RESPONSIBLE INVESTMENT REPORT

“Miss Spinelli, I’m in place and ready to deal with the major problems confronting management today.”
CCLA RESPONSIBLE INVESTMENT REPORT

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Welcome to our 2016-2017 Responsible Investment Report. For many charity trustees ‘responsible investment’ can be a difficult and contested area. For us, however, it is simply good investment management.

Our experience suggests that conventional financial modelling only gives part of the answer as to what makes a company a good investment. So, before investing, we carefully assess the environmental, social and governance (ESG) behaviour of companies alongside their financial performance. We find that the poorest standards of corporate governance can jeopardise company performance and genuine risks, such as health and safety standards in the mining sector, are often not properly reflected in the price that investors pay.

“Conventional financial modelling only gives part of the answer as to what makes a company a good investment”

We are aware that the challenges facing companies change over time and that management teams can come and go. For this reason, we seek a close relationship with the companies that we invest in. Our approach ranges from voting at all company Annual General Meetings, to ensure that companies continue to be run for the benefit of shareholders, to detailed dialogue if we identify any concerns about strategy, performance, or the management of a specific ESG risk.

We also recognise that companies can only perform if they are supported by a healthy environment and favourable social conditions. Our active ownership work, on issues as diverse as addressing climate change and promoting high standards of public health, seeks to contribute to the creation of a sustainable and profitable future for the next generation of investors.

Responsible investment is a fast moving and complex area and our aim is to focus on those areas that have the most material effect on companies and society as a whole. In this way we expect to enhance the sustainable return on our clients’ investments.

Michael Quicke, OBE
Chief Executive, CCLA
HOW WE PRIORITISE
OUR RESPONSIBLE INVESTMENT WORK

Responsible investment can cover many complex issues and subjects. Our focus is to simply identify risks to future company performance, that are not visible through normal financial analysis or time horizons, and then address them either by altering our portfolios or through entering into dialogue with companies.

We assess the topics that we focus on in three ways. First, we seek to identify companies whose activities are most at risk from shifts in future regulation or concern in communities. We currently concentrate our efforts on assessing companies that are involved in the most carbon intensive activities or with products that could be seen to contribute to childhood obesity. In both cases we believe that the regulatory environment is likely to become more restrictive for companies.

Second, we use data from our third-party data providers to identify companies that have poor policies for managing their day-to-day ESG risks. We implement strict filters on companies who have the poorest standards of corporate governance or are operating in the riskiest sectors without adequate practices and procedures.

No company is the same so we look for different things in different sectors. In potentially high-risk sectors, like Metals and Mining or Oil and Gas, negative events can shut entire assets and cause significant litigation. Consequently, when conducting our due-diligence we look for evidence of strong health and safety standards. Whilst this might seem like common sense we find that this risk is often not factored into the price paid by most investors.

Finally, we respond to the needs of our clients and prioritise a number of their concerns for detailed engagement. This can be on topics as broad ranging as the Living Wage and the responsible retail of alcohol.

Because things change we re-assess our responsible investment priorities every year. This is overseen by the Ethical and Responsible Investment Committee which meets quarterly and is chaired by CCLA’s chief executive. It is attended by the chief investment officer and head of ethical and responsible investment.

“Our focus is simply to identify risks to future company performance and address them”

All the cartoons in this report are by Henry Martin. He graduated from Princeton University in 1948 with a degree in Art History and subsequently studied art at the American Academy of Art in Chicago. Martin worked as a cartoonist and illustrator for more than 50 years, publishing in The New Yorker, Punch, Ladies’ Home Journal, The Saturday Evening Post, the Princeton Alumni Weekly and many other magazines. His single-panel comic strip, “Good News/Bad News,” was nationally syndicated, and he wrote and/or illustrated more than 35 books. He retired in 1995. Martin received the National Cartoonist Society Gag Cartoon Award for his work in 1978.
THE TRANSITION TO A LOW CARBON ECONOMY:
CLIMATE CHANGE AND YOUR INVESTMENTS

We recognise the long-term threat to shareholder value that is posed by climate change.

