

CG Asset Management

Anti-Bribery Policy

September 2025



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Anti-Bribery Policy

1. The Bribery Act 2010

1.1 The Bribery Act 2010 establishes four categories of offence:

Bribing another person - Offer, promise or give to another a financial or other advantage in connection with a person performing a function improperly.

Being bribed - Request, agree to receive or accept a financial or other advantage in connection with a person performing a function improperly.

Bribing a foreign public official ("FPO") or offering a financial advantage - With the intention of influencing the FPO in his capacity, in order to obtain or retain business or an advantage in the conduct of business.

Failure of a commercial organisation to prevent bribery - An associated person bribes another person intending to obtain or retain business or an advantage in the conduct of business for an organisation AND there are no adequate procedures in place to prevent bribery.

The first three offences are capable of being committed by an individual or an organisation, whilst the fourth can only be committed by organisations.

1.2 The Bribery Act 2010 covers bribery of private persons as well as public officials, removes the requirement to prove a corrupt intent and introduces the corporate offence of failing to prevent bribery. Facilitation payments remain illegal under the Act, even if they are permitted by local custom.

1.3 The penalties for Bribery itself include 10 years' imprisonment and an unlimited fine for individuals and an unlimited fine for companies. Senior management are also guilty of the same offence as the organisation they manage, if they consented to the offence.

1.4 The proceeds derived from acts of bribery are likely to be considered as "criminal property" for the purposes of UK anti-money laundering legislation and should be reported to the National Crime Agency ("NCA"). Failure to do so can result in up to five years' imprisonment and an unlimited fine. The penalties for money laundering are up to 14 years' imprisonment and an unlimited fine.

2. Failing to prevent bribery

2.1 The offence of failing to prevent a person associated with the organisation from bribing another person on its behalf, only applies to "commercial organisations". This includes entities incorporated in the UK, regardless of where they conduct their business AND entities incorporated outside of the UK that conduct their business in the UK.

2.2 An "associated person", in accordance with Section 8 of the Bribery Act 2010, includes persons who perform services for or on behalf of the organisation regardless of their capacity. This will generally include employees, agents, subsidiaries and joint venture partners.

2.3 It is a defence to demonstrate that despite the bribery taking place, the organisation had "adequate procedures" to prevent bribery.

3. Defence - Adequate procedures

3.1 The adequacy of the procedures will depend on the risks faced by an organisation. Small companies are not generally required to have policies as extensive as large multi-national organisations and where no risk of bribery exists, an organisation will not be required to have any anti-bribery procedures in place (although this is unlikely to be the case for most organisations and would be very difficult to prove without having conducted, and documented, a review of its bribery risks).

4. Principles for robust procedures

4.1 The guidance published by the Ministry of Justice¹ ("the Guidance"), recommends that organisations adopt a risk-based approach to managing the risk of bribery and establishes six key principles to assist organisations in creating robust policies and procedures. These principles are as follows:

- **Proportionate procedures** - the organisation should develop clear and precise policies and procedures to avoid the risk of bribery. These should be proportionate to the risk associated with the size, nature and complexity of the business and its activities and establish clear reporting lines and methods of escalating any issues identified.
 - **Top level commitment** - the culture of the organisation should be seen to flow from senior management down. It is therefore important that the top-level management (board of directors, partners, governing body, etc.) takes responsibility for communicating the organisation's anti-bribery stance and ensuring it is adhered to.
 - **Risk assessment** - a thorough assessment of the risks faced by the organisation should be conducted on an ongoing basis. This assessment should consider both the internal and external risks of bribery. In particular, transactions conducted in riskier jurisdictions or with foreign public officials should warrant a higher degree of assessment.
 - **Due diligence** - where risks are identified, appropriate investigations should be conducted to ensure bribery is not occurring. This will include a review of all associated persons.
 - **Communication (including training)** - the communication of the organisation's policies and procedures is as important as the policies themselves and this should be evidenced. The Senior Managers should ensure that all associated persons are aware of the organisation's policies and procedures and agree to comply with them or have adequate policies and procedures in place. Training should be conducted for all staff upon joining the firm and then on an ongoing basis as necessary.
 - **Monitoring and review** - the policies and procedures should be reviewed annually and updated where appropriate. The organisation should also incorporate bribery into its internal monitoring programme and record any incidents and actions taken.
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5. Policies and Procedures

5.1 Directors and employees may not give, agree to give or offer any benefit or other consideration to any person including a public official or an employee in the private sector as an inducement or reward for that person doing or not doing an act in relation to his principal affairs or business.

