



Capital Gearing Trust

Responsible Investment Report

H1 2026

cgam

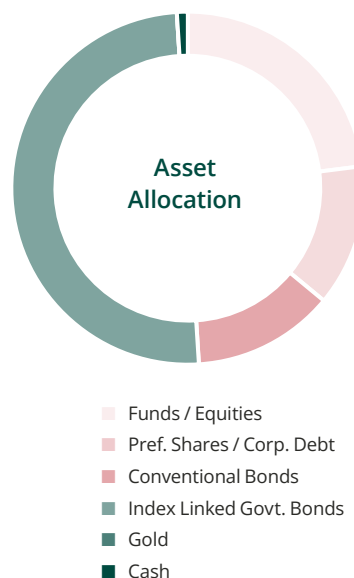
Capital Gearing Trust

Capital Gearing Trust seeks to preserve and over time to grow its shareholders' real wealth. It does so by investing into a diverse range of asset classes including government bonds, corporate bonds, preference shares, REITs and investment funds.

The investment strategy emphasises long-only asset allocation as a powerful tool to preserve capital and deliver superior investment performance over the longer term. The fund is designed for investors with a long-term time horizon, a conservative risk appetite and a preference for capital gains over income. The fund is managed without reference to a benchmark.

For more information:

www.capitalgearingtrust.com



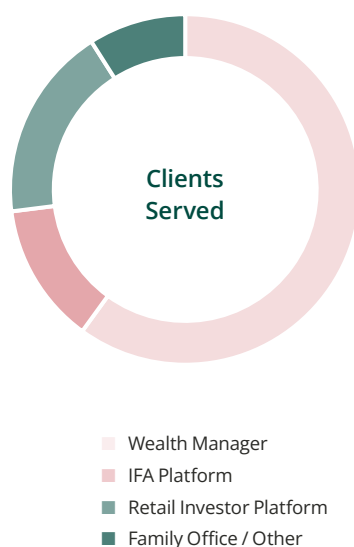
CG Asset Management

CGAM manages £2.2bn of investments on behalf of a wide range of clients, including wealth managers, independent financial advisors, private investors, family offices and charities. Wealth protection sits at the heart of everything we do.

CGAM was founded in 2000 and is majority owned by an employee ownership trust, a model pioneered by the John Lewis Partnership. Firm culture is the foundation on which all stewardship activities are built. It is our belief that our ownership structure powerfully reinforces a responsible culture and encourages alignment with our clients.

For more information, please visit:

www.cgasset.com



If you have any comments on our policies or you have input we should be considering please contact us at info@cgasset.com

Responsible Investing Approach

		Questions our stakeholders ask	Page
Principles		What are the guiding principles that underpin CGAM's approach to responsible investing?	4
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Be honest

No greenwashing, no PR-lead initiatives, no jargon. We believe our stakeholders are best served by an accurate presentation of our activities rather than a marketing campaign dressed up in the language of stewardship.

Ethics, not mathematics

Securing appropriate data is essential to all aspects of investment decision making, including judgements around sustainability. However data has to be interpreted within a specific context. There is no formula that can be applied in a uniform way to every situation; we emphasise **judgement over simplistic third party quantitative scoring**.

Targeted

Whilst supporting positive transition might be the optimal strategy, effective engagement is time consuming. As a small firm we must focus our efforts where they will have the **most impact** rather than taking a generalist approach.

Integration, not separation

We are a small firm, and the entire team is **collectively responsible** for our stewardship activities with the ultimate responsibility lying with the chief executive. We do not have a standalone responsible investment team or ESG analysts as this does not seem to us to represent true integration.

One firm, one rule

We do not have an ethical fund range (and by implication an unethical fund range). Our **standards apply to all the funds we advise**.

Engagement over disinvestment

When investors have the influence to effect change it is most valuable to encourage **positive transition** rather than pursuing disinvestment.

Driven by governance

Improved governance leads to improved social, environmental and financial outcomes. **Investors have multiple direct mechanisms to influence governance**, so our engagement activities invariably focus on governance, even when the ultimate objective is positive social or environmental change.

Act, with humility

Every action results in both intended and **unintended consequences**. Reflect deeply on the risk that good intentions can lead to bad outcomes.



