

## Sustainability Report

# Sustainability is fundamental to our purpose

Acting sustainably is an integral part of our strategy, culture and purpose - to help the people and businesses of Britain thrive over the long term.

It is present in everything we do, from our decision making in how we write business, to the ways in which we support and engage our colleagues, and the care and consideration we place on the environment and the communities we operate in.

We recognise that we have a responsibility towards the needs of all our stakeholders and we're committed to making a positive impact, both now and into the future. This

long-term ambition is embedded within our thinking, and guides our approach and the choices we make, as we appreciate that our actions today have lasting impacts and consequences for tomorrow.

It is reflected in our culture, with strong values that encourage and support diversity and inclusion at all levels.

It is echoed by the expertise and support we offer to the people and businesses of Britain through tailored solutions and specialist advice, helping them to achieve their short-term goals and long-term aspirations. And it permeates our efforts

to reduce our environmental impact and respond to the threat of climate change.

We take a long-term approach to managing our business, and the active steps we take now to protect and nurture what really matters are the building blocks of a sustainable future for all of us.

### Our Targets

To focus our efforts we set a series of targets to drive progress across a range of sustainable themes and align these to the United Nations Sustainable Development Goals ("SDGs").

Focus Area	Key Performance Indicators	Existing Targets to Measure our Progress	Progress Against Targets	Link to UN SDGs
Ensuring we are a diverse and inclusive employer	33% female senior managers as at 31 July 2020	30% female senior managers by 2020		
Serving the needs of our customers	Motor Finance NPS +77 Savings NPS +72 Premium Finance NPS +56	Maintain or improve strong customer satisfaction scores across our businesses		
Contributing to wider society	Payroll giving 4% above Gold Award status threshold as at 31 July 2020	Maintain our Payroll Giving Quality Mark Gold Award status		
Reducing our environmental impact	100% of waste providers that we contract now send zero waste to landfill	Achieve zero waste to landfill by 2021		
	46% reduction in fleet vehicle emissions by 31 July 2020 vs 31 July 2019 benchmark	Achieve a 20% improvement in fleet vehicle emissions by 2021		



### Our Sustainable Approach

Sustainability matters appear regularly on the senior management agenda, and we have a dedicated working group for sustainability with representatives from across our businesses and functions that reports directly to the group finance director. The working group provides regular updates to the board of directors and group executive committee on key developments and initiatives across a range of sustainable themes.

Our climate risk committee meets regularly to assess and determine our responses to the risks and opportunities of climate change, with ultimate oversight of climate risk matters from the group chief risk officer. In addition, we have a series of employee teams dedicated to championing and implementing initiatives for inclusion and diversity, charities, communities and the environment.

Our targets are also now linked to executive pay through risk management objectives within our executives' long-term incentive plan.

We also participate in and engage with a number of external sustainability rating agencies and indices, including the CDP, Manifest, DJSI, Fitch and MSCI.

Our Asset Management division operates several dedicated Socially Responsible Investment ("SRI") funds and continues to

expand its sustainable product offerings. Environmental, social and governance ("ESG") considerations form part of its formal stewardship code and engagement policy. We integrate ESG research into our investment processes at a firm-wide level, ensuring that material ESG factors are considered in all investment cases and that our investment managers can make fully informed investment decisions for our clients.

A commitment to acting sustainably is embedded within our corporate culture and supported by a range of policies and procedures. We always strive to act responsibly, ethically and with integrity, and set meaningful and achievable targets to help measure and track the good progress we are making towards our sustainable goals.

#### Sustainable development goals

We recognise the growing influence of the United Nations Sustainable Development Goals ("SDGs") as a global framework promoting action to address worldwide challenges related to poverty, inequality, climate and prosperity.

This framework helps us to better understand our impact and contribution towards global goals for a more sustainable future, and we continue to enhance our alignment with the SDGs and keep them in mind as we further develop our strategic priorities for sustainability.

### Valuing our Colleagues

The contribution of our people, their expertise and the longstanding relationships they foster, continue to deliver the highest levels of service for our customers and clients. We place a great amount of value on building a diverse and inclusive talent pool and are committed to ensuring that all our employees can feel proud to work for us, regardless of their gender, age, race, ethnicity, disability, sexual orientation or background.

We continue to partner with leading diversity organisations, including Stonewall, Europe's largest LGBTQ+ charity, to help inform our thinking and activities. We run training sessions on inclusive leadership for managers and senior managers, including our group executives, highlighting how behaviours and actions shape our culture and drive an inclusive environment for all.

This year, we have undertaken a review of candidate journeys for prospective employees and our supporting recruitment process in order to attract and increase our recruitment of diverse candidates. We have implemented inclusive recruitment training for all our line managers to support an inclusive candidate experience and ensure our job advertisements and application forms do not include bias language.

