CCLA

GOOD INVESTMENT

Better World

Sustainable Investment Outcomes 2023

Contents

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.

www.koestlerarts.org.uk

Cover image courtesy of Koestler Arts. *A Day in Time and Space*, HM Prison & Young Offender Institution Parc.

See inside back cover for details of other Koestler Arts images within this report.

Foreword

I have worked my entire career in the City of London. During that time the investment industry has evolved significantly, mostly for the better.

While public awareness of sustainability risks has grown, and as the financial consequences of failing to tackle them become increasingly apparent, the most visionary players in the investment industry have adapted to try to tackle them. This can only be a good thing.

Meanwhile, the role of investment stewardship has begun to emerge as a distinct discipline in our industry, discrediting the idea that meeting the needs of investors necessarily contradicts the needs of wider society. If we do stewardship well, we may even be able to go as far as demonstrating the 'social utility of finance as a public good'.[1]

CCLA has long harboured an ambition to be a catalyst for positive change in the world. Since my arrival at the firm in 2019, I have challenged our sustainability team to think creatively about how we can be a force for good in our industry. In particular, how we can be at the forefront of building the right incentive structures for companies to want to improve.

In many ways, 2023 was a groundbreaking year for CCLA. We launched the inaugural Modern Slavery UK Benchmark, published the second iteration of the CCLA Corporate Mental Health Benchmark and saw real, tangible improvements at multiple listed businesses. We also continued to build on our climate, cost of living, Living Wage, and nutrition and obesity engagement with demonstrable results. All are documented in this report.

Yet, we also acknowledge that we cannot drive change alone. It is for this reason that we have continued to build the investor coalitions and collaborations that form the backbone of our stewardship work. In early 2023, we passed a landmark 100 investors collaborating on CCLA-led sustainability initiatives. By the end of the year, supporting investors numbered 111 across 15 countries, in four continents, representing more than £17 trillion in assets under management.

It is becoming increasingly apparent that investors can be instrumental in bringing about genuine positive outcomes. We should feel obliged to work together as an industry to support the needs of society.

Peter Hugh Smith
Chief Executive, CCLA

"Good news. Your attitude check came back positive"

What is Good Investment?

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

Investment markets can only be as healthy as the environment and communities that support them. We **act** to bring about positive social and environmental change 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 that they require
- seeking to be a catalyst for change in the investment industry.

By accelerating progress in meeting some of the world's major sustainability challenges, we can reduce the risk of negative impacts on the performance of our clients' assets and promote the smooth functioning of society.

▼ Our mental health benchmarks are one example of how we **act** to bring about positive change

Assess

We **assess** environmental, social and governance (ESG) standards because we believe that a combination of legislation, regulation and changing societal preferences will impact negatively upon the most unsustainable businesses.

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

- poor management and weak corporate governance
- having an unacceptable social and environmental impact
- demonstrating a lack of willingness to improve through investor engagement.

Investment markets have a poor record in pricing these risks; our ESG assessment framework supports our aim to deliver consistent long-term risk-adjusted returns to our clients.

Align

We are the guardians, not the owners, of the assets that we manage. Accordingly, we have a responsibility to:

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

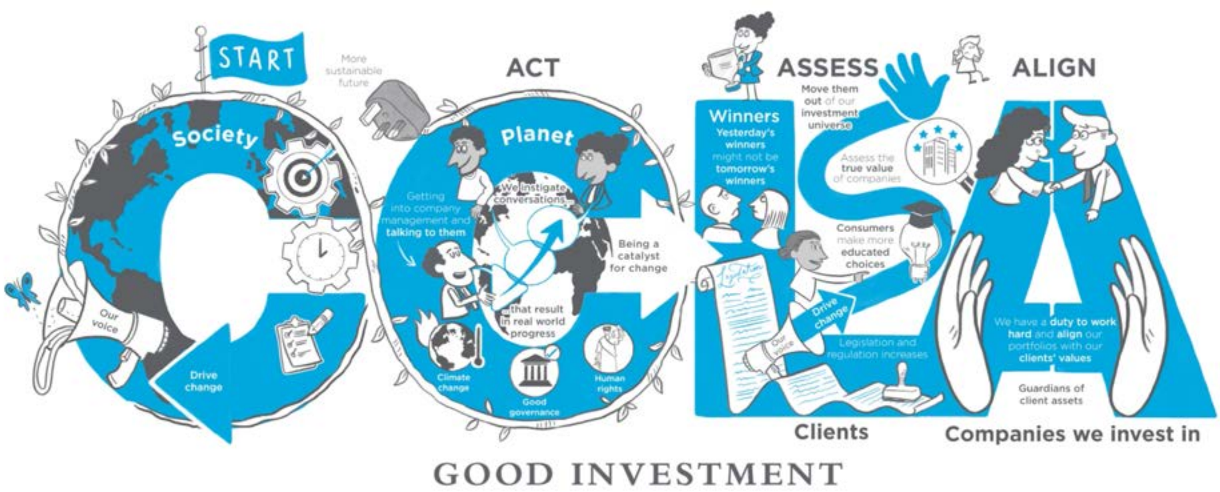
By investing in a way that we believe is aligned with our clients we are better able to meet their objectives and offer more than just a financial return.

This is what we call Good Investment. ■

LEARN MORE ONLINE

Want a greater understanding of what we mean by Good Investment and to hear about real-world examples of our stewardship?

Watch the Good Investment video at **ccla.co.uk/what-good-investment**



Industry recognition and awards

While investing sustainably is a priority for many, evaluating the approach of institutional asset managers remains a challenge.

We recognise the importance of credible industry standards such as the Principles for Responsible Investment's annual assessment process and the Financial Reporting Council's Stewardship Code.

As a signatory to both, our approach is assessed regularly and the full results are available on our website.

The UK Stewardship Code

We have been accepted as a signatory to the Financial Reporting Council's UK Stewardship Code 2020.[2] The code sets out 12 principles which aim to set high stewardship standards for those investing money on behalf of UK savers. Please refer to our website for our response.[3]

Principles for Responsible Investment

The United Nations-supported Principles for Responsible Investment (PRI), is the world's leading proponent of responsible investment.

CCLA's ratings for 2023 are set out below and available on our website.[4]

Module	CCLA rating (out of 5)	CCLA score	Approx. median score
Policy, governance and strategy	5	95%	60%
Direct – listed equity – other (how we integrate ESG in listed equity)	5	98%	51%
Direct – real estate (how we integrate ESG in property)	4	69%	62%
Confidence building measures	5	100%	80%

AWARDS IN 2023

Investment Week Sustainable Investment Awards

Sustainable Investment Fund Management Group of the Year (AUM under £50 billion)

Winner
CCLA Investment Management

Best Sustainable Investment Engagement Initiative

Winner
CCLA Corporate Mental Health Benchmarks, UK and Global

Outstanding Contribution to the Sustainable Investment Industry

Winner
Dr James Corah
CCLA Investment Management

ESG Clarity Awards

Best Social Initiative

Winner
CCLA Corporate Mental Health Benchmarks, UK and Global

Financial News Excellence in Institutional Fund Management Awards

ESG Initiative of the Year

Winner
CCLA Corporate Mental Health Benchmarks, UK and Global

Portfolio Adviser Wealth Partnership Awards

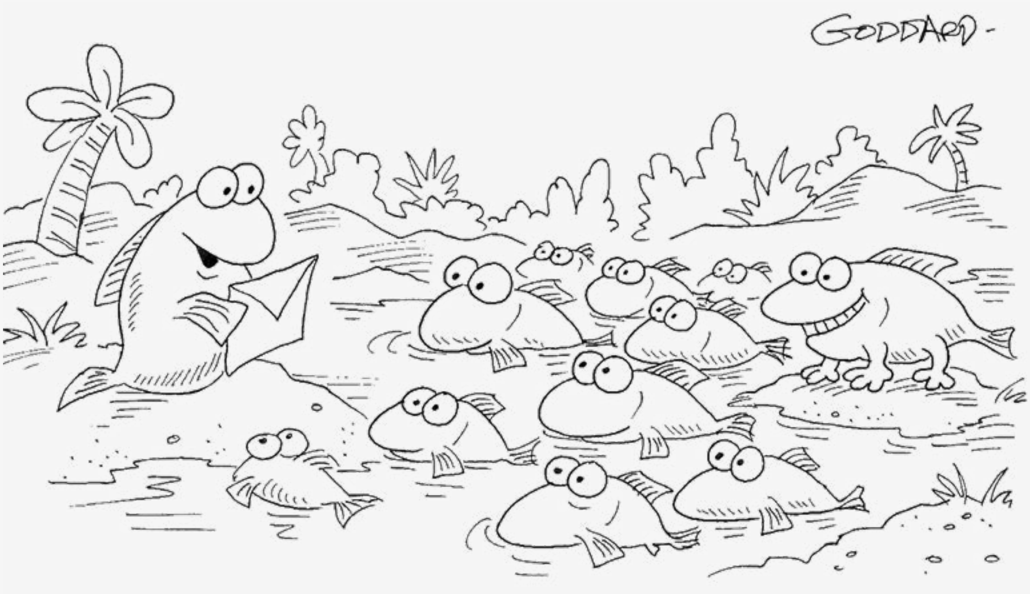
ESG Advocate (Asset Manager)

Winner
CCLA

Make a Difference Awards

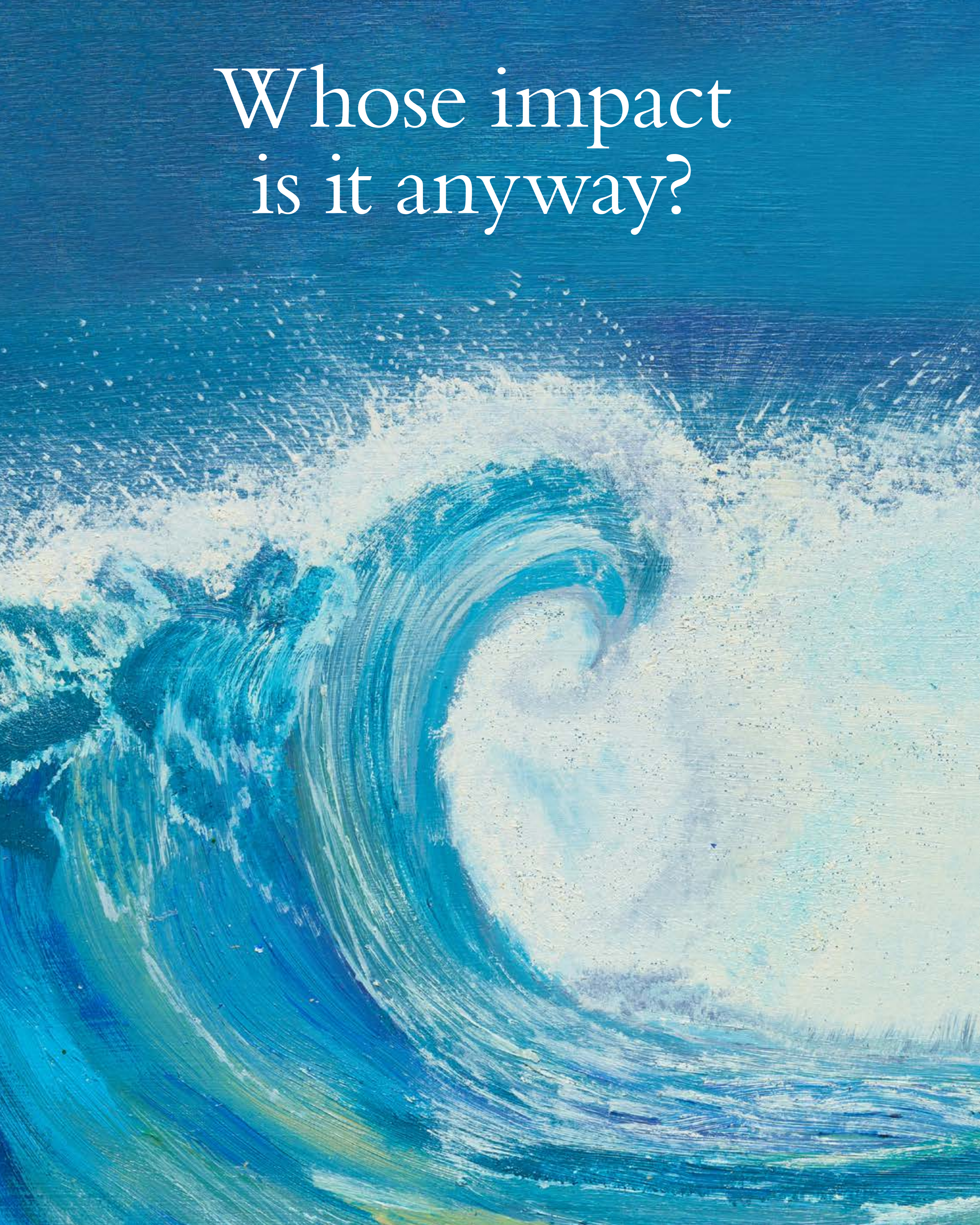
Game-changing initiative of the year

Winner
CCLA for the Corporate Mental Health Benchmark



"...and the award for best new-comer goes to..."

Whose impact is it anyway?



We have always believed that the primary role of sustainable investment is to drive positive change.

It is also what the majority of investors say that they want. According to analysis conducted by the FCA, 81% of adults would like the way their money is invested to ‘do some good as well as provide a financial return’.[5] Yet, in an investment world dominated by ESG ratings and Sustainable Development Goal (SDG) calculators, are we being honest with ourselves about what really drives change?

In November, the FCA published the highly anticipated and hotly debated Sustainability Disclosures Requirements (SDR) and investment labels policy statement. The aim of the SDR is simple: to ensure that financial products that are marketed as sustainable should do as they claim and have the evidence to support it.

In the policy statement, it is made clear that there are two possible routes to achieving positive environmental and social outcomes. The ‘enterprise contribution’ is the positive change brought about by the assets to which an investor allocates capital. The ‘investor contribution’ is the additional change brought about by the investor’s own activities.

While both approaches are important, we believe that citing the positive contribution brought about by another ‘enterprise’ as one’s own contribution to positive outcomes is taking credit for a change that would have come about anyway.

This pinpoints what we believe to be one of the investment sector’s key structural weaknesses. In conflating a low carbon footprint, great ESG credentials and a high SDG alignment score with positive impact, we – as investors – are adding nothing.

How can we aspire to build a better world?

1 We must value engagement aimed at real-world change

Rather than selling a product (or fund) with good sustainability credentials and ignoring any assets or activities that take place elsewhere, we must start to see our funds as the platform from which we can drive change. This means recognising that we, as the sustainable finance movement, will have a much greater impact if we think beyond the portfolio.

We aim to be a catalyst for change in our industry. This requires us to think outside the confines of our portfolio, and results in engagement activity that frequently requires negotiating with companies outside our investment universe.

2 We must accept that meaningful engagement requires specialist skills and knowledge

This contrasts with the conventional approach that expects financial analysts or portfolio managers to lead engagements alongside their ‘day job’. We believe that successful engagement requires a combination of logic, reasoning, persistence and creativity. While important, the analytical skillset of ‘conventional’ financial professionals is less relevant to stewardship.

We have a dedicated team of seven stewardship professionals, each with their own specialist area and with a mandate to drive real-world, positive outcomes. The team’s backgrounds include human rights activism, law enforcement and public safety, and international development.

At the end of 2023, our sustainability initiatives are supported by:

111

investors†

across

15

countries

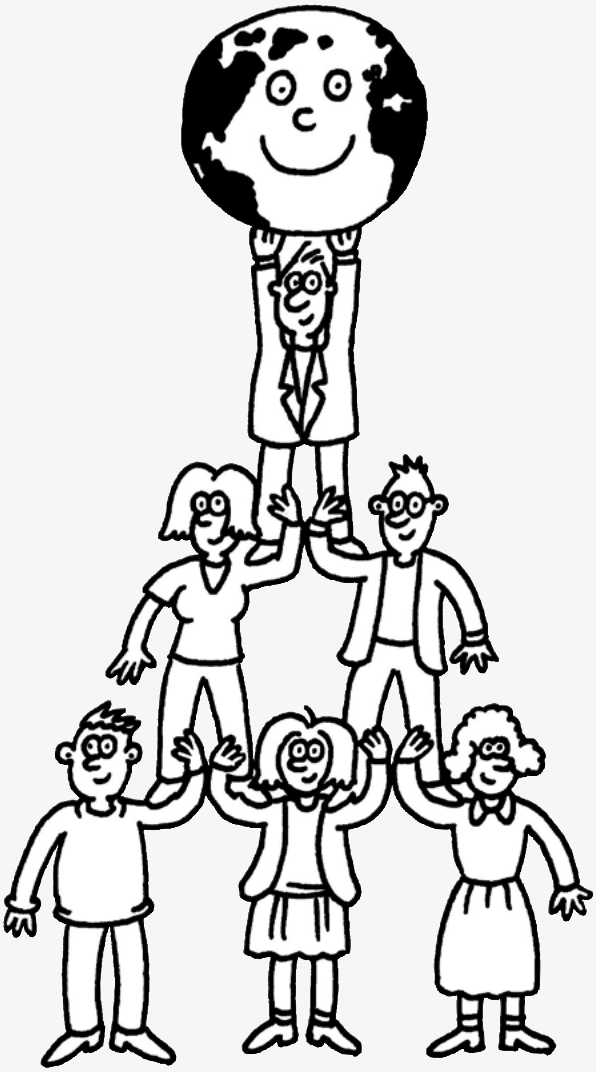
in

4

continents

representing assets under management of

£17.2 trillion



Collaboration is the key to unlocking progress at scale. We are hugely grateful to every investor that supports our initiatives.

†111 investors includes institutional asset managers, asset owners, stewardship service providers and investor membership organisations.

3 Engagement must be informed by experts

Although it does not guarantee positive outcomes, genuine subject matter expertise is an important prerequisite for successful engagement. Often, this will require drawing in the support and guidance of external subject matter experts.

We have convened several external expert advisory panels to guide our flagship sustainability initiatives. Members include representatives from the UN-backed Principles for Responsible Investment, Japan's Showa Women's University, the Finance Against Slavery and Trafficking initiative and the Harvard T H Chan School of Public Health.

4 We need to learn from change-orientated sectors

The investment industry has much to learn from observing the skills, drive and proactivity demonstrated by campaigning and third-sector organisations.

We aim to be a champion for change on sustainability issues that have not had the attention from investors that they deserve. As the UK's largest asset manager for charities,[6] we have long been alive to the mutual benefit to be gained from working with, as well as for, our clients.

5 We must acknowledge that change takes both time and collaboration

Change takes effort, energy and perseverance. Systemic problems can't be solved overnight by a single party acting alone. They require cooperation and collaboration between multiple investors, companies and policymakers; all parties need to move in tandem for a shift to occur.

Where we identify sustainability risks that are not receiving, in our opinion, adequate attention ('underserved sustainability risks'), we aim to kickstart our community into action. We want to build the incentive structures to move companies forward and frequently engage with policymakers towards more progressive legislation.

Systemic change: shifting the conditions that hold a problem in place

Systemic problems require systemic solutions. Delivering these solutions requires us to go beyond portfolio composition, ESG metrics and business as usual 'stewardship'. We must focus on pulling the unique levers that we have, as investors, to tackle otherwise intractable sustainability challenges. It means going beyond what already exists, to thinking about how we can be an agent for change.

Never before has the role of active ownership been more relevant or more necessary. At CCLA we are truly working to build a better world (not just a better portfolio). ■

A BETTER WORLD, NOT JUST A BETTER PORTFOLIO

Sustainability risks are typically global in reach and systemic in nature. Climate action failure, social cohesion erosion, public health crises – these risks represent system-wide dangers and will eventually affect all companies, regardless of what they do or where they are based.

We aim to be a catalyst for change in our industry and to kickstart investor action on underserved sustainability risks. Doing so successfully requires us to think outside the confines of our investment portfolio. Rather than trying to change one company at a time, one topic at a time, we aim to change the norm – the expected way – in which business is done.

It is for this reason that our engagements frequently go beyond the constituents of our portfolios. Accordingly, this report contains details of interactions with companies both inside and outside our investment universe. Companies that are **not** held in our portfolios are marked with an asterisk (*) (correct as at 31 December 2023).

Stewardship in action

Throughout 2023 we have continued to drive forward our flagship engagement programmes. Each is covered in more detail in the pages that follow.

Better environment

Better work

Better health

2023

Our initiatives are supported by £17.2 trillion in assets under management†

January

The CCLA-led Find it, Fix it, Prevent it initiative commenced engagement with 17 UK-listed construction companies with the aim of increasing the effectiveness of their efforts to end modern slavery

Tessa Younger joins CCLA as Better Environment Lead

February

Engagement begins with four investee companies – Greggs, Watches of Switzerland, Admiral Group and Safestore Holdings* – to encourage them to pay their employees the Living Wage

Letter sent to c.400 UK-listed companies, coordinated by the Local Authority Pension Fund Forum (LAPFF) requesting that companies put their carbon reduction strategy to shareholders for approval

Over 500 responses are received as part of CCLA's Good Investment consultation with charities, churches and local authorities

March

Second round of letters sent to *c.*100 companies in scope of CCLA's cost-of-living engagement programme (commenced 2022)

We join the Platform for Living Wage Financials apparel and textile working group

We celebrate as the 100th investor joins our collaborative engagement programmes

April

Bank of America* (in our portfolios at the time of the AGM) resolution on climate transition plan goes to shareholder vote and achieves 28.5% support

May

Following engagement, Watches of Switzerland indicates that it will seek Living Wage accreditation

Amazon resolution on freedom of association and collective bargaining goes to shareholder vote and achieves 34.6% of the overall vote

†As at 31 December 2023.
*Not held in CCLA portfolio(s) as at 31 December 2023.

