Response to the UK Stewardship Code Principles

Covering the reporting year to end of March 2025

CCLA
GOOD INVESTMENT

Contents

This report is CCLA's response to the Financial Reporting Council's Stewardship Code for the financial year 2024–2025.

The Stewardship Code comprises a set of 'apply and explain' principles for asset managers in order to increase the effectiveness of the investment industry's approach to stewardship.

The Code sets out 12 principles for asset owners and asset managers to explain their approach. This covers 'purpose and governance', 'investment approach', 'engagement' and 'exercising rights and responsibilities'.

This document sets out how CCLA, in its role as an asset manager, undertakes stewardship for its mandates and applies each of the twelve principles of the code.

CCLA supports Koestler Arts

Koestler Arts is the UK's leading arts charity. It is nationally respected for its ground-breaking work using the arts as a catalyst for positive change in the lives of people within the criminal justice system and in the public's perception of their potential.

Cover image courtesy of Koestler Arts. *The Lighthouse*, HM Prison Castle Huntly, Belpech Trust. First-Time Entrant Award for Painting.

koestlerarts.org.uk

Foreword

This response to the UK Stewardship Code reflects CCLA's enduring dedication to responsible investment and active stewardship, even as we prepare for an exciting new chapter. The likely acquisition of CCLA by Jupiter Asset Management marks a significant milestone in our journey, one that we believe will enhance our ability to deliver long-term value for clients while deepening our impact as stewards of capital.

Throughout this transition, our commitment to stewardship remains unwavering. We continue to advocate for better corporate behaviours, transparency, and accountability across the market. Stewardship is not a bolt-on to our investment process; it is core to our business, and each of our stewardship initiatives is designed not only to build a better portfolio, but also to change the world in which we live for the better.

This document outlines our approach, actions, and outcomes over the reporting period, and reaffirms our belief that thoughtful stewardship is essential to sustainable investment performance and broader societal progress.

We thank our clients and stakeholders for their continued trust and support.

Peter Hugh Smith
Chief Executive

Purpose and governance

Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment, and society.

Context

Signatories to the FRC's 2020 Stewardship Code should explain:

- the purpose of the organisation and an outline of its culture, values, business model and strategy
- their investment beliefs, i.e. what factors they consider important for desired investment outcomes and why.

CCLA primarily provides investment management products and services 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 requires us to provide a supportive and stable environment for our staff and deliver trusted, responsibly managed, and strongly performing products and services to organisations, irrespective of their size.

Our investment beliefs

As an asset manager, our aim is to deliver consistent risk-adjusted returns to our clients in a way that aligns with their values and furthers their mission. We achieve this through the following principles.

Act

We act as an agent for 'change' because investment markets can only ever be as healthy as the environment and communities that support them. We do this by:

- using our ownership rights to improve the sustainability of the assets in which we invest
- bringing investors together to address systemic risks that have not had the attention they require
- seeking to be a catalyst for change in the investment industry.

By helping to accelerate progress in meeting the major challenges faced by the world, we aim to limit risks before they negatively impact the performance of our clients' assets and the function of society.

Assess

Within listed equity, we assess environmental, social and governance (ESG) standards because we believe that a combination of legislation, regulation, and changing societal preferences will impact negatively on the most unsustainable business models.

We avoid investing in companies that have uncompensated, unwanted, unwarranted, and unmitigated ESG risks as evidenced by:

- poor management and weak corporate governance
- an unacceptable social and environmental impact
- not demonstrating a willingness to improve through investor engagement.

This helps us avoid investments that we anticipate will underperform and, as the market has a poor record of pricing these risks, enable us to deliver superior long-term risk-adjusted returns to our clients.

Align

We invest in a way that is aligned with our clients, as we are the guardians, not the owners, of the assets that we manage. For this reason, we have a responsibility to:

- ensure that our portfolios are aligned with our clients' objectives, values, and beliefs
- report on the outcomes of all our work
- be transparent about everything we do on our clients' behalf.

By investing in a way that is aligned with our clients we are better able to meet their objectives and offer more than a financial return.

This is what we call '**Good Investment**'.

Our business model
While the primary focus of our business is on non-profit organisations, in April 2022, we launched our first retail fund: the CCLA Better World Global Equity Fund. In February 2024, we expanded our retail offering and launched the CCLA Cautious Multi-asset Fund. This supplements our core business of managing money on behalf of charities, faith organisations and local authorities.

Based in the City of London, with an office in Edinburgh, we manage over £15.0 billion (as at the end of March 2025) on behalf of more than 30,000 not-for-profit clients and offer a variety of different investment solutions to meet their needs. These include:

- multi-asset class pooled funds
- single asset class pooled funds, which cover bonds, cash, equities and property, and may be used alone or in combination, usually as part of a client's investment strategy
- a managed funds service, that offers clients a portfolio made up of CCLA funds
- segregated investment services for clients where, for various reasons, pooled funds are not appropriate

While our clients are UK based, we are global investors. Our funds and products are managed responsibly and in line with our clients' values.

Activity and outcome

Signatories should explain what actions they have taken to ensure their investment beliefs, strategy and culture enable effective stewardship and disclose:

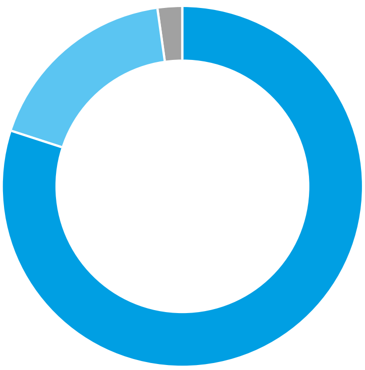
- how their purpose and investment beliefs have guided their stewardship, investment strategy and decision-making; and
- an assessment of how effective they have been in serving the best interests of clients and beneficiaries.

During the reporting year, we continued to implement our Good Investment philosophy into our active ownership activities and our asset selection as follows:

Active ownership ('Act')
Climate action failure, social cohesion erosion, public health crises; these risks represent system-wide dangers to the environment and the function of society. As the guardians of the assets that we manage, and as long-term investors, we have a duty to try to tackle them.

To act as a catalyst for change in our industry, and to maximise our impact, we continued our focus on addressing long- term systemic issues that have not had the attention from investors that they deserve.

ASSETS UNDER MANAGEMENT



Client type	AUM (£m)	%
Charities and churches	12,042	80.2
Public sector	2,673	17.8
Retail market	299	2
Total	**15,014**	**100**

Source: CCLA, as at 31 March 2025.

We continued to implement our 'flagship' engagement programmes that focus on addressing mental ill-health in the workplace and modern slavery. These projects continue to deliver change that we believe would not have come about without CCLA's intervention.

Mental health

The CCLA Corporate Mental Health Benchmark, is designed to incentivise and motivate listed companies to improve their approach to mental health in the workplace. This project is prioritised for two key reasons:

1. Evidence suggests that mental ill-health in the workplace represents a material risk to investors. Evidence suggests that 15% of working-age adults have a mental disorder and that $1 trillion is lost to the world economy each year because of the impact – mostly on lost productivity – of depression and anxiety (World Health Organisation, 2024).
2. Mental health has not had the attention from investors that we believe it deserves. This was evidenced by our initial engagement with 11 investee companies on this topic in 2019; we were told repeatedly that we were the only investors asking questions about mental health in the workplace.

Creating a positive environment for mental health costs much less than failing to do so. **It has been estimated that investing in mental health interventions at work yields an average return to employers of £4.7 for every £1 spent (Deloitte, 2024).** The case for investor action is clear.

Following three years of research, data gathering, focused engagement and consultation (2019-2022), we created a new tool, designed to shine a light on corporate mental health practices for the first time. The CCLA Corporate Mental Health Benchmark is the culmination of sustained collaboration with mental health experts, data providers, charities and listed companies.

In May 2022, we launched the UK 100 benchmark, followed by the Global 100 benchmark in October. Companies are assessed and ranked into one of five performance tiers (Tier 1 being the leaders). The companies in the two inaugural benchmarks collectively employed more than 24 million people.

The benchmarks provide an objective assessment of listed companies employing more than 10,000 people. They do not attempt to gauge the 'happiness level' of a company's workforce. Rather, to evaluate the extent to which employers provide the working conditions where their people can thrive, based on a company's public disclosures.

By the end of March 2025, we had completed three full annual cycles of both UK and global benchmarks.

The results are as follows:

- 173 benchmarked companies have engaged directly with us on this topic since 2022.
- 58 companies have improved their score sufficiently to improve by one or more performance tier (2022-2024).
- The 58 'improver' companies employ between them more than 4.6 million people worldwide.

Modern slavery

Our work to tackle modern slavery in company supply chains has continued. It is estimated that there are 50 million people worldwide in modern slavery, and there is evidence to suggest that it exists somewhere in the supply chain of every business (International Labour Organisation, 2022). As investors, we believe we have a duty to work with companies to tackle this problem.

Much of our focus during the year was on strengthening the policy landscape. We have been engaging with the Home Office Forced Labour Forum in a project to update statutory guidance for the Modern Slavery Act's Transparency in Supply Chains provisions, for some time, bringing to light case studies from our engagement on this topic. In March 2025, the Home Office published updated statutory guidance. The guidance draws on and references CCLA's UK Modern Slavery Benchmark framework. Progressive policy and regulation is a key lever for bringing about system-level change. CCLA's Dame Sara Thornton, former UK independent anti-slavery commissioner, leads this work on our behalf.

Meanwhile, CCLA's Find it, Fix it, Prevent it investor coalition has grown to 70 investors with a combined £18 trillion in assets under management (as at 31 December 2024, figures updated annually), working together to fight modern slavery.

Climate action

When it comes to climate-related stewardship work, our approach is slightly different. We do not invest directly in any companies that focus on extracting, producing or refining coal, oil sands, oil or gas, nor any company in a high carbon sector that we believe does not align with the Paris Agreement. Consequently, our ability to contribute meaningfully to a low carbon economy through direct engagement with the companies that we invest in is more limited.

During the reporting year, we focused our active ownership work on the 30 largest greenhouse gas (GHG) emitting listed equity holdings in our portfolios, identified using scope 1 and 2 and estimated scope 3 emissions. While scopes 1 and 2 are used for portfolio metrics due to their reliability, we also consider estimated scope 3 emissions where they are material. Scope 3 usually represents the largest share of a company's climate impact, and despite data challenges, we include it in our engagement priorities to address the most significant emissions across the full value chain. Our aim is to encourage companies to further their approach to setting credible decarbonisation plans, monitoring performance against these plans and following through on successful implementation.