## Sustainability Report continued

Our employees participate in a number of group-wide working groups established to drive forward a range of diversity and inclusion initiatives, each chaired by an executive sponsor. This year we launched our ethnic diversity working group, chaired by our group chief risk officer, and our LGBTQ+ network "Unity", chaired by our group chief operating officer.

### Employee engagement

We are committed to engaging with our staff to ensure they remain enthusiastic about their work and their organisation, and we regularly listen to their feedback to ensure they feel valued with their views recognised and acted upon. We engage with our staff through a regular externally run group-wide Employee Opinion Survey, which we last conducted in December 2019.

Our latest survey results showed the group-wide engagement scores remained high, with an overall score of 86% consistent with the previous survey and above external benchmarks at 82%. We had a very strong overall response rate of 88% which lends credibility to these results.

This comprehensive Employee Opinion Survey runs on a two-year cycle, allowing our businesses the opportunity to analyse the results in detail and formulate meaningful and effective action plans. We also run a shorter pulse survey between cycles to review progress. Our aim is to maintain those areas of strength that our employees value the most while continuing to enhance those areas we could improve on.

### Gender Diversity

	31 July 2020	
	Male	Female
Number of board directors <sup>1</sup>	6	3
Number of directors of subsidiaries <sup>2</sup>	59	11
Number of senior managers, other than board directors <sup>3</sup>	161	95
Number of employees, other than board directors and senior employees	1,780	1,556

<sup>1</sup> Includes non-executive directors, excluded from group headcount calculations.

<sup>2</sup> Includes subsidiary directors who are excluded from group headcount calculations.

<sup>3</sup> Senior managers defined as those managers with line management responsibility for a line manager, in accordance with the representation identified in our gender pay gap report. They are generally heads of departments, functions or larger teams. This figure excludes 36 male and five female employees who are reported under directors or subsidiary directors.

We gave particular focus to the wellbeing of our colleagues during the pandemic, and our recent pulse survey reported over 95% of participants felt supported by Close Brothers during the crisis, over 80% felt connected to their teams and over 85% engaged with our social and wellbeing initiatives.

In our most recent Employee Opinion Survey, we measured our inclusivity through culture and wellbeing based questions. The survey reported that 94% of our employees feel people of all cultures and backgrounds are respected and valued here at Close Brothers.

### Racial equality

This year we became signatories to the Race at Work Charter to help direct our actions around race equality and ensure that we have representation of ethnic minorities across all levels of the organisation. Under our commitment to the Charter, we have appointed our chief risk officer as the executive sponsor for race to

provide visible leadership across the organisation and we ensure all leaders and managers are aware of their responsibility for promoting equality in the workplace.

As part of this commitment, we have set ourselves a target of increasing our ethnicity data disclosure levels to cover 60% of our employees by July 2021, allowing us to more accurately measure our ethnic balance and inform our actions.

Capturing the ethnicity data of all our colleagues remains a priority, as this will allow us to establish a baseline, track progress and take targeted action to support racial equality. We are committed to supporting the career progression of our ethnically diverse employees and with support from our group-wide ethnicity working group, we are launching a reverse mentoring programme designed to build coaching skills and to provide our senior leadership with valuable insight from the experiences of our minority ethnic colleagues.



A separate working group also focuses on the setting of ethnically diverse targets for internal and external roles and on consideration of diversity in our talent and succession processes. In line with the recommendations of the Parker Review, the board of directors aims to have appointed at least one director of colour by 2024.

### Gender diversity

We are focused on maintaining our strong and inclusive culture and as part of this we are committed to reducing our gender pay gap. We are confident that men and women are paid equally for performing equivalent roles across our business, and the gender pay gap is one of a number of measures that we use to review our progress on improving gender balance across all levels and roles of our organisation. The gender pay gap is defined as the difference between the average earnings male and female colleagues receive, as a percentage of men's earnings.

We published our 2020 gender pay gap report despite the UK government suspending reporting requirements for this year due to Covid-19. Our mean group-wide gender pay gap was 39.3% at 5 April 2019, and the overwhelming majority of our gender pay gap exists because women hold fewer senior positions within the group. If we adjust for the fact that we have more men in senior positions by instead looking at the differences in average pay between males and females in the same salary band, the gap drops to only 1.4%.

Our focus on closing the gender pay gap is through increasing female representation in the group at all levels by setting representation targets and development programmes.

Further details of our gender pay gap can be found on our website.

We are also signatories of the Women in Finance Charter, as part of which we have appointed the chief executive of Winterflood as the executive sponsor for gender balance across the group. We set a target of 30% of senior manager roles being held by a female by 31 July 2020, and as of 31 July 2020 we are pleased to have exceeded that target by reaching a level of 33%. We have since determined a new, more ambitious target of 36% for 2025, and we will continue to update on our progress against this. Delivery against our gender balance targets is one of the objectives in our Long-Term Incentive Plan for senior management.

