



CG Real Return Fund

Responsible Investment Report

H2 2024

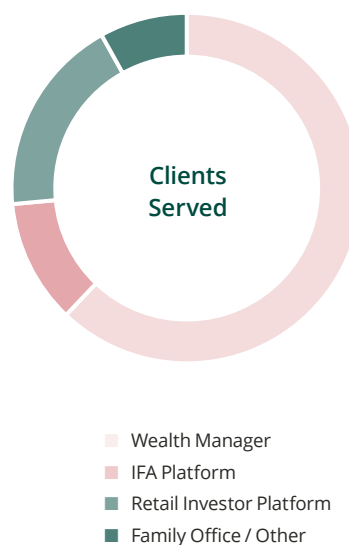
cgam

CG Asset Management

CGAM manages £2.6bn 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

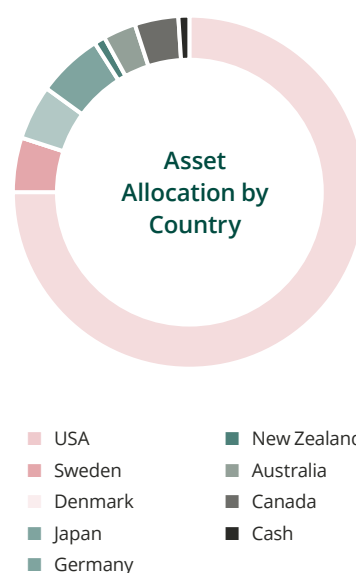


CG Real Return Fund

The Real Return Fund seeks to achieve long term real returns by investing in high quality international index-linked bonds (ex-United Kingdom), including but not limited to Australia, Canada, Denmark, Japan, Sweden and the United States. The fund is actively managed, without reference to a benchmark.



The fund is designed for investors with a long-term investment horizon, an aversion to significant short-term losses, and a desire to generate returns that outpace inflation.

For more information, please visit:
<https://www.cgasset.com/fund/real-return-fund/>



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
Policies		How are these principles interpreted in policy to steer firm activity?	5
Capabilities		How does CGAM ensure it has the resources, skills, and systems to implement its policies?	7
Integration		How are CGAM's policies reflected in investment decision making?	8
Collaboration		How does CGAM collaborate with third parties to amplify its impact?	9
Reporting		How does CGAM ensure transparency and stakeholder confidence in our RI process?	10



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

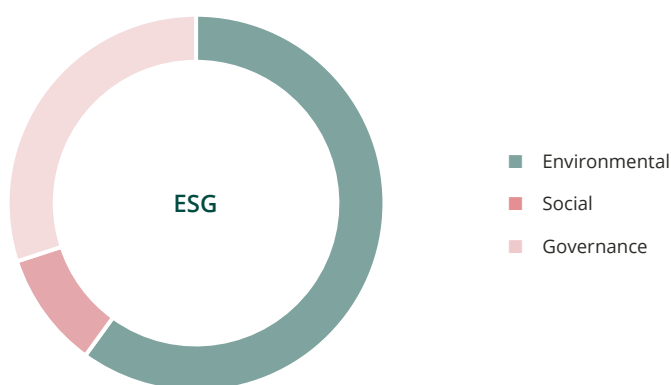
Stakeholder feedback is a central plank to our policy formation process. We use a variety of different channels to achieve stakeholder input.

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



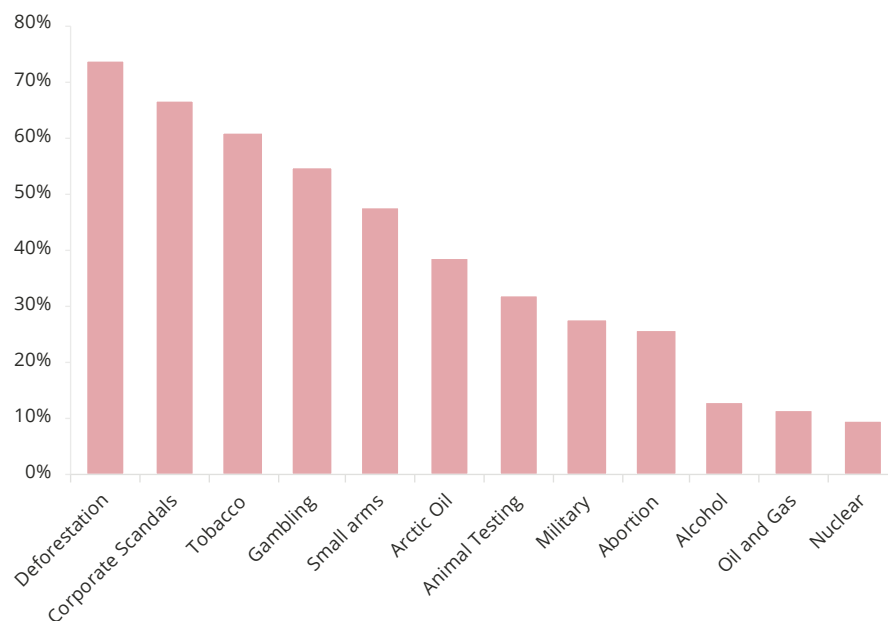
To understand the preferences of our self-directed private clients we primarily draw on investor surveys conducted by the platforms that those shareholder use. Anecdotal feedback from wealth managers suggests that the preferences of their own client base generally align with the self-directed private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