5.2 It is an offence just to offer such a gift or other consideration whether or not the offer is accepted or acted upon. The provision or acceptance of cash gifts is strictly prohibited. Directors and employees may not request, agree to receive or accept any benefit or other consideration from any person as an inducement or reward for doing or not doing an act in relation to his principal affairs or business.

¹ "Guidance about procedures which relevant commercial organisations can put in place to prevent persons associated with them from bribing".

5.3 In the event that such an offer is received, the Directors / employees concerned should report that fact to the Compliance Officer.

6. Risk Assessment

6.1 The Firm is dedicated to ensuring that it adequately assesses and categorises risk appropriately. The Firm maintains a risk matrix detailing the risks the Firm is exposed to which can be located in the compliance manual. In assessing the Firm's risk of bribery, it has considered five key areas:

- Country Risk
- Sectoral Risk
- Transaction Risk
- Business Opportunity Risk
- Business Partnership Risk

6.2 Country Risk

The Firm conducts its business within the UK and transacts with brokers regulated by the FCA or by an equivalent overseas regulator. Funds which have their investments managed by CGAM may be domiciled and/or administered overseas. Should business be done overseas the Transparency International's Corruption Perceptions Index ("CPI List") can be consulted. The CPI List can be located using the following link: <https://www.transparency.org/en/cpi/2023>.

The management, administration and custody of the firm's UCITS funds is carried out in Ireland by FundRock Management Company (Ireland) and Northern Trust. Both UK and Ireland are ranked in the top 20 (low risk) on the CPI in 2023.

6.3 Sectoral Risk

The firm only operates within one sector, that being the investment management sector.

6.4 Transaction Risk

Transactions are monitored for any indications of bribery. This will include any large transactions, a large number of small payments, unusual, complex or secret payments, where there are multiple counterparties or where regulatory permission is required.

The Firm ensures that all associated persons are aware that it does not condone any form of bribery, and any suspicions of bribery will allow the Firm to conduct an audit of their books and terminate the contract at the Firm's discretion. This is evident from the contracts the Firm enters into and how it conducts its business.

6.5 Business Opportunity Risk

The Firm regularly assesses its internal risk of bribery. In order to minimise this risk, the Firm ensures:

- The Board actively express a commitment to reducing the risk of financial crime, including bribery and corruption.
- Policies and procedures are reviewed annually.
- Staff are provided with relevant, understandable and effective training.
- It prohibits the provision of cash to staff (apart from de minimis amounts to cover small incidental expenses).
- It prohibits the receipt or giving of cash gifts.
- Checks may be completed, when recruiting new staff, that are proportionate to their respective roles, for example, DBS checks.
- Annual monitoring of staff's fitness and propriety and financial soundness.
- The Firm maintains clear lines of reporting around anti-bribery.
- Remuneration structures are designed to avoid incentivising staff to gain business through bribes.

- The Risk Register is regularly reviewed by Senior Management which includes the Firm's exposure to financial crime risk and the systems and controls in place to mitigate this risk.
- Risk based approvals are required for third party payments and documentation demonstrating a clear understanding of the reason behind all payments.

6.6 Business Partnership Risk

The Firm conducts due diligence on all persons that perform services for the Firm or on the Firm's behalf. In each case, the Firm ensures, prior to transacting any business, that it is satisfied that the associated person will not engage in bribery.

The Firm categorises associated persons into two categories:

- **Lower risk** – this includes: regulated firms, firms subject to equivalent local rules, firms with which it has a trading history, and personal contacts.
- **Higher risk** – this includes: firms in high risk jurisdictions, unregulated firms, individuals, new start-ups and firms not subject to equivalent local rules. The Firm is very unlikely to conduct business with any of these categories.

7. Due diligence

7.1 Purpose

the purpose of conducting due diligence is to collect sufficient and effective information on an associated person, who will provide services for the Firm or on the Firm's behalf, to analyse the risk of bribery when conducting business with that associated person. This should be used to determine a risk rating and the level of monitoring the business relationship requires.