If unmitigated, it could lead to changes to sea levels, damage to eco-systems and exacerbate extreme weather patterns. This would have a negative impact upon company supply chains, access to resources such as water – critical in many industries such as the extractives sector – and impact upon real estate assets. Climate Change is also a key ethical concern for many of our clients. For these reasons, we support attempts to limit global temperature rises to two degrees Celsius above pre-industrial levels.

Whilst most of the impacts of climate change will be felt in the future we have taken the first steps to make our portfolios more resilient.

For instance, when allocating our clients’ capital we pay attention to the potential for governmental regulation and changing consumer preferences to impact upon demand for high carbon assets. We are particularly sensitive to the implications for companies involved in the extraction of fossil fuels. These changes may mean that some proven reserves, currently on their balance sheets, will not be brought to market and investors might not realise their full, expected, value.

Recognising this risk, we do not invest in companies that derive more than 10% of their revenue from the extraction of thermal coal or oil sands. Thermal coal is the most carbon intensive fossil fuel and the extraction of oil from tar sands is highly energy intensive. Therefore, these are likely to be the first assets stranded by the low carbon transition. We are also underweight the conventional energy sector and, recognising the long term risks, prioritise our holdings in this area for detailed engagement.

“...provide a positive, low carbon, solution”

Investors can also make a positive contribution. In addition to engagement we actively allocate capital to investments that provide a positive, low carbon, solution whilst meeting our clients’ wider risk and return requirements. These include renewable energy infrastructure and helping to increase the energy efficiency of buildings. Currently about 2.5% of the capital value of our main multi-asset investment funds is invested in this way.

ENERGY EFFICIENCY
INVESTMENTS

We were a cornerstone investor in Sustainable Development Capital Limited’s Energy Efficiency Limited Liability Partnership.

This has delivered an 8% return to our investors per annum and enabled the development of energy efficiency projects such as the installation of a new low carbon chilling, heating and power system at St. Bartholomew’s hospital in London.

CARBON FOOTPRINT

We were early signatories to the PRI’s Montreal Pledge and continue to monitor and disclose the carbon footprint of our portfolios. As at May 2017 the combined Scope One and Two carbon footprint of the COIF Charities Ethical Investment Fund, one of our three multi-asset investment funds, was 54.7 tons of carbon dioxide equivalent per million dollars invested (tCO2e/$m invested). This compared favourably to the MSCI World Index which had a scope One and Two footprint of 135.5 tCO2e/$m invested.*

*Source: MSCI
THE TRANSITION TO A LOW CARBON ECONOMY: CLIMATE CHANGE STEWARDSHIP

Given the risk that climate change poses to the value of our clients’ investments we have made accelerating the transition to a low carbon economy our highest stewardship priority.

Most of our work to date has been conducted through the ‘Aiming for A’ shareholder initiative. This was created and convened by CCLA and brought together some of the country’s leading institutional investors to work with UK-listed electrical utilities and extractives sector companies. A key part of this work has been helping the companies to manage their business, and protect their value for shareholders, whilst adapting to anticipated changes in regulation and consumer preference.

In addition to detailed, ongoing, dialogues with company management the ‘Aiming for A’ coalition filed shareholder resolutions. A key requirement of these resolutions was for the companies to test their portfolios against the International Energy Agency’s (IEA) 2035 scenarios. This identified the extent to which their proven fossil fuel reserves would be at risk of becoming stranded in a carbon constrained world. During 2015 and 2016 ‘Aiming for A’ shareholder proposals were filed at five UK-listed companies, including CCLA holdings Royal Dutch Shell and Rio Tinto. These received the support of company management and were passed by over 95% of shareholders.

Recognising the scale of the climate challenge, and the need for more resources to address it, we have now merged the ‘Aiming for A’ initiative into the Institutional Investors Group on Climate Change’s corporate engagement programme. We hope that this will increase its scale and impact.

We have also broadened our dialogues to include non-UK listed companies alongside a coalition of international investors. This has meant that all our investments in companies that are involved in the extraction of fossil fuels are now covered by detailed engagement.

