

## 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) of the Act, when performing their duty to promote the success of the Company under section 172.

In accordance 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 following statement describing how the Directors have engaged with, and had regard to the interests of, employees, suppliers, customers and others in a business relationship with the Company.

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 with members of the Company.

The Board 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 periodically where the directors consider the Company's principal activities and make decisions. As a part of those meetings the directors receive information in a range of different formats on section 172 matters when making relevant decisions.

The Company is a subsidiary of Close Brothers Group plc and is part of the 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 accounts of the parent company, Close Brothers Group plc.

As a holding company, the Company performs a limited range of activities. The Company's registered office address is shared with its parent company, and it has no other physical presence. Accordingly, the Company has minimal impact on the community and the environment. The Company also has a sole member, Close Brothers Group plc.

The Company's role as a holding company with no employees, combined with the size of the Group 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.

Notwithstanding the Company's limited stakeholders, when making decisions the directors 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 shareholders 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 some 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.

#### **Entry into a supply of services agreement to administer employee share plans**

The Group's business is supported by a large number of suppliers who enable it to provide high standards of service to its customers, clients and partners. Review and consideration of material contracts with suppliers and ongoing supplier relationship management is conducted through the Group's Third Party Management function, who help to develop and maintain long-term and sustainable relationships and ensure that the Company purchases products and services from suppliers who operate responsibly and in line with the Group's policies and standards.

Throughout the year, the board considered the entry by the Company into a number of supplier agreements, including some for the benefit of the wider Group. One example of this, is the consideration by the Board to enter into a supply of services agreement for a cloud based application to administer the Group's employee share plans. The decision to migrate to a cloud based solution arose from feedback from internal stakeholders in relation to the previous hosting arrangement on internal servers. As part of their consideration, the directors noted the benefits the migration would bring

## **CLOSE BROTHERS HOLDINGS LIMITED**

to the Company and the Group in the long term, including to staff in managing and supporting the application, and to the wider employee population as the recipients of the service, as well as building relationships with suppliers. The directors considered that automatic application of software patches and upgrades by the supplier would also lead to greater IT security and efficiency, and improved consistency of performance over the long term, which will help maintain high standards of business conduct.

### **Interim Dividend payment**

Another principal decision for the Company involved the payment of an interim dividend to its sole shareholder. When making this decision, the directors considered carefully the likely long-term consequences of the dividend proposal, including the 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 actual and contingent liabilities (present and future) inherent in that business, as well as the statutory requirements for payment of a dividend. The directors concluded that even after payment of the dividend, the Company would continue to have the resources to meet trading and other debts as they fall due and that the declaration and 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 as a whole.