At the end of the financial year we had met the government's target for 33% of board members to be women, and remain broadly in line with Hampton-Alexander gender targets for executives and their direct reports.

Another part of our commitment to the charter is to support the career progression of women, which we do by offering a range of development and mentoring programmes designed to foster and enable talented females to thrive and accelerate their careers through personal development, career structuring and networking. Our partnerships focused on developing diverse pools of talent and promoting better gender balance continue to include the 30% Club, and we participate in their leading cross-company mentoring scheme. Additionally, we aim for all our entry-level and formal training programmes to achieve a 50:50 gender split. This includes our Asset Finance Sales Academy and our Aspire school leaver and graduate programmes.

Our workforce remains diverse, with 43% female employees, and we have a broad age range of employees, with 25% of our employees being under 30 years old and 19% over 50.

### Developing our people

We continue to offer a comprehensive range of programmes and initiatives that promote the training and development of our employees. All our staff have access to our learning portal, offering them a wide variety of practical tools, workshops and e-learning across a range of topics.

The average number of training hours across the group has remained good, at 9.2 hours per employee during the year. We require all staff to complete relevant regulatory training on an annual basis with further training offered when required, and this year again maintained a 100% completion rate of mandatory training by eligible employees.

We run several tailored junior training programmes across the business which are aimed at growing high potential individuals to progress into senior roles. The programmes are made up of personal development modules, on-the-job structured training and mentoring. We also aim to have a strong gender balance on all our programmes with our most recent cohorts made up of 55% females.

Over 130 individuals have participated in our Emerging Leaders programme to date, which provides individual leadership development, management and coaching. The programme is now into its seventh cohort, broadening our pool of future leaders, with the majority progressing through the organisation on completion.

In 2019 we launched our new Accelerated Commercial Experience programme for graduates with two to three years of experience, helping them develop the skills to transition into management roles within the group. Our 2020 cohort consists of both internal and external candidates.

### Supporting our people

The safety and wellbeing of our colleagues is of paramount importance to us, and we have taken all steps necessary to ensure that they can conduct their roles safely and with minimal disruption during the Covid-19 crisis. Our supportive flexible working arrangements, combined with robust systems and technology, have enabled the vast majority of our staff to work successfully from home, and the measures we have undertaken ensured that none of our employees were furloughed during the year.

We promote flexible working wherever possible across the group and provide a variety of benefits for our colleagues to utilise, including enhanced parental leave and emergency backup care for families. Our group-wide Working Parents and Carers Working Group, sponsored by our General Counsel, collaborate on initiatives to ensure that our colleagues who balance family and caring responsibilities with working life feel supported and are aware of the resources and tools available to them.

Our Mental Wellbeing Working Group is sponsored by the chief executive of Close Brothers Asset Management. We have over 50 trained Mental Health First Aiders across our business as well as an employee assistance programme which provides employees with confidential support from a trained professional.

We track and monitor our culture and employee wellbeing through our pulse survey and this year we reported over 90% of our employees who participated felt that they could be themselves at work and that their colleagues act with integrity.



## Sustainability Report continued



### Employee engagement

86%

2019: 88%

### Retail savings NPS

+72

2019: +73

### Property repeat business

76%

2019: 78%

### Total emissions reduction

(20)%

2019: (12)%

It is important to us that we reward our staff fairly and openly, and we therefore strive to ensure that clear and transparent objectives link directly to remuneration across the group. We are confident that our enhanced benefit package remains fit for purpose and satisfies the expectations of our employees. The group continues to pay all staff at or above the national living wage, which is in excess of the national minimum wage.

We offer both a Save As You Earn scheme as well as a Buy As You Earn share incentive plan, which allows employees to acquire shares on a monthly basis out of pre-tax earnings. Both offerings remain popular with our staff, and participation rates in our long-term ownership schemes remain strong at 49% of eligible employees.

The group continues to contribute 6% to its pension auto-enrolment, which is more than requirements. This ensures a minimum of 9% in total, without requiring our employees to contribute any more than their existing level of 3%.

### Helping our Customers Thrive

Our purpose of helping the people and businesses of Britain thrive over the long term has seen us build long-lasting relationships with our customers, clients and partners that stand the test of time. It ensures that we have supported our customers through a wide range of circumstances, and during this year of unprecedented times, we have again been there to provide support, understanding, flexibility and importantly, to help drive forward their recovery.

Our purpose underlines the commitment we have towards our customers, partners and clients, which is underpinned by a set of group-wide "Customer Principles" that guide how we deliver and measure customer and partner experiences. This year, we have refreshed our customer principles to more clearly articulate the experience we strive to deliver:

- We do the right thing for customers, clients and partners
- We are flexible, responsive and execute with speed
- We make decisions informed by our specialist expertise
- We build relationships based on quality and trust

To ensure the effective delivery of our customer principles, we have designed a new measurement framework this year that builds on the good progress we have made to date through our "Voice of the Customer and Partner" programme. This ensures we remain constantly aware of the needs of our customers and partners in an ever-evolving landscape.