June

Tessa Younger joins the Climate Action 100+ (CA100+) aviation working group to assist engagement with Honeywell in accelerating its transition to net zero

The second edition of the CCLA Corporate Mental Health Benchmark – UK 100 is published. 24 companies improved their approach to protecting their employees' mental health over the year. Each company receives bespoke recommendations for the year ahead

We join the CDP (formerly Carbon Disclosure Project) Science Based Targets initiative (SBTi). Letters were sent in October to 2,100 of the highest global emitters asking them to set science-based emissions reduction targets

July

We join Nature Action 100

Collaborative investor letter sent to UK 100 mental health benchmark companies, supported by investors with $8.5 trillion in assets under management

August

CCLA coordinates a collaborative investor letter to Defra's Thérèse Coffey following concerns about labour standards in the UK food supply chain

2023 'Find it, Fix it, Prevent it modern slavery report' published, detailing the progress that investors are making in the fight against modern slavery

September

We sign the PRI stewardship initiative on nature statement

We set out our approach to investing in a way that accelerates action on climate change in 'A Climate for Good Investment'

Correspondence to 35 high-emitting UK-listed companies calling for a vote on climate transition plan supported by investors with £1.8 trillion assets under management

Collaborative letter sent to Nike re: unpaid Covid-related severance pay to former employees in Asia

October

The second edition of the CCLA Corporate Mental Health Benchmark – Global 100+ is published. 19 companies improved their approach to protecting their employees' mental health over the year. Each company receives bespoke recommendations for the year ahead

The final Transition Plan Taskforce Disclosure Framework is published. CCLA's Helen Wildsmith sits on the Delivery Group

Collaborative letter sent to Global 100+ mental health benchmark companies, supported by investors with $8.7 trillion in assets under management

We sign an investor statement related to technology and its impact on the mental health of consumers

November

We publish the inaugural 'CCLA Modern Slavery UK Benchmark'. This assesses companies on their contribution to the fight against modern slavery

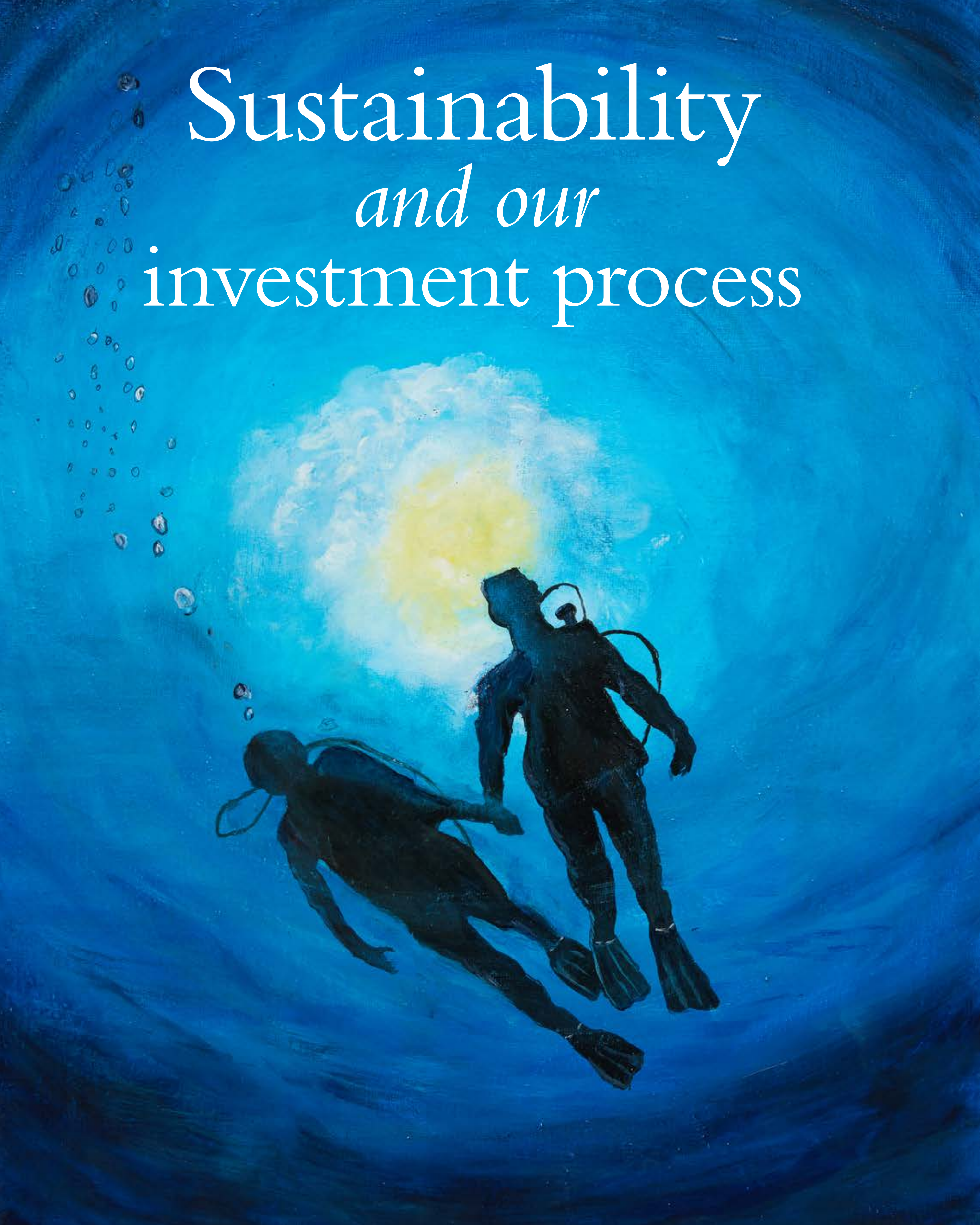
We co-file a health-related shareholder proposal at Coca-Cola Co

CCLA launches AdviserAction, bringing together a group of advisory industry firms into a first-of-its-kind membership organisation, which will engage with listed companies to drive sustainable outcomes

December

We join other investors in co-filing a shareholder proposal at Amazon on freedom of association and collective bargaining

Sustainability *and our* investment process



The primary aim of our sustainability work is to preserve the long-term value of our clients' investments by driving positive change.

Assessing financial materiality

While our primary aim is to preserve the long-term value of our clients' investments by driving positive change, we recognise that businesses deriving profits from unsustainable activities are likely to be penalised over time by changing regulation, legislation and consumer preference. We therefore integrate environmental, social and governance (ESG) factors into our investment selection process across all asset classes.

Our approach to integration is primarily aimed at identifying and controlling material financial risks that are not visible through the lens of conventional financial analysis. ESG analysis is integrated into our investment process in three steps:

1. First, for publicly listed assets (including alternatives) we use a proprietary approach to scoring companies on their governance practices (see pages 18–21 for details). For unlisted assets, we undertake desk-based research.
2. Second, within equities, we assess the most financially material sustainability risks affecting companies using the Sustainability Accounting Standards Board (SASB) financial materiality matrix. The matrix identifies likely material sustainability issues on an industry-by-industry basis, allowing us to focus our analysis on the risks most relevant to each business (see Sustainability Accounting Standards Board below). We adapt this process for non-listed equity assets.
3. Third, we review public information for significant company-specific controversies, across asset classes – particularly those that could cause reputational or financial damage and undermine our investment case for a given business (see Controversy monitoring process on the next page).

This analysis informs our investment process and may influence the price that we are willing to pay for an asset. Once an investment is made, companies are routinely monitored.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD

The Sustainability Accounting Standards Board (SASB) financial materiality matrix reveals how 26 general sustainability risks manifest across 77 industries, as defined by SASB's Sustainable Industry Classification System.[7]

For example, while data security flags as a high risk to health care companies, it is less relevant to infrastructure companies. Similarly, supply chain management is highlighted as a high risk for consumer goods and food and beverage companies, but not a high risk for financials. This data underpins our analysis of sustainability risks, allowing us to focus our attention on those with the potential to be most financially material to each business.

CONTROVERSY MONITORING PROCESS

A controversy case is defined as an instance or ongoing situation in which company operations and/or products allegedly have a negative environmental, social, and/or governance impact.

A case typically takes the form of a single event such as a spill, accident, regulatory action, or a set of closely linked events or allegations. These could include health and safety fines at the same facility, multiple allegations of anti-competitive behaviour related to the same product line, multiple community protests at the same company location, or multiple individual lawsuits alleging the same type of discrimination.

We use a data provider to monitor company, government, media and non-governmental organisation (NGO) sources to uncover new controversies and update existing ones. Each case is scored on its level of severity. Investee companies subject to the most severe controversies can be entered into a time-limited engagement that may lead to divestment if no progress is made.

Real-world materiality

Some sustainability risks are so pervasive that they cannot be mitigated by diversification and careful stock selection. Climate action failure, social cohesion erosion, public health crises: these represent system-wide dangers, not only to portfolios but also to the environment and the function of society.

It is these ‘systemic’ or existential risks where the scale of impact will be greatest and most keenly felt by long-term investors.

Accordingly, we also assess companies’ impacts upon the real world and build both company-specific and systemic change programmes aimed at changing company behaviour for the better. These initiatives fit into three key themes:

1 Better environment – climate change and the environment

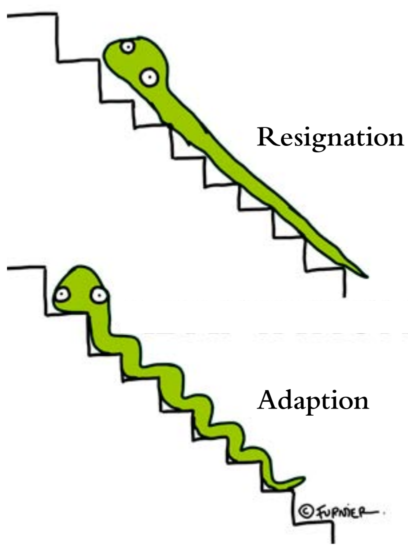
2 Better work – labour standards and human rights

3 Better health – healthy people and communities.

Double materiality

Taken together, the combination of financial and real-world sustainability analysis allows us to identify, and avoid, the most unsustainable businesses and to develop ambitious engagement action plans to help others move forward.

This approach is designed to help us to control risk, to deliver more consistent investment returns, and to build on our purpose of helping our clients to maximise their impact on society by harnessing the power of investment markets. ■



Corporate governance and our portfolios

Corporate governance is the system by which companies are directed and controlled. A board of directors is responsible for the governance of a company. The role of shareholders is to appoint the directors and auditors to satisfy themselves that an appropriate governance structure is in place.

Good corporate governance generally requires the following:

- A well-functioning board, which can both lead and control the business in nurturing its long-term success. This includes effective sub-committees: nomination, remuneration, and audit (and risk).
- Executive remuneration that aligns the interests of directors with the long-term interests of the company and its shareholders.

We believe that companies with poor management or weak corporate governance represent a risk to investment performance. For this reason, we have developed a process that includes quantitative and qualitative analysis to identify and avoid companies with weak governance.

Governance evaluation process

We use a bespoke quantitative corporate governance rating tool, designed to assess companies' board structure, ownership, accounting practices and management capabilities.

The visual below details what each theme assesses and how these themes are weighted.

A secondary, qualitative overlay allows us to identify strengths and weaknesses in a company's governance structure and how these adapt over the life of the holding.

Corporate governance and the investment process

Our governance evaluation process is an integral part of CCLA's investment process and operates as follows:

- Corporate governance analysis is conducted on all prospective investments prior to purchase.
- Companies with a high governance risk, or those without independent auditors or who have received a qualified audit report, will only be eligible for investment with the approval of CCLA's Investment Committee.
- For a 'high risk' company to be approved for investment, the relevant investment analyst must demonstrate why a 'high risk' rating – or the auditors' qualification – is incorrect or not of concern. This can require detailed qualitative analysis, fact-finding discussions with the company and ongoing, target-based engagement.

OUR GOVERNANCE EVALUATION PROCESS

We score and weight companies on the following themes:

15% capital stewardship

ASSESSES THE QUALITY OF MANAGEMENT AND ITS ABILITY TO GENERATE CASH AND MANAGE GROWTH

35% board composition

ASSESSES THE QUALITY OF INDIVIDUALS, INDEPENDENCE AND TRACK RECORD

15% accounting

ASSESSES THE QUALITY OF THE COMPANY'S FINANCIAL STATEMENTS AND ITS ACCOUNTING

35% shareholder rights

ASSESSES THE OWNERSHIP STRUCTURE OF THE COMPANY

- Should an existing holding's rating decline to 'high risk', a full governance review is required and a decision on continued investment is required within one week.
- A review of high governance risk companies and the portfolio structure by governance rating are standing agenda items at CCLA Investment Committee meetings.

Governance and our portfolios

Using a proprietary quantitative corporate governance rating tool we award all companies a governance rating from A (best) to F (worst). Shown in percentage terms, the chart on the next page compares the governance ratings of companies in our key funds with those in the MSCI World Index.

A secondary, qualitative analysis is undertaken on every company prior to investment. 'High risk' companies (those rated E and F) are not permissible investments without approval.

At the end of 2023, we held 12 companies deemed 'high risk' according to our governance analysis. Investment in these companies was approved by CCLA's Investment Committee, for the reasons outlined below:

- **Roche.** The company is controlled by a family trust that benefits from differential voting rights. The trust has sold down part of its holding over the year but retains board representation. These concerns are balanced by the level of independent representation on the board.
- **Alexandria Real Estate.** The founding director remains on the board as combined chair and chief executive. This is balanced by several independent directors and a wide shareholder base.
- **Tradeweb Markets.** The controlling entity is now the London Stock Exchange Group, which has the right to appoint 25% of the board. Despite the existence of a controlling shareholder, the level of independent representation on the board has increased and the company has indicated that it intends to move to a more standard governance structure.
- **Blackstone, Estee Lauder, Heineken, L'Oreal, LVMH and Novo Nordisk.** Each of these companies has a degree of ownership concentration, which can be unfavourable for minority shareholder rights. While this was flagged in our quantitative governance analysis, our qualitative review showed that the companies had high-quality management teams, a strong track record of delivering value for minority shareholders, and a long-term perspective.

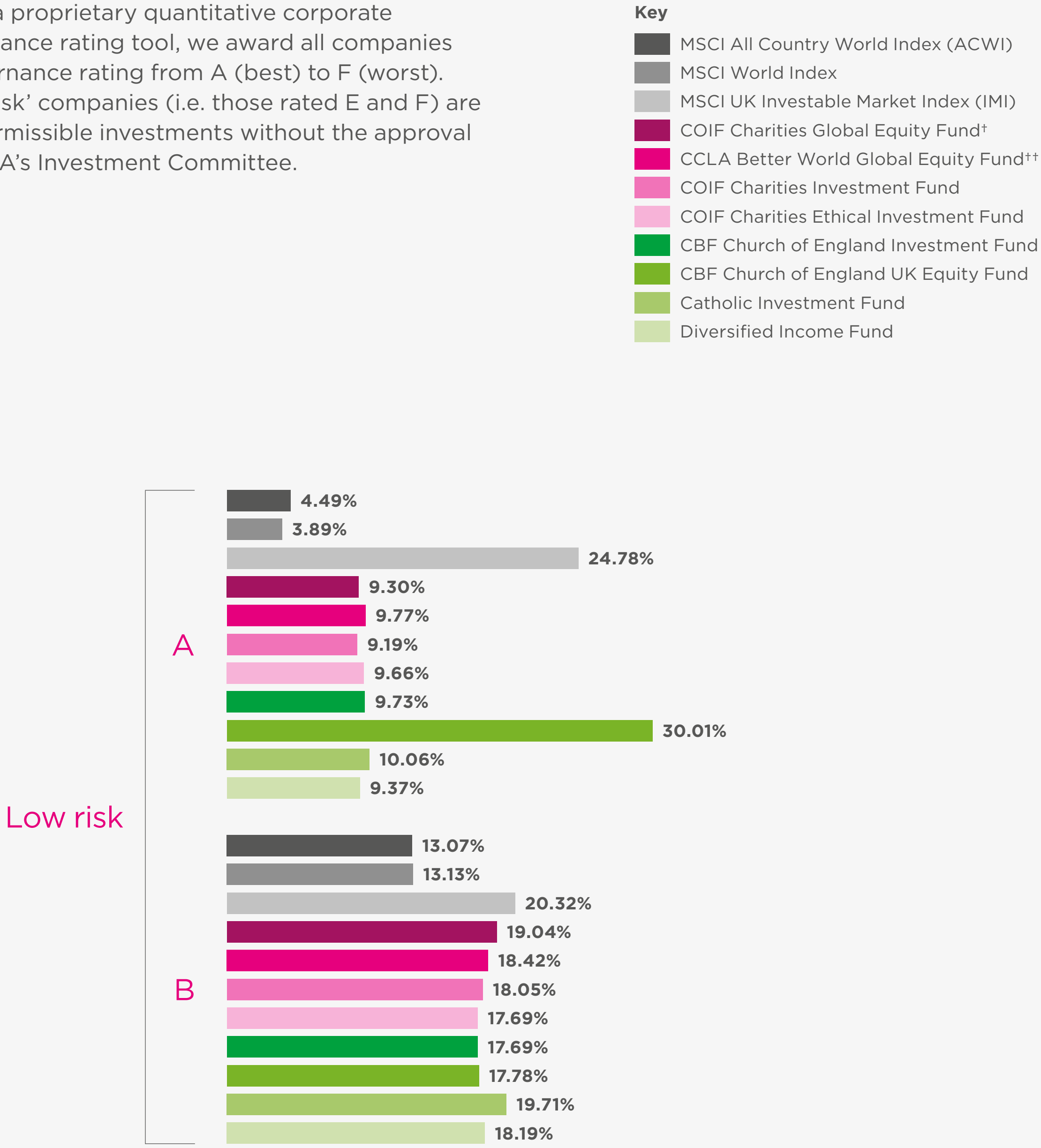
The following companies are family founded and controlled. Engagement is underway to push for a more equitable balance of controlling and minority shareholders:

- **Alphabet.** The company has developed an unconventional governance structure to protect itself from the short-term nature of Wall Street traders. We are pushing for the appointment of a senior independent director.
- **CME Group*.** Under the articles the individual share classes have the right to appoint directors. The board has made several attempts to unify the structure but has been unable to obtain the level of support required from each individual class of shareholder.
- **Hexagon.** Following retirements at the most recent annual general meeting (AGM), the level of independent representation fell below market standards. The board undertook an internal review of its structure and announced that two new independent directors would seek election at the 2024 AGM. ■

*Not held in CCLA portfolio(s) as at 31 December 2023.

OUR PROPRIETARY GOVERNANCE RATING

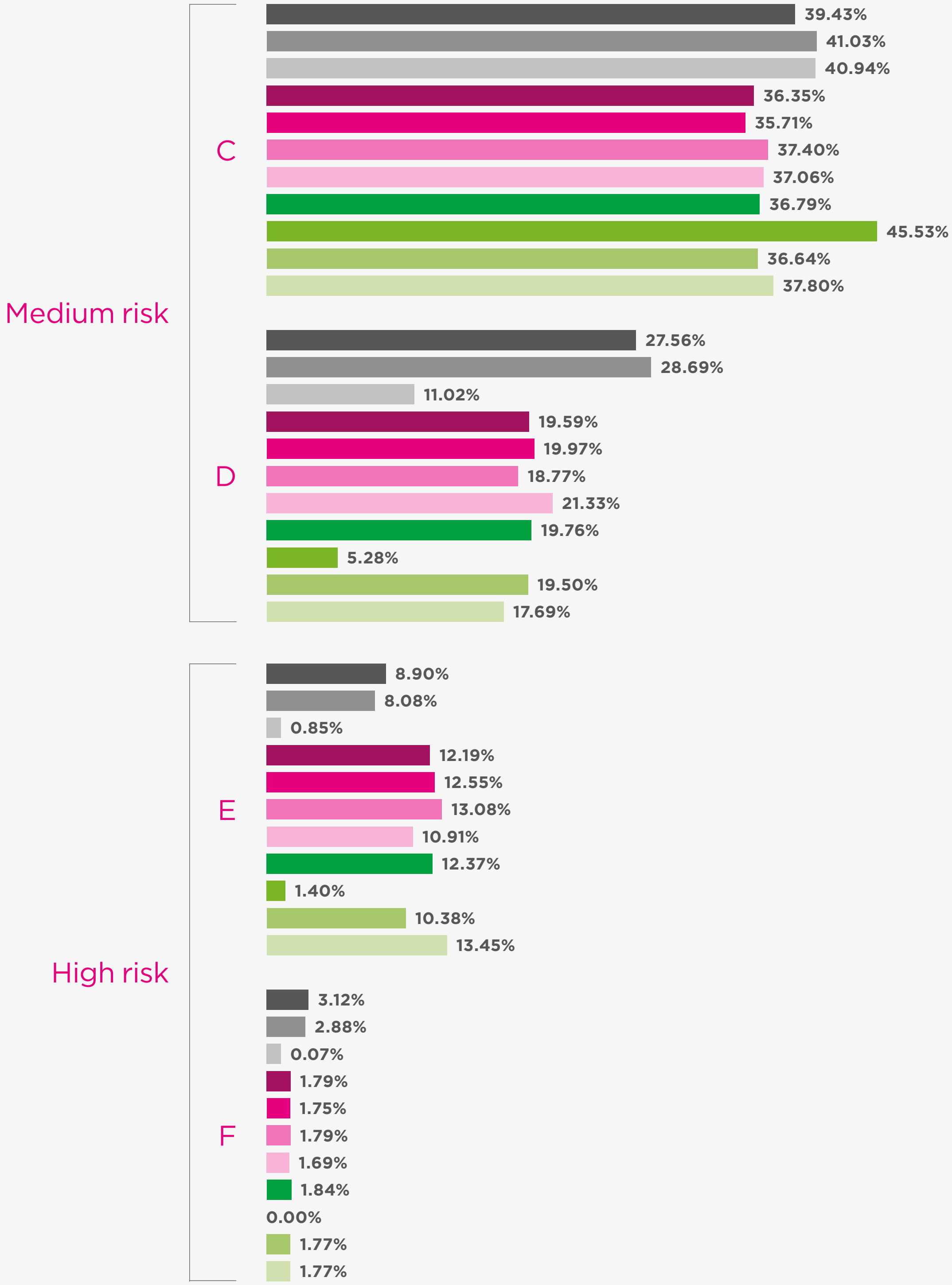
Using a proprietary quantitative corporate governance rating tool, we award all companies a governance rating from A (best) to F (worst). 'High risk' companies (i.e. those rated E and F) are not permissible investments without the approval of CCLA's Investment Committee.