7.2 Controls – the extent of the controls required will vary depending on the risk the associated person presents, but is likely to include:

- **Sanctions check** – all relevant information obtained should be checked against the HM Treasury sanctions list. This can be found using the link:
<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>
- **Due diligence questionnaire** – this should be carefully drafted to elicit honest responses with information you can verify and use.

Common due diligence questions include asking the entity to:

- Identify the beneficial owners of the associated person, senior management and supervisory personnel servicing your account.
- Identify where the associated person(s) operates (i.e. does this include any sanctioned countries).
- Provide customer references.
- Allow for an onsite visit where possible.
- Provide any relevant judicial or regulatory findings.
- Provide any connections with government officials.
- Provide the associated person's controls to avoid bribery (see below).
- **Clear statement of work** – this should include fees, costs, commissions, etc. It is important to monitor the statement of work to ensure that the business relationship does not stray from this without reasonable explanations, which must be verified. It is important that the agreed statement of work is in line with the market norms, both to ensure that the Firm is getting good value and that there is not a significant excess which could represent bribery.

- **Research** – good sources of independent information include internet searches, local relevant authorities, business contacts, etc.
 - **Follow up** – any information received should always be followed up and verified. It is unlikely that a firm which obtains information but fails to do anything with it will be treated much differently to a firm that does no due diligence. Examples of good follow-up include checking references, obtaining copies of associated person's anti-bribery policies and procedures, examples of employment contract/contractual provisions, etc.
 - **Commitment to anti-corruption** – part of good due diligence is determining whether an associated person has a serious commitment to anti-corruption. This may, where possible, mean obtaining a copy of the associated person's anti-bribery policy, although not every jurisdiction will require firms to have such a policy. You should also enquire about any training individuals receive, governance statements, hiring processes, etc. It is again important to verify any information obtained.
 - **Commercial awareness** – it is important to consider whether local agents are required, the expertise of the agent, whether the agent will be engaging with the local government, are the fees incurred reasonable and can they be justified. In terms of verification, this could simply involve someone else in the firm reviewing the information obtained and determining the market value for the services received.
 - **Review** – only completing due diligence at the start of a business relationship is insufficient. This should be an ongoing process, reviewed regularly. High risk associated persons will require due diligence on a more frequent basis than those with a lower risk rating. High risk associated persons should be reviewed on an annual basis and low risk on a bi-annual basis.
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8. Employee Obligations

8.1 The Firm requires all employees to comply with its policies and procedures. Any breach of such provisions may result in disciplinary action by the Firm and potentially criminal prosecution. The Board expects the Compliance Officer to monitor the Firm's overall adherence with its anti-bribery policy.

All employees must report any concerns or suspicions of actual, attempted or suspected bribery to Amber Williams (Head of Compliance) or Alastair Laing (SMF16/SMF17). All reports will be fully investigated and reported to the Board.

It is important that you do not discuss your concerns or suspicions with anyone other than Ms Williams or Mr Laing, regardless of their seniority. The only exception is if your concerns relate to Ms Williams, in these circumstances you should discuss your concerns with a senior Director.

9. Frequently Asked Questions

How do I determine whether something amounts to a bribe?

The relevant test is whether a reasonable person in the UK would consider the advantage offered, promised, given or received is for the intention of ensuring or may reasonably be expected to result in, the improper performance of a function or activity.

Could a firm based outside the UK be caught by the Bribery Act?

Yes. If some or part of the Firm's business is carried out in the UK, the Firm could be caught under the Act. This includes a subsidiary, a branch, an agent, etc.

Are activities conducted outside the UK within the scope of the Act?

Yes, if your Firm is caught by the Act.

Is the private sector caught by the Act?

Yes. The offence of bribery applies to any function of a public nature, connected with a business, performed in the course of a person's employment or performed on behalf of a firm or another body or persons. It therefore applies to both the public and private sectors.

Can firms offer corporate hospitality and gifts under the Act?

The Guidance confirms that hospitality and gifts made in good faith, with the intention of establishing cordial relations, are not caught by the Act. However, where the intention is to gain a financial or other advantage this can amount to a bribe. It will generally depend on the type and level of the advantage offered, the manner and form in which the advantage is provided and the level of influence the individual receiving the benefit has over the business decision.

