

Section 172(1) statement and statement of engagement with other stakeholders including employees

The directors provide the following statement pursuant to the Companies Act 2006 (as amended by Companies (Miscellaneous Reporting) Regulations 2018) (the "Act") to describe how they have acted in accordance with their duty under Section 172 of the Act ("Section 172") to promote the success of the company for the benefit of its member(s) as a whole, and in so doing, how they have had regard to those factors set out in Section 172, (1) (a) to (f) during the financial year.

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 directors provide the statement which follows to describe how they have engaged with employees, and how they have had regard to employee interests and the need to foster the company's business relationships with suppliers, customers and others, and in each case, the effect of that regard, including on the principal decisions taken by the company during the financial year.

Section 172 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 members of the company.

The board of the company is collectively responsible for managing the affairs of the company to achieve its long-term prosperity by making important decisions, monitoring the underlying performance of the company, as well as being a means for establishing ethical standards. Understanding the interests of key stakeholders is an important part of the group's strategy and helps inform the directors' decision making throughout the year.

Board meetings are held as required where the directors will consider the company's principal activities and make decisions. Meetings are scheduled to provide adequate time for consideration and discussion by the directors of the interests of stakeholders, and for the directors to seek further information from management, as required. As a part of those meetings, the directors receive information in a range of different formats to assist them in discharging their responsibilities under Section 172 when making relevant decisions. This information may include, among other things, reports and presentations on financial and operational performance, business updates, budget planning and forecasts, HR matters, as well as specific areas of engagement, such as employee opinion surveys. When making decisions, the board seeks to understand the impact on each of its stakeholders, including the likely consequences of a decision in the long term, whilst acknowledging that a decision will not necessarily be

favourable for all stakeholders, as there may be competing interests between them.

Necessarily in a large and regulated group, some decisions are delegated by the board to management and local businesses but within parameters set by the board and a robust framework that ensures ongoing oversight, monitoring and challenge by the board (including certain decisions and activities that are always reserved to the board). The board has regard to relevant factors set out in Section 172 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. Examples of the board's oversight of matters related to areas of delegated or subsidiary responsibility in the 2021 financial year include monitoring the development, strategy and performance of individual businesses and subsidiaries, considering management's response to regulatory initiatives and engagement, and oversight of activities relating to culture, conduct and employee engagement at local level. Once again during the year, the board's monitoring of the group's businesses and subsidiaries has been particularly focused on the impact of, and response to, Covid-19.

The company is part of the wider Close Brothers Group (the "Group"), and as such it follows a range of group-wide policies in place to protect employees and provide a safe working environment, to ensure compliance with all regulatory requirements and adherence to the highest professional and ethical standards in dealing with customers, suppliers and colleagues, as well as ensuring that it continues to be cognisant of its social and environmental responsibilities. In doing so, and by balancing the interests of the company's stakeholders when making decisions, the board seeks to maintain a reputation for high standards of business conduct. Further information on these group-wide policies can be found in the annual report and accounts of the company's ultimate holding company, Close Brothers Group plc.

The directors seek to engage directly with stakeholders wherever possible on certain issues, though the size of the Group means that stakeholder engagement often takes place at an operational or Group level. 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, as well as ensuring consistency of approach across the Group. Where engagement has taken place at operational level, the outcome of that engagement has been brought to the board for its consideration where relevant throughout the year.

During the financial year, engagement with stakeholders has been modified in response to the Covid-19 regulations and Government guidance, and has taken place virtually where appropriate. Additional details on engagement at Group level with stakeholders, including employees, suppliers, customers, the community and environment can be found in the Strategic Report section of the Annual Report and Accounts of Close Brothers Group plc.

The table and case studies on the following page(s) set out further examples of the ways in which the board has engaged directly and indirectly with stakeholders during the financial year, as well as detailing how the directors have

had regard to employee interests and the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard,

including on principal decisions taken throughout the year, as well as matters set out in Section 172 (1)(a)-(f) when discharging their duties under Section 172.

