Sustainability Report continued
Task Force on Climate-related Financial Disclosures Report

We present our second Task Force on Climate-related Financial Disclosures ("TCFD") report. Our disclosures comply with the FCA's Listing Rule 9.8.6R (8) and are consistent with the 2017 Recommendations of the Task Force on Climate-related Financial Disclosures. We have also considered the additional 2021 Annexes where practical to do so.

TCFD recommendations	Our progress	Future focus
Governance Describe the board's oversight of climate related risks and opportunities. Describe management's role in assessing and managing climate-related risks and opportunities. See pages 52 to 54	• Board monitoring of climate-related risks and opportunities enabled through clear roles and responsibilities for the board and board committees. • Ongoing ESG and climate-specific training delivered to board and all group employees. • Group chief risk officer accountable under the Senior Managers and Certification Regime for identifying and managing the financial risks associated with climate change. • Further review of climate risk governance recommended a revision to supporting working groups now all largely chaired by executive management sponsors (see page 53). • Climate risk now actively embedded within management decision making.	• Board to oversee the ongoing development of transition pathway. • Continue to build climate knowledge at board and senior management level. • Continue to address key challenges on data, models and tooling. • Build climate skills and competencies across our staff and stakeholders. • Fully implement revised governance model and operationalise the supporting working groups.
Strategy Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. Describe the impact of climate risks and opportunities on the organisation's business strategy and planning. Describe the resilience of the organisation's strategy taking into consideration different climate-related scenarios, including a 2°C or lower scenario. See pages 42 to 43	• Net zero roadmap developed with our main facilities management partner for our office estate to support our 2030 Scope 1 and 2 net zero ambition. • Growth in climate engagement with key suppliers across the group. • Continued development of climate-related scenario analysis to inform commercial development and strengthen risk management. • Progress in developing our green growth plans. • Enhanced data capabilities across our carbon-intensive sectors to support future intermediate net zero targets and transition plans. • New product development to support five year ambition for funding battery electric vehicles. • Climate risks and opportunities considered within financial and strategic planning processes, using the firm's standard one to three-year time horizon.	• Development of our transition plan for our financed emissions. • Continue to address key challenges related to the availability of climate data. • Build on our climate supplier engagement strategy to address our operational emissions. • Respond to evolving regulatory requirements and developments in the broader industry, including the emergence of best practice. • Continue to develop capabilities to assess resilience of our business model.

TCFD recommendations	Our progress	Future focus
Risk Management Describe the organisation's processes for identifying and assessing climate-related risks. Describe the organisation's processes for managing climate-related risks. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management. See pages 44 to 47	• Enhancements to data capabilities to deliver oversight, visibility and measurement of climate risk exposures. • Embedded processes to continually assess and monitor climate risk as a cross cutting risk to our principal risks. • Transitional risk impacts monitored regularly within our emerging risk management and reporting processes. • Evolving reporting capabilities of credit exposure relative to climate-related risk impacts. • Other climate risk impacts embedded in the group wide Enterprise Risk Management Framework. • Continued tailoring of climate risk within risk appetite statements. • Enhancement of standards and policies documents. • Maturing climate risk culture and acknowledgement of corporate responsibility.	• Invest to further develop data to support quantitative risk measurement and commercial strategic development. • Explore expanded scenario analysis to align and support our ICAAP processes. • Broaden our work with customers, partners and suppliers, assessing climate-related impacts. • Continued assessment of climate impacts within our resilience framework. • Ongoing review of the analysis of internal and external risks and opportunities. • Continued horizon scanning to monitor for changes within the regulatory landscape.
Metrics and Targets Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process. Disclose Scope 1 and 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks. Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets. See pages 48 to 51	• Broadening of our climate strategy and targets to cover both net zero Scope 1 and 2 operational targets, as well as specific targets relating to our financed emissions. • Enhanced capabilities to measure the carbon footprint for our operations, including measurement across Scope 3 operational emission categories. • Further enhanced assessment of Scope 3 financed emissions (primarily our loan book) using evolving PCAF methodologies. • Developing transition plans as part of our commitment to net zero through the Net Zero Banking Alliance. • Continued collaboration with industry body forums including active engagement in Partnership for Carbon Accounting Financials ("PCAF") specialist working groups.	• Setting of intermediate 2030 net zero targets for the most carbon-intensive sectors within our loan book. • Improved customer climate data capabilities across our portfolios to improve accuracy of financed emissions reporting, risk assessment and business strategy. • Progress viability of further targets across our lending and investment activities to support our transition pathway.

Sustainability Report continued
Task Force on Climate-related Financial Disclosures Report

Climate Strategy

As a financial services provider we recognise the important role we will play in enabling the transition to a low carbon economy. We provide expert financing solutions for UK SMEs, and will need to align our lending with the transition pathways of our customers. As businesses in the UK develop and deliver their own transition plans to adopt clean technologies, greener assets and new business models, we are ready to support them by providing appropriate financing solutions; in doing so, facilitating change and supporting the wider transition of the economy.

Across the organisation we recognise the importance of addressing the threat of climate change, and the urgency needed in tackling the environmental, economic and social impacts that it brings, noting that these extend across all sections of society, affecting all key stakeholder groups.

Our ongoing work to identify the risks and opportunities of climate change to our business model remains a key area of strategic focus for the board and senior management.

We are committed to working with all of our stakeholder groups to meet the goals of the Paris Agreement. Last year, we became a signatory to NZBA, committing to transition all operational and attributable greenhouse gas ("GHG") emissions from our lending and investment portfolios to align with pathways to net zero by 2050 or sooner.

The Three Pillars of our Climate Strategy

1 Achieving net zero operations

Achieving net zero emissions and reducing supply chain emissions, working with our partners and suppliers to minimise operational impacts.

Addressing the impact our emissions have on the environment remains a key focus for us, demonstrating our commitment to our wider net zero ambition.

We have previously set ourselves challenging net zero aligned targets for our buildings and fleet (setting a net zero target for our Scope 1 and 2 emissions by 2030 and a net zero fleet by 2025), and we have continued this year in delivering initiatives across our own operations to ensure we have a plan to meet these.

Further to meeting all of the mandatory reporting requirements under the Streamlined Energy and Carbon Reporting ("SECR") standards, we provide enhanced disclosure across our operational impacts. As set out in our emissions reporting on pages 49 and 51, we have assessed our full operational footprint, covering Scope 1 and 2 as well as all relevant Scope 3 categories.

As we enhance our carbon accounting across all of our direct and indirect operational carbon emissions, we will be able to expand our emissions reduction plans, including work with our suppliers and partners in areas such as facilities management and IT services.

This year, we have continued to broaden our engagement with our supply chain on environmental matters, while working with those who share our ambitions to efficiently use resources and combat the adverse effects of climate change. We have commenced direct engagement with our largest suppliers, to explore ways in which we can incorporate carbon impact criteria into our choice of suppliers, enhance our emissions data and develop our roadmaps to minimise the impacts in our supply chain.

Our facilities team commenced a project with our main UK facilities management contractor to develop a net zero strategy for all of our properties (covering offices as well as our industrial site operated by our beer keg business). Initially assessing further energy and carbon saving initiatives across our largest energy consuming sites, this project has included an energy metering workstream, new technology feasibility studies, and site energy audits. As it concludes, it will set out a net zero carbon strategy for the full estate.

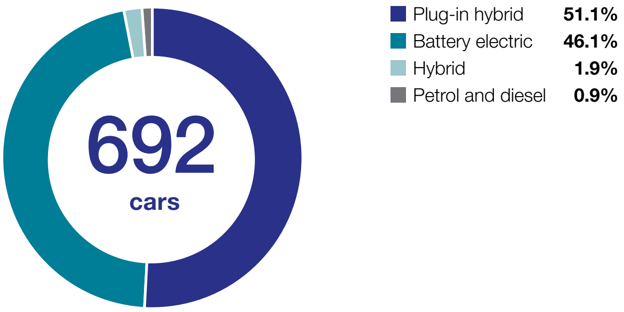
Our drive towards having a net zero emission car fleet has continued this year. We are proud of our leading strategy, allowing us to demonstrate to our customers how progress in decarbonising fleets can be achieved – a growing area of support we offer our customers across the bank.

Since January 2022 we have only offered fully electric, battery electric vehicles ("BEVs") options on our car scheme (other than in exceptional circumstances). Our fleet of 692 cars is now almost wholly battery electric or plug-in hybrid (as can be seen in the diagram on the next page) and we have now reached 46.1% of the fleet being fully electric vehicles.

One of the barriers for greater adoption of electric car fleets is the challenges in providing employees with fully reimbursable electricity payments for business miles (when they are charging at home or charging stations) – specifically when HMRC's cap price (per mile) falls short of actual electricity prices. During the year, we had our re-charging processes approved by HMRC, enabling us to fully reimburse our drivers for electricity costs incurred and hence removing this barrier to wider adoption of electric cars on our fleet.

Our efforts to transition our fleet (and to progress towards our net zero target by 2025) have driven our fleet average emissions down further this year. The average CO_2 emissions for our car fleet is now 23.5 gCO_2/km (2022: 32.9 gCO_2/km).

Our own car fleet



2 Reducing our financed emissions

Supporting the goals of the Paris Agreement through re-alignment of our financing and by assisting our customers in meeting their transitional targets.

Understanding the climate impacts across all of our lending and investments, alongside developing new green growth opportunities in our current and future markets, are crucial steps in us developing our climate transition plan and aligning our financing to our net zero commitments.

Having carried out our initial assessment of our financed emissions across our loan book last year, we made some significant progress in the data quality and coverage of this area during the current year (as set out on pages 50 to 51).

