

Section 172(1) statement

The directors of Close Asset Management (UK) Limited (the “**Company**” and/or “**CAM(UK)**”) provide the following statement pursuant to the Companies Act 2006 (as amended by Companies (Miscellaneous Reporting) Regulations 2018) (the “**Act**”) to describe how they have acted in accordance with their duty under section 172 of the Act (“**Section 172**”) to promote the success of the Company for the benefit of its member(s) as a whole, and in so doing, how they have had regard to those factors set out in Section 172(1) (a) to (f) during the financial year.

Section 172 requires a director to have regard to the following matters, among others, when discharging their duty:

- a) the likely consequences of any decision in the long term;
- b) the interests of the Company’s employees;
- c) the need to foster the Company’s business relationships with suppliers, customers and others;
- d) the impact of the Company’s operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct;
- f) the need to act fairly as between members of the Company.

The board of the Company is collectively responsible for managing the affairs of the Company to achieve its long-term prosperity by making important decisions, monitoring the underlying performance of the Company, as well as being a means for establishing ethical standards. Understanding the interests of key stakeholders is an important part of Close Brothers Asset Management’s (“**CBAM**”) strategy and helps inform the directors’ and management’s decision making throughout the year. When making decisions the board seeks to understand the impact on each of its stakeholders, including the likely consequences of a decision in the long term, whilst acknowledging that a decision will not necessarily be favourable for all stakeholders, as there may be competing interests between them.

The Company is part of the wider Close Brothers Group plc group of companies (the “**Group**”), and as such it follows a range of Group-wide policies in place to protect employees and provide a safe working environment, to ensure compliance with all regulatory requirements and adherence to the highest professional and ethical standards in dealing with customers, suppliers and colleagues, as well being aware of its social and environmental responsibilities. In doing so, and by balancing the interests of the Company’s stakeholders when making decisions, the board seeks to maintain a reputation for high standards of business conduct. Further information on these Group-wide policies can be found in the annual report and accounts of the Company’s ultimate holding Company, Close Brothers Group plc (“**CBG**”).

Governance Framework

The Company is part of the group of subsidiaries which collectively form CBAM. In light of the nature, scale, and breadth of its business, CBAM has chosen to operate a governance framework which places emphasis on the formal delegation of the day-to-day management of the division to its executive management. Whilst the board remains responsible for the Company’s long-term success, collective responsibility for the overall strategic direction and operation of the division has been formally delegated by the board to the CBAM Executive Committee (“**ExCo**”) which comprises certain of the board’s executive directors and CBAM senior management. This cross-membership facilitates the required level of oversight and information flow between the board and the ExCo. The ExCo has in turn formally delegated certain of its responsibilities to, and conferred powers upon, various functional governance committees to assist it and ultimately the board in dealing with and making decisions on complex technical or specialised matters. This approach to governance ensures a clear and appropriate apportionment of significant responsibilities, and that the division’s strategic aims are implemented within a prudent and effective governance, control and decision making framework.

The Company acts as the Authorised Fund Manager (“**AFM**”) of CBAM’s UK authorised investment funds (“**Funds**”). Although both are wholly owned subsidiaries of CBAM, CAM(UK) is a separate and distinct company from Close Asset Management Limited (“**CAM**”), which is appointed by CAM(UK) to act as the investment manager of the Funds. This distinction is important as it helps ensure accountability and separation of governance and other responsibilities – fund governance and oversight by CAM(UK), investment management by CAM. To reinforce this separation and provide independent oversight, the Company has appointed two independent non-executive directors. Their role is to represent the interests of our unitholders by overseeing the Company’s governance of the funds; both how they are managed and how they are administered. This includes oversight of outsourced functions such as transfer agency, custody and fund accounting, as well as the separate role of Trustee and Depositary. The board holds the investment manager to account and provides scrutiny, robust challenge and oversight.

The board also reserves for itself the review of and decisions relating to the Company's structure, capital and financial resources, financial reporting and controls, and material or significant matters such as acquisitions, disposals and investments.

The Company seeks to engage directly with stakeholders wherever possible on certain issues, though the size of the Group means that stakeholder engagement often takes place at an operational or Group level. This approach creates greater efficiency and facilitates a greater positive impact on environmental, social and other issues than may be possible at an individual company level, as well as ensuring consistency of approach across the Group. During the financial year, the Company has taken advantage of greater flexibility brought about by the Covid-19 pandemic to engage with stakeholders both in person and virtually, holding 'hybrid' events to widen participation. Additional details on engagement at Group level with stakeholders, including employees, suppliers, customers, the community and environment can be found in the Strategic Report section of the Annual Report and Accounts of CBG.