The principal document guiding CGAM's RI activities is our responsible investment policy. This policy sits alongside a number of other relevant policy documents which collectively govern our internal RI practice. All these documents are publicly available on our website and via the links below.

Policy Document	Description	
Responsible Investment Policy	Describes our overarching philosophy, practice and approach to responsible investing	↗
Climate Change Policy	Details our approach and aspiration towards climate change in more depth	↗
Engagement Policy	Summarises how we approach engagements with our investee companies and other stakeholders	↗
Voting Policy	Outlines our approach to proxy voting	↗
Equity, Diversity and Inclusion Policy	Describes how we seek to promote participation within our firm	↗
Anti-Bribery Policy	Details our firm's approach to bribery, gifts, and inducements	↗

Policy formation process

Our policy documents are informed by input from a number of different parties. The policies seek to incorporate our institutional principles, client feedback and best practice as defined by industry and regulatory bodies. In addition, we take expert third party advice.

Stakeholder input into policy formation

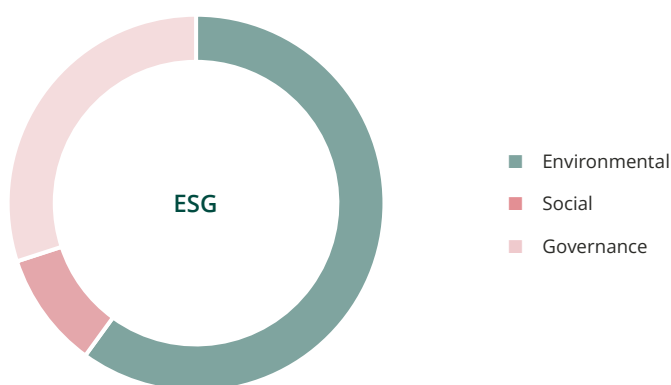
Stakeholder feedback is a central plank to our policy formation process. We use a variety of different channels to achieve stakeholder input.

Feedback type	Typical client type
Face to face feedback	Wealth manager, institutional, family offices and charities
ESG questionnaires	Wealth manager, institutional, family offices and charities
Investor surveys	Self-directed private investors



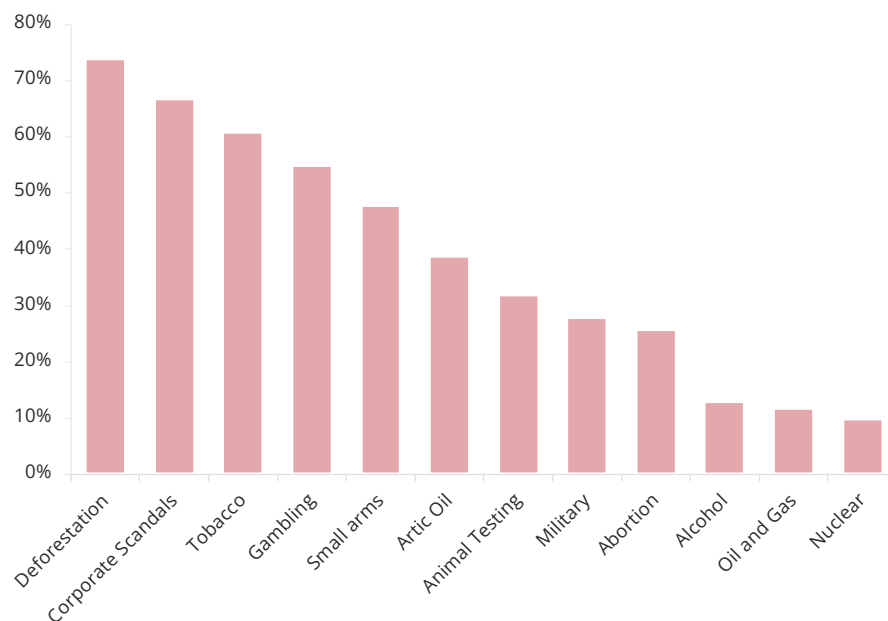
To understand the preferences of our self-directed private clients we primarily draw on investor surveys conducted by the platforms that those shareholder use. Anecdotal feedback from wealth managers suggests that the preferences of their own client base generally align with the self-directed private investors, making these broad investor surveys particularly useful.