Source: MSCI, HOLT Credit Suisse and CCLA, as at 31 December 2023.

†On 20 November 2023 the fund's name changed from the COIF Charities Global Income Equity Fund to the COIF Charities Global Equity Fund.

††The CBF Church of England Global Equity Fund is a feeder fund into the CCLA Better World Global Equity Fund. On 20 November 2023 the fund's name changed from the CBF Church of England Global Income Equity Fund to CBF Church of England Global Equity Fund.



Medium risk
C
39.43%
41.03%
40.94%
36.35%
35.71%
37.40%
37.06%
36.79%
45.53%
36.64%
37.80%
D
27.56%
28.69%
11.02%
19.59%
19.97%
18.77%
21.33%
19.76%
5.28%
19.50%
17.69%
High risk
E
8.90%
8.08%
0.85%
12.19%
12.55%
13.08%
10.91%
12.37%
1.40%
10.38%
13.45%
F
3.12%
2.88%
0.07%
1.79%
1.75%
1.79%
1.69%
1.84%
0.00%
1.77%
1.77%

Better environment

TARGET: SUSTAINABLE DEVELOPMENT GOAL 13

Take urgent action to combat climate change and its impacts

13 CLIMATE ACTION

We view climate change as the significant threat to our planet, ecosystems and communities.

Climate action

Unmitigated, climate change will lead to increased erratic weather patterns, higher sea levels, biodiversity collapse and unprecedented mass migration. It is a material threat to medium- and long-term shareholder value and a key risk for investors.

As stewards of our clients' assets, we use our financial power and ownership rights to push companies forward on reducing the emissions associated with their operations and value chains. We have long supported work to limit the global temperature increase to below 1.5 degrees Celsius (1.5 °C) and are committed to accelerating the transition to a decarbonised economy.

Our strategy has four components:

1. **Pushing for better regulation and legislation.** We are working with policymakers, both in the UK and overseas, towards more meaningful regulatory action. This includes the UK and Canadian governments' Powering Past Coal Alliance and the Transition Plan Taskforce.

2. **Corporate engagement.** Investors can be highly influential in encouraging companies to take steps to reduce their own environmental impacts. Our engagement with companies on climate change goes back a long way and, from 2012, was instrumental in bringing the investment industry together on this topic through a forerunner to Climate Action 100+ (Aiming for A). Today, our climate stewardship programme targets the most carbon-intensive businesses in our portfolio (see 'Top 30 GHG emitters' on page 31). Climate considerations are also woven throughout our bespoke voting template (see pages 71–77).

3. **Avoidance.** We avoid investing in companies that are highly exposed to changing legislation and regulation aimed at tackling climate change. Accordingly, we do not invest directly in any companies that focus on extracting, producing or refining coal, oil sands, oil or gas. We assess the remaining exposed industries against the goal of the Paris Climate Change Agreement.

4. **Investment.** The OECD estimates that approximately $6.9 trillion is needed in investment every year through to 2030 in order to meet climate and development objectives.[8] In our multi-asset funds, we allocate some capital, currently less than 5%, to assets that have a beneficial climate impact, e.g. renewable energy infrastructure. Where we can, we prefer to identify and invest in assets on the primary market, where the proceeds of the sale go directly to the company, rather than to other investors.

This report covers our activity and outcomes in 2023 in relation to points 1 and 2. For details of our approach to points 3 and 4, please refer to our 'A Climate for Good Investment' report.[9]

Our climate pledge

We are a founding signatory to the Net Zero Asset Managers initiative (NZAM). Our commitment is to decarbonise our listed equity portfolios in a way that is consistent with an ambition to reach net-zero emissions by 2050 or sooner.

In 2023, our climate transition pathway for listed equities remained on track to achieve this target.

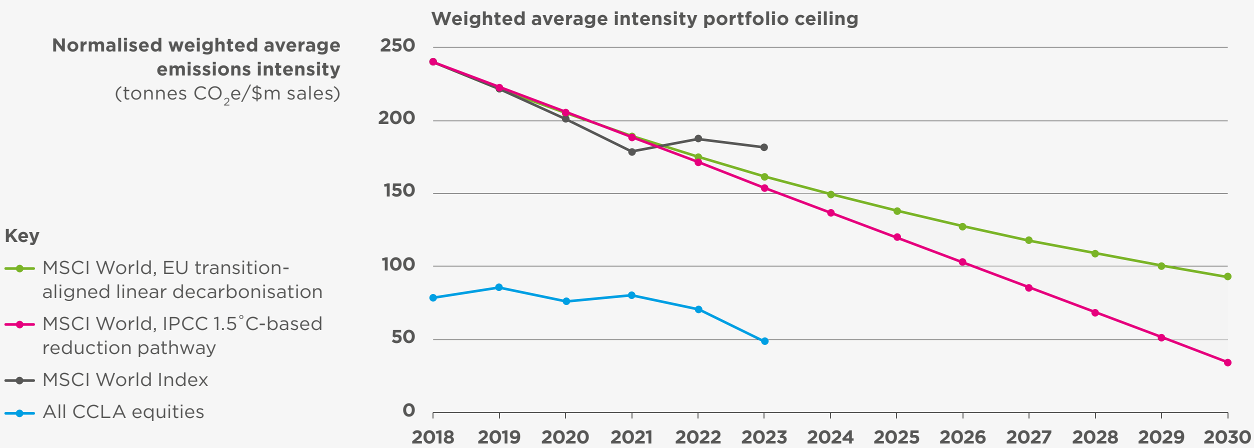
We have chosen to set our decarbonisation targets through a decreasing maximum carbon footprint based on the MSCI World Index, which includes *c.*1,500 large and mid-cap companies across 23 developed market countries. Informed by the IPCC Special Report on Global Warming 1.5˚C and the UN Environment Programme, our ceiling decreases year on year, as shown in the chart. This is consistent with the aggregate decarbonisation rate required to limit temperature rises to 1.5˚C above pre-industrial levels.

While our portfolio of listed equity holdings performs well on climate metrics, we are aware that measures of portfolio decarbonisation can be inaccurate and should not distract from the need to decrease real-world emissions.

We aim to meet our decarbonisation targets through work to accelerate the transition to a low-carbon economy, rather than through significant changes or restrictions on portfolio composition. We call this approach 'action, not transactions'.

"So that's agreed, as part of our new environmental policy we'll be recycling our past targets."

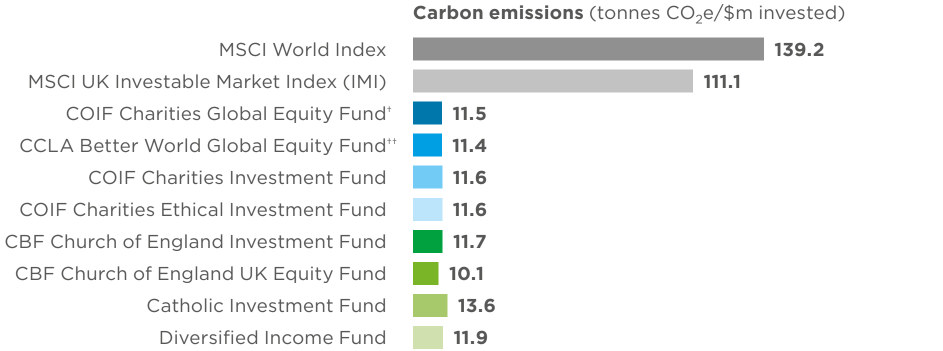
SETTING NET-ZERO TARGETS



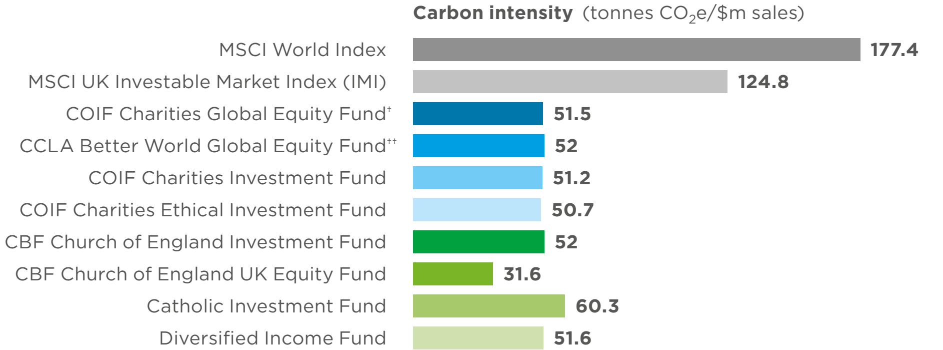
Source: IPCC, MSCI and CCLA, 31 December 2023.

CARBON MEASUREMENTS

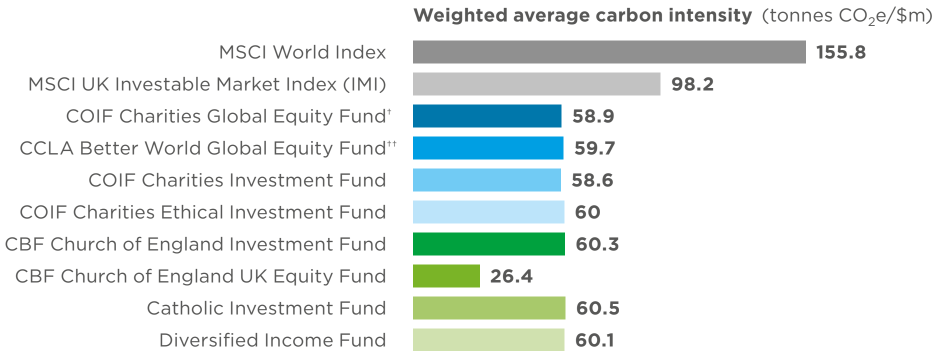
What is my portfolio's normalised carbon footprint per million dollars invested?



How efficient is my portfolio in terms of carbon emissions per unit of output?



What is my portfolio's exposure to carbon-intensive companies?



Source: MSCI ESG Manager, as at 31 December 2023.
All data refers to listed equity holdings only. In each case the equity section has been reweighted to 100% of holdings.

†On 20 November 2023 the fund's name changed from the COIF Charities Global Income Equity Fund to the COIF Charities Global Equity Fund.

††The CBF Church of England Global Equity Fund is a feeder fund into the CCLA Better World Global Equity Fund. On 20 November 2023 the fund's name changed from the CBF Church of England Global Income Equity Fund to CBF Church of England Global Equity Fund.

Public policy update

UK and Canadian governments' Powering Past Coal Alliance

Thermal coal remains the single biggest contributor to human-created climate change.[10] To meet the Paris Agreement commitment to limit global temperature increases to 1.5°C, analysis shows that coal power phase-out is needed by no later than 2030 in the OECD and no later than 2040 in the rest of the world.[11]

The Powering Past Coal Alliance (PPCA) is a coalition of national and subnational governments, businesses and organisations working to advance the transition from unabated coal power generation to clean energy. Co-chaired by the governments of Canada and the UK, CCLA joined the PPCA in 2017.

Since 2018, CCLA's Helen Wildsmith has been working with the PPCA to develop and update the finance principles, which were first launched in 2019.

The principles translate the requirements for global coal phase-out into tangible actions for the financial sector, and financial institutions must commit to them when joining the PPCA. Helen has been working with the PPCA to update the finance principles, with the updates distributed to current and potential members in 2023.

We were delighted that the US and six other countries joined the PPCA at the recent global climate negotiations (COP28) in the United Arab Emirates and welcome the Coal Transition Accelerator initiated by France.[12]

Transition Plan Taskforce

In December 2021, the Financial Conduct Authority introduced climate-related disclosure requirements for listed businesses aligned with the Task Force on Climate-Related Financial Disclosure's (TCFD) recommendations. Listed issuers of a certain size are obliged to make TCFD-aligned disclosures on a comply-or-explain basis. This includes the requirement that entities should describe their plans for transitioning to a low-carbon economy.

UK GOVERNMENT CONSULTATION RESPONSES

The transport sector accounts for more than a quarter of the UK's greenhouse gas emissions. In 2023, we responded to the Department for Transport's consultation on the national networks national policy statement, which sets out the approach to developing infrastructure projects for English road and rail networks, and the need for strategic rail freight interchanges. Our response advocated for focused policy measures, including increased electrification of rail lines, phasing out of high-carbon emitting trains and targets for modal shift and traffic reduction.

We also submitted a response to the Department for Energy Security and Net Zero's call for evidence on scope 3 emissions in the UK reporting landscape. Given that scope 3 emissions are generally the largest portion of company emissions, we strongly advocated for mandatory scope 3 emissions disclosure for UK-listed companies, aligning with global trends for greater transparency and consistency on climate-related corporate information.

CLIMATE CHANGE IS ALSO A SOCIAL CHALLENGE

We consider climate change from a social, as well as environmental perspective. As part of the transition from high carbon power generation to lower-carbon technologies, there will be a shift in jobs and employment patterns. This will affect many people and communities whose livelihoods currently depend on high-carbon, capital-heavy industries.

We believe it is critical that people and communities are not left behind in the transition to a net-zero economy. We support the following, aimed at ensuring a just transition.

The Financing a Just Transition programme, is designed to identify the role that finance can play in providing an inclusive pathway to a low-carbon economy, with positive outcomes for people and communities. It comprises a group of financial services companies coordinated by the Grantham Research Institute at the London School of Economics.[15]

We are a member of the Financing a Just Transition Alliance (FJTA). FJTA was created in 2020 with the aim of identifying concrete steps that the financial sector can take to support the just transition in the UK.

In 2022, CCLA's Helen Wildsmith joined the Delivery Group of the UK Government's Transition Plan Taskforce (TPT) as an investment sector expert on mining and electrical utilities. Launched by the Treasury in April 2022, the purpose of the TPT is to develop the 'gold standard' for private sector climate transition plans. The landmark TPT guidelines were issued in October 2023, and in November the TPT launched seven sector-specific 'deep dive' sets of guidelines. These are out for consultation until 29 December 2023.[13]

In December the government also announced that the TPT's work will be leveraged and aligned with the 2024 UK Transition Finance Market Review.[14]

"It's about the British weather."

A history of climate action

Fitting with the partnership approach that is at the centre of the UN Sustainable Development Goals, our experience shows us that collaboration is critical to mobilising action on climate change.

2007

Early signatory to UN Principles for Responsible Investment

2010

Started climate action pathway with carbon disclosure watch list

2012

Launched Aiming for A shareholder advocacy campaign, which inspired Climate Action 100+

2013

The COIF Charities Ethical Fund restricted investment in thermal coal

CCLA became a cornerstone investor in the Bluefield Solar Income Fund

2015

Aiming for A filed the first successful climate-related shareholder resolutions at BP and Shell

2016

Successful strategic resilience resolutions at Anglo American, Glencore and Rio Tinto

2017

Aiming for A becomes Climate Action 100+ and CCLA is a founding member

CCLA joined Powering Past Coal Alliance

2019

The COIF Charities Ethical Fund restricted direct investment in oil and gas extraction companies†

Following our engagement, Duke Energy committed to net-zero emissions by 2050

CCLA worked with UK and Canadian governments to launch the Powering Past Coal finance principles

†Defined as companies that derive more than 10% of their revenues from the extraction, production or refining of oil and gas.

2020

Seed investors of the Clean Growth Fund with the UK government

CCLA sold remaining direct holdings in oil and gas extraction companies†

CCLA's Helen Wildsmith won the prestigious Joan Bavaria Award for her pioneering work on responsible investment and climate action

CCLA joined Financing a Just Transition Alliance

2022

CCLA co-filed a shareholder resolution for consideration at the 2023 Bank of America AGM on climate transition plans

Helen Wildsmith joined the Delivery Group of the government's UK Transition Plan Taskforce as an investment sector expert on mining and electrical utilities

2021

CCLA pledged to achieve net zero by 2050

CCLA was the lead investor for Unilever on behalf of Climate Action 100+

Following dialogue, Unilever was the first FTSE 100 company to introduce a 'Say on Climate' vote

Founding signatory of IIGCC Net Zero Asset Managers initiative

NextEra Energy responded to engagement by increasing climate disclosures

2023

The Transition Plan Taskforce (TPT) issued its final disclosure framework. CCLA's Helen Wildsmith sits on the Taskforce's Delivery Group

Strong shareholder support (28.5%) achieved for a transition plan shareholder resolution that CCLA co-filed at Bank of America in late 2022

Focused engagement targeting our 30 highest greenhouse gas-emitting portfolio companies. Meetings held with 16 during 2023

CCLA now CA100+ co-lead for engagement with Unilever, Nestlé, Home Depot and Honeywell

Climate stewardship

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 high carbon sectors that we believe does not align with the Paris Agreement.[16] In our view, these businesses are highly exposed to changing legislation and regulation aimed at tackling climate change.

Nonetheless, there are companies in our portfolio, across a range of sectors, that impact upon climate change. These include electrical utilities, consumer goods businesses, health care companies and information technology. We also have some exposure to banks, predominantly through our fixed income and money market funds, whose loan books can impact upon global temperatures.

At its core, our engagement strategy aims to drive and accelerate corporate emissions reductions. Through collaborative initiatives – such as Climate Action 100+ (CA100+), the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Engagement initiative (NZEI), and the Ceres and Interfaith Center on Corporate Responsibility's (ICCR) Banks Working Group – we aim to work, wherever possible, with other investors to spur effective corporate action on climate risk and emission reductions.

Our engagement activity is consistent across all of our equity funds and multi-asset funds that hold listed equities (nine funds in total) and does not differ from fund to fund. It is monitored by CCLA's Investment Committee and poor corporate responses can, in extreme cases, lead to divestment.

Top 30 portfolio emitters

We focus our active ownership work on the 30 largest greenhouse gas (GHG) emitting listed equity holdings in our portfolios. Our data is sourced from MSCI and is based on scope 1, scope 2, scope 3 absolute emissions. Scope 3 emissions are estimated.

Our focus is to persuade companies to set credible decarbonisation plans, to assess performance against these plans, and to follow through on implementation. We monitor progress using the independent CDP scoring methodology, aiming to drive companies towards an 'A' rating.

Of course, disclosure alone will not solve the climate crisis and we are alive to the fact that a company can achieve an 'A' in CDP without reducing its emissions. Accordingly, we continue to focus our engagement on all top emitting companies, even when an 'A' rating is achieved.

As at 31 December 2023, our top 30 portfolio emitters are set out on the next page, with corresponding CDP scores.

TOP 30 GHG EMITTERS IN OUR PORTFOLIOS

A List criteria Best practice transparency and performance A	**Leadership** Implementing current best practices A–	**Management** Taking coordinated action on environmental issues B	**Awareness** Knowledge of impacts on/of environment C	**Disclosure** Starting to disclose environmental impacts D	**Not scored** (i.e. disclosed but missed deadline) E	**No disclosure** F
Alphabet	Eaton Corporation†	Abbott Laboratories	Deere & Company†	Costco Wholesale	Amazon.com ■	
Heineken 👥	Lloyds Banking Group 👥	ASML 👥	Rio Tinto ** 👥		NextEra Energy (previously A–) ** 👥	
Johnson & Johnson 👥	Nestlé * 👥	Ferguson				
LVMH	PepsiCo 👥	Honeywell International *				
Microsoft	Pfizer 👥	Medtronic 👥				
Unilever * 👥	Proctor & Gamble ** 👥	Nike				
Trane Technologies† ***	Siemens ● 👥	The Home Depot *				
	Taiwan Semiconductor Manufacturing Company	Thermo Fisher Scientific†				
	The Coca-Cola Company	UnitedHealth Group 👥				

Key

- * CA100+ with CCLA as co-lead investor
- ** CA100+ with CCLA as supporting investor
- *** Covered by the CA100+ initiative, but CCLA not directly involved in engagement
- ● IIGCC's Net Zero Engagement Initiative
- ■ Other collaboration
- 👥 Meeting(s) held in 2023

†Entered our top 30 emitters at the end of 2023. Formal engagement is due to start in 2024.

Source: CDP company scores 2022 (latest available as at December 2023).

SCOPE 1, 2 AND 3 EMISSIONS

Scope 1, 2 and 3 is a way of categorising the different kinds of carbon emissions a company creates in its operations and in its wider value chain.

Scope 1

This includes the greenhouse gas (GHG) emissions that a company makes directly. For example, while running its boilers and vehicles.

Scope 2

These are the emissions for which a company is indirectly responsible. For example, emissions resulting from the production of the energy or electricity that it buys to heat and cool its buildings.

Scope 3

This covers all the indirect emissions associated with a company both up and down its value chain. This will include the emissions created by a company's suppliers, right down to the emissions created by its products when purchased and used by customers or consumers. Scope 3 emissions tend to account for the majority of a company's carbon footprint but are also the most difficult to address.

We met with 14 of our top 30 GHG-emitting companies as at December 2023. In addition, we also met with JPMorgan Chase & Co* (sold during the year) and Roche (no longer a 'top 30' emitter).

Beyond the top 30 emitting companies, we use a variety of approaches to ensure that systemic climate risk is addressed.

