

Sustainability Report

Sustainability is



Our Sustainable Objectives

At Close Brothers, behaving responsibly is integral to our actions and decision-making and this is reflected across the sustainable objectives that we set ourselves as a business:

- Promoting an inclusive culture in everything we do, and supporting new ways of working and social mobility
- Reducing our impact on the environment and responding to the threats and opportunities of climate change
- Promoting financial inclusion, helping borrowers that might be overlooked by larger finance providers and enabling savers and investors to access financial markets and advice to plan for their future
- Supporting our customers, clients and partners in the transition towards more sustainable practices

During the year we have maintained a strong focus on progressing with our wide-ranging sustainability agenda, driving forward with programmes and initiatives that address key priorities such as inclusion, social mobility, supporting customer needs and responding to the threat of climate change.

We take a long-term approach to managing our business, with an ambition to make a lasting positive impact, both now and into the future. Our values encourage and support diversity and inclusion at all levels of our organisation, helping the communities we operate in and reducing our environmental impact.

Embedding Sustainability

We consistently strive to act responsibly, ethically and with integrity, and this commitment to sustainable behaviours is embedded within our corporate culture and supported by a wide range of policies and procedures.

Sustainability matters regularly appear on the senior management agenda, with dedicated group Executive Committee sessions on sustainable themes and scheduled quarterly environmental, social and governance (“ESG”) updates presented to the board Nomination and Governance Committee. Topics covered include opportunities to expand our range of sustainable products and services, managing risks such as those posed by climate change, ensuring we remain compliant with current and upcoming regulation and our strategic approach to sustainability more broadly.

Our climate risk committee meets regularly to assess and determine our responses to the risks and opportunities of climate change, with ultimate oversight of climate risk matters from the group chief risk officer.

Within our Asset Management division, ESG considerations have been embedded into our in-house research since 2018 and form a key part of our formal stewardship code, voting strategy and responsible investment policy. We integrate ESG research into our investment processes at a firm-wide level, ensuring that material ESG factors are considered in all investment cases and that our investment managers can make fully informed investment decisions for our clients.

The division has offered several Socially Responsible Investment (“SRI”) funds for a number of years now and continues to expand its ESG product offerings with two recently launched sustainable funds. We are signatories to the internationally recognised United Nations Principles for Responsible Investment (“UN PRI”), which demonstrates our commitment to responsible investment and aligns us with a global community seeking to build a more sustainable financial system.

At a group level, we participate in and engage with a number of external sustainability rating agencies and indices, including the CDP, DJSI and MSCI.

Sustainable Development Goals




Our sustainable priorities make reference to the United Nations Sustainable Development Goals (“SDGs”); a global framework that promotes action to address worldwide challenges related to poverty, inequality, climate and prosperity.

This framework guides our thinking and helps us better understand our impact and where our contributions can be most effective in supporting global goals for a more sustainable future.

Our Targets

Throughout the year we have continued to make good progress, as demonstrated by our performance against the targets we set ourselves last year. Going forward, we will continue to set stretching targets over the longer term to focus our efforts and maintain our momentum.

Our targets are also linked to executive pay through the sustainability objectives we set within our executives’ Long-Term Incentive Plan.

Our Priorities	Our 2021 Targets ⁵	Our Progress	Our Future Targets	Link to UN SDGs
Ensuring we are a diverse and inclusive employer	36% female senior managers ⁴ by 2025	32% female senior managers as at 31 July 2021	36% female senior managers ⁴ by 2025	
	Increasing our ethnicity data disclosure to above 60% of our employees	75% ethnicity data disclosure level attained	14% of our managers to be of an ethnic minority background by 2025	
Reducing our impact on the environment and tackling climate change	Achieve a 10% reduction in group-wide overall Scope 1 and 2 emissions by 31 July 2021 ¹	41% reduction in overall Scope 1 and 2 emissions vs 2019 financial year levels	Become operationally net zero through our Scope 1 and 2 emissions by 2030	
	Achieve a further 10% reduction in average fleet vehicle CO ₂ emissions by 31 July 2021 ²	25% reduction in average fleet vehicle CO ₂ emissions vs 2020 financial year levels	Achieve a net zero company car fleet by 2025	
Serving the needs of our customers	Maintain or improve strong customer satisfaction scores across our businesses	Property Finance NPS ³ +87 Asset Finance NPS +72 Retail Savings NPS +72 Premium Finance NPS +63	Maintain or improve strong customer satisfaction scores across our businesses	

1 Targeted overall emissions reductions against a benchmark of the 2019 financial year.
 2 Targeted average fleet vehicle CO₂ emissions reductions against a benchmark of the 2020 financial year.
 3 Excludes Commercial Acceptancés.
 4 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.
 5 Targets for the 2021 financial year, measured at 31 July 2021 unless otherwise stated.