Which area of ESG is most important to you when making investment decisions?



Source: Interactive Investor Survey

Share of investors unwilling to invest in:



Source: Hargreaves Lansdown ESG survey

If you have any comments on our policies, or you have input we should be considering, please contact us at info@cgasset.com.

Capabilities



CGAM's capacity to implement our responsible investment policies rests on having sufficient human resource available, appropriately trained and with access to the right operational systems. The body with principal responsibility for ensuring these capabilities are in place, and for the implementation of the responsible investment policy is the Responsible Investment Committee.

The RI committee is a four member body that meets quarterly. It includes members from all teams within the firm and is chaired by the Chief Executive.

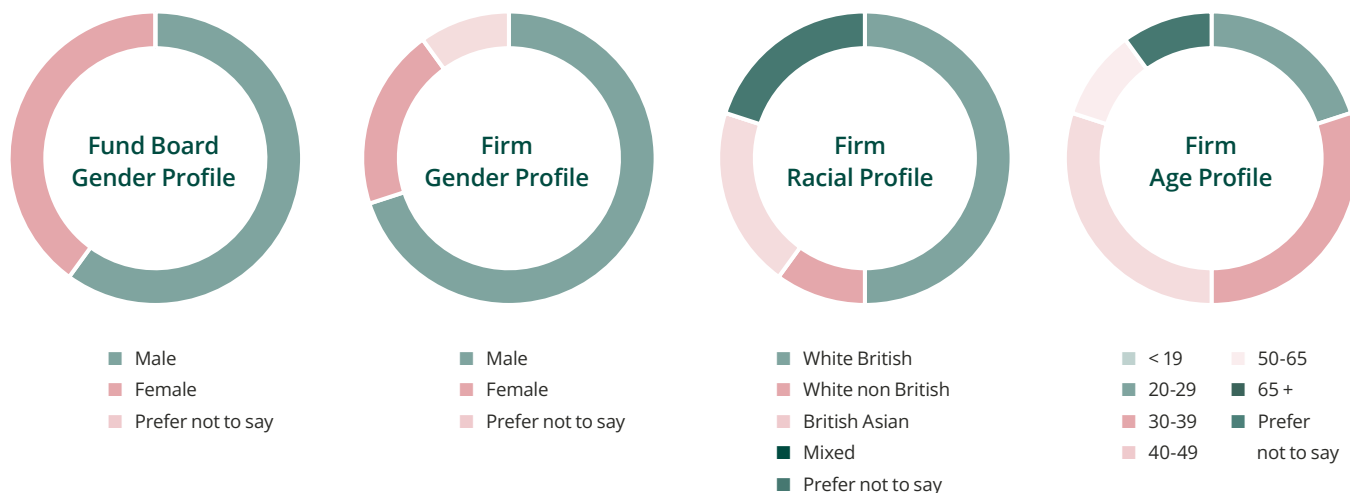
Role	Participant	Team within CGAM
Chair	Alastair Laing	Chief Executive
Member	Emma Moriarty	Investment Team
Member	Katie Forbes	Investor Relations

Third parties

CGAM works with a variety of third parties to augment our inhouse RI work, including consultants and specialist data providers. For investment integration we have access to ESG data from Bloomberg, Morningstar (Sustainalytics), MSCI Ratings and S&P Global ESG.

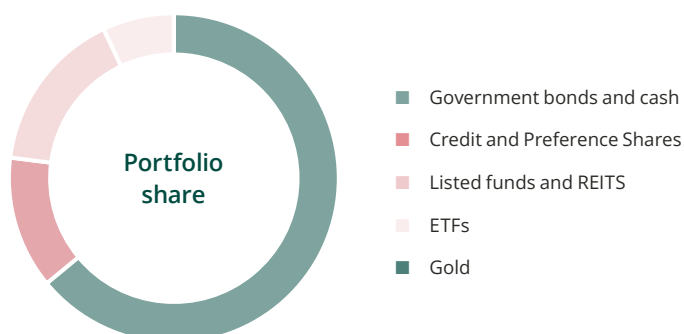
Diversity

Research suggests diverse teams that incorporate a variety of viewpoints can deliver better outcomes. As a small firm with low levels of staff turnover CGAM does not have specific diversity targets, however we are conscious of team make up and background.