OUR STAKEHOLDERS	WHY WE FOCUS ON THEM	STAKEHOLDERS' KEY PRIORITIES	HOW THE BOARD AND MANAGEMENT HAVE ENGAGED AND CONSIDERED STAKEHOLDER INTERESTS DURING THE YEAR
Colleagues	<p>The board recognises the importance of the contribution made by our employees, who deliver the highest levels of service for our customers, clients and partners.</p> <p>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 their organisation.</p>	<ul style="list-style-type: none"> • A safe working environment • A fair, supportive, diverse and inclusive culture where employee feedback is valued • Ensuring appropriate rewards for their contributions • Opportunities for training and development • Long-term successful performance of the company 	<ul style="list-style-type: none"> • Regular updates on employee issues arising from the Covid-19 pandemic, including the response to lockdowns, the continuation of home working, reviewing wellbeing issues, the discussion of employee opinion surveys and return to workplace planning • Discussion of the company's activities to identify optimal future working practices for employees, having regard to customer needs and the control environment alongside a desire to encourage team collaboration and enable greater flexibility for colleagues • Regular communications with employees on financial, strategic and operational matters via emails and videos, participation in Town Halls, site visits and Q&A sessions by individual directors • Director attendance at committees and forums below board level to understand and discuss employee-related issues • Consideration of employee-related issues connected with major projects and transformation programmes • Review and discussion of a quarterly culture dashboard, providing an overview of matters relating to culture, conduct and values • Support for and attendance at development and training programmes attended by employees at different levels

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Customers, clients and partners	<p>The needs of our customers, clients and partners are at the heart of our business and are core to the purpose of helping the people and businesses of Britain thrive over the long term. We are focused on upholding reliable, high quality services and a personal approach.</p> <p>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</p>	<ul style="list-style-type: none"> • A customer-led proposition • A focus on treating customers fairly and doing the right thing • Strong personal relationships and specialist expertise • Consistent and supportive customer service whatever the market conditions • A responsive service with solutions that are flexible, responsive and executed with speed • Relationships are built on quality and trust 	<ul style="list-style-type: none"> • Consideration of compensation and employee-related matters by non-executive directors in their capacity as members of the Remuneration Committee of CBG • Regular discussion by the board including by non-executive directors in their capacity as members of the Nomination and Governance Committee of CBG, on the group's approach to diversity, including the activities of specific networks and working groups • Ongoing activity to encourage employee participation in the Group's SAYE and BAYE share schemes • Director oversight of, and at least half-yearly updates on, whistleblowing activity, supplemented by the appointment of a non-executive director as the Group's whistleblowing champion • Annual review and approval of the Group's gender pay gap reporting by non-executive directors in their capacity as members of the Remuneration Committee of CBG <ul style="list-style-type: none"> • Updates to the board on, and consideration of, the impact of Covid-19 on customers, clients and partners, including regular updates on operational matters and reviews of information relating to the provision of forbearance and Covid-19 related concessions to customers of the Group and roll-off of this support. • Quarterly in-depth customer deep-dives by the board including

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	<p>such, central to all decision-making is understanding how our actions can help them and their businesses thrive.</p>		<p>review of customer metrics and engagement scores, and updates on a wide range of matters relating to customer issues, including complaints</p> <ul style="list-style-type: none"> • Review of refreshed customer principles • Customer, client and operations updates in monthly business reports presented to the board by senior management /members of the executive committee of CBG • Discussion of customer, client and partner considerations in individual decisions to be made by the board, including as part of major investment programmes • Consideration of customer and conduct related issues during the year in relation to particular projects for example, oversight by non-executive directors in their capacity as members of the Risk Committee of CBG of the programme for the transition away from LIBOR, and risk and control issues arising from home working and "hybrid" home and office working • Oversight by non-executive directors, in their capacity as members of the Audit Committee of CBG, of relevant customer, client and partner related items arising from reviews undertaken by the Group's internal audit function • Discussion on sustainable commercial opportunities being considered for our customers, clients and partners • Attendance by directors and senior management at meetings of the

