

# Remuneration policy

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## 1. CCLA group policy

CCLA provides investment management products and services predominantly to charities, religious organisations and the public sector.

Our purpose is to help our clients maximise their impact on society by harnessing the power of investment markets. This means we must provide a supportive and stable environment for our staff and deliver trusted, responsibly managed and strongly performing products and services to our clients, irrespective of their size.

The CCLA Remuneration Policy represents the remuneration arrangements of both CCLA Investment Management Limited (CCLA IM) and its wholly owned subsidiary, CCLA Fund Managers Limited ('CCLA FM') (collectively referred to as 'CCLA'). Where arrangements apply to only one firm this is noted.

This policy sets out how CCLA promotes sound and effective risk management in accordance with the relevant remuneration codes transposed into the relevant SYSC sections of the Financial Conduct Authority (FCA) handbook of rules and guidance.

The following parts of CCLA's business are required to comply with the following Remuneration Codes:

- MiFIDPRU (SYSC 19G) - CCLA IM
- AIFMD (SYSC 19B) - CCLA FM
- UCITS V (SYSC 19E) - CCLA IM

These codes are collectively referred to as 'Remuneration Codes' in this policy.

This policy has been designed to incorporate all relevant remuneration regulatory obligations for the businesses into a consolidated policy that is applied consistently across the organisation.

This policy is owned by the Remuneration and Nominations Committee (the 'committee'). CCLA IM's board of directors has delegated responsibility for the development and review of its Remuneration Policy to the committee, which is composed of CCLA IM's non-executive directors, excluding the non-executive chair.

### Background

CCLA's ability to hire and retain the best people depends upon the culture and purpose of the business, the quality of its working environment, the opportunities it is able to give people to develop and the remuneration they receive.

CCLA encourages members of staff to develop and progress in their work and contribute to the organisation as a whole. It is keen for all employees to work as members of a team and be part of the whole through the discouragement of sole enterprise.

CCLA currently manages approximately £13.5 billion of assets under management on behalf of its client/investor base, which are mainly charities, religious organisations and the public sector.

## 2. Scope of the policy

This policy applies to all CCLA staff, with additional controls for staff identified as 'material risk takers' (MRTs)<sup>1</sup>. This policy is applicable to all aspects of remuneration that could have a bearing on effective risk management, including salaries, bonuses, long-term incentive plans, severance packages and pension arrangements, where relevant.

References to remuneration include remuneration paid, provided or awarded in connection with employment by CCLA. All staff are eligible to receive variable remuneration.

<sup>1</sup> For the purposes of SYSC 19B and SYSC 19E references in this policy to MRTs refer to Remuneration Code staff.

### 3. Purpose and objectives of this policy

The objectives of this policy are to:

- set out the principles governing CCLA's approach to remuneration
- ensure that remuneration is in line with applicable regulations on remuneration and, in particular, the Remuneration Codes
- ensure that CCLA's remuneration policies and practices are consistent with and promote sound and effective risk management
- ensure that remuneration is properly monitored.

### 4. Annual review

This policy, the remuneration approach and its practical operation shall be reviewed by the committee on a regular basis and at least once a year.

### 5. General requirement

A firm must establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management.

A firm must:

- ensure that its remuneration policies and practices are in line with the business strategy, objectives and long-term interests of the firm including giving consideration to:
  - the firm's risk appetite and strategy including environmental, social and governance factors
  - the firm's culture and values
  - the long-term effect of the investment decisions taken

- ensure that it does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients/investors and are designed in a way that is consistent with encouraging or promoting good outcomes for retail customers. In particular, a firm must not make any arrangement by way of remuneration, sales targets or otherwise that could provide an incentive to its staff to recommend a particular product to a retail client over a different product which would better meet that client's needs
- maintain a record of its MRTs in accordance with the general record-keeping requirements
- take reasonable steps to ensure that its MRTs understand the implications of their status as such, including the potential for remuneration which does not comply with certain requirements of the Remuneration Code to be rendered void and recoverable by the firm
- notify the FCA of any remuneration matters deemed reportable in the FCA Handbook.