In February 2023, together with the Local Authority Pension Fund Forum (LAPFF), Ethos Foundation and Sarasin and Partners, we coordinated a collaborative letter that was sent to every company in the FTSE All-Share Index (excluding investment trusts) asking them to publish a climate transition plan and to put it to shareholder vote at their AGMs. Having such a vote enables shareholders to express their view on a company's transition plan through a specific resolution, rather than having to resort to a vote against a board member or another resolution on the ballot.

Coordinated by the IIGCC NZEI initiative, we also co-signed letters to 73 European companies asking for confirmation on transition plan development and for clarification as to whether their plans would be put to a shareholder vote.

More recently, we wrote again to the 35 highest emitting UK-listed companies, requesting that they put their transition plan to shareholder vote.

A cornerstone of our engagement with companies is monitoring whether the carbon reduction targets that they are setting are science-based. We participated in a CDP initiative in 2023, which wrote to over 2,100 high impact companies asking them to commit to and set 1.5°C-aligned science-based targets.

Finally, we continue to support CDP's annual Non-Disclosure Campaign, targeting companies that do not provide information to shareholders on risks posed by climate change, forestry, and water security. The campaign aims to drive up rates of corporate environmental disclosure, and this year it involved writing to 1,600 listed companies that have so far failed to respond to CDP.

*Not held in CCLA portfolio(s) as at 31 December 2023.

Our progress on engagement

Banks and fossil fuel financing

We invest in (or use as counterparties for our deposit funds) several multinational banks, some of which provide financing to conventional energy companies for fossil fuel production, extraction or refining.

In 2022, we joined Ceres' new Banks Working Group and continued to be an active member throughout 2023. The group engages with North American banks on aligning their lending, financing and investment activity with 2050 and interim net-zero commitments.

Our engagement with banks in 2023 covered our listed equity holdings only; in 2024 we plan to bring our cash holdings into the scope of our engagement work.

Bank of America* (Ceres' Banks Working Group)

After a lack of meaningful progress in 2022, we co-filed a shareholder resolution together with As You Sow for Bank of America's 2023 AGM. We directed the board to issue a report disclosing a transition plan describing how the company intends to align its financing activities with its 2030 sectoral greenhouse gas emissions reduction targets. We requested the inclusion of specific measures, including implementation of related policies, resulting expected reductions to the company's fossil fuel financing, and timelines for implementation.

The resolution went to vote and achieved 28.5% of the shareholder vote. Although this was not a binding resolution it was a clear call to action. We have since sold our shares in Bank of America for investment reasons.

Lloyds (direct)

Lloyds aims to reduce financed emissions by more than 50% by 2030. This target has not been submitted for SBTi verification. We met the company in 2023, asking it to seek verification of its decarbonisation targets, to improve the disclosure of its climate-related lobbying activity, and to consider putting its transition plan to a shareholder vote.

When asked, the company shared that it has engaged with its top 100 highest emitting clients and that it will apply its transition plan to these clients. The bank has already withheld financing from clients that do not meet target setting standards.

We followed the meeting by writing to provide further information on best practice in lobbying disclosure as well as a second collaborative letter (coordinated by CCLA and LAPFF) in October, supported by investors with a combined £1.8 trillion, reiterating our expectation that Lloyds should put its transition plan to a shareholder vote.

US Bancorp (Ceres' Banks Working Group)

We participated in a collaborative call with the bank in December. It is in the early stages of developing its climate disclosures. It seems responsive to investor feedback and we can expect substantial foundational work to be completed in 2024. If successful, this should increase investor confidence that the bank is taking the risks of climate change seriously, while navigating polarised opinion in the US. The meeting focused in particular on client transition planning and client engagement, financing green or sustainable projects, better disclosures of their public policy advocacy work, and target disclosures.

"I didn't really believe in global warming... until I found a way to make money at it."

*Not held in CCLA portfolio(s) as at 31 December 2023.

Consumer goods

Amazon (collaborative, other)

Amazon was unresponsive to direct correspondence related to the delivery of its transition plan in the critical period up to 2030. We joined with 21 other investors to write asking for more granular and comprehensive emissions disclosure, as there were concerns over its reporting of scope 3 emissions. The company has since responded with further information. While some concerns are resolved, others are not. The investor group is reconvening in 2024 to discuss how to proceed.

Heineken (direct)

When we met, Heineken evidenced making good progress on setting science-based emissions reduction targets (aligned to the SBTi). Subsequent to the meeting, validation of the targets was confirmed on the SBTi website, with new Forest, Land and Agricultural (FLAG) targets for 2030 and FLAG and other scope 3 emission reduction targets for 2040. Other areas covered included the various contributors to the company's carbon footprint and associated reduction actions, including logistics, refrigeration and business travel. On climate advocacy and lobbying disclosure, the company was encouraged to disclose more information, such as reporting on action taken to address any misalignments with trade body positions. On plastics, they are reshaping their circularity strategy (using plastics more efficiently by keeping the material in use for longer, getting the most from the material during its useful lifetime, and recovering it to make new products), which should be published early in 2024.

Home Depot (CA100+ co-lead)

Home Depot responded to direct correspondence, noting that it had updated its emissions goals which have been submitted to the SBTi for approval. CCLA has subsequently become CA100+ co-lead for the company.

Kerry Group (IIGCC's NZEI)

At the time of meeting, Kerry Group was working towards aligning its scope 3 emissions targets with 1.5°C and to have a longer-term goal approved by SBTi by the end of the year. Pressed on plastic packaging and what could be made compostable, the company noted that commitments have been made and that more information will be provided in its transition plan, with expected publication in 2024.

The IIGCC Net Zero Engagement Initiative (NZEI) prioritises engagement with selected companies based on target-setting and transition plans. The initiative primarily focuses on demand side and smaller supply chain companies that are critical to the overall transition to net zero.

Nestlé (CA100+ co-lead)

Nestlé published its decarbonisation strategy in late 2020 and successfully put it to the shareholder vote in 2021. Since then, the company has substantially built out its TCFD reporting. A meeting was held on climate lobbying disclosure in 2023 and an improved lobbying report was recognised in the company's CA100+ benchmark score. A December 2023 meeting explored improving transparency around its executive remuneration scheme, incorporating both climate change performance elements and a transition plan vote (this had been raised at the company's 2023 AGM). Also discussed were the development of a transition plan, progress with the Science Based Targets initiative (SBTi) and management of methane emissions.

The Science Based Targets initiative (SBTi) mobilises the private sector to take the lead on urgent climate action by guiding companies in science-based target setting.[17]

PepsiCo (collaborative, other)

A meeting was held with PepsiCo representatives prior to the company being dropped from the CA100+ initiative. Discussions covered aligning capital expenditure with a 1.5°C pathway, the company's decarbonisation plan, and disclosure on plastic packaging and waste. PepsiCo has not yet published a detailed transition plan but aims to publish one in the next 12 months. In decisions on capital expenditure, climate and mitigating strategies are considered, and an assessment is also undertaken against an internal carbon price.

Procter & Gamble (CA100+ support)

A call with the vice-president of sustainability focused on disclosure of climate lobbying and advocacy and encouraging disclosure of further information on sources of scope 3 emissions reductions. We suggested the company consider a separate report, mapping lobbying against trade association positions, which they indicated they would review internally. On scope 3 emission reductions, they committed to disclose progress in strategic areas. We also raised the commitment to zero deforestation/conversion by 2025 with further commentary provided over provision of data on primary forests and 'degraded' forestry. A subsequent collaborative call with the company's CEO elicited further information on offsetting and their approach to more environmentally responsible alternatives to plastics.

Unilever (CA100+ co-lead)

Following dialogue in 2021, Unilever became the first FTSE 100 company to put its transition plan to the vote. The company's next climate action transition plan will be put to shareholder vote in 2024. We have had several collaborative engagement calls with Unilever over the course of 2023, covering not only developments in the company's climate transition plan and reporting to shareholders but also climate-related lobbying and advocacy, scope 3 targets and emissions associated with its value chain. Improved lobbying disclosure has been recognised in the CA100+ benchmark scoring. The company has advocated for Paris-aligned lobbying within the trade associations of which it is a member.

Electrical utilities

NextEra Energy (CA100+ support)

Based in the US, NextEra is one of the world's largest generators of renewable energy. Despite its leadership in the generation of clean energy, the company has historically lagged behind peers in climate-related disclosure. CCLA co-filed a shareholder resolution calling for progress, that was successfully withdrawn in 2021 once we had received a commitment that the company would report to CDP, thereby aligning with the recommendations of the G20's Task Force on Climate-Related Financial Disclosure (TCFD). This was a critical first step in building transparency and assessing progress. In 2023, we focused in on engagement around lobbying disclosure and the positions taken by various trade associations of which NextEra is a member. Although there have been promises of improved lobbying disclosure, the company's reporting has been delayed until spring 2024.

Climate Action 100+ (CA100+) aims to ensure the world's largest corporate greenhouse gas (GHG) emitters take necessary action on climate change. The initiative has 170 focus companies which in total account for up to 80% of global corporate industrial GHG emissions. The collaborative engagement group consists of more than 700 asset managers and owners responsible for over $68 trillion in assets under management.[18]

Health care

Abbott Laboratories (direct)

At the time of writing, Abbott is one of the 30 highest GHG emitters in CCLA portfolios. Since it is not covered by any of the collaborative initiatives, we wrote directly to the company in the summer requesting a meeting. We have followed up with the company and are awaiting a substantive response.

Johnson & Johnson (direct)

Having written to Johnson & Johnson in June 2023 asking about actions taken to deliver emission reduction targets, the company reached out through a meeting with a group of investors. The meeting covered a range of sustainability issues including remuneration linked to ESG metrics, supply chain management, resource scarcity and biodiversity. On scope 3 and supply chain management, we asked if Johnson & Johnson was setting a scope 3 target and if they could provide more information on why reported emissions on scope 3 were rising, beyond the general market factors they already referred to in their reporting. The company responded that it uses estimated figures and that they are difficult to influence.

Medtronic (direct)

Medtronic is a top 30 portfolio emitter not covered by any existing collaborative engagement working groups. We wrote to the company in the summer asking for actions to deliver emissions reductions as part of its transition plan.

When we met, we asked the company for a date for setting certified science-based emissions reduction targets, to improve climate-related lobbying disclosure, and to disclose more granularity in its transition plan. Medtronic confirmed it is aiming for certified science-based targets by 2025. The company recognises the complexity around scope 3 emission disclosure. It is now looking at its high-volume products and considering moving from a highly fragmented to a more concentrated supply chain where it can have more meaningful relationships with suppliers.

Pfizer (direct)

A meeting with Pfizer representatives sought to ensure that the company has a credible decarbonisation plan, to assess performance against metrics included in the plan, and to push for continued progress. The company already has 2030 SBTi-validated goals. In June this year, Pfizer announced its aim to align with the SBTi net zero standard, and it now has a timeline to resubmit both near-term and long-term targets for validation. Much of the discussion focused on scope 3 emission reductions. The company has increased engagement with its top 150 suppliers, providing an educative role, and requesting the signing of commitment letters on carbon management. Pfizer's aim is for its suppliers to have their own commitments reviewed by the SBTi.

Roche (IIGCC's NZEI)

Roche announced its commitment to have science-based emissions reduction targets validated by SBTi in late 2022. In 2023, we met company representatives to follow up on progress in this process. Roche is hopeful that its targets will gain validation before 2025. We focused on scope 3 emissions and whether the company would set more ambitious targets. Engagement with suppliers has included requiring minimum climate standards and setting up workstreams for decarbonisation 'hot spots'. Pressed on publication of climate reporting and putting it to shareholder vote, the company will publish a TCFD report in 2025 and plans to put its sustainability report to vote in 2024, which includes a carbon transition plan.

UnitedHealth (direct)

We met UnitedHealth to discuss its approach to transition planning and setting of emissions reduction targets in September 2023. While the company had stated a commitment to set SBTi targets in June, it indicated that it is waiting for financial sector transition planning guidance to be finalised for further development on its transition plan. This guidance has been drawn up by the Transition Plan Taskforce (TPT) and was under consultation until 29 December 2023. We expect final sector-specific transition planning guidelines to be published in 2024 (please see page 26–27 for details of how CCLA works with the TPT).

UnitedHealth has recently taken steps to reduce its scope 2 emissions, for example signing its first virtual power purchase agreement. On scope 3 emissions, work is underway to advise and support suppliers in relation to sustainable procurement and the intention is to include appropriate language in contracts. We requested further disclosure on industry association lobbying activities and on actions taken to address any misalignments.

Industrials

Honeywell (CA100+ co-lead)

Honeywell did not respond to our initial correspondence in June. CCLA has subsequently become CA100+ co-lead for the company to progress collaborative engagement.

Siemens (IIGCC's NZEI)

Siemens strengthened its scope 1 and 2 emissions reduction targets at the end of 2022. In 2023, together with other NZEI investors, we asked the company for more disclosure on specific elements in its transition plan, including 1.5°C-aligned emissions reduction targets for all three scopes. At a meeting with the company in September, the company confirmed its commitment to a carbon neutral supply chain by 2050 and was awaiting validation of its net-zero target by the SBTi. We also requested more details on proposed actions to address the largest source of emissions, which is end-use of products.

Information technology

ASML (direct)

ASML is a top 30 portfolio emitter but not covered by any existing collaborative engagement working groups. We had a meeting with the company in September 2023 on the implementation and development of its transition plan. The company currently has its 2025 emissions reduction targets validated by the SBTi for all three scopes. We pushed on further target-setting, including work on setting absolute, rather than intensity, targets. ASML is planning for 2030 validation by SBTi. Other items raised were electrification of company employee transportation, a discrepancy on scope 3 reported emissions against CDP disclosure and putting the transition plan to shareholder vote. A request was made for more disclosure on lobbying and advocacy.

Alphabet (direct)

Alphabet is a top 30 portfolio emitter and already scores very highly in CDP disclosure. The focus of our engagement with the company is to encourage accelerated action to decarbonise the business in the critical period up to 2030. We first wrote to the company in the summer of 2023 requesting a meeting. We received an acknowledgement of receipt but have had no substantive response to date.

Infrastructure

Empiric Student Property (direct)

As at 31 December 2023, CCLA is the second largest shareholder in Empiric Student Property. We met the company's Chief Finance and Sustainability Officer in June to discuss the measures it plans to take to improve the energy efficiency of its buildings. We met again twice subsequently to follow up on earlier correspondence encouraging disclosure of a transition plan and encouraging the company to put it to shareholder vote. The company has evidenced including climate considerations in its strategic decision-making and discloses capital expenditure for initiatives accelerating the roll out of its decarbonisation plans over the next 18 months. Empiric Student Property intends to apply for SBTi validation of its decarbonisation targets by 2025.

Materials

Givaudan (IIGCC's NZEI)

We sought confirmation of the management of climate-related financial risks and transition planning. The company responded, signposting its net-zero policy, decarbonisation timeline and reduction targets. Climate objectives are also included in its remuneration packages.

Mining

Rio Tinto (CA100+ support)

Rio Tinto is only held in one segregated client portfolio.

Since 2019, we have been asking the company to put its climate transition plans to a shareholder vote. The vote was granted for 2022 and passed, despite resistance from a minority of investors who would prefer the company's downstream influence on the decarbonisation of the Asian steel sector to be integrated into targets for the emissions the company directly controls.

While the company can influence the activities of its Asian customers (i.e. steel companies in China and elsewhere), it cannot fully control them. As a result, these indirect scope 3 emission reductions are Rio Tinto's biggest decarbonisation challenge.

In our engagement we are pushing for more information on Rio Tinto's work in partnership with its business customers, particularly those such as Posco in South Korea, which intends to use green hydrogen technology to produce steel. Rio Tinto is active in the 2022/23 Transition Plan Taskforce process.

COP28 IN THE UNITED ARAB EMIRATES

The 2023 UN Climate Change Conference, COP28, concluded on 12 December. A pre-COP assessment had shown that not enough is being done to keep global temperature rises within 1.5°C. COP28 could have been an opportunity to fast-track change, although inevitably not all expectations were met.

Although there was some disappointment over the lack of progress in certain areas, positive outcomes include:

- a global goal to triple renewables and double energy efficiency
- declarations on agriculture, resilient food systems and health
- national actions and funding announced to cut methane by at least 30% by 2030
- the Netherlands, Canada and other countries promising to crack down on fossil fuel subsidies
- the launch of a Taskforce on Net Zero Policy to overcome global policy barriers to decarbonisation
- the COP28 Net-Zero Transition Charter to ensure credible corporate transition plans.

Although the purpose of the COPs is to determine the rulebook to decarbonisation, the most important aspect is how that rulebook is implemented. There are few people better to quote on this than Christiana Figueres, the architect of the Paris agreement:

'Implementation doesn't happen as the result of negotiation in negotiation halls. It happens in the real economy, through policies, through healthy competition, through investments, through innovation and technology.' [21]

With the global carbon budget for remaining within 1.5°C getting close to drawing its last breath, the current pace and scale of change are still not sufficient. There must be a renewed call to action in 2024 for the investment community to accelerate the transition to a decarbonised economy.

Plastics

While climate action is our highest environment-related engagement priority, we recognise that other areas also require investor attention, such as plastics and biodiversity.

During summer 2023 we co-signed an investor statement relating to plastics packaging[19] and joined associated investor collaborations with PepsiCo and Unilever. An investor meeting with the CEO of Procter & Gamble also gave an opportunity to raise the concern.

PepsiCo

In October, we participated in a collaborative meeting with PepsiCo to discuss its approach to the use of plastics. The company reports to the Ellen McArthur Foundation and has committed to report to CDP on plastics. The company has also set a target of reducing absolute tonnage of virgin plastics by 20% and cutting virgin plastics from non-renewable sources per serving by 50%, both by 2030. Despite these targets, the company has increased its use of virgin plastic. We are asking for improved performance against plastic reduction targets, including on re-useable containers to reduce single-use plastic packaging.

Following our meeting, we later learnt that PepsiCo is being sued by New York state over plastics pollution.[20]

Procter & Gamble

We asked the company about the use of alternatives to plastics in packaging. The company is trialling alternatives in Europe for laundry detergent because once consumers try it, they express a preference for it. They have also moved to compostable packaging for other products and said they will be looking for more environmentally responsible alternatives.

Unilever

We also met Unilever to discuss its approach to reducing its use of plastics. The company is increasing the scope of its data collection in this area. Progress against targets is slow but the commitment is there. We are pushing for a reduction of single-use plastic and disclosure of non-plastic packaging use.

THE GLOBAL PLASTICS POLLUTION TREATY

In 2023, we added our voice to a movement that seeks to strengthen regulation in the EU aimed at reducing plastic waste. We co-signed a letter to the EU Parliament supporting proposed plastic waste reduction regulations and wrote to members of the High Ambition Coalition (HAC) governments in support of an ambitious approach for a robust, legally binding Global Plastic Treaty.

In November, we also signed an open letter, coordinated by CDP, calling for text to be added to the Global Plastics Treaty mandating the disclosure of plastics data for listed businesses.

Biodiversity

In 2023, we joined the Nature Action 100 (NA100) engagement initiative, a global investor engagement initiative inspired by the work of CA100+. We have co-signed letters to 100 companies deemed to be systemically important in reversing nature and biodiversity loss by 2030. We will be engaging as part of a NA100 engagement team for three portfolio holdings: AstraZeneca, McDonald's and Zoetis. Engagement will commence in 2024.

We are also represented on the signatory advisory committee of Spring, the PRI stewardship initiative for nature. The steering committee has been determining priorities with focus on enabling policy alignment and implementation across geographies. Companies for engagement will be identified in 2024. ■

Better work

TARGET: SUSTAINABLE DEVELOPMENT GOAL 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Within this theme, we are principally concerned with the recognition and support for human and labour rights.

We expect investee companies to recognise that their workforce is a key source of value for the business and that they respect ILO core conventions, the ILO Fundamental Principles on Rights at Work and promote 'decent work'.

We expect all companies to be operating in line with the ILO core conventions and local labour laws in all jurisdictions in which they are operating, and that they should expect the same of suppliers and business partners. Furthermore, they should recognise the need to be transparent about their workforce policies and practices with investors.

A history of action on modern slavery

Our greatest exposure to modern slavery is likely to be through the companies and assets held in client portfolios. We have a long-standing commitment to protecting human rights and recognise the important role that investors can play to bring about positive change.

We have spent years bringing investors together to help improve the efficacy of corporate action to find and fight modern slavery in supply chains.

MODERN SLAVERY

Modern slavery is an umbrella term encompassing slavery, servitude, human trafficking and forced or compulsory labour.[22] Victims are controlled by punishment, debt bondage, threats, violence, deception and coercion.[23] While the true extent of this crime is hidden from view, it is now estimated that 50 million people worldwide are in a state of modern slavery.[24]

Modern slavery infiltrates the supply chains of many everyday products and commodities, including food, electronics and clothing. It is also rife in construction and hospitality. Modern slavery is undoubtedly an abhorrent abuse of human rights and there is huge potential for action by businesses to reduce modern slavery around the world.

While some companies are more exposed than others, we believe that all businesses are linked to modern slavery in some way, either directly, or indirectly via their supply chains. Large, listed companies are in an influential position to set standards, implement policies, and take action to find, fix and prevent modern slavery.

CCLA Modern Slavery UK Benchmark

Despite our best efforts, modern slavery continues to grow.

In 2023, we set out on a new project aimed at accelerating the pace of change. Having identified a gap in the modern slavery data available to investors, we set out to build a benchmark that assesses and ranks companies based on their modern slavery disclosures.

Launched in November 2023, the aims of the CCLA Modern Slavery UK Benchmark are 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 developed guidance, and international voluntary standards on business and human rights
- **support** modern slavery engagement by investors
- **provide** a vehicle for learning and knowledge sharing
- **introduce** a sense of competition between businesses, thereby expediting improvement in corporate practice.

The benchmark assesses the largest UK-listed companies on the degree to which they:

1. conform with the requirements of Section 54 of the Modern Slavery Act 2015[25]
2. disclose information outlined in the Home Office Guidance on Modern Slavery[26]
3. report on efforts to find, fix and prevent modern slavery.

