

### 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 (Financial Statements 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 2022 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 Financial Statements 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 necessary or 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 Financial Statements 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 AND THE IMPACT OF ENGAGEMENT	STAKEHOLDERS' KEY PRIORITIES	HOW THE BOARD AND MANAGEMENT HAVE ENGAGED AND CONSIDERED STAKEHOLDER INTERESTS DURING THE YEAR
<b>Colleagues</b>	<p>With approximately 4,000 employees around the UK, Ireland, the Channel Islands and Germany, we have a diverse and motivated workforce which delivers the highest levels of service to our customers, clients and partners. We are committed to the development of our colleagues, ensuring they are supported and engaged.</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 Close Brothers.</p>	<ul style="list-style-type: none"> <li>• A safe working environment</li> <li>• A fair, supportive, diverse and inclusive culture where employee feedback is valued</li> <li>• Being appropriately rewarded for their contributions</li> <li>• Opportunities for training and development</li> <li>• Long-term successful performance of the group</li> </ul>	<p><b><u>How we engage</u></b> Engagement takes place daily through line managers, with senior management regularly speaking at Town Halls and other business-wide forums. Listening to our colleagues and acting upon their feedback is essential to maintaining employee engagement, whether this is through undertaking regular employee opinion surveys or management leading engagement activities to provide updates on business performance. Training and mentoring programmes are in place to support the development of all employees.</p> <p><b><u>Key engagement during the year</u></b> We ran an Employee Opinion Survey in February/March 2022 to gather feedback from our colleagues and provide them with a platform to anonymously share their views on working at Close Brothers. We listened closely to this feedback and held a series of Town Halls and team meetings with our colleagues to discuss the results and consider any actions to take. We also donated £2 per survey completed to our staff-nominated charities, Cancer Research UK and Make-a-Wish.</p>

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<b>Customers, clients and partners</b>	<p>The needs of our customers, clients and partners are at the heart of our business and are core to our purpose of helping the people and businesses of Britain thrive over the long term. Our aim is to be there for our customers across all market conditions to help them meet their goals with ease and confidence that earns their loyalty and ensures we build long lasting customer relationships.</p> <p>The group has customers, clients and partners in the UK, Ireland, the Channel Islands, Germany and the United States. 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.</p> <p>As such, central to all decision-making is doing the right thing for customers, clients and partners, by helping them achieve financial solutions that enable and deliver their business, professional and personal goals that can help them thrive.</p> <p>and their businesses thrive.</p>	<ul style="list-style-type: none"> <li>• Building and maintaining strong personal relationships based on trust, understanding and specialist expertise</li> <li>• Understanding, treating, and valuing them as individuals</li> <li>• Receiving consistent, responsive, and supportive service delivered with simplicity, clarity, and ease</li> <li>• Meeting their new needs throughout changing economic cycles</li> <li>• Receiving customer-led propositions that meet their individual needs</li> </ul>	<p><b><u>How we engage</u></b> Our specialist, expert teams consistently deliver high quality service to our customers, clients and partners. We engage with our customers throughout their end-to-end journey with us and actively seek their feedback. We proactively review the customer feedback we receive in our local business unit customer forums and continuously look at how we can improve our experience and service, ensuring the service we provide meets their needs and is aligned with our customer principles. We also use this feedback to evolve our proposition and offering as we adapt to the changing needs of our customers, clients and partners.</p> <p><b><u>Key engagement during the year</u></b> We have supported our customers, clients and partners throughout the heightened uncertainty we have experienced during the year and maintained close contact as they navigated rising inflation and cost of living pressures, as well as the roll-off of Covid-related government support. We have discussed our customers' needs regularly to ensure we were best supporting them and reviewed this position regularly.</p>
<b>Suppliers</b>	<p>Our business is supported by a broad range of suppliers, enabling us to provide high standards of service to our customers, clients and partners. We are focused on developing</p>	<ul style="list-style-type: none"> <li>• Strong and sustainable relationships with Close Brothers</li> <li>• Fair and equitable conduct of business</li> </ul>	<p><b><u>How we engage with our suppliers</u></b> Our key supplier relationships are owned by relationship managers and are supported by our central third-party</p>

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	<p>and maintaining transparent and sustainable working relationships with our suppliers.</p> <p>Engagement with our suppliers enables the group to develop and maintain long-term and sustainable relationships and ensures our suppliers can better understand and align to our risk management requirements and operate responsibly.</p>	<ul style="list-style-type: none"> <li>• Appropriate and clear payment procedures</li> <li>• An understanding of the Close Brothers Group purpose and strategy</li> <li>• Robust risk management framework</li> </ul>	<p>management function who provide specialist expertise and support. Engagement with suppliers includes regular meetings, with strategic meetings taking place at least quarterly with our top tier suppliers, as well as an annual survey to seek feedback on Close Brothers as a client.</p> <p><b><u>Key engagement during the year</u></b> Throughout the last year, we have continued to maintain our frequent contact with our suppliers and conduct regular reviews of service.</p> <p>Our annual survey of key suppliers was undertaken in July 2022, focusing on how Close Brothers performs as a client and how our suppliers feel about doing business with us.</p> <p>We continue to share a strategic vision with our suppliers to help them understand our direction and provide clarity, while ensuring that we remain considerate of our suppliers.</p> <p>We are also working in partnership with our key suppliers within Facilities and Fleet Management to directly collaborate and contribute to the sustainability agenda.</p>
<p><b>Regulators and Government</b></p>	<p>We are committed to sustaining high standards of business conduct across our business and maintain an active dialogue with government and regulatory bodies.</p> <p>The group fosters an open and transparent</p>	<ul style="list-style-type: none"> <li>• Good customer outcomes</li> <li>• Compliance with both applicable regulation and with regulators' expectations</li> <li>• Recognition of the importance of resilience and risk management</li> </ul>	<p><b><u>How we engage</u></b> We maintain a proactive dialogue with the PRA and the FCA and have a constructive relationship with HMRC to help ensure we are aligned with the relevant regulatory frameworks. We regularly interact with the trade bodies and business associations we are</p>

