

Our Stakeholders

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.



Colleagues

With approximately 4,000 employees around the UK, 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.

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
- Long-term successful performance of the group

Engaging with our colleagues

Engagement with employees helps to attract, build and retain a high calibre talent pool and ensure that our employees remain enthusiastic about their work and Close Brothers.

Engagement takes place daily through line managers, with senior management regularly speaking at Town Halls and other business-wide forums. Listening to our colleagues and acting upon their feedback is essential to maintaining employee engagement, whether this is through undertaking regular employee opinion surveys or management leading engagement activities to provide updates on business performance. Training and mentoring programmes are in place to support the development of all employees.

Key engagement during the year

We ran our latest Employee Opinion Survey, which closed in March 2022, to gather feedback from our colleagues and provide them with a platform to anonymously share their views on working at Close Brothers. We listened closely to this feedback and held a series of Town Halls and team meetings with our colleagues to discuss the results and consider any actions to take. We also donated £2 per survey completed to our staff-nominated charities, Cancer Research UK and Make-a-Wish.

Ways we have created value

- Established new Gender Balance, Social Mobility, and Working Parents and Carers Networks as part of our Diversity and Inclusion initiatives.
- Held events and online workshops on a variety of topics including International Women's Day, LGBTQ+ History Month, Race Equality Week, Time to Talk Day, Black History Month and National Inclusion Week.



Read more about how we support our colleagues
See pages 36 to 39



Customers, Clients and Partners

The needs of our customers, clients and partners are at the heart of our business and are core to our purpose. Our aim is to be there for our customers across all market conditions to help them meet their goals with ease and confidence that earns their loyalty and ensures we build long-lasting customer relationships.

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
- Receiving customer-led propositions that meet their individual needs

Engaging with our customers, clients and partners

The group has customers, clients and partners in the UK, Ireland, the Channel Islands and Germany. Our long-term success depends on the strength of our relationships with customers, clients and partners, our specialist expertise and maintaining high standards of service.

As such, central to all decision-making is doing the right thing for customers, clients and partners, by helping them achieve financial solutions to meet their needs.

Our specialist, expert teams consistently deliver high quality service to our customers, clients and partners. We engage with our customers throughout their end-to-end journey with us and actively seek their feedback. We proactively review the customer feedback we receive in our local business unit customer forums and continuously look at how we can improve our experience and service, ensuring the service we provide meets their needs and is aligned with our customer principles. We also use this feedback to evolve our proposition and offering as we adapt to the changing needs of our customers, clients and partners.

Key engagement during the year

We have supported our customers, clients and partners throughout the heightened uncertainty we have experienced during the year, and maintained close contact as they navigated rising inflation and cost of living pressures, as well as the roll-off of Covid-related government support. We have discussed our customer needs with them regularly to help ensure we are supporting them appropriately.

Ways we have created value

- Continue to refine our products and services based on customer feedback to deliver positive customer outcomes, underpinned by high quality service and a great end-to-end experience.
- By deeply understanding customers' needs and goals and tailoring new solutions to meet those needs, created an award-winning and industry-first solution, providing a forecourt insights data tool to motor dealers.



Read more about engagement with our customers, clients and partners
See pages 39 to 41



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 developing and maintaining transparent and sustainable working relationships with our suppliers.

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

Engaging with our suppliers

Engagement with our suppliers enables the group to develop and maintain long-term and sustainable relationships and ensures our suppliers can better understand and align to our risk management requirements and operate responsibly.

Our key supplier relationships are owned by relationship managers and are supported by our central third party management function who provide specialist expertise and support. Engagement with suppliers includes regular meetings, with strategic meetings taking place at least quarterly with our top tier suppliers, as well as an annual survey to seek feedback on Close Brothers as a client.

Key engagement during the year

Throughout the last year, we have continued to maintain our frequent contact with our suppliers and conduct regular reviews of service.

Our annual survey of key suppliers was undertaken in July 2022, focusing on how Close Brothers performs as a client and how our suppliers feel about doing business with us.

We continue to share a strategic vision with our suppliers to help them understand our direction and provide clarity, while ensuring that we remain considerate of our suppliers.

We are also working in partnership with our key suppliers within facilities and fleet management to directly collaborate and contribute to the sustainability agenda.

Ways we have created value

- Working with our facilities management partner to invest funds and expertise to accelerate our carbon reduction plans across our group property portfolio.
- Continued to refine our third party management framework to ensure that processes remain efficient, are business enabling but remain robust from a risk management perspective and remain aligned to latest regulatory requirements.