ESG integration ('Assess')

While active ownership is the focus of our work, we are mindful that some environmental, social and governance factors can influence company performance. For this reason, we seek to integrate these factors into our investment process with the sole aim of supporting risk adjusted returns.

We acknowledge that a combination of legislation, regulation and changing societal preferences can impact negatively on the cash flow of the most unsustainable business models. Within our listed equity investments, we take deliberate steps to uncover – and avoid – companies that have uncompensated, unwanted, unwarranted, and unmitigated ESG risks as evidenced by:

- poor management and weak corporate governance
- an unacceptable social and environmental impact
- failing to demonstrate a willingness to improve through investor engagement.

Our approach is designed to help us identify and address any extra-financial risks that may harm investment returns in the future.

Prior to purchase, we assess companies' ESG risks in conjunction with their financial position. This approach applies to all listed equities irrespective of their geography or sector. See Principle 7 for details.

Climate risk is a key consideration in this area. In the medium term, we recognise that companies in high-carbon industries will face increased regulation and legislation that will disrupt their business models. We avoid investing in companies that we consider most damaging to the environment (please refer to A climate for Good Investment).

5★

POLICY GOVERNANCE AND STRATEGY

5★

DIRECT LISTED – EQUITY

5★

CONFIDENCE BUILDING MEASURES

4★

DIRECT – REAL ESTATE

As a result of our climate-related restrictions, as well as our preferred investment style, our equity portfolios had a carbon footprint, implied temperature rating and climate value- at-risk scores significantly below that of the MSCI World Index (as at 31 March 2025). Our funds also had better-than-benchmark corporate governance ratings (see page 23 for further details).

Values-based restrictions (‘Align’)

The majority of our clients’ assets are invested in accordance with ‘values-based investment policies’, which are set out in respective fund prospectuses or written into the investment management agreements of our segregated clients. Such ‘values-based investment policies’ are designed to align with the values and social obligations of underlying investors.

Such policies set limits on the type of company that can enter an investment portfolio and are based on a company’s revenue from certain business activities; typically, those that cause harm that cannot be mitigated or reversed and which our clients prefer to avoid.

Values-based investment policies for our funds are informed by feedback from periodic consultation with our clients, the most recent of which was completed in February 2023.

There were zero breaches of values-based investment policies during the reporting period.

Transparency

We believe in the importance of transparency and publish our voting record and highlights of our engagement programmes on our website every quarter. In addition, every year we release a detailed annual Sustainable Investment Outcomes Report. This sets out our responsible investment policies, how we have performed against them and a progress report on our engagement activities.

Assessment of effectiveness

We believe that our approach to exercising stewardship has effectively met the requirements of our clients. Our most recent PRI assessment was published in December 2023. CCLA received 5 stars (out of 5) for our approach to ‘Policy Governance and Strategy’, ‘Direct Listed – Equity’ (how we integrate ESG in listed equity) and ‘Confidence Building Measures’. We received 4 stars for our approach to ‘Direct – Real Estate’ (how we integrate ESG in property). The next PRI assessment is due to be released before the end of 2025. This will be published on our website.

Resources

During the reporting year, the specialist sustainability team comprised 11 team members. The breakdown of the team, including their responsibilities and years of experience, is included in our response to Principle 2 on page 10.

While CCLA has a well-resourced specialist team, we recognise that implementing our approach to stewardship is the responsibility of every member of staff. We continued to encourage our investment management and client relationship team members to further develop their stewardship knowledge. This includes providing the opportunity for our investment professionals to study for stewardship qualifications and encouraging our staff to attend relevant ‘lunch and learn’ sessions. In addition, the sustainability team regularly briefs the company on their stewardship activities, as part of our weekly ‘all staff briefing’.

This approach has helped contribute to our strong collegiate corporate culture and our company-wide commitment to stewardship.

As at 31 March 2025, 48% of our investment and 62% of our client relationship management staff held the CFA’s Certificate in ESG Investing.

Governance

Our stewardship activities are guided by formalised policies and monitored and overseen by both internal and external parties (see Principle 2).

Principle 2

Signatories' governance, resources and incentives support stewardship.

Activity and outcome

Signatories to the Stewardship Code should explain how:

- their governance structures and processes have enabled oversight and accountability for effective stewardship within their organisation and the rationale for their chosen approach
- they have appropriately resourced stewardship activities, including:
  - their chosen organisational and workforce structures
  - their seniority, experience, qualifications, training and diversity
  - their investment in systems, processes, research and analysis
  - the extent to which service providers were used and the services they provided; and
  - performance management or reward programmes have incentivised the workforce to integrate stewardship and investment decision making.

Signatories should also disclose:

- how effective their chosen governance structures and processes have been in supporting stewardship
- how they may be improved.

Our stewardship activities are conducted within a strict governance framework.

Policies and standards
CCLA's stewardship activity is conducted in line with agreed policies and processes. These include:

- Our Engagement Policy, which covers using our ownership rights to improve the environmental and social performance of the assets in which we invest, bringing investors together to address systemic risks that have not received the attention that they require, and seeking to be a catalyst for change in the investment industry.
- Our Voting Guidelines 2025, which set out our approach to voting our clients' shares in company meetings.
- Our Climate Change and Investment Policy, which sets out our approach to identifying climate risks and opportunities, how this impacts upon our approach to asset selection and how we monitor climate risk.
- Our Values-Based Screening Policy, which is incorporated into the scheme particulars of our pooled funds, and identifies how we tailor the product to meet clients' values.

Our performance against these policies is disclosed annually in our Sustainable Investment Outcomes Report.

Oversight

1. Internal oversight

Our responsible investment policies, processes and activities are approved, overseen and monitored by CCLA's Investment Committee, which meets quarterly and is chaired by our Chief Executive.

Quarterly responsible investment reports are provided to CCLA's board and Executive Committee. Board and management oversight of climate-related risks and opportunities in particular are set out on page 11 of our Climate Change and Investment Policy.

CCLA also operates an Enterprise Risk Management Framework (ERMF) to identify, monitor, manage, measure and report on sustainability risk, a key risk included in our risk taxonomy. The ERMF leverages the risk taxonomy to set risk appetite statements and throughout its core risk management tools such as risk event management, risk and control self-assessments, key risk indicators and corporate risk profile assessments. Specific risks and controls pertinent to CCLA's sustainability team are reviewed and challenged by the Enterprise Risk function on an annual basis.

This governance framework is designed to ensure the effective implementation of our stated approach.

2. Advisory oversight

Quarterly responsible investment reports are provided to the trustees of our church and charity investment funds.

3. Audit

CCLA's internal audit function reviews areas of the business on a revolving basis. An internal audit review of the sustainability team was conducted during the reporting period, in February 2025. The exercise involved a review of CCLA's implementation of the FCA's Sustainability Disclosure and Labelling Regime (SDR), specifically on the anti-greenwashing and naming and marketing rules. While the report was issued in May 2025 (outside the scope of this reporting period), it can be summarised as follows.

The report stated that CCLA has a 'commendable approach to sustainability across its various efforts, especially its market-leading engagement with listed companies'. However, noting the growing regulatory risk associated with the regulation, it made several recommendations with regards to language used in externally facing documentation, transparency on our net-zero strategy and controls and education for staff on the new anti-greenwashing, naming and marketing rules. These are being addressed.

Stewardship resourcing

We believe that stewardship is the responsibility of all our staff. However, our work is led by a well-resourced, specialist sustainability team which is led by CCLA's Head of Sustainability. The team forms one of the three pillars of our investment management function. The Head of Sustainability is a member of the company's Investment Leadership Group (see chart below).

Investment Leadership Group

Ben Funnell
Solutions
Strategic asset allocation, alternatives, property, fixed income, cash and risk management
13 team members

Charlotte Ryland
Investments
Core investment engine, analysing global equities
11 team members

James Corah
Sustainability
ESG integration
Active stewardship
11 team members

Source: CCLA, as at 31 March 2025.

As at 31 March 2025, 11 experts (nine full time equivalent) comprised our sustainability team, of which six have experience in the sustainable finance industry of more than 10 years.

The team members have differing educational backgrounds, a variety of academic and professional qualifications including PhDs and CISI certificates and is 64% female and 36% male.

Systems and data

The accurate implementation of values-based investment policies and related exclusions is supported by dedicated data streams sourced from third parties and/or developed on a bespoke basis in-house. These are set out in the table on page 11 and are integrated into our order management system to prevent the purchase of any security that would violate a defined exclusion.

We regularly communicate with our data providers so that they are aware of the purposes for which we use their data, to inform them of any data accuracy concerns that we might have and/or to help them further develop their products.

Rewards and incentives

Stewardship is included in the competency assessments of investment management staff. Variable pay is provided on a discretionary basis and is not allocated subject to fixed key performance indicators. We believe this enables us to reward our staff for their wider contribution to the company's culture and to meeting our clients' objectives.

Assessment of effectiveness

Policies, combined with formal and regular oversight (both internal and external), give us confidence that our approach to the governance systems surrounding our stewardship work is effective and designed to meet the interests of our clients.

This is demonstrated by our high PRI Assessment scores across both policy and governance (Policy Governance and Strategy) and integration in our equity process (Direct – Listed Equity – Other).

Nonetheless, we recognise the opportunity to improve our approach to data verification in our stewardship activities, as set out in Principle 5.