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Our People

Valuing our Colleagues

Our people are fundamental to the continued success of our business and we place great focus on recognising and valuing their contributions; the expertise they share, the consistently high levels of service they deliver and the long-lasting relationships they build with our customers, clients and all our stakeholders. We celebrate diversity and are committed to creating an inclusive culture where all of our employees can feel proud to work for us, regardless of their gender, age, ethnicity, disability, sexual orientation or background.

We value our partnerships with leading diversity organisations, including Stonewall and the Business Disability Forum, to help inform our thinking and subsequent actions. 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. We deliver training around our group Code of Conduct, the Close Brothers Way, to ensure all colleagues understand what behaviours are expected to build and sustain our culture.

We want colleagues to feel comfortable speaking up and are delivering ongoing training around psychological safety to build the resilience of our people and ensure everyone feels included, valued and able to thrive.

We are committed to attracting a diverse talent pool through advertising our roles on more specialist job boards, ensuring that all of our job applications and adverts are inclusive and partnering with agencies that share our commitment to inclusion. We have also developed a psychometric tool with an external partner, focusing on the competencies and behaviours necessary for success, and to help remove subjectivity and reduce unconscious bias in our selection process.

We have established working groups and networks focused on each of our diversity and inclusion pillars. Each are chaired by an executive sponsor and take responsibility for driving our inclusion initiatives across the organisation.

Employee Engagement

Engaging with our colleagues has been more important than ever during the unprecedented times we have all experienced recently. As well as regular pulse surveys to understand how our people are feeling, in February 2021 we ran our latest full Employee Opinion Survey to gather feedback and ensure we are listening closely to the views of our colleagues.

Our latest group-wide survey results showed our engagement levels are high at 91% and above the external benchmark of 82%. Our response rate also remained strong at 89%, enabling us to draw meaningful insight from our results.

Overall results improved since our last survey with higher than benchmark scores in a number of areas including teamwork, leadership, wellbeing and acting in line with our values and business principles. Feedback supports our positive and inclusive culture with high scores against our cultural attributes and the Financial Services Culture Board characteristics. Results show 95% of our colleagues believe people of all cultures and backgrounds are respected and valued at Close Brothers and 97% of colleagues believe our culture encourages us to treat customers and clients fairly.

Racial Equality

Last year we became signatories to the Race at Work Charter to help direct our actions around race equality and ensure that we have representation of ethnic minorities across all levels of the organisation.

As part of this commitment, we set a target of increasing our ethnicity disclosure levels to cover 60% of our employees by July 2021. This also formed part of our Long-Term Incentive Plan objectives and we have exceeded this target with disclosure levels of over 70%, allowing us to more accurately measure our ethnic balance to inform our thinking and future actions. We are also working towards improving representation of colleagues of an ethnic minority background at all levels of the organisation, and are targeting at least 14% of our managers to be of an ethnic minority background by 2025.

We have also completed a successful reverse mentoring scheme led by our group-wide ethnicity working group. With positive feedback received from both mentors and mentees, the programme provided our senior leadership with valuable insight from the real-life experiences of our minority ethnic colleagues. Following the success of our working group, we have launched our first ever ethnic diversity network. We hope this will continue to give all of our colleagues the chance to take part in improving and progressing the ethnic diversity and inclusion agenda at Close Brothers.

We are committed to supporting the career progression of our ethnically diverse colleagues and place great focus on diversity throughout our talent and succession processes. We also prioritise inclusive talent acquisition and have partnered with the 10,000 Black Interns project to offer internship opportunities for students in our Asset Management division. 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.



Employee engagement

91%

2020: 86%

Gender Diversity

As part of our commitment to maintaining our inclusive culture, we are focused on reducing our gender pay gap. The gender pay gap shows the difference in average earnings between women and men, which is an important differentiation to pay equality. We remain confident that women and men are paid equally for performing equivalent roles. Reducing our gender pay gap is one way in which we review our progress on improving gender balance across our organisation.

Our 2021 gender pay gap report shows our mean group-wide gender pay gap was 37.2% at 5 April 2020. At Close Brothers, the gap is predominantly driven by a higher proportion of male incumbents in our senior and front office roles. We are committed to improving our gender balance at all levels of the organisation and are pleased to continue to see an increase in female managers and females in higher pay ranges.

At Close Brothers, we recognise that gender identity is broader than male and female and, although the government regulations do not require us to report in this way, we want to affirm that we welcome colleagues of all gender identities.

Further details of our gender pay gap can be found on our website.

As signatories of the Women in Finance Charter, we remain confident that we are on track to achieve 36% of senior manager roles being held by a female by 2025. At the end of the financial year 40% of our board members were female, exceeding the government's target of 33%, and we remain broadly in line with Hampton-Alexander gender targets for executives and their direct reports.

We have also created a gender balance network to further support the career progression of women through personal development and networking opportunities. In addition, we also focus on providing a range of training and mentoring programmes to support our talented females to thrive and accelerate their careers. Our partnerships help us continue to create diverse talent pools and further promote gender balance at all levels of the organisation. Our participation in the 30% Club's leading cross-company mentoring scheme is one such partnership.