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Suppliers	<p>Our business is supported by a large number of suppliers, enabling us to provide high standards of service to our customers, clients and partners, whilst also allowing them to access innovative products and services.</p> <p>Engagement with our suppliers enables the company to develop and maintain long-term and sustainable relationships. This engagement enables our suppliers to better understand and align to our risk management requirements and operate responsibly.</p>	<ul style="list-style-type: none"> • Strong and sustainable relationships with Close Brothers • Fair and equitable conduct of business • Appropriate and clear payment procedures • An understanding of the company's purpose and strategy • Robust risk management framework 	<p>Banking Division's customer forum</p> <ul style="list-style-type: none"> • Consideration of conduct matters as part of the quarterly culture dashboard reviewed by the directors, together with review of a conduct risk dashboard by non-executive directors, in their capacity as members of the Risk Committee of CBG, at each scheduled meeting <ul style="list-style-type: none"> • Updates on, and consideration of, the impact of Covid-19 and lockdowns on suppliers and partners • Annual deep-dive supplier update to the board • Consideration and approval of material contracts with suppliers in line with the Schedule of Matters Reserved to the board • Annual review of the company's Modern Slavery Statement • Updates on supplier considerations as part of monthly updates provided by senior management to the board • Oversight of relevant policies and internal processes including updates on the Group's anti-bribery procedures • Consideration of supplier issues as part of updates on transformation and investment programmes • Oversight and monitoring of key supplier relationships by the board
Regulators and Government	<p>The company values an open and transparent relationship with all our regulators, as well as government authorities and trade associations.</p> <p>It is important we maintain a culture that is focused on retaining and encouraging high standards of business</p>	<ul style="list-style-type: none"> • Fair treatment of customers and clients • Compliance with applicable regulation • Recognition of the importance of resilience and risk management 	<ul style="list-style-type: none"> • Regular updates on regulatory developments and interactions during Covid-19 including guidance in relation to customer forbearance • Regular engagement with the regulator in

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	<p>conduct and regulatory compliance and openness. Engaging with the relevant regulators and associations helps to ensure the business is aligned to the evolving regulatory framework.</p>	<ul style="list-style-type: none"> • Provision of high quality information and regulatory reporting • Active consideration of risks relating to sustainability and other climate matters • Transparent Group tax strategy 	<p>relation to the Group's IRB application</p> <ul style="list-style-type: none"> • Updates on regulatory requirements in relation to ESG and sustainability, and regular appraisal of the company's response • Regular, direct engagement between individual directors and regulators • Attendance by directors at wider industry / sector events with regulators • Updates on broader regulatory developments and compliance considerations during the year, including summaries of management's engagement with regulators, as part of the head of compliance's regular updates to the Risk Committee of CBG and the board • Engagement with regulators on non-executive director and senior manager appointments • Provision of regulatory correspondence to the board and relevant committees including review by the board of resultant recommendations and actions • At least an annual update to the Audit Committee of CBG on taxation issues, including on the Group's engagement with HMRC
Communities and Environment	<p>As part of the broader Group, the board is committed to contributing lasting value and making a positive impact on the society in which we operate and the environment more broadly.</p> <p>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</p>	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Quarterly updates on matters relevant to our communities and the environment as part of broader ESG and sustainability updates provided to non-executive directors, in their capacity as members of the Nomination and Governance Committee of CBG • Consideration of the significance of ESG

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	<p>to achieve their ambitions, whilst also building employee engagement.</p> <p>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.</p>		<p>matters to the group's activities including the identification and assessment by the board of the significant ESG risks to the company and group, as well as consideration of opportunities that may arise</p> <ul style="list-style-type: none"> • Regular discussion by non-executive directors as members of the Nomination and Governance Committee of CBG on the Group's sustainability targets and progress in achieving them, including those targets and initiatives relating to climate change • Regular updates to non-executive directors as members of the Risk Committee of CBG on matters relating to climate risk and the Group's response • Engagement with external parties on ESG matters, including those relating to local communities and the environment • Consideration of environmental issues as part of board discussions on the Group's London Property Programme • Updates to the board on the Group's charity strategy and activities, including individual donations and events during the year • Updates to the board on community engagement programmes, including the Group's partnership with the social mobility charity, UpReach • Director and senior management participation in local charitable and volunteering activities
Shareholder	The company is a wholly owned member of the Close Brothers Group, forming part	<ul style="list-style-type: none"> • Focus on broader Group purpose and strategic aims, including financial 	<ul style="list-style-type: none"> • Although the company has a sole shareholder, the company's directors,

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	<p>of the Banking division; as such it operates as part of the broader Group in delivering its purpose and strategic objectives, in line with Group-wide processes, governance and culture.</p> <p>Engagement supports the company's understanding of, and contribution to, broader Group activities and strategic aims, and ensures delivery of long-term sustainable value for our shareholder in line with Group policies and standards.</p>	<p>resilience through the cycle</p> <ul style="list-style-type: none"> • Alignment with Group-wide risk, governance, compliance and financial priorities, including with regard to environmental and social responsibility • Consistent approach to stakeholder considerations and outcomes • Sustainable and consistent business model 	<p>including in their capacity as directors of CBG, have appropriate oversight of, and regard to, wider Group investor interests and considerations when making decisions</p>

Case studies

Below are some examples of the ways in which the board has engaged directly with stakeholders during the financial year, how stakeholder interests have been considered in the board's decision-making and wider role, and how the Directors have had regard to the matters set out in section 172(1)(a)-(f) when discharging their duties under section 172.