SUSTAINABILITY TEAM EXPERIENCE, QUALIFICATIONS AND RESPONSIBILITIES

Name and job title	Years at CCLA	Qualifications	Responsibilities
Andrew Adams Senior Analyst: Sustainability Data & Proxy Voting	12	BA, MSc, CFA Cert ESG Investing	Andrew has worked in sustainable investment for 13 years. He supports the stewardship work of the team through maintaining various data systems and leading the day-to-day work of proxy voting.
Amy Browne Director of Stewardship	5	BA, CISI, PCIAM, IAD, IMC, CFA Cert ESG Investing	Responsible for leading and coordinating CCLA's stewardship activity across all areas, from public health and environment to corporate labour standards. Amy led the development of the CCLA Corporate Mental Health Benchmark and oversees the $10 trillion global investor coalition on workplace mental health that supports it.
Josephine Carlsson Church Ethics Lead & Secretary to the Church Investors Group	4	BA, CFA Cert ESG Investing	Specific responsibility for church-related ethical issues within the sustainability team at CCLA. She is also Secretary to the Church Investors Group (a group of 65 institutional church investors in the UK who have assets of approximately £26 billion), a role that involves promoting ecumenical collaboration and cooperation on ethical investment matters.
James Corah Head of Sustainability	15	BA, MSc, PhD, CFA Cert ESG Investing	Responsible for CCLA's approach to responsible investing. This includes our work to deliver real and lasting change through active stewardship, integrating environmental, social, and governance factors into our investment processes and ensuring that our portfolios are aligned with the values and mission of our clients.
David Ellis Director, Governance & ESG Integration	9	BSc (Econ)	Responsible for the development of CCLA's proxy voting policies and corporate governance stewardship programme. Additionally, he manages CCLA's implementation of ethical and responsible screening.
Helen Wildsmith Stewardship Director – Climate Change	16	BSc, MSc, PhD	Leads CCLA's climate change-related policy work and engagement with NextEra. Helen has been working with the Powering Past Coal Alliance since 2017 and sits on the Delivery Group of the UK Government's Transition Plan Taskforce (TPT) as an investment sector expert on mining and electrical utilities.
Clemence Chatelin Manager, ESG Integration	3	BSc, MSc, CFA Cert ESG Investing, APFS	Responsible for the development of tools and approaches that enhance ESG integration in the investment process.
Martin Buttle Better Work Lead	2	BSc, MSc, PhD, CFA Cert ESG Investing	Responsible for the Better Work pillar of CCLA's engagement strategy, which includes coordinating the 'Find it, Fix it, Prevent it' programme on Modern Slavery as well as broader engagements on Living Wage, Decent Work and Business and Human Rights.
Sara Thornton Consultant, Modern Slavery	2	BA, MSc	As former Independent Anti-Slavery Commissioner, Dame Sara Thornton leads CCLA's policy engagement work on modern slavery and forced labour. She also oversees the development of 'Find it, Fix it, Prevent it' programme on modern slavery.
Sophie Walk Sustainability Co-Ordinator	<1	BA	Provides support for the delivery of CCLA's engagement programmes, with a focus on the CCLA Modern Slavery Benchmark.
Tessa Younger Better Environment Lead	2	MA, CFA Cert ESG Investing	Leads CCLA's 'Better Environment' work, managing all stewardship on environmental issues, including climate change and nature, with the aim of driving clear improvements at the companies in which CCLA invests.

Source: CCLA, as at 31 March 2025.

SUSTAINABLE INVESTMENT DATA POINTS

Category	Data point	Comment	Use
Ethical screening	Sustainalytics' Product Involvement	This is a suite of data identifying companies' involvement in activities restricted by our clients.	The data is programmed into our order management system (OMS) to support compliance with the relevant portfolio's ethical screens.
	Urgewald	Additional ethical screening data covering companies' involvement in climate change related activities specifically based on gas extraction and coal fired power stations.	The data is programmed into our OMS to support compliance with CCLA's Climate Change and Investment Policy
International norms	Sustainalytics' Controversial Product Involvement	Sustainalytics reviews the media reports of company activities to identify any breaches of internationally recognised standards.	This is used by CCLA to monitor portfolio companies' position against the UN Global Compact. Companies identified as having the most serious controversies are entered into a time-limited engagement programme that, if progress is not made, can lead to divestment.
Climate change and investment	MSCI Carbon and Climate Portfolio Analytics	Data to identify companies' carbon intensity and to calculate the Scope 1 and 2 carbon footprint of our portfolios.	This is used to implement a maximum portfolio carbon footprint as mandated by our commitment to achieve net zero emissions in equity portfolios by 2050. MSCI climate value at risk data is also integrated into our risk management framework and disclosed as part of our climate risk reporting.
	Transition Pathway Initiative	Data to analyse companies' decarbonisation plans against the necessary net zero pathway for their sector.	This is used to inform our assessment of electrical utility and energy companies' position against the Paris Agreement. Non-aligned companies are restricted from investment on a 'comply/approve' basis. This means that companies that do not meet the necessary standard are only admitted to a CCLA-managed portfolio following the approval of the Investment Committee.
Corporate governance	UBS Holt and Sustainalytics Governance Scores	Data used as part of CCLA's corporate governance rating system. This provides 8,000 companies with an A (best-in-class) to F (worst) corporate governance rating. Companies rated E and F require extra due diligence and approval from the Investment Committee prior to purchase.	
	ISS	Proxy voting research.	ISS supports our proxy voting by researching meeting resolutions against our bespoke voting policy. Suggested vote outcomes are checked by CCLA prior to lodging a vote.
ESG risk	Sustainalytics' ESG Risk Ratings	ESG data covering a wide range of ESG issues that are considered in CCLA's investment approach.	The data is used to implement CCLA's 'comply/approve' approach (implemented on the basis set out above) on companies whose ESG risk rating is severe and to assist equity analysts in integrating ESG considerations into security valuation.

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Context

Signatories to the Stewardship Code should disclose their conflicts of interest policy and how this has been applied to stewardship.

Activities at CCLA are subject to our company-wide Conflicts of Interest Policy. This acknowledges that conflicts can take different forms, such as favouring one client over another, favouring a staff member over a client, and/or favouring our shareholders over a client. We have established an approach to ensure CCLA, and its staff members, act in the best interests of its funds, its investors and/or its potential investors. This approach includes:

- identifying and managing conflicts
- conflict monitoring through internal audit reviews, risk assessments and compliance monitoring reviews
- education and awareness, which is provided via a compliance induction and set out in our compliance manual and associated policies, including personal account dealing and gifts, benefits and inducements
- conflicts disclosures to clients.

We recognise that our stewardship activities have the potential to give rise to conflicts of interest. For this reason, we have established policies and oversight for stewardship activity included in our Engagement Policy.

Our stewardship work is designed to align with the interests of all our clients. In developing and delivering stewardship programmes, we seek not to unduly prioritise the needs of any single client group and ensure that our priorities are not influenced by the outside interests of any CCLA employee, or other stakeholder.

For example, proxy voting is conducted by the sustainability team in line with an agreed Voting Policy. Any deviation from the policy requires the approval of a senior member of the sustainability team.

In addition, our stewardship work is prioritised and overseen by the Investment Committee. Further information about our approach to managing the conflicts of interest arising through our stewardship programme is available in our Engagement Policy.

Activity and outcome

> Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship.
>
> Signatories should also disclose how they have addressed actual or potential conflicts.

Despite our best efforts, we recognise that conflicts of interest can arise in our day-to-day stewardship activity. We have not identified any specific conflicts in the reporting period; however, we are aware that potential conflicts can include, but are not limited to, the following:

- A client's 'values-based investment policy' negatively affecting investment performance.
- Voting on the appointment of a company director with whom CCLA has an existing commercial or other significant relationship. For this reason, any deviation from our standard voting policy requires the approval of a senior member of the sustainability team. There have been no instances of this for at least three years.
- Our portfolios owning shares in companies subject to proposed merger or acquisition activity. In such cases, we can vote different portfolios in different ways to reflect differing client values, and may seek guidance from the appropriate fund advisory committee. There were no instances of this during the reporting period.
- Our clients having different views and priorities for engagement. For this reason, our stewardship programme is approved and monitored by the Investment Committee.

We believe that the governance framework set out above provides a robust approach to managing the risk of, and protecting our clients from, potential conflicts of interest.

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Signatories should explain:

- how they have identified and responded to market-wide and systemic risk(s), as appropriate
- how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets
- the role they played in any relevant industry initiatives in which they have participated, the extent of their contribution and an assessment of their effectiveness, with examples
- how they have aligned their investments accordingly.

Signatories should also disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.

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 also recognise that the investment industry has a poor track record in addressing systemic risks.

At CCLA, we seek to be a catalyst for positive systemic change and have a proven track record of developing engagement initiatives that focus investor action on risks that have not been adequately addressed by the market. Regulation and legislation are key tools in managing systemic extra-financial risks and we believe that we have a responsibility to work with public policy makers to push for progressive frameworks that accelerate positive change.

Our engagement prioritisation process is overseen by CCLA's Investment Committee. We seek to act as a catalyst for change on risks that have not had the attention from investors that they deserve. As such, our prioritisation process typically involves a review of existing investor action, as well as an analysis of the financial materiality and human and/or environmental impact of a given issue.

We recognise that the investment industry has increasingly focused on responsible investment and want CCLA's activity to be additive to, rather than replicative of, existing efforts. Before prioritising an issue, we consider the extent to which it would be possible for us to act as a catalyst for further action.

We prioritise a small number of issues for focussed attention. During the reporting year we have primarily sought to address market failures that have contributed to climate change, poor workplace mental health, and widespread modern slavery in company supply chains. These risks apply to all or most companies, regardless of geography or industry, and are therefore considered 'systemic'. We provide two examples below.

Modern slavery

Modern slavery is an umbrella term encompassing slavery, servitude, human trafficking, and forced or compulsory labour. While the true extent of this crime is hidden, it is estimated that 50 million people worldwide are in a state of modern slavery (International Labour Organisation, 2022).

While some companies are more exposed to the risk of modern slavery than others, we believe that all businesses are linked to modern slavery in some way – either directly, or indirectly via their supply chains. We have spent years bringing investors together to help improve the efficacy of corporate action to find and fight modern slavery in supply chains. During the reporting period, this work accelerated; we launched the second iteration of the CCLA Modern Slavery UK Benchmark and pressed ahead with concerted efforts to strengthen the legislative environment on modern slavery. We also continued to grow the investor coalition known as 'Find it, Fix it, Prevent it', which is designed to mobilise the investment industry into action on this important topic.

CCLA Modern Slavery UK Benchmark
The CCLA Modern Slavery UK Benchmark, launched in 2023, aims to:

- develop a framework on the degree to which companies are active in the fight against modern slavery
- create an objective assessment of corporate modern slavery performance aligned with statutory requirements, government guidance, and international voluntary standards on business and human rights
- support investor engagement with companies on their approach to modern slavery
- provide a vehicle for learning and sharing good practice
- create a mechanism to leverage business competition to drive improvement in practice.