We have adopted the PCAF methodologies to calculate our financed emissions and work closely with their working groups. As signatories to PCAF, we have engaged with our peers across other banks to share best practice frameworks to advance accounting for financed emissions and improve the resolution of our analysis.

We have also carried out a review of our Scope 3 accounting approaches (including our supply chain and our financed emissions) with an external consultancy. This engagement considered the latest best practice financed emissions accounting in the industry and reviewed our loan book products and portfolios to validate our current footprinting methodologies based on available data. This project has supported our year end approach.

Guided by our commitment to align to the Paris Agreement's net zero ambition, we will define our targets for sustainable lending opportunities across both our existing established finance markets as well as new markets and technologies sectors that best fit with our established lending criteria and technical capabilities.

In the next few months, as one of our commitments under NZBA, we will be setting out our initial intermediate 2030 targets across our most impactful sectors in our loan book, likely including transport sectors and power generation.

Following commitment to the Net Zero Asset Managers initiative, in September 2023, our Asset Management division has disclosed details on the portfolio to be managed in line with net zero.

3 Financing the transition

Enabling the deployment of cleaner technologies and business model adaptation through our green growth lending strategy, leveraging our expertise and ensuring alignment with agreed risk appetite.

We recognise the significant growth opportunities for green asset lending across several of our existing asset classes, as well as new ones. As a specialist, adaptable lender, with deep understanding of our customers' needs, we can support our clients in their transition to new, cleaner technologies to meet their own sustainability targets.

One of our largest lending sectors is surface transport. We already see deployment of BEVs in passenger and goods vehicles, as our fleet customers seek to reduce their emissions. In testament to our leadership in providing support for the deployment of zero emission vehicles, in the past year 42% of new cars financed by our Banking division have been BEVs. This compares favourably to the UK market as a whole in the same period where 17.6% of new cars were BEVs.

Last year, building on our early success in supporting the electrification of surface transport, we set ourselves our first green growth ambition, which was to provide funding for at least £1.0 billion of BEVs in the five years from 2023. In this first year, we have funded £164 million of BEVs, putting us close to target to meet this ambition.

During 2023, we established a green growth working group with representatives from across our lending teams and our credit risk function. Its aims are to further develop our existing green lending, and find new, green growth pipelines including in the energy, transport, energy efficiency and energy infrastructure categories.

Sustainability Report continued
Task Force on Climate-related Financial Disclosures Report

Risk Management

How we Identify, Assess and Manage Climate-related Risks

Our group Enterprise Risk Management Framework, as outlined in pages 83 to 89 of the Risk Report facilitates a consistent application of all features of the group's risk management approach to the risks associated with climate change. This extends to both the physical risks, which are considered a cross-cutting risk impacting across our suite of principal risks, as well as transitional risks, which are additionally measured and monitored in line with our emerging risks.

	Description	Timeline	Potential impacts
Physical Climate Impacts			
Extreme weather events (including persistent heat and severe flooding events) as well as long-term shifts in climatic conditions. Increased frequency and magnitude of weather events.	Physical damage to customers' assets. Disruption to sector productivity (such as labour impacts in our construction sector customers, crop yields in our agriculture customer base).	Medium to long term	Credit risk – counterparty and collateral
	Disruption or damage to our own properties or those of our suppliers/ partners (such as data centres and call centres).	Long term	Supply chain risk. Business continuity impacts and disruption to customers.
Transitional Climate Impacts			
Changing markets through the transition to a low carbon economy – driven by new regulation, policy, technologies and customer appetites	Significant shift in a sector's technology – such as the current impacts on some of our existing transport activities.	Medium to long term	Credit risk – counterparty and collateral. Uncertainty around new and legacy asset values.
	Uncertainty and change in many sectors in the UK where our SME customer base operates. Changing demands and expectations from their customers. A growing focus on energy efficiency and environmental performance.	Medium to long term	Credit risk – counterparty and collateral. Uncertainty in markets could lead to reduced investment activity by customers in the short term.
	Changing operating models for customers and higher capital investments in clean assets – such as growing opportunity for businesses to adopt onsite renewable generation, energy storage and electric vehicle charging assets. Leading to the need for new products and underwriting approaches.	Medium term	New business models. Need for new skills and capabilities across the bank.
Changing stakeholder climate expectations	Our stakeholders (including our investors, customers, staff) scrutinising our climate transition plan and delivery against targets. Evolving market appetites towards lending to high carbon sectors (including fossil fuel extraction, carbon intensive transport).	Medium to long term	Reputational risk – ability to attract or retain talent. Impact on attractiveness to investors and savers.

Alignment of Group-wide Framework to Climate-related Risks and Opportunities

The alignment of our risk management framework with climate-related risks and opportunities remains a priority as we continue to develop ongoing risk assessment and monitoring of our banking book and impacts across other principal risks. Continual enhancement of standards and policies supports the increasing maturity of climate risk within our end-to-end risk processes.

We recognise that this is a multi-year journey with the impacts of physical and transitional risks, and supporting frameworks to assess these, still evolving across the industry. The impact of climate change across time horizons and our proportional response will continue to be considered within our wider risk assessment financial planning and strategy development.

Our business planning time horizons

Short term (0-1 year)	Time horizon for annual budgeting and capital assessment.
Medium term (1-3 years)	Time horizon for business strategy and financial planning. Also aligns with typical ICAAP scenario analysis horizon.
Long term (more than 3 years)	Time horizon beyond typical financial planning cycle. Impacts primarily assessed through the use of long-term scenario analysis noting most material climate risks will crystallise in this horizon.

Risk culture and awareness

A risk culture with strong foundations runs throughout the group, consistent with the group's purpose, strategy, cultural attributes and values. The management of climate risk and opportunities is enveloped within this.

Specialist role-specific training on climate change impacts is undertaken and all colleagues are offered training and webinars to ensure they are kept abreast of regulatory developments, expectations of corporate responsibility and wider market sentiment.

Internal controls

To support ongoing embedding of climate risk in our control environment, in-year enhancements have focused on reinforcing climate risk within our policy documentation and on ensuring that internal process is complemented by the activities of our key suppliers and partners.

Governance

A key component of embedding climate risk into our group-wide framework is a coherent three lines of defence model. As our climate risk framework has matured, it has afforded the opportunity to further refine our governance structure to manage an integrated approach to both climate risks and opportunities. The structure in the course of implementation is set out on page 52.

Stress testing

Furthering our previous work on long horizon scenario analysis. Recognising the short tenor of our loan book (16 months), our focus is to further integrate climate exercises into wider group stress testing exercises, e.g. ICAAP and resilience scenarios. Specific concentration focus expected to be on transport, energy and property sectors.

Risk appetite

Consideration of climate risk is integrated into the group's risk appetite statements, which align risk management with group strategy. While quantitative measures are, in the main, currently included for monitoring purposes, we are continuing to develop more tailored, formal risk appetites, particularly for credit risk where measurement of quantifiable metrics against limits specific to business considerations is more readily achievable. We expect these to be based on sectoral transition risk assessments, aligned to our ambition to meet the goal of the Paris Agreement to reach net zero by 2050.

Addressing Data and Future Enhancements

Data quality remains a key challenge and we are committed to developing enriched climate credit risk data that will support more accurate measurement and monitoring. In turn, this will support effective risk mitigation and strategic alignment.

Enhancement to our climate data provision across the group is being led by our climate data working group – a key element within our revised climate governance structure under implementation (see page 52).

Addressing climate data quality will support the development of a second-generation climate assessment methodology which will incorporate a more sophisticated approach utilising both qualitative and quantitative inputs. This will:

- facilitate customer and asset assessment scorecards for each exposure as relevant;
- leverage a wider range of data attributes (both customer and asset); and
- incorporate customer outreach to better understand counterparty-specific climate and ESG sensitivities.

Progress reporting and management information capabilities will facilitate more decision-useful insights, supporting the evolution of the group's strategy for managing risks and opportunities and the development of more tailored risk appetites.

Sustainability Report continued
Task Force on Climate-related Financial Disclosures Report

Climate Cross-cutting Risks

Impacts arising from the physical nature of climate change have the potential to affect several of our existing principal risks.

Noting the longer time horizons for some transitional climate impacts to crystallise (such as on policy and regulation) we track climate risk as one of our core emerging risks.

See page 94

Risks identified across the group with potential climate-related impacts

Credit
Counterparty and collateral impacts

Operational
Premises, people and third-party partners

Traded market

Regulatory

Conduct

Business/strategic

Reputational

Funding/liquidity

Climate-related data
(enhancement in progress)

A Cross-cutting Risk Impacting Across Multiple Principal Risks

In assessing both the risks and opportunities of climate impacts and in preparing our TCFD disclosures, we have sought to provide sufficient granularity, proportionate to the materiality of the climate-risks identified across the group. An extensive analysis of risks has been completed across our risk universe which indicates we are not materially exposed to loss or disruption over the short to medium term. Over the long term, increased risk has been identified, primarily driven by potential transitional impacts. In respect of physical risk, we consider severe impacts are only likely to present in the long term, albeit we recognise acute physical events are already happening. Risks identified are largely mitigated through our resilient business model, benefiting from an average tenor of 16 months, and a customer base that is predominantly in the UK and Republic of Ireland, with strategic management actions to support our customers and strategic partners on their own transition pathways.

Our focus remains primarily centred on credit and operational risk impacts consistent with our view that these represent greatest potential impact. We acknowledge that developments which may have a transitional impact over the medium to longer term could carry additional exposure should appropriate, timely management actions not be taken to maintain the resilience of our business operating model. For more details of our management of emerging risks please see page 90 of the Risk Report.