Principal Board Decision: Ongoing response to Covid-19

The impact of Covid-19 on the company's stakeholder groups and the evolving challenges this presented for them during lockdowns and subsequent re-openings remained at the forefront of the board's mind when making decisions and overseeing the company's ongoing response throughout Covid-19.

The board's approach was focused on maximising support for customers, clients and partners through the Covid-19 period, in line with the wider group purpose of helping the people and businesses of Britain thrive over the long term.

How the board considered, and had regard to, the interests of key stakeholders and the requirements of section 172(1)

- As part of the board's regular updates on the company's trading and performance, specific consideration was given to any developments related to Covid-19 and how this impacted both customer activity and business volumes.
- In particular, the impact of lockdowns on each business was assessed, with specific consideration given to customer, partner and employee perspectives and how these were evolving in response to changing market conditions.
- Regular updates were given to the board on the performance of the forborne loan book and customers' emergence from forbearance, with specific consideration given to ensuring sufficient support was available for all customers.

- Consideration was also given to the potential impact of Covid-19 on our supplier relationships, with updates regularly provided to the board.
- The board was also updated on engagement with regulators, including the Prudential Regulation Authority.
- The board monitored and oversaw the company's participation as a lender in the UK government's support schemes (including the Coronavirus Business Interruption Loan Scheme and the Recovery Loan Scheme), including the performance of those customers who had utilised these schemes.
- The board remained aware of the continued challenges presented by homeworking and ensured that close engagement between management and employees was maintained, for example through regular Town Halls and other internal communications, with the morale and wellbeing of employees remaining of paramount concern.
- It also considered the company's preparations for employees' returning to the workplace and transitioning to a hybrid working model where feasible.
- The company's capital, funding and liquidity position was considered regularly by the board, both as part of discussions in relation to the payment of dividends but also to ensure that the company was well placed to continue supporting customers and partners whilst taking advantage of opportunities in the current environment.
- As part of its decision making in response to Covid-19, the board had regard to the impact of the pandemic on depositors.
- Covid-19 and the associated impact on different stakeholder groups has been discussed by the board throughout the year in the context of a range of board activities and decisions, including (among other things) as part of regular oversight and monitoring of the performance of the group, in the context of different projects and programmes, and in the board's decision-making in relation to interim and final dividend payments.

Principal Board Decision: Resumption of dividend payments

In September 2020, the board took the decision to recommend to its shareholder the resumption of dividend payments in respect of the 2020 financial year following the decision taken by the board in April 2020 to cancel the payment of the previously declared second interim dividend in light of the evolving Covid-19 pandemic.

This was consistent with the decision made by the company's ultimate parent, Close Brothers Group plc, following the group's resilient performance in the second half of the 2020 financial year and reflecting the board's confidence in the business model and strong financial position.

In line with the requirements of section 172(1), the board had regard to the different interests of stakeholders, but with an overarching focus on acting in the way that would be most likely to promote the success of the company for the benefit of its members as a whole.

The board also undertook a similar process when determining if an interim dividend payment should be declared during the 2021 financial year.

How the board considered, and had regard to, the interests of key stakeholders and the requirements of section 172(1)

- The board considered the minimum capital requirements set by the regulator and the impact the payment of a dividend would have on the capital position of the company, with the proposed dividend supported by the company's Capital Adequacy Committee.
- The directors also considered the position of the regulator following the discussions undertaken in respect of the Close Brothers Group plc dividend, remaining mindful of maintaining the company's reputation for high standards of business conduct.
- On a regular basis, the board was updated on and reviewed the company's performance and its capital, funding and liquidity position, as well as expectations for the group's future growth.
- The board was regularly made aware of and considered the position of the company's customers and clients, including the evolution of the forborne population, and the company's ability to continue supporting its employees.
- The board took into account the decision by its ultimate parent, Close Brothers Group plc, to recommend a full year 2020 dividend, following the group's resilient performance in the second half of the 2020 financial year.
- As part of their discussions, the directors also considered the likely long term consequences of the decision to pay the dividend.

The board subsequently approved the recommendation to the shareholder and a final dividend of £50 million was declared in respect of the 2020 financial year.

An interim dividend of £40 million in respect of the 2021 financial year was approved by the board in March 2021.