CCLA does not trade for its own account and so its principal risks arise from operational risks and a reduction in the management fee income it receives, either as a result of a market downturn or investor redemptions. MRTs for both entities have been defined as the individuals performing certain of the FCA's Senior Management Functions, being the CCLA IM Executive Directors, the Chief Risk Officer, the chairman of the board and other individuals whose professional activities have a material impact on the risk profile of the firm or of the assets that CCLA manages (this will include non-executive directors, heads of investment teams, and those who have managerial responsibility for significant business units). An up-to-date list of MRTs identified as such by CCLA is maintained by the Risk and Compliance team, and reviewed by the Chief Risk Officer and the committee on an annual basis.

## 6. Material risk takers

A review is undertaken of all MRTs at least annually and the list of MRTs is agreed by the committee and maintained by CCLA's Compliance team in conjunction with Human Resources.

The variable pay of all staff identified as MRTs will be subject to malus and clawback.

The following types of staff that have been identified as MRTs:

- members of the management body in its management function
- members of the management body in respect of the management body in its supervisory function
- members of the senior management
- staff members with managerial responsibility for business units that are carrying on at least one of the following regulated activities:
  - dealing in investments as agent
  - managing investments
- staff members with managerial responsibilities for the activities of a control function
- staff members with managerial responsibilities for the prevention of money laundering and terrorist financing
- staff members responsible for managing a material risk within the firm
- staff members responsible for managing:
  - information technology and information security
  - outsourcing arrangements of critical or important functions as referred to in article 30(1) of the MiFID Org Regulation.

## 7. The role of the Remuneration and Nominations Committee

The committee sets the context and high-level limits for the annual remuneration review and specifically approves the remuneration levels of the executive directors and Chief Risk Officer. Remuneration for the rest of the staff will be set by the executive directors with oversight by the committee.

## 8. Remuneration principles

### **Principle 1:**

#### **Risk management and risk tolerance**

CCLA completes an Internal Capital and Risk Assessment process (ICARA) on at least an annual basis where CCLA's key risks are identified and modelled to determine the potential harms that could arise to CCLA, its clients and the wider market. This is reviewed alongside the firm's Fixed Overhead Requirement, K-Factors and permanent minimum capital requirement and in the context of the available capital of the firm. The ICARA also considers and addresses liquidity requirements, the Wind-down Plan and a reverse stress test.

### **Principle 2:**

#### **Supporting business strategy, objectives, values and long-term interests**

When remuneration levels are assessed, the committee reviews performance indicators about key aspects of the firm to ensure that this policy is in line with the business strategy, objectives, values and long-term interests of CCLA, the funds and clients/ investors.

**Principle 3:**  
Avoiding conflicts of interest

CCLA's Conflicts of Interests Policy applies to all staff. It is designed to avoid or manage conflicts arising between customers' interests and those of CCLA staff or CCLA as a whole.

No individual should have the ability to set their own remuneration.

**Principle 4:**  
Governance

The committee has been constituted in a way that enables it to exercise competent and independent judgement on this policy and practices within CCLA and the incentives created for managing risk, capital and liquidity. Members of the committee are members of the Board who do not perform any executive function within CCLA. Any decisions relating to remuneration must take into account the long term interests of shareholders, investors and other stakeholders in the firm and the public interest.

Staff remuneration levels are reviewed by the committee. The committee also specifically approves individual salary, bonus payments, deferral arrangements and where relevant, Long Term Incentive Plan participation, for Senior Executives and other key employees.

The Risk and Compliance team conducts an annual review of this policy for compliance with regulatory requirements, including the Remuneration Codes, prior to it being presented to the committee for final approval. The committee is responsible for overseeing its implementation within the organisation. An abridged version of this policy is published on CCLA's website.

**Principle 5:**  
Control functions

The Chief Risk Officer reports directly to the Chief Executive and also has an unfettered reporting line to the Chair of the Audit and Risk Committee of the board who is a non-executive director. This gives the Chief Risk Officer both independence and authority.

Remuneration for the Chief Risk Officer and the heads of other control functions should be adequate to attract qualified and experienced staff and are determined following an assessment of market data for the role and individual performance against objectives. The financial performance of CCLA overall will always have an impact on the firm's ability to pay variable remuneration but it is not a leading factor in determining variable remuneration for the Chief Risk Officer or heads of other control functions.

Employees in control functions are remunerated in accordance with the achievement of objectives linked to their functions, independent of the performance of the business areas they control.