Complementary to our data strategy outlined on page 45 we anticipate incremental enhancements to assessment, monitoring and reporting to support a greater quantitative lens, augmenting the qualitative assessment already established.

Credit risk

The focus remains largely on credit risk, given its materiality to the banking division and wider group, and importantly its sensitivity to potential climate impacts, noting that both physical and transitional drivers have the potential to impact both counterparty and collateral risk.

Our current methodology deployed across £8.3 billion (86%) of the Banking division loan book continues to identify exposures deemed to have the most sensitivity to climate change, noting it does not account for time horizons over which climate impacts are expected to crystallise. It does, however, prove useful in identifying those exposures deemed as having the most potential sensitivity to climate change, including energy-consuming assets such as motor vehicles in our Motor Finance and Asset Finance businesses, non-renewable energy generation assets, and general business lending in high-impact sectors.

Work continues to develop a second-generation reporting capability based on a more data-led quantitative approach replacing the current qualitative, expert-judgement driven assessment.

Sensitivity dashboards continue to be presented at regular risk committees, ensuring engagement in the climate risk agenda occurs vertically throughout the organisation. For an overview of risk committees see page 85.

Operational risk

Recognising the potential for climate change to impact buildings and service provision capabilities, the group has conducted a review of its existing business continuity plans as well as its broader approach to crisis management to ensure potential impacts on our people, customers and infrastructure have been assessed and that the group is adequately prepared.

Relevant operational risk standards consider the causal impacts presented by climate change, while work continues to incorporate climate impact considerations within our assessment of operational resilience for critical services and change management risk assessments.

The group also recognises the potential for key third parties and suppliers to be impacted by climate change (due either to physical or transitional factors), causing disruption to day-to-day business operations. To maintain pace with the evolving regulatory landscape, the group's third party management framework has been strengthened to include enhanced supplier due diligence questionnaires to gather climate and ESG data for all of our tier 1 and tier 2 suppliers, while our tendering process has been updated to consider environmental and climate considerations alongside sustainability innovation and performance.

Other risks

Work to integrate consideration of climate risk across other identified risk areas continues to progress. Climate change, and the group's response to it, forms an integral part of our business strategy. This includes continued assessment of the resilience of our model, to ensure we are sufficiently prepared to manage the risks posed by it. As outlined in the Governance section (pages 52 to 54) strong oversight of strategic delivery is maintained through our committee framework, with consideration of climate risks now embedded within our strategic planning.

The rapidly evolving regulatory landscape also presents risk and we recognise our responsibility to comply with new and emerging requirements. Horizon scanning capabilities have been enhanced in response, to ensure new requirements are identified and assigned to the relevant functions.

Climate impacts are considered part of our overall commitment and conduct responsibilities to deliver good customer outcomes.

Funding and liquidity impacts are subject to ongoing reassessment with regular updates provided to relevant Treasury committees. Primary focus areas include implications for debt capital markets, potential behavioural changes in our investor base, and possible direct and indirect reputational impacts, including those related to evolving disclosure requirements.

We continue to assess traded market risk implications for Winterflood, although the role of the business as a market maker means we do not take long-term positions, mitigating potential risk exposure.

Meanwhile, our Asset Management division has integrated responsible investment practices into our investment process to aid us in creating long-term value for clients and beneficiaries. The practices include explicitly considering and integrating the impact of material environmental, social and governance factors on the long-term financial risk and return of our investments. Our Asset Management division is a signatory to the Principles for Responsible Investment and has been accepted as a signatory to the Financial Reporting Council's Stewardship Code for the second year running, illustrating our commitment to strong stewardship of our clients' capital.

The product offering for clients who wish to further align their investments to their values continues to grow; we offer ethical screening, Sustainable Funds and our Socially Responsible Investment Service. Following its commitment to NZAM last year, our Asset Management division will be setting out its climate strategy and ESG risk management in 2024 when it publishes its inaugural TCFD disclosures.

Over the longer term, increased reputational risk could crystallise, primarily driven by failure to address transitional impacts such as changes to regulation, technological advancement and the evolution of customer preferences. We will continue to assess the climate impacts across the whole spectrum of principal risks to ensure we meet the expectations of our people, customers, investors, shareholders, regulators and other key stakeholder partners.

Sustainability Report continued
Task Force on Climate-related Financial Disclosures Report

Metrics and Targets

Our climate strategy, led by our commitment through the NZBA, spans both our operational emissions as well as the emissions related to our lending and investment portfolios. Set out in this section are our targets, measurement and reduction of our operational emissions on pages 48 to 50, followed by our assessment and ambitions for our financed emissions in our loan book on pages 50 to 51.

Operational Emissions

Our approach to developing our carbon reduction plan to achieve these net zero targets is set out in our strategy section on pages 42 to 43.

Our methodology for calculating and disclosing our GHG emissions and energy use is in accordance with the requirements of the World Resources Institute GHG Protocol Corporate Standard, GHG Protocol Corporate Value Chain Accounting and the SECR standards. We report on all material Scope 1 and 2 emissions associated with our operations. Scope 1 includes fuel emissions from buildings and company vehicles and Scope 2 includes our emissions from electricity. We have also reported our indirect Scope 3 operational emissions across all categories where we have any material emissions.

For our building emissions (including our industrial processes in our Brewery Rentals sites) we have continued to develop our energy efficiency plans for our sites, working with our facilities management partner. These plans consider our 2030 net zero ambition, ensuring we make investment choices for each of our sites that lead us towards that ambitious goal. Important considerations include energy-efficient equipment, control and monitoring infrastructure, electrification solutions and renewable energy options.

Our ambitions

Become operationally

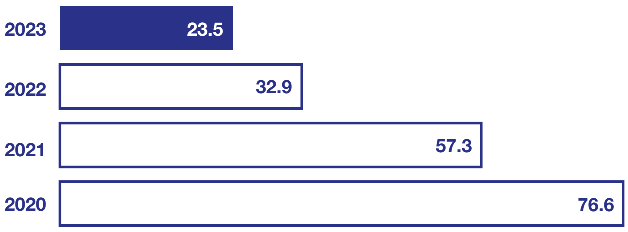
net zero

through our Scope 1 and 2 emissions by 2030

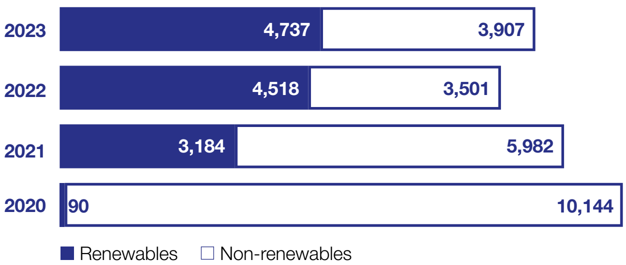
Achieve a net zero company car fleet

by 2025

Company car fleet (gCO_2/km)



Proportion of renewable energy used in our offices and Brewery Rentals sites (MWh)



We have continued to electrify our company car fleet (total of 692 cars). Of these, 46.1% are now battery electric cars, with 97.3% either fully electric or plug-in hybrid. With the aim to only introduce battery electric vehicles to our car fleet, we have continued to see the average emissions across our fleet falling each year.

Through the last year, we have greatly enhanced our in-house climate data capability, allowing us to enhance our operational footprinting across all Scope 1 and 2 as well as relevant Scope 3 categories. Our climate data working group is working closely with all relevant departments internally to fully operationalise these carbon accounting processes and providing more frequent management information across the group and the other working groups to support the delivery of carbon reduction strategies.

Our operational impacts

Greenhouse gas emissions[1,2,4]	Emissions source	Market-based 2023 tCO_2e	Market-based 2022 tCO_2e	Location-based 2023 tCO_2e	Location-based 2022 tCO_2e
Scope 1	Buildings – fuel[3]	**331**	344	**349**	368
	Owned vehicles – fuel	**964**	1,058	**964**	1,058
Total Scope 1		**1,295**	**1,402**	**1,313**	**1,426**
Of which UK total Scope 1		**1,217**	1,324	**1,235**	1,348
Scope 2	Buildings – electricity[3]	**442**	400	**1,152**	1,051
	Owned vehicles – electricity	**261**	162	**261**	162
Total Scope 2		**703**	**562**	**1,413**	**1,213**
Of which UK total Scope 2		**669**	530	**1,374**	1,182
Total Scope 1 and 2 (Operational)		**1,998**	**1,964**	**2,726**	**2,639**
Of which UK total Scope 1 and 2		**1,886**	1,854	**2,609**	2,530
Scope 3 (Operational)	Category 1 – Purchased goods and services			**41,934**	44,219
	Category 2 – Capital goods			**13,762**	19,291
	Category 3 – Fuel and energy-related emissions			**846**	693
	Category 4 – Upstream transportation and distribution			**36**	86
	Category 5 – Waste generated in operations			**190**	206
	Category 6 – Business travel			**750**	1,110
	Category 7 – Employee commuting			**4,500**	4,212
	Category 9 – Downstream transport and distribution			**388**	408
Total Scope 3 (Operational)				**62,406**	**70,225**
Total Scope 1, 2 and 3 (Operational)				**65,132**	**72,864**

Energy use	2023 GWh	2022 GWh
Total energy use	**14.79**	14.01
Of which UK total energy use	**14.24**	13.47

Emissions intensity	Market-based tCO_2e per employee 2023	Market-based tCO_2e per employee 2022	Location-based tCO_2e per employee 2023	Location-based tCO_2e per employee 2022
Operational Scope 1 and 2 emissions intensity	**0.49**	0.52	**0.67**	0.69
Operational Scope 1, 2 and 3 emissions intensity			**16.04**	19.12
Calculated using: Average number of employees in year	**4,060**	3,810	**4,060**	3,810

1. We have reported on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Our reporting year runs from August 2022 to July 2023. The emissions reporting boundary is defined as all entities and facilities either owned or under our operational control.
2. Emissions have been calculated using the Greenhouse Gas Protocol Corporate Standard and covers all greenhouse gases (converted to tCO_2e). We have used emissions factors published by the UK government's Department for Business, Energy & Industrial Strategy, and the International Energy Agency.
3. During the year-end carbon accounting process we identified some adjustments needed to our 2022 comparable Scope 1 and 2 emissions. The 2022 Scope 1 and 2 emissions above have been restated to ensure consistency with this year's disclosed emissions.
4. These reported emissions have not been audited by a third party.

