

CLOSE BROTHERS HOLDINGS LIMITED

SECTION 172(1) STATEMENT AND STATEMENT OF ENGAGEMENT WITH OTHER STAKEHOLDERS, INCLUDING EMPLOYEES

In accordance with the Companies Act 2006 (the “Act”) (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the directors provide the following statement describing how they have had regard to the matters set out in section 172(1) (a) to (f) of the Act, when performing their duty to promote the success of the Company under section 172.

Furthermore, in compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the statement which follows also describes how the directors have engaged with, and had regard to the interests of, employees, suppliers, customers and other relevant parties in a business relationship with the Company.

Section 172 of the Act requires a director to have regard to the following matters, among others, when discharging their duty:

- 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 the members of the Company.

The board of the Company is collectively responsible for managing the affairs of the Company to deliver long-term value. It does this, among other things, by making important decisions, monitoring performance and having regards to legal and ethical standards. Board meetings are held as required where the directors will consider the Company’s principal activities and make decisions. As part of those meetings the directors receive information in a range of different formats on section 172 matters when making relevant decisions.

As a holding company to the wider group, the Company performs a limited range of activities. The Company’s registered office address is shared with that of its parent company, and it has no other physical presence. Accordingly, the Company has minimal impact on the community and the environment. The Company has a sole member, Close Brothers Group plc. Furthermore, the Company has no employees and, combined with the size of the Group, it means that stakeholder engagement often takes place at an operational or group level. The board considers that this approach creates greater efficiency and facilitates a greater positive impact on environmental, social and other issues than may be possible at an individual Company level only.

The Company is a direct subsidiary of Close Brothers Group plc and is part of the wider Close Brothers Group (the “Group”). As such it follows a range of Group-wide policies in place to ensure compliance with all regulatory requirements and adherence to the highest professional and ethical standards in dealing with stakeholders, and to ensure that it continues to operate in a socially responsible and compliant manner. In doing so, and by balancing the interests of the Company’s stakeholders when making decisions, the directors seek to maintain a reputation for high standards of business conduct. Further information on these Group-wide policies, including the parent company’s statement about how its directors have had regard to the interests of employees, and of suppliers, customers and others in a business relationship with the parent or the Group, can be found in the annual report and financial statements of the parent company, Close Brothers Group plc.

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SECTION 172(1) STATEMENT AND STATEMENT OF ENGAGEMENT WITH OTHER STAKEHOLDERS, INCLUDING EMPLOYEES CONTINUED

Notwithstanding the Company's relatively limited stakeholders for the reasons given immediately above, and where appropriate, when making decisions the directors also seek to have regard to the stakeholders of the broader Group, and any impact that their decisions may have on those stakeholders, including Group employees, customers and regulators, and the members of its parent company. The directors also have regard to the likely consequences of a decision in the long term, while acknowledging that individual decisions may affect stakeholder groups differently.

Below are two key examples of the ways in which the directors have had regards to the matters set out in section 172(1) (a)-(f) of the Companies Act 2006, and have engaged with, and had regard to, the interest of employees, and the need to foster the Company's business relationships with suppliers, customers and others in their decision making.

Approval of the Close Brothers Group Modern Slavery Statement

During the year, the board of directors met to consider and, if it saw fit, to approve the Company's anti-slavery and human trafficking statement for the year-ended 31 July 2020 (the "Modern Slavery Statement"). As a holding company for the Group, an important part of the Company's purpose is to enter into a number of Group-wide contracts and supplier relationships. The annual review by the board of the Modern Slavery Statement is key to ensuring clear and transparent communication of the Company's approach to identifying, assessing, mitigating and monitoring risks with regards to modern slavery in its supply chain.

As part of their discussions, the directors considered the actions taken throughout the year to ensure that slavery and human trafficking does not take place in its business or supply chains, including the Company's continued adherence to the Group's Modern Slavery Policy, supporting standards and procedures, and the role played by relevant Group functions including Third Party Management throughout the year to identify, mitigate and monitor risks in the supply chain.

The directors also considered whether the form and content of the statement was appropriate to ensure compliance with the Company's obligations under the Modern Slavery Act 2015 and other relevant legislation, as part of their duty to maintain the Company's reputation for high standards of business conduct. The directors also had regard to the potential interest of suppliers, customers and other third parties in the Modern Slavery Statement, as well as the longer-term impact that it may have in fostering strong and effective relationships with suppliers. In approving the Modern Slavery Statement, the directors agreed that it would be likely to have a positive impact on the long-term success of the Company for the benefit of its shareholder.

Interim Dividend payment

Among other things, the board also considered, and approved, the payment of an interim dividend to Close Brothers Group Plc, its sole member. As a holding company, the Company receives interim payments from its divisional subsidiaries during the year, which has an impact on the Company's ability to pay dividends to its own parent company. In making a decision, the directors considered carefully the likely long-term consequences of the dividend proposal, including any effect that the dividend would have on the Company's ability to pay its debts as they fall due, having regard to the entirety of the Company's business and the liabilities (actual and contingent, present and future insofar as possible) inherent in such business, as well as the statutory requirements for payment of a dividend under the Act or otherwise. The expectations of its shareholder was also taken into account, with recognition given to the parent's own dividend policy.

Following such consideration, the directors concluded that following payment of the dividend, the Company would continue to have the financial reserves to meet its liabilities as they fall due and that the payment of the interim dividend was in the best interest of the Company's business and would promote the success of the Company for the benefit of its sole member, as well as supporting the wider Group purpose when taken as a whole.