The remuneration of the Chief Risk Officer is directly overseen by the committee.

**Principle 6:**  
Remuneration and capital

Levels of variable remuneration are assessed by the committee taking into consideration the profitability of the firm and the adequacy of its regulatory capital as set out in the ICARA. This ensures that any variable remuneration does not limit CCLA's ability to strengthen and maintain its capital base. Variable remuneration will not be awarded, paid out or allowed to vest if it would affect the ability of CCLA to ensure a sound capital base.

**Principle 7:****Exceptional government intervention**

CCLA does not benefit from exceptional government intervention so this principle does not apply.

**Principle 8:****Profit-based measurement and risk adjustment**

All variable remuneration paid by CCLA is on a purely discretionary basis. It is based on the performance of the firm, and on work already performed rather than on anticipated results. As set out in Principle 6, any variable remuneration calculation will take into account and not prejudice the adequacy of CCLA's regulatory capital.

Where the financial performance of CCLA is subdued or negative variable remuneration will be reduced.

In making any risk adjustment the committee will determine at what level this will be done (firm, business unit, team within a business unit, individual) and which measures are most appropriate. These risks will include both financial risks and non-financial risks (for example, reputation, conduct and customer outcomes, values and strategy).

**Principle 9:****Pension policy**

Pension arrangements have been reviewed to ensure that they are in line with CCLA's business strategy, objectives, values and long-term interests and that of the funds and client investments it manages.

CCLA does not provide discretionary pension benefits.

**Principle 10:****Personal investment strategies**

Personal hedging strategies are prohibited. CCLA places a restriction on its employees that prohibits the use of hedging strategies, insurance contracts or other measures that undermine the risk alignment effects embedded within their remuneration arrangements.

**Principle 11:****Non-compliance with the Remuneration Code**

CCLA does not reward any staff through any alternative vehicles or methods that could facilitate non-compliance with the relevant Remuneration Codes.

**Principle 12:****Remuneration structures**

The following principles relate to the structure of remuneration arrangements. As deemed appropriate by the FCA in its general guidance on proportionality, CCLA currently applies proportionality to the application of these requirements:

**a) General requirement**

All staff are required to operate within the firm's risk tolerance levels and are not incentivised in any way to take undue risk.

**b) Assessment of performance**

CCLA does not have performance-related pay and does not earn a performance fee on the returns of the funds or any discretionary investment management portfolios. The size of the annual bonus pool is, however, related to the overall performance of the organisation.

The total amount of an individual's remuneration will be based on a combination of the performance of the individual, the relevant business unit or funds and the overall results of the organisation.

When assessing individual performance both financial and non-financial criteria are taken into account. Further details are set out below.

### **c) Criteria for setting fixed and variable remuneration**

There is not a formulaic link between individual quantitative targets and remuneration. Individual remuneration will depend upon the broad success of the individual, team and organisation in achieving CCLA's short- and long-term objectives.

CCLA's emphasis on teamwork means that all quantitative targets and incentives are set at team and organisation levels rather than at the individual level.

#### **Criteria for setting fixed remuneration**

In setting fixed remuneration, the following will be taken into account:

- the market price for the role
- the ability of the company to pay
- ensuring that fixed remuneration is at such a level that it is possible to operate a fully flexible policy on variable pay which might result in the payment of no variable remuneration at all.

#### **Criteria for setting variable remuneration**

In setting variable remuneration, the following will be taken into account:

- the market price for the role
- the success of the organisation as a whole
- the success of the team that the role sits within
- the behaviour and contribution made by the individual
- internal relativities to ensure fairness within CCLA.

Success in this context will be broadly measured and for the organisation includes financial and investment performance, risk control, compliance and governance, client retention, acquisition and satisfaction, efficient and accurate administration and reporting. For the individual it will also include honesty and integrity, fairness and cooperation, skill and diligence and a commitment to improvement.

Consideration will also be given to the following:

- adherence to risk management and compliance policies
- breaches of regulatory rules and/or company policy
- late completion of training
- complaints (internal and external)
- Human Resources disciplinary matters
- behaviour and professionalism issues.

Persistent and/or significant issues will result in a reduction in variable pay (the amount will depend on the severity of the matter and be reviewed and agreed by the committee as part of the remuneration process).