During the year we have placed emphasis upon supporting shareholder resolutions filed by our collaborators at US companies Chevron and Exxon. On the back of this work Chevron published their first document detailing the resilience of their portfolio under an energy scenario that limits temperature rises to below 2 Degrees Celsius. We will continue to work with the company to encourage them to develop this further.

Our current climate engagement priorities are: Chevron, Duke Energy, National Grid, Rio Tinto, Royal Dutch Shell and SSE.

“We have made accelerating the transition to a low carbon economy our highest stewardship priority”

SUPPORTING PROGRESSIVE REGULATION

We recognise that progressive legislation is essential if we are to accelerate the transition to a low carbon economy. For this reason, we are members of the Institutional Investors Group on Climate Change and support their work with policy makers both at home and internationally.

Our Chief Investment Officer, James Bevan, attended and spoke at both COP 21 (Paris) and COP 22 (Marrakech) Climate Conferences.

IMPROVING STANDARDS ACROSS THE UK MARKET

CCLA is an investor member of CDP, a not-for-profit charity that helps investors and companies disclose their environmental impact.

We conduct an annual engagement with companies in our home market who have received poor scores on the CDP Climate Change Programme. This assesses the steps that companies have taken to acknowledge, and manage, the risk that climate change poses to their business.

During the year we engaged with 54 FTSE 350 constituent companies, 41% of the companies contacted improved their response to CDP. This work was conducted on behalf of the Church Investors Group, to whom CCLA provide the Secretariat.
Unless otherwise noted our climate engagement with each company during the year focussed on scenario planning, low-carbon R&D, executive compensation alignment and public policy work. Progress is measured based upon whether the company has improved during the reporting year. As an active investment manager we are constantly working on, and updating, our portfolios to ensure that they meet the needs of our clients. This means that we will not currently hold all of the companies that we have engaged with during the year.

BP
Engagement Performance: ■
The company developed a new short, medium and long-term strategy and introduced a new ‘even faster transition’ into its scenario planning.
We have been pleased with BP’s public policy work, particularly its role as Chair of the Oil and Gas Climate Initiative and membership of the Climate Leadership Council.

BHP Billiton
Engagement Performance: ■
During the year BHP Billiton released an update of their climate change report to incorporate the Paris Agreement. This provided further detail about their approach to scenario planning and stated that they currently expect the world to have an orderly transition to limit temperatures to be-low 2 Degrees Celsius.

Chevron
Engagement Performance: ■
Our focus has been on scenario planning. We co-filed a shareholder resolution, led by Wespath and Hermes Investment Management, that asked Chevron to report upon the impact that limiting global temperature rises to two degrees above pre-industrial levels would have upon their business. The resolution was withdrawn following the publication of ‘Managing Climate Change Risks: A Perspective for Investors’. Whilst we welcome the publication we were concerned with its limited scope.

Duke Energy
Engagement Performance: ■
Duke Energy was a new purchase during the reporting year and we have only just begun our engagement.
46% of shareholders supported a resolution requesting an assessment of the impact that efforts to limit global temperature rises to two degrees above pre-industrial levels would have upon their portfolio.
We look forward to engaging with Duke on their response.

Exxon Mobil
Engagement Performance: ■
Our engagement focus has been on scenario planning and public policy positions.
CCLA co-filed a shareholder resolution, led by the Church Commissioners for England and the New York State Common Retirement Fund, that asked Exxon to report upon the impact that efforts to limit global temperature rises to two degrees above pre-industrial levels would have upon their business. Exxon requested that their shareholders vote against the resolution. The resolution was supported by 62.3% of shareholders and the company have promised to respond. As a consequence, whilst we no longer hold the company in our portfolios, we expect a better response to engagement from other investors in the future.
The company’s public policy work has been positive. It has urged the US government to remain part of the Paris Climate Change Agreement and supported the US Climate Leadership Council’s carbon tax proposal.

Rio Tinto
Engagement Performance: ■
The company released their first standalone climate change report during the reporting year. This detailed their approach in each of our priority areas.

Royal Dutch Shell (Shell)
Engagement Performance: ■
We have had ongoing engagement with senior figures within the company following the 2015 ‘Aiming for A’ shareholder proposal and, at this stage in the transition to a low carbon economy, we are content with progress.

