

# Close Brothers Group anti-slavery and human trafficking statement for the financial year ended 31 July 2020

## Group overview

Close Brothers Group plc and its subsidiaries (“Close Brothers” or “the group”) is a leading merchant banking group providing lending, deposit taking, wealth management services and securities trading.

Close Brothers was established in 1878 and today employs over 3,500 people, principally in the UK. Close Brothers Group plc is listed on the London Stock Exchange and is a member of the FTSE 250.

The group is comprised of three divisions – Banking, Asset Management and Securities, the Banking division being the largest.

Close Brothers’ Banking division, comprising Close Brothers Limited and its subsidiaries, provides specialist lending to small and medium-sized businesses and individuals across a diverse range of asset classes, and also offers deposit taking services.

Close Brothers Asset Management provides a range of financial advice and investment management services to private clients and professional advisers in the UK.

The group’s Securities division comprises Winterflood, a leading UK market-maker offering execution services to retail stockbrokers and institutional clients.

The group is a financial services provider, with a limited supply chain which predominantly focusses on procuring professional and technology services, with most of its suppliers based in the UK and the EU.

## Policy and principles

Close Brothers is committed to complying with its obligations under the Modern Slavery Act and other relevant legislation relating to the detection and prevention of modern slavery and human trafficking. Close Brothers is committed to implementing and enforcing effective systems and controls that seek to ensure that modern slavery is not taking place anywhere in its business or in its supply chains.

Consistent with its obligations under the Modern Slavery Act, the group is committed to ensuring there is transparency in its own business and in its approach to tackling modern slavery throughout its supply chains. Close Brothers expects and requests the same standards from its contractors, suppliers and other business partners.

Close Brothers has a Group Modern Slavery Policy as well as a Group Third Party Management Policy to ensure the identification, assessment, mitigation and

monitoring of risk within its supply chain. This includes a third-party risk appetite statement which formalises the position that Close Brothers has no appetite for third parties taking risks on its behalf that would be unacceptable if taken internally. The Group Third Party Management Policy is further underpinned by standards and procedures which prescribe the risk assessment and due diligence requirements to consistently and effectively identify and mitigate against risks in the supply chain, including consideration of those related to modern slavery.

## Sourcing, contractual standards and due diligence

Close Brothers adopts a risk-based approach for selecting and managing its supply chain to ensure that risk is appropriately identified, assessed and mitigated. With a framework underpinned by technology to facilitate the process and drive MI and reporting, the group considers a broad range of risks, including those specifically relating to modern slavery. The Chartered Institute of Procurement and Supply (“CIPS”) Corporate Code of Ethics has been incorporated into our Third Party Management framework.

Close Brothers has template contractual provisions which require suppliers to comply with laws and regulations, including the Modern Slavery Act. These are used wherever possible for new and renewed supplier relationships and include requirements for standards to be passed down the supply chain where appropriate.

## Actions taken in financial year ended 31 July 2020

During the financial year ending 31 July 2020, Close Brothers took the following steps with the intention of further ensuring that slavery and human trafficking does not take place in its business or supply chains:

### 1. **Group Modern Slavery Policy**

There is continued adherence to the Group Modern Slavery Policy. The policy applies to all group companies, divisions and subsidiary businesses, and their respective permanent and fixed-term employees, temporary staff and contractors.

### 2. **Third Party Management Framework**

The Group Third Party Management Policy, and supporting standards and procedures, were reviewed (as part of the annual cycle) to ensure that the framework continues to be in line with best practice and applicable regulatory requirements, including those in relation to modern slavery and human trafficking.

### 3. **Sourcing Practices and Due Diligence**

Close Brothers has continued to consider the requirements of the Modern Slavery Act when sourcing new goods and services from the third-party supply market. This includes a risk assessment based on the nature of the services and supplier resulting in increased due diligence in heightened risk scenarios.

Members of the Banking Division's Third Party Management function (including the Third Party Monitoring function referred to further below) continue to be trained to the CIPS Ethical Procurement and Supply standard. Close Brothers Banking division also maintains its Corporate Certification for Ethical Procurement & Supply from CIPS. Two members of the TPM team completed and passed the CIPS level 4 apprenticeship, learning best practice sourcing including Ethical Sourcing Policies and Supply Chain Ethics Management.

The TPM team has formed a Sustainability Working Group to ensure continuous improvement in procurement practices. This group has nominated an ambassador for the sustainable procurement pledge to champion initiatives. This working group has developed specific objectives for FY21 including the enhancement of supplier due diligence questions relating to modern slavery and the introduction of a supplier code of conduct that we aim to incorporate into the onboarding process before the end of the financial year.

#### **4. Enhancements to Third Party Management Technology**

Last year Close Brothers' Banking division developed and implemented a new technology solution to support its Third Party Management process. This solution provides improved data and reporting in relation to suppliers that helps further increase transparency within our supply chain. Enhanced modern slavery risk assessment and due diligence processes are incorporated within this tool and form an important part of the Close Brothers' processes aimed at detecting and preventing modern slavery and human trafficking in its supply chain.

#### **5. Third Party Monitoring**

The Third Party Monitoring function has moved from 2<sup>nd</sup> line to 1<sup>st</sup> line, and has been expanded. The methodology and approach has been enhanced in line with the findings of the capability and capacity assessment undertaken in the 2019 financial year.

The group's Third Party Monitoring function continues to undertake risk-based reviews (both onsite visits and desktop assessments) of the most critical suppliers to assess their control environment and gain assurance that they are operating within Close Brothers' expectations, including with regard to modern slavery and human trafficking. The function also provides mechanisms to ensure that providers are acting legally and responsibly, including from a modern slavery and human trafficking perspective.

The findings of these reviews continue to be categorised and formally tracked, reported and communicated to the supplier, where relevant, along with our expectations for the implementation of time-bound corrective actions. There were no

instances of non compliance identified in relation to Modern Slavery during FY20 as a result of these reviews.

## Next Steps

Actions currently planned for the 2021 financial year include:

- Taking further steps to ensure that the Third Party Management & Monitoring teams continue to demonstrate the highest levels of knowledge and awareness regarding ethical issues (including in relation to modern slavery and human trafficking), including the renewal of their CIPS Ethical Procurement and Supply certifications and team members studying towards CIPS Commercial Procurement & Supply Apprenticeship Programme
- Supplementing the Group Third Party Management Policy with a Supplier Code of Conduct and a specific Supply Chain Sustainability Policy including requirements relating to modern slavery and human trafficking.
- The outcomes of the TP Monitoring reviews, including good practice activity identified, will now feed into the Sustainability Working Group to help inform continuous improvement of the framework and aid with the drafting of the enhanced supplier code of conduct.
- Supported and underpinned by enhancements to the vendor risk management software, the Third Party Management team will continue to monitor the most critical suppliers through the introduction and evolution of high level sustainability performance indicators.

## Approval

This statement is made with respect to the financial year ended 31 July 2020 in accordance with section 54(1) of the Modern Slavery Act 2015. This statement covers Close Brothers Group plc, Close Brothers Holdings Limited, Close Brothers Limited, Close Leasing Limited, Close Invoice Finance Limited, Close Brothers Vehicle Hire Limited, Winterflood Securities Limited, Close Asset Management Holdings Limited and Close Asset Management Limited (each a “Group Company”), and it has been approved by the Board of Directors of Close Brothers Group plc and each other Group Company. The statement will be reviewed and updated (if necessary) annually to reflect Close Brothers’ ongoing commitment to ensuring that its business and supply chains are free from slavery and human trafficking. The statement is signed by a director of Close Brothers Group plc, the holding company of the Close Brothers Group.