

# A climate for Good Investment

Task Force on Climate-related Financial Disclosures (TCFD)  
Report to March 2025



**CCLA**  
GOOD INVESTMENT

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## CCLA supports Koestler Arts

Koestler Arts is the UK’s leading arts charity. It is nationally respected for its ground-breaking work using the arts as a catalyst for positive change in the lives of people within the criminal justice system and in the public’s perception of their potential.

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*A Break from the World*, HM Young  
Offender Institution Aylesbury,  
Arts Society Chiltern Hills Area  
Highly Commended Award for Painting.

**[koestlerarts.org.uk](http://koestlerarts.org.uk)**

# About this report

Enhancing the comprehensiveness, consistency and comparability of climate-related disclosures is a critical near-term imperative for financial institutions, corporates, regulators, and governments. The recommendations and guidance of the Task Force on Climate-related Financial Disclosures (TCFD) provide a globally recognised framework for organising and delivering climate-related disclosures by corporates and financial institutions.

This report is our second TCFD report and sets out our approach to the management of climate-related risks and opportunities. Our aim is to provide stakeholders with a comprehensive understanding of the impact of climate change on CCLA and the actions we have taken to mitigate these risks.

The report covers the period between 1 April 2024 and 31 March 2025 and covers both CCLA Investment Management Limited and CCLA Fund Managers Limited (a wholly owned subsidiary of CCLA Investment Management), together 'CCLA'.

The report covers governance, strategy, risk management and metrics and targets in line with the recommendations of the TCFD.

1. **Governance:** We describe CCLA's governance around climate-related risks and opportunities, highlighting the Board's and management's role in assessing and managing climate-related risks and opportunities.
2. **Strategy:** We present our strategic framework, which sets out the risks and opportunities associated with climate change. By incorporating scenario analysis and stress testing methodologies, we evaluate potential financial impacts.

3. **Risk management:** We discuss our approach to identifying, assessing, and managing climate-related risks, both physical and transitional.
4. **Metrics and targets:** In this section, we outline the key metrics used to assess and track our progress in managing climate-related risks and opportunities. We provide operational emissions and targets and, in respect of the listed companies we invest in, quantitative data and qualitative insights.

While we endeavour to use words/explain terminology so that it will be understood, there may be terminology in the report that you are unfamiliar with. Should there be terms you are unfamiliar with please, in the first instance, refer to our glossary document on our website: [www.ccla.co.uk/glossary](http://www.ccla.co.uk/glossary)

## Compliance statement

The disclosures in the report, including any third party or group disclosures cross-referenced in it, comply with the requirements under the FCA ESG Sourcebook Section 2: Disclosure of climate-related financial information.



**Dr James Corah**  
Head of Sustainability, CCLA

# Introduction

At CCLA, we believe that climate change is a systemic risk to the global economy and that unmitigated, it poses not only a significant financial risk to the value of our clients' investments over the long-term, but also our collective way of life.

Whilst our approach is different to other parts of the industry, CCLA remains committed to achieving net-zero emissions on the listed equities<sup>1</sup> within its portfolios by no later than 2050.

We believe that this requires us to take care in asset selection, and to use the tools that we have as an investor to incentivise an accelerated energy transition.

At CCLA we are committed to playing our part in developing an approach to managing the risks and opportunities associated with climate change that reflects the need for urgent action and can mobilise our industry to be a force for good.

## Highlights of our progress during the year

As stewards of our clients' investments, we believe it is important to leverage our ownership rights to encourage companies to reduce their emissions.

### Advocacy and stewardship

The importance of public policy and regulatory advocacy in accelerating the energy transition has grown significantly. As a member of the Powering Past Coal Alliance (PPCA), we supported the launch of the new Finance Principles at COP29<sup>2</sup> to help accelerate the global shift away from coal. We also contributed to the IIGCC UK Policy Working Group's 'Call to Action', which promotes the development of a robust green industrial strategy. Additionally, we continued

our work with the UK's Transition Plan Taskforce (TPT), now under the International Sustainability Standards Board (ISSB) to help shape global energy transition disclosure standards. Through our participation in the Glasgow Financial Alliance for Net Zero (GFANZ) public policy workstream, we championed the development of actionable national energy transition plans.

Our engagement concentrated on the listed equity proportion of our portfolio and focused on accelerating the transition to a low-carbon economy. During 2024, we prioritised engagement with the top 30 carbon emitters in our funds encouraging them to establish credible decarbonisation strategies that result in real-world emissions reductions<sup>3</sup>. We also encouraged companies to adopt targets, track progress, and ensure effective implementation of climate strategies. Beyond the higher emitting companies, we continue addressing systemic climate challenges in our listed equity investments, advocating for shareholder votes on climate transition plans, promoting transparency on climate-related risks, and supporting the adoption of science-based carbon reduction targets.

### New initiatives

We have strengthened our biodiversity engagement through Nature Action 100 and PRI's Spring initiative, focusing on biodiversity, forest preservation, and land restoration. Through PRI's Spring initiative, which also addresses corporate lobbying, we are encouraging stronger action across these critical areas. Currently 14 portfolio companies are within the scope of Nature Action 100. As Spring is still an evolving initiative currently only one portfolio company is covered by this initiative.

- 1 Listed equities are share or stock holdings in companies that are tradeable on public markets. In this report, when referring to listed equities we exclude listed collective vehicles, such as investment trusts, whose primary business is to invest in other companies to generate a profit, and only refer to individual companies, whose primary business is to provide a service or sell a product to generate a profit.
- 2 The 2024 United Nations Climate Change Conference or Conference of the Parties of the UNFCCC, more commonly known as COP29, was the 29th United Nations Climate Change conference, held in Baku, Azerbaijan, from 11 to 22 November 2024.
- 3 CCLA (2025), 'Better World Sustainable Investment Outcomes Report 2024', available at [www.ccla.co.uk/documents/better-world-sustainable-investment-outcomes-2024-online/download?inline=true](https://www.ccla.co.uk/documents/better-world-sustainable-investment-outcomes-2024-online/download?inline=true). See pages 18–26.

Through these initiatives, we are working to drive meaningful change and reaffirm our commitment to a sustainable and resilient future

### Next steps – 2025 and beyond

In January 2025, we updated the climate section of both our voting policy and stewardship approach both of which now encompass higher expectations on the listed equity proportion of our portfolio investments.

Our previous focus was on the largest absolute emitters in our portfolios, identifying those companies which were significant sources of greenhouse gas emissions. We have since refined our approach to better reflect where influence is most needed to support real-world decarbonisation.

We now identify companies that are systemically important to the transition to net zero. We use the Transition Pathway Initiative (TPI)<sup>4</sup> methodology to identify and assess companies in high impact sectors' preparedness for transition to a low-carbon economy. We aim to support companies in reaching the Level 5, where credible transition plans are in place and being delivered, with the top score 5\*, recognising leading performance.

This shift supports more effective engagement by:

- focusing on companies whose actions have broader implications for sector-wide change
- enabling clearer benchmarking of company progress using a robust, widely recognised tool
- supporting alignment with broader investor expectations and collaborative initiatives.

Our aim remains the same: to support credible, science-based transition plans that lead to real-world emissions reductions.

These changes have been reflected in our voting guidelines which set out the basis on which we vote. Our voting approach is principles-based, covers key voting topics and we will apply discretion in the application of our principles and guidelines to ensure they are effective and in the best interests of our clients; this ensures consistency across all of our stewardship activity. Depending on the severity of the issue we may choose to vote against the appointment or reappointment of one or more of the following: the entire board, either the board chair or CEO, or appropriate board committee members.

Finally, recognising the importance of the roles played by financial institutions in financing climate change, we intend to engage with each of the counterparties in our money market funds during the second half of 2025. The objective is to encourage the phasing out of fossil fuel financing by strengthening policies to restrict financial support for new coal, oil and gas developments.

**Peter Hugh Smith**  
Chief Executive, CCLA

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We view climate change as the largest threat to our planet, ecosystems and communities. If unmitigated, it will lead to increased erratic weather patterns, higher sea levels, biodiversity collapse and unprecedented mass migration. Consequently, it is a material threat to medium and long-term shareholder value.

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<sup>4</sup> Transition Pathway Initiative (TPI) is a global initiative that, using publicly available information and data, assesses the progress that companies are making on the transition to a low-carbon economy, supporting efforts to mitigate climate change.

# Summary of our approach across asset classes

The table below sets out a high-level summary of CCLA's overall strategy and response to climate-related risks and opportunities across the various asset classes, this is set out in more detail within the report.

Asset class	% AUM	Approach to climate change
Listed equity	43.68%	<p>Engage with companies, where we are aiming to accelerate the transition to a net-zero emissions economy and address concerns regarding biodiversity loss.</p> <p>Exclude companies which:</p> <ul style="list-style-type: none"> <li>• produce more than 10 million metric tons of coal or have plans to expand their coal production.</li> <li>• are expanding coal-fired power generation or primarily generating electricity without aligning with the Paris Climate Agreement (as defined by CCLA)</li> <li>• have &gt;10% revenue from oil and gas extraction, refining or production.</li> <li>• have &gt;5% revenue from oil/tar sands extraction</li> <li>• have &gt;5% revenue from thermal coal extraction.</li> </ul>
Money market funds/cash	29.58%	<p>Assessment of the counterparty's:</p> <ul style="list-style-type: none"> <li>• coal, oil and gas expansion policies using ReclaimFinance's Coal Policy tool and Oil Policy tool</li> <li>• signatory status with the Equator Principles.</li> </ul>
Property	9.95%	<p>Where possible we review new tenants against the fund's criteria and seek to avoid entering into leases with businesses that conduct activities that are proscribed by the fund's values-based screens. This includes the climate related exclusions of companies which:</p> <ul style="list-style-type: none"> <li>• produce more than 10 million metric tons of coal or have plans to expand their coal production</li> <li>• are expanding coal-fired power generation or primarily generating electricity without aligning with the Paris Climate Agreement (as defined by CCLA)</li> <li>• have &gt;10% revenue from oil and gas extraction, refining or production</li> <li>• have &gt;5% revenue from oil/tar sands extraction have &gt;5% revenue from thermal coal extraction.</li> </ul>



Asset class	% AUM	Approach to climate change
Alternatives	9.44%	<p>We have a policy to cap exposure to midstream gas at 25% of net asset values (or equivalent) per asset. In addition, we do not invest in alternative third party funds if they are assessed as having more than 10% of net asset value exposed to precluded activity. As a final safeguard, we seek to ensure that the combined exposure to all restricted activities within such other investment fund holdings remains below 1% of the capital value of the holding CCLA fund. This includes the following climate-related exclusions of companies which:</p> <ul style="list-style-type: none"> <li>• produce more than 10 million metric tons of coal or have plans to expand their coal production</li> <li>• are expanding coal-fired power generation or primarily generating electricity without aligning with the Paris Climate Agreement (as defined by CCLA)</li> <li>• have &gt;10% revenue from oil and gas extraction, refining or production</li> <li>• have &gt;5% revenue from oil/tar sands extraction</li> <li>• have &gt;5% revenue from thermal coal extraction.</li> </ul>
Sovereign debt	4.77%	<p>We do not have climate specific screens for treasuries at present; however we aim to develop this approach in future.</p>
Fixed interest	2.59%	<p>Exclude companies which:</p> <ul style="list-style-type: none"> <li>• produce more than 10 million metric tons of coal or have plans to expand their coal production</li> <li>• are expanding coal-fired power generation or primarily generating electricity without aligning with the Paris Climate Agreement (as defined by CCLA)</li> <li>• have &gt;10% revenue from oil and gas extraction, refining or production</li> <li>• have &gt;5% revenue from oil/tar sands extraction</li> <li>• have &gt;5% revenue from thermal coal extraction.</li> </ul> <p>Within the two short duration bond funds, engagement has been sub-assigned to the manager Federated Hermes. Its engagement remains focused on companies having a strategy and greenhouse gas emissions reduction targets aligned, so far as possible, to the goals of the Paris Agreement, to limit climate change to below 2°C and pursue efforts towards 1.5°C and to take advantage of the opportunities where commercially feasible.</p>

Totals do not sum to 100% due to rounding.  
Source: CCLA, as at 31 March 2025.

# Climate risk – CCLA's climate change and investment policy

As a founding member of the Net Zero Asset Managers initiative,<sup>5</sup> CCLA remains committed to managing our listed equity investments to a carbon footprint that is below a decreasing maximum ceiling. The ceiling has been set based on the 2018 weighted average carbon emissions of the MSCI World Index and decreases in line with the IPCC Special Report on Global Warming of 1.5°C.<sup>6</sup> These targets will be revised every five years, with the next review due in 2026.

We will do this through our Good Investment principles: Act, Assess and Align.



## Act

### Acting to increase the pace of climate action.

**We believe that investor activism is the best way we, at CCLA, can address climate change and achieve net-zero emission portfolios.**

For this reason, we commit to the following:

- Leading meaningful engagements, both directly and in collaboration with other investors, with prioritised listed equity holdings on climate change.
- Incorporating climate risk into our voting activity. Our specific requirements of companies will be disclosed annually in our [voting guidelines](#).
- Working with policymakers to push for progressive regulation and legislation and encouraging any industry organisations that CCLA is a member of, to promote climate action in line with the requirements of the Paris Climate Change agreement.<sup>7</sup>

### SCOPES 1, 2 AND 3

Scopes 1, 2 and 3 are a categorisation of greenhouse gas (GHG) emissions.

