

## 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 s.172 of the Act 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 172 (1) (a) to (f) of the Act 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 with members of the company.

The Board 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 Company’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.

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 clients, 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, though the size of the Group means that stakeholder engagement sometimes takes place at Group level where this approach would create greater efficiency and facilitate 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 study below set out more details 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**

<b>OUR STAKEHOLDERS</b>	<b>WHY WE FOCUS ON THEM AND THE IMPACT OF ENGAGEMENT</b>	<b>STAKEHOLDERS' KEY PRIORITIES AND AREAS OF FOCUS</b>	<b>HOW THE BOARD ENGAGE WITH AND CONSIDER STAKEHOLDER INTERESTS IN THE DECISION-MAKING PROCESS</b>
<p><b>Clients, counterparties and customers.</b></p>	<p>The Board believes in putting our clients, counterparties and customers first, and remains focused on upholding our reliable, high quality services and personal approach.</p> <p>Putting the interests of our clients, counterparties and customers at the heart of our business is critical to our success, and the Group's purpose to help the people and businesses of Britain thrive over the long-term underlines the Board's commitment in this area.</p> <p>Engagement with clients and counterparties allows us to understand their needs and receive feedback and insight that is essential to maintaining strong relationships across our business.</p>	<ul style="list-style-type: none"> <li>• The key priority for all parties who execute business with the Company is accessing liquidity in a wide range of stocks, at competitive pricing and with settlement confidence.</li> <li>• Clients and counterparties need high levels of system availability and operational resilience to provide comfort regarding certainty of execution and settlement.</li> <li>• Clients using the Company's electronic trading systems and Retail Service Provider capability are seeking price polling and execution certainty for their execution-only retail investors.</li> <li>• Clients of Winterflood Investment Trusts are seeking high-quality corporate finance advice, research and broking services.</li> <li>• Clients of WBS are seeking to provide their underlying customer with dealing and administration services in a wide range of instruments, markets and products.</li> <li>• Underlying retail customers of WBS are seeking the ability to invest in stocks and shares both in the UK and overseas markets, with competitive dealing costs and custody arrangements, through their platform provider or discretionary portfolio manager.</li> <li>• Clients of WBS need high levels of service availability and operational resilience to ensure they</li> </ul>	<ul style="list-style-type: none"> <li>• Regular reporting and discussion of matters and updates relating to customers, clients and partners.</li> <li>• The Company's management undertake continuous monitoring of Best Execution factors to monitor performance in relation to providing good client/customer outcomes.</li> <li>• Monitoring of systems availability and oversight of root cause analysis for outages.</li> <li>• Identification of Important Business Services and assessment of potential impact to clients and markets. Focus on operational resilience of these services.</li> <li>• Ongoing measuring and monitoring of conduct risk indicators and trends to support decision making.</li> <li>• Regular discussion of client feedback and order flow.</li> <li>• Visits to, and meetings with clients, customers and partners.</li> <li>• Membership of industry bodies and participation in working groups implementing industry or regulatory change.</li> <li>• Monitoring and analysis of complaints received to improve understanding around issues, help identify root cause and prevent recurrence.</li> <li>• Consideration of policies and participation in training in relation to the identification of vulnerable customers and the fair treatment of customers.</li> </ul>