SSE PLC
Engagement Performance: ■
SSE has continued to respond well to investor engagement on climate change and remains a leader within its sector.

ENGAGEMENT KEY

We are pleased with progress against our current engagement aims ■
Some progress ■
No or limited response to engagement ■
One in Six children are currently overweight or obese in OECD countries and obesity rates are projected to increase further by 2035. We are concerned about the economic implications of this and the impact on individual food and drinks companies.*

The McKinsey Global Institute estimates that the global economic impact of obesity is about $2 trillion per year. The cost to the UK, alone, is $73 billion. This equates to 3% of our GDP making it the second largest negative impact, after smoking. The two largest contributors to these numbers are the implications for health care systems and lower levels of productivity.

The healthcare cost is understandable, given the need to treat obesity related illnesses such as Type II Diabetes. However, it is also estimated that, in the UK alone, workplaces lose $5 billion every year from lower levels of staff productivity caused by obesity related issues. For this reason, the performance of all companies can benefit from investors addressing the issue.**

We also expect companies involved in the manufacture and retail of food and beverage products, that contain high levels of sugar, to have to adapt to increasingly punitive taxes that are aimed at decreasing levels of consumption. The World Health Organization, for instance, advocates national governments to implement taxes that increase the cost of ‘sugary drinks’ by at least 20%. Countries such as France and Mexico have already implemented ‘sugary drinks’ taxes. New legislation is due to come into effect in the UK and Ireland in 2018.

Recognising these factors, we are encouraging our investee companies, Compass Group, The Coca-Cola Company, Domino’s Pizza, PepsiCo, Greggs, Nestle and Unilever, to include efforts to mitigate rises in levels of childhood obesity into their long-term strategy. This has included dialogue about the reformulation of products to reduce levels of high fats, salts and sugars.

“It is estimated that, in the UK alone, workplaces lose $5 billion every year from lower levels of staff productivity caused by obesity related issues”

We believe that this engagement is having an impact and we were pleased to see the inclusion of a health and wellness metric in Compass Group’s, a key provider of UK school meals, most recent Annual Report.

*Source: OECD **Source: McKinsey
Ajinomoto
Engagement Performance: 
Following engagement Ajinomoto updated their Principles and Policies document to include a mention of marketing to children.

Compass Group
Engagement Performance: 
Compass Group have taken a number of key steps in this area. These include: agreeing a ‘Global Health and Wellness’ framework and increasing their public reporting on nutrition.

Domino’s Pizza
Engagement Performance: 
Our engagement has focused on the risk to the company caused by potential shifts in regulation to incentivise healthier diets. The company has identified health as a principal strategic risk, and established an internal steering group on healthy eating, reformed a number of products to reduce levels of salt and sugar and increased nutritional labeling.

Greggs
Engagement Performance: 
The company offers ‘Balanced Choices’ in all marketing campaigns and has included more information on nutrition on its website and Annual Report.

Nestle
Engagement Performance: 
Nestle are continuing to develop their company-wide nutritional profiling system and has updated its policy on marketing to children.

Pepsico
Engagement Performance: 
We have encouraged the company to develop a position statement on obesity, standardise their product categories and publish more nutritional data. Pepsico have committed to take the comments forward and revert in due course.

The Coca Cola Company
Engagement Performance: 
The Coca Cola have adopted global reformulation targets and continue to place emphasis upon marketing low sugar alternatives to ‘Red Coke’.

Unilever
Engagement Performance: 
Unilever are rated at the top of the Access to Nutrition Index and our engagement has encouraged the company to retain its leadership position.

Our focus on childhood obesity builds upon engagement, based upon the previous coalition government’s Public Health Responsibility Deal (PHRD), over the past five years. This engagement was conducted with Domino’s Pizza, The Restaurant Group and Cineworld, amongst others. Our engagement led to the companies signing additional PHRD pledges (on issues such as salt content reduction) and providing additional transparency to consumers on calorie content.
Poor standards of corporate governance can be a clue as to whether companies will underperform. For this reason, we conduct due diligence on the structure of every potential investee company prior to adding them to any of our portfolios.