Sustainability Report continued
Task Force on Climate-related Financial Disclosures Report

Our ongoing approach across our operations of energy efficiency and sourcing of renewable energy continues to drive down our Scope 1 and 2 emissions. We have now achieved a reduction of 54.7% in our Scope 1 and 2 emissions since 2019 under a market-based approach, which demonstrates good progress towards becoming operationally net zero by 2030.

In the 2023 financial year, our total Scope 1 and 2 location-based GHG emissions were 2,726 tonnes of carbon dioxide equivalent (tCO_2e), equating to 0.67 tCO_2e per employee, up 3.3% overall but down by 3.1% per employee from 2022.

Throughout the year, our premises have continued to source renewable energy wherever under our control. This has helped our market-based building emissions to track 49% lower than our location-based building emissions at just 773 tCO_2e.

The continued challenge of rising energy prices and our strategic journey towards a net zero portfolio of premises has increased the focus on responsibly reducing our energy consumption. Across the year, energy audits have been completed within larger premises and are being used to develop our carbon reduction roadmap out to 2030. During the past year, our energy efficiency programme has implemented a number of energy-saving initiatives across our office estate, including:

- Full modernisation of our Burton office, including LED lighting with controls, efficient HVAC systems and smart sensor energy monitoring.
- LED lighting upgrade in our Southampton office.
- Reduction of plant operational time zones to match staff hours across all our offices.
- Following ASHRAE standards we have been able to increase our temperature set points for all our IT/communications rooms up to 22.5°C.
- Improvements to the plant controls at one of our newer offices in Birmingham.

Financed Emissions

The greatest opportunity we have to support reductions in greenhouse gas emissions is by working with our customers on their transition to a low carbon economy – helping them to adopt energy-efficient and low carbon technologies. To measure our progress requires us to measure the attributable emissions of the assets and businesses in our loan book, enabling us to meet our targets and ambitions within our climate strategy.

In 2022 we made our initial assessment of financed emissions across our loan book. Our Asset Management business is conducting analysis on investment portfolio emissions to be published in its standalone TCFD report in the first half of 2024.

In the past year, we have significantly improved our methodologies in assessing our financed emissions – combining our own loan book data with a number of external data sources, providing a more accurate assessment of these emissions, especially across our carbon-intensive sector of transport.

We have worked closely with PCAF – meeting regularly with the UK chapter as well as the specialist group focused on developing the business loans methodology.

PCAF is a collaboration of 405 financial institutions (with financial assets totalling $92 trillion) that aims to harmonise the assessment and disclosure of GHG emissions associated with their lending and investments.

Our ambitions

To reach net zero emissions

by 2050

across attributable GHG emissions from our lending and investment portfolios

Provide over

£1 billion

of lending for zero emission battery electric vehicles over the next five years (2023 to 2027)

In our assessment of our loan book this year, we have used the PCAF approaches, applying their latest guidance from their Financed Emissions Standard 2nd edition, and drawing on three of their developed methodologies: business loans, project financing and motor vehicle loans. On review, 99.4% of our loan book is in scope of GHG assessment under the current PCAF standard. Of this, 59.8% has been assessed under the business loans methodology, and we have apportioned an amount of emissions from these businesses which is in line with the value we finance. A further 4.9% of our total loan book has been assessed under the project finance methodology. Here, we have accounted for the apportioned emissions of the project due to our contribution. The final 34.7% of our loan book has been assessed using the motor vehicle loans methodology, and covers the annual in-use emissions of the vehicles that we finance.

During the year under review, we made significant progress on the availability, granularity and accuracy of the data underpinning our financed emissions reporting. As an example, we have built regular data processes for all our motor vehicle lending, utilising not just our own data (which covers over 340,000 vehicles) but also by harnessing API keys, publicly available vehicle registration details and MOT data from UK government agencies including the DVLA and DVSA. This has enabled our overall data quality score (as defined by the PCAF scoring system, where 1 is the highest ranking and 5 the lowest) for financed emissions of motor vehicles to improve to 2.4 this year.

In the table on this page, we have set out our financed emissions calculations for our loan book against each category, as well as the emissions relating to our operating lease business, which we have also included under Scope 3 category 13 – downstream leased assets.

Our financed impacts[2,4]

Financed emissions in loan book – bank	PCAF methodology	Proportion of loan book	Financed emissions[1,2] tCO_2e	PCAF data quality score (1-high, 5-low)	Economic emissions intensity $ktCO_2e$/£m
Scope 3 (category 15 – loan book only)	Motor vehicle loans	34.7%	648,755	2.4	0.20
	Business loans	59.8%	589,463	5.0	0.11
	Project finance	4.9%	241,149	5.0	0.53
	Not assessed/out of scope[3]	0.6%	n/a	n/a	n/a
	Total emissions		**1,479,367**	**4.1**[2]	**0.16**

Other emissions related to financing activities – bank					
Scope 3 (category 13 – downstream leased assets)	Vehicle hire fleet – in use		252,602	**1.0**	
Total financed emissions (tCO_2e)			**1,731,969**		

1. Currently, our financed emissions calculations only include the customer or asset's Scope 1 and 2 emissions. In the future, we will consider the wider emissions related to financed assets and businesses. Initial sectors are likely to include (i) motor vehicles (upstream embedded emissions of manufacture) and (ii) property construction finance (embedded emissions from materials and in-use emissions of housing).
2. PCAF data quality score in our first assessment in 2022 was around 5. We have made significant improvements to our data sourcing from both internal systems and third-party sources. In particular, for motor vehicles, we have sourced vehicle-specific emissions and actual mileage from UK government agencies.
3. A small proportion of our loan book has not been assessed this year (or is out of scope) due to lack of market agreed carbon accounting methodologies. We continue to work with PCAF and other banks to consider these areas.
4. These reported emissions have not been audited by a third-party.

Sustainability Report continued
Task Force on Climate-related Financial Disclosures Report

Sustainability and Climate Governance

The Integration of Climate into our Governance Structure

The group has an established governance framework into which climate has been integrated. This ensures effective oversight and delivery of our sustainability and climate strategy, as well as climate risk.

As our climate risk framework has matured we have further refined our governance structure to manage an integrated approach to both climate risks and opportunities and are in the course of implementing the structure set out below.

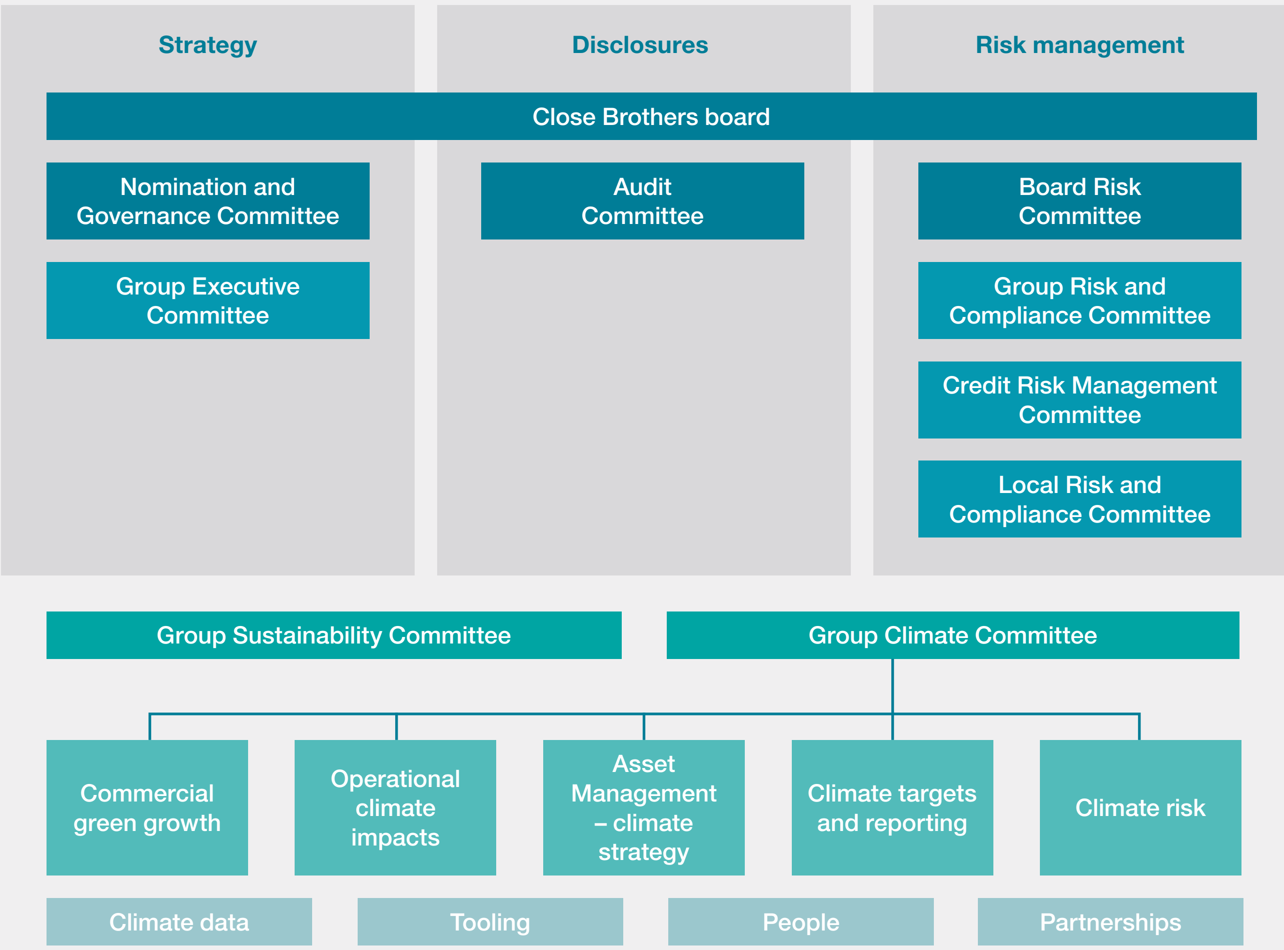
Oversight of climate-related risks and opportunities has been supported by the establishment of clear roles and responsibilities, extending across board and executive committees, and the three lines of defence more generally.