The benchmark assesses annually the largest UK-listed companies on Modern Slavery Act compliance; conformance with Home Office guidance; efforts to find, fix and prevent modern slavery in business operations and supply chains. Companies are assigned to one of five performance tiers based on an assessment of their published information. The performance tiers are designed to correspond with the Independent Anti-Slavery Commissioner's maturity framework:

- Tier 1: Leading on human rights innovation
- Tier 2: Evolving good practice
- Tier 3: Meeting basic expectations
- Tier 4: Barely achieving compliance
- Tier 5: No modern slavery statement.

The benchmark aims to address this market-wide risk by changing the accepted way in which businesses approach modern slavery. For the 2024 benchmark, we assessed and ranked 110 companies, 65 of which engaged with CCLA over the year.[1] Thirty-five companies improved sufficiently to move up a performance tier since 2023, with just six moving down a tier. Please see CCLA Modern Slavery UK Benchmark 2024 for details.

We also use the framework to engage with companies held in our portfolios. In the first benchmark, published in 2023, there were six companies in our portfolio categorised in tier 4 (barely achieving compliance).[2] We sent bespoke letters to each of these companies, signed by CCLA's Dame Sara Thornton, seeking a meeting to discuss how they could improve. In the 2024 benchmark, published November 2024, three of the six had improved sufficiently to move up into tier 3 (meeting basic expectations)[3]. Discussions continue, with the next UK benchmark due for publication in Q4 2025.

Modern slavery public policy
While we dedicate significant effort to engaging with individual companies to enhance their approach to modern slavery, we also engage with UK policymakers aimed to push for more progressive modern slavery legislation.

One such example is our engagement with the Home Office Forced Labour Forum, a group of stakeholders from business, civil society, academia and trade unions. Through this Forum, we have been heavily involved in a series of meetings over several months with the Home Office and their consultants during the drafting stage of updated statutory guidance for the 2015 Modern Slavery Act's Transparency in Supply Chains provisions.

1 Includes engagements between the launch of the 2023 benchmark and the end of 2024.
2 Spirax Sacro, Sage Group, London Stock Exchange Group, Croda, Diploma, Auto Trader.
3 Improved companies were Spirax Sacro, London Stock Exchange Group and Croda.

In meetings with the Home Office, we showcased the CCLA UK Modern Slavery Benchmark and emphasised our view that businesses should be encouraged to find, and to report on, instances of modern slavery in supply chains. Modern slavery is likely to exist in the supply chain of almost every company. Therefore, rather than indicating an absence of modern slavery, we believe that failing to 'find it' demonstrates that a company's human rights due diligence processes are inadequate.

In March, coinciding with the ten-year anniversary of the Modern Slavery Act, the Home Office published its updated statutory guidance.[4] We were very pleased to see that the new guidance draws on CCLA's UK Modern Slavery Benchmark framework and that our benchmark is linked to and positively referenced in the guidance. The statutory guidance states: "A useful resource to support organisations developing KPIs in the above areas is the CCLA Modern Slavery Benchmark. The CCLA Benchmark includes several metrics under each of the above areas, and organisations could use these to develop suitable KPIs for their business".

We expect that the guidance will be the first port of call for all companies in scope of and working to comply with the Modern Slavery Act and are delighted that our benchmark has been recognised. Progressive policy and regulation is a key lever for bringing about system-level change.

Find it, Fix it, Prevent it (FFP)
FFP is designed to harness the power of the investment community to make the corporate response to modern slavery more effective.

It is an investor collaboration created, convened and resourced by CCLA. It was formally launched at the London Stock Exchange in 2019 and is overseen by an advisory committee that brings together investors, academics and non-governmental organisations to share knowledge, set targets and monitor progress.

At the end of 2024, the Find it, Fix it, Prevent it investor coalition numbered 70 investors with a combined £18 trillion in assets under management.[5] For details of the collaboration, please refer to the 2024 Find it, Fix it, Prevent it – Modern Slavery Report 2024.

Other initiatives
While we dedicate significant resource to CCLA-led stewardship activities, we also support third-party led activity where we believe we can add value. For a list of these initiatives, and details of our role in each, please refer to Appendix 4 of the Sustainable Investment Outcomes Report 2024. Through these activities, we aim to drive meaningful change and demonstrate our contribution to a sustainable future.

4 Home Office (30 July 2025), 'Transparency in supply chains: a practical guide', online at www.gov.uk/government/publications/transparency-in-supply-chains-a-practical-guide/transparency-in-supply-chains-a-practical-guide-accessible
5 Figures updated annually.

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Activity and outcome

Signatories to the Stewardship Code should explain:

- how they have reviewed their policies to ensure they enable effective stewardship
- what internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach
- how they have ensured their stewardship reporting is fair, balanced and understandable.

Signatories should also explain how their review and assurance has led to the continuous improvement of stewardship policies and processes.

Our stewardship approach is subject to strict internal governance and a process of continual improvement to enable its effective implementation.

- CCLA's Investment Committee oversees and evaluates the effectiveness of all our stewardship activity. Should any aspect of our stewardship programme not achieve the intended result, it is subject to review, reassessment and reformulation.
- We hold formal quarterly ESG Forum meetings, with a standing agenda including any regulatory updates, ESG integration across asset classes, engagement, and exposure to restricted activity. The forum comprises individuals across the sustainability and wider investment teams, and compliance.

Key parts of our active ownership work, and all the reports that we issue, are reviewed by CCLA's compliance function. This helps us to ensure that our stewardship reporting is fair, balanced and clear.

We periodically tender our data providers. This was last undertaken in 2023/24, resulting in a transition from MSCI to Sustainalytics as our primary ESG data provider.

Investment approach

Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Context

Signatories to the Stewardship Code should disclose:

- the approximate breakdown of:
  - their client base, for example, institutional versus retail, and geographic distribution
  - assets under management across asset classes and geographies
- the length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why.

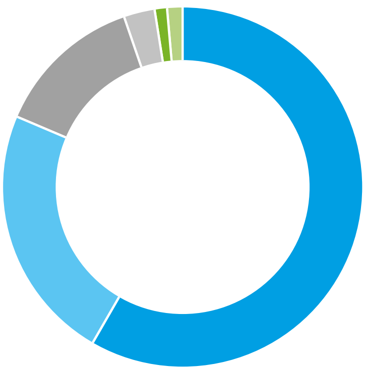
Managing investments for charities, religious organisations and the public sector is our core business. At the end of the reporting year, we managed over £15 billion on behalf of more than 30,000 not- for-profit organisations, and, following the launch of the Better World Global Equity Fund and CCLA Cautious Multi-Asset Fund, a number of private investors as well.

The majority of our clients invest via one or more of our specialist pooled funds. These include five multi-asset pooled funds, and specialist funds covering global equities, fixed income, property and cash.

As charities, most of our clients have long-term investment time horizons, so we manage their funds with the aim of maximising long-term investment returns. We seek to invest in companies with strong long-term growth prospects and had a portfolio turnover of 24% for the 12 months to 31st March for the COIF Charities Investment Fund.

We also recognise that some of our clients are permanently endowed and will, therefore, face certain risks that will not be realised in conventional investment time horizons. For this reason, we place significant emphasis on pushing for progress in addressing systemic threats to the functioning of investment markets. This allows us to contribute to controlling such risks before they affect the value of our clients' assets.

GEOGRAPHIC LOCATION OF LISTED EQUITY HOLDINGS



North America	58.36
Developed Europe	23.09
United Kingdom	13.46
Asia (ex Japan)	2.81
Japan	1.06
Other countries	1.22
Total	**100**

Source: CCLA, as at 31 March 2025. Regional weights shown are percentage of total equity.

ASSETS UNDER MANAGEMENT

Asset class	Percentage of AUM
Listed equities	41.57
Fixed income	6.73
Property	10.79
CCLA cash and money market funds	28.17
Alternatives	9.26
CCLA shares held by CCLA funds	3.48
Total	**100**

Source: CCLA, as at 31 March 2025. Due to rounding, figures may not add to 100. Alternatives include infrastructure and operating assets (investments that facilitate the functioning of society with the potential for steady cash flow), contractual assets (investments that generate contracted cash flows over a specific period and are typically secured against assets), private equity and real estate investment trusts.

Activity and outcome

Signatories should explain:

- how they have sought and received clients' views and the reason for their chosen approach
- how the needs of beneficiaries have been reflected in stewardship and investment aligned with an appropriate investment time horizon.

Signatories should also explain:

- how they have taken account of the views of clients and what actions they have taken as a result
- where their managers have not followed their stewardship and investment policies, and the reason for this.

As guardians, and not the owners, of the assets we manage, we recognise that we have a responsibility to ensure that our clients' portfolios are aligned with their objectives, values and beliefs; to report on the outcomes and impact of all our responsible investment work; and to be transparent about everything we do on our clients' behalf.

To ensure that our charity clients' assets are managed in line with their values we undertake a periodic consultation process. The most recent consultation was completed in February 2023 and for the first time included both our charity and church clients. This will be repeated in the 2025/26 reporting year. Our aim was to understand any changes in their views on responsible investment and to ensure that our products are aligned with our clients' values.

Between client consultations, we monitor our clients' values-based investment priorities, and our effectiveness in meeting them, in the following ways:

- CCLA's church and charity funds each benefit from their own oversight boards and committees that meet quarterly to oversee and advise on CCLA's management of the funds.
- The COIF Charities Ethical Investment Fund and the Catholic Investment Fund have advisory committees. These meet twice per year and cover CCLA's implementation of the 'values-based' investment policies and identify any issues that require attention.
- The CBF Church of England Funds benefit from the work of the Church of England's Ethical Investment Advisory Group (EIAG). Advice provided by the EIAG informs the development of CBF Fund policies.
- Our relationship management team regularly meets with larger clients to discuss our service, including our approach to stewardship. Feedback is systematically shared to ensure that any concerns identified by the client are addressed.

In aggregate, these processes enable us to set 'values-based' investment policies for our funds. These are listed in the scheme particulars (or, in the case of segregated clients, their investment management agreement) and embedded into our order management system to enable proper implementation.

We did not identify any breaches of any of our managed funds or segregated client policies over the reporting period. There was, however, one breach identified in 2025 after the reporting period. This involved an acquisition of a company held in our bond fund by a larger entity, where the data available on that company was insufficient to ensure that the overall group would remain eligible for investment. We therefore exited the position.