We recognise, however, that there is no one, global definition as to what good corporate governance is. Consequently, we use external data to compare prospective investee companies to the standards that are expected in their home market. We are also aware that different structures work for different companies. When we identify a company that has an attractive investment case, but a governance structure that does not meet the level set by its peers, we conduct a detailed examination.

“There is no, single, global definition as to what good corporate governance is”

The investigation covers issues such as the company’s ownership structure – ensuring that the agenda of major shareholders is aligned with the needs of our clients – the capability of management and the structure of the Board – to understand the quality of the people making the key decisions – and the integrity of the annual audit.

It often involves talking to the companies themselves. If, following this process, we are still not comfortable we do not proceed to investment.

This approach actively alters the characteristics of our funds for the better. Each of our major multi-asset funds have a higher corporate governance rating than the MSCI World Index.

Our approach to corporate governance does not stop once we have purchased a stock. We prioritise a few companies for detailed engagement on specific concerns and seek to actively use the voting rights that are given to us as shareholders.

One area that we look at in detail is the structure and level of pay that is awarded to executives. When we vote on executive pay packages, we are mindful of our clients concerns about excessive pay levels, look to make sure that the structure of the remuneration scheme is not incentivising short term corporate behaviour and assess whether the level of pay is in line with the returns enjoyed by shareholders. During the year we did not support 69.1% of Remuneration Reports and Policies.

Our voting also seeks to reflect our wider views on what constitutes good corporate governance and we are not afraid to vote against management. We did not support management for 13.86% of resolutions filed during the year. Of note was our approach to promoting board level diversity. We opposed the re-election of the Chair of the Nomination Committee on 22 occasions due to insufficient numbers of female directors.
MANAGING ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

We recognise that some business activities face higher environmental, social and governance risks than others. For this reason, we have prioritised companies in high risk sectors, such as the extractives industries, for further due diligence prior to purchase. When investing in these sectors we place emphasis upon understanding approaches to health and safety, anti-corruption and bribery and wider risk management. We do not invest in companies who are positioned in the bottom third of our in-house rankings.

In order to encourage improvements, we also continually engage with a number of portfolio holdings on a wide range of ESG themes. This includes issues such as water use, tax transparency and labour standards. We measure developments over time and escalate engagement where companies are non-responsive.

During the year we have engaged with 40 companies in this manner and our engagement progress is displayed in the table below. (NB engagement is ongoing unless otherwise noted).

AIA
Engagement Performance: Supply Chain
The company has responded positively to engagement on their supply chain. Our focus was on encouraging responsible investment practices. We consider this engagement complete.

Allergan PLC
Engagement Performance: Labour Standards
Company has not responded to our attempts to engage. We will continue to seek dialogue in the coming year.

Amazon.com
Engagement Performance: Labour Standards
The company held its first sustainability call with investors in 2017 and we look forward to further dialogue.

Auto Trader
Engagement Performance: Labour Standards
Company has made additional information about their approach public.

Beazley
Engagement Performance: Supply Chain
Company has responded well to our engagement and is considering putting more documents into the public domain.

BPost
Engagement Performance: Health and Safety & Anti-Corruption
Company responded to engagement.

Bunzl
Engagement Performance: Water Use
Company is reviewing its policies in this area.

Chevron
Engagement Performance: Anti-Corruption
Company provided CCLA with a comprehensive overview of its approach to considering anti-corruption and bribery in all of its operations.

CHR Hansen
Engagement Performance: Environmental factors in the Supply Chain
Company has responded well to engagement and has significantly improved the ratings awarded to it by our third-party providers. We consider this engagement complete.

Cineworld
Engagement Performance: Labour Standards
Company has not responded to our attempts to engage on the topic.

CITIGROUP
Engagement Performance: Customer Responsibility
Company has not responded to our engagement. However, following a wider review we have de-prioritised this engagement.

Costco Wholesale
Engagement Performance: Customer Responsibility
Company has responded well to engagement and has included more information in its most recent Corporate Social Responsibility Report.
Croda International  
Engagement Performance:  
Health and Safety  
Company has substantially increased its public reporting on health and safety. We will continue to monitor this.

