support better outcomes.
- Our Vulnerable Customer working group is establishing a charter that articulates our commitment and approach.
- We continue to invest in strengthening our capability to capture, consolidate and act upon customer, client and partner feedback by extending experience measurement to more interaction points.



Regulators and government

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.

We foster an open, transparent and cooperative 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.

Key priorities of our regulators and government

- Customer outcomes.
- Operational and financial resilience.
- Financial crime prevention.
- Diversity and inclusion.
- Digitisation and analytics.

Our engagement during the year

- We have engaged constructively with our regulators during this period of heightened regulatory scrutiny. We have provided information in support of the FCA’s focus on the cost of living and their market-wide review of Borrowers in Financial Difficulty, as well as in connection with the FCA’s review of historical motor finance commission arrangements.
- To align our approach with regulatory expectations, we have actively monitored the FCA’s formal and informal guidance of Consumer Duty including monitoring of customer outcomes management information metrics and the annual assessment of consumer outcomes.
- We continued to engage actively with the PRA on our IRB approach application.
- We undertook reporting and analysis as requested, enabling regulators to better understand our business activities and how we are operating in a controlled and prudent manner in line with their expectations.



Suppliers

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. 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.

Key priorities of our suppliers

- Strong and sustainable relationships with Close Brothers.
- Fair and equitable conduct of business.
- Appropriate and clear payment procedures.
- An understanding of the Close Brothers purpose and strategy.
- Robust risk management framework.

Our engagement during the year

- 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:
 - 80% of our suppliers have described feeling "Very Satisfied" or "Satisfied" by our approach to supplier management.
 - 30% of our suppliers have described our transparency and fairness in doing business as "Extremely Clear", with an additional 45% voting "Very Clear".
- Our Code of Conduct has been updated to reflect feedback from our key strategic suppliers.
- Held regular review meetings with our suppliers, with strategic meetings taking place at least quarterly with our top-tier suppliers.



Communities and environment

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.

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 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.

Key priorities of our communities and the environment

- 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 impacts of climate change.

Our engagement during the year

- Colleagues completed numerous volunteering activities to positively impact local communities, including volunteering at food banks and supporting youth groups such as Guides, Scouts and Cadet groups and children's sports teams.
- Several colleagues, including members of our Group Executive Committee, continue to fulfil trustee roles for various charities to support local communities.
- Extended our partnership with the University of Sheffield AMRC Training Centre, with our 15 apprentices funded through the Close Brothers SME Apprentice Programme entering their second year of training.
- Continued to support social mobility programmes, hosting 35 interns across the group in partnership with the 10,000 Interns Foundation and upReach.



Investors

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.

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.

Key priorities of our investors

- 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.
- Managing the potential impact on the group following the FCA's review on historical motor finance commission arrangements, while protecting our business franchise.

Our engagement during the year

- We increased our comprehensive programme of communication throughout the year, providing regular market updates and, in total, hosting over 170 meetings in the year with equity and debt investors. We held two analyst presentations and attended sales desk briefings and conferences.
- We undertook investor roadshows covering the UK, Europe and North America, meeting more than 80 existing and prospective shareholders.
- Our chairman held a corporate governance roadshow, meeting with 10 of our largest shareholders.
- As part of the group's inaugural AT1 capital issuance in November 2023, we held a number of meetings with existing debt holders and prospective investors.
- Welcomed retail investors at our AGM where they had the opportunity to engage with board members.
- Following the announcement of the FCA's review of historical motor finance commission arrangements, we engaged with 50% of our shareholder base (by holdings) and all of our sell-side analyst followers, as well as our credit rating agencies.