

# Engagement policy

## The CCLA approach to active ownership

We believe that investment markets, and the returns delivered by the assets traded upon them, can only be as healthy as the communities and the environment that support them. For this reason, we believe that delivering positive long-term returns to our clients requires us to drive real and positive change.

We do this by:

- using our ownership rights to improve the environmental and social performance of the assets in which we invest, where we believe improvement is possible
- bringing investors together to address social or environmental risks that we believe have not had the attention they deserve
- seeking to be a catalyst for change in the investment management industry.

Through our active ownership work, we aim to improve companies' environmental and social practices, and to support long-term investment returns.

This policy sets out the nine rules that we apply to deliver on this philosophy. These are applied to all listed equity assets under our care, irrespective of their geography.

### **PURPOSE AND SCOPE**

This engagement policy sets out how CCLA Investment Management Limited undertakes shareholder engagement for its funds and discretionary mandates. The purpose of this policy is to describe how CCLA ensures the integration of shareholder engagement as per the Shareholder Rights Directive II (EU) 2017/828 (SRDII).

CCLA endorses and supports the principles on engagement with the investee companies set out in both the UK Stewardship Code 2020<sup>1</sup> and SRDII and is a signatory to the UN-supported Principles for Responsible Investment.<sup>2</sup>

‘Active ownership is generally regarded as one of the most effective mechanisms to reduce risks, maximise returns and have a positive impact on society and the environment.’

The UN-backed Principles for Responsible Investment

<sup>1</sup> Response to the UK Stewardship Code.

<sup>2</sup> [www.unpri.org/signatory-directory/ccla/1020.article](http://www.unpri.org/signatory-directory/ccla/1020.article)

## **RULE ONE**

### **Active ownership is an integrated part of our investment approach**

- We have targeted engagement plans for companies where we have identified significant environmental or social issues.
- We believe that engagement is most effective when it is conducted in the spirit of constructive partnership between the investor and a company's management team. However, while we seek to support the companies in which we invest on behalf of our clients, we recognise that our dialogues with companies cannot be open-ended. For this reason, if engagement fails to bring about progress, we consider divestment.
- Since our active ownership approach is designed to deliver real world change, it is undertaken by engagement specialists.

## **RULE TWO**

### **We monitor our investments and focus engagement resource where it is most needed**

- The delivery of long-term investment returns is a central requirement for our clients, so we consider the strength of governance, and the environmental and social sustainability of every listed equity asset prior to purchase.<sup>3</sup> This can be a determining factor in deciding to invest. It also helps us to identify any risks that might best be addressed through engagement.
- All of our active ownership work is designed to deliver change, so we have a targeted plan for every engagement that we enter into. Progress is routinely monitored.
- We grade our equity engagements on an intensity scale, which can escalate to reflect increased concerns. This is agreed by the Investment Committee, based on the advice of our sustainability specialists.

## **RULE THREE**

### **We exercise our clients' voting rights**

- We recognise the power of proxy voting and seek to exercise our clients' voting rights at all investee companies. So that we can retain our right to vote we do not lend our securities.
- Our voting seeks to promote best practice corporate governance, further our wider active ownership priorities and to reflect our clients' values.<sup>4</sup> For this reason, we regularly vote against management<sup>5</sup> and aim to increase our impact by advising companies of the reasons for our approach ahead of the meeting.
- To benefit from their extensive data, all of our voting is administered by a third-party partner who work to a bespoke proxy voting policy. We manually review all voting recommendations made to us.

## **RULE FOUR**

### **We aim to act systemically**

- We realise that some of the key environmental and social challenges facing the medium to long term performance of our clients' investments are systemic and cannot be eliminated through diversification.
- We seek to be a catalyst for positive systemic change and have a long track record of developing engagement initiatives that focus investor action on risks that have not been adequately addressed by the market.
- We recognise that regulation and legislation are key tools in managing systemic sustainability risks. For this reason, we believe that we have a responsibility to work with public policy makers to push for progressive frameworks that accelerate positive change.

<sup>3</sup> Better World Sustainable Investment Outcomes 2023, pages 15-21.

<sup>4</sup> Voting guidelines 2024.

<sup>5</sup> Better World Sustainable Investment Outcomes 2023, pages 71-77.

## **RULE FIVE**

### **We believe in the power of collaboration**

- CCLA has a long-track record of driving positive change through our active ownership practices. However, we recognise that by working collaboratively with other investors we can have a much bigger impact.
- For this reason, we seek to build, or participate in, the most effective engagement coalitions to achieve our goal.<sup>6</sup>
- We also recognise the importance of industry partnership and seek to take an active role in the life of the City of London.

## **RULE SIX**

### **We do not engage for publicity or to tick a box**

- We believe that all engagements should be designed to achieve a specific change in company practice. For this reason, all of our active ownership work is designed to achieve a specific aim.
- Consequently, the content our meetings is often kept confidential between the company and us as an investor.
- However, we recognise the importance of the media as a tool for delivering change and are not afraid to comment on poor practice (as a method of escalating our engagement) or to engage with the press to raise the profile of important issues and initiatives.

## **RULE SEVEN**

### **We report on the outcomes of our active ownership work**

- As the guardians, not the owners, of the assets that we manage, we recognise that we have a responsibility to report upon the outcomes of everything that we do.
- We disclose all vote outcomes quarterly on our proxy voting webpage,<sup>7</sup> and include highlights of our stewardship work in quarterly client reporting.

- We publish an extensive annual Sustainable Investment Outcomes Report, which provides a company-by-company overview of the impact of our engagement work.

## **RULE EIGHT**

### **We manage our conflicts of interest**

- We recognise that our active ownership programme can give rise to some actual or potential conflicts of interest that are not covered by CCLA's wider conflict of interest policy.<sup>8</sup>
- These include, but are not limited to, voting upon the appointment of a company director with whom CCLA has an existing commercial or other significant relationship; CCLA portfolios holding the shares of the different companies involved in proposed merger and acquisition activity; and our clients having different views and priorities for engagement.
- To ensure that we are always acting in the best interest of our clients, any deviation from our standard proxy voting policy requires the approval of two senior members of our specialist team. All of our active ownership work is overseen by the governance framework described below.

## **RULE NINE**

### **Our active ownership approach is subject to strict governance and continual improvement**

- Recognising the importance of our active ownership programme, all of our policies, processes and activities are approved and overseen by our Investment Committee.
- Key parts of our active ownership work are reviewed by CCLA's dedicated risk and oversight team and are also subject to internal audit.
- We constantly seek to improve the effectiveness of our active ownership work. For this reason, this policy is kept under constant review and is updated as required and formally at least once a year.

<sup>6</sup> Better World Sustainable Investment Outcomes 2023, pages 85-87 and 92-95.

<sup>7</sup> Voting guidelines 2024.

<sup>8</sup> Our Conflict of Interest and Remuneration policies are available at [www.ccla.co.uk](http://www.ccla.co.uk)

### **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. To ensure you understand whether our products are suitable, please read the fund fact sheets and the scheme particulars and the risk factors identified therein. We strongly recommend you seek independent professional advice prior to investing.

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### **WANT TO KNOW MORE?**

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