Gender Diversity

	31 July 2021	
	Male	Female
Number of board directors ¹	6	4
Number of directors of subsidiaries ²	61	14
Number of senior managers, other than board directors ³	177	91
Number of employees, other than board directors and senior employees	1,874	1,641
Total	2,118	1,750

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 37 male and eight female employees who are reported under directors or subsidiary directors.

We are also delighted to have had three winners, including our retail chief executive, at the latest Inspiring Automotive Women Awards organised by the Automotive 30% Club. We strive to achieve a 50:50 gender split for our entry level and formal training programmes including our Aspire school leaver programme, our graduate schemes and our summer internships.

Our workforce remains diverse, with 45% female employees, and we have a broad age range of employees, with 24% of our employees being under 30 years old and 19% over 50.

Developing our People

This year, we focused on supporting employees and line managers by running a number of virtual wellbeing workshops. Throughout the pandemic, we have adapted our programmes and initiatives to work effectively in a remote environment. All our staff have access to our learning portal, offering them a wide variety of practical tools, workshops and e-learning across a range of topics.

To adapt to new ways of working, we have upskilled our managers in relation to managing remote teams and have also focused on individual career development to ensure our colleagues remain engaged.

The average number of training hours across the group has increased by 52% to 14 hours per employee during the year. We require all staff to complete relevant regulatory training on an annual basis with further training offered when required and, this year, we again maintained a 100% completion rate of mandatory training by eligible employees.

We run several tailored junior training programmes across the business which are aimed at growing high potential individuals to progress into senior roles. To support inclusivity, we have opened up application processes for these talent programmes, rather than the previous approach reliant upon nominations. We have also relaunched our Sales Academy programme within our Commercial division.

To support our inclusive culture through further embedding our code of conduct, we launched our "Close Brothers Way" e-learning module for all employees, focusing on our cultural attributes and expected behaviours.

Supporting our People

Throughout the pandemic we have continued to prioritise the safety and wellbeing of our colleagues. By offering flexible working arrangements in combination with robust systems and technology, we have enabled the vast majority of our employees to work from home effectively, ensuring we have continued to deliver excellent service to our customers and clients.

We understand the impact Covid-19 has had on everyone and have ensured a range of support options have been available to colleagues. Our recent Employee Opinion Survey showed that 90% of participants felt well supported by Close Brothers through the pandemic, a score which was materially higher than the external benchmark of 76%.

Our internal networks have played vital roles in providing support to colleagues by creating communities to share experiences and resources. Our group-wide Working Parents and Carers Working Group, sponsored by our group legal counsel, collaborate on initiatives to ensure that our colleagues who balance family and caring responsibilities with working life feel supported. Our group-wide Mental Wellbeing Working Group, sponsored by the Close Brothers Asset Management chief executive, has continued to run webinars and panel discussions to raise awareness and encourage colleagues to speak up and reach out.

Maintaining the positive mental wellbeing of our colleagues is of great importance to us and we now have over 80 trained Mental Health First Aiders across the group as well as an employee assistance programme offering a range of confidential support.

It is important to us that we reward our staff fairly and openly, and we therefore strive to ensure that clear and transparent objectives link directly to remuneration across the group.

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We are confident that our enhanced benefit package remains fit for purpose and satisfies the expectations of our employees.

The group continues to pay all staff at or above the national living wage, which is in excess of the national minimum wage. We have also made our group income protection provision available to all employees.

We offer both a Save As You Earn scheme as well as a Buy As You Earn share incentive plan, which allows employees to acquire shares on a monthly basis out of pre-tax earnings. Participation rates in our long-term ownership schemes remain strong at 51% of eligible employees.

The group continues to contribute 6% to its pension auto-enrolment, which is more than requirements. This ensures a minimum of 9% in total, without requiring our employees to contribute any more than their existing level of 3%.

Helping our customers thrive

The world has changed significantly over the last year, not least in terms of the speed of adoption of new, digital and emerging technologies. Consumers have rapidly been forced to interact in new ways and at Close Brothers, our core commitment of supporting customers, partners and clients to thrive remains fundamental to our purpose.

We believe in maintaining high standards of service, delivering specialist expertise and building long-lasting relationships with our customers and partners. This philosophy has guided our activities as we continue to deliver organisational resilience through Covid-19 and as we rapidly responded to changing customer needs since the onset of the pandemic.

Continuing to Support Customers

For the last year the impact of Covid-19 continued to create a challenging environment for many of our customers and partners. We continue to support them as they navigate through these uncertain times, and we continue to provide new processes or products to maintain our high levels of service in innovative ways.

For the past 18 months, we continued to offer a variety of government-backed loan schemes to support customers with access to first year interest-free loans. Further to what has already been offered, recently our Asset Finance business introduced the Recovery Loan Scheme to customers, which aims to aid economic recovery and improve the terms on offer to borrowers where they have been impacted by Covid-19.