The table and example case study below set out further examples of the ways in which the board has engaged with the Company's stakeholders during the financial year, as well as detailing how the directors have had regard to employee interests and the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on principal decisions taken throughout the year, as well as matters set out in Section 172(1)(a)-(f) when discharging their duties under Section 172.

Our Stakeholders

<p>Colleagues</p> <p>The board recognises that the Company's culture and values underpin the effective delivery of CBAM's strategy and the importance of the contribution made by our employees, who deliver the highest levels of service for our customers and clients.</p> <p>Engagement with employees helps to build a deep and diverse talent pool by attracting, retaining, developing and motivating the right people to meet its current and future business needs, and creates a healthy workplace culture.</p> <p>Regularly listening to employees' feedback ensures they feel valued with their views recognised and acted upon.</p>
<p>Key priorities for our colleagues</p> <p><u>Wellbeing</u> – employees expect a safe working environment and a fair, supportive, diverse and inclusive culture where employee feedback is valued.</p> <p><u>Recognition</u> – our people need to work for an organisation where they are valued, and their efforts recognised and appropriately rewarded.</p> <p><u>Learning</u> – employees want to feel challenged in their role and be provided with opportunities for training and development.</p> <p><u>Communication</u> – staff expect regular, open and honest communication and that their views and needs are taken into account.</p> <p><u>Leadership</u> – employees expect clear strategic direction and accountability from leadership and management, and that they are accessible.</p> <p><u>Strategy and Values</u> – all staff should feel part of a unified and purposeful culture at work and encouraged and supported to speak up should they observe conduct which is not in line with CBAM's Business Principles.</p>
<p>Our engagement</p> <p>Reviewed and analysed the results of the annual employee opinion survey, and considered follow-up action plans.</p>

Continued to embed the Four C's (strategic priorities of Commercial, Colleague, Client and Conduct) and update colleagues and clients on progress against CBAM's strategic objectives through internal and external strategy events. Other regular communications to employees on the performance and operation of the business, relevant topics and participation by directors and management in employee engagement activities, including regular newsletters, town halls and Q&A sessions.

Continued focus on diversity, inclusion and wellbeing through the refreshed ExCo D&I Pledge, published an updated Group-wide inclusion strategy, continued inclusion initiatives, colleague-run D&I networks and working groups.

Regular review of culture MI and KPI's, including consideration of employee and conduct metrics.

Continued review of remuneration structures.

Enhanced the Company's range of employee benefits by increasing maternity and adoption leave to 22 weeks full pay and introducing paid time off for fertility treatment and recovery and all forms of pregnancy loss.

Oversight of and participation in employee training, development and mentoring programmes such as 10,000 black interns and UpReach.

Encouraging employee participation in the Group's save as you earn ("SAYE") and buy as you earn ("BAYE") share schemes.

Consideration of employee-related issues connected with both ongoing and new material business projects and transformation programmes.

Clients, unitholders and investors

Our clients are the central focus of our business and engaging with them is critical to the Company's long-term success which is contingent upon our ability to understand the needs of our clients and provide financial planning and investment management solutions that achieve their current and future financial goals, and to developing a seamless integrated client experience.

Key priorities for our clients, unitholders and end investors

Maintain strong governance oversight of the management of our funds, ensuring they remain fit for purpose and are distributed in accordance with their target market.

Deliver a good quality service to our end unitholders, investors and partners.

Deliver consistently strong investment performance over the longer-term.

Maintain liquidity of assets, particularly in times of market volatility.

Deliver value for money.

Maintain efficient and reliable systems and processes.

Maintain safe custody over their assets.

Keep clients' personal data secure.

Our engagement

Regular meetings with and communication from financial planners, investment and relationship managers.

Regular client newsletters, investment briefings and other periodic topical communications.

Client seminars, briefings, financial education initiatives, and various other client events.

Ongoing measuring and monitoring of the customer outcomes and experience against key customer principles and conduct risk framework.

Analysis of feedback obtained through client surveys.

Monitoring and analysis of complaints and incidents and the proactive implementation of actions.

Dedicated Proposition team and Client Services Committee to develop and review new and existing products and services across all distribution channels against good client experience and outcomes.

Consideration of policies and participation in training in relation to the identification of vulnerable customers and the fair treatment of customers.

Continued programme of technology enhancements to improve operating efficiency, and enhance our propositions and client experience.