The variable pay of an MRT will be based on a multi-year period, to ensure that the assessment of performance is based on longer-term performance and the payment is spread over a period that takes into account the business cycle of CCLA and its business risks.

### **d) List of all remuneration items (categorised as fixed or variable)**

#### **Fixed**

Fixed remuneration is permanent, pre-determined, non-discretionary, non-revocable and not dependent on performance. The following elements of remuneration are regarded as being fixed:

- base salary
- employer pension contributions or equivalent cash allowance (if over the lifetime allowance)
- annual leave
- income protection cover
- life assurance.

#### **Variable**

Variable remuneration is generally based on the performance of the organisation and/or the individual. The following elements of remuneration are regarded as being variable:

- discretionary bonus
- deferred bonus
- long-term incentive plan for executive directors
- long-term incentive plan for key employees.



#### **e) Guaranteed variable remuneration, buy-outs and retention awards**

It is not CCLA's practice to award guaranteed variable remuneration, retention payments or to buy-out employees' deferred remuneration from their previous employers. If exceptional circumstances require the award of any guaranteed remuneration, retention payment or buy-out, then any such arrangement will be subject to the same deferral and malus and clawback provisions as other variable remuneration payments. In addition:

- any guaranteed variable remuneration would only be agreed in the context of hiring a new MRT, be limited to the first year of service and be subject to CCLA having a strong capital base
- any buy-out awards for an MRT would contain provisions on periods of retention, deferral, vesting and ex post risk adjustment that are no shorter than any corresponding periods applied to unvested remuneration under their previous contract of employment
- any retention awards for MRTs would only be paid after a defined event or at a specified point in time and may be dependent on the MRT meeting agreed performance criteria.

#### **f) Ratios between fixed and variable components of total remuneration**

CCLA operates a fully flexible policy on variable remuneration which includes the possibility of not paying a variable remuneration component.

The ratio between the fixed and variable components of remuneration are set taking into account market practice to ensure that they are appropriately balanced.

Different ratios can be set for different roles. When determining an appropriate ratio, CCLA will consider the roles of employees and the impact that they have on the risk profile of the organisation and/or the assets it manages.

The ratios are reviewed by the Chief Executive, the Head of Human Resources and the Chief Risk Officer at least annually and approved by the committee. The ratios may differ from one performance year to the next.

(Note: When assessing whether the award of variable remuneration is consistent with the ratios set, any amount of severance pay that exceeds the maximum amount of severance pay set out in (g) below that CCLA has become obliged to pay as a result of a legal obligation that has arisen after the date on which this remuneration policy was adopted, can be excluded from that calculation.)

#### **g) Payments related to early termination**

Payments related to termination for MRTs are based on their contractual and statutory rights and are designed in a way that does not reward failure or misconduct. Contractual entitlements on termination are determined by reference to the MRT's notice period under their contract of employment and by the rules of any relevant bonus or incentive plan.

Unless otherwise required by law, the maximum level of severance pay that could be paid is 100% of an employee's total compensation.

#### **h) Retained shares or other instruments**

For the purposes of the MiFIDPRU Remuneration Code (SYSC 19G), the provisions in SYSC 19G.6.19 to 19G.6.23 do not apply to CCLA. For the purposes of the AIFMD and UCITS Remuneration Codes, CCLA has assessed the principle relating to retained shares or other instruments against the remuneration principles proportionality rule and has determined that it can be disapplied. CCLA is a private company with a limited shareholder base. It has therefore made the decision not to require a portion of its employees' variable remuneration to be in the form of shares or other instruments with the exception of Executive Directors or where variable remuneration is deferred [see section (i)].

### **i) Deferral**

For the purposes of the MiFIDPRU Remuneration Code (SYSC 19G), the provisions in SYSC 19G.6.24 to SYSC 19G.6.29 do not apply to CCLA. For the purposes of the AIFMD and UCITS Remuneration Codes, CCLA has assessed this principle against the remuneration principles proportionality rule and has determined that it can be dis-applied; however, certain employees, including MRTs, may be awarded variable remuneration that exceeds the firm's deferral threshold. In these instances, a pre-defined percentage of the remuneration award exceeding the deferral threshold will be deferred for a period of three years. There is a pre-defined minimum deferral amount. All pre-defined factors are agreed and approved by the committee.