**Scope 1 emissions:** GHG emissions that a company makes directly – for example while running its boilers and vehicles.

**Scope 2 emissions:** emissions companies make indirectly – such as purchased electricity or energy for heating and cooling buildings – that is being produced on its behalf.

**Scope 3 emissions:** All the emissions associated, not with the company itself, but that the organisation is indirectly responsible for, up and down its value chain. For example, from buying products from its suppliers, and from its products when customers use them. Usually the largest emission category.

5 The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions. Online at [www.netzeroassetmanagers.org](http://www.netzeroassetmanagers.org)  
6 Intergovernmental Panel on Climate Change (IPCC), Special Report: Global Warming of 1.5°C. Online at [www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15\\_Full\\_Report\\_High\\_Res.pdf](http://www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15_Full_Report_High_Res.pdf)  
7 Paris Agreement (2015). Online at [https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&mtdsg\\_no=XXVII-7-d&chapter=27&clang=\\_en](https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&clang=_en)





## Assess

**We seek to include the risks and opportunities associated with climate change in our listed equity investment process and are exploring further ways to expand this practice into other asset classes.**

**This includes targeted, company-wide, restrictions from investment and assessing, eligible, high carbon sector companies' position against the energy transition as part of our listed equity investment process.**

**We recognise that high carbon assets as well as those based on fossil fuels, face increased financial risks during the inevitable energy transition.**

For this reason, we commit to the following:

- **Avoiding companies that we believe have the most significant, negative, climate impact.** We believe that active ownership, rather than exit, is more likely to increase the pace of climate action. However, it is our view that the companies that contribute the most to climate change face significant, long-term financial risks. In some cases, this makes it difficult for us to quantify their fair value (see [exclusions](#) on pages 6–7).
- **Assessing the most exposed companies' position against the Paris Climate Change Agreement.** Recognising the potential for regulation, legislation and changing consumer preferences to impact upon future profitability, we assess the decarbonisation plans of those companies that are in carbon-intensive sectors prior to purchase.



## Align

**Aligning our funds with our clients' requirements and disclosing information about our approach to managing the risks and opportunities associated with climate change.**

To achieve this we do the following:

- Ensure that our portfolios are aligned with our client's objectives, values and beliefs to meet our clients' climate change priorities as discerned through our regular client consultation process
- Commit to reporting annually through our TCFD report (A Climate for Good Investment) on how we have discharged this policy, including information and analytics on our listed equities' transition to net-zero emissions, and details of our management of the opportunities and risks associated with climate change.
- We consider this to be part of our fiduciary duty to our clients and by taking these steps we aim to achieve net-zero emissions in listed equity investments no later than 2050. To achieve this our approach goes beyond specific climate related exclusions, it includes a decreasing maximum portfolio carbon footprint (listed equities), calibrated in line with NZIF requirements. As a signatory to NZAM, CCLA is assessed by the CDP processes which awarded CCLA a 'B Rating' in its 2024 assessment.<sup>8</sup>

<sup>8</sup> Due to CCLA's turnover and number of employees we qualify for the Small and Medium Enterprise (SME) questionnaire. **B** is currently the highest achievable grade for an SME as there is currently no methodology to determine an A score.

**Accountability**

In setting this policy we acknowledge that the scope for CCLA to invest for net zero and to meet the commitments set out above depends on the evolving regulatory environments within which CCLA, and the companies we invest in, operate.

As such, this policy has been set in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met, including increasing the ambition of their NDCs (Nationally Determined Contributions).<sup>9</sup>

<sup>9</sup> An NDC is a non-binding national plan highlighting climate change mitigation, including climate-related targets for greenhouse gas emission reductions.

## Board and management oversight of climate-related risks and opportunities

We have established a clear governance structure for overseeing our management of the risks and opportunities associated with climate change in our investments:

- The board of CCLA Investment Management Limited (CCLA IM) is ultimately responsible for overseeing and approving our approach to climate change and investment. To facilitate this oversight the board is provided with an annual overview of CCLA's management of climate-related financial risks.
- CCLA IM's Executive Committee holds the day-to-day responsibility for CCLA's approach to managing the risks and opportunities associated with climate change.
- CCLA IM's Investment Committee, supported by the Sustainability Forum, is responsible for routine monitoring of the implementation of CCLA's management of the risks and opportunities associated with climate change. For example, climate change related metrics for our listed equity investments are included within CCLA's enterprise risk management framework.
- Day-to-day responsibility for the implementation of CCLA's approach to climate change and investment is held by CCLA IM's Head of Sustainability, who is a member of the company's Executive Committee.

Quarterly reports are provided to the relevant committees.

## Ensuring sufficient expertise

Climate change is a complex topic and as such CCLA is committed to maintaining sufficient expertise to manage this. As at 31 March 2025, eleven sustainability experts (nine full time equivalent) comprised our sustainability team of which six had experience in the sustainable finance industry of more than 10 years. The team members have differing educational backgrounds, a variety of academic and professional qualifications including PhDs and Chartered Institute for Securities & Investment (CISI) certificates and 64% female and 36% male gender diversity.

For CCLA's own internal operational emissions, CCLA has implemented an environmental management system (EMS) in line with the requirements of the internationally recognised voluntary standard ISO 14001:2015 to effectively manage these impacts and to show continuing commitment to the protection of the environment. We recognise that all staff have a part to play in improving CCLA's environmental performance, and training will be provided as necessary to ensure our objectives are met. The EMS is managed by the EMS Management Performance Review Team, which is chaired by CCLA's Chief Executive.

## SUSTAINABILITY TEAM EXPERIENCE, QUALIFICATIONS AND RESPONSIBILITIES

Name and job title	Years at CCLA	Qualifications	Responsibilities
<b>Andrew Adams</b> Senior Analyst: Sustainability Data & Proxy Voting	12	BA, MSc, CFA Cert ESG Investing	Andrew has worked in sustainable investment for 12 years. He supports the stewardship work of the team through maintaining various data systems and leading the day-to-day work of proxy voting.
<b>Amy Browne</b> Stewardship Lead	5	BA, CISI, PCIAM, IAD, IMC, CFA Cert ESG Investing	Responsible for leading and coordinating CCLA's stewardship activity across all areas, from public health and environment to corporate labour standards. Amy led the development of the CCLA Corporate Mental Health Benchmark and oversees the \$9.9 trillion global investor coalition on workplace mental health that supports it.
<b>Josephine Carlsson</b> Church Ethics Lead & Secretary to the Church Investors Group	4	BA, CFA Cert ESG Investing	Specific responsibility for church-related ethical issues within the sustainability team at CCLA. She is also Secretary to the Church Investors Group (a group of 67 institutional church investors predominately in the UK who have assets of approximately £26 billion), a role that involves promoting ecumenical collaboration and cooperation on ethical investment matters.
<b>James Corah</b> Head of Sustainability	15	BA, MSc, PhD, CFA Cert ESG Investing, FRSA	Responsible for CCLA's approach to sustainable investing. This includes our work to deliver real and lasting change through active stewardship, integrating environmental, social, and governance factors into our investment processes and ensuring that our portfolios are aligned with the values and mission of our clients.
<b>David Ellis</b> Director, Governance & ESG Integration	9	BSc (Econ)	Responsible for the development of CCLA's proxy voting policies and corporate governance stewardship programme. Additionally, he manages CCLA's implementation of ethical and responsible screening.
<b>Helen Wildsmith</b> Stewardship Director – Climate Change	16	BSc, MSc, PhD	Leads CCLA's climate change-related policy work and engagement with NextEra. Helen has been working with the Powering Past Coal Alliance since 2017 and sits on the Delivery Group of the UK Government's Transition Plan Taskforce (TPT) as an investment sector expert on mining and electrical utilities.
<b>Clemence Chatelin</b> Manager, ESG Integration	3	BSc, MSc, CFA Cert in ESG Investing, APFS	Responsible for the development of tools and approaches that enhance ESG integration in the investment process. She also leads engagement with banks on climate change.
<b>Martin Buttle</b> Better Work Lead	2	BSc, MSc, PhD, CFA Cert ESG Investing	Responsible for our Better Work pillar of our sustainability strategy, which includes coordinating the 'Find it, Fix it, Prevent it' programme on Modern Slavery as well as broader engagements on Living Wage, Decent Work and Business and Human Rights.
<b>Sara Thornton</b> Consultant, Modern Slavery	2	MSc	As former Independent Anti-Slavery Commissioner, Dame Sara Thornton leads CCLA's policy engagement work as it relates to modern slavery and forced labour. She also oversees the development of 'Find it, Fix it, Prevent it' programme on modern slavery.
<b>Sophie Walk</b>	<1	BA	Provides support for the delivery CCLA's engagement programmes on mental health, modern slavery, and the environment, including working on the Modern Slavery Benchmark, Mental Health Benchmark and the Find it, Fix it, Prevent it initiative.
<b>Tessa Younger</b> Better Environment Lead	2	MA, CFA Cert ESG Investing	Leads CCLA's 'Better Environment' work, managing all stewardship on environmental issues, including climate change and nature, with the aim of driving clear improvements at the companies in which CCLA invests.

## Climate-related risks and opportunities over the short, medium and long term

### Policy and corporate engagement

Climate change has been a primary focus in our stewardship work since 2010. In 2024, we continued to focus on policy engagement, working directly with governments and with other investors to bring about more progressive climate legislation.

We also continued to focus on decarbonising the operations and supply chains of our highest-emitting investee companies, and built out our engagements on nature, biodiversity and plastics.

Climate change is a critical challenge for global markets, communities and the environment. Our climate engagement strategy is designed to support the transition to a decarbonised economy through real-world emissions reductions.

As stewards of our clients' investments, we use our ownership rights to push companies forward on reducing the emissions associated with their operations and value chains. We have long supported work to limit the global temperature increase to below 1.5°C and are committed to accelerating the transition to a net-zero economy.

Over the long-term, we believe that it is important that net zero is achieved through real-world emissions reductions. This is the only way to stop the negative impacts of climate change and requires an increase in the pace of the world's decarbonisation. While in the medium term, we recognise that companies in high-carbon industries will face increased regulation and legislation that will disrupt their business models.

Our strategy has three components, the first two address long-term concerns while the third address our medium-term concerns:

- 1. Pushing for better regulation and legislation:** It is our belief that governments must create the conditions that render it economically viable for businesses to phase out damaging activities – particularly those that contribute to climate change. For this reason, we are working with policymakers, both in the UK and overseas, towards more meaningful regulatory action. Examples include the UK and Canadian governments' Powering Past Coal Alliance and the Transition Plan Taskforce
- 2. Corporate engagement:** Investors can be influential in encouraging companies to take steps to reduce their own environmental impacts. Our climate engagement goes back a long way and, from 2012, sought to bring the investment industry together on this topic through Aiming for A, a forerunner to Climate Action 100+. <sup>10</sup> In 2024, our climate stewardship programme targeted the most carbon-intensive businesses in our portfolio. Climate considerations are also woven throughout our bespoke voting template
- 3. Avoidance:** We avoid investing in companies that are highly exposed to changing legislation and regulation aimed at tackling climate change. Accordingly, we do not invest directly in any companies that focus on extracting, producing, or refining coal, oil sands, oil or gas. <sup>11</sup> We assess the remaining exposed industries against the goals of the Paris Agreement on climate change. <sup>12</sup>

<sup>10</sup> See [www.climateaction100.org](http://www.climateaction100.org)

<sup>11</sup> These are revenue-based restrictions. For full disclosure see pages 6–7.

<sup>12</sup> United Nations Framework Convention on Climate Change (2025), 'The Paris Agreement', online at <https://unfccc.int/process-and-meetings/the-paris-agreement>

Our strategy is delivered through CCLA's Sustainability team and supported by various data providers (including MSCI and CDP) and collaborative engagement groups, such as the following.