During the last year we continued to support our customers and clients with a broad range of forbearance and other measures to assist those who found themselves in difficulty. The concessions we offer reflect our diverse products, sectors and customers, and we continue to tailor our support to ensure it remains most appropriate.

Our operational ways of working have been improved to enable more staff to service customers remotely, including enabling electronic signing across more areas of the Banking division. We have expanded our automation capability to include integration with web services and the use of SMS messaging for improved customer communication in Premium Finance.

Leading Through Purpose

Our purpose to help the people and businesses of Britain thrive over the long term is a fundamental commitment to our customers that we will be there for them in both the good times and the bad. Our purpose is underpinned by our group-wide “customer principles”, which guide how we deliver experiences to our customers and partners, and the Close Brothers customer journey, which helps us measure how effectively we are performing across key touchpoints.

Listening to Our Customers and Improving Experience

We collect a broad range of customer satisfaction scores that help inform day-to-day changes as well as longer term strategic decisions to improve customer experience.

We continue to achieve strong net promoter scores (“NPS”) across our businesses, and these evidence the strength of our relationships and the faith our customers place in us. The average NPS score in financial services is +50, which all our businesses surpass¹. We also perform better than average in other metrics such as customer satisfaction scores (“CSAT”).

1 Source: Customer Gauge 2019

Our Customer Principles

This year we refreshed our customer principles to clearly articulate the experience we strive to deliver for our customers and partners:

We do the right thing for customers, clients and partners

This principle is not only fundamental to us fulfilling our regulatory obligations but also critical in putting customers at the heart of what we do. A recent complaints benchmarking report revealed strong performance with our resolution times 17 days quicker than the average consumer finance firm and our uphold rate the lowest measured at 14.1%¹.

Recently we won gold for the “Best Use of Customer Insight and Feedback” at the UK Complaint Handling Awards, illustrating our strong focus on improving the complaint process and using customer insight to drive business improvements.

We are flexible, responsive and execute with speed

In responding to customer needs, this year our Savings business launched online self-service functionality for onboarding and account servicing. Key customer benefits include a simplified application process, reduced onboarding timescales from five days to one, immediate email confirmation and better use of SMS messaging and secure messaging online.

We make decisions informed by our specialist expertise

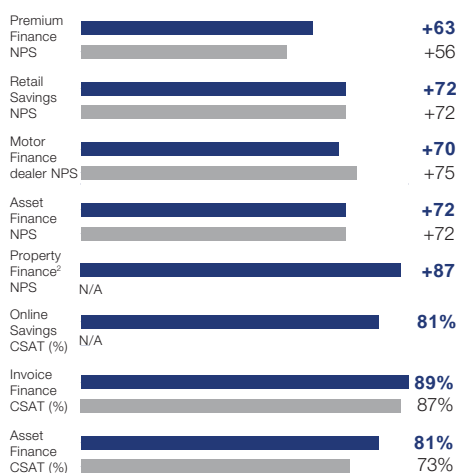
To remain constantly aware of how we can continue to help our customers and partners thrive in an ever-evolving landscape and to identify areas of improvement, we rely on our Voice of Customer programme to provide actionable insights across the group. The programme is also built into a broader feedback process linked to employee engagement.

In Invoice Finance we gather insight as part of an iterative process to implement business improvements. Examples include using customer feedback to alter processes to provide customers with greater clarity and product information at appropriate points in the journey.

We build relationships based on quality and trust

We continue to prioritise our high touch engagement model, and relationships with our customers, clients and partners are a key part of what we do. In our Property Finance business, we use our extensive knowledge of the market and expertise to build tailored finance solutions to fit the needs of our customers and their specific projects.

Customer Satisfaction Scores



■ 2021 ■ 2020

Note: All scores as at June each year. Prior year scores not collected for Property Finance NPS or Online Savings CSAT.

We were also pleased to see continued strong repeat business, which increased to 82% in Property Finance, while Winterflood maintained strong investment company corporate client retention at 55 in total (2020: 56).

The investment expertise of our Asset Management division allowed us to navigate unprecedented volatility, dealing volumes and geopolitical uncertainty for the benefit of our clients during the last year, while primarily operating remotely.

The division delivered over 450 financial education events during the year, speaking to over 9,700 people. 87% of delegates stated they would recommend us to their colleagues and the majority reported that our services helped improve employee financial wellbeing within their organisation.

Looking Ahead

Our purpose of helping the people and businesses of Britain thrive has guided us through the good times and the bad for over 140 years. We continue to ensure we support our customers through unprecedented challenges, and looking to the future, we are committed to helping them recover and adapt to a world that is uncertain but open to opportunities.

We will continue to support our customers out of the pandemic and build an agile and adaptable organisation that is ready for whatever is on the horizon. The group will continue its unwavering focus on customers and partners in several key ways:

- Further embedding our customer operating framework which delivers clearer ownership and accountability and measurement of metrics for the various customer journeys and improvements
- Leveraging our market-leading expertise to provide tailored advice for our SME customers and partners on how to navigate their recovery efforts

- Continuing to augment traditional channels with digital self-service capabilities to give customers the flexibility to engage with us the way they want to, particularly by introducing improved chat functionality and self-service in some instances
- Providing fair financing options, considering customers’ circumstances (including those that are vulnerable) and responding with empathy and compassion to all our customers who have suffered since the outset of the pandemic.