Companies are assigned to one of five performance tiers that correspond with the Independent Anti-Slavery Commissioners (IASC) maturity framework.[27]

Because of the global and interconnected nature of modern supply chains it is likely that slavery exists somewhere in every business. While every company in the benchmark has a modern slavery policy, only 25 of them report that they have found modern slavery in their supply chains. This suggests that many modern slavery policies are ineffective.

For the full report and detailed findings please visit www.ccla.co.uk/documents/ccla-modern-slavery-uk-benchmark-2023.

Engagement with benchmarked companies

During the assessment process, each company was provided with a scorecard and given four weeks in which to respond. We met with 26 companies to discuss our findings and to suggest ways in which each could improve.

Companies will be assessed for a second time in 2024 and we look forward to reporting on progress.

MODERN SLAVERY BENCHMARK ASSESSMENT CRITERIA

The CCLA Modern Slavery UK Benchmark assessment criteria were created by mapping and combining the following resources:

- The Modern Slavery Act 2015
- Guidance derived from the Modern Slavery Act 2015
- Business & Human Rights Resource Centre (BHRRC)
- Ethical Trading Initiative Base Code
- International Responsible Business Conduct
- Know the Chain
- Stronger Together
- UN Guiding Principles on Business Human Rights
- UN Guiding Principles Reporting Framework

CCLA MODERN SLAVERY UK BENCHMARK – 2023 COMPANY RANKING

Performance Tier

1 Leading on human rights innovation

- Kingfisher
- Marks & Spencer
- Next
- Reckitt Benckiser
- Tesco
- Unilever

2 Evolving good practice

- Anglo American
- Associated British Foods
- AstraZeneca
- BAE Systems
- BP
- British American Tobacco
- Burberry Group
- Carnival
- Compass Group
- Diageo
- DS Smith
- Glencore
- GSK
- Haleon
- Imperial Brands
- Informa
- InterContinental Hotels Group
- J Sainsbury
- JD Sports Fashion
- National Grid
- NatWest Group
- RELX
- Rentokil Initial
- Rio Tinto
- Schroders
- Severn Trent
- Shell
- SSE
- United Utilities Group
- Vodafone Group
- Whitbread

3 Meeting basic expectations

- 3i Group
- abrdn
- Admiral Group
- Antofagasta
- Aviva
- Barclays
- Barratt Developments
- Berkeley Group Holdings
- BT Group
- Bunzl
- Centrica
- Coca-Cola HBC AG
- ConvaTec Group
- CRH
- DCC
- Entain
- Experian
- Fresnillo
- Halma
- HSBC Holdings
- Intertek Group
- Land Securities Group
- Lloyds Banking Group
- Mondi
- Ocado Group
- Pearson
- Phoenix Group Holdings
- Prudential
- Rightmove
- Rolls-Royce Holdings
- Segro
- Smith & Nephew
- Smiths Group
- Smurfit Kappa Group
- Standard Chartered
- WPP

4 Barely achieving compliance

- Ashtead Group
- Auto Trader Group
- B&M European Value Retail
- Beazley
- Croda International
- Dechra Pharmaceuticals
- Diploma
- Endeavour Mining
- Flutter Entertainment
- Hikma Pharmaceuticals
- Hiscox
- IMI
- Intermediate Capital Group
- International Airlines Group
- Investec
- Legal & General Group
- London Stock Exchange Group
- M&G
- Melrose Industries
- Sage Group
- Spirax-Sarco Engineering
- St James's Place
- Weir Group

5 No modern slavery statement

- Airtel Africa

Find it, Fix it, Prevent it

Find it, Fix it, Prevent 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 NGOs to share knowledge, set targets and monitor progress.

Find it, Fix it, Prevent it is designed to harness the power of the investment community to make the corporate response to modern slavery more effective. It has three aims, each linked to a discrete workstream:

1. **Coordinated company engagement** – aiding companies in the development and implementation of better processes for finding, fixing and preventing modern slavery.
2. **Meaningful public policy** – aims to strengthen the Modern Slavery Act 2015 through dialogue with the UK Government and Home Office.
3. **Better data for investors** – works with data providers, NGOs and academia to identify and develop better data on modern slavery risks.

INVESTORS AGAINST SLAVERY AND TRAFFICKING ASIA PACIFIC

Find it, Fix it, Prevent it fosters an ongoing partnership with sister initiative, Investors Against Slavery and Trafficking Asia Pacific. The initiative was set up by Australian investors, First Sentier, and supported by the Walk Free Foundation with the aim of taking the Find it, Fix it, Prevent it model to companies in the Asia-Pacific region. By the end of 2023, the group had grown to 42 investors with combined assets under management of A$9.4 trillion. During the 2022–2023 financial year, IAST APAC engaged with 22 focus companies across consumer discretionary, consumer staples, technology, and health care.

2023 progress summary

Coordinated corporate engagement

The Find it, Fix it, Prevent it corporate engagement workstream aims to incentivise business to:

- **Find it** – proactively search their supply chain for modern slavery, on the assumption that it exists
- **Fix it** – work towards and report on remedy for those affected
- **Prevent it** – take meaningful steps to ensure that the situation does not continue.

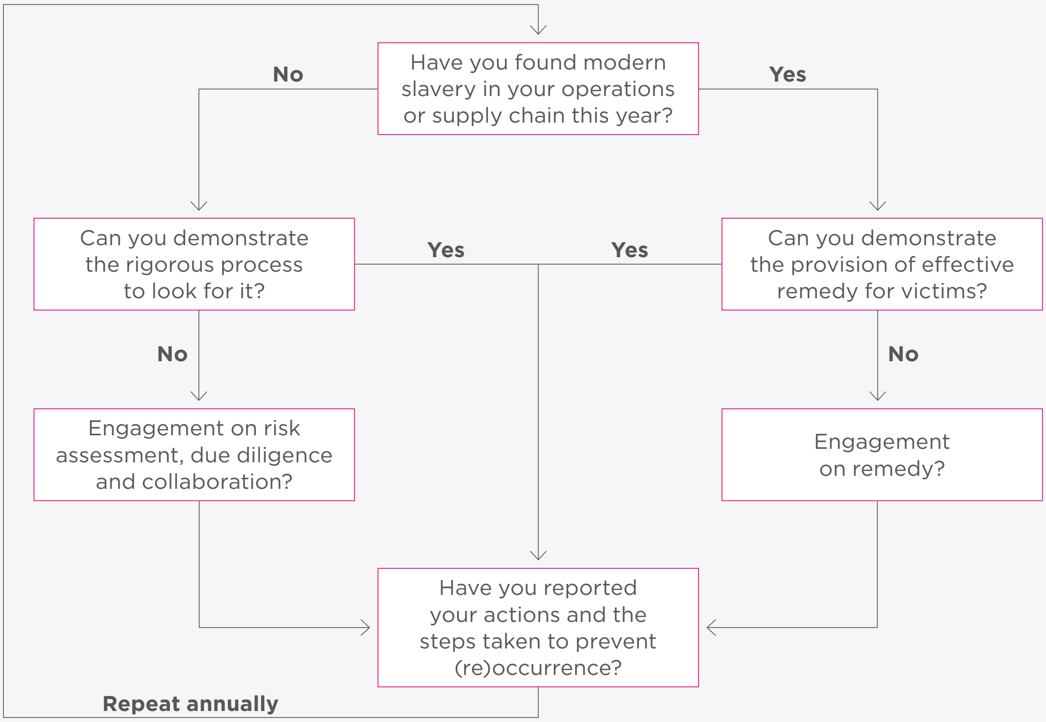
Our engagements with companies are based on an engagement framework that was developed in 2020 (see next page). There are four key questions:

1. Have you found modern slavery in your operations or supply chain?
2. If so, can you demonstrate the steps you have taken to improve the lives of victims?
3. If not, can you demonstrate that you have rigorous processes in place to look for it?
4. Have you effectively reported your actions and the steps taken to prevent a re-occurrence?

The collaborative engagement group consists of 28 investors. Each investor is responsible for engagement with one or two companies over a one- to three-year timeframe. Each company is allocated a minimum of two investors: one to lead, the other to support.

We thank our collaborators for their engagement efforts during the reporting year.

THE COALITION'S ENGAGEMENT PROGRAMME



Find it, Fix it, Prevent it: 2023 engagement outcomes

According to UK charity Unseen, there was a 35% increase in construction sector modern slavery cases in 2022.[28] Members of the Find it, Fix it, Prevent it investor coalition began engaging with UK construction companies in 2022 and continued throughout 2023.

The companies under engagement include internationally led engineering firms, UK housebuilders and suppliers of raw materials into the construction sector: Balfour Beatty*, Barratt Developments*, Bellway*, Countryside Developments*, Crest Nicholson Holdings*, Genuit Group, Ibstock*, Marshalls*, Morgan Sindall Group*, Persimmon*, Redrow*, RHI Magnesita N.V.*, Taylor Wimpey*, The Berkeley Group Holdings, Tyman*, Vistry Group*, and Volution Group*.

We lead or co-lead engagement with the following companies. Outcomes in 2023 are set out below.

Genuit

During the year, we learned that Genuit had hired a new procurement manager. The company requested time before holding a meeting with investors, which has been scheduled for early 2024.

Marshalls*

We met Marshalls in July 2023 and talked through their human rights due diligence progress, particularly in light of the recent acquisition of a solar panel business. A well-known leader in this space, we encouraged greater transparency on remediation programmes where instances of modern slavery had been found.

*Not held in CCLA portfolio(s) as at 31 December 2023.

Persimmon*

We coordinated a collaborative investor meeting with Persimmon in January 2023 to discuss its approach to modern slavery. Persimmon disclosed that it had found suspected cases of modern slavery and had been in touch with the Gangmasters and Labour Abuse Authority (GLAA) but had not included this in its modern slavery statement, since the case was not confirmed. As a group of investors, we encouraged the company to disclose this finding in its next report. We were also in contact with Persimmon prior to the modern slavery benchmark publication.

Scorecard engagement outcomes

We have created modern slavery scorecards for each of the 17 construction companies under engagement using the CCLA Modern Slavery UK Benchmark methodology. The data is being used by CCLA and other investors to sharpen the precision of our engagement with construction sector companies.

CCLA coordinates the investor coalition and is also responsible for leading (or co-leading) engagement with the following hospitality companies.

Initiated in 2020, this engagement targets 13 UK-listed companies within the hospitality sector: Carnival*, Compass Group, Domino's Pizza Group*, Greggs, InterContinental Hotels Group, J D Wetherspoon*, Marston's*, Mitchells & Butlers*, PPHE Hotel Group*, Restaurant Group*, SSP Group*, TUI Group*, and Whitbread*.

Progress during the year is set out below.

Compass Group

After engagement in 2021/22, Compass conducted a detailed external audit of migrant worker sourcing practices into the Gulf, revealing areas at high risk of forced labour. The findings were detailed in the company's latest modern slavery statement and the company has begun to document remedy. In 2023 we contacted Compass Group in relation to UK seasonal agriculture and we met the company to discuss.

InterContinental Hotels Group (IHG)

The company has updated its human rights saliency process and requested an interview with CCLA to help shape its approach. We met with IHG in October following a Guardian exposé highlighting bonded labour in IHG's Middle East operations.[29] The allegations were similar to what had already been identified in IHG's own Human Rights Impact Assessment.

*Not held in CCLA portfolio(s) as at 31 December 2023.

Meaningful public policy on modern slavery

Over the past year there has been significant progress in the EU on the development of a new directive that is designed to make environmental and human rights due diligence mandatory for businesses.Negotiations between the European Commission, the European Council and the European Parliament are in their final stages and an agreed directive is expected in early 2024. Progress in the UK, however, has been much slower and there has been little movement on modern slavery policy and on business and human rights more broadly.

We have continued to advocate for clear legislation requiring asset managers and other investment businesses to report annually on the steps that they have taken to uncover and fight slavery in their portfolio. We submitted written evidence to the Home Affairs Committee's inquiry into trafficking[30] and CCLA's Dame Sara Thornton gave oral evidence to the committee arguing for the explicit inclusion of financial portfolios.[31]

Our work on the CCLA Modern Slavery UK Benchmark clearly demonstrates the need for the Home Office guidance on transparency in supply chains to be updated and we have raised this as a member of the newly formed Home Office Modern Slavery Engagement Forum. We have also continued to encourage the government to prioritise the Modern Slavery Bill which was announced in the 2022 Queen's Speech. Unfortunately, no progress has been made on this legislation, despite previous ministerial commitments.

In 2023 we signed a Knowledge Partnership with Finance Against Slavery and Trafficking (FAST), a public-private partnership based at the United Nations University Center for Policy Research in New York.[32] FAST has since contributed two knowledge events to CCLA's Find it, Fix it, Prevent it collaboration. The first was on the role of investors in addressing forced labour in the construction industry and the second was a broader event on the role of capital markets in addressing modern slavery.

We have also developed a stronger liaison with Investors Against Slavery and Trafficking Asia Pacific and collaborated on a webinar for investors on the newly published Global Slavery Index.[33]

A key message in our policy work is to broaden the environmental focus of ESG to develop the approach to human rights. In particular, the human rights impact of climate change must not be overlooked – whether physical risks or transitional risks. We have contributed to this debate at the annual conference of the Global Ethical Finance Initiative, at the FAST annual convening, and several other events. We worked with the All Party Parliamentary Group on ESG where CCLA's Dr James Corah and Dame Sara Thornton presented to their roundtable on modern slavery and a discussion paper, which was subsequently published.[34]

We therefore welcomed the Department of Work and Pensions' focus taskforce on social factors in pension scheme investments. We contributed to the draft consultation paper published in October 2023 and were pleased to see that CCLA's Find it, Fix it, Prevent it initiative features as a case study of good practice.

Following our work on an investor statement in respect of seasonal workers in the agricultural sector, we contributed to the Independent Review into Labour Shortages in the Food Supply Chain and welcomed its recommendations.[35] We subsequently wrote to the Secretary of State to commend the report and to urge acceptance of its recommendations on migrant labour, labour market enforcement and better data. The Minister has invited us to meet with him.

Better data for investors

We recognise that modern slavery is often hidden from sight and that it can sit deep within corporate supply chains. Our ambition is to incentivise companies to be more transparent in their efforts to find and tackle modern day slavery.

This workstream has clear linkages with the CCLA Modern Slavery UK Benchmark, and we hope that the benchmark will contribute to an evidence base that the Find it, Fix it, Prevent it initiative will use in future engagements.

Under the data workstream of Find it, Fix it, Prevent it, we joined forces with an initiative coordinated by the Church Commissioners, the World Benchmarking Alliance Collective Impact Coalition, and the Investor Alliance for Human Rights. The purpose is to engage with ESG and proxy voting data providers on their approach to evaluating corporate human rights performance.

In the light of emerging human rights due diligence legislation, we expressed concern on the quality and coverage of data on corporate human rights, arguing for a more holistic approach than the current controversy-based approach. As a result of this engagement we were asked to speak at an MSCI event in September 2023 on 'Navigating the new human rights risk landscape'.

We also co-hosted a roundtable with the Modern Slavery Policy and Evidence Centre, the United Nations University Center for Policy Research, and FAST that brought together a diverse group of 48 investors, business executives, policymakers, tech firms, civil society organisations (CSOs), and researchers, including six speakers, to inquire: 'how might AI enhance the aggregation and assessment of data on modern slavery risk and on businesses' anti-modern slavery endeavours?' In October we published a briefing paper[36] on the lessons from the workshop available: www.ccla.co.uk/documents/ai-addressing-or-distorting-modern-slavery-challenge/download?inline

MODERN SLAVERY IN NUMBERS

50 million people

ARE TRAPPED IN MODERN SLAVERY; THIS REPRESENTS 1 IN 150 PEOPLE[37]

$26.1 billion

OF GOODS IN VALUE IMPORTED INTO THE UK EVERY YEAR THAT HAVE A HIGH SLAVERY RISK[39]

77 % of surveyed UK retailers

THINK THAT MODERN SLAVERY IS IN THEIR SUPPLY CHAIN[38]

100 % of businesses

WE ESTIMATE THAT ALL BUSINESSES HAVE SOME FORM OF MODERN SLAVERY IN THEIR SUPPLY CHAIN

Seasonal Workers' scheme

In December 2022, we spearheaded a call by investors to help protect migrant seasonal workers in the UK.

Brexit and the war in Ukraine have resulted in a shortage of migrant workers for the UK agricultural sector. The investor group is concerned that migrant workers in the UK, recruited and employed through the government's Seasonal Workers' scheme, are being obliged to pay excessive fees to agents and middlemen, in addition to other fees, travel and visa costs for crucial but temporary roles in support of the UK's food sector.

Impactt, a consulting group specialising in ethical trade and human rights, estimated that fees paid by migrant seasonal workers in the UK were £35 million in 2022 alone.[40]

Despite the UK government's commitments[41] to tackling modern slavery, and the International Labour Organization stating that no recruitment fees or related costs should be charged to, or otherwise borne by, workers or jobseekers,[42] workers often have to take out loans at high interest rates, or sign over assets and property, to cover the costs. This leaves the workers at high risk of debt bondage, one of the key indicators of forced labour.

In addition, some migrant workers in the UK are deceived by promises of multi-year contracts but, due to the late release of 8,000 visas in 2022, find themselves with only weeks of work and in substantial debt.

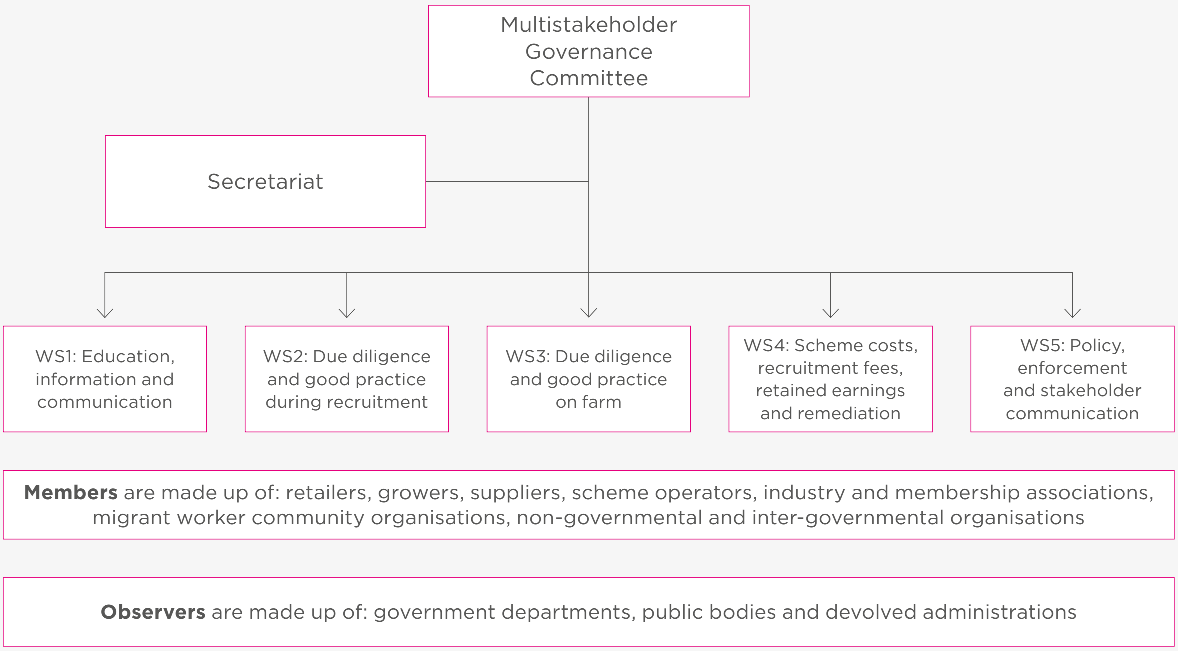
In 2022, we convened 10 investors with c.£800 billion in assets under management to sign a statement[43] calling on retailers and firms in, and directly sourcing from, the UK agricultural supply chain to:

- implement the Employer Pays Principle[44], such that the employer bears all recruitment costs (any recruitment fees and associated expenses such as travel etc.)
- undertake investigation of existing workers and ensure a fair process to repay recruitment-related costs that may have been borne by the workers
- encourage the government to bring the UK's Seasonal Workers' scheme into line with international commitments.

In 2023, as a group, we wrote to UK-listed supermarkets, selected hospitality companies, and agricultural suppliers. We also met with the British Retail Consortium and the multistakeholder Seasonal Worker Scheme Taskforce[45]. The Taskforce has been convened to bring together stakeholders, including industry trade bodies, retailers, growers, recruiters and non-profits to work collaboratively to safeguard workers' rights in the UK Seasonal Workers' scheme and wider UK horticulture.[46]

The Taskforce has since established five workstreams covering due diligence; good practices in recruitment and farm management; and improving worker finances and policy (see next page).

TASKFORCE GOVERNANCE AND STRUCTURE



Despite hard work, we are aware that fundamental challenges remain, and journalists and human rights defenders continue to point to cases of debt bondage and exploitative working practices in UK farms. In July 2023, we hosted a roundtable with Taskforce members and a delegation of former scheme workers from Nepal.

Engagement with Defra

Over the summer, we identified an opportunity to push forward on this important issue after the government published an independent review into labour shortages in the food supply chain in the UK. The review, commissioned by the Department for Environment, Food and Rural Affairs (Defra), set out several key recommendations for government, industry and other key stakeholders.[47]

In response, we gathered a coalition of 14 institutional investors and wrote to Thérèse Coffey, then Secretary of State for Environment, Food and Rural Affairs, urging Defra to implement the recommendations. The letter focused in particular on the recommendations related to access to migrant labour through an improved seasonal worker scheme and its enforcement (recommendation 2); and the need for a workforce data strategy to ensure a sustainable pipeline of agricultural workers and resources (recommendation 7). Our letter was signed by CCLA's Dame Sara Thornton, former Independent Anti-Slavery Commissioner.