Initiative	Lead organisation	Role	Rationale
CDP Climate Change Programme	CDP	Signatory	CDP's climate change programme works to reduce companies' greenhouse gas emissions and mitigate climate change risk. It requests information on the risks and opportunities of climate from the world's largest companies on behalf of a coalition of investors.
CDP Forests Programme	CDP	Signatory	CDP's forests programme helps companies and their investors in understanding and addressing their exposure to forest risk commodities, such as cattle, biofuels, palm oil, timber and soy.
CDP Non-Disclosure Campaign	CDP	Signatory	Focuses on companies that have never responded to CDP or who have not responded in recent years.
CDP Water Program	CDP	Signatory	CDP's water programme provides critical water-related data from the world's largest corporations to inform the global marketplace on investment risk and commercial opportunity.
Ceres & ICCR Banks Working Group	Ceres; ICCR	Member	Provides resources against which bank performance can be measured, with engagement then tailored to each financial institution.
Climate Action 100+	Ceres; IIGCC; PRI	Collaborative/ co-lead investor; founding member	Investor-led initiative to ensure the world's largest corporate greenhouse gas emitters act on climate change.
Global Investor Statement to Governments on the Climate Crisis	IIGCC	Signatory	Statement demanding a whole-of-government approach with policy implementation at all levels of government.
IIGCC	IIGCC	Member	Brings the investment community together to work towards a climate-resilient future.
Nature Action 100	IIGCC	Member	Investor engagement to drive greater corporate ambition and action to reverse nature and biodiversity loss.
Net Zero Asset Managers Initiative	IIGCC	Signatory	Aims to galvanise the asset management industry to commit to a goal of net-zero emissions.
Net Zero Engagement Initiative	IIGCC	Member; collaborative investor; signatory	Aims to help investors align more of their portfolio with the goals of the Paris Agreement.
Powering Past Coal Alliance	Powering Past Coal Alliance	Steering committee member	A coalition of national and subnational governments, businesses and organisations working to advance the transition from unabated coal power generation to clean energy.
Spring	PRI	Signatory; advisory committee member	Stewardship initiative for nature, addressing the systemic risks of biodiversity loss.
Transition Plan Taskforce (Delivery Group)	UK government	Member	The Transition Plan Taskforce (TPT) aims to help organisations meet their climate goals and support the UK government's pledge to achieve net zero by 2050. Experts lead and contribute to Transition Plan Taskforce workstreams for various sectors.

ICCR: Interfaith Center on Corporate Responsibility; IIGCC: Institutional Investors Group on Climate Change;  
PRI: Previously UNPRI (Principles for Responsible Investment)



## Impact of climate-related risks and opportunities on the organisation's businesses, strategy, financial planning and investment strategies

### Risks and opportunities

Financial markets can only be as healthy as the communities and the environment that support them. As investment managers whose revenues and long-term success depend on healthy markets, we therefore have a vested interest in ensuring their long-term sustainability.

We discuss how climate-related risks are factored into the asset classes in which we invest in more detail in the Risk management section of this report titled 'Identifying and assessing climate-related risks by asset class'. The 'Climate scenario analysis' below, shows the potential impact of climate-related risks on and opportunities for CCLA.

We believe that encouraging improvements in company behaviour through active ownership, coupled with wider public policy advocacy is the most effective way in which CCLA can make a direct contribution to building a more sustainable world.

### Transition planning

As part of our strategic disclosures under the TCFD framework, we recognise the importance of aligning our transition planning with national and international commitments to a net zero economy. The UK government has made a legally binding commitment to achieving net zero greenhouse gas emissions by 2050, as set out in the Climate Change Act 2008 (2050 Target Amendment) Order 2019.

We acknowledge the growing expectation for companies to integrate these commitments into their transition plans. However, we are currently awaiting further regulatory developments, particularly the UK's anticipated adoption of sustainability disclosure standards issued by the International Sustainability Standards Board (ISSB), established by

the International Financial Reporting Standards (IFRS) Foundation.

The ISSB standards are expected to provide a consistent global framework for sustainability and climate-related disclosures, which will influence how transition plans are developed and reported.

Given this ongoing regulatory evolution, we continue to monitor developments closely and assess how best to incorporate the forthcoming UK-specific requirements into our transition planning and reporting. In the interim, we remain committed to transparency in our climate-related disclosures and will provide updates as regulatory expectations become clearer.

## Strategic resilience and climate scenario analysis

### Strategic resilience

The nature of our business means we have identified five broad mitigations to our transition risk<sup>13</sup> exposure:

- Our exposure is largely through financial assets, many of which are listed on stock exchanges, so we have significant flexibility to alter our portfolio.
- Our listed equity assets are managed to meet our net-zero targets, measured relative to the MSCI World Index, which we use as a benchmark and a proxy for the world economy. Our exposure to businesses in high- carbon emitting sectors is limited (see exclusions on pages 6-7) and during the year we engaged with the top 30 emitting listed equities with the aim to encourage emissions reduction.
- We will continue to carefully manage our exposure to high- emitting businesses and sectors. We analyse our carbon exposure, and where appropriate, seek out opportunities to improve our holdings through corporate engagement or indirectly through public policy engagement.

<sup>13</sup> Transition risks are business-related risks that follow societal and economic shifts toward a low-carbon and more climate-friendly future. Physical risks resulting from climate change can be acute (driven by an event such as a flood or storm) or chronic (arising from longer-term shifts in climate patterns).

Climate change is going to impact all our assets in one way or another, so preventing further damage to the environment must be a collective effort.

- Our portfolio of assets invested in our funds is well diversified across different sectors of the economy.

#### Climate scenario analysis

Scenario analysis is a commonly used tool for understanding the implications of climate change on investments and therefore on CCLA as a business. It may prompt longer-term strategic thinking about risks and opportunities.

We explore three scenarios of an increasing mean temperature above pre-industrial levels.

- A 1.5 degrees Celsius scenario where the world transitions in an orderly way to a low-carbon economy. This scenario assumes climate policies are introduced early and become gradually more stringent over time.
- A 2 degrees Celsius scenario with a disorderly transition. In this scenario the introduction of policies is being delayed or inconsistent across different countries and sectors.
- Finally, a 3 degrees Celsius scenario where we assume a late transition to a low-carbon economy. This is also referred to as 'hot house world'.

All three scenarios assume that society evolves broadly in line with past trends. This is technically referred to as shared socio-economic pathway 2.

The output of our scenario analysis is twofold.

First, there is the 'climate VaR' (value at risk). This measure estimates the size of loss on a portfolio of assets over a given time horizon, at a given probability. The climate VaR is an aggregate figure comprising:

- Policy climate VaR: captures each company's share of the costs of regulatory and policy changes in order to meet each country's emission reduction target.

- Technological opportunities VaR: illustrates which companies will be the likely beneficiaries if/when climate policies are implemented on a country and global level.
- Physical climate VaR: indicates costs to business interruption associated with extreme weather.

Thus, the estimates of climate VaR from climate change can be seen as a measure of the potential for changes in the value of asset prices due to climate change.

Second, there is the 'implied temperature rise' (ITR). This captures a company's contribution to rising temperatures. The metric aims to quantify the alignment of a company's activities against future temperature goals.

In previous years we have modelled this on CCLA's listed equity investments only and compared this with the performance of MSCI World to provide context (MSCI World is the main comparator for most of our funds). This year we have expanded the analysis to include our alternative investments (public and private).<sup>14</sup> These include:

- infrastructure assets (general infrastructure, energy-related infrastructure and social infrastructure)
- contractual income assets (which receive contracted cash flows over a specific period and are typically secured against assets, for example, loans and mortgages)
- real estate investment trusts
- private equity assets.

At present we have not included a comparator analysis for the alternatives section of the investment book, as most are not members of a market index. Going forward we will look to provide comparative data either on a sector (e.g. infrastructure) basis, or via peer group comparison.

<sup>14</sup> Within our portfolios, we use alternative investments to provide diversification against equity-related risks which can help generate cash flow and real returns (i.e. in excess of inflation) to contribute towards meeting the investment objectives.

## Climate value at risk (VAR)

To evaluate the financial implications of climate-related risks and opportunities, we use MSCI's Climate Value at Risk (Climate VaR) model, which estimates the potential change in portfolio value under multiple climate scenarios<sup>15</sup>. The analysis

is based on the REMIND NGFS scenarios and for the listed equity section of the portfolio we have provided a comparison against the MSCI World index, offering a benchmark for understanding relative exposure.

Climate data point (MSCI)	Unit	CCLA	MSCI World
<b>Listed equities</b>			
Orderly (REMIND NGFS orderly)	Policy climate VaR	-2.0%	-9.7%
	Technology opportunities climate VaR	0.1%	1.6%
	Physical climate VaR	0.1%	-1.6%
	<b>Aggregated climate VaR</b>	<b>0.1%</b>	<b>-9.7%</b>
Disorderly (REMIND NGFS disorderly)	Policy climate VaR	-0.7%	-4.5%
	Technology opportunities climate VaR	0.0%	0.5%
	Physical climate VaR	-0.9%	-2.3%
	<b>Aggregated climate VaR</b>	<b>-1.6%</b>	<b>-6.3%</b>
Hot House World (REMIND NGFS NDC)	Policy climate VaR	-0.3%	-2.3%
	Technology opportunities climate VaR	0.0%	0.3%
	Physical climate VaR	-1.2%	-3.0%
	<b>Aggregated climate VaR</b>	<b>-1.4%</b>	<b>-5.0%</b>
Implied temperature rise	Degrees Celsius	1.9	2.6
<b>Listed alternative investments</b>			
Orderly (REMIND NGFS orderly)	Policy climate VaR	-6.9%	N/A
	Technology opportunities climate VaR	4.8%	N/A
	Physical climate VaR	-4.6%	N/A
	<b>Aggregated climate VaR</b>	<b>-6.6%</b>	<b>N/A</b>
Disorderly (REMIND NGFS disorderly)	Policy climate VaR	-3.0%	N/A
	Technology opportunities climate VaR	1.4%	N/A
	Physical climate VaR	-7.8%	N/A
	<b>Aggregated climate VaR</b>	<b>-9.4%</b>	<b>N/A</b>
Hot house world (REMIND NGFS NDC)	Policy climate VaR	-1.6%	N/A
	Technology opportunities climate VaR	0.5%	N/A
	Physical climate VaR	-9.4%	N/A
	<b>Aggregated climate VaR</b>	<b>-10.6%</b>	<b>N/A</b>
Implied temperature rise	Degrees Celsius	1.8	N/A

Source: MSCI and CCLA, as at 31 March 2025.

<sup>15</sup> Network of Central Banks and Supervisors for Greening the Financial System is a group of central banks and supervisors voluntarily sharing best practices and contributing to the development of environment and climate risk management in the financial sector and to mobilising mainstream finance to support the transition toward a sustainable economy. See [www.ngfs.net/ngfs-scenarios-portal/explore](http://www.ngfs.net/ngfs-scenarios-portal/explore)  
REMIND (REgional Model of Investment and Development) is a numerical model that represents the future evolution of the world economies with a special focus on the development of the energy sector and the implications for our world climate. See [www.pik-potsdam.de/en/institute/departments/transformation-pathways/models/remind](http://www.pik-potsdam.de/en/institute/departments/transformation-pathways/models/remind)

### Listed equities

Across all three scenarios, the CCLA listed equities demonstrate significantly lower climate-related downside risk compared to the MSCI World index. Due to our specific fossil fuel exclusions (see pages 6–7), our climate VaR is low across all of our equities compared to the MSCI World Index, however it does not mean that these assets will be exempt from the impacts of climate change.

In the orderly transition scenario, CCLA's total Climate VaR is –2.6%, markedly better than the –9.7% observed for the MSCI World. This reflects lower policy risk exposure (–2.0% vs. –9.7%) and a more climate-resilient asset base.

Technology opportunity exposure is also lower in the CCLA portfolio (+0.1%) compared to the benchmark (+1.6%), suggesting some potential upside may be foregone in climate-aligned innovation sectors.

Under disorderly and hot house scenarios, the CCLA book consistently exhibits less exposure to both transition and physical risks relative to the benchmark, reinforcing a lower overall climate vulnerability profile.

The implied temperature rise for the CCLA portfolio is 1.8°C, compared to 2.6°C for the MSCI World Index, indicating a higher degree of alignment with global decarbonisation targets.

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CCLA has committed to seek to achieve net-zero emissions portfolios for all our listed equity assets under management no later than 2050.

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### Alternative investments

In the scenario of an orderly transition, which reflects the best-managed scenario with early, coordinated policy action, despite significant policy-related downside (–6.9%), the presence of technology-driven upside (+4.8%) helps to mitigate the overall aggregated risk (–6.6%). Physical climate risk is moderate (–4.6%), as the scenario assumes successful mitigation efforts.

In a disorderly transition, which indicates delayed or uncoordinated action on climate change. Here, policy risk is lower (–3.0%) but physical risk increases significantly (–7.8%), reflecting the costs of late action. Technology opportunities are also more limited (+1.4%), resulting in a higher overall net risk (–9.4%).

In a hot house world scenario, which is characterised by failure to implement meaningful climate policy, leading to high physical risks (–9.4%) and minimal technology benefit (+0.5%). The overall net impact is most severe in this scenario (–10.6%), underscoring the financial threat of inaction.

At 1.8°C, the portfolio's implied temperature rise is currently aligned better than the hot house world trajectory (>3°C) but still falls short of the 1.5°C target recommended under the Paris Agreement, indicating room for improved alignment with global climate goals.

In general, the figures above compare less favourably to the listed equity proportion of the portfolio. There are two possible reasons for this: there is a limited exposure to carbon-intensive companies within the alternative investment part of the portfolio, this is allowed within our approach to third-party funds as set out in our values-based screening policy; and the funds have exposure to midstream oil and gas assets that are not present in listed equity.<sup>16</sup>

<sup>16</sup> Under the MSCI methodology any unidentified positions are excluded during the report-generation process. In this case, the remaining assets are proportionally reweighted, so the sum is equal to 1. The original portfolio market value is multiplied by the coverage ratio. Given the MSCI system contains more information on listed equities than alternatives, this reweighting may compound the increase in risk associated with increased exposure to carbon-intensive holdings.