The group has put in place measures to review and enhance its arrangements to ensure good outcomes for customers in line with the FCA’s guidance on vulnerable customers and associated legislation. We are also carefully considering future developments and are seeking to enhance areas such as employee training and information on customer outcomes.

Engaging our Suppliers

We engage with our most important suppliers on a regular basis to ensure that both parties are attaining optimum value from the relationship. Our annual survey of key suppliers who represent our most critical and strategic services was last conducted in January 2021 and remains anonymous to ensure we gather honest and candid feedback.

The 2020 survey focused upon how Close Brothers performs as a client, and how our suppliers feel about doing business with us. Results were positive throughout, demonstrating that our suppliers recognise the enhancements we are making, the transparency and fairness of our business dealings, and the benefits of our third party management framework and operating model. We were pleased that the majority of our suppliers would recommend us as a client, scoring 8.2 out of 10 for this measure.

Feedback indicates that our suppliers value greater transparency around our strategy and a holistic view of our businesses. With this in mind, going forward we have selected specific areas of focus around communication and harnessing the knowledge and innovation of our most strategic suppliers, to keep our suppliers informed.

Survey results show that our suppliers benefit from our frequent contact and reviews of service, with 78% of respondents rating our approach to transparency and fairness as good or excellent. 71% of suppliers feel positive about how we treat them as valued partners and rate this as good or excellent.

Our supplier relationships remain mainly long term, with over 60% spanning five years or more, and survey responses suggest that they are increasingly viewed by our suppliers as strategic and collaborative partnerships. We continue to share a strategic vision with our

1 Source: Huntswood Complaints Outlook Benchmarking Report, February 2021.

2 Excludes Commercial Acceptances.

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suppliers to help them understand our direction and give greater clarity on our structure.

Recently, we have introduced a survey of sustainability matters covering suppliers' environmental and social governance, to help better inform our views of the progress each party is making towards improvements. A number of our contracts contain clauses measured against environmental key performance indicators, which include:

- Annual electricity, gas, water and waste statistics and audited energy meter readings
- On target carbon reduction objectives and waste management action plans
- Obtaining agreed energy and water reduction targets
- Environmental training for all personnel operating on the contract
- The use of materials and practices that conform to Close Brothers' Environmental Policy where reasonably practicable

We recognise that our suppliers form a key part of the service we provide and are committed to treating them fairly. We are therefore pleased to have maintained our Corporate Certification for Ethical Procurement from the Chartered Institute of Procurement and Supply ("CIPS").

Social responsibility in the community

A Lasting, Positive Impact on Society

Central to our purpose to help the people and businesses of Britain thrive over the long term is the close relationships and understanding we have of the customers and clients we serve. It is this familiarity and appreciation of the local communities and regions where they

operate that sets us apart and is integral to how we operate and conduct business.

The creation of long-term, lasting value in the communities where we operate remains a key priority for the group. This sense of purpose underpins the growing range of programmes and initiatives we maintain to support the causes that benefit those around us.

Supporting SMEs

We take great pride in understanding the needs of SMEs and our ability to help them achieve their goals and realise their ambitions. By helping SMEs thrive in local communities across the UK we support the creation of jobs and opportunities in regions that may otherwise be overlooked by larger and less specialist finance providers.

Our specialist expertise and deep industry knowledge allow us to better understand the small businesses we work with, helping us to support their commercial plans and facilitate their ambitions for growth. By appreciating the unique and individual requirements of our customers and the communities in which they operate, our local teams can make fast, reliable lending decisions when our customers need them most.

The Close Brothers SME Apprentice Programme is a further example of our long-standing commitment to supporting SMEs and local regions and is now in its fifth phase. The programme continues to contribute to the funding of new apprentices in the manufacturing and transport sectors, and to date we have funded over 100 of these apprentices around the Midlands, helping SMEs to secure the skills they need for the future.

Supporting Social Mobility

We are proud to be an inclusive organisation that supports social mobility and creates equal opportunities for all, regardless of background. Social mobility is one of our inclusion pillars, with executive sponsorship from our Commercial chief executive.

We continue our partnership with UpReach; a charity committed to transforming social mobility. Our summer internship programme offers six-week placements for second or final year university students from lower socio-economic backgrounds. In the past, a number of individuals who have taken part in the scheme have also gone on to secure full-time roles within the organisation as graduates. In addition, we are running work experience placements for students through the Social Mobility Foundation.

To extend our commitment to social mobility, we are offering a number of mentoring opportunities to our current employees. Individuals will also be able to volunteer on a more informal basis through signing up to the Social Mobility Network as part of our UpReach partnership.