We received a reply in November and we look forward to meeting the current minister in due course.

Amazon and the rights of workers

As the second largest employer in the US and one of the world's most influential businesses, Amazon attracts criticism on a range of issues. Some of the most serious of these relate to working conditions and trade union rights.

The topic grew in prominence during 2022, after Amazon workers at a large fulfilment centre on Staten Island made history by voting to form the first Amazon Union. Since then, the union has faced widespread and well-publicised opposition and anti-union interference from the company. An alleged $14 million was spent by Amazon on efforts to quash union drives at the company, including $4 million spent on anti-union consultants brought in to dissuade people from joining the union.[48]

There have also been concerns about the company's approach to unions closer to home. In April 2023 Amazon was on the verge of being forced to recognise a trade union in the UK for the first time, after more than 50% of workers (the typical threshold for mandatory union recognition) was reached at a fulfilment centre in Coventry.

Commentary on Amazon's response was reminiscent of its activities in the US. Unions allege that the company flooded the site in Coventry with temporary workers, such that the crucial 50% threshold could not be reached and the paperwork for union recognition had to be withdrawn.

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Freedom of association and collective bargaining

The rights to freedom of association and collective bargaining are ILO core conventions and a key part of the ILO Declaration on Fundamental Principles and Rights at Work. This means that they are internationally recognised as human rights norms that should be upheld, regardless of local legislation.

In practical terms, the rights translate to the ability of workers to speak freely to whoever they like about their work, and to organise as unions and elect representatives to negotiate with management on their behalf. The rights are considered 'fundamental' because, without them, other rights – such as living wages, health and safety, and working environments free of intimidation and harsh treatment – are harder to achieve.

Furthermore, the UN Guiding Principles on Business and Human Rights (UNGPs) set out the expectation that businesses respect human rights in their global operations and supply chains. The UNGPs explicitly and unambiguously require companies to adhere to the international standard where national law differs.

Amazon's own policy documents on human rights recognise these rights and even reference the UNGPs. However, the allegations described above suggest that the company's practices fall far short of its policy commitments.

Engaging with Amazon

As shareholders, we believe that we have a duty to try to address these allegations. Evidence suggests that trade unions can result in higher corporate productivity, lower staff turnover, a better health and safety record, and greater innovation.

At the end of 2022, we co-signed a letter to Amazon, calling for the Board of Directors to commission an independent, third-party assessment of Amazon's adherence to its stated commitment to workers' freedom of association and collective bargaining rights as outlined in its Global Human Rights Principles. Six weeks later, having received no meaningful response, we escalated the engagement by co-filing a shareholder resolution at the company for its 2023 annual general meeting.

The proposal went to vote on 24 May. Our resolution achieved 35% of the overall vote. This was down on the support from shareholders for a similar resolution in 2022, despite having been filed by a much larger international group of investors. This may be symptomatic of the politically charged ESG backlash in the US.

We have had productive discussions with several other investors during the year. At the end of October 2023, global investors concerned about Amazon's practices met in Manchester to discuss strategy for the 2024 proxy season. At the end of 2023, we co-filed a second shareholder resolution. At the time of writing, the investor group co-filing alongside has grown threefold since last year, showing a growing willingness by investors to take a stand. We look forward to reporting on progress in 2024.

WHAT IS THE 'ESG BACKLASH'?

Environmental, social and governance (ESG) investing has been highly politicised, particularly in the US, where Republican politicians tend to view it as a cover for the promotion of an economically liberal agenda, while Democrats typically defend it.

Anti-ESG proponents target two aspects of ESG investing. The most common relates to the exclusion of certain types of companies from the investment universe (e.g. those involved with armaments or fossil fuel production). They argue that reducing the pool of eligible investments leads to poor financial performance. The second is concerned with mandating corporate disclosures around various ESG topics, such as corporate greenhouse gas emissions, workforce diversity, gender equality, fair pay, and human rights in supply chains.[49]

Anti-ESG legislation proliferated in the US in 2023. From January to June, more than 160 bills targeting ESG investing were introduced in 37 states. These included bills to prevent states from entering contracts with ESG-minded financial institutions, to restrict the investments of state retirement funds, and to ban states from considering ESG when selecting contractors. While the majority failed, more than 20 became law across 16 states.[50]

ESG has been well and truly dragged into the so-called 'culture wars'.

Cost of living and Living Wage

We believe that it is an employer's duty to protect the health, safety and welfare of their employees: physical welfare, mental welfare and, crucially, financial welfare.

Cost of living

The cost of living is the amount of money needed to cover basic expenses such as housing, food, taxes and health care. In a period where inflation of goods and services outstrips wage inflation, low-income households tend to bear a disproportionate burden and, according to the Living Wage Foundation's Life on Low Pay report, there are currently an estimated 4.8 million workers earning a wage below the cost of living in the UK.[51]

Employers can intervene in several ways. They can ensure base wages match the Living Wage, they can survey the needs of their workforce, provide food vouchers, bring forward or increase bonuses, offer hardship funds or public transport discounts, train managers to look out for vulnerable colleagues, and help employees to access financial training.

In the autumn of 2022, CCLA and the Church Investors Group wrote to the 100 largest publicly-listed employers on the UK stock market, asking for details of what they are doing to support their workers through the cost-of-living crisis that the UK has been experiencing since late 2021. Specifically:

- Whether they had taken, or plan to take, any steps to support their lowest paid employees
- The proportion of their workforce impacted by these activities and how were they selected for assistance
- Whether third party contracted staff (such as cleaners, caterers and security guards) had been eligible for assistance
- If they have no plans, then why not?

By the end of 2023, we had 65 responses, of which 58 are substantive. Please see Appendix 1 for the full list of companies and a progress summary.

To support the engagement, we also published an Investor Statement on the cost-of-living crisis.[52] At the end of 2023 this had the support of 18 institutional investors, with a combined £3.4 trillion in assets under management.

Living Wage

In early 2023 we commenced engagement with several UK-listed companies that we invest in, with the aim of persuading them to become Living Wage-accredited. We chose companies in sectors where there is a high proportion of low paid workers, namely hospitality and retail, as well as businesses with large UK call centres. Outcomes in 2023 are set out here.

Admiral Group

Since our engagement, Admiral Group has become an accredited Living Wage employer.

Greggs

Greggs pointed to a collective bargaining agreement they have in place with the Bakers, Food and Allied Workers Union (BFAWU), saying that wages and benefits were negotiated with workers on an annual basis. It believes there is no need to accredit with the Living Wage Foundation. We continue to push the company to seek accreditation.

InterContinental Hotels Group (IHG)

IHG says it is benchmarking against and matching the Living Wage but that it is not accredited due to its franchise structure. We discussed the need to think creatively with franchises and continue to engage with the company on the issue.

Watches of Switzerland

Watches of Switzerland has now indicated that it is seeking accreditation.

LIVING WAGE

The real Living Wage is based on the cost of living. Organisations can become Living Wage-accredited in order to demonstrate their commitment to paying their staff a wage which is enough to live on.

REAL LIVING WAGE VS NATIONAL LIVING WAGE

The real Living Wage is the only UK living wage rate that is voluntarily paid by over 14,000 UK businesses[53] who believe their staff deserve a wage that meets everyday needs.

This is not to be confused with the government's National Living Wage.

- The real Living Wage is £12 an hour across the UK and £13.15 in London.
- The government's National Living Wage is £11.44 an hour (age 21 and over).[54]

LIVING HOURS

The campaign for a real Living Wage has enabled thousands of workers to earn a wage that they can live on. However, millions of low paid workers struggle to get the hours that they need to make ends meet. The Living Wage Foundation's 'Living Hours' standard calls on employers to commit to certain minimum standards on notice periods for shift work, fair contracts and number of hours worked.[55]

Platform Living Wage Financials

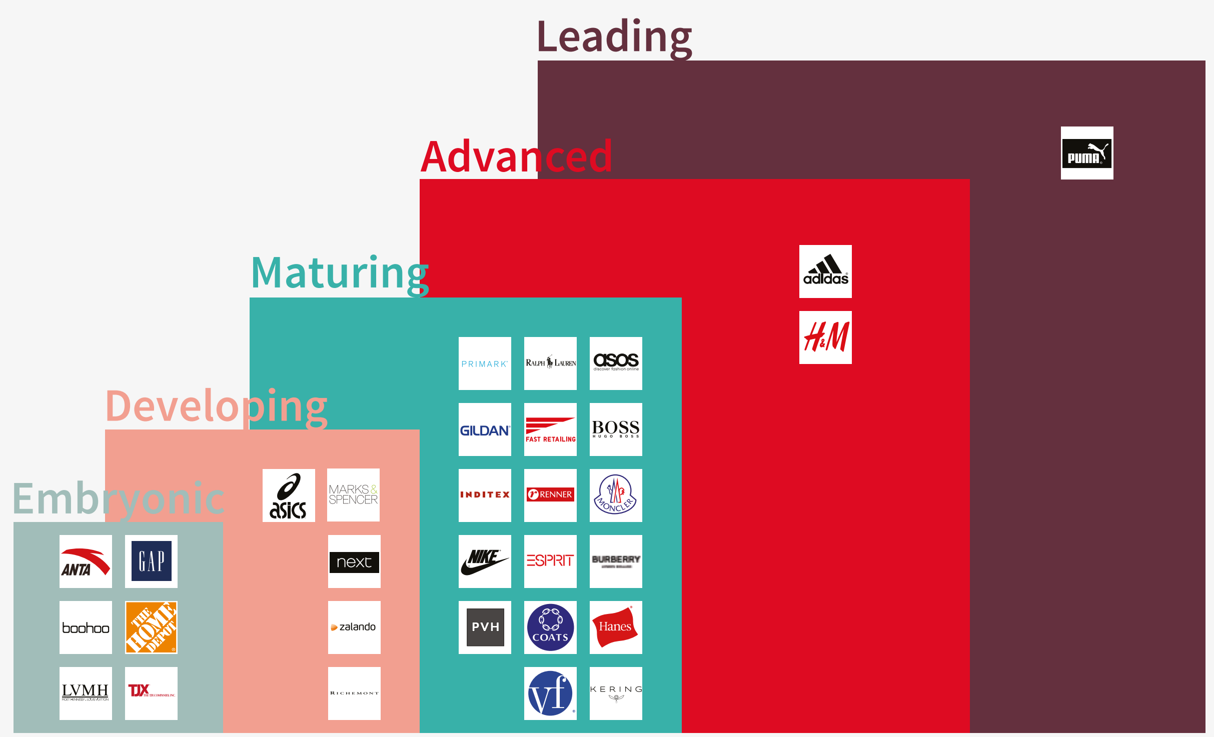
In 2023, we joined an alliance of 20 financial institutions known as the Platform Living Wage Financials (PLWF).[56] The alliance encourages companies to aim for living wages in their global supply chains.

We are a member of the PLWF's apparel and textile working group and have joined the engagement working group for the following companies:

- **Burberry** – Burberry are tier 3 'Maturing' in the PLWF framework.
- **LVMH** – LVMH are tier 5 'Embryonic' in the PLWF framework.
- **Nike** – Nike are tier 3 'Maturing' in the PLWF framework.

Nike and Burberry demonstrated the highest score increases across the assessing impacts, integrating findings and remedy pillars of the working group's assessment methodology, meaning that their commitment to living wages in supply chains is more practical and beyond a policy commitment. We will be more heavily involved in these engagements in 2024.

ASSESSMENT RESULTS 2022–2023 GARMENT & FOOTWEAR



Source: Platform Living Wage Financials (2023), 'Annual report 2022-2023', page 9.

'Better work' controversies

Several investee companies were involved in severe controversies in 2023. Our approach to controversies recognises that, no matter how good a business is, things can go wrong and, rather than walk away, it is better to stay invested and push the company to improve. This does not mean that we condone the activities; instead, we work to drive change.

McDonald's

McDonald's has been subject to a severe controversy related to instances of child labour in Kentucky, Indiana, Maryland and Ohio-based franchisees. We signed a SOC Investment Group (a US-based organisation that works with union pension funds) letter to McDonald's, seeking better governance and oversight of its human rights policy and to find and address violations at franchises.[57] The company responded committed to ensuring, 'a positive and safe experience for everyone under the Arches'.

Nike

Nike has been subject to allegations that the company failed to ensure the reimbursement of $2 million in unpaid Covid-related severance pay to former employees of two of its suppliers: Ramatex Group and Hong Seng Knitting. We co-authored a letter to the company, asking them to reimburse former workers. The letter has now over 70 signatories with collective assets under management of $4 trillion.

NVIDIA

News emerged in 2023 that electronic chips manufactured by NVIDIA had been found in Russian weaponry.[58] We joined a small group of investors engaging with NVIDIA on its approach to human rights. NVIDIA has hired a new ESG Legal Counsel with experience of human rights work and is developing a new human rights roadmap for the company.

Starbucks

Starbucks has been subject to allegations of anti-union practices, including worker retaliation and termination. We voted in favour of a shareholder proposal at the company on freedom of association and collective bargaining. This resolution passed, having been supported by 52% of shareholders. Starbucks committed to undertake such an assessment,[59] which was published in December 2023.

Unilever

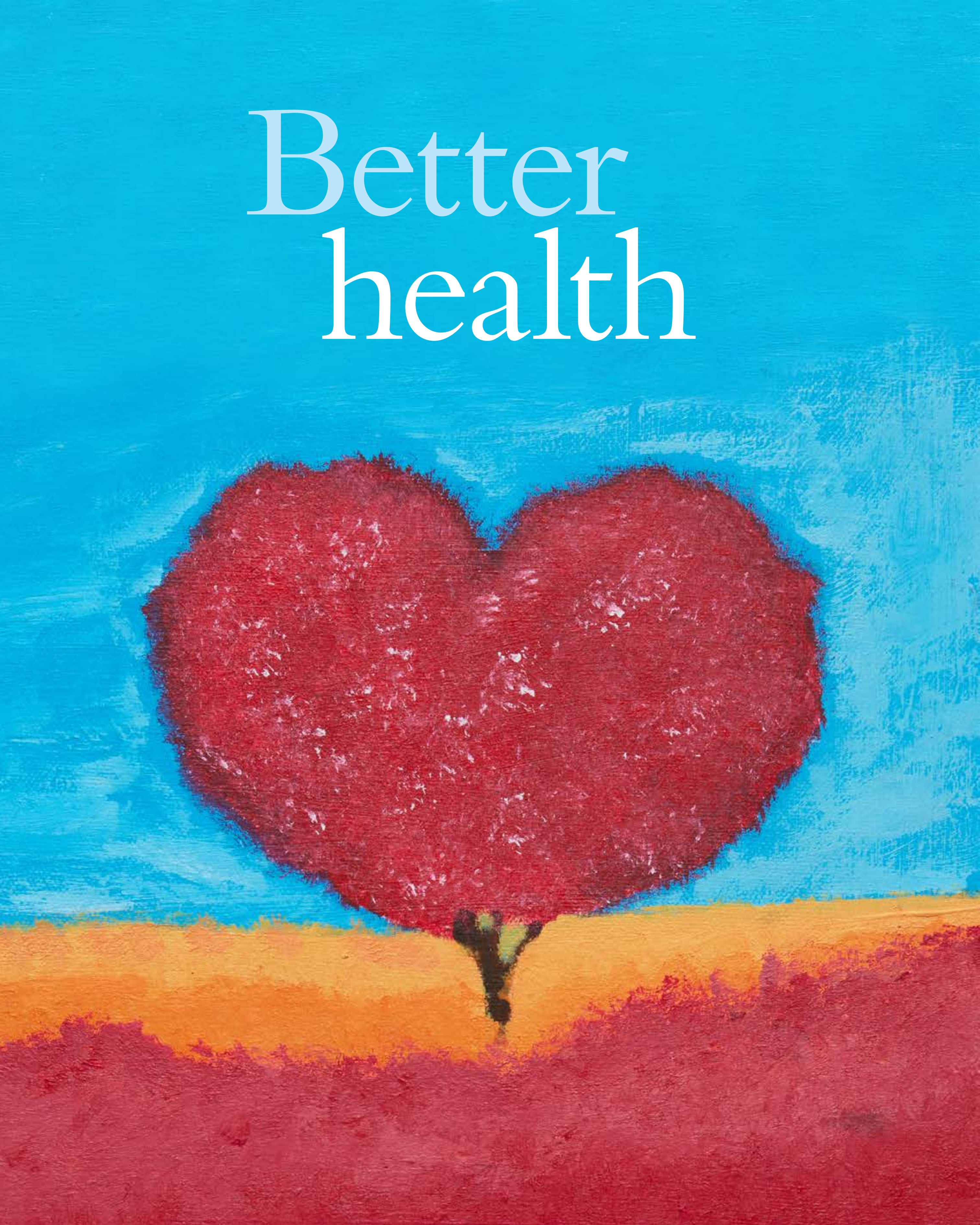
Unilever was featured on the BBC's Panorama programme in February.[60] The feature uncovered extensive sexual harassment on Kenyan tea plantations. We met Unilever shortly after the programme was aired. While Unilever no longer owns the tea plantations in question, it welcomes the independent enquiry and will heed its recommendations in relation to other operations.

UN PRI ADVANCE PROGRAMME ON HUMAN RIGHTS AND NEXTERA ENERGY

In 2023, CCLA joined the UN PRI's 'Advance' work programme as co-lead investor on NextEra Energy. The focus is on the company's approach to human rights including, workers' rights and community, and Native American relations, and especially forced labour in its solar panel supply chain. Forty-five per cent of polysilicon feed stocks come from the Xinjiang province, where forced labour and genocide are pervasive.

During a collaborative call with the company, NextEra confirmed a new onshoring, nearshoring/friendshoring strategy to solar, with the aim of leaving China altogether by the end of 2024. It is also working on a new human rights policy and plans to disclose more information on human capital once the US Securities and Exchange Commission has determined what it requires.

Better health



TARGET: SUSTAINABLE DEVELOPMENT GOAL 3

Ensure healthy lives and promote well-being for all at all ages.

We believe that investment markets will only be as healthy as the environment and communities that support them. Engaging for better public health is a key priority in our stewardship work.

The private sector undertakes a great many activities that affect people's health, both in positive and negative ways. Within a company's immediate sphere of influence, its approach to the health, safety and welfare of its own workforce can have a direct impact on its profitability. More broadly, the products or services that a company sells can influence the health of consumers.

In 2023, we launched the second iteration of our multiple award-winning Corporate Mental Health Benchmark and continued to grow the global investor coalition on workplace mental health.[61] We built on last year's engagement aimed at improving the nutritional quality and marketing of manufactured foods, and continued to seek reassurances from certain manufacturers of infant formula milk that product safety is taken seriously.

CCLA Corporate Mental Health Benchmark

Every one of us has experienced, or witnessed others experiencing, mental health problems. That is something we would all like to change. Yet the genesis of the CCLA Corporate Mental Health Benchmark is not purely altruistic. It is driven by the knowledge that there is clear evidence that improving the mental health of an organisation saves money.

The economic case for investment in mental health at work is strong. An estimated 12 billion working days[62] are lost globally each year to

MENTAL HEALTH EXPERT ADVISORY PANEL

An expert advisory panel, comprising independent workplace mental health experts and specialist practitioners, provides independent technical guidance on workplace mental health and supports CCLA and Chronos Sustainability on the development of the benchmark.

Co-chaired by Elizabeth Sheldon (COO, CCLA) and Lord Dennis Stevenson CBE, the panel comprises Paul Farmer CBE (Age UK), Dr Shekhar Saxena (Harvard T H Chan School of Public Health), Dr Junko Umihara (Showa Women's University), Dr Richard Caddis (BT), and Remi Fernandez (United Nations Principles for Responsible Investment).

The panel is responsible for:

- ensuring that the benchmark, including its assessment criteria and scoring methodology, is credible, robust and based on best available knowledge
- providing independent technical guidance on workplace mental health
- reviewing the positioning of the benchmark's overarching findings
- supporting the effective dissemination of the benchmark findings
- guiding the refinement of benchmark criteria and scoring for future benchmark iterations.

depression and anxiety alone, at an annual cost of $1 trillion in lost productivity. Meanwhile, for every $1 invested in scaled-up treatment for depression and anxiety, there is a $4 return in better health and productivity.[63]

We acknowledge that benchmarking is a long game and, at just two years old, this benchmark is at a formative stage. Nonetheless, it appears to be doing its job in driving corporate performance on workplace mental health.

Performance tier descriptions

The CCLA Corporate Mental Health Benchmark provides an objective assessment of listed companies based on the strength of their management commitments and public reporting. It does not attempt to gauge the 'happiness level' of a company's workforce. Rather, it evaluates the extent to which employers provide the working conditions for their people to thrive.

Companies are evaluated against 27 assessment criteria based on the information publicly available at the date of the assessment. The assessment criteria cover four key thematic pillars: management commitment and policy; governance and management; leadership and innovation; and performance reporting and impact. Rankings are based on overall company scores as a percentage of the maximum score available.

Ranking companies across five performance tiers (set out below) allows us to evaluate the performance of companies in the benchmark based on the maturity of their approach to workplace mental health. The framework recognises that every company is at a different stage in the journey towards integrating mental health into business strategies and reporting cycles.

2023 improvers

The 42 companies listed on the next page improved their score sufficiently between their 2022 and 2023 mental health assessments to move up one or more performance tier. For full company rankings, please refer to the Global 100+ Report 2023[64] and the UK 100 Report 2023[65].