### Physical risks

In alignment with MSCI's Climate VaR methodology, physical climate risk is assessed under an 'aggressive' warming scenario, which assumes high emissions and limited global mitigation efforts, resulting in more severe physical climate outcomes. The physical Climate VaR represents the potential negative impact on asset value from climate-related hazards, quantified using both chronic and acute risk models. This assessment is based on MSCI's high-resolution physical risk model, combining chronic (long-term shifts such as temperature rise and precipitation) and acute (short-term extreme events) climate risks. Impacts are calculated using asset-level location data, projected hazard intensities, and sector-specific vulnerability profiles. Methodologies and practices in this area are still evolving.

### Chronic risks – listed equities

The chronic risk profile reveals modest yet measurable financial sensitivity to gradual climate shifts. The most significant exposure is to extreme heat, which contributes a climate VaR impact of -0.5%. This reflects the increasing stress placed on physical assets and infrastructure as average temperatures rise, potentially driving up cooling and maintenance costs while impacting productivity across climate-sensitive sectors. In contrast, extreme cold shows a small positive variance of +0.1%, which may suggest operational efficiencies in regions where warming temperatures reduce heating demand or seasonal disruptions. Other chronic hazards, such as wind gusts, heavy snowfall, and precipitation, each register at or near zero, indicating minimal expected financial impact based on the current asset exposure.

Chronic hazard	Climate VaR impact
Extreme heat	-0.5%
Extreme cold	+0.1%
Wind gusts	0.0%
Heavy snowfall	0.0%
Heavy precipitation	-0.1%

Source: MSCI, as at 31 March 2025.

### Acute risks – listed equities

Turning to acute risks, the data highlights several areas of vulnerability to sudden, high-impact events. Coastal flooding and river low flow are the most material contributors, with climate VaR impacts of -0.4% and -0.7% respectively. These findings suggest that assets situated in coastal regions or dependent on stable freshwater availability are particularly exposed under worsening climate conditions. Tropical cyclones register a modest negative impact of -0.1%, while wildfires and fluvial flooding show no notable effect in this scenario – an outcome likely tied to current asset distribution or the granularity of available hazard data.

Acute hazard	Climate VaR impact
Tropical cyclones	-0.1%
Coastal flooding	-0.4%
Fluvial flooding	0.0%
River low flow	-0.7%
Wildfires	0.0%

Source: MSCI, as at 31 March 2025.

### Aggregate risk profile – listed equities

Bringing these components together, the aggregated Physical Climate VaR across all chronic and acute categories is estimated at -0.9%. While this figure is moderate in comparison to some transition risk scenarios, it underscores that physical climate risks – particularly from persistent heat, diminishing river flows, and coastal exposure – remain a meaningful source of potential long-term value erosion.

The results point to specific vulnerabilities that warrant closer scrutiny. Chronic exposure to rising heat levels and acute stress from water scarcity have implications for infrastructure resilience, operational continuity, and asset location strategies. Coastal flooding risk, though less severe, reinforces the importance of geographic risk diversification and insurance adequacy. The apparent lack of impact in certain hazard categories should not be interpreted as risk-free, but rather as reflective of current asset composition or limitations in model resolution. As climate patterns become more volatile, these assumptions may shift.

### Physical risks (alternative investments)

Under the Aggressive scenario modelled by MSCI, which assumes high climate volatility and limited adaptive capacity, alternative investments exhibit a notable level of exposure to physical climate risks.

The following table summarises the chronic risk contributions:

Hazard type	Climate VaR impact
Extreme heat	-0.9%
Extreme cold	+0.1%
Wind gusts	0.0%
Heavy snowfall	0.0%
Heavy precipitation	-0.2%

Source: MSCI, as at 31 March 2025.

Within chronic risks, extreme heat emerges as the dominant source of downside risk with a climate VaR of -0.9%, indicating a meaningful sensitivity of alternative assets to persistent high temperatures. This may reflect the sector's exposure to infrastructure-intensive holdings, such as real assets or long-duration projects in heat-vulnerable geographies. Conversely, extreme cold contributes a small positive variance (+0.1%), potentially linked to energy efficiency or operational benefits in temperate climates. Wind gusts, snowfall, and precipitation impacts are negligible in the current dataset, suggesting minimal direct financial influence from these factors at the aggregate level.

The analysis of acute risks reveals a more severe picture, as shown below:

Hazard type	Climate VaR impact
Tropical cyclones	-0.6%
Coastal flooding	-1.0%
Fluvial flooding	0.0%
River low flow	-15.7%
Wildfires	0.0%

Source: MSCI, as at 31 March 2025.

Among acute events, river low flow stands out with a strikingly high negative impact of -15.7%, significantly driving the overall physical climate risk for alternatives. This suggests pronounced vulnerability in sectors or assets reliant on consistent freshwater supply – such as hydro-powered infrastructure, agriculture-linked investments, or water-intensive industrial operations. Coastal flooding also presents a meaningful downside at -1.0%, pointing to location-specific exposure in low-lying coastal areas, while tropical cyclones contribute a moderate -0.6%. Other acute risks, including wildfires and fluvial flooding, are not currently material to the climate VaR profile of the portfolio.

Taking all chronic and acute factors into account, the aggregate physical climate VaR for alternative investments under this aggressive scenario stands at -7.8%.

This figure signals a substantial potential value at risk due to physical climate hazards, with river flow stress representing the single most significant contributor. It highlights the importance of physical risk assessments in the strategic oversight of illiquid and infrastructure-heavy assets, where adaptation costs and disruption potential may be higher and less flexible compared to listed equities.

Climate related physical risk affects all company facilities, at least to some degree. Particularly at risk are those companies with locations in climate sensitive regions, or with assets that have a long lifespan and cannot be moved (e.g. an office block).

Extreme heat and coastal flooding are systemic risks which are not easily mitigated through divestment due to feedback loops<sup>17</sup>, therefore engagement both at company and government level is crucial.

<sup>17</sup> In climate change, a feedback loop is something that speeds up or slows down a warming trend.



## Identifying and assessing climate-related risks by asset class

### Listed equities

We recognise that high carbon and fossil fuel-based assets face increased financial risks during the inevitable energy transition. For this reason, we make the following commitments.

### Avoid companies that have the most significant, negative, climate impact.

We believe that active ownership, rather than exit, is more likely to increase the pace of climate action. However, it is our view that the companies that contribute most to climate change face significant, long- term, financial risks. In some cases, this makes it difficult for us to quantify their fair value. For this reason, we avoid direct investment in the following categories:

### Restrictions

We use the following metrics to restrict investments in carbon-intensive industries.

Industry	Restriction policy
Mining	Mining companies that generate more than 5% of their revenue from the extraction of energy coal, produce more than 10 million metric tons of coal or have plans to expand their coal production.
Electrical utilities	Electrical utility and infrastructure companies that intend to expand their coal-fired generation capacity.
Oil and gas	Companies which generate more than 10% of revenues from extraction, production or refining.
Thermal coal	More than 5% turnover.
Tar sands	More than 5% turnover.

### Assess the most exposed companies' position against the Paris Climate Change Agreement.

Recognising the potential for regulation, legislation and changing consumer preferences to impact upon future profitability, we assess the decarbonisation plans of electrical utility and infrastructure companies.

In high emitting sectors, we assess decarbonisation plans prior to purchase. This applies to companies in the electrical utilities, airlines, aluminium, autos, cement, shipping, steel sectors and oil and gas sector. For the oil & gas sectors we refer to companies that fall outside of our revenue-based restriction on production, exploration and refinement, such as for example, those in oil & gas distribution.

The formal check is only conducted on companies that are covered by the Transition Pathway Initiative (TPI). This means that companies are assessed against sector-specific decarbonisation requirements and a variety of different energy transition scenarios.

To provide further assurance, and set a minimum standard, companies in the electrical utility and infrastructure sectors that are not assessed as being aligned with a below 2-degree scenario (that form part of the Paris Agreement) require the approval of CCLA's Investment Committee prior to purchase.<sup>18</sup> Companies outside the coverage of TPI are evaluated on a best endeavours basis.

<sup>18</sup> The only listed equity holding that required approval from the Investment Committee was NextEra Energy, an American energy company with about 58 GW of generating capacity (24 GW of which were from fossil fuel sources). Together with its affiliated entities, NextEra Energy Resources is the world's largest generator of renewable energy from wind and solar. It has a TPI management score of 5 (the second highest) and its decarbonisation pathway is consistent with below 2 degrees by 2045. See [www.transitionpathwayinitiative.org/companies/nextera-energy](http://www.transitionpathwayinitiative.org/companies/nextera-energy). The final holdings in the stock were sold on the 27 March 2025.

### **Fixed interest**

Federated Hermes Limited has been appointed by CCLA as the sub-investment manager of both the COIF Charities Short Duration Bond Fund and the CBF Church of England Short Duration Bond Fund. The funds adopt Federated Hermes's approach to managing and integrating ESG risks, corporate governance and controversies. The funds also follow the same climate change-related screens as those of our listed equity investments.

Within the two short duration bond funds engagement has been sub-assigned to Federated Hermes. Its engagement remains focused on companies having a strategy and greenhouse gas emissions reduction targets aligned, so far as possible, to the goals of the Paris Agreement, to limit climate change to below 2°C and pursue efforts towards 1.5°C and take advantage of the opportunities where commercially feasible.

CCLA meets the team at Federated Hermes formally on a quarterly basis and stewardship is included as a regular agenda item. Topics include individual investments and ESG capacity (covering staffing, systems and data suppliers). In addition to formal quarterly meetings, the sustainability team meets with Federated Hermes to discuss individual stocks.

Outside these funds fixed interest investment is currently limited to three externally managed funds, each of which is required to comply with the third-party fund section of our [values-based screening policy](#), and sovereign debt which is addressed in more

detail below. All three fixed income funds report annually on their carbon-footprint. Annual formal meetings are held with each of the investment managers and holdings are reviewed on a quarterly basis.

### **Property**

#### ***Prior to purchase***

Following the identification of a potential acquisition the Property team, supported by the Sustainability team, perform initial due diligence to ensure that there are no issues that would prevent the property from being purchased. These include but are not limited to the climate related exclusions set out above, due diligence and adverse media checks on the tenants and the vendor to ensure we adhere to market practice in preventing financial crime and an initial environmental assessment for contamination.

Should the property, tenant and vendor pass this initial stage, the teams then undertake a more enhanced due diligence process designed to:

- safeguard against risks to the building posed by climate change and other environmental factors including flooding and wildfires, review the energy efficiency of the building and identify the potential to drive improvements through refurbishment.

This information is drawn from:

- data, e.g. from existing building management systems, utility bills, engagement with tenants
- third-party reports, e.g. energy audit reports, certification schemes such as BREEAM or Fitwell<sup>19</sup>
- independent databases, e.g. for flood risk.

<sup>19</sup> BREEAM (Building Research Establishment Environmental Assessment Method) is a method of identifying the sustainability of buildings. Fitwell is a certification system measuring the health of occupants and the surrounding community..

### **Day-to-day management**

Once we have purchased a property, we may refurbish to improve the financial value of the asset, at an appropriate point in the lifecycle of our investment. This may include improving amenities or characteristics of the building, such as the inclusion of electric car charging points, cycle spaces, showers and changing facilities and, where we believe there is sufficient demand, on site cafés.

Our primary focus is on reducing costs and risks. We aim to achieve this within each property by:

- installing energy-efficient equipment that reduces both operational cost and energy demand
- better knowledge of a building's overall environmental ratings
- staying ahead of regulatory requirements.

Our standard lease terms feature Green Lease clauses<sup>20</sup> which are designed to support our access to data across a range of metrics such as tenants' energy and water consumption, and waste and recycling regimes and ensure that tenants do not make alterations to the detriment of a building's carbon emissions.

Energy performance certificates (EPCs) are an important area of focus. As part of our approach, prior to lease renewal, costings are obtained to determine whether it is cost effective to improve the EPC rating of the lower rated properties. As a minimum, we aim to ensure compliance with the Minimum Energy Efficiency Standards (MEES) regulations.

External legal counsel and sustainability consultants are used to ensure that our teams are aware of potential regulatory changes.

### **Role of property managers and property sustainability consultants**

For all our properties we use property managers and/or property sustainability consultants to:

- collect energy use, water consumption, waste and carbon emissions where possible seek to undertake monitoring for environmental risks such as flood, wildfire and heat.

For our properties let to more than one tenant, the property managers also procure energy from renewable sources.

During the reporting period the property team undertook an environmental risk assessment of the properties within the COIF Charities Property Fund and the Local Authority Property Fund focusing on:

- building emissions rates (KgCo2/m2 per year)
- primary energy use (KWh/M2 per year); and
- risk of flooding.

Following the assessment has allowed the team to identify gaps in our data collection process.

For 2025 we are working with our external agents, Evora Global Limited, to transfer our energy usage data to their SIERA system. Once complete this will allow us to monitor building performance against the industry standard CRREM pathway.<sup>21</sup>

In relation to flood risk the team has identified the need to access more detailed climate physical risk model are currently discussing options with data providers to allow access to geospatial risk data.