As a general rule, hospitality and gifts which are proportionate and reasonable to a firm's industry are very unlikely to be caught under the Act. The Guidance includes examples of reasonable hospitality such as tickets to sporting events (e.g. Wimbledon or a Grand Prix), dinner and reasonable travel expenses.

Has the stance on facilitation payments changed?

No. Facilitation payments remain illegal under the Act. The guidance acknowledges that facilitation payments are part of normal business in some parts of the world. To that extent, the Guidance refers to the guidance issued by the Director of the Serious Fraud Office and the Director of Public Prosecutions ("SFO/DPP Guidance"), which outlines how the offence is likely to be prosecuted.

The SFO/DPP Guidance states that where there is sufficient evidence of bribery (a facilitation payment) the prosecutors will consider whether a prosecution is required in the public interest. In determining this, the prosecution will have regard to:

- The size of the payments;
- Whether the payments are planned for and part of a standard way of business;
- Whether the firm has adequate policies and procedures in place to deal with requests for facilitation payments; and
- Whether the individual making the payment was in a vulnerable position.

Can I rely on a third party to conduct due diligence on my behalf?

Yes, although you will first need to conduct a risk assessment on your third party. You should also obtain copies of any due diligence obtained on your behalf as part of your monitoring.

Are businesses required to renege on existing arrangements, where they are not satisfied that an existing associated person has adequate anti-bribery procedures?

The Guidance makes specific reference to granting “due allowance” to firms that have existing arrangements with associated persons. This applies in the short term to the requirement that associated persons have adequate anti-bribery procedures in place. Firms should ensure that, at the first reasonable chance, all associated persons adopt adequate anti-bribery procedures.

Is a non-UK parent with a UK subsidiary caught by the Act?

In determining whether a non-UK parent would be caught by the rules, a firm will need to consider the degree of independence the subsidiary has from its parent. Relevant considerations are likely to include:

- The influence the parent entity has over the general activities of the subsidiary and how often this influence is exercised;
- How the subsidiary is supported financially;
- The business activities of the parent and subsidiary; and
- The reporting lines in the subsidiary.

What is the extent of a firm’s liability for the actions of associated persons?

Employees

A firm will be liable for the actions of an employee, where it has failed to ensure that it has adequate policies and procedures in place (adequacy of procedures is discussed above).

Contractors

In terms of liability for the actions of contractors, these may be caught by the definition of “associated” persons if they are performing services for or on behalf of the Firm. The Guidance accepts that firms may only have influence over the relationship with their contractual parties and there may be a series of subcontractors. It is likely that these subcontractors would be providing services to their counterparty and not the Firm and hence, would fall outside the scope of the definition of “associated” persons. The Guidance also suggests conducting risk-based due diligence and incorporating anti-bribery provisions into contracts with associated persons, requiring them to adopt the same provisions with the next party in the chain.

Joint Ventures

Turning to joint ventures, where this is in the form of a separate legal entity, a member to that joint venture may be liable if the joint venture is providing services to the member and a bribe is paid with the intention of benefiting the member. However, an indirect benefit through an investment in the joint venture is unlikely to be caught.

Joint ventures in the form of a contractual relationship are slightly different. Ordinarily, a bribe paid by an employee of a participant to a joint venture will be presumed to be for the benefit of his employer. The fact that the other participant may benefit indirectly is unlikely in itself to amount to an offence, although the degree of control the participant has over the arrangement will also be considered.

What are the key risks?

- Marketers - the Firm should ensure that it has policies and procedures to ensure that potential investors are not improperly influenced to invest in the funds.
- Hospitality – any gifts and entertainment should be proportionate and reasonable to the industry. Following a suitable gifts and entertainment policy should mitigate this risk.
- Agents and Consultants – the Firm may be liable for the actions of any agents or consultants it appoints to the performance of services for or on behalf of the Firm. This is particularly risky where the Firm is conducting business in a foreign jurisdiction.

It should be noted that the Serious Fraud Office (“SFO”), which is tasked with investigating potential cases of bribery, has stated that technical arguments should not be relied upon as grounds for avoiding investigation under the Act. This gives the SFO remit to investigate cases of potential bribery, even if the statutory tests are not met.