Continued development of the Company's environmental, social and governance ("**ESG**") and socially responsible investment ("**SRI**") capabilities.

Dedicated resource and focus to ensuring that CBAM continues to meet the standards and requirements set out by the Financial Conduct Authority ("**FCA**") under the Consumer Duty. Assessing investor value for money remains a strong focus in the board's decision making.

Key Outsource Providers, Suppliers and Third Parties

Our business is supported by a large number of suppliers who enable us to provide high standards of service to our clients, investors and partners.

The Company has materially outsourced administration and transfer agency services to Bank of New York Mellon ("**BNYM**"). BNYM also acts as Trustee and Depositary to the Company's range of investment funds.

Investment management of the funds has been materially outsourced to fellow CBAM subsidiary CAM.

Effective engagement with key outsource providers and suppliers enables the Company to develop and maintain long-term and sustainable relationships and helps ensure that the Company secures services from suppliers who operate responsibly and in line with our policies and standards.

Key priorities for outsource providers, suppliers and third party relationships

Suppliers and other third parties need to engage with a financially stable and operationally resilient organisation committed to building strong business partnerships and high standards of business conduct.

Our engagement

Attendance and presentation by material outsource providers to the Company's Board at least annually.

Active review and monitoring of performance against agreed service levels by the Board and other various governance committees.

Regular, periodic due diligence visits undertaken across all outsource providers.

Review meetings and other engagement activities with key suppliers and review of material contracts and ongoing relationship management and CBAM Third Party Oversight Committee ("**TPOC**").

Close engagement with key outsource providers and suppliers as part of CBAM's ongoing Operational Resilience planning, including positive engagement and collaboration in relation to disaster recovery and operational resilience test scenarios.

Annual key outsource supplier surveys and due diligence questionnaires.

Management of supply chain risks and issues, with escalation to the Board and senior management as appropriate.

Communities and Environment

As part of the broader Group, the Company is committed to contributing long-term value and making a lasting, positive impact on the society in which we operate and the environment more broadly.

Engaging with local communities helps CBAM and our employees develop an understanding of our clients, customers and partners so that we can support them and help them to achieve their ambitions, whilst also building employee engagement. CBAM firmly believes that environmental considerations should form an integral part of its decision making.

Key priorities for our communities and the environment

The Company's activities should be beneficial to, and not adversely impact, the environment and communities in which it operates.

The Company should have a suitable strategy for approaching sustainability issues and a long-term focus on addressing the impacts of climate change.

Our engagement

Consideration of the Group's wider environmental strategy, activities and goals, and the contribution that the Company/CBAM can make.

Active encouragement of employee participation in and contribution to local community and charity events e.g. fundraising and volunteering, including the broader Group's charity partners.

Continued development and promotion of environmentally and socially responsible investment products and services.

Research – continued enhancements to sustainable thematic research. Appointment of asset class heads and thought leaders. Restructured the equity research team. Continued to expand the investment teams to enhance SRI/ESG capability and resource.

Engagement/voting – integration of engagement in our investment strategy as a tool to influence corporate behaviour, mitigate against potential investment risks, promote sustainability, and aid our voting practices. Establishment of an Engagement Escalation Process and direct engagement with at least 28 issuers on a broad range of topics including strategy, performance, corporate governance, social, environmental and cultural issues. Development of a custom voting policy, which reflects our Voting Guidelines and convictions on best practice corporate governance.

CBAM is a signatory to the UK Stewardship Code, PRI, NZAM, Global Coalition on Workplace Mental Health, and endorses of the Advance initiative. To support our commitments and address material ESG risks for our investments, we will continue to engage with investee companies on material ESG risks, including climate risk and upholding best practice corporate governance.

Regulator

CBAM is committed to sustaining high standards of business conduct in line with regulatory and legal expectations and operates prudently in line within the laws and regulations.

Engaging with regulators and applicable regulatory requirements helps the Company develop and maintain open and transparent relationships with our regulators, maintain a reputation for high standards of business conduct and also helps the Board ensure that the business is aligned to the evolving regulatory framework.

Key priorities for the Regulator

Our Regulator expects CBAM to deliver good customer outcomes, ensure and sustain operational and financial resilience and prevent financial crime.

The Company, at all times, should act in accordance with FCA's Principles and comply with its regulatory requirements.

Senior management must make it clear where risk management and control responsibility lies, to ensure that it can be adequately monitored and controlled.