Our successful Aspire school leaver programme continues to run annually and provides those individuals not going to university with an opportunity to gain experience of different business lines on a rotation basis alongside being supported through professional qualifications. We are focused on optimising our diverse and inclusive talent pool to ensure we create equal opportunities for all who apply.

Our Employees in the Community

We are committed to creating a positive impact in our communities and recognise that employee volunteers are often the driving force behind many community and charity activities. We actively encourage our colleagues to fundraise and volunteer for the causes that are important to them and provide additional support to make this possible.

We are supportive of our colleagues giving their time and expertise to fulfill trustee roles for various charities. In return, employees gain board-level experience to support their personal development and career progression.

In support of the collective response to tackling Covid-19, a number of employees have volunteered to help with the vaccine rollout across the UK.

Charitable Activities

Within our regular employee opinion surveys, we ask our employees to choose their preferred community and health charity partners. After the 2021 colleague vote, these are once again Make-A-Wish Foundation, who grant wishes for children with life-threatening illnesses, and Cancer Research UK, which we have now supported for nine consecutive years.

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. For every hour of voluntary 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.

Following a charitable donation of £100,000 to the children's literacy charity, Bookmark, we encouraged our employees to get involved through delivering voluntary reading sessions. Our colleagues have now delivered 180 sessions to children who have fallen behind with their reading during the pandemic and one of our colleagues has also now joined the Bookmark Advisory Board.

In addition, 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 are signed up to Payroll Giving as at 31 July 2021, achieving us an eleventh consecutive year of the Payroll Giving Quality Mark Gold Award and ensuring that we have achieved our target of maintaining this standard.

Climate

Our Climate Responsibilities

We recognise the importance of addressing the threat of climate change, and our ongoing work to identify the risks and opportunities it poses to our business model remains a key area of focus for the board and senior management.

We take our responsibility towards the environment seriously, and as a group we are supportive of the goals of the Paris Agreement to achieve net zero by 2050. We are conscious that the emissions impact of the assets and sectors that we finance can contribute to climate change, and as a financial services provider we recognise the role we have to play in supporting the climate agenda. Our efforts to reduce the impact of our operations on the environment continue at pace, and we strive to take actions that make a positive contribution to the world around us.

Careful consideration of environmental factors and potential risks plays an integral role in the actions we take, alongside thoughtful evaluation of where opportunities may arise for Close Brothers to make a meaningful difference through our business decisions.

Understanding and Disclosing Our Impact

In order to set out our own transition pathway towards lower emissions, we first need to understand the Scope 3 emissions impact of our supply chain and business activity. To support this objective, we intend to undertake an initial assessment of our indirect Scope 3 emissions during the first half of our next financial year. This will improve our visibility on the steps we can take and help shape our roadmap for lowering the emissions from our business activity.

We are also undertaking work to assess the climate exposure of our loan book, including scenario analysis for key areas across our business. This will support progress towards meeting the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"), which we plan to align with by the end of our next reporting period, in line with regulatory expectations.

The TCFD encourages consistent, reliable, and clear measurement and reporting of climate-related financial risks. Its recommendations provide an important framework for understanding and analysing how climate change impacts our customers, our own operations and our strategy. We recognise there is much work to be done and we are committed to making regular, transparent TCFD disclosures to communicate our progress as we develop our climate capabilities. We will continue to encourage our customers, suppliers and the industry to do the same.

Recognising Our Progress

Last year we set ourselves a target of reducing our group-wide Scope 1 and 2 emissions by 10% by 31 July 2021, benchmarked against the 2019 financial year. We are pleased that this year we comfortably exceeded this target. Our group-wide Scope 1 and 2 emissions totalled 2,616 tCO₂e and reduced 41% on the 2019 financial year, while also being a 23% reduction year-on-year.

In recognition of our support for the Paris net zero goals, this year we have committed to becoming operationally net zero through our Scope 1 and 2 emissions by 2030. As a nearer-term milestone on this journey, we are also now setting ourselves a target of achieving a net zero company car fleet by the end of 2025.

Total Scope 1 and 2 emissions reduction

23%

2020: 23%

As in prior years, we continue to participate in the CDP, which allows us to disclose our greenhouse gas emissions and our approach to managing climate-related impact on a voluntary basis. We were pleased to be awarded a B- in the latest CDP scores, in recognition of the positive ongoing progress we are making in addressing the threat of climate change. This year, we were also proud to be included in the inaugural Financial Times European Climate Leaders index, recognising our position as one of the top 300 European companies at reducing their Scope 1 and 2 emissions since 2014.

Our Journey Towards TCFD Alignment

Over the course of the last year we have continued to focus on the development of an effective and regulatory-compliant climate risk framework. Our climate programme has been expanded to better identify and manage climate risks and opportunities, and to embed climate consideration into policies, standards, processes and ways of working.