### Customer satisfaction

The focus we place upon delivering for our customers and partners is reflected in the consistently strong customer experience scores we achieve on a regular basis across our businesses.

We continue to achieve strong net promoter scores ("NPS") across our businesses, and these evidence the strength of our relationships and the faith our customers place in us. This year we were pleased to achieve a strong +56 NPS from our Premium Finance customers, while our Motor Finance customers rated us very highly with a +77 NPS. Our retail savings also achieved a strong +72 NPS from our customers, while repeat business remained high at 76% in Property and 59% in Asset Finance.

We pride ourselves on maintaining longstanding, personal relationships with our customers, clients and partners, and the value they place on the expertise and service levels that we provide. By recognising that customers also want the choice of how to engage with us and their need for a simple, consistent and accessible experience, we strive to integrate digital services alongside our human touch, presenting a unique and adaptable customer offering.

#### Resilient customer service

We have maintained a focus on continually transforming our businesses to serve the needs of our customers and partners over many years, and ensuring the resilience and operational efficiency of our services has been essential to our approach.

We have a dedicated Customer Insight, Experience and Design team that helps our businesses improve experiences, whilst also optimising efficiency to ensure we remain fast and responsive. The team combines capabilities from digital, data science, automation, design, analytics and operational excellence. Examples include:

- A commitment to innovation, new technologies and new ways of working, demonstrated through a “Design-thinking” programme with our Property Finance business to better service the “Next Generation Property Developer”, and our continuing investment in technology to nurture new and sustain our long-term relationships
- A desire to augment the personal, human touch that Close Brothers is respected for with easy-to-use digital channels, such as the online banking service launched for our Savings customers as well as the transformation of seven websites across the group to provide an easier way for customers to engage with us
- A drive to put data insights at the heart of customer decision-making across the group, such as leveraging our investment in Salesforce to put customer insights into the hands of our sales teams in Asset Finance
- Streamlining and automating processes to deliver on our principle of being fast and responsive. This proved critical during Covid-19, ensuring customers got support when they needed it through the most appropriate channel for them.
- Providing value-added services for our partners, by allowing them to leverage the expertise of our people in the areas of data science and digital
- The transformation of our customer complaints system, undertaken during the last financial year, has allowed us to better meet the concerns of our customers and make improvements to

our processes and customer journeys based on their feedback, resulting in a 32% reduction in complaints and an 18% reduction in referrals to the Financial Ombudsman Service.

#### Treating customers fairly

We have policies and training in place to ensure our staff can identify vulnerable customers and that they are treated fairly in our interaction with them. This remains an area of focus for our customer forums and through regular thematic reviews of our conduct.

Fundamental to ensuring we treat customers fairly and deliver on our promises are our customer forums, which we conduct across the Banking division and at business unit level and have now been in place for over six years. These forums allow us to examine feedback from our customers and partners and determine the best course of action to take, while also inspiring possibilities for improved service and value for our customers and partners.

Senior management regularly engage with our customers and partners to obtain direct feedback, which we also gather by inviting our customers to present at our customer forums. We have begun to establish customer and client councils in several of our businesses to collect feedback and deepen our understanding of what they like about conducting business with us and what we could do better.

The information gathered from these programmes forms a core part of our governance of customer service, and is aligned to the key customer principles that we measure ourselves against. It also gives the board of directors, Executive Committee and business managers clear visibility that we are continuing to act in our customers’ best interests.

#### Engaging our Suppliers

We engage with our largest suppliers on a regular basis to ensure that both parties are attaining optimum value from the relationship. Our annual survey of key suppliers who represent our most critical and strategic services was last conducted in December 2019 and remains anonymous to ensure we gather honest and candid feedback.

The 2019 survey focused upon how Close Brothers performs as a client, and how our suppliers feel about doing business with us. Results saw a positive increase throughout, demonstrating that our suppliers are noticing the enhancements we are making, the transparency and fairness of our business dealings, and the benefits of our third party management framework and operating model.

Feedback indicates that our suppliers benefit from our frequent contact and reviews of service, with 80% of respondents rating our approach to supplier management as good or excellent. 83% of suppliers feel positive about how we treat them as valued partners and rate this as good or excellent.

Our supplier relationships remain mainly long term, with over 60% spanning five years or more, and survey responses suggest that they are increasingly viewed by our suppliers as strategic and collaborative partnerships. We continue to share a strategic vision with our suppliers to help them understand our direction and give greater clarity on our structure.

