

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

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| <p>Clients, counterparties and customers.</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"> • 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. • Clients and counterparties need high levels of system availability and operational resilience to provide comfort regarding certainty of execution and settlement. • 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. • Clients of Winterflood Investment Trusts are seeking high-quality corporate finance advice, research and broking services. | <ul style="list-style-type: none"> • Regular reporting and discussion of matters and updates relating to customers, clients and partners. • The Company’s management undertake continuous monitoring of Best Execution factors to monitor performance in relation to providing good client/customer outcomes. • Monitoring of systems availability and oversight of root cause analysis for outages. • Identification of Important Business Services and assessment of potential impact to clients and markets. Focus on operational resilience of these services. • Ongoing measuring and monitoring of conduct risk indicators and trends to support decision making. • Regular discussion of client feedback and order flow. |

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| | | <ul style="list-style-type: none"> • Clients of WBS are seeking to provide their underlying customer with dealing and administration services in a wide range of instruments, markets and products. • Clients of WBS need high levels of service availability and operational resilience to ensure they can meet their own customer obligations. • 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. Clients of WBS need to provide safe and secure custody arrangements for their underlying clients' assets. | <ul style="list-style-type: none"> • Visits to, and meetings with clients, customers and partners. • Membership of industry bodies and participation in working groups implementing industry or regulatory change. • Monitoring and analysis of complaints received to improve understanding around issues, help identify root cause and prevent recurrence. • Consideration of policies and participation in training in relation to the identification of vulnerable customers and the fair treatment of customers. • Robust CASS oversight arrangements and training for relevant staff. • Board receives reports and presentations on the effectiveness of CASS oversight and controls, including annual external audit. |
| <p>Employees</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</p> | <ul style="list-style-type: none"> • Employees need an engaging and rewarding role where their efforts are recognised and appreciated. • All staff should feel they are part of a purposeful culture at work. • Employees need to be able to be themselves at work and feel secure that they will not be discriminated against, either consciously or | <ul style="list-style-type: none"> • Review and analysis of annual all-employee opinion survey results, and development and implementation of follow-up action plans to respond to findings. • Quarterly review of culture dashboard by Winterflood Risk and Compliance Committee, including consideration of employee and conduct metrics. • Participation by directors and |

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| | <p>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> | <p>unconsciously because of who they are.</p> <ul style="list-style-type: none"> ● 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. ● Employees need to feel they are listened to by senior management and their needs taken into account when key decisions are made. | <p>management in regular employee engagement activities, including business briefings and lunch-and-learn sessions.</p> <ul style="list-style-type: none"> ● Updates to staff from management on employee opinion survey results and other staff feedback, and actions taken to respond. ● Well defined "WINNER" values embedded through performance appraisals and quarterly "Our Way" awards. ● Regular communications to employees on the performance and operation of the business. ● Implementation of comprehensive whistle-blowing procedures and encouragement to employees to report relevant matters. ● Oversight of and participation in training, development and mentoring programmes for employees. ● 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 2021 the Group received a Corporate Fundraising award from Cancer Research UK and in 2022 received a |

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| | | | <p>Payroll Giving Quality Mark Gold Award.</p> <ul style="list-style-type: none"> Establishment of dedicated Committee to further progress on diversity and inclusion at local level, chaired by Board director. Diversity & Inclusion training programme rolled out to all management-level staff. Engagement with employees via Group-wide diversity & inclusion initiatives and working groups to support the decision-making process. |
| <p>Exchanges, Trading Venues and Market-wide Infrastructure Providers</p> | <p>Engagement with the exchanges and venues of which the Company is a member helps develop and maintain relationships.</p> <p>Engagement with market infrastructure providers promotes efficient processing and operational resilience supporting the efficient functioning of the market for all participants.</p> | <ul style="list-style-type: none"> 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. Exchanges and venues expect high levels of systems and operational resilience to support the Company's participation and the proper functioning of the market. Market infrastructure providers expect timely and accurate settlement of trades and processing of corporate actions. | <ul style="list-style-type: none"> Regular communication with Exchanges and Trading Venues, both operationally and at a strategic level. Engagement with, and response to, consultations and surveys issued by exchanges and venues. Engagement in round-table sessions and working groups working on strategic or structural change to aid decision making. Focus on systems and operational resilience to meet exchange rules and expectations. Participation in market-wide resilience exercises for systems such as CREST. |
| <p>Suppliers</p> | <p>Our business is supported by a large number of suppliers who enable us to provide high standards of</p> | <ul style="list-style-type: none"> Suppliers need to engage with a professional, well-managed institution, committed to building | <ul style="list-style-type: none"> Meetings and other engagement with suppliers and ongoing updates on performance. |

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| | <p>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> | <p>strong business partnerships.</p> <ul style="list-style-type: none"> Suppliers need the Company to be financially strong so they have certainty of revenue and can manage their credit risk. | <ul style="list-style-type: none"> Monitoring and reporting against payment time targets. Review and consideration of material contracts with suppliers and ongoing supplier relationship management. Ongoing development of third-party management capability to embed supplier engagement and coordination across the Company. Review and approval of annual Modern Slavery Act statement. Established processes for the management of supply chain risks and issues, with escalation to the Board and management as appropriate. |
| Regulators | <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"> 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. Regulators need the Company to be well-governed and well-managed with clear lines of responsibility and prudent risk management and robust compliance arrangements. Regulators need to ensure that the Company does not pose a risk to their statutory objectives. | <ul style="list-style-type: none"> Regular reporting and discussion on regulatory developments, correspondence and interactions. Board-sponsored projects to manage implementation of major regulatory change, for example Investment Firms Prudential Regime. Preparation and submission of an Internal Capital and Risk Assessment (ICARA) Regulatory risk and compliance reporting to local Risk and Compliance Committee to support the decision-making process. |