As part of our framework we are refining our credit assessment approach in the Banking division, with a view to ensuring appropriate consideration of climate risk as part of the underwriting process. Additionally, we are building climate stress testing and scenario analysis capabilities and are currently undertaking a pilot exercise across our Motor and Asset Finance businesses over a range of varying, long-term scenario pathways. Outputs from this exercise will deliver insights that support both our business strategy and risk decision making.

To support framework development, we recognise the need to further enhance data, modelling and infrastructure capabilities over time, and plan to achieve this by working collaboratively with our customers, suppliers and strategic partners.

Notwithstanding, the approach adopted to date will enable us to make further improvements over time, incorporating lessons learned, while providing the flexibility to address new and evolving standards. Going forward it will also enable us to embed climate considerations in core business strategy, customer engagement, and as part of financial and strategic planning processes.

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Our impact on the environment

Our Environmental Business Decisions

We are an active provider of finance for the green energy and renewables sector, having lent over £750 million to schemes such as wind, solar and hydro power developments since 2014, and this market remains a key contributor to our Asset Finance business.

Our Motor Finance business already finances electric and hybrid vehicles and we expect this component of our portfolio to grow as these models filter through to our target price and age range of second-hand vehicles. We have close working relationships with our dealer partners and are well placed to help support the transition of this sector by providing thought leadership and guidance for our dealer partners on the various electric and hybrid vehicles on the market, features of the technology and considerations specific to alternative fuel vehicle ownership.

Consideration of environmental risks and ethical standards is explicitly required as part of any credit underwriting proposal under our bank Credit Policy. We only lend against asset types defined in our credit policies, and existing guidelines outline sectors where the group has limited or no appetite as well as industries or product groups where enhanced due diligence is required (including fossil fuel exposure, defence, chemicals and tobacco amongst others). We have negligible direct exposure to high carbon intensive industries such as oil and gas, which do not tend to fit with our typical loan sizes, risk and return

lending criteria or terms of business, and we have no direct exposure to mining or fossil fuel extraction companies.

Reducing Our Operational Impact

We are pleased to have a growing number of initiatives and improvement programmes to continue lowering our emissions, reducing our energy use and enhancing our energy efficiency. This year we completed a significant phase of consolidating our London property footprint, bringing additional energy savings, efficiencies and water use reductions.

The effects of Covid-19 have not only benefited our overall emissions impact from reduced commuting in the year but have also allowed us to identify opportunities for optimising our office space and implementing flexible working, with associated environmental benefits. We are conscious of the environmental impact of staff travel, our supply chain and our office network, and we encourage our employees to make positive change by leasing low emission cars and participating in the cycle to work scheme.

We encourage waste recycling in all our offices and 100% of the waste contractors we use across our offices send zero waste to landfill. 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 are extending the emissions data we collect from our suppliers and continue to explore ways in which we can incorporate carbon impact criteria into our choice of suppliers.

Our internal Environmental Policy outlines our continued efforts towards environmental sustainability, and includes:

- compliance with all environmental legislation and codes of practice throughout the different areas we operate in and, where possible, demonstrating best practice in environmental stewardship;
- continuing to monitor and report on our environmental footprint both internally and externally;
- reducing our direct environmental impact from our operations through the introduction of various initiatives related to waste reduction and management, and our use of transport, energy and water;
- minimising unnecessary consumption, improving rates of recycling and promoting the use of recycled materials wherever possible;
- in particular, focusing on energy efficiency, the purchase of renewable energy and the reduction of emissions from our fleet vehicles;
- over the longer term, aim to reduce our indirect environmental impact by working with our value chain and promoting efficient and responsible behaviour from both our customers and suppliers; and
- raising awareness of environmental issues and promoting responsible behaviour amongst our employees by engaging them through our “Green Team” of employee representatives, undertaking group-wide initiatives and activities, and regularly conducting staff environmental surveys

GHG Emissions and Energy Usage

We gather our environmental data and compile our greenhouse gas (“GHG”) emissions with the support of an independent third-party analytics and reporting consultant.



Electrifying Our Fleet

The improving emissions of our company car fleet continues to be a success story that we are proud of, with the majority of our vehicles now being plug-in hybrids or fully electric. We offer an increasing range of these options and incentivise our staff to return older and more polluting vehicles free of charge in exchange for an electric alternative. Pure petrol or diesel vehicles are no longer available options in our company car fleet, with hybrids and fully electric vehicles being the only choice available to employees. We expect to further restrict choices to only fully electric vehicles during the coming months, other than in exceptional circumstances.

Our Scope 1 fuel emissions from company fleet vehicles continue to fall, as a result of our significant efforts towards growing the number of fuel-efficient, electric and alternative fuel vehicles in the fleet over several years now. We are pleased to have lowered our associated vehicle emissions by 68% since the start of the 2021 financial year, continuing to benefit from both our increased range of hybrid and electric vehicles, as well as the reduction in staff travel due to UK lockdown periods.

