CCLA

GOOD INVESTMENT

Sustainability approach for cash funds

Cash at CCLA

At CCLA we manage the CBF Church of England Deposit Fund, the COIF Charities Deposit Fund and the Public Sector Deposit Fund on behalf of our clients.

These funds' objective is to aim to offer a high level of capital security and a competitive yield to their clients. They primarily invest in certificates of deposit, but also utilise term deposits and notice accounts, all of which offer an interest rate in exchange for a predetermined holding period. The investments are allocated to banks and building societies that have undergone a thorough evaluation, resulting in their inclusion on CCLA's approved list of financial institutions.

It is important to note that the cash funds do not own any shares in banks and building societies.

Sustainability approach

CCLA maintains an approved list of financial institutions ('approved list'), in which CCLA's cash funds can invest. To determine this list, CCLA assesses institutions on various indicators of financial strength and on several environmental, social and governance (ESG) indicators. The ESG indicators comprise:

1. compliance with national norms, laws, and regulations that govern business operations across borders (Global Standards)[1]
2. the quality of an institution's corporate governance
3. the strength of an institution's coal, oil and gas expansion policies
4. its ranking in CCLA's mental health and modern slavery benchmarks[2].

If an institution is considered in violation of Global Standards, it is ineligible for investment.[3] Should a financial institution in which we already invest subsequently fall into this category, it undergoes a review and CCLA's Investment Committee is notified.

To remain on the approved list, a case must be made for its continued eligibility for investment; grounds for continued investment could include whether the issue is considered historic, outside control of the institution in question, or the institution has already taken steps to address the situation.

Any institution in this position must receive Investment Committee approval to remain on the approved list and may be prioritised for time-limited engagement. If approval is not received, the institution is removed from the approved list and becomes an ineligible counterparty for new investments and the investment team has a six-month divestment window for any current holdings. If action is subsequently taken by the institution to resolve the violation, it may be readmitted to the approved list, subject to Investment Committee approval.

1 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).
2 Only financial institutions covered by these benchmarks will be assessed against this criteria
3 According to our external data provider, Sustainalytics.

If a potential new financial institution is considered at risk of violating Global Standards (categorised as 'watchlist'), a review of the matter will be undertaken and it will require approval from the Investment Committee before being added to the approved list. Such approval will only be given where it can be demonstrated that the institution is taking steps to address the matter.

For each of the remaining indicators, we rank eligible counterparties into a multi-level scoring system, enabling us to identify laggards and prioritise engagement with financial institutions (see table on page 4).

Every financial institution must be approved by the Investment Committee before becoming eligible for use by the funds.

Engagement framework

This engagement framework will guide engagement with all of the listed[4] financial institutions on the approved list, irrespective as to whether they are currently used by any of the CCLA funds. The aim of the engagement will be to encourage the financial institutions to improve their standards and move up through the different levels. It is our aim to engage with all listed approved financial institutions within a rolling 12-month period, however, institutions will not necessarily be removed from the approved list should they fail to improve or engage with CCLA. Exceptions to this rule are institutions that face allegations of non-conformance with the UN Global Compact, are placed in Tier 5 of the CCLA Modern Slavery Benchmark, and/or face a severe controversy in relation to bribery or corruption.

Environment

Reclaim Finance Policy Trackers

Objective:
to encourage counterparties to strengthen their coal, oil and gas expansion policies with a view to supporting the eventual phase-out of these fuels

Reclaim Finance is a non-governmental research and campaigning organisation. It follows and analyses the policies of financial institutions and delivers this analysis in the form of two policy trackers: the Oil & Gas Policy Tracker[5] and the Coal Policy Tracker.[6]

We rank financial institutions on the strength of their oil & gas and coal expansion policies and engage with them to help them move forward (see table on page 4 for details).

Social

CCLA Corporate Mental Health Benchmark (UK and Global)

Objective:
to improve corporate practices in support of good mental health at work

The CCLA Corporate Mental Health Benchmark assesses and ranks a number of listed companies on their approach to workplace mental health. Companies are assessed annually, by an independent team of analysts, on the strength of their public disclosures.

The benchmark takes a management systems approach, designed to ensure that it pays particular attention to the internal governance conditions necessary to change and shape corporate actions on mental health in the workplace. It is closely aligned with key frameworks and norms, both international, regional and national.[7]

4 Defined as public companies whose shares are traded on a stock exchange.
5 See https://oilgaspolicytracker.org
6 See https://coalpolicytool.org
7 See www..ccla.co.uk/mental-health

Where a financial institution falls in scope of the benchmark, we note their performance and engage with them to help them improve (see table on page 4 for details).[8]

CCLA Modern Slavery Benchmark (UK and Global)

Objective:
to encourage companies to find, fix and prevent modern slavery in their workforce and supply chains

The CCLA Modern Slavery Benchmark assesses a number of listed companies on the degree to which they are active in the fight against modern slavery. It evaluates the extent to which they:

- conform with the requirements of UK Modern Slavery Act 2015
- comply with Home Office Guidance on modern slavery
- report on efforts to find, fix and prevent modern slavery.

The assessment criteria are closely aligned with UK statutory requirements, government developed guidance and international voluntary standards on business and human rights.[9]

Where a financial institution falls in scope of the benchmark, we note their performance and engage with them to help them improve (see table on page 4 for details).[10]

Governance

CCLA corporate governance rating

Objective:
to improve standards of corporate governance

We assess financial institutions using a bespoke quantitative corporate governance rating tool, designed to assess a company's board structure, ownership, accounting practices and management capabilities. A secondary, qualitative overlay allows us to identify strengths and weaknesses in a company's governance structure and highlights areas for improvement.[11]

Corporate governance analysis is conducted on all prospective financial institutions prior to their inclusion on the approved list of financial institutions.