Daito Trust  
Engagement Performance:  
Anti-Corruption  
Dialogue is ongoing but no improvement in policies and practices as of yet.

Dechra Pharmaceuticals  
Engagement Performance:  
Climate Change, Water Use, Customer Responsibility & Labour Standards  
We have held positive discussions with the company and are expecting progress in the near future.

Domino’s Pizza  
Engagement Performance:  
Labour Standards  
The company has begun to address our concerns in this area.

Duke Energy  
Engagement Performance:  
Health and Safety  
The company has provided a detailed response to our concerns and has significantly improved the ratings awarded to it by our third-party data providers.

Dulux Group  
Engagement Performance:  
Pollution and Labour Standards  
The company did not respond to our requests to engage.

FANUC  
Engagement Performance:  
Labour Standards and Anti-Corruption  
The company responded well to engagement and placed more information on their website about their approach.

Fresenius SE  
Engagement Performance:  
Human Rights  
We have had positive initial conversations and expect more information to be made available in 2018.

Greggs  
Engagement Performance:  
Customer Responsibility  
Greggs has responded positively to engagement and have significantly increased the ESG Ratings awarded to them by our third-party data providers. We continue to engage on nutritional standards.

Homeserve  
Engagement Performance:  
Labour Standards  
Homeserve are reviewing their policies in this area.

Jardine Lloyd Thompson  
Engagement Performance:  
Climate Change  
The company have addressed our concerns and have received an upgraded rating from our data providers.

KDDI Corp  
Engagement Performance:  
Supply Chain  
The company has made their comprehensive policy documents available on their website. We consider this engagement complete.

Keyence  
Engagement Performance:  
Environmental Factors in the Supply Chain  
No response to our request for engagement. We will continue to attempt to engage with the company. Our main focus moving forwards will be Modern Slavery as the company is poorly rated on the ‘Know the Chain’ benchmark.

Koito Manufacturing  
Engagement Performance:  
Supply Chain  
No response to our request for engagement. We will continue to attempt to engage with the company.

L Brands  
Engagement Performance:  
Labour Standards  
The company has clarified policies to ensure that they apply across both the company and the entirety of its supply chain.

Moneysupermarket  
Engagement Performance:  
Labour Standards  
The company has not responded to our attempts for engagement. We will continue to seek an opportunity to discuss this issue.

NCC Group  
Engagement Performance:  
Labour Standards  
The company responded to engagement but has not made progress.

Potash Corp  
Engagement Performance:  
Environmental Factors in the Supply Chain  
The company included more information in their 2017 Corporate Social Responsibility Report and have been awarded a higher rating by our data provider.

Priceline Group  
Engagement Performance:  
Human Rights and Pollution  
The company has acknowledged that it needs to improve its policies in these areas.

Reckitt Benckiser  
Engagement Performance:  
Pollution and Resources  
Chief Executive responded to our concerns following the jailing of an executive due to the retail of a fatal humidifier disinfectant in South Korea. We have begun engagement to encourage the company to meet the FTSE4Good responsibility standards for Breast Milk Substitutes following the acquisition of Mead Johnson Nutrition.
**RPC Group**  
Engagement Performance:  
*Climate Change and Environmental Factors in the Supply Chain*  
Referred to existing information in their Annual Report.

**Stryker Corp**  
Engagement Performance:  
*Anti-Corruption*  
Company provided extra information regarding their policies and procedures in the area. We consider this engagement to be complete.

**Schlumberger**  
Engagement Performance:  
*Labour Standards and Risk Management*  
Company did not respond to engagement.

**Severn Trent**  
Engagement Performance:  
*Pollution*  
Company provided a detailed response to engagement.

**Starbucks Corp**  
Engagement Performance:  
*Customer Responsibility*  
Company provided a comprehensive response and we consider this engagement complete.

**Thermofisher Scientific**  
Engagement Performance:  
*Water Use and Environmental Factors in the Supply Chain*  
Company has provided an initial response highlighting existing publicly available information.