Capital Gearing Trust invests in diverse portfolios which incorporate a wide range of asset classes. Different asset classes lend themselves to different stewardship approaches based on data quality and the potential for CGAM to influence the issuer. Where we have less influence, we are more likely to pursue exclusions. In our assessment exclusions are a less effective and productive form of stewardship but it makes no sense to expend significant resources on engaging in areas we are less likely to impact.



Integration approach by asset class

Direct Government Securities

A majority of the assets held by Capital Gearing Trust are invested in direct holdings of securities issued by governments including bonds, bills and cash. As our capacity to influence governments is extremely limited, our primary approach is to exclude sovereigns that do not maintain the very highest ESG standards.

In order to help assess these criteria we consider indices compiled by a range of NGOs and require sovereigns, at a minimum, to achieve strong rankings in at least four out of five of these criteria. In addition to using third party indices, we also overlay our own subjective assessments which typically leads to material additional exclusions.

Data Compiler	Index	Criteria
	World Bank Governance Effectiveness Index	Top quartile
	World Press Freedom Index	Good or satisfactory
	Global Freedom Score	Free rating
	UN Human Development Index	Very high human development rank
	Net Zero by 2050 Statement	Statement of intent by 2050 or earlier

¹The World Bank – Governance Effectiveness index, Reporters without Borders – World Press Freedom Index, Freedom House – Global Freedom Score, UN – Human Development Index, Net Zero by 2050 statement.



Direct Corporate Credit and Preference Shares

Capital Gearing Trust holds relatively small quantities of direct credit and preference share holdings issued by corporate issuers. Given our small participation in the market and therefore limited influence, our primary approach is to exclude corporate issuers who are primarily engaged in the following activities:

Exclusion Area	Exclusion sub Area	Threshold
Controversial Weapons	Anti-personnel mines, cluster munitions, chemical weapons	0%
Tobacco	Manufacture or marketing	< 5%
Thermal Coal	Coal mining or coal based energy production	< 5%
Oil Sands or Arctic Drilling	Production	< 5%
Gambling	Services	< 5%
Adult Entertainment	Production or broadcasting	< 5%
Firearms	Manufacture	< 5%
Predatory Lending	Services	< 5%

Listed Closed-Ended Funds, Investment Trust, REITs, and Property Companies

CGAM has a long history of investing in the London market for listed closed ended funds and other collective investment companies including REITs. Listed investment companies are fundamentally different to operating companies and typically have the following features:

- They hold a broad portfolio of securities on behalf of their shareholders;
- They employ investment managers, who make the stock selection and proxy voting decisions relating to portfolio securities;
- They have no employees or customers; and
- They have a Board of Directors to represent shareholder interests and concerns.

From an integration perspective listed funds are effectively external managers. Hence our due diligence focuses on the board and investment manager's commitment to responsible investing as expressed in their responsible investment policy, the quality of RI reporting and their organisational culture.

Given the prominent role that directors play in investment companies there is considerable scope for engagement activities. CGAM frequently undertakes activities that aim to influence boards and ultimately improve governance. The techniques employed vary based on the specific scenario but those listed on the next page.

²We do not invest directly in companies with primary activities in these areas, although we cannot always identify immaterial non-core activities. As a result, we employ a revenue threshold in certain areas.



Activist Engagement Technique	Frequency of Employment
Management engagement	Continuous
Board engagement	Continuous
Shareholder coordination	Frequent
Voting against significant resolutions	Frequent
Raising ESG matters in fund reporting	Frequent
Amplification through press engagement	Periodic
Replacing directors to improve governance	Periodic
Publishing open letters	Periodic
Publishing research incorporating ESG views	Periodic
Threatening to requisition meetings	Periodic

As well as engagement in the sector, CGAM places particular weight on providing primary capital to high impact investment companies with an environmental or social focus. In our assessment by providing primary capital, via IPO sponsorship or follow on fund raisings, investors have a greater impact than by simply trading securities in the secondary market.