Integral to this has been the provision of regular framework status updates to appropriate committees and forums.

Reporting and management information are provided to relevant committees, providing important insights to enable climate considerations to be embedded within both strategic planning and the setting of group-level risk appetites. An established link exists between the delivery of the group's climate strategy and executive remuneration through the inclusion of climate/ESG objectives within both the Executive Committee's scorecard and Long-Term Incentive Plan.

Further details of the roles and responsibilities of the board and management with regard to climate risk are outlined from page 53.

Sustainability and Climate Governance



Board Oversight

Board

The board is responsible for the long-term success of the group and the delivery of sustainable value to its shareholders and wider stakeholders. It discharges some of its responsibilities directly and others through its subsidiary committees.

In ensuring the long-term sustainability of the group, the board is also responsible for the overall delivery of the firm's climate and ESG strategy. It reviews and approves the strategy and receives regular updates on its execution from relevant members of the executive team. The board is also responsible for approving the group's risk appetite statements, including risk appetites associated with climate risk.

Board Risk Committee

Operating on authority delegated by the board, the Board Risk Committee ("BRC") oversees the management of risk across the group, including the risks presented by climate change.

The BRC provides oversight of the measures taken to manage climate risk and receives regular updates on the development and subsequent embedding of the firm's climate risk framework. This includes the ongoing review of emerging portfolio MI, monitoring the evolution of associated risk appetites and the consideration of climate-related risks and opportunities assessed through the completion of long-term scenario analysis exercises.

Audit Committee

Operating on authority delegated by the board, the Audit Committee oversees the management of financial and regulatory reporting across the group, as well as the firm's internal financial controls. The committee is responsible for ensuring the clarity and completeness of environmental and sustainability disclosures and climate commitments included within the group's Annual Report.

Nomination and Governance Committee

The Nomination and Governance Committee monitors environmental, social and governance ("ESG") and sustainability developments relevant to the group (including developments relating to climate change).

The role of management

The chief executive has ultimate responsibility for climate-related issues affecting the group and its customers and overall accountability to the board and shareholders for ensuring sustainable and responsible practices, including those associated with the environment. Accountability for the group's climate and ESG strategy similarly rests with the chief executive, albeit with various responsibilities delegated to members of the executive team as appropriate to ensure strategic delivery and embedment within ways of working.

Within the Banking division, and in line with expectations under the Senior Managers Regime, the group chief risk officer ("GCRO") is specifically responsible for climate risk management. This includes:

- embedding climate change risks within business planning and risk appetite statements;
- conducting scenario analysis over different time horizons;
- ensuring sufficient board-level visibility and a clear allocation of roles/responsibilities; and
- considering risk materiality as part of the annual Internal Capital Adequacy Assessment Process ("ICAAP").

The GCRO is supported by the board and the executive team who collectively oversee delivery of the firm's climate risk objectives and are also responsible for challenging and approving the firm's broader climate and ESG strategy.

Executive Committee

The Executive Committee evaluates and implements initiatives to ensure a sustainable business model that considers all risks and opportunities, including ESG and climate.

Group Climate Committee

The Group Climate Committee sits alongside the Group Sustainability Committee and oversees the development of the group's climate strategy, including the advancement of climate ambitions, and associated operational and financing activities, targets and metrics. It supports the group chief executive and Executive Committee in their recommendations to the board for approval.

The Group Climate Committee is supported by five working groups focused on the different aspects of the group's climate strategy, each with its own Executive Committee sponsor.

Working group	Executive Committee sponsor
Commercial green growth	Divisional chief executive officer
Operational climate impacts (including supply chain emissions)	Group chief operating officer
Climate strategy of the group's Asset Management business	Asset Management chief executive
Climate risk	Group chief risk officer
Climate targets and reporting	Group finance director

Sustainability Report continued
Task Force on Climate-related Financial Disclosures Report

Group Sustainability Committee

The Group Sustainability Committee sits alongside the Group Climate Committee and oversees all aspects of the group's ESG ambitions excluding climate. The committee reports at least twice a year to the board's Nomination and Governance Committee.

Group Risk and Compliance Committee

At an executive level, climate risk management is primarily overseen by the Group Risk and Compliance Committee ("GRCC"), which is responsible for reviewing and challenging the risk framework employed to manage the financial risks from climate change. To support this, regular framework updates are presented to the committee with relevant climate risk MI also embedded within its long-established risk reporting mechanisms.

Credit Risk Management Committee

The Credit Risk Management Committee ("CRMC") is specifically responsible for monitoring the group's credit risk profile. Accordingly, it is responsible for overseeing the management of climate-related credit risk considerations.

Over the last year it has received regular updates on the development and subsequent implementation of the Banking division's inaugural credit risk assessment framework, as well as the initial MI reporting stemming from this, designed to illustrate the potential climate risk sensitivity of different sectors and asset classes.

The committee has also reviewed and approved the integration of climate considerations within credit risk policies and standards, most notably to reflect new requirements introduced to support the management of associated credit risk impacts.

Training and competency

Both the board and executive team are committed to building and embedding a requisite skill set across climate and ESG competencies. The regular updates provided to the board and management committees over the course of the last year have played a key role in this regard, helping to educate key populations on the risks and opportunities that climate change presents, as well as the firm's progress in addressing these.

To support awareness more broadly across the organisation, a new mandatory training module was issued to all UK-based staff across the group during the year to support the development of a core level of understanding of climate risk considerations. Tailored updates on the group's sustainability and climate strategies were delivered to relevant business and function-specific forums.

Going forward, additional capability and expertise will be enabled through further training of our people, including the undertaking of accredited climate qualifications where relevant, as well as the augmentation of new capabilities via recruitment and/or the use of external specialist expertise.

Sustainability Report continued
Our policies

We are committed to acting responsibly through all our ways of working, and have a number of group-wide policies and procedures in place to ensure we continue to operate in a socially responsible and compliant manner.

Dignity at Work Policy

Our Dignity at Work Policy outlines the type of behaviour that the company considers to be unacceptable and explains what solutions there are if any employee has experienced or believes someone else has experienced any discrimination, harassment or bullying at work.

We ensure equal opportunities for all, including having a commitment as part of our Dignity at Work Policy to ensure no employee is subject to discrimination. This applies to all work contexts, as well as all employee life cycle events, for example in recruitment, training, promotion and flexible working requests.

Additionally, our people with disabilities are encouraged to share their impairment with us, to ensure any reasonable adjustments can be made. We are also members of the Business Disability Forum to support our inclusive approach to hiring, retention, training, career development and promotion of employees with disabilities.

Whistleblowing Policy

We provide a simple, transparent and secure environment for our employees, shareholders and other stakeholders to raise concerns about any potential wrongdoing within the company.

We encourage our employees to report any activity that may constitute a violation of laws, regulations or internal policy, and reporting channels are provided to staff for this purpose within the framework of a Whistleblowing Policy.

Employee Health and Safety Policy

Our Health and Safety Policy demonstrates our commitment to ensuring our employees and visitors are safe and sets the framework for our safety culture. We continue to provide a safe and healthy working environment for our employees and visitors in accordance with the Health and Safety at Work etc. Act 1974 and the Management of Health and Safety at Work Regulations 1999.

The Health and Safety Committee continues to meet on a quarterly basis and we are proud of the ongoing progress in successfully raising the profile of health and safety across the business. This year we recorded 83 incidents across all of our sites. Of these, none were reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013. We continue to use an online risk assessment tool to manage site-specific risks as appropriate and our Display Screen Equipment risk assessment programme. We also carry out annual audits of all premises and monitor findings through a live dashboard.

Privacy Policy

Our Privacy Policy codifies our approach to protecting personal information, in line with the General Data Protection Regulation and UK Data Protection Act 2018. It sets out our core principles for what personal information we collect and process, and the controls to which the data is subject through its life cycle.

We have a nominated Data Protection Officer who is accountable for the firm's approach to privacy management, a Chief Information Security Officer accountable for our approach to cyber security, and a broader operating model in which the privacy and security requirements are embedded in operations throughout the organisation.

Financial Crime Policy

Our policies and standards are intended to prevent the group, employees, clients and any other associations or representatives from being used for the purposes of financial crime, including, but not limited to, money laundering, terrorist financing, facilitation of tax evasion and circumvention of financial sanctions.

