CCLA
GOOD INVESTMENT

CCLA's Better World policy

Investing for a Better World: The CCLA Better World Global Equity Fund is managed in line with CCLA's approach to investing for a better world. This includes:

1. Acting as an agent for 'change'

Acting as an agent for 'change', because investment markets can only ever be as healthy as the environment and communities that support them. This is done by:

- Using the Sub-Fund's ownership rights to help improve the sustainability of the assets in which it invests. The ACD's approach is set out in its Engagement Policy and Voting Guidelines, both of which are available on CCLA's website (www.ccla.co.uk/about-us/policies-and-reports) and regularly updated.
- Bringing investors together to address systemic issues that have not had the attention that they require. The ACD prioritises selected themes based upon an assessment of the issue and the level of response by the investment community. Initially this will focus on climate change, addressing modern slavery in company supply chains and addressing poor corporate practices for protecting employees' mental health. The ACD's current priorities will be regularly disclosed on CCLA's website (www.ccla.co.uk/sustainability).
- Seeking to be a catalyst for change in the investment industry. Examples of how this is delivered may include the provision of training and the development of publicly available resources.

Recognising the importance of engagement to the sustainability approach the ACD has adopted an engagement metric. The ACD, no less than annually, will disclose the proportion of portfolio holdings that have been engaged directly and report on the effectiveness of these engagements.

For details about engagement priorities and the outcomes that have been achieved please refer to the 'Sustainable Investment Outcomes' report which is available at www.ccla.co.uk.

2. Assessing companies' environmental, social and governance criteria

Assessing companies' environmental, social and governance criteria because the ACD believes that a combination of legislation, regulation and changing societal preference will impact negatively on unsustainable business models. For this reason, the Sub-Fund will avoid investing in companies that have:

- Poor management and weak corporate governance. As defined by the ACD and informed by tools such as CCLA's proprietary corporate governance rating.

- An unacceptable social and environmental impact, as defined by the ACD. Initially this will be defined as companies identified by CCLA, using data providers of their choice, as:
  - producing landmines, cluster bombs, chemical/biological and/or nuclear (including fissile materials) weapons systems or substantial components thereof.
  - producing tobacco products and/or deriving more than 5% of turnover from tobacco.
  - not meeting CCLA's climate change criteria. This includes:
    1) minimum standards against which companies are assessed,
    2) a restriction upon investing in fossil fuel producers (defined as a company that derives more than 5% of revenue from the extraction of coal or tar sands and/or a company that derives more than 10% of revenue from the extraction and/or refining of oil and gas) and 3) CCLA's commitment to achieve 'Net Zero' emissions listed equity portfolios no later than 2050. Further information is available on CCLA's website (www.ccla.co.uk/sustainability/initiatives/climate-action).
  - being responsible for a significant controversial environmental and/or social incident and, following a period of engagement of no more than three years by the ACD, has not taken appropriate steps to respond to the damage caused. At launch a significant controversial incident will be defined as being assessed by a data provider of the ACD's choosing as either: 1) failing an assessment of compliance with the UN Global Compact, 2) failing an assessment of compliance with the UN Guiding Principles on Business and Human Rights and/or 3) another equivalent approach to assessing controversies – such as the highest level controversy score.
- Not demonstrating a willingness to improve through investor engagement.

Recognising the importance of climate change to the Sub-Fund's client base the ACD has adopted 'Weighted Average Carbon Intensity' as a key metric for managing the Sub-Fund. The ACD will disclose, no less than annually, the weighted average carbon intensity of the Sub-Fund, the proportion of the Sub-Fund that the disclosure applies to (as it is anticipated that the ACD will be unable to provide full disclosure due to unavailable data) and the listed-equity component of the Sub-Fund's position against the maximum carbon ceiling.

More detail is available in our 'Climate for Good Investment' publication – available at www.ccla.co.uk/documents/climate-good-investment-tcfd/download?inline.

3. Investing in a way that we believe is aligned with our clients

- At launch this will preclude investment in:

  a) companies identified by CCLA, using data providers of their choosing as:
     - Deriving >25% of revenue from alcohol production and/or retail.
     - Deriving >10% of revenue from gambling, civilian firearms, strategic military sales, high interest rate lending and/or the production and/or distribution of cannabis for the retail market.
     - Deriving>3% of revenue from adult entertainment production and/or distribution.

  b) Fixed Income securities that are issued by a nation identified by CCLA as being amongst the world's most oppressive, using data sources of their choice including, but not limited to, Freedom House's Annual Freedom in the World Publication. The current list of precluded nations is available for inspection on CCLA's website.

c) Other investment funds that are assessed by CCLA, as per the approach set out in its values-based screening policy, as having any exposure to landmines, cluster munitions, chemical or biological weapons or exposures that materially contradict the above approach. At launch, this is defined as having more than 10% of Net Asset Value exposed to other precluded activity including rules related to nuclear weapons. 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 Sub-Fund. Due to a lack of data this approach to assessing the eligibility of other investment funds is implemented on a 'best-endeavours' basis.

This will be implemented as per CCLA's Values Based Screening Policy, and may evolve over time. The policy and the current list of exclusions is available at www.ccla.co.uk.

- Reporting on the efficacy of this work to contribute to a 'better world'. This will be published annually on CCLA's website (www.ccla.co.uk).

Recognising the importance of restrictions to the Shareholders of the Sub-Fund the ACD will disclose the percentage of the MSCI World Index that is restricted from investment by the Sub-Fund.

4. Implementation of the Better World Policy

Should a portfolio holding cease to comply with the above approach, the ACD will establish a 6-month divestment window for the asset to be sold. This ensures that Shareholders are not financially disadvantaged by the Sub-Fund becoming an immediate forced seller.

The policy will be kept under review, and clients will be notified of any changes on CCLA's website (www.ccla.co.uk).

Important information

December 2024

WANT TO KNOW MORE?

Please contact:

Client Services
clientservices@ccla.co.uk
0800 022 3505

CCLA

BECAUSE GOOD IS BETTER