Tier	Overall performance score range	Tier description
1	81%–100%	Companies are leading the way on workplace mental health management and disclosure
2	61%–80%	Companies are well on the way to demonstrating a strategic approach to workplace mental health management and disclosure
3	41%–60%	Companies are on the way to developing robust systems for workplace mental health management and disclosure
4	21%–40%	Companies are on the journey and have begun to formalise their approach to workplace mental health management and disclosure
5	0%–20%	Companies are at the start of the journey to adopting a formal approach to workplace mental health management and disclosure

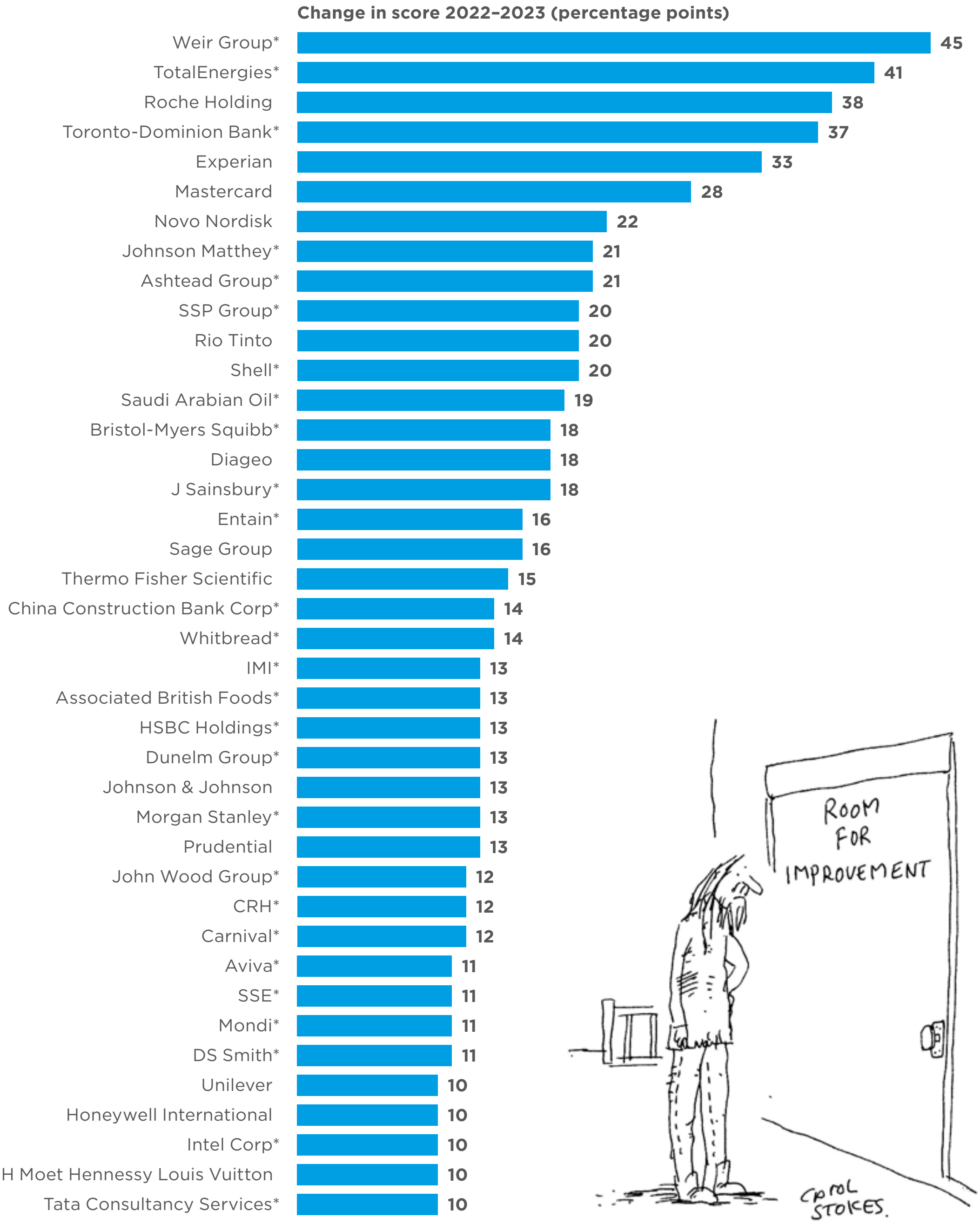
2023 IMPROVERS

Company name	Benchmark	Performance tier in 2022	Performance tier in 2023	Number of employees†
Amazon.com	Global	4	3	1,544,000
Ashtead Group*	UK	4	3	23,660
Bristol-Myers Squibb*	Global	4	3	32,200
China Construction Bank*	Global	5	4	347,319
CRH*	UK	3	2	77,446
Diageo	UK	3	2	27,989
DS Smith*	UK	5	4	29,856
Dunelm Group*	UK	4	3	11,432
Entain*	UK	3	2	24,638
Experian	UK	3	1	20,920
Glencore*	UK	5	4	81,284
Hermès International	Global	5	4	18,428
HSBC*	UK & Global	2	1	220,075
IMI*	UK	5	4	11,233
Johnson Matthey*	UK	4	3	14,421
JPMorgan Chase & Co*	Global	5	4	288,474
Kingfisher*	UK	4	3	64,123
LVMH Moet Hennessy Louis Vuitton	Global	4	3	157,953
Mastercard	Global	4	3	24,000
Meituan*	Global	5	4	90,472
Mondi*	UK	4	3	26,500
Morgan Stanley*	Global	5	4	81,567
NatWest Group*	UK	3	2	58,900
Nike	Global	5	4	79,100
Novartis	Global	3	2	110,000
Novo Nordisk	Global	5	4	52,696
Rentokil Initial*	UK	5	4	46,000
Rio Tinto	UK	3	2	49,345
Roche	Global	5	3	100,920
Shell*	UK & Global	5	4	82,000
SSE*	UK	4	3	10,754
SSP Group*	UK	5	4	29,048
Thermo Fisher Scientific	Global	5	4	90,000
Toronto-Dominion Bank*	Global	4	2	98,272
TotalEnergies*	Global	5	3	101,309
Toyota Motor Corp*	Global	4	3	377,369
TUI*	UK	5	4	61,091
Unilever	UK & Global	3	2	149,000
Walmart*	Global	4	3	2,300,000
Weir Group*	UK	4	2	11,000
Whitbread*	UK	5	4	23,449
WPP*	UK	4	3	104,808
				7,153,051 total employees

†Source: Bloomberg, as at 12 January 2023. *Not held in CCLA portfolio(s) as at 31 December 2023.

TOP IMPROVERS BY PERCENTAGE SCORE 2022–2023

The following companies improved by 10 or more percentage points between 2022 and 2023.



*Not held in CCLA portfolio(s) as at 31 December 2023.

Examples of how our benchmark and engagement is driving change

Amazon

We first wrote to Amazon on this topic in March 2022, notifying the company of its inclusion in CCLA's Mental Health Benchmark and urging it to improve its approach to mental health in the workplace. After several failed attempts to get a response, we finally heard from the company in December 2022. In a letter to CCLA, it shared the news that it had introduced several new mental health benefits to employees, their families, and households. Namely: free counselling, 24/7 access to care, improved resources for children's mental health, a new partnership with the National Alliance for Mental Illness, mental awareness training, and an enhanced employee assistance programme. As a result, Amazon moved from performance tier 4 in 2022 to tier 3 when it was reassessed in 2023.

Experian

Experian engaged with us throughout the assessment process in both 2022 and 2023. Towards the end of 2022, it notified us of a new publication, the Global Approach to Mental Health and Wellbeing, which outlines the company's commitment to mental health. It details the scope, governance and management processes of its mental health commitments and includes clear performance reporting and impact metrics. As a result, Experian improved its benchmark score by 33% year on year and was able to move from tier 3 in 2022 to tier 1 in 2023.

HSBC*

When we first started engaging with HSBC on this topic in 2022, it stated an ambition to achieve 100% in CCLA's benchmark. In response to our recommendations, the company published a new standalone mental health policy, which required the input of human resources, employee relations and legal teams in each of its major regional hubs. It is now available on the company's website and applies to every one of its *c*.220,000 employees across the 64 markets in which it operates.

The policy is comprehensive and includes details of the company's management commitment and governance structure, as well as objectives and targets for the management of mental health. As a result, the company moved from performance Tier 2 in 2022 to Tier 1 in 2023.

Mastercard

Mastercard has engaged with us on this topic since 2022 and we had three meetings with the company in 2023. Company representatives said that mental health is a priority for the business and that our benchmark had been helpful in guiding their efforts. They shared the news that they had rolled out their mental health champions programme and that it had received 10-fold the expected uptake. As a result of their efforts the company increased its score 28% year on year and moved from tier 4 in 2022 to tier 3 in 2023. The company told us that it is striving for tier 1, and we look forward to guiding and monitoring their progress.

Morgan Stanley*

We had three meetings with Morgan Stanley representatives in 2023 to discuss the company's approach to workplace mental health. The company is keen to improve its score and focused on improving its disclosure of existing mental health practices. This focus resulted in an increase of 13% year on year and the company moved from tier 5 in 2022 to tier 4 in 2023. We look forward to continuing the dialogue with the company in 2024.

NatWest Group*

NatWest engaged with us throughout 2022 and 2023. Company representatives were pleased with their benchmark outcome in 2023: the company improved sufficiently to move from tier 3 to tier 2. Discussions in the second half of 2023 focused on how the company could bridge the gap to tier 1 ahead of 2024 assessments.

*Not held in CCLA portfolio(s) as at 31 December 2023.

2023 IN NUMBERS

CCLA Mental Health Benchmarks:

207 companies assessed

IN THE UK AND WORLDWIDE[1]

119 companies engaged

DIRECTLY WITH CCLA[2]

8 companies mentioned CCLA

IN THEIR PUBLIC REPORTING[3]

42 companies improved

SUFFICIENTLY TO MOVE UP BY ONE OR MORE PERFORMANCE TIER

7 million people employed

BY THE 42 'IMPROVER' COMPANIES

1 This figure comprises 100 companies in the UK benchmark, 110 companies in the global benchmark, plus one company, Suntory, that was assessed on request. There is an overlap of four companies between the UK and global benchmarks.
2 Includes engagements between the launch of the 2022 benchmarks and the end of 2023.
3 Centrica*, Dunelm*, Experian, HSBC*, Lloyds, Ocado*, Rolls Royce*, Serco Group*.

*Not held in CCLA portfolio(s) as at 31 December 2023.

Novo Nordisk

Novo Nordisk told us it had taken our recommendations into account during the 2022 assessment period and made some improvements to its ESG reporting portal. This took the form of increased disclosure on the company's website covering management responsibility for health and safety (including mental health); health and safety certifications in production facilities; and physical and mental wellbeing performance data. As a result, the company increased its score by 22 percentage points year on year and moved from tier 5 in 2022 to tier 4 in 2023.

Roche

Roche was one of five companies that improved sufficiently between 2022 and 2023 to move up by two performance tiers. The company improved by 38 percentage points and moved from tier 5 in 2022 to tier 3 in 2023. When questioned on how this result was achieved, we learned that the work commenced at the time of their first assessment in 2022 when the Chief People Officer questioned the low score. Efforts to update the company's disclosure and fill any gaps in practice then followed. We were told that there was a lot of motivation within the business to participate in the engagement to get the credit they believed they deserved. Company representatives were very pleased with the 2023 outcome, and we look forward to further progress in 2024.

Toronto-Dominion Bank*

Fourth top improver in 2023, Toronto-Dominion Bank increased its score by 37 percentage points between its 2022 and 2023 assessments. The company engaged throughout the various stages of the assessment process and emailed us in May to let us know that they had published a new Approach to Mental Health in the Workplace, which provided new information about the company's strategy and initiatives in support of workplace mental health. The company moved from tier 4 to tier 2 in 2023.

Toyota Motor Corp*

Representatives from Toyota examined our benchmark assessment criteria in admirable detail. Having sent us a set of questions ahead of time, we met the company to discuss how it could improve. Feedback was then shared with the company's global headquarters and we were told that the process helped the company to think about where they could do better. As a result of their efforts, the company moved from tier 4 to tier 3. A further discussion has already taken place to identify how the company can bridge the gap to higher performance tiers in 2024 and beyond.

Unilever

Unilever is one of four companies in both the UK and Global mental health benchmarks in 2023. Increased disclosure on mental health resulted in an uplift in the company's ranking, from tier 3 at its first assessment in 2022 to tier 2 in 2023. We had multiple email exchanges and calls with the company during 2022 and 2023, including individuals from teams both in the UK and overseas. The company is keen to understand how to bridge the gap to achieve tier 1 performance and has been supportive of the initiative.

Walmart*

As the world's largest private sector employer[66], we were particularly focused on guiding Walmart's efforts in improving its approach to workplace mental health. We had two productive meetings with the company in 2023 and the company successfully moved up from tier 4 to tier 3 in 2023.

Weir Group*

Weir Group is 2023's top improver, having increased its score by 45 percentage points since 2022. The company engaged with us regularly throughout the assessment process and explained how our initial letter to the CEO in 2022 had sparked a conversation internally. They then built a project to improve their approach based on our recommendations. We now know that work is underway to bridge the gap to tier 1 and we look forward to monitoring and guiding further progress at the company in 2024.

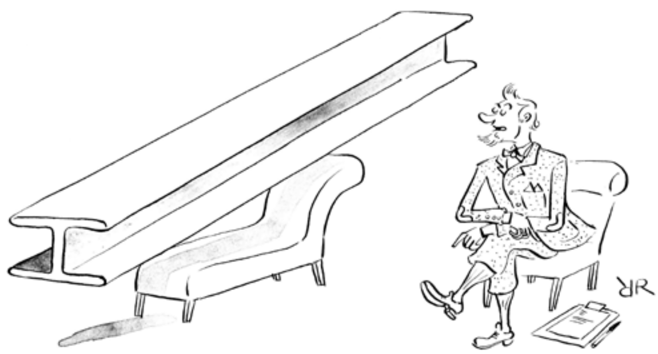
In conclusion

We are committed to supporting businesses in their efforts to make mental health an intrinsic part of their management focus. Companies that can capitalise on this opportunity stand to benefit themselves, their employees and the communities in which they operate. Assessments will take place annually and we will report on further progress in future.

GLOBAL INVESTOR STATEMENT ON WORKPLACE MENTAL HEALTH

Already, the CCLA Corporate Mental Health Benchmark is starting to serve as an important engagement tool and an accountability mechanism for a growing global coalition of institutional investors and asset owners. Signatories to the global investor statement on workplace mental health number 52 at the time of writing represent in aggregate £7 trillion in assets under management.

Given the level of engagement we are already seeing, both from companies covered by the benchmark and from investors, we are confident that the benchmark will continue to incentivise the world's largest businesses to improve.



"You have clearly been under enormous stress."

*Not held in CCLA portfolio(s) as at 31 December 2023.

Nutrition and obesity

Good nutrition is fundamental to good health, yet humankind is facing a growing epidemic of diet-related ill-health. According to the Access to Nutrition Initiative (ATNI), poor nutrition (and resulting illnesses), cost an estimated $3.5 trillion annually, or 5% of global income.[67]

This places an extraordinary burden on health care systems, governments, and insurers around the world. To tackle the problem, governments are beginning to adjust the regulatory landscape: sugar and calorie taxes are now present in more than 50 jurisdictions around the world.[68] There are now increasing financial repercussions for companies that fail to transition their business models towards healthier products and sales.

By engaging with companies on nutrition we can make business models more resilient and play a role in improving public health.

INVESTOR COALITION ON FOOD POLICY

The Investor Coalition on Food Policy is convened and resourced by The Food Foundation and overseen by an advisory group of core investors. It consists of c.30 investors with a combined £6 trillion in assets under management or under advice.[69] The Coalition exists to engage with policymakers to advocate for well-designed regulation aimed at creating a healthier, more sustainable and more affordable food system.

The coalition was founded in 2021 in response to the UK's National Food Strategy.[70] We joined the coalition at the outset and were involved with meetings with the then Minister of State for Farming, Fisheries and Food at the Department for Environment, Food and Rural Affairs (Defra), and representatives from the Department of Health and Social Care. We continued to participate in 2023.

Company engagement

We support ShareAction's Healthy Markets Initiative and the Access to Nutrition Index. Through these coalitions, we have been engaging with four investee companies for several years: Coca-Cola, Nestlé, PepsiCo and Unilever.

Primarily, we are asking these companies to commit to producing healthier products and to make these products more accessible, more affordable and more available. Our specific requests relate to disclosure, target-setting, and reporting on progress against nutrition-related targets.

Unilever

In 2022, following the co-filing and negotiated withdrawal of a shareholder proposal at the company, Unilever agreed to a new industry-leading standard on transparency around sales of healthy products. It now discloses the proportion of sales revenue and sales volume associated with healthier food and drinks products, globally and in 16 key markets, against six government-endorsed nutrient profiling models as well as an internal model.

The company has also set targets on sales of healthier products. Their target, however, is based upon servings (rather than sales) and is assessed using Unilever's Science-based Nutrition Criteria (a model designed internally). We would prefer the company to base its targets on sales rather than servings and to use a government-endorsed nutrient profiling model. We met the company several times during 2023 to push ahead on these concerns.

Nestlé

We first started engaging with Nestlé on nutrition in 2017. Over the past two years, the frequency of dialogue has increased and resulted in some notable success. In 2022, Nestlé agreed to disclose the nutritional information of its products and to strengthen its responsible marketing practices. From 1 January 2023, marketing of 0–6 months infant formula milk ceased. In 2023, having initially stated that it was too early for Nestlé to set targets on sales of healthy foods, and facing the potential of a shareholder proposal, Nestlé agreed to set a sales-based target to increase the sales of healthy products. While this is a step in the right direction, we are disappointed that the target is absolute and not proportional. Engagement continues.

Coca-Cola Co

We support ATNI's engagement with Coca-Cola, which is led by Achmea and PIMCO. During 2023 engagement focused on Coca-Cola's product portfolio and the low percentage of its products that qualify as healthy.

Unlike its main competitors, Coca-Cola does not have or use a nutrient profiling model and we questioned this throughout 2022 and 2023. Facing a continued lack of any meaningful progress, despite several meetings with the company, we took the decision to co-file a shareholder proposal at the company for its 2024 AGM. We are asking the company to adopt an enterprise-wide policy to move towards healthier products, beyond only sugar reduction. The company has indicated that it may be open to discussions to negotiate a withdrawal. We will report on progress in 2024.

PepsiCo

PepsiCo is a component of the ATNI Global Index, as well as its new US Index. While the company scores well relative to other manufacturers, its absolute score, at 4.5/10 (Global Index) and 4.9/10 (US Index), highlights that there is plenty of room for improvement.

PepsiCo's governance framework is strong. It is one of only two companies (the other being Unilever) in the ATNI US Index 2022 that has linked CEO remuneration to nutrition objectives. In 2023, engagement therefore focused on PepsiCo's product portfolio, its responsible marketing practices and lobbying activities. We will continue to push the company to commit to disclosing the proportion of sales associated with healthy food and drinks products, and to set time-bound targets to increase sales of healthier products.

"Everything bad for you has already been removed."

Product safety and marketing of infant formula milk

In 2023 we continued to engage with companies where we have concerns about their approach to the manufacture or marketing of breast milk substitutes.

There are two companies in our portfolio that have experienced significant controversies in recent years: Abbott Laboratories and Reckitt Benckiser (please note that these two stocks are not currently eligible for investment in the COIF Charities Ethical Investment Fund, although they are owned in other funds as at the end of 2023).

Abbott Laboratories

In 2022, Abbott faced investigations by the FDA and CDC after several infants were taken seriously ill following the consumption of formula milk produced at its major manufacturing plant in Sturgis, MI.

While there was no conclusive evidence linking the illnesses to Abbott's infant formula products, the company was forced to temporarily close its plant and enter into a consent decree with the FDA. To resume production, Abbott was required to take corrective steps to improve its processes and enhance its approach to product safety.

After 13 months of seeking a meaningful response from the company, which included a letter to the board on behalf of 14 other investors, we finally received a response in November 2023, followed by a meeting with the company in December. Abbott provided good detail on the remedial steps it had taken at its Sturgis plant. We are now engaging with the company, seeking the disclosure of any similar remedial steps taken at its other infant formula manufacturing facilities. Important lessons were learned from the Sturgis shutdown. A repeat controversy could be both reputationally and financially damaging to the company.