We seek to be transparent about everything that we do and report on the outcomes and impact of our responsible investment work. We publish our proxy voting records on our website every quarter. We also produce a detailed, but easily accessible, annual stewardship report[6], which incorporates governance ratings, carbon footprints and voting outcomes, our stewardship approach, and a progress report for all ongoing engagements.

We believe that this approach enables our products and services to continue to meet the needs of our client base.

6 Available online at www.ccla.co.uk/documents/better-world-sustainable-investment-outcomes-2024-online/download?inline=1

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Context

Signatories to the Stewardship Code should disclose the issues they have prioritised for assessing investments, prior to holding, monitoring through holding and exiting. This should include the ESG issues of importance to them.

We believe that a combination of legislation, regulation and changing societal preferences can impact negatively on the cash flow of the most unsustainable business models. When considering a potential listed equity purchase, we seek to identify and avoid investing in companies that have uncompensated, unwanted, unwarranted, and unmitigated ESG risks as evidenced by:

- poor management and weak corporate governance.
- an unacceptable social and environmental impact.
- not demonstrating a willingness to improve through investor engagement.

Our approach is designed to help us identify and address any extra-financial risks that may harm investment returns in the future.

Prior to purchase, we assess companies' ESG risks in conjunction with their financial position. This assessment is included within analysts' company analysis for every potential equity investment and is a standard component of the overall investment case. It applies to all listed equities, irrespective of their geography or sector, and includes the following.

- Corporate governance. We have developed a bespoke quantitative corporate governance rating tool that assesses companies' board structure, ownership, accounting practices and management capabilities. Supported by a qualitative review process, this allows us to identify any strengths and weaknesses in companies' governance structures and their adaptation over the life of the holding.
- Climate change. All assets are managed in line with CCLA's Climate Change and Investment Policy. This requires CCLA to review annually the impact of climate change, the associated transition to a net-zero economy cross every sector, and to stress-test the decarbonisation plans of carbon-intensive businesses against the requirements of the Paris Agreement.
- Wider sustainability factors. Potential investee companies are reviewed for their approach to the most financially material extra-financial risks relevant to their industry. We use Sustainalytics' ESG risk rating, which is based on widely recognised materiality frameworks, including Sustainability Accounting Standards Board and the Global Reporting Initiative. Any companies considered high-risk must undergo additional due diligence and receive Investment Committee approval before being deemed eligible.
- Corporate behaviour and standards. Assets are reviewed against any sustainability related controversies involving the company.

Where we identify material concerns, we conduct a fact-finding meeting with management. Subject to the success of this meeting, companies can be approved for purchase, prioritised for ongoing engagement, or we will not proceed with the investment.

Following purchase, monitoring our investee companies is a routine part of CCLA's investment approach. Our specialist sustainability team continually monitors investee companies' approach to managing ESG risk.

We recognise that not all extra-financial issues are financially material within conventional investment time horizons. We expect that regulation, legislation, changing consumer preferences will increasingly embrace the importance of sustainability. Businesses involved in the most unsustainable activities may, over time, be penalised. Consequently, we also assess companies' impact on the real world. This is based on three themes:

- better work – labour standards and human rights
- better health – encouraging high standards of health and wellbeing
- better environment – climate change and the environment.

Taken together, this analysis allows us to identify the most unsustainable businesses for exclusion, and to develop appropriate engagement action plans to help the other businesses move forward.

Our minimum standards for investment, across all funds and segregated portfolios, exclude companies with a predetermined revenue threshold to activities related to climate change, tobacco, cannabis and indiscriminate weaponry (zero tolerance if involved in the production of landmines, cluster munitions, chemical and biological weapons), as well as the sovereign debt from countries identified as being among the world's most oppressive.

At the end of the reporting period, the minimum standards set out above resulted in 4.6% of the market capitalisation of the investment universe being excluded from our pool of potential equity investments.

Our ESG analysis does not end once an investment has been made. Companies' ESG characteristics are routinely reviewed to ensure that standards do not slip. For those companies with an engagement action plan, progress is closely monitored.

Other asset classes

Recognising their different requirements, we have developed specialist processes for integrating ESG factors into our directly managed cash and property funds.

Cash fund counterparties

CCLA maintains an Approved List of Financial Institutions ('Approved List'), used by CCLA's cash funds for investment. To determine this list, CCLA assesses institutions on various indicators of financial strength and on several environmental, social and governance indicators (ESG). These comprise (where relevant):

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

Companies on the 'Approved List' are ranked into a multi-level scoring system, enabling us to identify laggards and prioritise engagement. This approach was first published in December 2024, and was subsequently reviewed and enhanced, receiving formal approval from the Investment Committee in Q3 (outside the scope of this report). Engagement in line with the revised framework will commence in the second half of 2025.

Property
For our property funds, prior to purchase, all potential properties, tenants and vendors are subject to an initial due diligence check to ensure tenant activities are consistent with the values-based restrictions attached to the fund, as well as adherence to market practice in preventing financial crime. Should the proposal pass this initial stage, the team undertakes enhanced due diligence on the environmental risk and energy efficiency of the building.

There were no new properties purchased during the reporting period. However, we undertook several significant upgrades to improve the environmental standards of properties within our portfolio. In 2024, we completed the refurbishment of a vacant office floor in 80 Cannon Street (owned by the COIF Charity Property Fund). This multi-let property, originally developed in 1974, had operated with a building-wide gas-powered heating and cooling system. We conducted an energy assessment to identify potential improvements. The floor initially had an 'E' EPC rating. Although leasing a floor with this rating is currently permissible under MEES regulations, anticipated increases in minimum standards would render the space unlettable without enhancements.

Our refurbishment works entailed replacing the outdated heating and cooling system with an all-electric alternative, installing energy-efficient LED lighting throughout, introducing secondary glazing to minimise heat loss, and incorporating water-saving fittings. Upon completion, the floor received an EPC 'B' rating. The space was successfully leased in August 2024.

We are reliant on our tenants and third party managing agents to collect and share appropriate data on the performance of our buildings, and this remains a substantial barrier to our ability to set targets and monitor progress in our property investments. In 2024, EVORA Global Limited was appointed to assist in the development and implementation of our approach to responsible investment in property, including the expansion of asset-level action plans and portfolio risk management. This work continues.

Activity and outcome

Signatories should explain:

- how integration of stewardship and investment has differed for funds, asset classes and geographies
- the processes they have used to:
  - integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of clients and/or beneficiaries
  - ensure service providers have received clear and actionable criteria to support integration of stewardship and investment, including material ESG issues.

Signatories should also explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/or beneficiaries.

We implement the same approach to considering extra-financial and other ESG risks across CCLA- managed portfolios and have developed specialist approaches for other asset classes including property and cash funds.

Our portfolios are managed in line with our Climate Change and Investment Policy, in accordance with our minimum standards for investment, and according to detailed guidelines for considering wider extra-financial risk factors which, due to their differing materiality, vary on a sector-by-sector basis. CCLA listed equity portfolios typically display common characteristics such as low Scope 1 and 2 carbon footprints, better-than-benchmark corporate governance ratings and 'low risk' assessment by Sustainalytics.

In addition to our 'house' approach, most of our clients invest in funds that apply additional 'values-based' investment requirements, designed to meet the needs of underlying investors.

Reflecting the different priorities of our client base, these policies vary from fund to fund and are designed to meet the requirements of the underlying client base. For example, we offer four versions of our multi-asset 'Investment Fund' for charities.

SUSTAINALYTICS ESG PORTFOLIO SCORES

Fund	Rating
CCLA Better World Global Equity Fund	Low risk
Catholic Investment Fund	Low risk
CBF Church of England Investment Fund	Low risk
COIF Charities Ethical Investment Fund	Low risk
COIF Charities Investment Fund	Low risk

Source: Sustainalytics, as at March 2025.

CORPORATE GOVERNANCE RATING

To understand the quality of companies' corporate governance, CCLA has created a corporate governance assessment tool that ranks companies' on a scale from A (best) to F (worst). We use this process to identify companies with the highest governance risk; any companies rated E or F are subject to further investigation and their investment requires the approval of the Investment Committee. No companies were excluded purely on governance grounds during the reporting period.

Our portfolios are biased against companies with low corporate governance ratings, illustrated by the table below, showing the COIF Charities Global Equity Fund compared to the MSCI World Index.

%	A	B	C	D	E	F	High risk (E+F)
COIF Charities Global Equity Fund	13.58%	21.18%	29.49%	18.05%	7.96%	2.56%	10.52%
MSCI World Index	4.29%	19.14%	35.49%	25.60%	11.19%	2.79%	13.98%

Source: CCLA, as at 31 March 2025.

These follow the same investment and stewardship approaches (including a commitment to integrating ESG and driving change through active ownership) but implement different values-based investment policies as follows:

- All CBF Church of England funds are managed in line with a set of values-based restrictions, developed by CCLA, designed to meet unitholders' desire to invest in a way that reflects Christian and Anglican teachings and grounded in the advice produced by the Church of England's Ethical Investment Advisory Group.
- The COIF Charities Investment Fund offers a solution to charities that seek a smaller number of 'values-based' constraints. It focuses on restricting investment in a small number of business activities that pose a significant reputational risk to charities.
- The COIF Charities Ethical Investment Fund implements a more wide-ranging set of ethical restrictions to meet the needs of religious and more reputationally exposed charities.
- The Catholic Investment Fund implements a faith-consistent investment policy designed to reflect the mission, values and teachings of the Catholic Church.

With the exception of the CBF Church of England funds, which are only open to charities associated with the Church of England, CCLA's charity clients can select the fund that they believe best reflects their investment requirements.

The CCLA Better World Global Equity Fund and the CCLA Cautious Multi-Asset Fund are available for investment through a variety of investment platforms, independent advisers and intermediaries. These funds are suitable for all types of investors, with basic investment knowledge, seeking to invest in an actively managed fund pursuing the investment objective and policy of the funds. The funds operate a wide range of restrictions and closely follow those of the CBF Investment Fund.

Due to the high levels of commonality between CCLA portfolios, the majority of our engagement activities are conducted on behalf of all of our clients. Responses to engagement are shared with analysts and portfolio managers in our Investment Committee and ESG Forum meetings.

