

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

The directors of Close Asset Management Holdings Limited (the “**Company**” and/or “**CAMHL**”) 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 engaged with employees and had regard to employee interests and the need to foster the Company’s business relationships with suppliers, clients and others, and in each case, 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; and
- 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 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 Executive Committee (“**ExCo**”), which comprises the board’s 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 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.

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 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

Colleagues

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.

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.

Regularly listening to employees' feedback ensures they feel valued with their views recognised and acted upon.

Key priorities for our colleagues

Wellbeing – employees expect a safe working environment and a fair, supportive, diverse and inclusive culture where employee feedback is valued.

Recognition – our people need to work for an organisation where they are valued, and their efforts recognised and appropriately rewarded.

Learning – employees want to feel challenged in their role and be provided with opportunities for training and development.

Communication – staff expect regular, open and honest communication and that their views and needs are taken into account.

Leadership – employees expect clear strategic direction and accountability from leadership and management, and that they are accessible.

Strategy and Values – 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.

Our engagement

Reviewed and analysed the results of the annual employee opinion survey, and considered follow-up action plans.

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

The Company is an unregulated holding company for the CBAM division and does not have any clients. Notwithstanding this, the Company does 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.

Key priorities for our clients

Building and maintaining strong relationships based on trust, understanding and specialist expertise.

Deliver good client outcomes by helping our clients access financial and investment solutions that meet their needs across all market conditions.

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 clients' personal data secure.

Our engagement

Specific focus has continued on considering the ongoing issues affecting CBAM's clients and partners as a result of challenging markets and economic conditions.

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

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.

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.

Key priorities for our 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

We have continued to hold review meetings and other engagement activities with key suppliers, review material contracts and undertaken ongoing relationship management through the broader Group Third Party Management (“**TPM**”) function and CBAM Third Party Oversight Committee (“**TPOC**”).

Continued close engagement with key outsource providers and suppliers as part of CBAM’s ongoing Operational Resilience planning.

Undertaken annual key outsource supplier surveys and due diligence questionnaires.

Reviewed and approved the Group’s annual Modern Slavery Act statement.

Managed 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 endorsers 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.

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: Results and actions from the Employee Opinion Survey

Management have continued to focus on employee wellbeing throughout the year and, in order to ensure continued dialogue with its employees, the Company conducted its annual Employee Opinion Survey ("**EOS**"). Results showed significant further improvement in culture and employee sentiment following the action plans put in place in the previous year. Employee engagement with the EOS remained high at 83%

and the majority of questions received an 80% or higher positive response rate; new questions included this year specifically on 'speak up' culture received a 94% positive response rate. The lowest scoring questions are in the process of being reviewed in detail by the departmental focus groups.

Highlights

- Colleagues feel positively about how their role contributes to CBAM's mission and vision (94%);
- Our employees told us that they feel supported and included by their colleagues (92%);
- As ever our culture is something which our colleagues greatly value – 94% agreed that it encourages them to treat our clients well;
- Our steady progress on inclusion also came through in this survey, with 87% of colleagues feeling that the Company treats its people fairly, regardless of their different characteristics or how they identify.

Areas to improve

Whilst the CBAM ExCo is still reviewing the results in more detail and working on longer-term actionable plan, the EOS results identify clear areas for action and improvement. Colleagues told us that they feel less positively around how the different parts of CBAM work together and want to understand more about the planned initiatives to improve our processes, tools and technology as over 25% of employees felt less confident about the progress the Company is making in this area. Improving collaboration across CBAM is a key focus for management and whilst there is work to do in this area, the Company is confident that the roadmap of colleague and client improvements currently in development will be transformative to how we work.

As a result of its ongoing engagement with and feedback from colleagues, during the year the Company made the following decisions:

- Revisited the ExCo's D&I pledge;
- Increased maternity and adoption leave to 22 weeks full pay;
- Introduced paid time off for fertility treatment and recovery, and for all forms of pregnancy loss;
- Published a Group-wide D&I strategy;
- Participated in internship programmes including 10,000 black interns and upReach; and
- Launched its inaugural Wealth Planning School Leaver Programme.

The Company's employees are one of its most important stakeholder groups and ensuring the best possible colleague experience is intrinsic to delivering on CBAM's strategy. In making these decisions, the Company considered and balanced the interests of and impacts to employees and their families, corporate culture and risk management.

By order of the board of **Close Asset Management Holdings Limited**

23 September 2024