In the last financial year, we also introduced a survey of sustainability matters covering suppliers’ environmental and social governance, to help better inform our views of the progress each party is making towards improvements. A number of our contracts contain clauses measured against environmental key performance indicators, which include:

- Annual electricity, gas, water and waste statistics and audited energy meter readings
- On target carbon reduction objectives and waste management action plans
- Obtaining agreed energy and water reduction targets
- Environmental training for all personnel operating on the contract
- The use of materials and practices that conform to Close Brothers’ Environmental Policy where reasonably practicable

We recognise that our suppliers form a key part of the service we provide and are committed to treating them fairly. We are therefore pleased to have maintained our Corporate Certification for Ethical Procurement from the Chartered Institute of Procurement and Supply (“CIPS”).

#### A Lasting, Positive Impact on Society

Creating long-term value and a lasting, positive impact in the communities where we operate remains a key priority for the group. As a business whose purpose is to help the people and businesses of Britain thrive over the long term, a close relationship and engagement with local communities is integral to how we operate and conduct business. We place a great deal of value on how we can make a positive contribution to society, and maintain a growing range of programmes and initiatives to support the causes that benefit those around us.

## Sustainability Report continued



### Supporting SMEs

We believe that the SME sector is the lifeblood of the UK economy, and take great pride in understanding the needs of SMEs and on helping them to achieve their ambitions. By helping SMEs thrive in local communities across the UK we support the creation of jobs and opportunities to regions that may be overlooked by larger finance providers.

We rely upon our specialist expertise and deep industry knowledge to better understand the small businesses we work with and support their commercial plans. By recognising the unique and individual needs of our customers and their communities our local teams can make fast, reliable lending decisions for when they need them the most.

The Close Brothers SME Apprentice Programme is representative of our longstanding commitment to supporting SMEs and their local communities, and is now in its fifth phase. The programme continues to contribute to the funding of new apprentices in the manufacturing and transport sectors, and to date we have funded over 100 of these apprentices around the Midlands, helping local SMEs to secure the skills they need for the future.

### Supporting social mobility

We are proud to be an organisation that supports social mobility and creates equal opportunities for all, regardless of background.

We remain signatories of the Social Mobility Pledge, a campaign to improve social mobility in the UK. By signing up we have committed to working towards partnerships with local schools to provide coaching, advice and mentoring to students from disadvantaged backgrounds, providing access through structured work experience or apprenticeship opportunities, and adopting open recruitment practices which promote a level playing field.

Consistent with these commitments, we continue to work with the charity UpReach on our internship programme for undergraduates from less-advantaged backgrounds. A number of interns from our 2019 intake have gone on to secure full time roles with the group, and we are exploring remote opportunities such as virtual work experience and mentoring programmes during the current year.

Our established programmes for school leavers and graduates contribute to the development of up-and-coming talent, providing on-the-job learning and supporting professional studies. Our Aspire programme, for those not going to university, gives participants the opportunity to rotate between and gain experience of different business lines, while we support them through professional qualifications. It also provides an alternative talent pipeline for our businesses to take on entry level positions.

### Our employees in the community

We actively encourage our staff to fundraise and volunteer for the causes that matter to them, and recognise that employee volunteers are the driving force behind the successful planning and running of our community and charitable events.

Our Matched Giving Scheme donates £8 per hour of voluntary time given by our employees, and we actively encourage our people to make use of our Employee Volunteering Policy, which allows all employees to take one paid volunteering day each year.

Close Brothers Asset Management continues to run our Trustee Leadership programme in partnership with social enterprise Cause 4, and the Clothworkers Company. This programme provides an opportunity for professionals to take on a board level role within a charity while also providing the charities themselves with a fresh and diverse pool of potential board members. Since inception over 1,500 individuals have participated, and over 190 professionals have been appointed to trustee board positions.

### Charitable activities

Within our regular employee opinion surveys we ask our employees to choose their preferred community and health charity partners. Currently, these are Make-A-Wish Foundation, who grant wishes for children with life-threatening illnesses, and Cancer Research UK, the latter now for eight consecutive years.

We have a dedicated committee for charitable and community activities chaired by our group head of human resources and supported by employees from across the group. This committee meets regularly to discuss and propose new initiatives with input from our control functions when required. We also have several local committees which plan and run initiatives to raise funds for local charities.

The Close Brothers Matched Giving Scheme matches 50% of funds that our employees raise for charities. We also encourage our employees to collaborate on raising money for causes meaningful to them by matching funds raised by local, organised fundraising events and activities.

In addition, our Payroll Giving scheme also matches charitable contributions while allowing employee donations to be made directly from pre-tax salary. Approximately 14% of employees across the group are signed up to Payroll Giving as at 31 July 2020, achieving us a tenth consecutive year of the Payroll Giving Quality Mark Gold Award, and ensuring that we have achieved our target of maintaining this standard.