In extremis, poor responses to engagement on matters relating to non-compliance with the UN Global Compact can, and have, led to divestment although there were no examples of this in the reporting period.

We recognise that, as many of our clients are permanently endowed, their long-term investment time horizon includes extra-financial risks that are not possible to manage within portfolio construction. For this reason, we prioritise engagement to address long-term, systemic challenges that we believe, if unmanaged, could undermine the functioning of markets and the value of our clients' investments.

Our approach to communicating and monitoring service providers is included under Principle 8.

Principle 8

Signatories monitor and hold to account managers and/or service providers.

Activity and outcome

> Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.
>
> Signatories should also explain:
>
> - how the services have been delivered to meet their needs
>
> OR
>
> - the action they have taken where signatories' expectations of their managers and/or service providers have not been met.

We conduct most of our engagement work directly and do not use external engagement providers. Our proxy voting activity follows bespoke CCLA guidelines and is administered by ISS.

Where we do not have the expertise to manage certain asset classes in-house (for example, private equity and infrastructure), we may invest in third-party managed funds. In such cases, it is essential that these investments comply with our (and our clients') values-based investment policies.

To promote compliance, we first seek to enter into a legal agreement with the relevant investment manager precluding investment in restricted entities. If this is not possible, we enter into ongoing dialogue with the manager and conduct a regular review of their exposure to restricted activities. Should the fund's exposure be equal to, or more than, 10% of the fund's overall capital, we do not invest. If we have already invested, we seek to divest. We did not divest from any funds on this basis during the reporting period.

Our full approach to third-party funds is set out in our Values-based Screening Policy.

CCLA is afforded the right to vote at investee company meetings on behalf of our clients. Due to the specialist knowledge required to lodge appropriate votes, we have employed an external agency to work on our behalf. ISS, our current provider, researches resolutions at company meetings against CCLA's bespoke proxy voting policy. To provide an additional layer of oversight, all resolutions are reviewed by CCLA prior to a vote being filed. While we believe that ISS provides a good level of service, we have identified a small number of instances where our vote guidelines have been incorrectly applied. When this occurs, we inform ISS and seek to work with them to minimise the risk of similar mistakes occurring in the future.

Many institutional investors follow the 'default' voting recommendations set out by ISS, which are informed by an annual survey of investors. We participated in the 2024 survey, which took place during the reporting period. We also attend their investor events and meet directly twice per year to discuss service.

Our full approach to voting is set out in our response to Principle 12.

Elsewhere, we use third-party data providers to guide and inform our work. Our ESG data providers currently include ISS, MSCI, UBS (following its acquisition of Credit Suisse) and Sustainalytics.

We routinely review the data provided to us and engage directly with our providers when we identify errors. In addition, we keep our providers under constant review and formally re-tender for their services regularly. Our primary ESG data provider changed in March 2024.

Sub-advisement

Federated Hermes Limited is the sub-investment manager for CCLA's fixed income funds: the CBF Church of England Fixed Interest Securities Fund and the COIF Charities Fixed Interest Fund.

Client relationship management, oversight and fund administration and the funds' investment exclusions policy, as well as investment management, remain the responsibility of CCLA.

As part of the mandate, Federated Hermes embeds forward-looking sustainability appraisals into their investment process. This uses a proprietary framework, which assesses the ESG factors of a company including progress and impact towards decarbonisation, within the investment limitations established by CCLA. A list of restrictions applied to the fixed income funds can be found on the CCLA website.

CCLA meets the team at Federated Hermes formally on a quarterly basis and stewardship is included as a regular agenda item. Topics include individual investments and ESG capacity (covering staffing, systems and data suppliers). For details, please see Approach to Fixed Interest Investment: Federated Hermes Limited.

In addition to formal quarterly meetings, the sustainability team meets with Federated Hermes to discuss individual stocks. We did not identify any concerns during the reporting period, although one arose after the reporting period. This involved an acquisition of a company held in the sub-assigned bond fund by a larger entity, where the data available on that company was insufficient to ensure that the overall group would remain eligible for investment. We therefore exited the position.

Engagement

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

Activity and outcome

Signatories should explain:

- the expectations they have set for others that engage on their behalf and how

OR

- how they have selected and prioritised engagement (for example, key issues and/or size of holding)
- how they have developed well-informed and precise objectives for engagement, with examples
- what methods of engagement and the extent to which they have been used
- the reasons for their chosen approach, with reference to their disclosure under Context for Principle 1 and 6
- how engagement has differed for funds, assets or geographies.

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 long-term investment returns to our clients requires us to push for progress in meeting the world's sustainability challenges. We do this by bringing investors together to address systemic risks that have not had the attention that they require (as explained in our response to Principle 4), using our ownership rights to improve the sustainability of the assets in which we invest, and seeking to be a catalyst for positive change in the investment industry.

We seek to engage with every listed equity holding at least once per year and have targeted engagement plans for assets where we have specific concerns about strategy, capital structure, governance or the potential for negative environmental or social impact. Our approach is consistent across sector and country of listing.

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. We aim to be creative in our approach to engagement, and to use all the tools available to us in pursuing our objectives: direct engagement, letter writing (both public and private), filing and co-filing of shareholder proposals, AGM attendance, use of the media, data measurement and peer comparison, collaboration with other investors, voting, and more.

We seek to support the companies in which we invest on behalf of our clients. Engagement progress is monitored routinely and escalated where progress is considered inadequate. Where companies fail to improve on concerns relating to non-compliance with the UN Global Compact, we would consider divestment. There were no concerns of this severity during the reporting period.

During the reporting period, we worked on formalising our approach to engagement tracking and evaluation and launched a new framework on 1 July 2025 (after the end of the reporting period).

KEY LANDMARKS DURING THE REPORTING YEAR

April 2024
- CCLA's Dame Sara Thornton and Dr Martin Buttle give evidence to the House of Lords Modern Slavery Act 2015 Committee

May 2024
- A NextEra resolution co-filed by CCLA on climate lobbying achieves 33% of the vote
- An Amazon resolution co-filed by CCLA on freedom of association and collective bargaining rights receives 37% of the independent shareholder vote

June 2024
- With 50 supporter investors, CCLA sends a public investor letter to Amazon in support of workers at its Coventry fulfilment centre
- The CCLA Corporate Mental Health Benchmark UK 100 is published, with 24 companies improving sufficiently to move up a performance tier since 2023

July 2024
- Collaborative investor letters sent to CEOs of UK 100 mental health benchmark companies, supported by investors with $8.5 trillion in assets under management

August 2024
- CCLA begins to build a collaborative working group to engage with Coca-Cola Co following allegations of human rights abuse at Indian sugar suppliers

September 2024
- CCLA and the Local Authority Pension Fund Forum (LAPFF) join forces to coordinate sending 'Say on Climate' letters to 76 FTSE 100 companies, supported by £1.6 trillion in assets under management
- CCLA joins the Home Office Forced Labour Forum on a proposed update to the Modern Slavery Act 2015 Section 54 guidance
- A Nike resolution co-filed by CCLA on severance pay and supplier working conditions receives 12% of the shareholder vote

October 2024
- The CCLA Corporate Mental Health Benchmark – Global 100+ is published, with 12 companies improving sufficiently to move up a performance tier since 2023
- CCLA writes to the Minister of State for Food Security and Rural Affairs in support of a review of the Seasonal Worker scheme by the Migration Advisory Committee

November 2024
- Collaborative investor letters sent to the CEOs of global mental health benchmark companies, supported by investors with $10 trillion in assets under management
- The CCLA Modern Slavery UK Benchmark 2024 is published, with 35 companies improving sufficiently to move up a performance tier since 2023

December 2024
- Assets under management supporting CCLA stewardship initiatives reach £22.3 trillion

January 2025
- CCLA publishes the 2025 mental health benchmark assessment criteria and notifies 220 companies of their inclusion

February 2024
- Work commences on an inaugural global modern slavery benchmark

Mar 2025
- The Home Office publishes new statutory guidance for businesses on how to tackle modern slavery in supply chains, drawing inspiration from the CCLA Modern Slavery Benchmark

Our focus during the reporting year was on:

- continuing to encourage businesses to increase the effectiveness of their actions to counter modern slavery
- seeking to encourage businesses to become Living Wage accredited
- incentivising companies to adopt a strategic approach to workplace mental health, through public benchmarking and sustained, collaborative engagement
- playing our role in accelerating the transition to a net-zero emissions economy.

In total, across all our engagement programmes, including those conducted by us at CCLA, our collaborative engagement partners, or the Church Investors Group we have engaged with 307 companies over the reporting period. Consistent with our approach of influencing the wider market, not just our portfolio holdings, 217 of the companies engaged with were not CCLA equity holdings. These figures do not include communication around proxy voting activity.

Our approach includes direct and collaborative engagement with issuers:

- Routine proxy voting, with all holdings. Voting is conducted in line with our proxy voting policy and reflects our wider stewardship priorities. To increase the impact of our votes we write to the company to inform them of our vote instructions. For a small number of very low risk businesses, this is our only formal engagement contact during the year.
- Remote dialogue with companies, we believe in the power of ongoing dialogue with businesses. For this reason, we maintain remote engagement via letter, email and phone calls, with company specialists.
- In-person meetings with management and board members and site visits.
- Shareholder resolutions and attending AGMs. Where required, we will escalate our engagement by attending AGMs to ask questions of management in public and/or filing shareholder resolutions.
- Collaboration with other investors. Led by CCLA or third-parties, where we believe our participation will make a difference.

In addition, we seek to act as effective stewards of the other asset classes under our care. In property, we encourage our third-party managing agent to develop action plans for reducing the environmental and social footprints of our key assets. As cash funds make up a significant portion of our assets under management, we have developed an approach to assessing and engaging with our counterparties. A revised approach was approved by the Investment Committee in H2 2025, with engagement commencing in Q3.

Our engagement approach is subject to strict governance and continual improvement – which is overseen by the Investment Committee – and we report annually on the progress of engagements.

Further details of our approach to engagement are available in our Engagement Policy.

A full review of our engagement activities, including assessment of progress, is included in our Annual Sustainable Investment Outcomes Report.

