

Engagement policy

The CCLA approach to active ownership

We believe in the power of positive change. 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 returns to our clients requires us to drive real and positive change.

We do this by:

- actively 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
- seeking to be a catalyst for change in the investment management industry.

By delivering positive change we can limit risks before they negatively impact on the performance of our clients' assets and the structure and function of society.

This policy sets out the 10 rules that we apply to deliver on this philosophy. These are applied to all assets under our care, irrespective of their geography.

PURPOSE AND SCOPE

This engagement policy sets out how CCLA Investment Management Limited undertakes shareholder engagement for its funds and discretionary mandates.

The purpose of this policy is to describe how CCLA ensures the integration of shareholder engagement as per the Shareholder Rights Directive II (EU) 2017/828 (SRDII).

CCLA endorses and supports the principles on engagement with the investee companies set out in both the UK Stewardship Code 2020 and SDRII and is a signatory to the UN-supported Principles for Responsible Investment.

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

The UN-backed Principles for Responsible Investment

RULE ONE

Active ownership is an integrated part of our investment approach

- 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 about strategy, capital structure, governance or the potential for negative environmental or social impact.
- We believe that engagement is most effective when it is conducted in the spirit of constructive partnership between the investor and a company's management team. However, while we seek to support the companies in which we invest on behalf of our clients, we recognise that our dialogues with companies cannot be open-ended. For this reason, if engagement on the most important issues is not successful in achieving the intended change, we consider divestment.
- Since active ownership is at the centre of our investment process, all engagements are conducted in partnership between our portfolio managers, analysts and team of seven sustainability specialists.

RULE TWO

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

- The delivery of long-term investment returns is a central requirement for our clients, so we consider the strength of governance, and the environmental and social sustainability of every asset prior to purchase. This can be a determining factor in deciding to invest. It also helps us to identify any risks that might best be addressed through engagement.
- All of our active ownership work is designed to deliver change, so we have a targeted plan for every engagement that we enter into. Progress is monitored routinely and, if not sufficient, can lead to an escalation in our concern.

- We grade our equity engagements on a risk scale, which can escalate to reflect increased concerns. Our current practice ranges from Level One, routine voting, to Level Four where we divest automatically if no progress is achieved in a limited time period. These levels are set by the Ethical and Responsible Investment Committee, based on the advice of our sustainability specialists.

RULE THREE

We exercise our clients' voting rights

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

RULE FOUR

We aim to act systemically

- We realise that some of the key environmental and social challenges facing the medium to long term performance of our clients' investments are systemic and cannot be eliminated through diversification. We also recognise that, despite their impact, the investment industry has a poor track record on addressing systemic risks.

- We seek to be a catalyst for positive systemic change and have a long track record on developing engagement initiatives that focus investor action on risks that have not been adequately addressed by the market.
- We recognise that regulation and legislation are key tools in managing systemic sustainability risks. For this reason, we believe that we have a responsibility to work with public policy makers to push for progressive frameworks that accelerate positive change.

RULE FIVE

We believe in the power of collaboration

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

RULE SIX

We do not engage for publicity or to tick a box

- We believe that all engagements should be designed to achieve a specific change in company practice. For this reason, all of our active ownership work is designed to achieve a specific aim.
- This means that, unless otherwise agreed, the content of the majority of our meetings is kept confidential between the company and us as an investor.

- However, we recognise the importance of the media as a tool for delivering change and are not afraid to comment on poor practice (as a method of escalating our engagement) or to engage with the press to raise the profile of important issues and initiatives.

RULE SEVEN

Our approach to active ownership extends to all assets in our care

- We believe that active ownership can be an effective tool for protecting the value of all asset classes. Therefore, our approach extends beyond our equity holdings.
- Active ownership is a key part of our property investment process, where we seek to unlock value for our clients through a process of active facilities management and refurbishment.
- We have a long-standing active ownership approach that pushes the counterparties we use for our money market and deposit funds for improvements in their governance and approach to sustainability.

RULE EIGHT

We report on the outcomes of our active ownership

- As the guardians, not the owners, of the assets that we manage, we recognise that we have a responsibility to report upon the outcomes of everything that we do.
- We disclose a full report on our proxy voting, and highlights of our wider stewardship activities, on our website every quarter.
- We publish an extensive annual Responsible Investment Report, which provides a company by company overview of the impact of our engagement work.

RULE NINE

We manage our conflicts of interest

- We recognise that our active ownership programme can give rise to some actual or potential conflicts of interest that are not covered by CCLA's wider conflict of interest policy¹.
- These include, but are not limited to, voting upon the appointment of a company director with whom CCLA has an existing commercial or other significant relationship; CCLA portfolios holding the shares of the different companies involved in proposed merger and acquisition activity; and our clients having different views and priorities for engagement.
- To ensure that we are always acting in the best interest of our clients, any deviation from our standard proxy voting policy requires the approval of two senior members of our specialist team. All of our active ownership work is overseen by the governance framework described below.

RULE TEN

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

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

¹ CCLA's Conflict of Interest and Remuneration policies are available at www.ccla.co.uk

Disclosures

This document is not a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. To ensure you understand whether our products are suitable, please read the fund fact sheets and the scheme particulars and the risk factors identified therein. We strongly recommend you seek independent professional advice prior to investing.

CCLA Investment Management Limited (registered in England no. 2183088) and CCLA Fund Managers Limited (registered in England no. 8735639), whose registered address is Senator House, 85 Queen Victoria Street, London EC4V 4ET, are authorised and regulated by the Financial Conduct Authority.

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WANT TO KNOW MORE?

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CCLA

BECAUSE GOOD IS BETTER