20 Green leases contain a series of provisions that impose an obligation on the landlord and tenant to manage and reduce the environmental impact of a property by way of improvements. See [www.lawsociety.org.uk/topics/property/green-leases-what-are-they-and-how-do-you-draft-them](http://www.lawsociety.org.uk/topics/property/green-leases-what-are-they-and-how-do-you-draft-them)

21 The Carbon Risk Real Estate Monitor (CRREM) provides the real estate industry with transparent, science-based decarbonization pathways aligned with the Paris Climate Goals of limiting global temperature rise to 2°C, with ambition towards 1.5°C. These pathways enable industry stakeholders to estimate carbon and stranding risks associated with premature obsolescence and write-downs due to changing market expectations and legal regulations, encompassed within what is categorized as 'transition risks'.

### **Alternatives and third-party funds**

Within our funds' and clients' portfolios, we use alternative investments to provide diversification against equity-related risks which can help generate cash flow and real returns (i.e. in excess of inflation) to contribute towards meeting the investment objectives.

Our alternative investments include:

- infrastructure assets (general infrastructure, energy-related infrastructure and social infrastructure)
- contractual income assets (which receive contracted cash flows over a specific period and are typically secured against assets, for example, loans and mortgages)
- real estate investment trusts
- private equity assets.

### **Climate change considerations**

To ensure that we can implement our clients' values-based screens we seek to invest most of our assets directly. This allows us to exercise direct control over the selection of investments. However, to provide the investment returns required, within an acceptable risk budget, it is necessary for us to invest in specialist asset classes, such as private equity and infrastructure, where we do not have the expertise to gain direct exposure in a way that is fair to our clients ourselves. To do this we use externally managed investment products. These investments are screened against the third-party funds section of our values-based screening policy. In accordance with this approach, no more than 10% of the underlying capital value of the fund is dedicated to activities proscribed by the CCLA products' values-based investment policy. This limits exposure to activities

that would not be permitted under direct investment, including climate change related restrictions. Where available we use Sustainalytics to provide us with the revenue breakdown. In the absence of this option we undertake a manual review or commission bespoke research.

We require portfolio managers of alternative asset funds to calculate the revenue that the fund derives (including rental income) from each source independently.

### **Gas**

Within third-party infrastructure funds, energy-related infrastructure sometimes includes midstream assets. This covers infrastructure assets and the operating companies that perform transportation and storage services for natural gas and petroleum products. These projects are distinct from 'upstream', which represents drilling and production activities; and downstream, which refers to the preparation and distribution of products to end users in industrial and residential settings. We have a policy to cap exposure to midstream gas at 25% of net asset value (or equivalent) per asset.

To achieve net-zero energy, the International Energy Agency (IEA) forecasts a very significant increase in renewable energy production with the corresponding significant displacement of all fossil fuels, including natural gas. However, based on governments' current net-zero pledges, the IEA forms an announced pledges scenario (APS) that assumes net-zero emissions objectives are achieved but that it does not necessarily mean net-zero energy, and instead considers an offset from increased carbon capture efforts.

In this scenario, while coal and oil will fall sharply, natural gas supply will remain broadly stable through to 2050. This scenario optimistically assumes net zero is achieved even when there are not policies currently in place to support this.

Many factors affect to what extent, and for how long, natural gas can retain a place in the energy mix when clean energy transitions accelerate, and the outlook is far from uniform across different countries and regions. Under each of the IEA's scenarios, natural gas maintains a similar level of energy supply until 2030, suggesting the medium-term obsolescence risk of the energy type is low.

We therefore see gas as a transitional fuel on the path to net zero and have accordingly restricted the revenue derived from such assets.

#### **Cash and money market instruments**

Our cash funds currently invest on behalf of our church, charity and local authority clients in the CBF Church of England Deposit Fund, the COIF Charities Deposit Fund and the Public Sector Deposit Fund.

These funds primarily invest in fixed income securities, which are certificates of deposit issued by financial institutions that are on CCLA's approved counterparties list. In addition, these funds may use term deposits and notice accounts. These instruments and deposits offer a fixed interest rate in exchange for a predetermined holding period.

During the reporting period we have developed and have begun implementing the following approach.

CCLA reviews counterparties based on their financial strength and a number of environmental, social and governance indicators. These indicators include:

1. our corporate governance rating
2. the counterparty's signatory status with the Equator Principles<sup>22</sup>
3. the counterparty's position on CCLA's UK and Global Mental Health benchmarks
4. the counterparty's position on CCLA's Modern Slavery benchmark
5. an assessment of the counterparty's coal, oil and gas expansion policies using ReclaimFinance's Coal Policy tool and Oil Policy tool.

CCLA recognises the important role financial institutions play in financing activities that affect the pace of climate change. Engagement focuses on bank lending and financing activities linked to fossil fuel expansion. Priorities are set using two external assessments: Reclaim Finance's Oil and Gas Policy Tracker and Coal Policy Tracker. Institutions are categorised into tiers based on their scores against the expansion criteria in the trackers, with engagement activity guided by this tiering structure. The objective is to encourage the strengthening of exclusion policies to restrict financial support for new coal, oil and gas developments.

In addition, CCLA routinely monitors counterparties compliance with Global Standards<sup>23</sup> through our third-party provider to determine whether they are compliant with and/or whether they have significant or severe controversies. When significant concerns about their governance, or wider social and/or environmental impact, are identified, counterparties' eligibility for use by the fund is suspended.

<sup>22</sup> The Equator Principles (EP) are a set of voluntary guidelines adopted by financial institutions to ensure that large scale development or construction projects appropriately consider the associated potential impacts on the natural environment and the affected communities.

<sup>23</sup> Global Standards cover the UN's Global Compact Principles, International Labour Organization's (ILO) Conventions, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs).

Counterparties which do not comply with Global Standards, and/or have the most severe level of controversy (as advised by our third-party provider) are excluded. If they become non-compliant while we hold fixed interest securities issued by them in our funds, a time-limited engagement plan is created with regular monitoring by the CCLA Investment Committee. Should the counterparty not show sufficient improvement, the investment team has a six-month divestment window. Finally, no further fixed interest securities (or other types of cash instruments) issued by this counterparty can be purchased.

#### **Sovereign debt**

Going forward we are looking into adding an ASCOR<sup>24</sup> rating to the investment approach within sovereign debt. Currently, our direct sovereign debt holdings are exclusively in sovereign debt issued by the UK Government. The ASCOR assessment can be found at <https://transitionpathwayinitiative.org/ascor/united-kingdom>.

#### **Fund-level risk control (listed equity)**

We have created a maximum carbon footprint that decreases over time in line with the necessary trajectory to align our portfolios with a 1.5-degree warming target. This allows the flexibility to buy and sell a variety of businesses over time, as long the overall fund or portfolio carbon footprint does not breach the maximum permitted level.

We have set our decarbonisation targets through a decreasing maximum carbon footprint based on the MSCI World Index. Informed by the Intergovernmental Panel on Climate Change's special report on the impacts of global warming of 1.5 °C and the recommendations of the UN Environment Programme, our ceiling decreases year on year.

Our decrease is consistent with the aggregate decarbonisation rate required to limit temperature rises to 1.5 °C above pre-industrial levels and remains on track in 2025. While our portfolio of listed equity holdings performs well on climate metrics, we are aware that measures of portfolio decarbonisation can be inaccurate and should not distract from the need to decrease real-world emissions. Accordingly, we aim to meet our decarbonisation targets through work to accelerate the transition to a low-carbon economy.

#### **Managing climate-related risks**

In the long term, net-zero portfolios need to be achieved through real world emissions reductions – this is the only way to stop the negative impact of climate change.

Whilst our investment style naturally results in a, relatively, low carbon portfolio where possible we seek to manage climate-related risks through engagement. We call this approach 'actions, not transactions'.

By this we mean that, alongside targeted restrictions and in line with our investment style, portfolio emissions should be reduced with tools, such as engagement, to encourage investee companies to lower their emissions in line with a science-based decarbonisation target (action); rather than lowering our portfolio footprint by selling our higher carbon emitting companies and purchasing lower carbon ones (transactions).

24 ASCOR is the first publicly available, independent, and open-source investor framework and database assessing the climate-related opportunities and risks of sovereign bond issuers.



We believe that although selling high carbon and purchasing low-carbon businesses would cut portfolio emissions in line with a potential net-zero target, it would have little or no climate impact. Instead, these businesses would be bought by other investors and would continue to emit at the same level. Therefore, while 'portfolio emissions' would be lower, 'real world' emissions would continue to be the same.

However, through engagement the investor – as a part owner – can encourage the company to cut emissions. When successful, this not only reduces the fund's carbon footprint but also reduces real-world emissions, resulting in a positive impact in the fight against climate change. This is set out in the diagram on page 28.

### **Stewardship and the transition to low carbon**

We do not invest directly in any companies that have revenues of over 10% from the extraction, production, or refining of oil & gas, companies with more than 5% from coal, and companies with more than 5% revenue from oil sands.

We also cannot invest in any company in a high-carbon sector that we believe does not align with the Paris Agreement. In our view, these businesses are highly exposed to changing legislation and regulation aimed at tackling climate change.

Nonetheless, we continue to invest in companies across a range of sectors that can influence climate change. These include electrical utilities companies, consumer goods businesses, health care companies and information technology companies.

At its core, our engagement strategy aims to drive and accelerate corporate emissions reductions. It is conducted both directly and as part of climate-related collaborative investor initiatives, such as Climate Action 100+ and the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Engagement initiative.

Our engagement activity is consistent across all our equity funds and multi-asset funds that hold listed equities; it does not vary from fund to fund. It is monitored by our Investment Committee. Poor corporate responses can, in extreme cases (i.e. where a company has breached, or may in the future breach, international standards set out in the UN Global Compact and UN Guiding Principles on Business and Human Rights), lead to divestment.

### **Top 30 emitters in our portfolios**

In the 2024/25 financial year, we focused our active ownership work on the 30 largest greenhouse gas (GHG) emitting listed equity holdings in our portfolios, identified using Scope 1 and 2 and estimated scope 3 emissions. While Scopes 1 and 2 are used for portfolio metrics due to their relative reliability, we also consider reported or estimated Scope 3 emissions where material in the context of company engagement. Scope 3 usually represents the largest share of a company's climate impact, and despite data challenges, we include it in our engagement priorities to address the most significant emissions across the full value chain.

Our aim is to persuade companies to set credible decarbonisation plans, monitor performance against these plans and follow through on successful implementation. The top 30 emitters in our portfolios are set out on the next page with corresponding CDP scores, which give an overview of companies' overall climate change disclosure standards.

## TOP 30 GHG EMITTERS IN OUR PORTFOLIOS

List criteria Best practice transparency and performance	Leadership Implementing current best practices	Management Taking coordinated action on environmental issues	Awareness Knowledge of impacts on/of environment	Disclosure Starting to disclose environmental impacts	Not scored (i.e. disclosed but missed deadline)	No disclosure
A	A-	B	C	D	E	F
Alphabet	ASML Holding 👥	Abbott Laboratories	Costco Wholesale*		Microsoft	
LVMH ●	Coca-Cola Co	Amazon ■	Deere & Co 👥		NextEra Energy 👥 **	
Trane Technologies 👥 **	Eaton*	Ferguson* 👥	Medtronic 👥			
	Home Depot 👥 *	Honeywell International* *				
	Johnson & Johnson 👥	Rio Tinto 👥 **				
	Lloyds Banking Group*	Taiwan Semiconductor Manufacturing Co ●				
	Nestlé 👥 *	UnitedHealth Group				
	Nike*					
	PepsiCo* ■					
	Pfizer*					
	Procter & Gamble 👥 **					
	Siemens 👥 ●					
	Thermo Fisher Scientific					
	Unilever 👥 *					
	Union Pacific					

### Key

- \* CA100+ co-lead
- \*\* CA100+ contributor
- IIGCC's Net Zero Engagement Initiative
- Other collaboration
- 👥 Meeting(s) held in 2024

\*Not held in CCLA portfolio(s) as at 31 December 2024.  
Source: MSCI and CDP. CDP company scores 2023 (latest available as at December 2024). Top 30 portfolio emitters for scopes 1 and 2 and estimated scope 3 emissions as at 31 March 2024. IIGCC NZEI: Institutional Investors Group on Climate Change's Net Zero Engagement Initiative.