We are committed to carrying out business fairly, honestly and openly, operating a zero-tolerance approach to bribery and corruption. We are dedicated to ensuring full compliance with all applicable anti-bribery and corruption laws and regulations, including the UK Bribery Act 2010.

Human Rights and Modern Slavery Act

The board gives due regard to human rights considerations, as defined under the European Convention on Human Rights and the UK Human Rights Act 1998. We are aware of our responsibilities and obligations under the Modern Slavery Act, with the appropriate policies and training in place to enable compliance across the organisation.

The Banking division has also committed to the CIPS Ethical Code of Conduct, which supports our commitment to preventing modern slavery from existing within our supply chain. Further details of our compliance with the Modern Slavery Act can be found on our group website.

Tax Strategy

We are committed to complying with our tax obligations and doing so in a manner consistent with the spirit as well as the letter of tax laws. This includes a transparent and cooperative relationship with the tax authorities. Our tax obligations arise mainly in the UK where our operations and customers are predominantly based. Our straightforward business model reduces the complexity of our tax affairs and helps us maintain a lower risk tax profile. Further details of our approach to tax can be found on our website.

Sustainability Report continued
Our people

Valuing our Colleagues

We pride ourselves on building a culture where everyone feels as though they belong and are able to thrive. Our colleagues are passionate about what they do, using their expertise to provide the highest levels of service to our customers, partners and clients. We take the time to build long-standing relationships and insist on trustworthy behaviour where our people can be relied on to “do the right thing”. We encourage teamwork and believe in the value of diversity of thought where all individuals and their contributions are respected.

We celebrate diversity and are committed to creating an inclusive culture where all colleagues can feel proud to work for us, regardless of their gender, age, ethnicity, disability, sexual orientation or background. 91% (2022: 90%) of colleagues feel we treat all employees fairly, regardless of their characteristics or how they identify, and we are proud that 96% (2022: 94%) of colleagues feel included.

We are signatories to a wide range of charters and commitments across a broad spectrum of inclusion themes and social enterprises, including the Race at Work Charter, the Social Mobility Pledge, the Women in Finance Charter and the Valuable 500. We partner with leading diversity organisations, including Stonewall, the Business Disability Forum and the charity Stop Hate UK, to help inform our thinking and subsequent actions.

Our inclusive culture is portrayed by our senior leadership teams, setting the tone from the top by which we operate. We continue to run inclusive leadership training sessions for our managers, senior managers and group executives, highlighting how actions and behaviours can shape our inclusive culture.

Our “Licence to Recruit” programme has been developed for all managers, senior managers and group executives, to provide consistency and best practice in talent acquisition. The modules provide a focus on inclusion and unconscious bias, and ensure our managers have the skills and knowledge to make fair recruitment decisions.

We continue to champion inclusive recruitment practices including using gender decoders to avoid gender bias wording in adverts and job descriptions, and seeking balanced shortlists and diverse interview panels to alleviate bias in the hiring process. We also make use of bespoke job boards to target a broader talent pool of candidates, such as advertising roles to military veterans. We aim to promote flexibility through offering positions as full time, part time or job share opportunities where possible.

Overall diversity has increased across the group this year, specifically with greater representation of females and colleagues from an ethnic minority background. Disappointingly, we have moved backwards against both our senior level gender and ethnicity representation targets. However, by improving representation at more junior levels, we have achieved greater diversity of our talent pipeline. This supports our strategy to develop our own talent, enabling a more sustainable approach which is likely to bring meaningful change in senior level representation.

We strive to achieve a 50:50 gender split for our entry-level and formal development programmes including our Aspire school leaver programme, our graduate schemes and our summer internships.

Engagement

Listening to the views of our colleagues is essential to drive and maintain employee engagement, ensuring our culture is one where everyone feels like they belong, can thrive and is proud to work for us.

Our latest employee opinion survey closed in February 2023. Our high engagement score of 86% was retained and we received an excellent response rate of 90% (2022: 86%), giving us the confidence that our results are reflective of all colleagues. This year's employee opinion scores remained closely aligned to last year and we retained high scores around expertise, teamwork, treating customers and clients fairly and believing in our shared purpose.

86%
Engagement rate

90%
Response rate

Our organisational culture remains particularly strong when compared to other financial services firms, with high scoring questions against the Financial Services Culture Board benchmarks including positive comparisons regarding our resilience, honesty and responsiveness.

Employee opinion survey feedback demonstrated a **strong sense of belonging**, with 96% (2022: 94%) of colleagues feeling included and 94% (2022: 94%) feeling they are treated with respect.

Developing our People

We provide a full range of training and development for our people irrespective of where they are in their careers. We work with our colleagues from induction and technical training to management, leadership and talent development programmes.

All colleagues have access to our learning portal where they can access a broad range of learning offerings including practical tools and e-learning modules on a wide variety of topics.

The average number of training hours across the group was 20 per employee during the year, reflecting an increase in regulatory process and local training initiatives.

We require all employees to complete relevant regulatory training on an annual basis with further training offered when required.

We continue to run open application processes for cross-company mentoring schemes that are delivered in partnership with Moving Ahead; these include both Mission Include (supporting those who identify as being from an ethnic minority background) and Gender Equity (with a focus on supporting females in progressing to senior roles). In 2023 we were shortlisted as a "Mentor Organisation of the Year" for both Mission Include and Gender Equity.

We run several tailored junior training programmes across the business which are aimed at growing high-potential individuals to progress into senior roles. Similar to our mentoring schemes, these programmes are open to everyone by means of an application process to promote inclusivity at all levels.

The formal development of our talent pipeline remains a key focus. We continue to support our entry-level programmes through our school leaver programme, Aspire. This two-year scheme offers placements in two business areas within our Banking division, where individuals rotate around client-facing and front office teams whilst also having the opportunity to gain an apprenticeship qualification. Upon completion, we also offer the option for Aspire trainees to complete degree-level apprenticeship qualifications should they wish to do so.

To enhance our graduate programme, we have designed and implemented a new and comprehensive development pathway aligned to our management competency framework. This includes soft skill development, networking events with our Group Executive Committee, corporate social responsibility challenges and group projects as well as the opportunity to complete professional qualifications.

To support our high potential colleagues, this year's **emerging leaders' programme** saw 20 individuals across the group taking part, with a 50:50 gender split. 35% of the cohort received a promotion either during or following completion of the programme.

Building our inclusive culture through further embedding our code of conduct, we continue to ensure all our new starters receive our "Close Brothers Way" e-learning module, focusing on our cultural attributes and expected behaviours. This year, we worked with members of our employee inclusion networks to update the content for all colleagues, which was rolled out in 2023.

Sustainability Report continued
Our people

Our executive-sponsored inclusion networks

Gender balance

Bradley Dyer

Unity (LGBTQ+)

Rebekah Etherington

Working parents and carers

Robert Sack

Mental wellbeing

Eddy Reynolds

R.E.A.C.H (Race, Ethnicity and Cultural Heritage)

Naz Kazi

Social mobility

Matt Roper

Accessibility

Angela Yotov

Gender Diversity

At Close Brothers, we are passionate about creating an inclusive culture where everyone feels as though they belong and are supported to reach their full potential. As part of building this culture, we are committed to reducing our gender pay gap. The gender pay gap shows the difference in average pay between women and men.

It is important to note the gender pay gap is different from equal pay, which ensures equivalent pay for genders performing at similar levels in similar roles. We remain confident that men and women are paid equally for performing equivalent roles across our business.

At April 2022, our mean group-wide gender pay gap was 34.0% (April 2021: 38.7%). At Close Brothers, the gap is mainly driven by a higher proportion of male incumbents in both senior and front office roles, and a higher number of females who work part-time. Further details of our gender pay gap can be found on our website.

At Close Brothers, we understand that gender identity is broader than male and female and we want to affirm that we welcome colleagues of all gender identities. In recognition of this, we support all colleagues to be able to openly make their identity known, through adding their pronouns to email signatures and personal profiles on our internal intranet. Our Unity network has been instrumental in raising awareness of challenges faced by the LGBTQ+ community and reinforcing the importance of allyship.

As signatories of the Women in Finance Charter, we continue to work towards our target to achieve 36% of senior manager roles being held by a female by 2025. At 31 July 2023, 31% (31 July 2022: 33%) of our senior manager roles were held by females. At the end of the financial year, 36% (2022: 50%) of our board members were female, remaining broadly in line with FTSE Women Leaders' gender targets for executives and their direct reports.

As well as celebrating both International Women's Day and International Men's Day in this financial year, our gender balance network coordinated a successful speed networking event and releases a quarterly newsletter with an increasing number of subscribers across the group.

As part of our gender balance network, we have a very active forum focused specifically on the menopause. This group actively promotes awareness of the menopause, creating a community of employees to share and discuss experiences. This year, we launched our Menopause Policy to help colleagues and line managers understand how they can support each other in relation to the menopause. We also have a membership with Henpicked which provides menopause-related resources for the workplace and provides routes to becoming accredited as menopause-friendly.

We continue to partner with the 30% Club through which we provide cross-company mentoring for our talented females. We also have a close relationship with the UK Automotive 30% Club, with which we have collaborated to conduct virtual panel discussions and school presentations, talking to female students about careers in the motor industry. We are proud that two colleagues from our Motor Finance business won awards at the latest "Inspiring Automotive Women Awards", including our senior HR business partner being named "HR game-changer".

Our workforce remains diverse, with 45% (2022: 44%) female employees, and we have a broad age range of employees, with 22% (2022: 22%) of our employees being under 30 years old and 21% (2022: 20%) over 50.

