CCLA
GOOD INVESTMENT

Public Sector Deposit Fund

The purpose of this report is to provide disclosures of key sustainability-related performance indicators and metrics. The content of this report is aligned with the requirements of the environmental, social and governance (ESG) sourcebook published by the Financial Conduct Authority (FCA) and the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

We recognise the growing demand from investors for more information in these areas and will continue to evolve and enhance our reporting in line with data and industry developments.

Date range

Due to current data collection processes the report covers two distinct reporting periods. Climate related data required under TCFD is reported as a 12-month period to the end of March 2025 (this was previously reported separately and was originally issued in June 2025). Sustainability related data covers the 12-month period to the end of June 2025. Going forward it is our intention to report against a 12-month period to the end of December, starting with the calendar year ending December 2025.

Investment policy

The fund will only invest in sterling-denominated investments and deposits. The principal investments will comprise certificates of deposit, call accounts and term deposits with banks and building societies. The fund may also invest in other securities such as commercial paper, floating rate notes and bonds which may be issued or guaranteed as to principal or interest by sovereign governments and their agencies, supranational entities, corporations and financial institutions.

All investments at the time of purchase will be considered by CCLA to be of high quality, meaning that CCLA has performed its own documented assessment of the credit quality of money market instruments taking into account ratings awarded by a credit rating agency registered and supervised by the Financial Conduct Authority or the European Securities and Markets Authority in accordance with the regulations.

Sustainability approach

This product does not have a UK sustainable investment label. Sustainable investment labels help investors find products that have a specific sustainability goal. The fund does not use a sustainable investment label because it does not have a sustainability goal.

CCLA maintains an approved list of financial institutions, which CCLA's cash funds can use to invest with. To determine this list, CCLA assesses institutions on various indicators of financial strength and on several environmental, social and governance indicators (ESG). This document sets out the ESG indicators assessed which consist of the following:

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. the institution's ranking in CCLA's mental health and modern slavery benchmarks.[2]

In addition, CCLA routinely monitors counterparties' compliance with Global Standards 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.

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 the fund, 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. The full approach is available here.

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 these benchmarks.

Sustainability metrics

During the 12 months to the end of June 2025, CCLA engaged with 24% (10 out of 42) of the listed[3] financial institutions on our approved list of counterparties.

Engagement is split across our three engagement themes: health, work and environment. We set out below several engagement case studies. Please note case studies are selected for illustrative purposes and are intended to give a balanced picture of our engagement, both positive and negative.

A new approach to engagement tracking and reporting was introduced on 1 July 2025. We will report on effectiveness of engagement with holdings in the fund against this new approach at the next reporting period.

Toronto Dominion Bank (workplace mental health)

Toronto Dominion Bank is one of more than 100 companies in the CCLA Corporate Mental Health Benchmark – Global 100+ and has been assessed annually on its approach to workplace mental health since 2022.

The company has improved its performance significantly in 2022–24; its score has moved up 43 percentage points over the time period and is now ranked in Tier 2.

The company has engaged well throughout with several meetings, and we continue discussions with the company towards further improvement. It was assessed again in June 2025, and its 2025 performance will be published in October.

Lloyds Banking Group (workplace mental health)

Lloyds Banking Group is one of 100 companies in the CCLA Corporate Mental Health Benchmark – UK 100 and has been assessed annually on its approach to workplace mental health since 2022.

In 2022, it was one of only three companies ranked in the top performance tier. Despite regular and positive engagement with the company since then, its mental health performance has deteriorated, having dropped 17 percentage points in 2022–24. Despite this fall, the company remains in the top quartile of UK companies on mental health performance, and we are hopeful it will regain its leadership position in time.

Work

Within the 'better work' pillar, we are principally concerned with the recognition and support for human and labour rights. We engage with listed counterparties that are a part of the CCLA Modern Slavery Benchmark.

Lloyds Banking Group (modern slavery)

In 2023, Lloyds was ranked in Tier 3 of the CCLA Modern Slavery UK Benchmark (meeting basic expectations). We met the company in May 2024 to discuss how they could strengthen their approach to modern slavery. We highlighted how they lacked disclosure regarding their supply chain and audit methodologies. Lloyds subsequently moved up to Tier 2 (evolving good practice) in 2024. Their disclosures on their supplier workforce and audit practices were significantly enhanced. Additionally, throughout the year, Lloyds had joined the Unseen Business Support Hub and organised worker welfare audits for their new office developments.

We met the company again in October 2024 to discuss further improvements and reflections on the benchmark. They highlighted that the benchmark had been helpful in securing internal buy-in for greater disclosure from other parts of the business.

HSBC Holdings (modern slavery)

In 2023, HSBC was ranked Tier 3 of the CCLA Modern Slavery UK Benchmark (meeting basic expectations).

We wrote to the company in August and September 2023 to share their scorecard and offer a change to discuss improvements. In general, HSBC lacked disclosure on their supply chain and social audit processes. HSBC declined the offer of a call.

HSBC remained in Tier 3 in 2024. Again, they were contacted in August and September to discuss potential improvements to their approach. HSBC did not respond. We will continue to press HSBC to engage with us on its approach to modern slavery.

Climate

Within 'better environment' our primary focus is on climate action.

In the first quarter of 2024, we sent due diligence questions to counterparties in the fund asking for information on their approach to fossil fuel financing.

The engagement approach for cash funds was reviewed and revised following this initial outreach. Engagement against the revised approach will commence in the second half of 2025.

Climate-related data in this report covers the period to 31 March 2025.

3 Defined as public companies whose shares are traded on a stock exchange.

The lack of detailed carbon data coverage in property and cash makes it difficult to provide the same level of disclosure as we can for asset classes such as listed equities. For this reason we do not have targets for the asset classes making up these funds. 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.

Further links

- Prospectus (for pre-contractual disclosures)
- A climate for Good Investment (for information on the impact of climate change on CCLA and the actions we are taking)

Glossary

Please refer to the glossary on our website for explanations of terms used in this communication. If you would like the information in an alternative format or have any queries, please call us on **0800 022 3505** or email us at **clientservices@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. 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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1036.1004/PS-DF-Public-product-level-sustainability-report-250630v2

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