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

COLLABORATING FOR CHANGE

At the end of 2024, CCLA stewardship initiatives were supported with 114 investors worldwide, with a combined £22.3 trillion in assets under management. (†114 investors includes institutional asset managers, asset owners, stewardship service providers and investor membership organisations. Please refer to Appendix 2 of our 2024 Sustainable Investment Outcomes Report for details. Figures updated annually.)

Please note: a new approach to engagement evaluation and tracking was adopted on 1 July 2025 (outside the reporting period). We will report on the effectiveness of engagements on the basis of the new framework in the future.

Better health

Engaging for better public health is a key priority in our stewardship work. Our health stewardship covers a range of themes, including mental health and nutrition.

Nestlé (nutrition)

Good nutrition is fundamental to good health, yet we are experiencing an epidemic of poor health due to the consumption of unhealthy products. Through engaging with food and beverage manufacturers on nutrition, we can play a role in improving public health. More than a billion servings of Nestlé products are consumed every day worldwide (Source: Nestlé, 2025), making the company a key player in the fight against diet-related ill-health.

We have been engaging with Nestlé on nutrition since 2017. In 2025, we took the role of lead investor for the Access to Nutrition Initiative coalition and attended the company's AGM in Geneva. We asked the new CEO to prioritise this topic.

Since 2022, Nestlé has increased the age threshold from 13 to 16 for marketing unhealthy products; improved nutrition disclosure; and set a target on sales of healthier products. In 2025, it announced further commitments on nutrition disclosure. We will be visiting the company in October 2025 to work towards stronger targets on sales of healthier products.

Meanwhile, CCLA continues to be a signatory to ShareAction's Healthy Markets Initiative, and to the Access to Nutrition Initiative. We engage with all major food and beverage manufacturers in our portfolio on this topic.

AstraZeneca (workplace mental health)

AstraZeneca is one of more than 100 companies in the CCLA Corporate Mental Health Benchmark – Global 100+.

Despite engagement calls with the company in April 2024 and March 2025, and a letter to the company's CEO on behalf of a sizeable investor coalition annually, the company's performance has steadily deteriorated. Having scored 60% in its 2022 benchmark assessment, the company scored just 40% in 2024, representing the largest deterioration of any company in the mental health benchmark over this time period.

Engagement with the company will continue. In April 2025 (outside the reporting period), we escalated our concerns by voting against the re-election of the CEO, Pascal Soriot, reflecting our level of concern over the company's record on workplace mental health.

Better work

Within Better Work, we are principally concerned with the recognition and support for human and labour rights. Our focus is on modern slavery, broader human rights concerns and living wage.

Coca-Cola Co (forced labour)

In 2024, the New York Times uncovered exploitative abuse, forced labour and coerced hysterectomies in the Maharashtra sugar cane industry in India.

CCLA led engagement with Coca-Cola on behalf of an investor coalition engaging sugar buyers in the region. We asked the company to tackle this issue and ensure effective grievance mechanisms for affected workers.

Coca-Cola agreed to implement training for mill management and labour brokers to improve recruitment and labour conditions. It also advanced plans to establish the Coalition for Responsible Sugar in India (CRSI).

Meanwhile, we are engaging with the Independent Sugar Workers Association (ISWA) and brokered the first meeting between ISWA representatives and the global sugar buyers (Unilever, Nestle, Coca-Cola, Mondelez, PepsiCo). In June 2025, the New York Times reported that the international pressure may be working and there are signs of change in the sugar industry in India. We will continue to engage on this topic.

LVMH Moet Hennessy Louis Vuitton (Living Wage)

CCLA began engaging with LVMH on the Living Wage in 2024 through the Platform for Living Wage Financials (PLWF). In the 2023-4 assessment, LVMH's approach was rated 'Embryonic'. The Group faces significant challenges due to its decentralised structure; it comprises 75 brands or 'maisons' which all have significant autonomy. Therefore, although LVMH has a Living Wage commitment, it is unclear how it implements this policy across its maisons.

In December 2024, CCLA and the other members of the PLWF engagement group met with LVMH to push the company towards strengthening its approach on Living Wage. Although it shared that one of its maisons, Louis Vuitton, is working with the Fair Wage Network to engage suppliers and promote fair payment within its supply chains, it did not provide evidence of an improved group approach.

CCLA will continue to monitor LVMH's progress and engage when its next assessment is published in late 2025.

Better environment
Within Better Environment our primary focus is on climate action. We also focus on other environmental concerns such as biodiversity.

Siemens (climate)

Climate change represents a significant threat to our planet, ecosystems and communities. As an industrial sector company, Siemens is defined as a 'high impact' company for its potential to contribute to climate mitigation. We have engaged with Siemens on climate action since 2023 through the Net Zero Engagement Initiative.

Specifically, we have been asking for a clearer climate transition plan, an increase in scope 3 emission reduction targets and better engagement on climate with suppliers. We attended the AGM in 2024 to reinforce these asks.

By early 2025, Siemens had raised its 2030 scope 3 emissions reduction target from 15% to 30% and expanded disclosure on supplier engagement. It has published a structured climate transition plan including a visual decarbonisation roadmap.

There is more to do, particularly around quantifying the impact of specific actions. Nonetheless, Siemens has a significant potential to contribute to climate mitigation and has evidenced that it is actively working to reduce its carbon footprint.

Zoetis (biodiversity)

Declining biodiversity presents growing systemic risks to environmental stability, economic security, and human wellbeing. As a healthcare company with impacts across animal pharmaceuticals and agriculture, Zoetis is considered systemically important for reversing nature loss. We began engaging in 2024 through the Nature Action 100 initiative.

In our first meeting, we encouraged Zoetis to align its strategy with biodiversity goals. We discussed biodiversity-related materiality assessments, antibiotic use, sustainable packaging, and consideration of frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD).

Zoetis acknowledged biodiversity has not yet been a core focus but committed to reassessing its material issues. It is shifting from antibiotics to preventive solutions, with vaccines now 25% of its portfolio, and piloting packaging improvements. The company is early in its approach but open to continued engagement.

Zoetis scores lower than peers in the Nature Action 100 benchmark. We will continue engagement to encourage improved disclosure, framework alignment, and clearer integration of biodiversity into strategy and reporting.

Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Activity and outcome

Signatories should disclose what collaborative engagement they have participated in and why, including those undertaken directly or by others on their behalf.

Signatories should also describe the outcomes of collaborative engagement.

We believe in the power of investor 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 support several third-party run engagement coalitions and also build and coordinate our own where we see opportunities for collective action.

This ranges from Climate Action 100+, that is backed by over $68 trillion of assets, to ShareAction's Long Term Investors in People's Health, to the £25 billion Church Investors Group. It also includes sector-specific working groups, such as the Platform for Living Wage Financials.

We seek to take a leading role in all of the collaborative engagements in which we participate and only work with investors who we believe share our ethos that engagement should deliver change. The success, or otherwise, of collaborative engagements is assessed by our Investment Committee.

Where we can, we aim to act as a catalyst for investor action on underserved issues. Where we see an opportunity, we seek to create our own collaborative engagement initiatives.

One example is the Find It, Fix It, Prevent It initiative, that we launched in 2019. The collaborative engagement aims to increase the effectiveness of corporate actions on modern slavery through: direct engagement with UK-listed companies in the hospitality and construction industries, public policy engagement and the provision of data and resources. To aid engagement, we created a detailed Engagement Expectations document that sets out the clear aims and objectives of a 'Find it, Fix it, Prevent it' style engagement. At the end of 2024, the Find it, Fix it, Prevent it investor coalition numbered 70 investors with a combined £18 trillion in assets under management (figures updated annually).

Another example is the Global Investor Coalition on Workplace Mental Health, which supports our engagement around the CCLA Corporate Mental Health Benchmark. At the end of 2024, the coalition numbered 56 investors with a combined US$10 trillion in assets under management (figures updated annually).

At the end of 2024, CCLA-led engagement initiatives were supported by 114 investors worldwide, representing a combined £22.3 trillion in assets under management (excludes double counting, figures updated annually).

Finally, we recognise the importance of industry partnership and seek to take an active role in our industry. Key CCLA staff members participate in working groups or committees in a variety of different organisations including, but not limited to, the Investment Association and the Principles for Responsible Investment.

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Activity and outcome

Signatories should explain:

- how they have selected and prioritised issues, and developed well informed objectives for escalation
- when they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples
- how escalation has differed for funds, assets or geographies.

Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf.

As outlined in our response to Principle 9, we seek to engage with every equity holding at least once per year and have targeted engagement plans for any asset where we have specific concerns.

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. Engagement progress is monitored routinely and, if not sufficient, can lead to an escalation in our concern and eventually result in divestment.

Equity engagements are prioritised according to the severity of the problem, which influences the intensity of the engagement. During the reporting period, intensity of engagements ranged from 1 (light touch) to 3 (high intensity engagement, significant time or resource required). Severity and intensity levels are agreed by our sustainability specialists and approved by the Investment Committee.

Should we have concerns about the progress of an engagement, in the first instance, we will seek additional meetings with company management, before considering speaking publicly or filing a shareholder resolution. In extremis, when in the interests of our clients, poor responses to engagement on matters relating to non-compliance with the UN Global Compact can result in divestment. The last time engagement responses contributed to a decision to divest was with Tencent in 2021. As a result of the heightened risk of regulatory scrutiny of the company by the Chinese government and a lack of visibility over what they were likely to do next, we felt unable to maintain a position in the company. The company also ranked poorly on our internal corporate governance metrics. We exited the position across all accounts in July 2021.

Engagement escalation is formally built into our approach to assessing companies' corporate governance and can affect the grade awarded to a specific business. Should a company's rating fall significantly, this can instigate a reassessment of the investment case and trigger a divestment process. There were no such examples during the reporting period.

During the reporting period, the stewardship team worked to formalise its approach into a new engagement framework, which was formally adopted on 1st July 2025. The new framework sets clearly defined parameters around engagement progress and momentum and clarifies timeframes within which a company is expected to show improvement. Engagement reporting will align with the new framework in future.

Exercising rights and responsibilities

Principle 12

Signatories actively exercise their rights and responsibilities.

Context

Signatories should:

- explain how they exercise their rights and responsibilities, and how their approach has differed for funds, assets or geographies.

In addition, for listed equity assets, signatories should:

- disclose their voting policy, including any house policies and the extent to which funds set their own policies
- state the extent to which they use default recommendations of proxy advisors
- report the extent to which clients may override a house policy
- disclose their policy on allowing clients to direct voting in segregated and pooled accounts
- state what approach they have taken to stock lending, recalling lent stock for voting and how they seek to mitigate 'empty voting'.