## Engagement in 2024/25

We had dedicated climate-related engagement meetings with 13 of our top 30 greenhouse gas-emitting companies in 2024. Beyond our engagements with the top 30 companies, we use a variety of other approaches to ensure that systemic climate risk is addressed:

1. In September, in collaboration with the Local Authority Pension Fund Forum (LAPFF), we wrote to 76 FTSE 100 companies that had not held a vote on their climate transition plans in the past three years. Such votes allow shareholders to express their views on a company's transition plan through a dedicated resolution, rather than having to vote against the re-election of a board member or another item on the agenda. CCLA and LAPFF were joined by 39 other investors with £1.6 trillion assets under management. This initiative has seen a marked increase in response rates, indicating growing engagement. Prior to the 2023 annual general meeting (AGM) season (March to June), the response rate was 19%; it has since risen to 64%. In 2024, one company committed to holding a vote on its transition plan at its 2025 AGM, while another plans to do so in 2026. The majority of companies in 2024 indicated that they would keep a transition plan vote under review, showing an increasing focus on ensuring accountability to shareholders.
2. As part of the continuing IIGCC Net Zero Engagement Initiative, in October we co-signed letters to 160 companies requesting information about their climate transition plan development. We sought clarification as to whether these plans would be put to shareholders for approval, aligning with expectations for transparency and accountability in managing climate related financial risks and transition planning.
3. In 2024 our support for CDP's annual Non-Disclosure Campaign focused on companies failing to provide information to shareholders on risks posed by climate change, forestry and water security (the last of these including plastics). The campaign aims to drive up the rate of corporate environmental disclosures. In 2024 the CDP contacted 1,590 listed companies that had so far failed to respond to CDP. By the end of 2024, CDP reported that 317 companies had disclosed this information following engagement. These included CCLA portfolio companies O'Reilly Automotive and Sonic Healthcare on climate change and Home Depot on forestry.
4. A core aspect of our engagement with companies is monitoring whether their carbon reduction targets are science based. In 2023, we participated in a CDP initiative that involved the CDP writing to more than 2,100 high-impact companies. The letters asked the companies to commit to and set 1.5°C-aligned science-based targets by signing up to the Science Based Targets initiative (SBTi). In all, 71 companies did so as a result, including two of our portfolio companies: in 2024, Danaher committed to the SBTi targets and RELX had its targets validated.

## Voting for change

Where a company is in the scope of Climate Action 100+<sup>25</sup>, and where we have concerns about its progress on addressing climate change, we will vote against the re-election of the CEO.

In 2024, we withheld support for two directors:

- Jakob Stausholm, CEO at Rio Tinto. We continue to have constructive engagement with Rio Tinto on climate change. However, while there has been progress, there is still more to do. In recognition of the evidenced improvement, we abstained.

<sup>25</sup> Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take appropriate action on climate change in order to mitigate financial risk and to maximize the long-term value of assets. See [www.climateaction100.org](http://www.climateaction100.org)

- Jon Moeller, CEO/chair at Procter & Gamble. We voted against Mr Moeller's re-election for several reason, two of which were climate related: the company is a Climate Action 100+ focus company<sup>26</sup> but has not reflected climate risk in its accounting assumptions, and there is a lack of clarity about the company's position on lobbying/trade association membership and its stated climate goals.

During the period, seven environment-related shareholder resolutions were put at the AGMs of companies that CCLA held in its portfolios; of these, three referenced 'climate change' specifically. CCLA voted in support of all seven resolutions, the details of the three climate-change related proposals are shown in the table below.

As highlighted in our introductory comments we have reassessed our approach to stewardship in relation to climate.

Addressing the risks and opportunities associated with climate change and those associated with the transition to a low-carbon economy is a key responsible investment priority. We recognise that different companies and sectors will be impacted at different times and to different extents.

We manage our business to align with the mitigation of climate change and to be resilient to the risk of different climate outcomes. Our key risk monitoring metrics for listed equity investments are:

- investment portfolio-related metrics (portfolio carbon measures and climate VaR)
- operational carbon footprint.

Our governance structure (see page 11) is used to support CCLA's understanding and management of the risks from climate change. This, alongside climate scenario analysis, informs our risk management framework.

Company name	Meeting type	Meeting date	Proposal text	Vote instruction
Amazon	Annual	22 May 2024	Disclose all material Scope 3 GHG emissions	For
Amazon	Annual	22 May 2024	Report on impact of climate change strategy consistent with Just Transition guidelines	For
NextEra Energy <sup>27</sup>	Annual	23 May 2024	Report on climate lobbying	For

We believe that climate change poses a systemic risk to investment markets. While excluding the most carbon-intensive companies from a portfolio may boost its resilience in a changing world, almost all assets will be compromised if action to mitigate climate change is not accelerated. Investors therefore have a fiduciary duty to drive this work forward.

<sup>26</sup> Climate Action 100+ is focused on companies that are key to driving the global net-zero emissions transition. 169 focus companies have been selected for engagement.

<sup>27</sup> CCLA funds were co-filers of the proposal. We sold our remaining holdings on 27 March 2025.

# Metrics and targets

## Climate risk assessment metrics

### Carbon footprint

We routinely monitor our listed equity holdings' performance against the benchmark's (MSCI World Index) weighted average carbon footprint. We use the weighted average carbon intensity as our metric which includes GHG (greenhouse gas) Scope 1 and Scope 2 emissions.

### Greenhouse gas emissions:

#### Scope 1, 2 and 3

Our investment portfolio consists of listed equities, private equity, contractual income, property, cash and alternative investments as well as fixed interest. At present, due to data availability and coverage we are only able to provide GHG emissions data for our listed equity holdings, alternatives and for our fixed interest holdings for which data is available.

Climate data point (MSCI)	Unit	CCLA	MSCI World
<b>Equities</b>			
Equity allocation		48.5%	100.0%
Coverage		93.4%	99.9%
<b>Coverage ratio</b>		<b>45.3%</b>	<b>99.9%</b>
Carbon emissions (footprint – Scope 1 & 2)	tCO2e/\$m invested	5.6	47.7
Total carbon emissions (Scope 1 & 2)	tCO2e	610.4	560,743.6
Total carbon emissions (Scope 3)	tCO2e	8,882.1	4,310,693.8
Carbon Intensity (Scope 1 & 2)	tCO2e/\$m sales	28.3	112.4
Weighted average carbon intensity (WACI) (Scope 1 & 2)	tCO2e/\$m sales	31.4	97.2
Financed carbon emissions (Scope 1 & 2) EVIC	tCO2e/\$m invested	4.8	33.3
<b>Alternatives</b>			
Alternatives allocation		12.5%	N/A
Coverage		56.9%	N/A
<b>Coverage ratio</b>		<b>7.1%</b>	<b>N/A</b>
Carbon emissions (footprint – Scope 1 & 2)	tCO2e/ \$m invested	40.7	N/A
Total carbon emissions (Scope 1 & 2)	tCO2e	2,998.2	N/A
Total carbon emissions (Scope 3)	tCO2e	10031.5	N/A
Carbon intensity (Scope 1 & 2)	tCO2e/\$m sales	130.2	N/A
Weighted average carbon intensity (WACI) (Scope 1 & 2)	tCO2e/\$m sales	71.2	N/A
Financed carbon emissions (Scope 1 & 2) EVIC	tCO2e/\$m invested	8.3	N/A

Source: MSCI and CCLA, as at 31 March 2025. For an explanation and formulas of data points see appendix 6.

Our listed equity investments are lower in relative emissions and emissions intensity than the broader listed equity investable market (as measured by the MSCI World index), which is consistent with our fossil fuel exclusion policies.

Scope 3 emissions are mostly estimated by MSCI and there is a high risk of double counting because one company's scope 1 or 2 emissions are someone else's scope 3. Current models do not allow for correcting this. Therefore, their magnitude should be approached with a degree of scepticism.

### In our own operations

As part of our environmental management system verified by ISO 14001:2015, we use a third-party consultancy, Green Element, to calculate our carbon footprint. Calculating a carbon footprint is important as it helps identify those areas of our operations which produce the most emissions; to set achievable targets; and implement a suitable action plan. In this way we can help to limit the effects of climate change, improve our efficiency, and drive down operational costs.

The organisational boundary of CCLA's carbon footprint is:

- office consumption: electricity, water, waste, and refrigerants
- procurement: paper usage, IT equipment, food and drink, digital network, and other office supplies
- business travel: hotel stays, road, rail, and air miles
- employee behaviour: employee commuting and emissions data related to working from home.

Overall, CCLA's carbon footprint increased by 25% between the financial years 2024 and 2025. The main contributor to this was business travel, where there was an absolute increase of 65.5 tCo2e over the year. Over the year there was a 70.5% increase in the distance travelled by plane, the main contributor to this was a long-haul international flight to explore new business opportunities. Excluding these flights the overall figure for business travel would have remained static.

There was also an increase relating to information technology. While we attempt to smooth the lifecycle of IT equipment, the 24/25 figure reflects our decision to upgrade almost half of our employees' laptops to ensure all were equipped with Windows 11, we do not anticipate a repeat replacement ratio in 25/26. Additional IT-related increases related to our increased use of Microsoft's 365/cloud environment and to a limited extent our increasing use of AI. Going forward the move to a Microsoft cloud environment will be balanced, at least in part, by our decision to decommission our on-site servers.

Better data collection also impacted figures for both hospitality (a decrease) and transport and distribution (an increase), where we were able to reduce our reliance on estimates and finally, reflecting our decision to increase working from the office our carbon footprint relating to commuting increased while working from home fell.

### Year-on-year comparison against previous reporting year

Activity	GHG emissions (tCO2e)		YoY % change
	2023/24	2024/25	
Hospitality	83.86	68.16	-19%
Commuting	66.08	80.05	21%
Business travel	47.93	113.44	137%
Paper	43.55	62.19	43%
Working from home	42.45	26.26	-38%
Information technology	27.95	39.56	42%
Gas	15.44	17.13	11%
Other office supplies	3.41	0.69	-80%
Electricity (market based)	1.76	1.66	-5%
Transport and distribution	0.80	7.27	813%
Water	0.37	0.41	11%
Waste	0.23	0.03	-87%
<b>Total</b>	<b>333.82</b>	<b>416.87</b>	<b>25%</b>



## Climate targets: a work in progress

For our listed equity investments, our approach to setting targets is based on the scientific findings from the IPCC Special Report on Global Warming of 1.5°C and the UNEP Gap Report (2020) combined with information provided by investor networks' publication of Net Zero Target Frameworks. In developing these targets, we seek to acknowledge the systemic nature of climate change, and the developing nature of the science and methodologies used to develop and define 1.5 degree Celsius alignment.

The first, and upper, threshold is a non-linear decarbonisation rate representing a 7.6% decarbonisation rate that is aligned with the EU's requirements for Paris Aligned Benchmarks and derived from the UNEP Gap Report (2020) that also uses a 2018 base year. The second, more ambitious threshold is derived from the absolute global emissions reductions required by 2030 to approximately halve global emissions by 2030 and reach net zero by 2050, as set out in the IPCC Special Report, from a 2018 base year. This pathway has been altered to represent a combination of example pathways in the IPCC Special Report to ultimately target a 50% reduction in emissions by 2025.

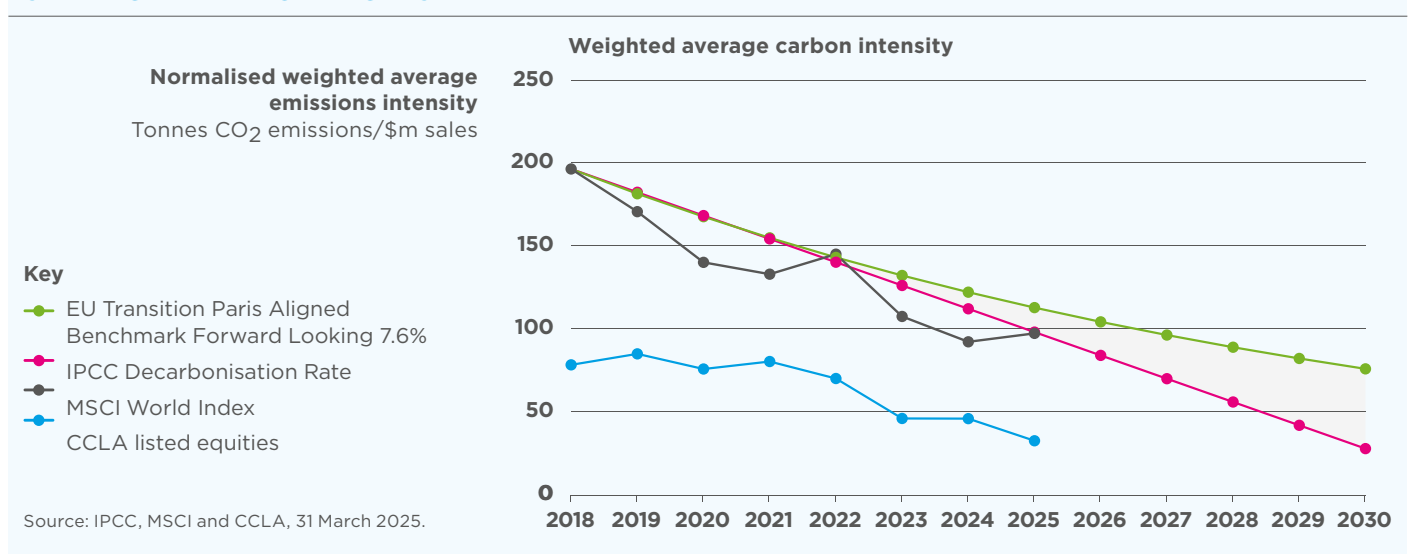
The shaded area between these two decarbonisation rates reflects that the definition and development of 1.5 degree Celsius-aligned scenarios is still evolving and that we aim to use the best available methodology to inform the appropriate level of our listed equity investments' emissions ceiling.

In addition to these two decarbonisation pathways, it is acknowledged that these targets are subject to recalculation on an ad-hoc basis in the event of material developments in climate science and the underlying assumptions and methodologies of 1.5 degree Celsius-aligned scenarios so that these targets remain representative of the best available science.