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| | | | <ul style="list-style-type: none"> • Consideration of the regulatory horizon including via risk and compliance reports. • Consideration of relevant policies and standards that support compliance with regulatory and compliance requirements. • Oversight of systems and operational resilience. • Participation in broader Group regulatory initiatives and programmes, including activity to support the ICAAP, RRP and ILAAP processes. • Oversight of training for all employees on applicable regulatory requirements. • Engagement with HM Treasury and FCA through UK Equity Markets Association. • Representation on FCA Secondary Markets Advisory Committee. |
| <p>Communities</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</p> | <ul style="list-style-type: none"> • The activities of the Company and its staff should be beneficial to, and not adversely impact, the communities in which we live and work. • The activities of the Company should not be used for the commission of financial crime or terrorist financing. • The Company should not facilitate the evasion of tax which reduced funds available for the | <ul style="list-style-type: none"> • Actively encouraging employees to contribute to community and charity events and to fundraise and volunteer for charities, including the broader Group's charity partners. • Board and management participation in local charitable and volunteering activities. • Participation in the wider Group's SME Apprentice |

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| | <p>them to achieve their ambition.</p> <p>By maintaining and operating robust policies and procedures for the prevention of financial crime the Company can help to identify and reduce financial crime, including tax evasion and terrorist financing.</p> | <p>provision of public services in the community.</p> | <p>Programme and 10,000 Black Interns programme.</p> <ul style="list-style-type: none"> • Membership, at Group level, of Heart of the City, the UK's largest responsible small business network • Maintenance and operation policies and procedures aligned to the expectations and standards set out by the FCA, Joint Money Laundering Steering Group and Financial Action Task Force. • Board Business Approval Committee review of due diligence completed on all prospective clients and counterparties as part of its decision-making when approving new client onboarding. |
| <p>Environment</p> | <p>The Board is committed to seeking to minimise the impact of Winterflood's operations on the environment.</p> | <ul style="list-style-type: none"> • Reduction in environmental impact and commitment to sustainability is a recognised global priority. • It is a key priority for the environment that the Company does not cause damage through unnecessary emissions, waste or use of natural resources. | <ul style="list-style-type: none"> • 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. • The Board explicitly considers sustainability and environmental impact when making key decisions relating to technology and property strategy. • The Board reviews management information identifying and monitoring climate risk. • The Company provides detailed data |

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| | | | on its Scope 1, 2 and 3 carbon emissions for inclusion in the Group emissions disclosures. |
| Shareholder | <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 with Close Brothers Group staff and management 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"> • Focus on broader Group purpose and strategic aims. • Alignment with Group-wide risk, governance, compliance and financial priorities. • Consistent approach to stakeholder considerations and outcomes. | <ul style="list-style-type: none"> • 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. • Updates to Group level committees, including the CBG Board on the operation and performance of the Company. • Participation in Group-wide initiatives and programmes (including those that support consideration of the Company's other stakeholder groups including customers, employees and suppliers). • Budget and financial plans developed as part of wider Group process. • Participation in broader enterprise-wide risk, regulatory and compliance initiatives. |

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: Decision to relocate Data Centre

During the financial year, the directors made the decision to secure new premises to house the Company's main production data centre. In taking this decision the Board had regard for the interests of the Company's stakeholders as set out below:

a) Clients, Counterparties and Customers; Exchanges and Trading Venues; Regulators; and Shareholder

The Board recognises that availability of trading, dealing and custody services is of paramount importance to Winterflood's clients, counterparties and customers. By relocating the data centre to modern, purpose-built premises and upgrading key hardware and communications links, Winterflood will be able further to enhance the operational resilience of its Important Business Services. This in turn will support continued reductions in the time taken to recover services in the event of an outage, bringing them within the impact tolerances set by the Board.

In taking this decision, the Board also had regard for the needs of the exchanges and trading venues of which Winterflood is a member, and of the Company's regulators. The Board appreciates that resilience of Winterflood's services and the liquidity it provides is important to the efficient functioning of the markets, and therefore having robust IT systems infrastructure and communications links is necessary to support this.

Similarly, the security of Winterflood's systems and premises is central to maintaining the Company's defences against cyber attack which could put services and data at risk of disruption or theft. In deciding to relocate the data centre the Board had regard to the improved physical security arrangements of a third-party location when compared to the current location.

b) Environment

The use of power and cooling for the firm's IT systems represents the most significant element of the impact of Winterflood's operations on the environment. During the process to select the premises for the new data centre, the sustainability and environmental impact of the site was explicitly considered by the Board and was a key determinant in making the final provider selection. The selected site has been designed for maximum efficiency and sustainability and uses cooling technologies that eliminate the need for the compressors and refrigerants that contribute heavily toward the carbon footprint of data centres.

The operator of the site anticipates that the average Power Usage Effectiveness (PUE) of the new data centre will be around 1.2 which compares favourably with most other UK data centres who operate with PUEs in the region of 1.5 to 1.8. The site is the first in the UK to achieve an Excellent rating under the BREEAM Data Centres Scheme and uses only renewable energy.

c) Employees

By relocating the main data centre to a separate facility, the Board considered that Winterflood will have more flexibility to develop and execute its Property Strategy to provide improvements in the working environment for its people, supporting flexible working and sustainable transport modes for commuting. The Brentwood satellite office, opened in late 2020, already provides flexible additional workspace allowing employees to reduce journey times, avoid transport disruption in central London, and to increase social distancing in offices at times of high Covid infection rates.