Companies are given a rating of A (low risk) to F (high risk). Where a company is rated E or F and we have concerns about the composition of the board or sub-committees at a publicly listed institution on the approved list, we will engage with the institution to help them improve (see table on page 4 for details).

Institutions involved in a severe controversy related to bribery and corruption may enter a time-limited engagement programme. If a potential new financial institution faces a severe controversy related to bribery and corruption, a review of the matter will be undertaken and it will require approval from the Investment Committee before being added to the approved list. Such approval will only be given where it can be demonstrated that the institution is taking steps to address the matter.

8 This engagement only covers financial institutions that are in scope of either the UK or the Global Corporate Mental Health Benchmark. See www..ccla.co.uk/mental-health
9 See www..ccla.co.uk/sustainability/initiatives/modern-slavery
10 This engagement only covers financial institutions that are in scope of either the UK or the Global Modern Slavery Benchmark. See www.ccla.co.uk/sustainability/initiatives/modern-slavery
11 See www..ccla.co.uk/sustainability/corporate-governance-and-voting

This table details our engagement framework for financial institutions used by CCLA's cash funds.

Area	Topic	Evidence-based standard	1 (best)	2	3	4	5 Immediate review and possible time-limited engagement programme	Ineligible for investment. Existing financial institutions that subsequently fall into this category require approval from the Investment Committee and may become ineligible for new investments.
Environment	Fossil fuel expansion	Reclaim Finance (oil & gas expansion)	Does the institution's oil & gas expansion policy score 5 or above on Reclaim Finance's Oil & Gas Policy Tracker?	Does the institution's oil & gas expansion policy score between 2 and 4 on Reclaim Finance's Oil & Gas Policy Tracker?	Does the institution's oil & gas expansion policy score 1 on Reclaim Finance's Oil & Gas Policy Tracker?	Does the institution's coal expansion policy score between 1 and 3 (incl) on Reclaim Finance's Coal Policy Tracker?	n/a	
		Reclaim Finance (coal expansion)	Does the institution's coal expansion policy score 9 or 10 on Reclaim Finance's Coal Policy Tracker?	Does the institution's coal expansion policy score between 4 and 8 (incl) on Reclaim Finance's Coal Policy Tracker?	Does the institution's coal expansion policy score between 1 and 3 (incl) on Reclaim Finance's Coal Policy Tracker?	Does the institution's coal expansion policy score 0 on Reclaim Finance's Coal Policy Tracker?	n/a	
	UN Global Compact	Sustainalytics GSS* Analysis	n/a	n/a	n/a	n/a	Is the institution on the watchlist against the principles of the UN Global Compact that relate to the environment?	
Social	Mental health	CCLA Corporate Mental Health Benchmark	Is the institution ranked Tier 1 or 2 (best) in the CCLA Corporate Mental Health Benchmark?	Is the institution ranked in Tier 3 in the CCLA Corporate Mental Health Benchmark?	Is the institution ranked in Tier 4 in the CCLA Corporate Mental Health Benchmark?	Is the institution ranked in Tier 5 (worst) in the CCLA Corporate Mental Health Benchmark?	n/a	Is the financial institution assessed as violating Global Standards? 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)
	UN Global Compact	Sustainalytics GSS* Analysis	n/a	n/a	n/a	n/a	Is the institution on the watchlist against the principles of the UN Global Compact that relate to health and wellbeing?	
	Modern slavery	CCLA Modern Slavery UK Benchmark	Has the institution achieved Performance Tier 1 in the CCLA Modern Slavery UK Benchmark?	Has the institution achieved Performance Tier 2 in the CCLA Modern Slavery UK Benchmark?	Has the institution achieved Performance Tier 3 in the CCLA Modern Slavery UK Benchmark?	Has the institution achieved Performance Tier 4 in the CCLA Modern Slavery UK Benchmark?	Is the institution covered by the CCLA Modern Slavery UK Benchmark and ranked in performance Tier 5 (no modern slavery statement/ unsatisfactory)?	
		CCLA Modern Slavery Global Benchmark	Has the institution achieved Performance Tier 1 or 2 in the CCLA Modern Slavery Global Benchmark?	Has the institution achieved Performance Tier 3 in the CCLA Modern Slavery Global Benchmark?	Has the institution achieved Performance Tier 4 in the CCLA Modern Slavery Global Benchmark?	Has the institution achieved Performance Tier 5 in the CCLA Modern Slavery Global Benchmark?	n/a	
	UN Global Compact	Sustainalytics GSS* Analysis	n/a	n/a	n/a	n/a	Is the institution on the watchlist against the principles of the UN Global Compact that relate to labour standards and/or human rights?	
Governance	Governance	CCLA Corporate Governance rating	n/a	n/a	n/a	Does the institution have a governance rating of E or F?	Is the company involved in a severe controversy related to bribery and corruption?	
	UN Global Compact	Sustainalytics GSS* Analysis	n/a	n/a	n/a	n/a	Is the institution on the watchlist against the principles of the UN Global Compact that relate to bribery and corruption?	

*Global Standards Screening

Important information

This document is not a financial promotion and is for information only. It does not provide financial, investment or other professional advice. To make sure you understand whether a CCLA product is suitable for you, please read the relevant fund's key (investor) information document and the prospectus or scheme particulars (as appropriate) and consider the risk factors identified in those documents. CCLA strongly recommend you get independent professional advice prior to investing.

Past performance is not a reliable indicator of future results. The value of investments and the income from them may fall as well as rise. You may not get back the amount you originally invested and may lose money.

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WANT TO KNOW MORE?

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BECAUSE GOOD IS BETTER