We recognise the power of proxy voting and seek to exercise our clients' voting rights at all investee companies, irrespective of their country of listing and, to increase our impact, seek to vote all portfolios and mandates in the same manner. 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. For this reason, we regularly (defined as more frequently than our data provider's standard approach) vote against management on issues such as executive remuneration, board composition (including gender diversity and where we have concerns regarding a director's performance on a particular issue such as climate risk management), the independence of auditors and the Annual Report and Accounts if we feel that the ESG disclosures made by a company are inadequate. Our voting policy is available on our website. We aim to increase our impact by advising companies of the reasons for our approach ahead of the meeting.

To benefit from their extensive data, our voting is administered by a third-party partner (currently ISS) who works to a bespoke voting policy. We review all voting recommendations made to us prior to submitting our voting intention. We also regularly review data provided by ISS to check that we are using all of our possible voting positions.

While we integrate our clients' responsible investment preferences within our voting guidelines, we recognise that from time-to-time some clients will wish to vote in a different way to our 'house position'. For this reason, in segregated accounts we directly implement any voting instructions that we have been given and seek to deliver 'split voting' in our pooled funds on a best endeavours basis. During the reporting year we have not received any client requests to vote in a different way from our standard policy.

Since we are global investors, we seek to exercise our ownership rights at investee companies irrespective of the geography of their listing. However, recognising different regulations and norms, for some resolutions, our voting policy allows for companies to be considered against home market standards. An example relates to executive pay resolutions where company proposals are judged against 'home market standards' in addition to our wider criterion.

Activity and outcome

For listed equity assets, signatories should:

- disclose the proportion of shares that were voted in the past year and why
- provide a link to their voting records, including votes withheld if applicable
- explain their rationale for some or all voting decisions, particularly where:
  - there was a vote against the board
  - there were votes against shareholder resolutions
  - a vote was withheld
  - the vote was not in line with voting policy.
- explain the extent to which voting decisions were executed by another entity, and how they have monitored any voting on their behalf
- explain how they have monitored what shares and voting rights they have.

For fixed income assets, signatories should explain their approach to:

- seeking amendments to terms and conditions in indentures or contracts
- seeking access to information provided in trust deeds
- impairment rights
- reviewing prospectus and transaction documents.

For listed equity assets, signatories should also provide examples of the outcomes of resolutions they have voted on over the past 12 months.

We seek to exercise our clients' voting rights at every investee holding. During the reporting year we voted on 2,584 resolutions at 165 meetings held by 154 companies. We were unable to vote at a small number of company meetings due to a variety of factors. These included purchasing new companies or additional shareholdings after the ballot cut off period.

Voting on management proposals

	CCLA	ISS*
All resolutions		
With management	82.2	96.7
Against manager	17.8	3.3
Director election		
With management	80.5	97.2
Against manager	19.5	2.8
Executive remuneration (reports and policy)		
With management	19.5	89.6
Against manager	80.5	10.4
Shareholder proposals		
For	72.9	31.3
Against	5.2	0
Abstain	21.9	68.8

Source: CCLA, 12 months to 31 March 2025. Due to rounding, numbers may not add to 100. *Not including resolutions that ISS 'refer' to the client for decision.

We seek to be transparent about all of our voting activity and publish our vote outcomes quarterly on our website. The reports provide a full overview of our rationale for any votes against policy, all votes against management and all shareholder resolutions.

As shown by the table above, during the year we did not support 17.8% of resolutions proposed by management. By way of comparison, had we followed our outsourced provider's, ISS, default voting policy we would not have supported 3.3% of resolutions. This difference highlights our willingness to vote against management on issues that we believe require improvement. The most common reasons for us not supporting management include:

Inappropriate, excessive or poorly aligned remuneration
During the reporting period we did not support 80.5% (ISS 10.4%) of companies' proposed remuneration policies or reports.

The three most common reasons for us not supporting a remuneration resolution were:

1. Concerns about the construction of the annual bonus element. We believe that poorly constructed annual bonuses can disincentivise the delivery of strong long-term performance.
2. The overall quantum of the award to executives. This reflects our systemic concern about inequality.
3. The lack of ESG criteria within awards, as we believe that these incentivise directors to think about the wider environmental and/or social impact of their business.

Not supporting the election of directors
We vote against the re-election of directors to boards where we have concerns about the overall structure of the board and/or to hold directors accountable for the decisions of their committees. During the year we did not support 19.5% (ISS 2.8%) of director election resolutions. The most common reasons for not supporting the election of a director were:

1. Poor levels of gender or ethnic diversity at either board level or within senior management. For this we hold the chair of the nomination committee accountable.
2. The performance of the remuneration committee – where we have specific concerns about a proposed executive remuneration award or policy we do not support the re-election of the chair or, depending upon the severity of our concerns, all members of the committee.
3. Board governance – this reflects our desire for boards to provide a strong level of independent oversight and includes, but is not limited to, concerns regarding the combination of the roles of CEO and chair, and underrepresentation of genuinely independent directors.

We reviewed all ballots prior to them being submitted and sought to inform every company in advance of the meeting if we intended to not support them on any resolution. This allowed us to enter into engagement prior to the meeting and to fact check our data provider's research.

During the reporting year CCLA did not exercise voting rights over any fixed income holding nor did we seek any amendments to the terms and conditions offered by indentures or contracts.

Strengthening our approach to climate-related voting
In January 2025, we have published our updated 2025 vote guidelines. Our aims, when voting, are threefold: to promote good corporate governance, to reflect the underlying values of our clients, and to align with our wider stewardship work. This year, we have introduced an enhanced approach to voting against directors on climate change. For example, we will vote against the CEO at companies expanding fossil fuel dependence, at banks and insurance companies where we have concerns over the company's continued financing of fossil fuels, and at companies without a projected decarbonisation pathway at least in line with a below two degrees scenario. Where executive remuneration metrics do not include a climate related KPI, we will vote against the remuneration report and remuneration committee chair. Please refer to our Voting Guidelines 2025 for full details.

An example of this was a vote against Jon Moeller, CEO/chair at Procter & Gamble. We voted against Mr Moeller's re-election for several reasons, two of which were climate related: the company is a Climate Action 100+ focus company but has not reflected climate risk in its accounting assumptions, and there is a lack of clarity about the company's position on lobbying/trade association membership and its stated climate goals.

Supporting shareholder resolutions
We seek to reflect our wider stewardship priorities when considering resolutions filed by other investors. During the reporting year, we supported more than double the number of shareholder proposals supported by ISS, voting for 72.9%, compared to 31.3%.

We are committed to supporting shareholder resolutions that positively address environmental, social and governance concerns and disclose our voting position and rationale quarterly on our website. We integrate our wider stewardship priorities into our voting practices (as outlined in our Voting Guidelines 2025), and where escalation is necessary, we sometimes coordinate with other investors to co-file our own resolutions. During the reporting period, we co-filed five proposals at investee companies, summarised below.

Better environment
NextEra Energy (climate)

In 2024, we led the filing of a climate-related shareholder proposal at NextEra Energy. NextEra has a target to reach net-zero carbon emissions by 2045 although some of the trade associations to which it belongs can present forceful obstacles to addressing climate change. Our proposal asked the board to report to shareholders on its approach to identifying and addressing misalignments between NextEra's lobbying and policy influence activities, and its 'Real Zero' goal. The proposal received an encouraging 33% support at the AGM in May 2024. A further resolution was filed for the 2025 AGM season.

McDonald's (biodiversity)

We initiated engagement with McDonald's as part of our membership of Nature Action 100 in 2024. While the company responded to the initial outreach, we have been unable to secure a meeting. Accordingly, we escalated the engagement by co-filing a shareholder proposal for the company's 2025 AGM asking McDonald's to prepare a public report assessing the extent to which its supply chains and operations impact biodiversity and are vulnerable to biodiversity loss.

Better health
Coca-Cola Co (nutrition)

We have been engaging with Coca-Cola for several years on its approach to nutrition. Facing a continued lack of any meaningful progress, we co-filed a shareholder proposal at the company for its 2024 AGM, asking it to adopt an enterprise-wide policy to move towards healthier products, beyond only sugar reduction. Unfortunately, the proposal was challenged by the company's lawyers and rejected by the US Securities and Exchange Commission (SEC) before going to a shareholder vote. The SEC justified its rejection by arguing that the proposal related to ordinary business matters. We are coordinating with ShareAction and other investors collaborating on this topic to establish how to move the engagement forward with Coca-Cola Co in 2025.

Better work

Amazon (collective bargaining)

We co-filed a shareholder proposal for Amazon's 2024 AGM, requesting publication of an independent report into the alignment of the company's practices on freedom of association and collective bargaining with its own policies and human rights standards. This followed ongoing media reports that Amazon has deployed tactics to discourage its workers from joining unions. The proposal received 31.8% of the shareholder vote, or 37.0% excluding insider votes (CEO Jeff Bezos alone owns 10.8% of the voting power). This was down 3% compared to votes for a similar resolution in 2023. As part of this engagement, we wrote to Amazon in June 2024 with the backing of 48 investors with shares totalling $1 trillion, in support of workers trying to form a union in the Coventry fulfilment centre.

We asked Amazon to:

- implement its stated commitment to the International Labour Organization (ILO) 'fundamental' conventions, the ILO Declaration on Fundamental Principles and Rights at Work, and the United Nations' Universal Declaration of Human Rights.
- cease all anti-union communications at Coventry and at all other facilities globally
- commit to negotiating in good faith with the Coventry branch of the GMB union and with other unions at national and global levels. In December 2024, we submitted paperwork to co-file again for the company's 2025 AGM.

Nike (labour standards)

In 2024, we co-filed and voted on a shareholder proposal at Nike on labour standards within the company's supply chain. The industry practice of relying on social auditing to ensure compliance with supply chain labour policies is easily abused and often fails workers, particularly those in high risk countries. In the resolution, we asked Nike to adopt a worker-centric approach, which would involve binding agreements between the company and the workers in its supply chain. In total, 12.3% of the shareholders supported this resolution, and we continue to press this topic with the company.

Important information

WANT TO KNOW MORE?

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BECAUSE GOOD IS BETTER