		<p>can meet their own customer obligations.</p>	
<p><b>Employees</b></p>	<p>The Board recognises the importance of the contribution made by our employees, who deliver the highest levels of service for our clients and counterparties.</p> <p>Engagement with employees helps to build a deep and diverse talent pool, attract and retain talent and ensure that employees remain enthusiastic about their work and their Company.</p> <p>Regularly listening to employees' feedback ensures they feel valued with their views recognised and acted upon.</p>	<ul style="list-style-type: none"> <li>• Employees need an engaging and rewarding role where their efforts are recognised and appreciated.</li> <li>• All staff should feel they are part of a purposeful culture at work.</li> <li>• Employees need to be able to be themselves at work and feel secure that they will not be discriminated against, either consciously or unconsciously because of who they are.</li> <li>• Staff should feel comfortable that they are supported to behave in line with the Company's values, and able safely to speak up if they observe conduct not aligned to the Company's culture.</li> <li>• Employees need to feel they are listened to by senior management and their needs taken into account when key decisions are made.</li> </ul>	<ul style="list-style-type: none"> <li>• Review and analysis of annual all-employee opinion survey results, and development and implementation of follow-up action plans to respond to findings.</li> <li>• Quarterly review of culture dashboard by Winterflood Risk and Compliance Committee, including consideration of employee and conduct metrics.</li> <li>• Participation by directors and management in regular employee engagement activities, including business briefings and lunch-and-learn sessions.</li> <li>• Updates to staff from management on employee opinion survey results and other staff feedback, and actions taken to respond.</li> <li>• Well defined "WINNER" values embedded through performance appraisals and quarterly "Our Way" awards.</li> <li>• Regular communications to employees on the performance and operation of the business.</li> <li>• Implementation of comprehensive whistle-blowing procedures and encouragement to employees to report relevant matters.</li> <li>• Oversight of and participation in training, development and mentoring programmes for employees.</li> <li>• Encouragement to participate in Group-wide Save as You Earn and Buy as You Earn schemes to encourage employee ownership in the wider Group. In 2020 the Company achieved a platinum award for employee charitable giving.</li> <li>• Establishment of dedicated Committee to further progress on diversity and</li> </ul>

			<p>inclusion at local level, chaired by Board director.</p> <ul style="list-style-type: none"> <li>• Diversity &amp; Inclusion training programme rolled out to all management-level staff.</li> <li>• Engagement with employees via Group-wide diversity &amp; inclusion initiatives and working groups to support the decision-making process.</li> </ul>
<b>Exchanges and Trading Venues</b>	<p>Engagement with the exchanges and venues of which the Company is a member helps develop and maintain relationships.</p>	<ul style="list-style-type: none"> <li>• Exchanges and venues need to have high-quality market participants providing good levels of liquidity and access to markets so that they can attract listings and trading business.</li> <li>• Exchanges and venues expect high levels of systems and operational resilience to support the Company's participation and the proper functioning of the market.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular communication with Exchanges and Trading Venues, both operationally and at a strategic level.</li> <li>• Engagement with, and response to, consultations and surveys issued by exchanges and venues.</li> <li>• Engagement in round-table sessions and working groups working on strategic or structural change to aid decision making.</li> <li>• Focus on systems and operational resilience to meet exchange rules and expectations.</li> </ul>
<b>Suppliers</b>	<p>Our business is supported by a large number of suppliers who enable us to provide high standards of service to our customers, clients and partners.</p> <p>Engagement with suppliers enables the Company to develop and maintain long-term and sustainable relationships and helps ensure that the Company purchases products and services from suppliers who operate responsibly and in line with our policies and standards.</p>	<ul style="list-style-type: none"> <li>• Suppliers need to engage with a professional, well-managed institution, committed to building strong business partnerships.</li> <li>• Suppliers need the Company to be financially strong so they have certainty of revenue and can manage their credit risk.</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings and other engagement with suppliers and ongoing updates on performance.</li> <li>• Engagement with key suppliers during the Covid-19 pandemic to support the decision-making process.</li> <li>• Review and consideration of material contracts with suppliers and ongoing supplier relationship management.</li> <li>• Ongoing development of third-party management capability to embed supplier engagement and coordination across the Company.</li> <li>• Review and approval of annual Modern Slavery Act statement.</li> <li>• Established processes for the management of supply chain risks and issues, with escalation to the Board and management as appropriate.</li> </ul>