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	<p>relationship with all our regulators, including the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA"), as well as government authorities and trade associations. It is important that we maintain a culture that is focused on high standards in all our business activities, regulatory compliance and an open relationship with our regulators. Active engagement with the relevant regulators and associations helps to ensure the business is aware of and adapting to the evolving regulatory framework.</p>	<ul style="list-style-type: none"> <li>• Provision of high quality information and regulatory reporting</li> <li>• Active consideration of risks relating to sustainability and other climate matters</li> <li>• Transparent group tax strategy</li> </ul>	<p>affiliated with to ensure we are engaged with issues impacting our industry.</p> <p><b><u>Key engagement during the year</u></b> We have continued to maintain a close working relationship with the regulators as we progress through the application process for moving to use the Internal Ratings Based approach. We submitted our initial application in December 2020 and since then, have moved through a series of reviews and interviews. We received confirmation from the PRA that our application successfully transitioned to Phase 2 of the process in March 2022. Phase 2 documentation was submitted in July 2022 and we are well positioned to support the next set of reviews.</p>
<b>Communities and Environment</b>	<p>Close Brothers is committed to contributing lasting value and making a positive impact on the society in which we operate and the environment more broadly. This underpins the growing range of programmes and initiatives we support that benefit our communities and the environment.</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 to achieve their ambitions, whilst also building employee engagement. We firmly believe that environmental considerations should form an integral part of the</p>	<ul style="list-style-type: none"> <li>• A suitable strategy for approaching sustainability issues</li> <li>• Support for community initiatives</li> <li>• Job creation and social mobility</li> <li>• A long-term focus on addressing the impacts of climate change</li> </ul>	<p><b><u>How we engage</u></b> Many of our employees participate in group-wide committees established to drive forward a range of initiatives around diversity and inclusion, helping the environment and charitable and community activities, with our employee volunteers the driving force behind our successful community and charitable events. We have a range of partnerships with leading organisations dedicated to creating positive impact via diversity, inclusion and social mobility schemes, while our regular interactions with industry bodies and third-party consultants help inform our strategy towards climate change and the environment.</p> <p><b><u>Key engagement during the year</u></b></p>

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decisions we make as a business and employees across the group are actively engaged on responsible behaviours and environmental issues.

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

### 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: Motor Finance strategy**

Motor Finance has undergone a period of significant transformation, which has led to strong financial performance, whilst also enabling the business to successfully navigate regulatory change, improve its control framework and deliver strong colleague, customer and dealer satisfaction scores.

The board has been involved in the evolution of the Motor Finance strategy and continues to review opportunities for adapting the strategy and delivering disciplined growth.

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

- The board is regularly updated on the changing market environment and how the business can adapt to this to enhance its

proposition for its customers and dealer partners

- The directors have been kept up-to-date on changing customer behaviour, the increasing digitisation of the industry, and how the Motor Finance business is responding
- The board was updated on partnership opportunities where appropriate, as the business positions its finance offering at various points throughout the customer journey
- Updates have been provided on how the business continued to meet regulatory expectations by maintaining good customer outcomes
- The business has updated the board on how it has continued to attract dealer partners and develop its broader dealer proposition
- Consideration has been given to the opportunities presented by climate change and the growth opportunities arising from the rise of alternatively fuelled vehicles as their prevalence in the second hand car market gradually increases

#### **Principal Board Decision: Climate Risk Scenario Analysis Stress testing**

As a regulated lender, we are required by the Bank of England/Prudential Regulation Authority to conduct stress testing annually as part of our Internal Capital Adequacy Assessment Process ("ICAAP"). This year, we further enhanced our consideration of climate risk impacts within our ICAAP approach and specifically addressed long-horizon climate scenario analysis, aligning with PRA Supervisory Statement SS3/19, to assess the potential financial implications of climate-related risks and opportunities and assess our resilience to both physical and transition risks.

The Close Brothers Group also enhanced its climate risk disclosures to align with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), which incorporated the scenario analysis and stress testing conducted on certain lending portfolios of CBL.

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

- The board recognises its requirement by the regulator to understand the financial risks and opportunities from climate change and assess their impact on the company,
- including business strategy and risk appetite. The review of the climate risk scenario analysis by the board formed a core part of satisfying this requirement.
- The analysis considered various scenario temperature transition paths and the impact that these would have on the environment, our people, our customers and strategic partners.
  - The behaviour of customers in response to the various climate scenarios was considered and taken into account when deciding on likely management actions and any potential impact on business strategy. In these scenarios, some customer behaviours were likely to be guided by personal choice, with others impacted by government policy.
  - The impact of any management actions influence future business strategy and risk appetite.
  - The climate disclosures produced by the Group, which CBL's climate risk stress testing and scenario analysis feeds into, are focused on enhancing transparency for the Group's stakeholders.