

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S.172 COMPANIES ACT 2006

The Directors 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 s.172 of the Act 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 s.172(1)(a) to (f) of the Act during the financial year.

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide the following statement describing how the Directors have engaged with and had regard to the interest of key stakeholders including employees.

Section 172 requires a Director to have regard to the following matters, among others, when discharging their duty: the likely consequences of any decision in the long term; the interests of the Company’s employees; 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 with members of the Company. During the financial year, the Directors received refresher training on their legal duties including under s.172 of the Act.

The Board is collectively responsible for managing the affairs of the Company to achieve its long-term prosperity by making important decisions, monitoring performance and establishing ethical standards. 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, while acknowledging that a decision will not necessarily be favourable for all stakeholders.

The Company is part of the Close Brothers Group (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, and to ensure that it continues to operate in a socially responsible and compliant manner, and manages environmental sustainability. 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, CBG.

Governance Framework

The Company acts as the unregulated holding company 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 Management Committee (Manco) which comprises of the Board’s Directors and CBAM senior management. The Manco 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 Board 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, and internal corporate governance.

Throughout the year, both generally and in relation to specific matters, the Board has had regard to the interests of its stakeholders and has engaged with them in a range of direct and indirect ways. Where engagement has taken place at operational level, the outcome of that engagement has been brought to the Board for its consideration.

The table and example case studies below set out in more detail the ways in which the Board has engaged with the Company’s stakeholders during the financial year, 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 s.172(1)(a)-(f) when discharging their duties under s.172 of the Act.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S.172 COMPANIES ACT 2006 (continued)

Our Stakeholders

Our stakeholders:	Why we focus on them and the impact of our engagement:	Stakeholders' key priorities and areas of focus:	How the board has directly (or indirectly through its established governance framework) engaged and considered stakeholder interests:
<p>People</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><u>Wellbeing</u> – employees expect the Company to be committed to their wellbeing and need to be supported in a range of ways to ensure their physical and mental health in both their professional and personal lives.</p> <p><u>Recognition</u> – our people need to work for an organisation where they are valued, and their efforts are recognised and rewarded.</p> <p><u>Learning</u> – employees want to feel challenged in their role and be provided with opportunities for development.</p> <p><u>Communication</u> – staff expected regular, open and honest communication and that their views and needs are taken into account.</p> <p><u>Leadership and Management</u> – employees expect clear strategic direction and accountability from management and that leadership and management are accessible.</p> <p><u>Purpose and Values</u> – all staff should feel they are part of a unified and purposeful culture at work and should be encouraged and supported to speak up should they observe conduct which is not in line with CBAM's Business Principles.</p>	<ul style="list-style-type: none"> • Established competitive remuneration structures which reward performance across a wide range of employee benefits and wellbeing initiatives, including flexible/agile working, employee assistance programme. • Review and analysis of annual employee opinion survey results, and consideration of follow-up action plans. • Analysis of results of additional employee opinion surveys undertaken and regular updates and communication issued in response to COVID-19 (with a focus on well-being and return to work planning). • Regular communications to employees on the performance and operation of the business and participation by directors and management in employee engagement activities, including strategy updates, town halls and Q&A sessions. • Regular review of culture MI and KPI's, including consideration of employee and conduct metrics. • Business Principles embedded through establishment of the CBAM Business Principles Committee, 1:1's, annual performance appraisals, and monthly and annual Business Principles awards. • Updates from management on various metrics and feedback tools in relation to employees. • Implementation of comprehensive whistle-blowing procedures and encouragement to employees to report relevant matters. • Oversight of and participation in employee training, development and mentoring programmes. • Encouragement to participate in Group-wide SAYE and BAYE share schemes to encourage employee ownership in the wider Group. • Engagement with employees via Group-wide diversity and inclusion initiatives and working groups.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S.172 COMPANIES ACT 2006 (continued)

Our Stakeholders (continued)

Our stakeholders:	Why we focus on them and the impact of our engagement:	Stakeholders' key priorities and areas of focus:	How the board has directly (or indirectly through its established governance framework) engaged and considered stakeholder interests:
Clients	<p>The Company is an unregulated holding company for the CBAM division and does not have any clients. Notwithstanding this, the Company does however consider the impact of its activities on all of CBAM's stakeholders and has regard to the interests of CBAM's clients in its day-to-day decision making.</p>	<p>Key areas of focus in respect of our clients are to:</p> <ul style="list-style-type: none"> • Deliver consistent high levels of service to and maintain regular communication with both private and intermediary clients. • Provide value-added advice and investment management solutions. • Deliver consistently good investment performance over the longer-term. • Maintain efficient and reliable systems and processes. • Maintain safe custody over their assets. • Keep their personal data secure. 	<ul style="list-style-type: none"> • Specific consideration has been given to issues which may affect customers, clients and partners arising from the COVID-19 pandemic, in particular operational resilience. • As the holding company for the CBAM division the Company oversees the activities of its subsidiaries, ensuring that they are adequately capitalised both in terms of maintaining minimum capital requirements and longer-term profitability.
Suppliers and Third Parties	<p>Our business is supported by a large number of suppliers who enable us to provide high standards of service to our customers, clients and partners.</p> <p>Engagement with suppliers enables the Company to develop and maintain long-term and sustainable relationships and helps ensure that the Company secures products and services from suppliers who operate responsibly and in line with our policies and standards.</p>	<p>Suppliers and other third parties need to engage with a financially stable and operationally resilient organisation committed to building strong business partnerships.</p>	<ul style="list-style-type: none"> • Review meetings and other engagement activities with key suppliers and review of material contracts and ongoing relationship management through the broader Group Third Party Management (TPM) function and CBAM Third Party Oversight Committee (TPOC). • Engagement with key suppliers during the COVID-19 crisis. • Annual key outsource supplier surveys and due diligence questionnaires. • Review and approval of the Group's annual Modern Slavery Act statement. • Established processes for the management of supply chain risks and issues, with escalation to the Board and senior management as appropriate.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S.172 COMPANIES ACT 2006 (continued)