Read more about our supplier relationships
See page 41



Regulators and Government

We are committed to sustaining high standards of business conduct across our business and maintain an active dialogue with government and regulatory bodies.

Key priorities of our regulators and government

- Good customer outcomes
- Compliance with both applicable regulations, including prudential requirements, and with regulators' expectations
- Recognition of the importance of resilience and risk management
- Provision of high quality information and regulatory reporting
- Active consideration of risks relating to sustainability and other climate matters
- Transparent group tax strategy

Engaging with our regulators and government

The group fosters an open and transparent relationship with all our regulators, including the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA"), as well as government authorities and trade associations. It is important that we maintain a culture that is focused on high standards in all our business activities, regulatory compliance and an open relationship with our regulators. Active engagement with the relevant regulators and associations helps to ensure the business is aware of and adapting to the evolving regulatory framework.

We maintain a proactive dialogue with the PRA and the FCA and have a constructive relationship with HMRC to help ensure we are aligned with the relevant regulatory frameworks. We regularly interact with the trade bodies and business associations we are affiliated with to ensure we are engaged with issues impacting our industry.

Key engagement during the year

We have continued to maintain a close working relationship with the regulators as we progress through the application process for moving to use the Internal Ratings Based approach. We submitted our initial application in December 2020 and, since then, have moved through a series of reviews and interviews. We received confirmation from the PRA that our application successfully transitioned to Phase 2 of the process in March 2022. Phase 2 documentation was submitted in July 2022 and we are well positioned to support the next set of reviews.

Ways we have created value

- Contributed constructive feedback to trade associations on a wide range of regulatory developments such as the Debt Respite Scheme (Breathing Space), Consumer Duty, and Statutory Debt Repayment Plans ("SDRP").
- Kept abreast of regulatory developments to better understand not only changes in regulation but also changes in regulators' expectations and industry concerns.



Read more about our approach to risk governance
See pages 74 to 92

Our Stakeholders continued

Delivering for our stakeholders



Communities and Environment

Close Brothers is committed to contributing lasting value and making a positive impact on the society in which we operate and the environment more broadly. This underpins the growing range of programmes and initiatives we support that benefit our communities and the environment.

Key priorities of our communities and the environment

- A suitable strategy for approaching sustainability issues
- Support for community initiatives
- Job creation and social mobility
- A long-term focus on addressing the impacts of climate change

Engaging with our communities and the environment

Engaging with local communities helps the board and our employees develop our 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 the decisions we make as a business and employees across the group are actively engaged on responsible behaviours and environmental issues.

Many of our employees participate in group-wide committees established to drive forward a range of initiatives around diversity and inclusion, helping the environment and charitable and community activities, with our employee volunteers the driving force behind our successful community and charitable events. We have a range of partnerships with leading organisations dedicated to creating positive impact via diversity, inclusion and social mobility schemes, while our regular interactions with industry bodies and third party consultants help inform our strategy towards climate change and the environment.

Key engagement during the year

In recognition of the Queen's Platinum Jubilee, we donated a tree for every colleague to support the Queen's Green Canopy scheme. This will help to enhance our environment and create a legacy that will benefit future generations, which is something that is deep-rooted in our purpose and our responsibility. The donated trees will be planted in deprived urban areas and in and around schools, where they will improve the quality of life in these communities by giving access to green spaces and all the benefits these bring.

Ways we have created value

- Became a signatory to the Net Zero Banking Alliance.
- Established a new relationship with The Wildlife Trusts and donated £50,000 to support the charity's work.



Read more about our volunteering and community initiatives
See pages 38 to 39



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.

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 to environmental and social responsibility

Engaging with our investors

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.

We have an established programme of engagement for shareholders, debt capital providers and other market participants through our investor relations team, which includes regular dialogue with the executive team and chairman. We proactively collate feedback from our investors and relay this to senior management, the board and to our employees in the appropriate forums such as Town Halls.

Key engagement during the year

We maintained our programme of communication with the investment community throughout the year, including through our regular market updates and analyst presentations. We undertook investor roadshows covering the UK, North America and Europe and completed a series of meetings with sell-side analysts and sales desks, as well as with fixed income holders. In addition, our chairman held a corporate governance roadshow with top shareholders.

Ways we have created value

- Enhanced our disclosures on Environment, Social and Governance ("ESG") in line with the recommendations of the TCFD.
- Comprehensive programme of engagement over the year with existing and prospective shareholders and analysts, covering over 70 institutions across the UK, Europe and North America.



Read our TCFD disclosures
See pages 42 to 57

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 would 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 both at 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 99 to 122 of the Corporate Governance Report.