Gender diversity

	31 July 2023	
	Male	Female
Number of board directors[1]	7	4
Number of directors of subsidiaries[2]	44	7
Number of senior managers, other than board directors[3]	226	115
Number of employees, other than board directors and senior employees	1,962	1,715
Total	**2,239**	**1,841**

1. Includes non-executive directors, excluded from group headcount calculations.
2. Includes subsidiary directors who are excluded from group headcount calculations.
3. Senior managers defined as those managers with line management responsibility for a line manager, in accordance with the representation identified in our gender pay gap report. They are generally heads of departments, functions or larger teams. This figure excludes 43 male and seven female employees who are reported under directors or subsidiary directors.

Supporting our People

We are acutely aware of the impact the pandemic has had, and continues to have, on our colleagues. In response to this, we want to provide as much support to our people as possible. Recognising the cost of living crisis, we offered a number of webinars to our colleagues focusing on financial wellbeing and self-care.

We understand that flexibility has become increasingly important to people, and we want to offer flexibility in as many ways as we can. This year we have introduced a new "Working from Abroad" policy to give colleagues flexibility to work in different locations where possible. We also understand that more informal flexibility is appreciated by colleagues to support with balancing other commitments in their everyday lives. Our newly established Working Parents and Carers' Network aims to create a community for those with caring responsibilities to share experiences and advice.

All colleagues are offered company-funded private healthcare, with high take-up rates across the group. As part of the UK offering, BUPA provides a wealth of health and wellbeing support as well as dedicated mental health support.

We have over 75 trained mental health first aiders across the group as well as an active mental wellbeing network. Maintaining the positive wellbeing of our colleagues is of the upmost importance to us and we are proud that, in our last employee opinion survey, 89% of colleagues stated they believe we are genuinely concerned for employee wellbeing, which is higher than the external benchmark of 83%.

This year, we introduced two new benefits to colleagues to enhance our overall benefits offering. Colleagues are now able to access dental cover and an online GP service. We are confident that these additional offerings help to ensure our benefit package remains fit for purpose and satisfies the expectations of our colleagues.

Sustainability Report continued
Our people

We understand that many of our colleagues have additional neurological or physical accessibility needs. Our accessibility network, sponsored by our group legal counsel, actively supports colleagues with disabilities through sharing stories and holding events to raise awareness. This year, we invited Kelly Grainger, a neurodiversity advocate, to talk to us about reducing the stigma and improving education surrounding neurodiverse diagnoses such as autism.

The group continues to pay all staff at or above the national living wage. For members of the group's pension plans, we contribute between 6% and 10% towards colleagues' pensions, which is above required levels. We offer both a Save As You Earn scheme as well as a Buy As You Earn share incentive plan, which allow employees to acquire shares on a monthly basis out of pre-tax earnings. Participation rates in our long-term ownership schemes remain strong at 44% of all permanent and fixed term employees who are eligible.

Racial Equality

As signatories to the Race at Work Charter, we demonstrate our commitment to their seven key actions to help improve representation of ethnic minorities across all levels of the organisation. In support of this commitment, we continue to monitor our ethnicity disclosure rates. At the end of this financial year, our disclosure rate has increased to 85% in comparison to 83% at the end of the previous year.

Our target to have at least 14% of our managers to identify from an ethnic minority background by 2025 forms part of our Long-Term Incentive Plan objectives and demonstrates our commitment towards improving representation of all colleagues from an ethnic minority background. At 31 July 2023, 9% (31 July 2022: 10%) of our managers were from an ethnic minority background.

Last summer, we welcomed 31 students to join us for six-week placements as part of the 10,000 Black Interns programme. Our partnership enables us to support the career development of students with an ethnic minority background, as well as supporting the career progression of our colleagues from an ethnic minority background across the group.

Of the 31 summer interns, five individuals secured roles with us following their placements and are still working for the firm. Two former interns also re-joined Close Brothers for a secondary internship in summer 2023.

The board continues to support the recommendations of the Parker Review and the composition of the board is in line with the advice to have at least one director of colour. The board will continue to take opportunities to further strengthen the diversity of backgrounds and experience among its directors as part of future board-level recruitment searches.

The R.E.A.C.H. (Race, Ethnicity and Cultural Heritage) network, sponsored by our group head of internal audit, continues to raise awareness by promoting events throughout the year. For example, during Black History Month, numerous engagement events were arranged, encouraging everyone to get involved and demonstrate allyship. The network also hosted a panel discussion during Ramadan for colleagues to share their own experiences and help others gain a greater understanding. These activities are instrumental in supporting our overall diversity and inclusion agenda.

Supporting Social Mobility

As an inclusive employer, we strongly support social mobility, creating a sense of belonging for everyone, irrespective of their background. Our social mobility network is sponsored by our commercial CEO and, alongside raising awareness, is committed to ensuring equity of opportunity, regardless of background and experience.

We continue to partner with upReach, a charity committed to transforming social mobility. In summer 2022, we again offered six-week placements to six university students from lower socioeconomic backgrounds. These internships continue to have a positive impact on broadening our talent pool for entry-level roles, with interns applying for and successfully securing permanent roles within the firm.

Over the past eight years we have worked in partnership with the University of Sheffield's Advanced Manufacturers Research Centre to support 55 apprentices working in local SMEs. We anticipate up to a further 20 apprenticeships being funded on the programme from September 2023.

Simi Uddin is a previous **upReach intern** who joined Close Brothers as a permanent employee in Treasury. This year, she has joined our **Social Mobility Network** to share her story with others.

Employees in the Community

Creating long-term, lasting value in the communities where we operate remains a key priority for the group. We understand that volunteers are often the driving force behind many community and charity activities and we are committed to supporting our employees to get involved in these wherever possible.

As part of the relationships we have with our charity partners, we encourage employee engagement through involvement in the volunteering initiatives offered. For every hour of volunteered time, we donate £8 directly to the charity under our Matched Giving Scheme, and we also encourage people to take advantage of one paid volunteering day each year through our Employee Volunteering Policy.

Our partnership with the children's literacy charity, Bookmark, continues and we are proud to be confirmed as their biggest corporate volunteering partner. As well as delivering over 300 reading sessions during this academic year, we have also had teams of colleagues giving their time to help build a new school library and take part in Bookmark's "Box for Ukraine" initiative, packing boxes of literacy and language resources as well as tools to support children's wellbeing, personal and social development, to give to Ukrainian children who had to flee their homes and move to the UK.

Our colleagues have also volunteered with our other corporate charities, including helping at wardrobe days and clothing sales with Smart Works and carrying out "Wild at Work" days with The Wildlife Trusts.

A team from our Motor Finance business supported the Yorkshire Wildlife Trust in **planting reed beds at their North Cave Wetland Reserve**, and a team from our Invoice Finance business supported the Sussex Wildlife Trust in carrying out a beach clean. **They collected 552 items of rubbish weighing nearly 5kg.**

Almost 200 colleagues have made use of their volunteering day to support with a wide range of charitable activities, including helping at food banks, running charity events and volunteering at homeless shelters.

Charity

Our two main corporate charity partners are chosen by our colleagues as part of our employee opinion survey and these remain Make-A-Wish Foundation, who grant wishes for children with life-threatening illnesses, and Cancer Research UK, which we have now supported for 10 consecutive years. To date, we are proud to have raised over £600,000 for Cancer Research UK as well as donating clothing and items to be sold across their 600 shops, nationwide.

Over the last four years, we have **raised over £200,000** for Make-A-Wish Foundation, enabling them to grant over 80 magical wishes for critically ill children and their families.

This year, a number of our teams have been volunteering in Cancer Research shops through the UK. Colleagues from our Company Secretarial team volunteered for a day in the Marylebone shop. The team's contribution made a huge difference, with sales on the day totalling £800 more than the shop's nearest rival. They also processed 179 items, which created the opportunity to raise a further £4,000 for Cancer Research UK.

We have a dedicated committee for charitable and community activities chaired by our group head of human resources and supported by employees from across the group. This committee meets regularly to discuss and propose new initiatives, with input from our control functions when required. We also have several local committees which plan and run initiatives to raise funds for local charities.

We match 50% of funds that our colleagues raise for charities under the Close Brothers Matched Giving Scheme. We also encourage our employees to collaborate on raising money for causes that are most meaningful to them by matching funds raised through locally organised fundraising events and activities.

This year we have continued to support additional charities that align with our ESG goals, donating a total of £120,000 to Stop Hate UK, The Wildlife Trusts, Smart Works and Bookmark. In response to the earthquake that struck Turkey and Syria, we have donated over £25,000 to date, including matching 100% of colleague donations to the British Red Cross in support of their Earthquake Appeal.

Our Payroll Giving Scheme matches charitable contributions while allowing employee donations to be made directly from pre-tax salary. Approximately 13% of employees across the group were signed up to Payroll Giving at 31 July 2023, achieving us a 13th consecutive year of the Payroll Giving Quality Mark Gold Award and ensuring that we have met our target of maintaining this standard.

Sustainability Report continued
Our Customer Commitment

We do the right thing for customers, clients and partners.

We are flexible, responsive and execute with speed.

We make decisions informed by our specialist expertise.

We build relationships based on quality and trust.

The needs and expectations of our customers (and partners) are accelerating. At Close Brothers we continue to evolve and innovate to meet and exceed these needs and expectations.

Continuing to keep the customer at the heart of all we do and building on our foundations, in 2022 we took our customer principles: we do the right thing for customers, clients and partners; we are flexible, responsive and execute with speed; we make decisions informed by our specialist expertise; and we build relationships based on quality and trust, and developed our Customer Commitment Framework which sets out how we want our customers and our colleagues to feel: valued, happy, understood, confident, and that it is easy to do business with us.