<p><b>Regulators</b></p>	<p>Engagement with regulators and applicable regulatory requirements helps the Company develop and maintain open and transparent relationships with our regulators and helps the Board ensure that the business is aligned to the evolving regulatory framework.</p>	<ul style="list-style-type: none"> <li>• The Company’s regulators (predominantly FCA but also PRA as the Group’s prudential regulator) need high quality information to allow them to perform their regulatory oversight.</li> <li>• Regulators need the Company to be well-governed and well-managed with clear lines of responsibility and prudent risk management and robust compliance arrangements.</li> <li>• Regulators need to ensure that the Company does not pose a risk to their statutory objectives.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular reporting and discussion on regulatory developments, correspondence and interactions.</li> <li>• Board-sponsored projects to manage implementation of major regulatory change, for example Investment Firms Prudential Regime.</li> <li>• Regulatory risk and compliance reporting to local Risk and Compliance Committee to support the decision-making process.</li> <li>• Consideration of the regulatory horizon including via risk and compliance reports.</li> <li>• Consideration of relevant policies and standards that support compliance with regulatory and compliance requirements.</li> <li>• Oversight of systems and operational resilience.</li> <li>• Participation in broader Group regulatory initiatives and programmes, including activity to support the ICAAP, RRP and ILAAP processes.</li> <li>• Oversight of training for all employees on applicable regulatory requirements.</li> </ul>
<p><b>Communities and Environment</b></p>	<p>As part of the broader Group, the Board is committed to contributing long-term value and making a lasting, positive impact on the society in which we operate and the environment more broadly.</p> <p>Participating in local communities helps the Board and our employees develop our understanding of the clients, customers and partners so that we can support them and help them to achieve their ambition.</p>	<ul style="list-style-type: none"> <li>• The activities of the Company and its staff should be beneficial to, and not adversely impact, the communities in which we live and work.</li> <li>• Reduction in environmental impact and commitment to sustainability is a recognised global priority.</li> </ul>	<ul style="list-style-type: none"> <li>• Actively encouraging employees to contribute to community and charity events and to fundraise and volunteer for charities, including the broader Group’s charity partners.</li> <li>• Board and management participation in local charitable and volunteering activities.</li> <li>• Participation in the wider Group’s SME Apprentice Programme.</li> <li>• Consideration of the Group’s wider environmental strategy, activities and goals, and the contribution that the Company can make to make a positive contribution to the world around us.</li> </ul>



<p><b>Shareholder</b></p>	<p>The Company is a wholly owned member of the Close Brothers Group; 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>	<ul style="list-style-type: none"> <li>• Focus on broader Group purpose and strategic aims.</li> <li>• Alignment with Group-wide risk, governance, compliance and financial priorities.</li> <li>• Consistent approach to stakeholder considerations and outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement with senior management at Group level, including representation on the Board and other governance forums to ensure the Board has a clear understanding of its role and contribution as part of the wider Group.</li> <li>• Updates to Group level committees, including the CBG Board on the operation and performance of the Company.</li> <li>• Participation in Group-wide initiatives and programmes (including those that support consideration of the Company’s other stakeholder groups including customers, employees and suppliers).</li> <li>• Budget and financial plans developed as part of wider Group process.</li> <li>• Participation in broader enterprise-wide risk, regulatory and compliance initiatives.</li> </ul>
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Below is an example of the way 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.

**Case study: Opening of new office**

During the financial year, the directors made the decision to enter into a lease for new office premises to act as a satellite office and disaster recovery site. In making this decision, the directors had regard to the interests of the Company’s employees, clients, markets, regulators and the environment. The background to the decision was that, in response to the Covid-19 pandemic, the majority of Winterflood’s staff moved to working-from-home with a skeleton staff of critical employees remaining on-site to support the effective functioning of the financial markets. To maximise social distancing, the team was dispersed between Winterflood’s main London office and its disaster recovery site in Middlesex. Throughout the pandemic Winterflood’s Board were in continuous consultation with all employees to gather feedback and suggestions regarding staff health and wellbeing, as well as engagement with clients and regulators to inform and support the maintenance of all important business services.

As the longer-term nature of the pandemic situation became apparent, the Board noted that a large number of staff working from the Middlesex site were undertaking lengthy commutes by car and the facilities for the wellbeing of staff working on site were not optimum for the longer term. In consultation with staff working at the site, in the main London office and at home, the decision was taken to secure new office premises closer to staff homes and with improved facilities for employees working there on a medium to long-term basis. The Board analysed the distribution of home locations of staff and chose a new location on the Essex-Kent border. Rather than being equipped solely as a short-term disaster recovery facility, the office has been furnished to a high specification for the comfort of staff based there for extended periods and Covid-safety measures such as upgraded air conditioning for improved ventilation have been included to promote staff health and wellbeing. Furthermore, the new office has materially reduced the number and length of car journeys undertaken by staff which will benefit the environment. Improved technology and communications links at the new site mean that

the Company's operational resilience capability is enhanced, which is in the interests of Winterflood's clients, regulators and other market participants.