This year, the group also decided to make a £1 million donation to NHS Charities Together, in recognition of the vital role that NHS frontline and support staff have in combating Covid-19, and to match fund donations from employees to this charity. Additionally, the executive directors, together with a number of non-executive members of the board and members of the group executive committee, made the personal decision to donate an element of their salary or fee to NHS Charities Together.

### Our Responsibility Towards the Environment

We take our responsibility towards the environment very seriously and recognise the important part Close Brothers has to play in supporting the transition to a carbon neutral economy. Our efforts to reduce the impact of our operations on the environment continue at pace, and we strive to take actions that make a positive contribution to the world around us.

As a financial services organisation that appreciates the challenge of climate change, we recognise the importance of considering the risks that it poses to our operations and the way in which climate change impacts our business model. Careful consideration of environmental factors and potential risks now plays an integral role in the actions we take, alongside thoughtful evaluation of where opportunities may arise for Close Brothers to make a meaningful difference through our business decisions.

### GHG Emissions and Energy Use Summary

Scope	GHG emissions source	2020	2019 <sup>1</sup>
Scope 1 (tCO <sub>2</sub> e)	Fuel (Buildings)	711	337
	Fuel (Owned vehicles)	1,069	1,970
Scope 2 (tCO <sub>2</sub> e)	Electricity	1,633	2,107
Scope 3 (tCO <sub>2</sub> e)	Employee vehicles	140	45
	Electricity transmission and distribution	141	179
<b>Total location based GHG emissions (tCO<sub>2</sub>e)</b>		<b>3,694</b>	<b>4,638</b>
Average number of employees		3,521	3,416
<b>Total per employee (tCO<sub>2</sub>e)</b>		<b>1.05</b>	<b>1.36</b>
<b>Total market based GHG emissions (tCO<sub>2</sub>e)</b>		<b>3,125</b>	<b>4,638</b>
<b>Total energy use (kWh)<sup>2</sup></b>		<b>17,223,864</b>	<b>n/a</b>
FY20 geographic breakdown			
		UK	Overseas
Total GHG emissions (tCO <sub>2</sub> e)		3,627	67
Total energy use (kWh)		16,961,329	262,535

<sup>1</sup> Figures for the 2019 financial year have been restated to include Scope 3 employee vehicles and electricity transmission and distribution emissions in accordance with SECR reporting requirements

<sup>2</sup> Total energy use reported for the 2020 financial year as required under SECR disclosures, but comparative data not collected for the 2019 financial year

As part of this increasing area of focus we are taking steps to consider our approach for aligning with the Taskforce for Climate Related Financial Disclosures ("TCFD"), and you can read more about the development of our framework to achieve this on page 58.

For a number of years, we have been a leading provider of finance for the green energy and renewables sector, supporting schemes for wind, solar and hydro power developments, which remains a key contributor to our Asset Finance business.

Consideration of environmental risks and ethical standards is explicitly required as part of any credit underwriting proposal under our bank Credit Policy. We only lend against asset types defined in our credit policies, and do not finance arms or onshore oil development or lend internationally outside narrowly defined areas. Our exposure to high carbon intensive industries such as oil and gas production is negligible, with minimal lending activity to these sectors, which often fall outside of our risk and return lending criteria.

#### GHG emissions and energy usage

We continue to work with independent third party analytics and reporting consultants to support the gathering of our environmental data and compiling of greenhouse gas ("GHG") emissions. This enables us to verify the accuracy of our data and helps us monitor our performance and develop strategic insights with plans of action. This year we have upgraded our energy and carbon reporting to meet the requirements of the Streamlined Energy and Carbon

Reporting ("SECR") standards and increase the transparency with which we communicate about our environmental impact to our stakeholders.

Our methodology for calculating and disclosing our GHG emissions and energy use is in accordance with the requirements of the World Resources Institute GHG Protocol Corporate Standard and the SECR standards. We report on all material Scope 1 and 2 emissions associated with our operations. Scope 1 includes fuel emissions from buildings and company vehicles and Scope 2 includes our emissions from electricity, while our reported Scope 3 emissions are those related to employee vehicles and electricity transmission and distribution.

In 2020, our total location based GHG emissions were 3,694 tonnes of carbon dioxide equivalent ("tCO<sub>2</sub>e"), equating to 1.05 tCO<sub>2</sub>e per employee, down 20% overall and 23% per employee since 2019.

Since January 2020 a number of key sites are now powered by 100% renewable electricity sources, which has resulted in a marked reduction in our GHG emissions under a market based approach of 33% to 3,125 tCO<sub>2</sub>e. Emissions in the year also benefited from significantly lower usage following the UK lockdown measures in response to Covid-19, resulting in the temporary closure of offices and reduced staff travel.

