

Section 172(1) statement and statement of engagement with other stakeholders

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.

Furthermore, in compliance 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 statement which follows to describe how they have had regard to the need to foster the Company’s business relationships with suppliers, clients and others, and the effect of that regard, including on the principal decisions taken by the Company 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 Management Committee (“**ManCo**”) 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 ManCo. 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 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

CLOSE ASSET MANAGEMENT (UK) LIMITED (CAM(UK)) (02998803)

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, engagement with stakeholders has been modified in response to the Covid-19 regulations and Government guidance, and has taken place virtually where appropriate. 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 studies 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

Our stakeholders:	Why we focus on them and the impact of our engagement:	Stakeholders’ key priorities and areas of focus:	How the board and management have directly (or indirectly through its governance framework) engaged and considered stakeholder interests during the year:
<p>People</p>	<p>The Company does not directly employ its workforce, which is provided by its immediate parent, Close Asset Management Holdings Limited (CAMHL).</p> <p>Notwithstanding this, the board recognises that employee culture, values and performance ensures the delivery of good client and investor outcomes and reduces conduct risk, and therefore underpins the Company’s ability to achieve its strategy and long-term success.</p> <p>Engagement with employees helps to build a deep and diverse</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>	<ul style="list-style-type: none"> • Reviewed and analysed annual and additional ‘pulse’ employee opinion survey results, and considered follow-up action plans. • Relunched CBAM’s strategic goals for the year ahead via an employee strategy event and Q&A session with the leadership team to help employees understand how our strategy connects with our culture and brand. • Reignited’ our Business Principles following a targeted employee survey, and embedded these through regular communications from management, the CBAM Business Principles Committee, 1:1’s, annual performance appraisals, and our Business Principles awards. • Engagement with employees

	<p>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>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>via Group-wide diversity and inclusion initiatives, networks and working groups, including the launch of two cross-company mentoring programmes 'Gender Equity' and 'Mission Include', and the new employee-run 'Social Mobility' and 'Working Parents and Carers' networks.</p> <ul style="list-style-type: none"> • 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, strategy updates, town halls and Q&A sessions. • Regular review of culture MI and KPI's, including consideration of employee and conduct metrics. • Offering of competitive remuneration structures which reward performance, and wide range employee benefits. • Oversight of and participation in employee training, development and mentoring programmes, including the launch of a new training programme aimed at aspiring female portfolio managers to improve gender diversity within the asset management industry. • Encouraging employee participation in the Group's SAYE and BAYE share schemes. • Consideration of employee-related issues connected with both ongoing and new material business projects and transformation programmes. • Continued focus on diversity, inclusion and wellbeing issues, such as mental health and LGBTQ+, through regular communications, workshops. • Successfully ran CBAM's first '10,000 black interns' programme. • Proactive engagement with employees to implement CBAM's planned hybrid/flexible working model and identify optimal future working practices for all departments and roles across the division, ensuring
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<p>Clients, unitholders and investors</p>	<p>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.</p>	<p>Our priorities and key areas of focus in respect of our clients, unitholders and end investors are to:</p> <ul style="list-style-type: none"> 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 their personal data secure. 	<ul style="list-style-type: none"> 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 to develop and review new and existing products and services across all distribution channels. Continued progress toward implementing strategic technology enhancements to improve operating efficiency, and to enhance our propositions and client experience. Continued development of environmental, social and governance (ESG) and socially responsible investment (SRI) capabilities. Investor 'value for money' considerations remain a strong focus in the board's decision making. Continued specific consideration has been given to the issues affecting CBAM's clients and partners as a result of the challenging year for markets and the global economy as a result of recent macroeconomic and geopolitical factors.
<p>Key Outsource Providers, Suppliers and Third Parties</p>	<p>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.</p> <p>The Company has materially outsourced administration and transfer agency services to Bank of New York</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"> 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

	<p>Mellon (BNYM). BNYM also acts as Trustee and Depositary to the Company's range of investment funds.</p> <p>Investment management of the funds has been materially outsourced to fellow CBAM subsidiary CAM.</p> <p>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.</p>		<p>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).</p> <ul style="list-style-type: none"> • Close engagement with key outsource providers and suppliers as part of CBAM's Operational Resilience planning. • 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	<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"> • Active encouragement of employee participation in and contribution to community and charity events e.g. fundraising and volunteering 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/CBAM can make. • Continued development and promotion of environmentally and socially responsible investment products and services. • Expanded investment research team to include greater SRI/ESG resource. • Application made to become a signatory of the UK Financial Reporting Council (FRC) Stewardship Code 2020.
Regulator	<p>Engagement with regulators and applicable regulatory requirements helps the Company develop and maintain open and transparent</p>	<p>The Company, at all times, should act in accordance with FCA's Principles and comply with its regulatory requirements.</p>	<ul style="list-style-type: none"> • Regular reporting and discussion of regulatory developments, correspondence and interactions and consideration of the regulatory horizon at all levels.

	<p>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.</p>	<p>Senior management must make it clear where risk management and control responsibility lies, to ensure that it can be adequately monitored and controlled.</p> <p>The Company must be open, transparent and timely in its communications and disclosures and work collaboratively and constructively with the Regulator.</p>	<ul style="list-style-type: none"> • 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 the FCA's new Investment Firms Prudential Regime (IFPR), detailed pension's guidance, financial crime risk and the New Consumer Duty.
<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"> • The Company's board comprises directors who are also directors of the Company's sole member. • 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.

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: Assessment of Value

During the year, in line with the requirements of its Regulator, the Financial Conduct Authority (FCA), the Company was required to publish its third annual Assessment of Value Report in which the Company assesses the overall value its authorised funds have delivered to investors, and highlights any areas of concern or where we wish to take action. As part of this assessment, the board considered whether, and where, it might be able to achieve savings and benefits from economies of scale, and ultimately make the decision to share these savings with investors.

The board made further improvements to its assessment of value process and methodology in order to identify where the economies of scale realised on a particular fund or group of funds can point to a potential reduction in the Fund Management Fee (FMF). In identifying the triggers that will suggest a reduction in the FMF, the board has sought to strike a balance between ensuring that unitholders share in any cost savings that can be achieved, but also allowing the fund range to develop and new capabilities to be delivered which will benefit unitholders. The Company has therefore defined specific criteria that will show where cost reductions can be shared, sustainably, with unitholders.

Having considered these criteria across the Company's full fund range, a key decision for the board was whether any costs savings can be identified that may be shared with investors. Following a detailed assessment across a number of factors and all criteria, the board determined that a reduction in the FMF is not a valid action for this year, and this was communicated to investors in the Company's annual fund reports published in July 2022.

In making its decision, the board considered and balanced the interests of unitholders both in the short and longer term in minimising costs charged to the funds, while allowing the Investment Adviser (CAM), and the Company, to continue to invest in the business. In particular, consideration was given to the additional operational and cyber-resilience investments made over recent years and improvements in the investment research capability. At this time, the board agreed that maintaining the FMF and the fee charged by the Investment Adviser was the correct balance.

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

27 September 2022