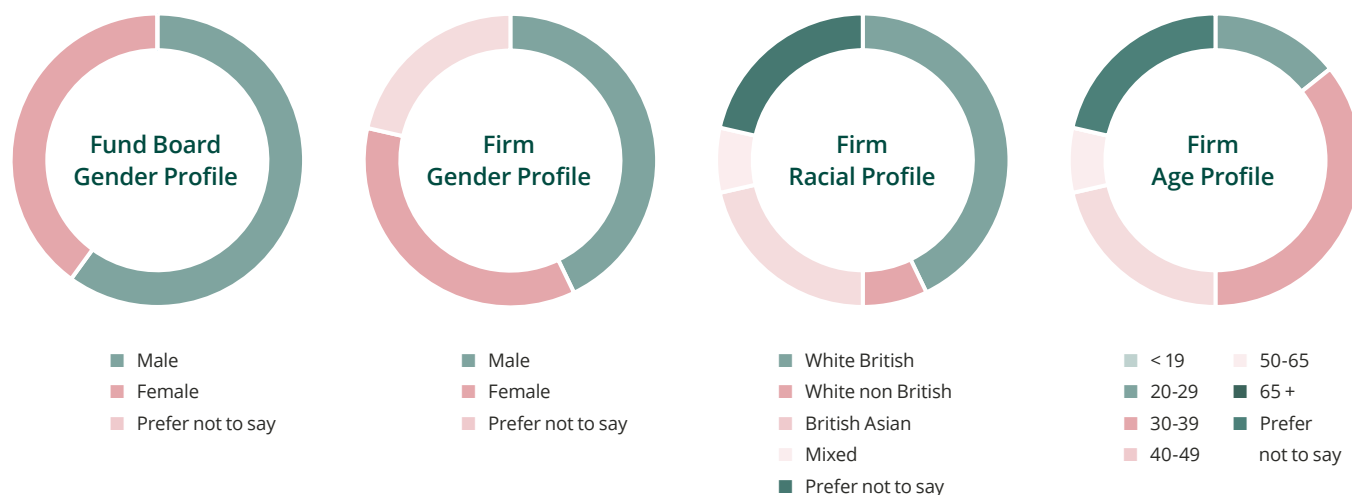
Role	Participant	Team within CGAM
Chair	Alastair Laing	Chief Executive
Member	Emma Moriarty	Investment Team
Member	Sophia Sednaoui	Investor Relations
Secretary	Amber Williams	Compliance

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.










The Real Return Fund invests in a portfolio of high-quality index-linked government bonds.

Integration approach: Direct Government Securities

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

'The 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.

We review the sovereign issuers of the bonds held by the Real Return Fund against these criteria on an ongoing basis. At end-December 2024, our assessments were as follows:

	Governance effectiveness – top quartile	World press freedom index – good/satisfactory	Global freedom score – free	UN Human Development Index – very high	Net zero by 2050 statement
United States	✓	✗	✓	✓	✓
Germany	✓	✓	✓	✓	✓
Sweden	✓	✓	✓	✓	✓
Denmark	✓	✓	✓	✓	✓
Japan	✓	✗	✓	✓	✓
Canada	✓	✓	✓	✓	✓
Australia	✓	✓	✓	✓	✓
New Zealand	✓	✓	✓	✓	✓

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	3
Indirect collaborations	0

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 UN Global compact is a network of businesses that have adopted sustainable and social responsible policies, and report on their implementation.
	Advance is a stewardship initiative where institutional investors work together to take action on human rights and social issues.



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:

Half year responsible investment reporting	By fund
Half year proxy voting record	By fund
Annual PRI reporting	Firmwide
Annual proxy voting record	Firmwide

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	5.27 tCO ₂ e
CGAM scope 1 and 2 emissions annualised	21.10 tCO ₂ e
Real Return Fund emissions per \$ M invested – TCFD methodology	0 tCO ₂ e / \$M
Real Return Fund emissions per \$ M invested – PCAF methodology	161 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 data on the portfolio carbon emissions attributable to the Real Return Fund. The aim of this is to communicate, on a best endeavours basis, figures which are representative of the emissions attributable to all securities held by the portfolio.

One of the most widely used methodologies for calculating portfolio carbon emissions is the Task Force on Climate-related Financial Disclosures (TCFD) methodology.² 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. Government bonds are not eligible securities and so are not included in the calculation. As a consequence, the carbon footprint for this fund is zero, on a TCFD basis.

We have published a second figure, which attempts to account for the government emissions attributable to this fund's holdings in government bonds. To capture these emissions, we have used the Partnership for Carbon Accounting Financials (PCAF) methodology.³ 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. In doing this, we aim to provide a more complete assessment of the emissions attributable to the portfolio.

² *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (2021). See 2021-TCFD-Implementing_Guidance.pdf.*

³ *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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