During the forthcoming year we will be reviewing our targets against new best practice set by the Net Zero Investment Framework.

In line with the best available science on the impacts of climate change, we acknowledge that there is an urgent need to accelerate the transition towards global net-zero emissions and for asset managers to play our part to help deliver the goals of the Paris Agreement and ensure a just transition.<sup>28</sup>

## SETTING NET-ZERO TARGETS



<sup>28</sup> A just transition means greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind.

## Closing remarks

This report reflects our steadfast commitment to provide clear, comprehensive and high-quality information on the impacts of climate change.

Through the integration of robust governance structures, strategic decision-making processes, rigorous risk management practices, and transparent metrics and targets, we have endeavoured to provide stakeholders with a clear understanding of our approach to managing climate-related risks and opportunities.

Through this report we have enhanced transparency and accountability in our organisation. We recognise that climate change presents both challenges and opportunities, and we remain committed to addressing them proactively. Our focus on disclosure and engagement with stakeholders reflects our commitment to dialogue, collaboration, and collective action in addressing the urgent climate crisis.

We acknowledge that the journey towards comprehensive climate-related financial disclosures is an ongoing process, and we are dedicated to continuously improving our practices.

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Together, we can build a sustainable future that prioritises working towards a resilient, low-carbon economy that benefits both our organisation and society as a whole.

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# Appendix 1:

## Carbon data for our listed equity and multi-asset funds

### Equities

Climate data point (MSCI)	Unit	CCLA Investment book	MSCI World	Equity funds				Multi-asset funds				
				COIF Global Equity Fund	CBF Global Equity Fund	CBF UK Equity Fund	Better World Global Equity Fund	COIF Investment Fund	COIF Ethical Investment Fund	Catholic Investment Fund	CBF Investment Fund	Cautious Multi-Asset Fund
Equity allocation		48.5%	100.0%	97.6%	98.8%	96.4%	97.9%	63.7%	63.7%	66.9%	65.0%	30.0%
Coverage		93.4%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Coverage ratio</b>		<b>45.3%</b>	<b>99.9%</b>	<b>97.6%</b>	<b>98.8%</b>	<b>96.4%</b>	<b>97.9%</b>	<b>63.7%</b>	<b>63.7%</b>	<b>66.9%</b>	<b>65.0%</b>	<b>30.0%</b>
Carbon emissions (footprint – Scope 1 & 2)	tCO2e/\$m invested	5.6	47.7	5.2	5.2	9.5	5.2	5.5	5.6	5.8	5.0	5.2
Total carbon emissions (Scope 1 & 2)	tCO2e	610.4	560,743.6	24.5	37.1	19.3	37.1	316.9	112.0	10.7	147.0	5.3
Total carbon emissions (Scope 3)	tCO2e	8,882.1	4,310,693.8	364.2	549.5	190.9	549.5	4,687.5	1,530.3	101.2	2,349.6	80.2
Carbon intensity (Scope 1 & 2)	tCO2e/\$m sales	28.3	112.4	27.2	27.3	26.8	27.3	26.6	28.2	28.9	26.0	27.2
Weighted average carbon intensity (WACI) (Scope 1 & 2)	tCO2e/\$m sales	31.4	97.2	30.0	30.2	45.7	30.2	31.2	32.6	32.4	28.3	30.0
Financed carbon emissions (Scope 1 & 2) EVIC	tCO2e/\$m invested		33.3	4.4	4.5	7.3	4.5	4.7	4.7	4.9	4.4	4.5

Source: MSCI, as at 31 March 2025.

## Appendix 2:

Carbon data for our listed equity and multi-asset funds (alternative asset classes – excluding fixed interest and sovereign debt)

### CCLA alternatives

Climate data point (MSCI)	Unit	CCLA Investment book	MSCI World	Equity funds				Multi-asset funds				
				COIF Global Equity Fund	CBF Global Equity Fund	CBF UK Equity Fund	Better World Global Equity Fund	COIF Investment Fund	COIF Ethical Investment Fund	Catholic Investment Fund	CBF Investment Fund	Cautious Multi-Asset Fund
Alternatives allocation		12.5%	N/A	0.8%	1.0%	1.8%	1.0%	14.9%	16.8%	18.2%	12.6%	24.2%
Coverage		56.9%	N/A	100.0%	100.0%	100.0%	100.0%	55.1%	52.8%	62.7%	67.1%	46.1%
<b>Coverage ratio</b>		<b>7.1%</b>	<b>N/A</b>	<b>0.8%</b>	<b>1.0%</b>	<b>1.8%</b>	<b>1.0%</b>	<b>8.2%</b>	<b>8.9%</b>	<b>11.4%</b>	<b>8.5%</b>	<b>11.2%</b>
Carbon emissions (footprint – Scope 1 & 2)	tCO2e/\$m invested	40.7	N/A	18.4	18.4	4.3	18.4	43.1	41.0	35.3	42.7	34.0
Total carbon emissions (Scope 1 & 2)	tCO2e	2,998.2	N/A	4,296.9	4,296.9	295.6	7,024.7	123,243.6	70,181.3	7,717.6	64,386.0	1,823.3
Total carbon emissions (Scope 3)	tCO2e	10031.5	N/A	9,347.1	9,347.1	1,690.6	15,281.1	404,868.8	235,216.1	57,293.8	213,486.1	6,609.3
Carbon intensity (Scope 1 & 2)	tCO2e/\$m sales	130.2	N/A	94	94.0	46.9	94.0	135.9	130.3	117.2	134.5	111.3
Weighted average carbon intensity (WACI) (Scope 1 & 2)	tCO2e/\$m sales	71.2	N/A	94	94.0	30.4	94.0	73.1	71.6	73.3	70.4	60.0
Financed carbon emissions (Scope 1 & 2) EVIC	tCO2e/\$m invested	8.3	N/A	9	9.0	2.6	9.0	8.7	8.3	8.0	8.5	6.9

Source: MSCI, as at 31 March 2025.

## Appendix 3:

### Carbon data for our fixed interest and multi-asset funds for the fixed interest asset class

The below on the next page shows the and carbon data for our fixed interest investments in our fixed interest and multi-asset funds as at 31 December 2024, sources are detailed in the table. Due to a difference in data providers and models, the metrics may not always be perfectly comparable.

#### Fixed interest and sovereigns

		CCLA fixed interest (excl. short duration bond funds)	Bond funds		Multi-asset funds				
			COIF Short Duration Bond Fund	CBF Short Duration Bond Fund	COIF Investment Fund	COIF Ethical Investment Fund	Catholic Investment Fund	CBF Investment Fund	Cautious Multi-Asset Fund
Fixed interest allocation		8.33%	100%	100%	9.94%	10.13%	9.07%	10.35%	46.72%
<b>Coverage ratio</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Sovereign		5.10%			7.12%	7.38%	9.07%	7.34%	30.38%
Sovereign emission intensity (UK only)	tCO <sub>2</sub> e/USD m GDP nominal	123.50			123.50	123.50	123.50	123.50	123.50
<b>COIF/CBF Short Duration Bond Funds</b>	Source: Federated Hermes, Trucost	0.88%	100%	100%	1.93%	1.88%	0%	2.07%	0%
Carbon emissions (footprint – Scope 1 & 2)	tCO <sub>2</sub> e/\$m invested		No data	No data					
Total carbon emissions (Scope 1 & 2)	tCO <sub>2</sub> e		19,317.5	4,333.0	19,317.5	19,317.5		4,333.0	
Total Carbon emissions (Scope 3)	tCO <sub>2</sub> e		15,263.0	4,069.1	15,263.0	15,263.0		4,069.1	
Weighted average carbon intensity (WACI)	tCO <sub>2</sub> e/\$m sales		228.0	228.0	228.0	228.0		228.0	
Financed carbon emissions (Scope 1 & 2) EVIC	tCO <sub>2</sub> e/\$m invested		132.9	115.0	132.9	132.9		115.0	
<b>PIMCO Climate Bond Fund (49% Corporate Bonds, 5% sovereign bonds)</b>	Source: Pimco, MSCI, Maplecroft	0.04%							4.36%
Carbon emissions (footprint – Scope 1 & 2)	tCO <sub>2</sub> e/\$m invested	47.8							47.8
Total carbon emissions (Scope 1 & 2)	tCO <sub>2</sub> e	8,282.9							8,282.9
Total carbon emissions (Scope 3)	tCO <sub>2</sub> e	60,194.0							60,194.0
Weighted average carbon intensity (WACI)	tCO <sub>2</sub> e/\$m sales	90.6							90.6
Sovereign emission intensity (UK only)	tCO <sub>2</sub> e/\$m GDP nominal	199.3							199.3
Financed carbon emissions (Scope 1 & 2) EVIC	tCO <sub>2</sub> e/\$m invested	No data							
<b>Candriam Sustainable Bond Emerging Markets</b>	Source: Candriam, Trucost	0.08%							5.87%
Carbon emissions (footprint – Scope 1 & 2)	tCO <sub>2</sub> e /€m invested	11.49							11.49
Total carbon emissions (Scope 1 & 2)	tCO <sub>2</sub> e	159.42							159.42
Weighted average carbon intensity (WACI)	tCO <sub>2</sub> e/€m sales	19.37							19.37
Financed carbon emissions (Scope 1 & 2) EVIC	tCO <sub>2</sub> e/€m invested	No data							
<b>Federated Hermes Sustainable Global Investment Grade Bond Fund</b>	Source: Federated Hermes, Trucost	0.66%			0.89%	0.87%	0%	0.94%	6.11%
Carbon emissions (footprint – Scope 1 & 2)	tCO <sub>2</sub> e/\$m invested	82.96			82.96	82.96		82.96	82.96
Total carbon emissions (Scope 1 & 2)	tCO <sub>2</sub> e	3,387.5			3,387.5	3,387.5		3,387.5	3,387.5
Total carbon emissions (Scope 3)	tCO <sub>2</sub> e	5,163.0			5,163.0	5,163.0		5,163.0	5,163.0
Weighted average carbon intensity (WACI)	tCO <sub>2</sub> e/\$m sales	132			132	132		132	132
Financed carbon emissions (Scope 1 & 2) EVIC	tCO <sub>2</sub> e/\$m invested	32.87			32.87	32.87		32.87	32.87

Source: MSCI, as at 31 March 2025.