In 2020, we set ourselves a target of reducing our average fleet vehicle CO₂ emissions by a further 10% on last year's levels by 31 July 2021. We are pleased that this year we comfortably exceeded this target, as the average CO₂ emissions from our vehicles reduced 25% on last year to 57.3 gCO₂/km (2020: 76.6 gCO₂/km), further benefiting from our removal of all pure petrol and diesel vehicle options from our company car fleet in August 2020.

These figures build on several consecutive years of reductions, with our associated Scope 1 fuel emissions down 89% since 31 July 2016 and our average fleet vehicle CO₂ emissions down 51% in the same period.

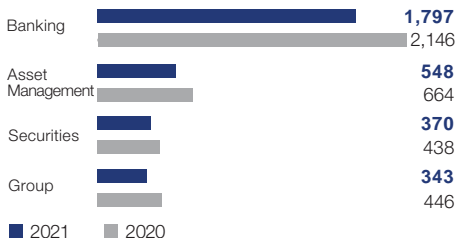
GHG Emissions and Energy Use Summary³

Scope	GHG emissions source	2021	2020
Scope 1 (tCO ₂ e)	Fuel (Buildings)	712	711
	Fuel (Owned vehicles)	345	1,069
Scope 2 (tCO ₂ e)	Electricity	1,502	1,633
	Company electric vehicles	57	-
Scope 3 (tCO ₂ e)	Employee vehicles	83	140
	Electricity transmission and distribution	129	141
	Other ⁴	230	-
Total location based GHG emissions (tCO₂e)		3,058	3,694
Average number of employees		3,713	3,521
Total per employee (tCO₂e)		0.82	1.05
Total market based GHG emissions (tCO₂e)¹		2,972	3,765
Total energy use (kWh)²		16,661,583	17,223,864

Geographic breakdown	2021		2020	
	UK	Overseas	UK	Overseas
Total GHG emissions (tCO ₂ e)	2,946	112	3,627	67
Total energy use (kWh) ²	16,399,765	261,818	16,961,329	262,535

- 2020 market based emissions figure restated to reflect updated residual mix emissions factors
- Energy use reported includes kWh from Scope 1, Scope 2 and Scope 3 employee vehicles only (as required by SECR standards)
- This work is partially based on the country-specific CO₂ emission factors developed by the International Energy Agency, © OECD/IEA 2020 but the resulting work has been prepared by Close Brothers plc and Avieco Ltd and does not necessarily reflect the views of the International Energy Agency
- Other Scope 3 categories calculated for the first time in 2021 consist of water, paper, waste, rail and flights

GHG Emissions by Division (tCO₂e)



This enables us to verify the accuracy of our data, while helping us monitor our performance and develop action plans based on strategic insights. We continue to meet the requirements of the Streamlined Energy and Carbon Reporting ("SECR") standards in our reporting for enhanced transparency in how we disclose our environmental impact.

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 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. Our reported Scope 3 emissions include those related to employee vehicles and electricity transmission and distribution, with further categories such as water and waste calculated for the first time this year.

In the 2021 financial year, our total location based GHG emissions were 3,058 tonnes of carbon dioxide equivalent ("tCO₂e"), equating

to 0.82 tCO₂e per employee, down 17% overall and 22% per employee since 2020. This year we saw the full impact of switching a number of our key sites to 100% renewable electricity sources, which has resulted in further reductions to our GHG emissions under a market based approach of 21% to 2,972 tCO₂e. Emissions in the year also continued to reflect lower usage arising from UK lockdown measures in response to Covid-19, resulting in the temporary closure of offices and reduced staff travel.

Our Scope 2 electricity consumption is our largest source of GHG emissions but continues to reduce on previous years, demonstrating our ongoing commitment to improving the energy efficiency of our offices.

Due to its relative size, the Banking division continues to account for the majority of our GHG emissions. A full breakdown of our 2021 GHG emissions and energy use, together with corresponding data for 2020, is shown in the table above.

Calculation

Our total GHG emissions are reported as tCO₂e, with our energy use reported in kWh, and are calculated in line with the GHG Protocol framework and SECR requirements. In addition to reporting our total Scope 1 and 2 emissions, we also disclose a number of Scope 3 emissions and emissions per employee as an intensity metric to enable a comparable analysis in future disclosures. Our GHG emissions and energy use reported here cover the Close Brothers group as a whole including all of its applicable subsidiaries under SECR.

Sustainability Report continued

Our Policies

We are committed to acting responsibly throughout all our activities, and have a number of group-wide policies and regulations in place to ensure we continue to operate in a socially responsible and compliant manner, including:

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 lifecycle events, for example in recruitment, training, promotion and flexible working requests.

As part of our Dignity at Work Policy, our colleagues with disabilities are encouraged to share their condition with us, to ensure any reasonable adjustments can be made. We are also members of the Business Disability Forum to support the 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 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 103 incidents across all of our sites. Of these, 15 were reportable and all arising from Covid-19 within the workplace reportable requirements. We continue to use an online risk assessment tool to manage site-specific risks as appropriate and our Display Screen Equipment risk assessment programme.

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 lifecycle.

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.