

# CG Asset Management

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## *Engagement Policy*

March 2024



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CG Asset Management Limited ("CGAM") believes that engagement is an effective tool to achieve meaningful change and we are committed to engaging with companies in which our clients' assets are invested on a wide range of topics. The purpose and outcome of engagement could be to achieve improved investment outcomes, or improved environmental, social or governance ("ESG") outcomes. Often the objective is to produce both better investment and ESG outcomes.

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## Engagement by asset class

### Government Bonds

Government bonds offer very limited opportunity to effect change through engagement. CGAM considers the democratic political process to be the main and the appropriate forum in which governments are influenced. As a result we do not engage in political lobbying. Whilst we may participate in consultations with debt management offices/central banks/regulators and participate in collaborative approaches to influence ESG factors, historically it has not been a core focus of engagement as our influence is so limited.

### Credit and Preference Shares

Funds managed by CGAM invest in relatively small quantities of credit and preference shares issued corporate issuers. Given our small participation within this market our influence is limited and we primarily rely on credit analysis and ESG exclusions to avoid unsustainable issuers as articulated in our [Responsible Investment Policy](#).

Given the small scale of our investments we typically monitor corporate issuers via their financial and responsible investment reporting. On occasions we will meet with management or attend webinars to understand corporate developments.

If we become aware of significant financial or ESG issues post investment our first consideration will be divestment given our limited capacity to influence issuers. However there are circumstances in which we will seek to engage, typically via collaborative interventions.

Engagement technique	Frequency of employment
Management engagement	Frequent
Board engagement	Occasional
Bond holder co-ordination	Occasional
Writing open letters	Infrequent
Threatening or undertaking legal action	Infrequent

### Listed Closed-Ended Funds, Investment Companies, 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.

CGAM gets regular updates from the investment managers of the investment companies we invest in. 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 include those listed here:

Engagement technique	Frequency of employment
Management engagement	Continuous
Board engagement	Continuous
Shareholder co-ordination	Frequent
Voting against significant resolutions	Frequent
Raising ESG matters in fund reporting	Occasional
Amplification through press engagement	Occasional
Replacing directors to improve governance	Occasional
Publishing open letters	Occasional
Publishing research incorporating ESG views	Occasional
Threatening to requisition EGMs or shareholder resolutions	Infrequent

If we do not consider the above engagement techniques are likely to work we will also consider divestment.

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## Voting

We believe in the power of engagement, but we have also found voting to be an effective tool if companies do not respond to our requests. We take the opportunity to vote seriously, as it enables us to encourage boards and management teams to consider and address areas that we are concerned about, whether financial or ESG related. CGAM's policy is to vote on Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) resolutions, including shareholder resolutions, as well as corporate actions. More detail on our approach to voting can be found in our voting policy.

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## Systemic Risk And Collaborative Engagement

As no single participant of a system can fully mitigate themselves from systemic risk, mitigation is best achieved by collaborative action which needs to be informed by careful risk monitoring. We also acknowledge there are many areas in which we can benefit from, and leverage the insights of larger and more experienced collaborators who are leaders in the field of systemic risk. There is a wide range of institutions and initiatives that facilitate collaboration to monitor and mitigate systemic risk. CGAM is a signatory to the UN PRI, and a member of the Association of Investment Companies.

The decision to collaborate is taken on a case-by-case basis and can be initiated by either the Chief Investment Officer or the Responsible Investment Committee.

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## Conflicts of Interest

CGAM is majority owned by an Employee Ownership Trust and we see ourselves as a partnership which aligns our interests with those of our clients. As staff share in the long-term profitability of the firm, they are interested in investment returns and client relationships that are sustainable.

Should there be conflicts of interest on voting or engagement between CGAM team members and/or a particular client and our wider client base, it is CGAM's policy to act in the best interests of all our clients.

Where conflicts are identified they are escalated internally to either the Chief Investment Officer (if the conflict is in the investment team) or to the compliance team if the conflict is elsewhere in the firm. Depending on the nature of the conflict then a range of mitigants will be proposed, include for the conflicted individual to be recused from the decision-making process. Conflict of any materiality need to be clearly documented and submitted to the Risk Committee of the board.

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## **Data Management and Reporting**

CGAM reports on its engagement activities regularly. All engagements are noted and logged in our engagement database and categorised by the nature of the engagement.