The purpose of the bonus deferral scheme is to:

- promote sound and effective risk management
- discourage short term behaviour detrimental to CCLA and its clients
- assist in the retention of first-class employees
- comply with best practice in the fund management sector
- meet the expectations of CCLA's shareholders and other stakeholders.

### **j) Performance adjustment**

See also Principle 8. Any variable remuneration, including a deferred portion, will only be paid or vest if it is sustainable on the basis of the performance of CCLA, the business unit and the individual concerned.

For MRTs all of the total variable remuneration is subject to in-year adjustments, deferral or clawback arrangements. CCLA shall have the right to: (i) reduce or cancel awards of deferred remuneration (i.e. to apply malus); or (ii) require repayment of all or part of a payment or award of variable remuneration (i.e. to apply clawback) in circumstances where:

- the MRT has participated in or was responsible for conduct which resulted in significant losses to CCLA and/or has failed to meet appropriate standards of fitness and propriety.
- the MRT has been guilty of severe negligence which resulted in significant losses
- there is reasonable evidence of fraud or material dishonesty by the MRT
- CCLA has been required to restate its accounts to a material extent
- CCLA becomes aware of any material wrongdoing on an MRT's part that would have resulted in the relevant payment or award not being made had CCLA known about such material wrongdoing at the time the relevant award was made.

Or, CCLA may also apply malus where:

- there is reasonable evidence of staff misbehaviour or material error
- CCLA or the relevant business unit suffers a material downturn in its financial performance
- CCLA or the relevant business unit suffers a material failure of risk management.

CCLA may exercise its right of malus and clawback not only in respect of MRTs who are directly culpable, but also in respect of MRTs who:

- could reasonably be expected to have been aware of the failure, misconduct or weakness in approach that contributed to, or failed to prevent, the crystallisation of a material risk to the business of CCLA at the time but failed to take adequate steps to promptly identify, assess, report, escalate or address it; or
- by virtue of their role or seniority are indirectly responsible or accountable for the relevant event or risk occurring or arising.

**Principle 13:**

All staff will be given the opportunity to acquire CCLA equity.

The business wishes to ensure that all staff share a common interest with them, are tied into CCLA in a way that ensures a long-term financial commitment, and a sharing of the gains and losses. To support CCLA's universal ownership culture, CCLA offers share schemes to ensure maximum participation opportunities for its staff.

## 9. Remuneration and performance management of sales staff

Upon reviewing the remuneration and performance management of sales staff, the committee ensures that remuneration and similar incentives are not solely or predominantly based on quantitative commercial criteria and take into account appropriate qualitative criteria reflecting compliance with the applicable regulations, the fair treatment of clients/investors and the quality of services provided.

The committee ensures that a balance between fixed and variable components of remuneration is maintained at all times so that the remuneration structure does not favour the interests of the firm or its employees against the interests of any client/investor.

## 10. Executive long-term incentive plan

CCLA is keen to ensure that its executive directors have a common interest with its shareholders and are tied to CCLA in a way that ensures a long-term financial commitment and an alignment of the impact of gains and losses. A long-term incentive plan (LTIP) has been implemented to achieve this, with all executive directors eligible to participate in the scheme.

## 11. Long-term incentive plan 2 (phantom share plan)

CCLA is keen to ensure that its key staff also have a common interest with its shareholders and are tied to CCLA in a way that ensures a long-term financial commitment and an alignment of the impact of gains and losses. A long-term incentive plan 2 (LTIP2) is targeted at key CCLA employees with scarce skills who have been identified as likely key contributors to CCLA's ongoing success.

## 12. Record keeping

CCLA's remuneration policies, practices and procedures must be clear and documented, including CCLA's performance appraisal processes and decisions. Records will be kept for seven years in line with CCLA's Document Retention and Records Management Policy.

## 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.

CCLA Investment Management Limited (registered in England, number 2183088) and CCLA Fund Managers Limited (registered in England, number 8735639), whose registered address is One Angel Lane, London EC4R 3AB, are authorised and regulated by the Financial Conduct Authority.

### WANT TO KNOW MORE?

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**CCLA**

BECAUSE GOOD IS BETTER