Exchange Traded Funds (“ETFs”)

Funds advised by CGAM hold relatively small quantities of exchange traded funds. ETFs are listed collective funds which typically track an index and provide low cost, efficient access to a broad portfolio of securities. CGAM does engage directly with our approved panel of ETF providers to encourage improved stewardship standards. However, our capacity for effective engagement is limited, therefore we consider exclusions where there are suitable ETFs available. Typically, this is via ESG screened ETFs which is a dynamic and growing sector. The programme of identifying and conducting due diligence on these products is ongoing and currently a little more than a third of our ESG exposure is in explicitly ESG screened ETFs. Our non ESG screened ETFs are managed by providers who have active stewardship programmes and provide regular stewardship reporting.

Case study:

JP Morgan Japan Research Enhanced Index ETF

This ETF is one of our largest equity holdings in the absolute return fund. Unlike a all of market index tracker this fund excludes a range of securities based on ESG criteria. These sectors include thermal coal extraction, thermal coal power stations, controversial weapons, nuclear weapons, tobacco. In addition the fund employs normative screening making references to the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Principles for Business and Human Rights. It is an Article 8 fund under SFDR.

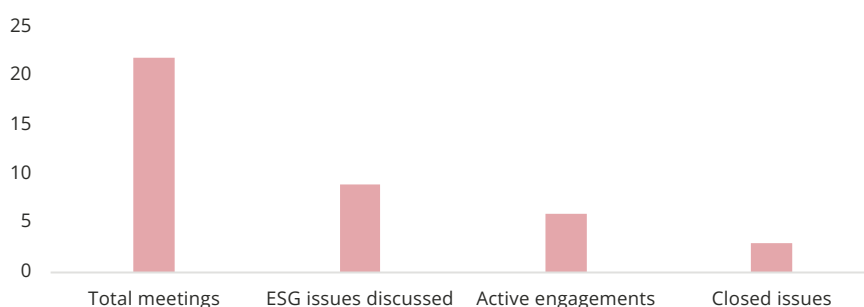
Engagement



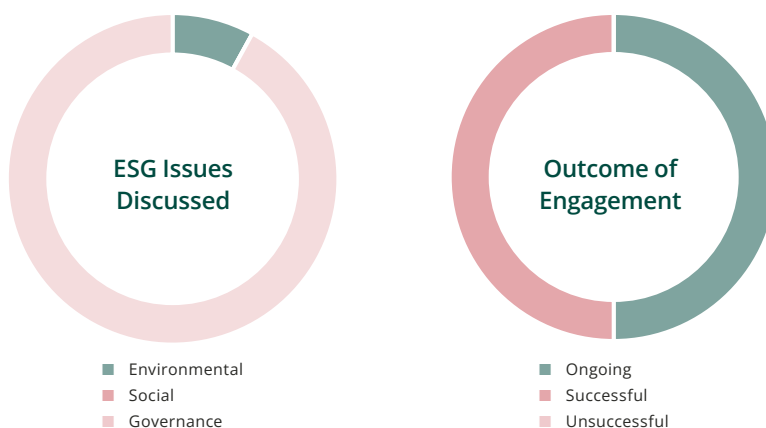
CGAM carried out a significant number of engagements in the quarter relating to securities held by the Absolute Return Fund. Every meeting we hold with an investee company is an opportunity to raise ESG related points as part of our ongoing stewardship activities. We track all these interactions as part of our engagement activity, but we do not consider every meeting to constitute an Active Engagement. For CGAM, an Active Engagement has an ongoing project with a clear objective that could realistically be achieved over a short- or medium-term time frame and almost certainly includes some form of escalation beyond talking to management.

The following charts summarise the full range of our engagement activity in the half year.

