

Close Brothers Group anti-slavery and human trafficking statement for the financial year ended 31 July 2018

Group overview

Close Brothers Group plc (“**the group**” or “**Close Brothers**”) 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 around 3,300 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, Securities and Asset Management, the Banking division being the largest and contributing over 90% of the group’s profits.

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.

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

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

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. The group considers a broad range of risks, including those specifically relating to modern slavery.

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 2018

During the financial year ended 31 July 2018, 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. Operational Structure

The new target operating model developed and approved in the 2017 financial year has been implemented. This expanded and upskilled the Third Party Management Team as well as the Third Party Assurance Team. This is considered to be vital in the objective and comprehensive management of critical third-party risks.

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.

The Third Party Management and Third Party Assurance teams have been trained to the Chartered Institute of Procurement and Supply ("CIPS") Ethical Procurement and Supply standard and the CIPS Corporate Code of Ethics has been incorporated into the Third Party Management Standards and Procedures. Close Brothers Banking division has also achieved the Corporate Certification for Ethical Procurement & Supply from CIPS.

4. Third Party Assurance

Close Brothers' Banking division has put into operation a Third Party Assurance function which seeks to identify critical providers of goods and services and undertake assurance reviews to assess the supplier's control environment. It also provides mechanisms to ensure that providers are acting legally and responsibly, including from a modern slavery perspective.

A risk-based approach has been developed to select suppliers for review and determine the frequency of re-assessment. These reviews have now commenced, and coverage will be continued in the 2019 financial year.

Findings are categorised and formally tracked, reported and communicated to the relevant supplier along with our expectations that they must implement time-bound corrective actions and demonstrate improvement.

Next Steps

The Third Party Management Policy, Standards and Procedures will be reviewed on an annual basis to ensure the framework is continually refined in line with best practice and new regulatory requirements.

The Third Party Management & Assurance teams will repeat the CIPS Ethical Procurement and Supply training on an annual basis to ensure team members continue to be up to date with CIPS best practices.

The enhanced risk assessment and due diligence methodology will be implemented for all relevant new and renewed supplier relationships.

The Third Party Assurance function will be further embedded utilising the risk-based approach. The assurance review methodology will include enhanced modern slavery testing for those suppliers identified as having a heightened risk of modern slavery.

Approval

This statement is made with respect to the financial year ended 31 July 2018 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, Commercial Acceptances 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.

Preben Prebensen

Group Chief Executive, Close Brothers Group plc
23 January 2019