

CLYDESDALE FINANCIAL SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Section 172(1) statement

The Directors have acted in a way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its member as a whole and this section forms our section 172 disclosure, describing how, in doing so, the Directors considered the matters set out in section 172(1)(a) to (f) of the Act. The Directors also took into account the views and interests of a wider set of stakeholders, including but not limited to: our customers; indirect employees; other entities within the Barclays Group; our suppliers; regulator; the UK Government and non-governmental organisations; and our ultimate shareholder, Barclays PLC.

The Directors considered, amongst other matters, the following:

- The likely consequences of any decision in the long term;
- 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; and
- The desirability of the Company maintaining a reputation for high standards of business conduct.

You can find out more about who the Barclays Group's key stakeholders are, how management and/or directors engaged with them, the key issues raised and actions taken on pages 38 to 39 of the Barclays PLC Annual Report 2023 which are available on Barclays website - <https://home.barclays/investor-relations>.

Considering this broad range of interests is an important part of the way the Board makes decisions, although in balancing those different perspectives it will not always be possible to deliver everyone's desired outcome.

How does the Board engage with stakeholders?

The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of the Company means that stakeholder engagement often takes place at an operational level.

In addition, to ensure a more efficient and effective approach, certain stakeholder engagement is led at Barclays Group level, in particular where matters are of group-wide significance or have the potential to impact the reputation of the Barclays Group.

The Board considers and discusses information from across the organisation to help it understand the impact of the Company's operations on, and the interests and views of, our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance. This information has been provided to the Board through reports sent in advance of each Board meeting, and through in-person presentations.

As a result of these activities and the information it receives, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Act.

The following is an example of how the Directors have had regard to the matters set out in sections 172(1)(a)-(f) when discharging their duty and - specifically - the effect of those considerations in reaching certain decisions taken by them in the context of the FCA's Consumer Duty.

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Engagement in action

Implementing and embedding the new FCA Consumer Duty

In July 2023, the Consumer Duty came into force. The Consumer Duty is a new outcomes-based regulation, designed to ensure relevant financial services firms deliver good outcomes for retail customers consistent with the three cross-cutting rules to (i) act in good faith, (ii) avoid causing foreseeable harm, and (iii) enable and support retail customers; and the four retail customer outcomes relating to: (i) products and services, (ii) price and value, (iii) consumer understanding, and (iv) consumer support.

Building on the work done by the Board in 2022, during the first half of 2023, the Directors continued to consider planning and readiness for the first Consumer Duty implementation deadline of 31 July 2023 for in-scope products and services; this was done at every scheduled meeting. In addition to receiving regular updates on the status of the Company's implementation plan, the Board: acquired critical insight from the Chair – who, in his capacity as the Company's Consumer Duty Champion – has attended Consumer Duty Steering Committee meetings and engaged with the business and colleagues during the year; approved changes to its "Matters Reserved" (to refer to the Consumer Duty); and received updates from Barclays Internal Audit's coverage of the Consumer Duty Programme. The Board received an update on the Company's overall compliance readiness shortly before the 31 July deadline. This included information on work conducted to ensure all relevant Group frameworks align with the Consumer Duty rules and guidance and ongoing work to embed the Consumer Duty, including a requirement for colleagues to have a Consumer Duty-aligned performance objective and the roll-out of mandatory Consumer Duty training for colleagues.

In terms of management's operationalisation of the Consumer Duty, a number of important actions were implemented – with the full support of the Board – in the first phase of the Consumer Duty programme. Some examples of Consumer Duty-driven changes that impacted stakeholders are set out below.

- Customer communications were simplified in order to make the language easier to follow, and so the purpose of the communication easier to identify.
- High risk journeys (journeys that could drive customer harm, for example Fraud or Collections) were mapped and reviewed in detail, with actions taken to improve customer outcomes (for example, by shortening response times in Service Level Agreements to give customers more prompt resolutions to queries and complaints).
- New agreements were signed between the Company and its co-manufacturers (Apple and Amazon) to: agree ownership of key review process relating to Consumer Duty; agree an uplifted cadence and depth of data sharing between entities; and ensure both firms had the ability to take prompt action to address any customer harm identified as being driven by its products.

Not long after the 31 July deadline, the Board and management's focus turned to overseeing the embedment of the Consumer Duty and, in that context, monitoring outcomes for retail customers. The development of data and monitoring capabilities to assess customer outcomes and identify potential or actual risks, and for reporting at business, Executive and Board level, is a key component of this. Whilst work on those capabilities is still ongoing to refine the approach, the Board saw positive progress through H2'23 with the roll out of a new Consumer Duty Data Dashboard and the support being provided to colleagues through guidance and training.

The second half of 2023 also saw the Board and management planning for the second Consumer Duty implementation deadline of 31 July 2024 for closed products.

There is a strong alignment between the Consumer Duty requirement for firms to deliver good outcomes for retail customers and the Group's focus on delivering to a higher operating standard via the Group-wide cultural change programme, Consistently Excellent. This programme challenges colleagues to address five key areas – Precision, Service, Focus, Efficiency and Diversity of thought – to establish a new operating standard.

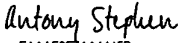
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This higher standard is becoming part of the Barclays culture and, collectively, the Group is working hard to equip everyone with the right skills to achieve this, while rewarding progress. Barclays has incorporated this into its existing Values and Mindset behaviours and as part of an enhanced set of leadership behaviours as well as updating its key processes for attracting, retaining and developing talent, planning for succession and rewarding performance.

To help create a common understanding across the Barclays Group, Consistently Excellent workshops were held throughout 2023 for senior leaders. In 2024, all colleagues will be invited to attend these workshops.

This report was approved by the Board and signed on its behalf by:

DocuSigned by:

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A Stephen
Director

Date: 30/4/2024

Registered number: 02901725