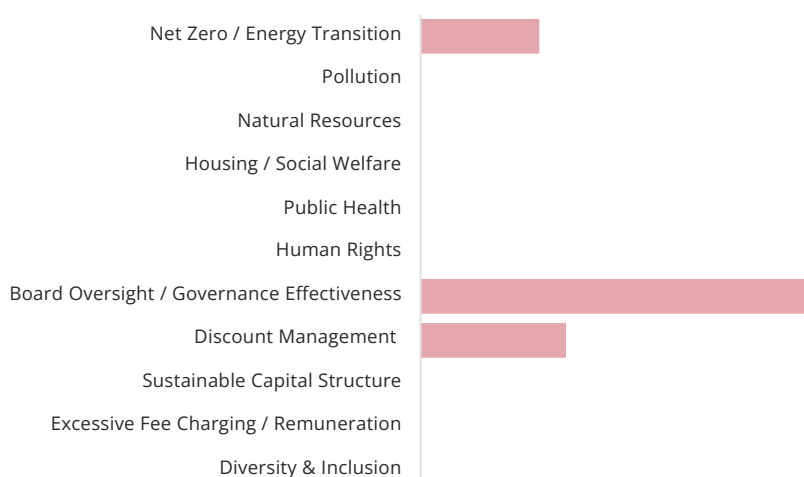
ESG Interactions Summary



ESG Issues Discussed



ESG Areas Raised (Detail)





Some examples of active engagements from the last quarter include

Company	Category	Summary
HICL Infrastructure plc / The Renewable Infrastructure Group Limited	Governance	In November 2025 one of our larger equity holdings, HICL Infrastructure plc, announced its intention to merge with The Renewable Infrastructure Group Ltd ("TRIG"). HICL owns "core" social and economic infrastructure such as toll roads, hospitals and mobile phone towers, whilst TRIG owns renewable energy generation such as wind and solar power projects. In our opinion there was no logic in combining these companies on the terms proposed, an assessment reinforced by a significant HICL share price fall. We believe the fact this proposal was put to shareholders was a significant governance failing, as it clearly advanced the interests of the investment manager at the expense of the shareholders of HICL. CGAM played a pivotal role in co-ordinating shareholder pushback and the proposal was abandoned on the 5th December. Our engagement included extensive communications with the investment manager, the board and other shareholders. We co-ordinated the publication of multiple open letters, both in our own names and alongside other shareholders. We highlighted our concerns through print and other media channels. We launched a website and polls to gather retail shareholder feedback which we passed to the company. After persuading the company to make multiple public statements around capital allocation priorities we closed this engagement with a successful outcome.
Bluefield Solar Income Fund Limited	Governance / Environmental	Bluefield Solar Income Fund Limited (BSIF) is a listed infrastructure fund that holds UK solar projects. Due to persistent discounts, excessive debt levels and regulatory uncertainty Bluefield currently lacks the capacity to internally or externally fund its extensive pipeline. This is a missed financial opportunity for the Company and also a factor holding back the transition of the UK's electricity system to renewable energy. After extensive engagement with the manager and the board the company agreed to announce a formal sale process. During the period it was announced that BSIF was to be acquired by Drax, a larger renewable energy generator who have the scale and access to capital necessary to continue the buildout of the pipeline. This was both a financial gain to our clients and a gain for the UK's path to net zero carbon power generation. .
GCP Infrastructure Investment Limited	Governance	GCP Infrastructure Investment Limited provides financing to a range of infrastructure projects, with a significant focus on renewable energy generation. Since 2022 the Company experienced a significant derating meaning it can no longer raise equity to fund new renewable energy projects. In late 2025 the Company launched a consultation on its capital allocation strategy. We engaged extensively recommending greater focus on asset disposals and share repurchases to improve the rating. The Company has since implemented its new strategy which has been effective in boosting performance and has move the company closer to the position that it can play an active role in new project financing.

Collaboration



There are two main forms of collaboration that CGAM undertakes. Direct collaboration is a targeted form of intra-shareholder engagement initiated by us (or other shareholders) after identifying specific issues at an investee company. It is a highly effective way of engaging around non-systemic issues we identify in our portfolios.

A secondary form of collaboration, more suited to systemic issues, are indirect collaborative engagements intermediated by third party institutions or industry bodies. In complex areas of systemic risk we recognise that the impact of individual engagement is likely to be limited, so it makes sense to pool our influence with larger investor groups. We acknowledge there are many areas we can benefit from the insights of larger and more experience collaborators in the field of systemic risk.