This commitment embeds our customer-centric approach across the Close Brothers Group and helps us to "walk in the shoes of customers", designing and delivering products, services and experiences for our customers, gaining their loyalty.

There are four key pillars to our Customer Commitment:

Rewards and Recognition

Embedding delivering good customer experience as part of colleagues' objectives.

Metrics

Evolving our customer metrics to continue to identify where we can further enhance the customer experience and earn their loyalty.

Communication and Learning

Developing and enhancing customer experience skills for colleagues across a range of roles and communicating how the Customer Commitment supports our purpose to help the people and businesses of Britain thrive over the long term.

Governance

Maturing the structures to ensure the voice of the customer is anchored and embedded in critical decisions and forums to listen, act, learn, to continue to deliver for our customers.

Our Customer, Partner and Client Summit

In February 2023, we held our annual summit, bringing our colleagues together to reflect, celebrate and accelerate on delivering on our Customer Commitment.

Colleagues heard from Adrian Sainsbury on how our customer ambition and Customer Commitment supports our vision for 2027. Setting the tone from the top, there was a Q&A with some of our Executive Committee members on the importance of the Customer Commitment. At the event we heard from external speakers on why earning loyalty matters and the importance of customer centricity. It was also a chance for us to celebrate our achievements in demonstrating the emotional outcomes we want to achieve for our customers, with a focus on how we progress our Customer Commitment and embed the framework into our everyday activities.

Customer Sentiment

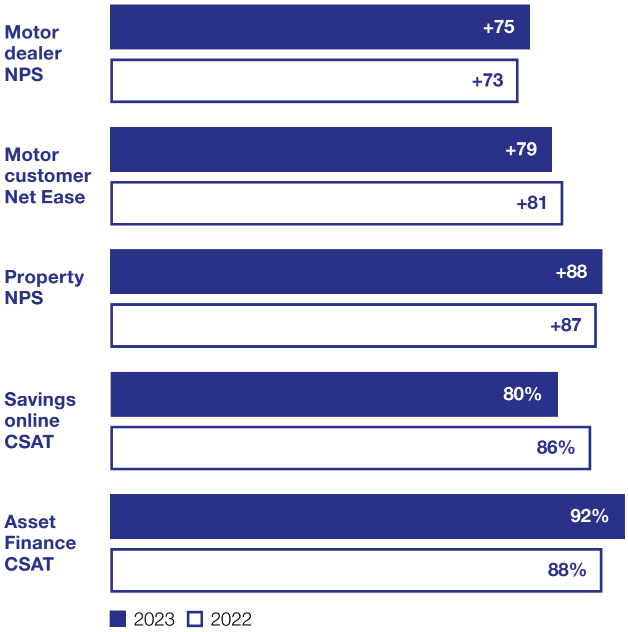
In 2023 we have continued to see sustained positive customer sentiment, against a backdrop of market uncertainty and the broader cost of living crisis. Close Brothers continues to provide continuity of positive customer experiences in a time of uncertainty.

Delivering for Our Customers

Invoice Finance: Invoice discounting enables recruitment firm to continue to grow.

Invoice Finance helped Twenty20 Capital achieve growth by providing them with an invoice discounting facility and a term loan, enabling the company to fund the acquisition of a large recruitment business and to fund working capital to achieve their goals. “They have been very professional. The level of service, communication and support has been outstanding. We are genuinely delighted in the unique partnership we have formed together.” Tristan Ramus, Founder, Investment Principal, Twenty20 Capital.

Customer Sentiment Scores



Voice of the Customer

Close Brothers continues to invest in strengthening its capability around customer experience.

We have established regular tracking and reporting on how we are delivering for our customers through our customer governance bodies and forums at a business unit level and through our established Bank Customer Forum.

We continue to listen, learn, and act. We have been running our customer forums for over nine years and in that time we have been developing our capabilities and governance to bring the voice of the customer into our day-to-day decision-making processes, which remains a key priority for Close Brothers.

We continue to embed our Customer Experience Operating Framework across Close Brothers Group, setting out our customer journeys and vision, with clear accountability and engagement to act on the insights to deliver for our customers.

At Close Brothers, we have dedicated local and group level forums for complaints and vulnerable customers. We acknowledge there is always more that we can do to support and learn from these customers. At a group-level, we use these forums to share best practice, collaborate and innovate on opportunities to enhance the customer experience.

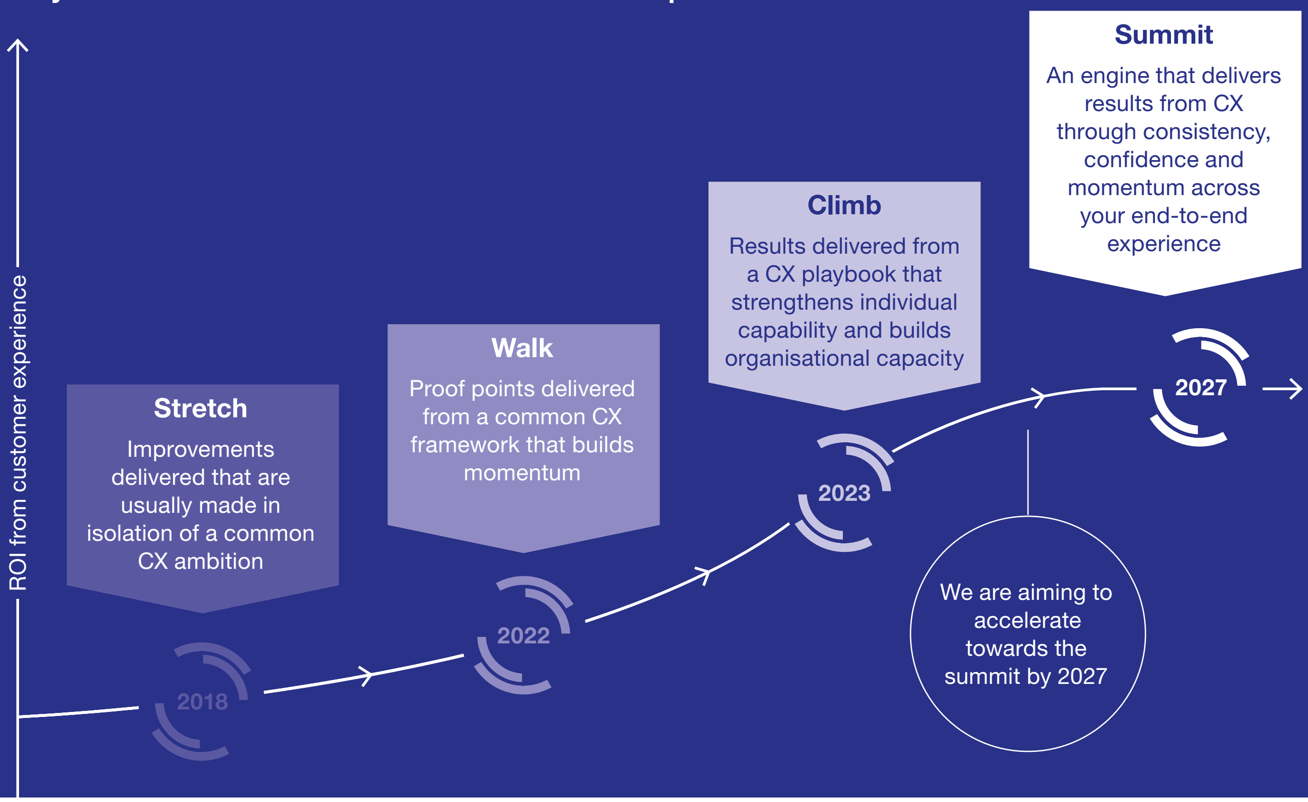
Close Brothers has been consistently recognised over many years by several external bodies for our continued customer focus and customer excellence.

Sustainability Report continued
Our Customer Commitment

Evolving our Customer Experience

In 2022 we undertook an independent customer experience ("CX") assessment with TribeCX, benchmarking our maturity versus other organisations and sectors. Whilst Close Brothers stood up well versus other companies in the financial services sector, and indeed versus other industries, we also identified opportunities for further enhancing and differentiating the experience we deliver to our customers. Research tells us that building strong emotional connections with customers is key for earning and retaining customer loyalty and driving future customer growth.

Key Milestones in the Evolution of our Customer Experience



Note: Developed with TribeCX.

The Way Ahead

- Looking forward, we are committed to continuously improving our ability to capture, consolidate and act upon customer, client and partner sentiment across all end-to-end journeys that will helps us to deliver a differentiated experience and earn customer loyalty.
- To achieve our ambition of earning customer loyalty, continued high levels of employee engagement are critical. We will therefore actively engage, enable and empower our employees, so they are equipped to bring the Customer Commitment to life in their daily work, and act as our brand ambassadors.
- We also recognise the challenging macroeconomic environment facing our customers; we have conducted an independent assessment of how we are currently supporting vulnerable customers to enable us to identify opportunities where we can provide further support. As a result, we are already sharing good practice via our Vulnerable Customer Forum, are in the process of building a charter that articulates our future commitment and approach to customers and colleagues, and have developed a new Group Quality Assurance Forum to share and drive best practice.
- We are open to change and continuous improvement, having conducted a bank-wide external complaint review across seven of our businesses, to establish best practice comparison to industry peers, with a focus on customer experience and regulatory requirements.
- We regularly measure and track customer performance via several key customer metrics: Net Promoter, Customer Satisfaction or Net Ease scores. We are continuing to enhance our customer metrics to enable us to track customer performance across the end-to-end customer journey so that we deliver good customer outcomes.