**TJX Companies**  
Engagement Performance:  
*Labour Standards*  
Company has published a new policy.

**United Health Care**  
Engagement Performance:  
*Labour Standards*  
Company responded positively to engagement and is keen to develop new policies and procedures in this area.
ETHICAL INVESTMENT

Many charity trustees are concerned about the possibility for poorly selected investments to undermine the reputation of their charities.

To avoid the potential for inadvertent harm, as a specialist fund manager, we seek to invest our clients’ assets in a way that keeps the values and ethos of our clients at the front of mind. Our pooled funds are managed in line with strict ethical investment policies that are set, through a period of consultation, by the underlying unitholders. As there is no, single, view on ethical investment the ethical approach of these funds varies. As we manage them to the same investment philosophy we do not expect the different ethical policies to lead to a significant divergence in performance over the long-term.

Our ethical investment policies are about more than avoiding negative behaviours. We seek to also have a positive impact upon the companies that we invest in. For this reason, we allow our clients to set the priorities for several of our engagement projects.

Our current focus is on addressing the risk of modern slavery taking place within company supply chains. This is a significant problem. The International Labour Organization estimates that there are 21 million victims of forced labour worldwide and the Home Office estimates that there were 10,000-13,000 victims in the UK alone in 2014. Research conducted by the Ethical Trading Initiative and the Ashridge Hult Business School found that 71%, of 51 retailers included within their study, felt there was a likelihood of modern slavery being present at some point within their supply chain. Of these only 20% were confident that their ‘tier one’ suppliers, those with whom they had a direct relationship, were slavery free.

As such, we have been commissioned by the Church Investors Group to lead a market-wide engagement programme with FTSE350 constituent companies. Engagement to date has focussed on encouraging companies to develop ‘Transparency in the Supply Chain’ statements, as required under the UK’s Modern Slavery Act, that meet the Home Office’s guidance.

In addition, our Ethical Fund clients have prioritised detailed engagement on the topic with our holdings in the Personal and Household Goods sector and with any company who has been ranked in the bottom half of rankings created by the ‘Know the Chain’ coalition. This work will commence shortly.

THE LIVING WAGE

Our Ethical Fund clients previously prioritised engagement with FTSE100 constituent companies in the Financial Services and Pharmaceutical sectors on the Living Wage. During the engagement period, we worked with 13 companies. Following engagement 11 either became an accredited Living Wage employer or took significant steps in this direction. This led to pay rises for a significant number of low paid staff. The Living Wage is now a core component of our voting template.
Our specialist funds for the Church of England are one of the Church’s recognised National Investing Bodies. As such, they are managed in accordance with the guidance issued by the Church’s Ethical Investment Advisory Group (EIAG). We actively participate in the work of the Group. Fund Trustee Director, the Reverend Canon Edward Carter, and CCLA’s Chief Executive, Michael Quicke, are members of the EIAG and the Head of Ethical and Responsible Investment, James Corah, attends all meetings. We collaborate and co-ordinate on engagement with the other National Investing Bodies. These are the Church Commissioners for England and the Church of England Pensions Board.

COMPLIANCE WITH INTERNATIONAL NORMS

In addition to the restrictions on investment that are placed upon us by our clients CCLA seeks to invest in line with internationally agreed norms and standards.

We do not invest in any company that manufactures whole systems or key components for landmines, cluster munitions, or chemical and biological weapons.

We watch our investee companies for allegations of non-compliance with the ILO Core Labour Standards or the UN Guiding Principles for Business and Human Rights.

Where companies have not responded to serious allegations we prioritise the company for engagement to raise their operating standards. We have strict parameters for judging the success of this engagement and if it is not working we sell our holdings.

We undertake a similar programme for companies who operate in carbon intensive sectors but do not disclose their emissions.

No current holdings have faced an allegation of non-conformity.
ABOUT CCLA

We manage investments for charities, religious organisations and the public sector. This is all we do.

Founded in 1958, we aim to deliver strong long-term returns and have unmatched experience in providing ethical and responsible investment to charities. We are independently owned by our clients with £7 billion of assets under management.

BECAUSE GOOD IS BETTER

DISCLOSURE

This document is a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. Past performance is not an indicator of future performance. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated.

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