## Appendix 4:

### Climate VaR and carbon data for our equity and multi-asset funds

Climate data point (MSCI)	Unit	CCLA investment book	MSCI World	COIF Global Equity Fund	CBF Global Equity Fund	CBF UK Equity Fund	Better World Global Equity Fund	COIF Investment Fund	COIF Ethical Investment Fund	Catholic Investment Fund	CBF Investment Fund	Cautious Multi-Asset Fund
<b>Equities</b>												
Orderly (REMIND NGFS orderly)	Policy climate VaR	-2.0%	-9.7%	-1.9%	-1.9%	-2.3%	-1.9%	-2.1%	-1.9%	-2.1%	-2.0%	-2.0%
	Technology opportunities climate VaR	0.1%	1.6%	0.1%	0.1%	0.4%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
	Physical climate VaR	0.1%	-1.6%	-0.6%	-0.6%	-2.0%	-0.6%	-0.6%	-0.6%	-0.7%	-0.7%	-0.6%
	<b>Aggregated climate VaR</b>	<b>0.1%</b>	<b>-9.7%</b>	<b>-2.4%</b>	<b>-2.4%</b>	<b>-3.8%</b>	<b>-2.4%</b>	<b>-2.5%</b>	<b>-2.4%</b>	<b>-2.6%</b>	<b>-2.5%</b>	<b>-2.5%</b>
Disorderly (REMIND NGFS disorderly)	Policy climate VaR	-0.7%	-4.5%	-0.6%	-0.6%	-0.8%	-0.6%	-0.7%	-0.6%	-0.7%	-0.6%	-0.6%
	Technology opportunities climate VaR	0.0%	0.5%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Physical climate VaR	-0.9%	-2.3%	-0.9%	-0.9%	-2.5%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%
	<b>Aggregated climate VaR</b>	<b>-1.6%</b>	<b>-6.3%</b>	<b>-1.4%</b>	<b>-1.5%</b>	<b>-3.1%</b>	<b>-1.5%</b>	<b>-1.5%</b>	<b>-1.5%</b>	<b>-1.6%</b>	<b>-1.5%</b>	<b>-1.5%</b>
Hot house eworkld (REMIND NGFS NDC)	Policy climate VaR	-0.3%	-2.3%	-0.3%	-0.3%	-0.4%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%
	Technology opportunities climate VaR	0.0%	0.3%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Physical climate VaR	-1.2%	-3.0%	-1.1%	-1.1%	-2.9%	-1.1%	-1.1%	-1.1%	-1.2%	-1.1%	-1.1%
	<b>Aggregated climate VaR</b>	<b>-1.4%</b>	<b>-5.0%</b>	<b>-1.4%</b>	<b>-1.4%</b>	<b>-3.2%</b>	<b>-1.4%</b>	<b>-1.4%</b>	<b>-1.4%</b>	<b>-1.5%</b>	<b>-1.4%</b>	<b>-1.4%</b>
Implied temperature rise	Degrees Celsius	1.9	2.6	1.9	1.9	1.9	1.9	1.9	1.8	1.9	1.9	1.9
<b>Alternatives</b>												
Orderly (REMIND NGFS orderly)	Policy climate VaR	-6.9%	N/A	-3.6%	-3.6%	-1.1%	-3.6%	-7.0%	-7.0%	-7.0%	-6.9%	-6.6%
	Technology opportunities climate VaR	4.8%	N/A	0.2%	0.2%	0.1%	0.2%	4.2%	5.1%	6.4%	4.4%	7.2%
	Physical climate VaR	-4.6%	N/A	-9.2%	-9.2%	-1.4%	-9.2%	-4.1%	-4.7%	-5.6%	-4.1%	-5.3%
	<b>Aggregated climate VaR</b>	<b>-6.6%</b>	<b>N/A</b>	<b>-12.6%</b>	<b>-12.6%</b>	<b>-2.4%</b>	<b>-12.6%</b>	<b>-7.0%</b>	<b>-6.5%</b>	<b>-6.1%</b>	<b>-6.7%</b>	<b>-4.7%</b>
Disorderly (REMIND NGFS disorderly)	Policy climate VaR	-3.0%	N/A	-1.5%	-1.5%	-0.5%	-1.5%	-3.0%	-3.0%	-3.0%	-3.0%	-2.8%
	Technology opportunities climate VaR	1.4%	N/A	0.1%	0.1%	0.0%	0.1%	1.2%	-3.0%	1.8%	1.2%	2.0%
	Physical climate VaR	-7.8%	N/A	-11.1%	-11.1%	-1.7%	-11.1%	-7.1%	-3.0%	-9.8%	-7.1%	-9.2%
	<b>Aggregated climate VaR</b>	<b>-9.4%</b>	<b>N/A</b>	<b>-12.5%</b>	<b>-12.5%</b>	<b>-2.2%</b>	<b>-12.5%</b>	<b>-9.0%</b>	<b>-3.0%</b>	<b>-11.0%</b>	<b>-8.9%</b>	<b>-9.9%</b>
Hot house world (REMIND NGFS NDC)	Policy climate VaR	-1.6%	N/A	-1.2%	-1.2%	-0.2%	-1.2%	-1.7%	-1.6%	-1.5%	-1.7%	-1.5%
	Technology opportunities climate VaR	0.5%	N/A	0.1%	0.1%	0.0%	0.1%	0.4%	0.5%	0.6%	0.5%	0.7%
	Physical climate VaR	-9.4%	N/A	-12.8%	-12.8%	-2.0%	-12.8%	-8.7%	-9.6%	-11.5%	-8.7%	-10.8%
	<b>Aggregated climate VaR</b>	<b>-10.6%</b>	<b>N/A</b>	<b>-14.0%</b>	<b>-14.0%</b>	<b>-2.3%</b>	<b>-14.0%</b>	<b>-9.9%</b>	<b>-10.7%</b>	<b>-12.4%</b>	<b>-9.9%</b>	<b>-11.6%</b>
Implied temperature rise	Degrees Celsius	1.8	N/A	3.3	3.3	2.5	3.3	1.8	1.8	1.7	1.8	1.8

Source: MSCI, as at 31 March 2025.

## Appendix 5:

### Climate VaR and carbon data for the COIF and CBF Short Duration Bond Funds

The below table shows the climate VaR and carbon data for the fixed interest funds as at 31 December 2024, sourced from Planetrics and provided by the sub-investment manager Federated Hermes. The change in data reflects the methodology of the sub-assigned manager and its data supplier.

Due to a difference in data providers and models, the metrics are not comparable with our equity and multi-asset funds. Policy risks are disaggregated as changes in revenues, costs and market impact.

The resulting net present value (NPV) at risk is an aggregate figure comprising physical impacts on companies' revenues, changes to policy on companies' revenues and costs, and market impacts which are defined as changes in profit from companies' ability to pass through costs to consumer and take market share from more emissions intensive competitors. Physical risks are summarised under 'physical impact'. The temperature alignment uses a similar approach, however, forecast results will differ.

	CBF Short Duration Bond Fund	COIF Short Duration Bond Fund
<b>Scenario: Net Zero 2050</b>		
Aggregate NPV at risk	-0.78%	-0.83%
Physical impacts	-0.05%	-0.05%
Changes in revenues	-0.05%	-0.05%
Changes in costs	-2.72%	-2.78%
Market impacts	1.54%	1.53%
<b>Scenario: Delayed transition</b>		
Aggregate NPV at risk	-0.26%	-0.28%
Physical impacts	-0.09%	-0.08%
Changes in revenues	-0.04%	-0.04%
Changes in costs	-2.57%	-2.63%
Market impacts	1.52%	1.52%
<b>Scenario: Hot house</b>		
Aggregate NPV at risk	-0.04%	-0.04%
Physical impacts	-0.18%	-0.18%
Changes in revenues	0.00%	0.00%
Changes in costs	0.00%	0.00%
Market impacts	0.10%	0.10%
<b>Implied temperature alignment in degrees celsius</b>	<b>3.23</b>	<b>3.18</b>

Temperature alignment is calculated using the budget method - this methodology looks at cumulative emissions (2022 to 2050) contribution towards warming across Scope 1, 2 and 3. Carbon budget used to determine overshoot/undershoot is based on the NGFS Below 2 degrees scenario. This uses both upstream and downstream scope 3 emissions; worth noting the limitation of using this given this is not widely or consistently reported therefore, makes comparisons across companies difficult.

Source: MSCI, as at 31 December 2024.



## Appendix 6:

### Data gaps and disclaimers

CCLA has used reasonable efforts to ensure the accuracy of the data and information presented in this report. However, certain limitations and qualifications apply:

- **Data sources:** CCLA relies on data from both internal and external sources, including but not limited to investee companies, third-party data providers, and publicly available information. The accuracy and completeness of this data are not always guaranteed, and CCLA does not independently verify all data received from external sources.
- **Estimations and assumptions:** Climate-related data, particularly forward-looking metrics such as emissions projections and scenario analysis, inherently involve estimations and assumptions. These are subject to significant uncertainties, including the evolving nature of climate science, policy changes, technological developments, and economic conditions. Actual outcomes may differ materially from stated ambitions, targets, projections, or forecasts.
- **Methodological limitations:** The methodologies used to calculate and report climate-related metrics are constantly evolving and may vary across different data providers and industry standards. CCLA strives to use best-practice methodologies and disclose them transparently. However, differences in methodologies can affect the comparability of data across different organisations, funds and reporting periods.
- **Scope and boundaries:** The scope and boundaries of certain metrics, such as financed emissions, may be limited by data availability and methodological constraints. CCLA is committed to expanding the scope and improving the accuracy of its data over time as data availability and methodologies improve.

- **Forward-looking statements:**

This report contains forward-looking statements regarding CCLA's climate-related ambitions, targets, and strategies. These statements are based on current expectations and beliefs and are subject to risks and uncertainties that could cause actual results to differ materially.

- **Third-party information:** This report may contain links to third-party websites or information. CCLA is not responsible for the content or accuracy of such third-party information.
- **Use of data:** The data and information contained in this report are provided for informational purposes only and should not be construed as investment advice or a recommendation to buy or sell any security.

#### Scenario analysis limitations

##### Systemic complexity and non-linear effects

Climate scenario analysis struggles to account for systemic interdependencies and nonlinear climate impacts, such as tipping points (e.g., abrupt ice sheet collapse or rainforest dieback) and cascading socioeconomic effects (e.g., mass migration, geopolitical instability). The interconnectedness of physical and transition risks creates feedback loops that are rarely modelled, such as how worsening physical risks might accelerate policy responses, thereby amplifying transition risks. Current methodologies often rely on linear projections that underestimate compound and second-order effects.

**Reliance on untested assumptions**

Scenarios frequently depend on speculative assumptions about future technologies (e.g., unproven carbon removal systems) and adaptation strategies (e.g., flood defences or agricultural innovations). These assumptions may overstate mitigation capacities or understate implementation challenges, creating a 'best-case' bias in modelled outcomes. For example, many scenarios exclude adaptation costs or assume universal adoption of climate-smart practices without addressing feasibility gaps.

**Data gaps and notes**

The lack of detailed carbon data coverage in alternative assets, property, and cash makes it difficult to provide the same level of disclosure as for listed equities. For this reason, we do not currently have targets for our other asset classes.

In alternative investments, we currently have lower coverage of data. We expect that for private equity and real estate investment trust type funds, that the managers of these investments eventually will be required to report TCFD compliant carbon and climate information, and thereby enable us to report on these asset classes.

Due to lack of defined methodologies for money market instruments, in our case certificates of deposits (CDs), calculating the carbon footprint of the CDs would require access to the exact use of proceeds which is the banks' proprietary information. Therefore, we cannot provide accurate carbon footprint data for our deposit funds.

For our property funds, we have engaged an external consultant to resolve data collection issues from properties where we rely on tenant voluntary energy consumption disclosure, which will enable us to get a complete and more accurate carbon emissions profile for our properties going forwards. This project is currently ongoing.

For our fixed interest funds (CBF Church of England Short Duration Bond Fund and COIF Charities Short Duration Bond Fund) where CCLA Investment Management Limited has appointed Federated Hermes as the sub-investment manager, we rely on their data reporting. Data sources, estimations and modelling approaches may differ which is why data between our listed equity and multi-asset funds cannot be compared with the data in our sub-assigned fixed interest funds. We continue to engage with other fixed interest managers, whose funds we purchase within our funds, to improve data reporting.

# Appendix 7:

## Formulas used to calculate carbon emissions

### Carbon emissions

$$\frac{\sum_n^i \left( \frac{\text{current value of investments}_i}{\text{issuer's market capitalisation}_i} \right) \times \text{issuer's Scope 1 + 2 GHG emissions}_i}{\text{current portfolio value (\$million)}}$$

This measure sums up the scope 1 and scope 2 greenhouse gas emissions in the portfolio based on the investor's ownership share and it is expressed as tonnes of carbon dioxide equivalents (tCO<sub>2</sub>e) per \$1 million invested. The larger the number, the greater the contribution to the effects of climate change.

### Total carbon emissions

$$\sum_n^i \left( \frac{\text{current value of investments}_i}{\text{issuer's market capitalisation}_i} \right) \times \text{issuer's Scope 1 + 2 + 3 GHG emissions}_i$$

Measures the total carbon emissions for which an investor is responsible by their equity ownership. Emissions are apportioned based on equity ownership (% market capitalization). This measure sums up all the emissions (scope 1 + 2 + 3) in the portfolio based on an investor's portfolio size of \$1billion.

### Carbon intensity

$$\frac{\sum_n^i \left( \frac{\text{current value of investments}_i}{\text{issuer's market capitalisation}_i} \right) \times \text{issuer's Scope 1 + 2 GHG emissions}_i}{\sum_n^i \left( \frac{\text{current value of investments}_i}{\text{issuer's market capitalisation}_i} \right) \times \text{issuer's \$million revenue}_i}$$

Measures the carbon efficiency of a portfolio, defined as the ratio of carbon emissions for which an investor is responsible to the sales for which an investor has a claim by their equity ownership. Emissions and sales are apportioned based on equity ownership (% market capitalisation).

### Weighted average carbon intensity (WACI) – sovereign

$$\sum_n^i \left( \frac{\text{current value of investments}_i}{\text{current portfolio value}} \times \frac{\text{sovereign issuer's GHG emissions}_i}{\text{sovereign issuer's \$million GDP}_i} \right)$$

Measures a portfolio's exposure to carbon-intensive economies, defined as the portfolio weighted average of sovereigns' GHG Intensity (emissions/GDP).

### Weighted average carbon intensity (WACI) – corporate

$$\sum_n^i \left( \frac{\text{current value of investments}_i}{\text{current portfolio value}} \times \frac{\text{issuer's Scope 1 + 2 GHG emissions}_i}{\text{issuer's \$million GDP}_i} \right)$$

Measures a portfolio's exposure to carbon-intensive companies, defined as the portfolio weighted average of companies' carbon intensity (emissions/sales), expressed in tCO<sub>2</sub>e/\$1m sales. The larger the number, the more carbon intensive the investments currently are.

### Financed emissions (FE)

$$\frac{\sum_i \left( \frac{\text{current value of investments}_i}{\text{issuer's EVIC}_i} \right) \times \text{issuer's Scope 1 + 2 GHG emissions}_i}{\text{current portfolio value (\$million)}}$$

This metric represents the total financed greenhouse gas (GHG) emissions associated with the fund. The larger the number, the more it is contributing to the effects of climate change. The FE is directly related to the size of the fund and therefore it is difficult to use to compare across funds. Enterprise Value Including Cash (EVIC) is an alternate measure to Enterprise Value (EV) to estimate the value of a company by adding back cash and cash equivalents to EV. EVIC = Market capitalisation at fiscal year-end date + Preferred Stock + Minority Interest + Total Debt.

### Important information

This document is not a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. We strongly recommend you seek independent professional advice prior to investing.

The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money.

Any forward-looking statements are based on CCLA's current opinions, expectations and projections. CCLA undertakes no obligations to update or revise these.

Actual results could differ materially from those anticipated.

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