	No. of examples in half year
Direct collaborations	2
Indirect collaborations	0
Publishing Open Letter	1

CGAM has been increasing its support to and knowledge of a number of third-party networks and associations as a first step in increasing our indirect collaboration activities.

We are signatories to or members of:

Network / Association	Summary
	PRI is a United Nations supported international network of financial institutions working together to implement aspirational sustainability principles.
	The Independent Investment Management Initiative is a member led industry group that represents investment boutiques.



CGAM is committed to regular reporting to allow our stakeholders to access timely information and for reasons of transparency. Our RI reporting schedule includes the following publications:

Quarterly responsible investment reporting	By fund
Quarterly proxy voting record	By fund
Annual PRI reporting	Firmwide
Annual proxy voting record	Firmwide

Voting

The full half year proxy voting record for Capital Gearing Trust is available at www.cgasset.com/governance-and-policies. The voting summary for Capital Gearing Trust for the half year is:

Total meetings voted	33
Meetings with at least one vote against	4
Meetings with at least one vote against management recommendations (%)	12%
Total votes cast in half year	246

Co2 metrics

Under our climate change policy CGAM has committed to publishing quarterly emissions data for our firm and our portfolios.

CGAM Scope 1 and 2 emissions half year	2.29 tCO ₂ e
CGAM scope 1 and 2 emissions annualised	9.16 tCO ₂ e
Capital Gearing Trust emissions per \$ M invested – TCFD methodology	100 tCO ₂ e / \$M
Capital Gearing Trust emissions per \$ M invested – PCAF methodology	116 tCO ₂ e / \$M

CGAM co-owns of a range of renewable energy projects across the UK and Europe. The power output from these renewable projects, pro-rated for our investment, is many multiples of the power consumed by the company.



Portfolio carbon emissions

We have published two figures for the portfolio carbon emissions attributable to Capital Gearing Trust. The aim of this is to communicate, on a best endeavours basis, a set of figures which are representative of the emissions attributable to all securities held by the portfolio.

The first is calculated using the Task Force on Climate-related Financial Disclosures (TCFD) methodology³. The TCFD methodology calculates a carbon footprint based on the reported emissions of eligible securities within the portfolio. Eligible securities are those which have a corporate issuer: equities and corporate bonds. This methodology is used widely in the asset management industry, but has two material shortcomings in respect of this fund. The first is that government bonds, which represent more than half of the fund's asset allocation, are not eligible securities and so are not included in the calculation. The second is that the fund's risk assets allocation is largely in UK investment trusts, where disclosure of carbon emissions is still in its nascent stages. As a consequence, the TCFD carbon footprint figure for this fund reflects the disclosed emissions of a relatively small proportion of its overall holdings.

We have published a second figure which attempts to cover the carbon emissions from all the fund's investments – equities, corporate bonds, and government bonds – using a blended methodology. To capture the emissions attributable to government bonds held by the fund, we have used the Partnership for Carbon Accounting Financials (PCAF) methodology⁴. This methodology considers the absolute emissions from the relevant country, and attributes a share to the fund's holdings by taking the US dollar value of the fund's holding in the government bond as a share of the US dollar value of the country's Purchasing Power Parity (PPP)-adjusted GDP. We then created a blended figure which apportions the PCAF attributable emissions to the share of the fund's asset allocation which is held in government bonds, and apportions the TCFD emissions figure to the remaining share of the fund's asset allocation. This figure is the higher of the two, and while it risks double counting emissions across the corporate and government issuer for a particular country, we believe it provides a more complete assessment of the emissions attributable to the portfolio.

Emissions per \$ M invested (TCFD methodology)	100 tCO ₂ / \$ M invested
Emissions per \$ M invested (PCAF methodology – government bonds only)	128 tCO ₂ / \$ M invested
Share of portfolio in government bonds	56%
Emissions per \$ M invested (blended methodology)	116 tCO ₂ / \$ M invested

³ Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (2021). See 2021-TCFD-Implementing_Guidance.pdf.

⁴ The Global GHG Accounting and Reporting Standard for the Financial Industry. See <https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>, Part A – Financed Emissions 2nd Edition (2022).

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