Our Stakeholders (continued)

Our stakeholders:	Why we focus on them and the impact of our engagement:	Stakeholders' key priorities and areas of focus:	How the board has directly (or indirectly through its established governance framework) engaged and considered stakeholder interests:
<p>Communities and Environment</p>	<p>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.</p> <p>Participating in local communities helps the Board and our employees develop our understanding of the clients, customers and partners so that we can support them and help them to achieve their ambition.</p>	<p>The Company's activities should be beneficial to, and not adversely impact, the environment and communities in which it operates.</p> <p>Reduction in environmental impact and commitment to sustainability is a globally recognised priority which should remain a key focus in the context of the Company's overall strategy.</p>	<ul style="list-style-type: none"> • Actively encouraging employees to contribute community and charity events and to fundraise and volunteer for charities, including the broader Group's charity partners. • Board and management participation in local charitable and volunteering activities. • Participation in the wider Group's SME Apprentice Programme. • Cycle to work scheme. • Consideration of the Group's wider environmental strategy, activities and goals, and the contribution that the Company can make. • Emphasis on the development and promotion of environmentally and socially responsible investment products and services.
<p>Shareholder</p>	<p>The Company is a wholly owned member of the Group, forming part of the Asset Management division; as such it operates as part of the broader Group in delivering its purpose and strategic objectives, in line with Group-wide processes, governance and culture.</p> <p>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.</p>	<p>The Company maintains a focus on:</p> <ul style="list-style-type: none"> • The broader Group's purpose and strategic aims. • Alignment with Group-wide risk, governance, compliance and financial priorities. • 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. 	<ul style="list-style-type: none"> • Engagement with senior management at Group level, including representation on the Board and other 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. • 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 wider Group process • Participation in broader enterprise-wide risk, regulatory and compliance initiatives.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S.172 COMPANIES ACT 2006 (continued)

Below are some examples of the ways in which the Board has engaged directly with stakeholders during the financial year, how stakeholder interests have been considered in the Board's decision-making and wider role, and how the Directors have had regard to the matters set out in s.172(1)(a)-(f) when discharging their duties under s.172.

Case Study 1: COVID-19 Response

In March 2020, in response to the developing Coronavirus Disease 2019 (COVID-19) situation, the Board (via its Crisis Management Team (CMT) and Management Committee) made the decision to invoke CBAM's Business Continuity Plan. In making this decision, the Board took into account its duties under s.172 of the Act and the interests of its stakeholders:

- Employees – the Company has maintained regular communication with its employees throughout the crisis as Government guidance has evolved through the use of pulse surveys, engagement and well-being activities, return to work / workplace planning and health and safety risk assessments. The Company has paid particular focus to raising awareness of mental wellbeing as well as physical wellbeing as staff have adjusted to the challenges of a sustained period of working from home.
- Clients – strong focus has been given to CBAM's risk control environment and ensuring operational resilience during this period which comprised a detailed review of departmental Risk Control Self Assessments (RCSA's), with any actions carefully assessed and decisions documented. Regular communication has been maintained with our clients in order to reassure them of CBAM's operational resilience, the impact of the crisis on financial markets and their investments. The feedback provided by our clients has helped us to understand their priorities and in turn inform the communications issued and the decisions made in adapting our technology, systems and processes, and reallocating and/or reprioritising resources, so as to ensure our high standards of service are maintained.
- Suppliers – we engaged with our key third-party outsource suppliers in order to understand any operational challenges they face, and to seek assurances of their resilience during the crisis.
- Regulator – we have considered the guidance issued by our regulator, the Financial Conduct Authority (FCA) and also trade body, the Personal Investment Management and Financial Advice Association (PIMFA) throughout, and have constructively engaged with them in relation to the industry challenges and limitations presented by the pandemic.

Case Study 2: Employee Opinion Survey

The results from the 2019 CBAM Employee Opinion Survey (EOS), which were considered by the Management Committee in February 2020, showed significant further improvement in culture and employee sentiment following the action plans put in place in the previous year. CBAM is committed to having a culture that fosters inclusion and equal opportunities for all. The feedback received in the 2019 Employee Opinion Survey (EOS) and following recent global events showed that diversity and inclusion are key priorities for our employees. In response to this feedback, the Company has embraced a number of initiatives including the establishment of a new Inclusion Committee to assist the Board and Management Committee in ensuring that all of the important issues that fall under the umbrella of inclusion (e.g. disability, ethnic diversity, gender balance, LGBTQ+) remain in focus, and that CBAM is consistently moving forward in creating and maintaining an equal and diverse working culture.

By Order of the Board

17 September 2020