The Company must be open, transparent and timely in its communications and disclosures and work collaboratively and constructively with the Regulator.

Our engagement

Regular reporting and discussion of regulatory developments, correspondence and interactions and consideration of the regulatory horizon at all levels.

Maintaining a transparent, constructive and proactive relationship with the FCA.

Regular interaction with trade bodies and business associations with whom we are affiliated (e.g. IMA, PIMFA), to ensure that we are engaged with the issues impacting our industry.

Detailed and comprehensive regulatory reporting to the Risk and Compliance Committee.

Ongoing consideration of relevant processes, policies and standards that support the Company in meeting its regulatory and compliance responsibilities.

Participation in broader Group-led regulatory programmes, including support of the IFPR, ICARA and ICAAP processes.

Oversight of training for all employees on applicable regulatory requirements.

Particular focus has been given in the year to continuing to implement the principles of Consumer Duty, in particular the production of the Company's first annual Consumer Duty Board Report, the monitoring and implementation of the Sustainability Disclosure Requirements ("**SDR**"), and engaging with the FCA on its Retirement Income Review and work on the delivery of ongoing advice services.

Shareholder

The Company is a wholly owned subsidiary of the Group and, as such, the duty of the directors to have regard to the need to act fairly as between members of the Company is limited.

The Company operates as part of the wider Group in delivering its purpose and strategic objectives, in line with Group-wide processes, governance and culture.

Engagement supports the Company's understanding of, and contribution to, broader Group activities and strategic aims, and ensures delivery of long-term sustainable value for our shareholder in line with Group policies and standards.

Key priorities for our shareholder

The Company maintains a focus on the broader Group's purpose and strategic aims, alignment with Group-wide risk, governance, compliance and financial priorities and consistency of approach to stakeholder considerations and outcomes.

Long-term value creation within the Group and the expectation of the Shareholder of a financial return on its investment in the Company through the payment of dividends.

Our engagement

Engagement with senior management at Group level, including representation at governance forums to ensure the board has a clear understanding of its role and contribution as part of the wider Group.

Updates to Group level committees, including the CBG board, on the operation and performance of the Company/CBAM.

Participation in Group-wide initiatives and programmes (including those that support consideration of the Company's other stakeholder groups including customers, employees and suppliers).

Budget and financial plans developed as part of the wider Group process.

Participation in broader enterprise-wide risk, regulatory and compliance initiatives.

Furthermore, set out below is a detailed example of the ways in which the board has engaged directly with key stakeholders during the financial year, how stakeholder interests have been considered in the directors' decision-making, and how the directors have had regard to the matters set out in Section 172(1)(a)-(f) when discharging their duties under Section 172. The Company is a wholly owned subsidiary of the Group and, as such, the duty of the directors to have regard to the need to act fairly as between members of the Company is limited.

Case Study: Updates to Sustainable Investment Framework

During the year, the Company engaged with CBAM's internal Financial Planners and other key internal stakeholders, and external intermediary partners, to understand how their clients felt about sustainable issues. The Company also continued to consider and respond to the various aspects of the FCA's SDR, including the Anti-Greenwashing Rule which came into effect from 31 May 2024.

As a result of these wider engagements and in response to regulation, the Company made the decision to enhance its existing sustainable investment methodology, further improving the environmental impact of the Close Sustainable Balanced Portfolio Fund and better reflecting client, regulatory and employee sustainable ethos. Client focus groups were established to test both the proposed revised sustainable investment methodology against client needs and demands and how the Company communicates its sustainable and responsible investment credentials within its product and service literature. Following the feedback received, the Company issued clear expectations and guidance to employees on how CBAM's sustainable products and services are to be described, using standardised language to present these in a clear, fair, and not misleading way. The Company also made the decision to retain its existing Close Balanced Portfolio Fund alongside the Close Sustainable Balanced Portfolio Fund in order to continue to provide a choice for those investors who may not wish to invest in an explicitly sustainable fund.

In making these decisions, the Company considered and balanced the interests of, impacts to and feedback from a range of key stakeholder groups, including its colleagues, clients / investees, the regulator and wider industries, communities and the environment. The Company continues to strive to be active and effective stewards of clients' capital, and can only achieve this by engaging with these wider stakeholders. The Company considers that these decisions evidence how the Company is responding to meet the high bar set by the industry and regulator, and collectively strengthen CBAM's sustainable investment framework and capability, ultimately supporting CBAM's future growth and promoting the Company's long-term success.

By order of the board of **Close Asset Management (UK) Limited**

23 September 2024