Our Scope 1 fuel emissions from company vehicles continue to fall, benefiting from a combination of lower overall mileage in the year and a reduction in the average CO<sub>2</sub>



## Sustainability Report continued

emissions from our vehicles to 76.6 gCO<sub>2</sub>/km (2019: 89.5 gCO<sub>2</sub>/km). This reflects a continuation of our significant and sustained improvement over several years from an increase in the number of more fuel efficient and alternative fuel vehicles such as plug in hybrids, which have been added to our vehicle fleet.

Our Scope 2 electricity consumption is our largest source of GHG emissions but continues to reduce on previous years, which demonstrates our ongoing commitment to improving the energy efficiency of our offices.

Due to its relative size, the Banking division continues to account for the majority of our GHG emissions. A full breakdown of our 2020 GHG emissions and energy use, together with corresponding data for 2019, is shown in the table above.

### Our actions and progress to improve

We continue to pursue a range of initiatives and programmes of improvement to lower our emissions, reduce our energy use and enhance the energy efficiency of our offices. This year our achievements included:

- Moving key sites including our head office to electricity supplies from 100% renewable sources
- Additional energy efficient, plug in hybrid and electric vehicles in our company car fleet, helped lower our average vehicle CO<sub>2</sub> emissions by 15% year-on-year
- Installation of more energy efficient water-cooling systems in our head office, reducing our electricity consumption by 10%

We have also undertaken a series of adjustments to our offices' fit out such as energy efficient lighting, installation of smart meters and reduced water usage. The consolidation of our London property footprint and head office refurbishment has enabled us to significantly improve our energy use, while adjustments following the impact of Covid-19 have allowed us to explore the environmental benefits of more flexible working, reduced commuting and optimising our office space. Most of the impact we have on our environment is a result of staff travel, our supply chain and our office network, and we encourage our employees to reduce their own environmental impact on an individual basis by leasing low emission cars and participating in the cycle to work scheme.

Our successes in reducing fleet vehicle emissions continue to reach new milestones, with over 50% of our vehicles now being plug in hybrids or electric. We continue to drive towards the use of more efficient and electric vehicles by offering

an increasing range of these options across the fleet, and incentivise our staff to return older and more polluting vehicles free of charge in exchange for an electric alternative. From August 2020 we will have removed all pure petrol and diesel vehicle options from our company car fleet, with our range of hybrids and fully electric vehicles being the only choice available to employees.

Waste recycling is encouraged in all our offices, and we are pleased that 100% of the waste contractors we use across our offices now send zero waste to landfill, achieving a target we set ourselves by 2021 ahead of schedule. We also remain well ahead of our fleet vehicle emissions target, having lowered our associated emissions by 46% since the start of the 2020 financial year, benefiting from both our increased range of hybrid and electric vehicles, as well as the reduction in staff travel due to the UK lockdown.

We continue to extend our ambitions and focus our efforts through increasingly stretching targets, and this year have committed to reducing our group-wide emissions by 10% by 31 July 2021, benchmarked against the 2019 financial year. We also recognise the positive impact we can make through our ongoing efforts to move towards using more energy efficient vehicles, and have therefore set ourselves a more ambitious target of reducing our average fleet vehicle CO<sub>2</sub> emissions by a further 10% on this year's levels by 31 July 2021.

This year, we have extended the assessment of our environmental impact by engaging with our supply chain, and continue to work with third party suppliers who share our goal of efficiently using resources and combatting the adverse effects of climate change. We are committed to collecting emissions data from our suppliers and are exploring the means to incorporate carbon impact criteria into our choice of suppliers.

Our internal Environmental Policy outlines our continued efforts towards environmental sustainability, and includes:

- compliance with all environmental legislation and codes of practice throughout the different areas we operate in and, where possible, demonstrate best practice in environmental stewardship;
- continuing to monitor and report on our environmental footprint both internally and externally;
- reducing our direct environmental impact from our operations through the introduction of various initiatives related to waste reduction and management, and our use of transport, energy and water;

- minimising unnecessary consumption, improving rates of recycling and promoting the use of recycled materials wherever possible;
- in particular, we will focus on energy efficiency, the purchase of renewable energy and the reduction of emissions from our fleet vehicles;
- over the longer term aim to reduce our indirect environmental impact by working with our value chain and promoting efficient and responsible behaviour from both our customers and suppliers; and
- raising awareness of environmental issues and promoting responsible behaviour amongst our employees by engaging them through our "Green Team" of employee representatives, undertaking group-wide initiatives and activities, and regularly conducting staff environmental surveys.

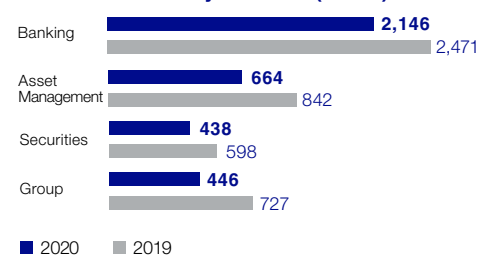
As in prior years, we continue to participate in the CDP (formerly the "Carbon Disclosure Project"), which allows us to disclose our greenhouse gas emissions and our approach to managing climate related impact on a voluntary basis.

