

CG Asset Management

Responsible Investment Policy

March 2024



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1. Introduction

This policy outlines CG Asset Management's ("CGAM") approach to responsible investing. Responsible investing ("RI") is the allocation, management and oversight of capital to create longterm value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society¹.

This policy applies to all funds managed by CGAM on behalf of our clients and stakeholders. It describes the ESG factors that we incorporate into our research process, our approach to monitoring and engaging with security issuers and our voting procedures. This policy is reviewed at least annually by the Responsible Investment Committee (the "Committee") to ensure it remains up to date.

2. Governance and implementation

CGAM's board has the ultimate responsibility for governance oversight of all aspects of the firms operations, including this policy. Day to day responsibility for policy implementation sits with the Committee which is chaired by the Chief Executive and is made up of members from different teams across CGAM. The Committee sets itself annual targets and KPIs which it reports against to the board. The Committee meets at least quarterly or at alternate intervals as deemed necessary by the Chair. Successful implementation of this policy relies on all staff members being appropriately briefed and trained. All employees receive RI training and the Committee holds regular briefing sessions to ensure every employee can play a role in policy implementation.

3. ESG Factors

One aspect of responsible investing is the consideration of a range of non-financial factors. The analysis of these factors can result in mitigating risks or identifying opportunities that would not be evident from only considering financial factors. The factors of relevance will vary depending on the security but examples include the following ~

Environmental:

Sustainability, energy transition and efficiency

- Climate change
- Pollution
- Energy and resource efficiency

Social:

Equality, respect and human rights

- Human rights
- Public health
- Diversity and inclusion

Governance:

Accountable and transparent institutions

- Corporate governance
- Board practice
- Management remuneration

¹ This definition of responsible investment aligns with the Financial Reporting Council definition.

4. Integration and screening approach by asset class

4.1 3rd Party ESG research and data

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.

4.2 Integration objectives and time frames

CGAM does not believe that the integration of ESG factors results in lower investment returns. Rather that security issuers who effectively manage ESG factors are better placed to deliver sustainable financial returns. We only purchase securities on the assumption that we will hold a bond to maturity, or an equity in perpetuity. Current financial performance of a security issuer may reveal a lot about short term prospects but only by studying ESG and other factors relevant to franchise is it possible to analyse long term sustainability. This is where ESG analysis comes into our research process, a process designed to identify opportunities as well as mitigate risks.

4.3 Government securities

A majority of the assets held in portfolios managed by CGAM are invested into securities issued by governments, including bonds, bills and cash. In considering the appropriate sovereigns to invest in we consider a very broad range of ESG metrics that we incorporate into our inhouse research. In addition 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. This negative screening removes a vast majority of sovereign issuers. From the reduced universe of remaining issuers we also overlay our own subjective analysis 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

4.4 Direct Corporate Credit and Preference Shares

CGAM invests in relatively small quantities of direct credit and preference share holdings issued by corporate issuers, typically in short maturity issues. As part of our credit research we consider 3rd party ESG ratings.

Given our small participation in the market and therefore limited influence, we screen out 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%

*CGAM uses our own research, Bloomberg and Morningstar Sustainalytics data to monitor exclusion criteria.

4.5 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.

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.

4.6 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 portfolios 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 so, 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.

5. Monitoring and Engagement

CGAM constantly monitors a wide range of macro-economic and ESG factors relating to the key jurisdictions we invest in. CGAM's Asset Allocation Committee meets monthly to discuss the developments in these factors and to consider whether any changes should be made to our portfolio allocations.

5.1 Quantitative monitoring of government securities

On a quarterly basis we formally update our screening data for government securities, which monitor the minimum ESG standards for government securities.

5.2 Monitoring of investment companies

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:

Activist Engagement Technique	Frequency of employment
Management engagement	Continuous
Board engagement	Continuous
Shareholder co-ordination	Frequent
Voting against significant solutions	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

5.3 Engagement policy

CGAM maintains a standalone [engagement policy](#) that governs escalation of engagement activities.

6. Systemic risks, climate change and collaboration

From an investment perspective systemic risks are those risks that diversification does not protect against because the losses are experienced across the entirety of society. Examples of systemic risks include financial crisis, pandemic, natural catastrophe, nuclear war or rapid climate change.

6.1 Climate change

Climate change is amongst the most complex and consequential systemic risks effecting humanity. Given the scale of this issue and the complexity of the required response, CGAM has created a stand along [Climate Change Policy](#).

6.2 Systemic risk and collaboration

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

are a wide range of institutions and initiatives that facilitate collaboration to monitor and mitigate systemic risk. CGAM is signatories to, or members of, the UN PRI, the UN Global Compact, the Association of Investment Companies and the Investment Association.

7. Voting

The act of voting, and discussions with companies ahead of voting, are the most powerful tools we have to exercise our influence. CGAM aims to vote on every corporate event of materiality, including all AGM or EGM of our investee companies.

7.1 Voting policy

CGAM maintains a standalone voting policy that governs our voting activities.

7.2 Voting reporting

CGAM releases its voting record on a by fund basis quarterly and on a firmwide basis annually.

8. Conflicts of interest

Conflicts of interest can arise across a range of firm activities, including but not limited to engagement and voting. Potential conflicts of interest can include firm against client conflicts or client against client conflicts.

8.1 Conflicts of interest policy

As potential or actual conflicts can occur in such a range of situations CGAM maintains a standalone conflicts of interest policy. Our voting policy and engagement policy also include considerations of conflicts of interest.

9. Reporting and data management

CGAM is committed to regular reporting to allow our stakeholders to access timely information and to provide transparency.

9.1 Key reporting schedule

Report	Reporting entity
Responsible Investment reporting	CGAM
Quarterly proxy voting record	By fund
Annual PRI reporting	CGAM
Annual proxy voting record	CGAM
Initial TCFD reporting	CGAM

9.2 Data management

Effective reporting rests on proper record keeping, particularly in relation to engagement and voting activity. The Committee has specified the data management standards required in order to ensure the reporting schedule can be delivered. The Committee periodically reviews data management processes to ensure compliance.
