

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 152 to 153 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, supportive, diverse 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 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.
- 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 seven employee-led inclusion networks which control their own agendas and act as a voice for our minority colleague groups.



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 undertook an independent customer experience assessment, versus other organisations and sectors, which identified opportunities for enhancing the experience we deliver to our customers.
- 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.
- We created our Customer Commitment to provide a framework for further embedding customer centricity into our culture and decision-making and outlining how we want customers, clients and partners to feel in doing business with us.
- 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.



Stakeholder Engagement continued



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 Group 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:

- 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.

- We piloted an enhanced Code of Conduct with seven suppliers to be used within our supply chain.
- Engagement took place with suppliers on a range of sustainability topics.
- Regular review meetings were held with our suppliers, with strategic meetings taking place at least quarterly with our top-tier suppliers.



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 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.

Key priorities of our regulators and government

- Customer outcomes.
- Operational and financial resilience.
- Financial crime prevention.
- Environmental, social and governance.
- Digitisation and analytics.

Our engagement during the year

- We engaged with relevant regulatory supervision teams through regular meetings and maintained dialogue through event-driven discussions.
- 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.
- We continued to engage with the PRA on our IRB approach application, with additional documentation submitted to the regulator during the year.
- We have provided information in support of the FCA's focus on the cost of living.
- We have actively monitored the FCA's formal and informal guidance regarding the implementation of Consumer Duty to help us align our approach with regulatory expectations.



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 to fund up to a further 20 apprenticeships through the Close Brothers SME Apprentice Programme.
- Continued to partner with upReach, offering placements to six university students from lower socioeconomic backgrounds.



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.

Our engagement during the year

- 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.

- We undertook investor roadshows covering the UK, Europe and North America, meeting more than 70 existing and prospective shareholders.
- Our chairman held a corporate governance roadshow, meeting with six of our top shareholders.
- As part of the senior bond issuance in June 2023, we held several meetings with existing bond holders and prospective investors.
- Retail investors had the opportunity to engage with board members at our AGM and ask questions.
- Following our update announcement on Novitas in January 2023, we engaged with approximately 50% of our shareholders and all of our sell-side analyst followers, as well as our credit rating agencies.
- 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.