### Calculation

Our total GHG emissions are reported as tCO<sub>2</sub>e, with our energy use reported in kWh, and are calculated in line with the GHG Protocol framework and SECR requirements. In addition to reporting our total Scope 1 and 2 emissions, we also disclose a number of Scope 3 emissions and emissions per employee as an intensity metric to enable a comparable analysis in future disclosures. Our GHG emissions and energy use reported here cover the Close Brothers group as a whole including all of its applicable subsidiaries under SECR.

We continue to monitor and report our GHG emissions and energy usage on an ongoing basis and increasingly gather Scope 3 emissions data for our offices, including water and waste where this information is available, to facilitate and encourage continued performance monitoring and improvements.

### GHG Emissions by Division (tCO<sub>2</sub>e)<sup>1</sup>



<sup>1</sup> Divisional figures for the 2019 financial year have been re-stated to include Scope 3 employee vehicles and electricity transmission and distribution under SECR disclosures.



### Our Policies

We are committed to acting responsibly throughout all our activities, and have a number of group-wide policies and regulations in place to ensure we continue to operate in a socially responsible and compliant manner, including:

#### Dignity at Work Policy

Our Dignity at Work Policy outlines the type of behaviour that the company considers to be unacceptable and explains what solutions there are if any employee has experienced or believes someone else has experienced any discrimination, harassment or bullying at work.

We ensure equal opportunities for all, including having a commitment as part of our Dignity at Work Policy to ensure no employee is subject to discrimination. This applies to all work contexts, as well as all employee lifecycle events, for example in recruitment, training, promotion and flexible working requests.

As part of our Dignity at Work Policy, our colleagues with disabilities are encouraged to share their condition with us, to ensure any reasonable adjustments can be made. We are also members of the business disability forum to support the hiring, retention and career development of employees with disabilities.

#### Whistleblowing Policy

We provide a simple, transparent and secure environment for our employees, shareholders and other stakeholders to raise concerns about any potential wrongdoing within the company.

We encourage our employees to report any activity that may constitute a violation of laws, regulations or internal policy, and reporting channels are provided to staff for this purpose within the framework of a Whistleblowing Policy.

#### Employee Health and Safety Policy

Our Health and Safety Policy ensures that we continue to provide a safe and healthy working environment for our employees and visitors in accordance with The Management of Health and Safety at Work Regulations 1999.

The Health and Safety Committee continues to meet on a quarterly basis and we are proud of the ongoing progress in successfully raising the profile of health and safety across the business. This year we recorded 79 incidents across all of our sites, of which only two were reportable. We continue to use an online risk assessment tool to manage site-specific risks as appropriate and our Display Screen Equipment risk assessment programme.

#### Privacy Policy

Our Privacy Policy codifies our approach to protecting personal information, in line with the General Data Protection Regulation and UK Data Protection Act 2018. It sets out our core principles for what personal information we collect and process, and the controls to which the data is subject through its life-cycle.

We have a nominated Data Protection Officer who is accountable for the firm's approach to privacy management, a Chief Information Security Officer accountable for our approach to cyber security, and a broader operating model in which the privacy and security requirements are embedded in operations throughout the organisation.

#### Financial Crime Policy

Our policies and standards are intended to prevent the group, employees, clients and any other associations or representatives from being used for the purposes of financial crime, including but not limited to money laundering, terrorist financing, facilitation of tax evasion and circumvention of financial sanctions.

We are committed to carrying out business fairly, honestly and openly, operating a zero-tolerance approach to bribery and corruption. We are dedicated to ensuring full compliance with all applicable anti-bribery and corruption laws and regulations, including the UK Bribery Act 2010.

#### Human Rights and Modern Slavery Act

The board gives due regard to human rights considerations, as defined under the European Convention on Human Rights and the UK Human Rights Act 1998. We are aware of our responsibilities and obligations under the Modern Slavery Act, with the appropriate policies and training in place to enable compliance across the organisation.

The Banking division has also committed to the CIPS Ethical Code of Conduct, which supports our commitment to preventing modern slavery from existing within our supply chain. Further details of our compliance with the Modern Slavery Act can be found on our group website.

#### Tax Strategy

We are committed to complying with our tax obligations and doing so in a manner consistent with the spirit as well as the letter of tax laws. This includes a transparent and cooperative relationship with the tax authorities.

Our tax obligations arise mainly in the UK where our operations and customers are predominantly based. Our straightforward business model reduces the complexity of our tax affairs and helps us maintain a lower risk tax profile. Further details of our approach to tax can be found on our website.