

CLYDESDALE FINANCIAL SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 Clydesdale Financial Services Limited 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 Companies Act 2006. The Directors also took into account the views and interests of a wider set of stakeholders, including indirect employees; our customers, which consists primarily of entities within the Barclays Group; our suppliers; and our shareholder, Barclays PLC; regulators; the UK Government and non-governmental organisations.

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;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company

You can find out more about who the Barclays Group's key stakeholders are, how management and/or directors of Barclays PLC engaged with them, the key issues raised and actions taken on pages 16 to 19 of the Barclays PLC Annual Report 2021 which is incorporated by reference into this statement.

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?

Depending on the decision in question, the relevance of each particular stakeholder group may differ, and equally the Board adopts a variety of methods of engagement with different stakeholder groups. The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of Barclays 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. There has been a particular focus on the market and operating environment this year – including the COVID-19 pandemic and its impact on the business, and geopolitical tensions – as well as developments in UK Banking and the evolving regulatory landscape, including but not limited to the FCA's Consumer Duty and recommendations arising from The Woolard Review. 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 Companies Act 2006.

The following are some examples of how the Directors have had regard to the matters set out in sections 172 (1)(a)-(f) when discharging their section 172 duties and the effect of that on certain of the decisions taken by them.

CLYDESDALE FINANCIAL SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Engagement in action

COVID-19

Throughout 2021, as the COVID-19 pandemic continued, the primary focus of the Company and the Board has been on (i) maintaining focus on risk management and investment outcomes; (ii) the operational resilience of the front-to-back operating platform as it transferred to a virtual model; (iii) establishing enhanced oversight of all delegates carrying out core functions; (iv) the health and wellbeing of colleagues who support the Barclays Partner Finance business; and (v) the control environment. The Board has demonstrated leadership and oversight during the pandemic, and this continues at the date of this report.

Geopolitical tensions

The Company and the Board have established a strong risk management culture. Risks are identified and overseen through the Enterprise Risk Management Framework which specifies the principal risks of the Company and the approach to managing them. Current geopolitical tensions have also heightened awareness of certain principal risks such as conduct and reputational risk. These risks are managed within the established risk framework and key performance indicators remain within the risk appetite defined by the Company.

Customers

In order to help relieve the financial pressure for customers and clients throughout these unprecedented times, the Board supported management in making appropriate adjustments which were aligned with the requirements of the FCA, PRA and UK Finance. This included an option for customers to apply for an initial 3-month payment deferral to help with any short-term financial difficulties as a result of impact from COVID-19, followed by a further 3 month payment holiday (subject to qualifying criteria) in line with FCA guidance. Additional forbearance was provided as follows:

- following industry-wide engagement from the FCA and UK Finance at the end of October 2020, Barclays Partner Finance extended the aforementioned option of payment deferral options for customers who were in financial difficulty as a result of COVID-19 from 31 October 2020 to 31 March 2021;
- where a customer agreement was subject to daily interest charges, these were waived for the term of the payment holiday
- where motor customers took a payment holiday adjustments were made to the mileage allowance and the original Guaranteed Minimum Future Value was maintained to ensure customer detriment did not arise. Repossession of vehicles was also suspended and is still subject to flexibility in application to provide additional consumer support.
- Once payment holiday periods came to an end, a short term rebuild plan to return to full payment over 3 months was optionally available to customers.

Colleagues

The Board received regular updates explaining the measures being implemented to protect and safeguard the health and well-being of our Barclays Group colleagues. Barclays has a long established approach to engaging regularly with colleagues to ensure that the Barclays Group listens and takes all perspectives into account in its decision making and action plans. As a result of COVID-19, many of these events this year were web based. The Barclays Group has reinforced Government guidelines providing colleagues with the equipment necessary to enable colleagues to work from home. This has included increased technological support, laptops and other home office equipment and human resources support. Recognising the additional pressures and challenges faced by colleagues as a result of the pandemic, the Barclays Group has also endorsed the provision of support services and helplines for colleagues as well as the provision of education and training tools, including increased support in relation to mental health and wellbeing.

Over the last 12 months, we have learnt an enormous amount about the benefits and challenges of working more flexibly. Ultimately, we believe this will inform our ambitions for future ways of working. Whilst Barclays Group colleagues who support the Barclays Partner Finance business continued to work from home for much of 2021 as per Barclays Group strategy, implemented in response to UK Government COVID-19 guidelines at the start of the year, colleague sentiment has been tested and regular engagement sought as colleagues have returned to working on site.

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Operations

In light of Covid-19 the business has:

- Revised its outlook for 2021 which included the impact of COVID-19 and UK lockdown. Considered its financial requirements for the coming years and will seek additional funding from its shareholder as and when appropriate.
- Enhanced the monitoring of Barclays Partner Finance clients throughout the period of UK lockdown in order to track the stability of clients and to identify new opportunities.
- Modified its affordability principles as follows:
 - o customer income information to include any impact caused by COVID-19.
 - o all self-employed customers were subject to a full income and expenditure assessment.
 - o additional third party automated verification of customer's income would be adopted replacing the use of historic 12-month averages in the assessment.

The Board appropriately engages with its shareholder as and when additional funding is required. An example of this is the capital injection that was executed in June 2021 to cure internal funding arrangements driven by legacy conduct provisions as well as to provide funding for the Company's extensive growth plan over its Medium Term Plan.

FOR AND ON BEHALF OF THE BOARD

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J R Davies
Director

Date: 31 August 2022

Company number: 02901725