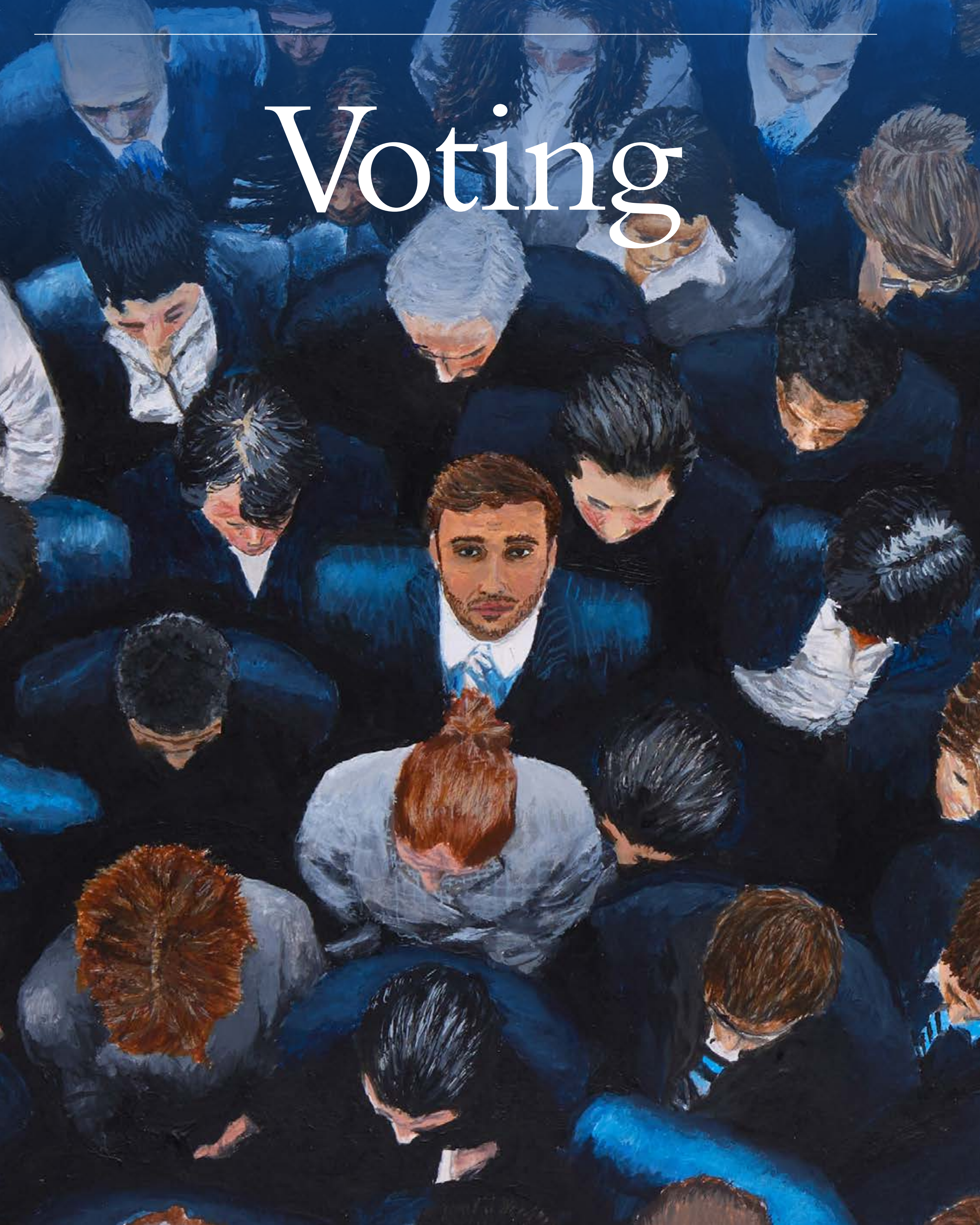
Reckitt Benckiser

Multiple class action lawsuits have been filed against Mead Johnson Nutrition, a subsidiary of Reckitt Benckiser, over the use of alleged misleading information related to the risks of infant formula products to the development of necrotizing enterocolitis (NEC) and death in premature babies, which first surfaced in 2021. Some lawsuits allege that Reckitt was aware of the medical research detailing the risks of infant formula products but failed to provide warnings to the customers about those risks.

We have been engaging with the company since 2022 on this topic, urging it to improve its approach to responsible marketing, with the ultimate goal of compliance with the World Health Organization's (WHO) International Code of Marketing of Breast-milk Substitutes.

While the company has made significant progress towards code-compliance since the acquisition of Mead Johnson in 2017, there are several points of contention that are holding up further improvement. Primarily, the company disagrees with the WHO's definition of what constitutes breast milk substitutes and argues that being evaluated against the code, which is more restrictive than local country legislation, places the company at a commercial disadvantage. We continue to engage with the company on this topic and believe that we can help them to improve incrementally over time. ■

Voting



We believe that it is in our clients' best interests to vote on all company resolutions, both domestic and overseas, and we aim to do so whenever possible.

We have a bespoke voting template, administered by proxy voting provider, ISS, through which we aim to promote exemplary corporate governance and to reflect the underlying values of our clients.[71]

Our full voting record is published quarterly on our website[72] and a summary of our voting activity is included in our clients' quarterly reports.

Vote escalation principles

When used well, voting can be a powerful driver of change. To maximise our positive impact, we observe the following escalation principles.

1 **We vote as a house and seek to exercise our clients' voting rights at all investee companies, irrespective of their country of listing.**

Our voting position is applied to all portfolios under our management. Clients with discretionary mandates can select alternative policies, though this is rarely done.

2 **We write to all companies, ideally prior to a company's AGM, to explain our voting position.**

In our experience anonymous, unsubstantiated voting has little effect.

3 **We use our voting position to complement our wider stewardship work.**

Environmental and social considerations are woven into our vote guidelines.

4 **We hold responsible parties to account for areas within their control and not for areas that they cannot control.**

For example, voting against the re-election of an auditor where we have concerns about its independence penalises the wrong party. The audit committee chair is ultimately responsible for selecting an auditor and should be held to account.

5 **Where progress is found wanting, we are not afraid to escalate.**

Where we identify a concern, for example, inappropriate executive remuneration, we will first vote against the remuneration policy (or report); then against the chair of the remuneration committee; finally, against the entire remuneration committee (in extreme cases, we do so in year one).

6 **We expect directors to respond to shareholders.**

We vote against a director's re-election where we have had an unsatisfactory outcome to sustained engagement and voting activity.

2023 proxy voting record

During 2023, we voted on 2,982 resolutions at 186 company meetings. We take a strong position on excessive and poorly aligned executive remuneration proposals, lack of gender diversity in company leadership, and indicators of poor environmental sustainability.

Three-year vote record

	2023	2022	2021
All resolutions			
Abstain	1.3%	0.5%	0.9%
Against	16.3%	13.1%	12.6%
For	82.4%	86.4%	86.5%
Executive remuneration†			
Abstain	8.0%	2.9%	4.4%
Against	74.1%	76.6%	75.7%
For	17.8%	20.5%	19.9%
Director election			
Abstain	1.0%	0.2%	0.7%
Against	19.3%	12.9%	13.5%
For	79.8%	86.9%	85.8%

†Executive remuneration figures do not include votes at companies where the board is wholly comprised of non-executive directors.

Director elections

When we vote, we aim to target relevant directors by withholding support for their election. For example, where we have concerns about executive pay plans, we vote against the chair of the remuneration committee. If the company has a poor approach to gender diversity at board and sub-board level, we vote against the chair of the nomination committee. If the business is not adequately addressing climate-related risk, we vote against the chair.

The table below shows where we have withheld support for directors during the year, and our reasons for doing so.

Reason for withholding support for the election of a director	Number of dissenting votes	Percentage of dissenting votes
Remuneration	87	31.6%
Audit	48	17.5%
Governance	49	17.8%
Diversity	71	25.8%
Investment performance	14	5.1%
Other	6	2.2%
Total	275	100.0%

Executive remuneration and pay inequality

While pay should be sufficient to attract, motivate and retain accomplished executives, excessive remuneration can deplete shareholder value.

An executive director's remuneration package should be structured such that their interests are aligned with the long-term interests of the company (and that of its shareholders). To prevent interest misalignment, pay structures should be simple and explicitly linked to the long-term objectives of the company. Including an element of share ownership within a pay package is one tool for aligning executives' interests with that of shareholders. To be effective, those shares should represent a significant proportion of the executive's reward and be held at least until retirement.

Executive remuneration should also be linked to long- as well as short-term performance targets. These targets should be easy to understand, straightforward to measure and disclosed in the remuneration report. Under-performance against the targets should not be rewarded.

We assess and vote on all executive remuneration proposals according to the following principles:

1. Remuneration schemes should not breach good local practice.
2. Bonuses should be proportionate and not excessive.
3. Long-term incentives should outweigh any short-term bonuses.
4. Remuneration schemes should incentivise good conduct.
5. Non-financial (as well as financial) performance metrics should be incorporated.
6. Executive remuneration should not exacerbate inequality within the company.

The table below sets out the contributing factors for our withholding support of remuneration reports or policies during the year. Note that some remuneration packages fell foul of multiple principles and are counted multiple times.

Theme	Count	Percentage
Breaches local market good practice	24	9.1%
Excessive or disproportionate annual bonus	82	31.2%
Annual bonus exceeds long-term incentives	9	3.4%
Non-financial or 'ESG' indicators not incorporated	33	12.5%
Potential for remuneration package to breach a given threshold	83	31.6%
UK large and mid-cap company not a Living Wage employer	22	8.4%
Other†	10	3.8%
Total	263	100.0%

†Under the category of 'other', we consider several areas. One is the level of inequality within businesses, where we look for large disparities in salary increases and pension contributions between directors and the wider workforce. Where we believe the inequality is extreme or unjustified, we withhold support for remuneration schemes (see Munich Re and Sage Group, below). Elsewhere, dissenting remuneration scheme votes may reflect concerns about a company's governance structure (see Schneider Electric, below).

Munich Re*

The CEO's pension at the company is around 50% of salary. This is much higher than the wider workforce, and out of line with the market. It breaches CCLA vote guidelines and we therefore could not support the remuneration report.

Sage Group

The company increased the intended maximum awards for executives under the long-term incentive plan between policy cycles. This raised concerns over increasing inequality within the remuneration package and so we did not support the remuneration report.

Schneider Electric

Jean-Pascal Tricoire changed role during the year from a joint Chair/CEO to simply Chair. A vote against the remuneration policy here reflects concerns about how the salary for the chairman has been benchmarked and the continued lack of an independent chair of the board.

*Not held in CCLA portfolio(s) as at 31 December 2023.

ISS RECOMMENDATIONS AND CCLA VOTES COMPARED

Our voting guidelines are administered by proxy voting provider, ISS, who works to a bespoke CCLA template.

The application of our template led us to oppose over four times as many management proposals as the standard ISS recommendations. We did not support management proposals on 17.6% of occasions, where if we had applied the vote recommendation in ISS's standard template, this would have reduced to 3.9%.

Our record on addressing issues with executive remuneration best illustrates our template's impact. While ISS recommended support for 85.1% of remuneration report or policy votes, we supported just 17.8% in 2023.

	ISS standard recommendation		CCLA	
	With management recommendation	**Against management recommendation**	**With management recommendation**	**Against management recommendation**
All resolutions	96.1%	3.9%	82.4%	17.6%
Executive remuneration†	85.1%	14.9%	17.8%	82.2%
Director election	97.4%	2.6%	79.8%	20.2%

†Executive remuneration figures do not include votes at companies where the board is wholly comprised of non-executive directors

"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."

How does our voting position support our wider engagement work?

Our vote guidelines are reviewed and updated every year. We aim to be nimble in our approach and seek to step in where we believe corporate practice may be unjust or detrimental to shareholder value.

Our vote template incorporates our position on environmental, social and governance (ESG) issues, complements our main engagement themes, and is designed to reflect our clients' values. It does so both for resolutions proposed by management, such as director elections and remuneration proposals, as well as for shareholder proposals which are often more explicitly focused on ESG issues.

Management proposals

Executive remuneration and the cost of living

In 2023, we updated our vote guidelines to incorporate our cost of living engagement programme. From January 2023 we no longer approved remuneration-related proposals where a company's response to our cost-of-living engagement was deemed inadequate (see pages 54–55). This supplemented our engagement work asking companies to pay staff a living wage.

For a second year our remuneration-related guidelines included voting against remuneration reports of large and mid-cap UK companies where the company is not an accredited Living Wage Employer. ▶

During 2023 this was either the sole factor or one of many factors in our voting against remuneration proposals at the following companies: Bunzl, Genuit, Prudential, Rio Tinto, Smurfit Kappa* and Spirax-Sarco. Additionally, at the Greggs and IHG AGMs we abstained on the remuneration proposals. Although not Living Wage employers, we decided to abstain due to ongoing engagement on the issue that had yielded some progress.

Diversity

Like many investors, we reflect the recommendations of the Hampton-Alexander Review and Parker Review in our approach to assessing board diversity and our voting on director elections. Where there is insufficient gender diversity or ethnic diversity, we will vote against the chair of a company's nomination committee.

We go further by reviewing and acting on sub-board level diversity, where data allows. We vote against the chair of the nomination committee where senior management is not at least 33% female. During the season, this resulted in votes against committee chairs at Rio Tinto, Barclays*, Spirax-Sarco, Intertek, Starbucks and Diploma.

THE HAMPTON-ALEXANDER REVIEW FOR FTSE WOMEN LEADERS (2016)

In 2016 the independent, Government-sponsored Hampton-Alexander Review set a series of recommendations to drive the representation of women at the top of UK FTSE 350 companies. As part of the voluntary and business-led framework, the review set a minimum 33% target for women on FTSE 350 boards and in senior leadership two layers below the board (i.e. executive committees and the direct reports to the executive committee). [73]

THE PARKER REVIEW INTO THE ETHNIC DIVERSITY OF UK BOARDS (2017)

In 2017, the Government-sponsored Parker Review noted that 51 constituents of the FTSE 100 did not have a single director from a minority ethnic background and that only 2% of director positions were held by people of colour. The Review set a minimum expectation that each FTSE 100 Board should have at least one director of colour by 2021; and each FTSE 250 Board should have at least one director of colour by 2024.[74]

Climate change

We voted against two directors, Linda Bammann and James Crown, at the JPMorgan Chase & Co AGM. We were dissatisfied with the rate of progress that engagement on climate change was having and therefore took the decision to escalate this through our voting on specific directors involved in those discussions. We subsequently sold our position in the company for investment reasons.

Shareholder proposals

Shareholder proposals are a meaningful way for shareholders to encourage improved corporate responsibility and often reflect our clients' aims and priorities.

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.[75] Please refer to Appendix 3 for a full list of our 'for' votes during 2023. Some key examples are set out on the next page.

*Not held in CCLA portfolio(s) as at 31 December 2023.

Better health

We supported resolutions that sought increased reporting and discussion about practices on patent exclusivities at three pharmaceutical companies (Johnson & Johnson, Merck* and Pfizer). Secondary and tertiary patents can extend a company's ability to exclusively sell drugs and reduce competition from non-branded generic versions. However, increased use of such practices and above-inflation price rises have produced possible regulatory risks around drug pricing. We support greater transparency in this area to facilitate improved access to medicines.

At the McDonald's Corporation AGM, two resolutions we supported related to the overuse of antibiotics in the rearing of animals by meat producers. This practice has been shown to exacerbate antimicrobial resistance, which has significant potential ramifications for global public health. The resolutions referenced previous targets, since dropped, that McDonald's had set to reduce the use of antibiotics in its meat supply chain.

Better environment

As reported last year, we supported As You Sow in filing a shareholder resolution at Bank of America* to 'Adopt Fossil Fuel Financing Policy Consistent with IEA's Net Zero 2050 Scenario'. In doing so we sought alignment between the bank's activities and its greenhouse gas emissions targets.

We also supported resolutions in two other areas that sought similar alignment between company activities and company targets. Many companies are members of industry bodies and associations that conduct lobbying on their behalf, often with very little transparency. In some cases, this has been shown to be supporting positions counter to stated climate targets. We voted in favour of resolutions at 14 companies (including Coca-Cola, McDonald's, Microsoft, PepsiCo, Verizon* and Walt Disney*) seeking better transparency to ensure congruence with previously-set climate targets. We also encouraged two companies, Amazon and Microsoft, to do more to align the investments held within their staff retirement plans with the companies' stated position on climate.

Better work

Both Amazon and Starbucks have been in the headlines over the last year regarding reported efforts to dissuade workers from unionising. While both companies have policies in place that support worker's rights to collective bargaining, the allegations levelled warranted further transparency around the company's actions and how associated risks are being managed. ■

SHAREACTION'S VOTING MATTERS 2022 REPORT

ShareAction undertakes an annual review of how the 68 largest global asset managers vote on a variety of ESG-related shareholder proposals. While we are not in the list of the largest managers, we are included in a summary of the 10 asset managers most commonly used by UK charities.

The report shows that we supported 98% of resolutions selected by ShareAction, far above the median of 65% for the world's largest managers.[76] The resolutions selected by ShareAction for this analysis are ones they 'confidently believe would improve companies' social and/or environmental impact, or require the disclosure of information useful for investors.'[77]

We are proud that our voting on shareholder resolutions corresponds so closely with the views of ShareAction and their stakeholders. We have submitted data to them for a similar analysis of the 2023 proxy voting season.

Please refer to Appendix 3 for a list of all shareholder proposals that we supported during the calendar year.

Appendix 1: Active ownership summary

Includes direct engagement, all CCLA-led collaborative engagement, and third party-led engagement where we have portfolio holdings.

		Better work		Better health		Better environment		
Company	CCLA equity holding as at 31 Dec 2023	Cost of living and living wage	Human rights and modern slavery	Mental health	Health (other)	Climate	Environment (other)	Governance
3i Group	No		No response					
Abbott Laboratories	Yes			Discussions ongoing	Discussions ongoing	No response		
AbbVie	No			No response				
abrdn	No		Discussions ongoing					
Accenture	Yes			Discussions ongoing	Discussions ongoing			
Admiral Group	Yes	Positive change	Discussions ongoing	Discussions ongoing		No response		
Adobe	Yes			Discussions ongoing				
Advanced Micro Devices	No			No response				
Agricultural Bank of China	No			No response				
AIA Group	Yes			No response				
Airtel Africa	No		Discussions ongoing					
Alibaba Group Holding	No			No response				
Alphabet	Yes			Discussions ongoing		Discussions ongoing		No response
Amazon.com	Yes		Discussions ongoing	Positive change		Discussions ongoing	Discussions ongoing	
Ametek	Yes						No response	
Anglo American	No	No response	No response	Discussions ongoing				
Antofagasta	No		No response					
Apple	No			No response				
Aquila Euro Renewables	Yes							Discussions ongoing
Ashtead Group	No	No response	No response	Positive change				
ASML Holding	Yes			Discussions ongoing		Positive change		
Associated British Foods	No	Discussions ongoing	No response	Discussions ongoing				
Assura	No							
AstraZeneca	Yes	No response	Discussions ongoing	Discussions ongoing		Discussions ongoing	Discussions ongoing	
Automatic Data Processing	Yes					No response		
Auto Trader Group	Yes		Discussions ongoing			No response		
AT&T	No			No response				
Aviva	No	Positive change	Discussions ongoing	Discussions ongoing				
B&M European Value Retail	No	No response	Discussions ongoing	Discussions ongoing				
Babcock International Group	No	Discussions ongoing		No response				
BAE Systems	No	No response	Discussions ongoing	Discussions ongoing				
Bakkavor Group	No	Discussions ongoing						
Balfour Beatty	No	No response		Discussions ongoing				
Bank of America Corporation	No			Discussions ongoing		No response		
Bank of China	No			No response				
Barclays	No	No response	Discussions ongoing	Discussions ongoing				
Barratt Developments	No		Discussions ongoing					
Beazley	No		Discussions ongoing					

Key: Due diligence/fact finding · No response · Discussions ongoing · Positive change · Met engagement target

Company	CCLA equity holding as at 31 Dec 2023	Better work: Cost of living and living wage	Better work: Human rights and modern slavery	Better health: Mental health	Better health: Health (other)	Better environment: Climate	Better environment: Environment (other)	Governance
Berkeley Group Holdings	Yes		Discussions ongoing			No response	No response	
Berkshire Hathaway	No			No response				
BHP Group	No							
Blackstone Group	Yes					No response		
BNP Paribas	No		Discussions ongoing					
BP	No	No response	Discussions ongoing	Discussions ongoing				
Bristol-Myers Squibb	No			Positive change				
British American Tobacco	No	No response	No response	Discussions ongoing				
Broadcom	Yes			No response		No response	No response	
Brookfield Infrastructure Partner	Yes					No response		
BT Group	No	Positive change	Discussions ongoing	Discussions ongoing				
Bunzl	Yes	No response	No response	No response		No response		
Burberry Group	Yes		Discussions ongoing			No response		
Camellia	No	No response						
Capita	No	No response						
Carnival	No	No response	Discussions ongoing	Discussions ongoing				
Cembra Money Bank	Yes					No response		
Centrica	No	No response	No response	Met engagement target				
Charles Schwab	No			Discussions ongoing				
Chevron	No			No response				
China Construction Bank	No			Positive change				
China Merchants Bank	No			No response				
Cisco Systems	Yes			Discussions ongoing				
Coats Group	No	No response		Discussions ongoing				
Coca-Cola Co	Yes			No response	Discussions ongoing			
Coca-Cola HBC	No	No response	No response	Discussions ongoing		Discussions ongoing		
Comcast	No			Discussions ongoing				
Compass Group	Yes	Discussions ongoing	Discussions ongoing	Discussions ongoing			No response	
Computacenter	No	No response		Discussions ongoing				
Contemporary Amperex Technology	No			No response				
ConvaTec Group	No		No response	No response				
CostCo Wholesale	Yes			No response		Discussions ongoing	No response	
Crest Nicholson Holdings	No		No response					
CRH	No	Discussions ongoing	Discussions ongoing	Positive change				
Croda International	Yes		Discussions ongoing			Discussions ongoing		
CT Private Equity Trust	Yes							Discussions ongoing
Currys	No	No response		No response				
CVS Health	Yes			No response				
Danaher	Yes			No response		No response		
DCC	No	No response	No response	Discussions ongoing				
Dechra Pharmaceuticals	No		No response					
Diageo	Yes	No response	Discussions ongoing	Positive change		No response		
Diasorin	Yes					No response		

Key: ■ Due diligence/fact finding ● No response ■ Discussions ongoing ■ Positive change ■ Met engagement target

Company	CCLA equity holding as at 31 Dec 2023	Better work: Cost of living and living wage	Better work: Human rights and modern slavery	Better health: Mental health	Better health: Health (other)	Better environment: Climate	Better environment: Environment (other)	Governance
Diploma	Yes		No response			No response		
Direct Line Insurance Group	No			Discussions ongoing				
discoverIE Group	Yes					No response		
DS Smith	No	No response	No response	Positive change				
Dunelm Group	No			Positive change				
EasyJet	No	No response		Discussions ongoing				
Eli Lilly & Co	No			Discussions ongoing				
Empiric Student Property	Yes					Discussions ongoing		
Endeavour Mining	No		No response					
Entain	No	Positive change	Discussions ongoing	Positive change				
EssilorLuxottica	Yes					No response		
Evraz	No			No response				
Experian	Yes	Discussions ongoing	Discussions ongoing	Positive change		No response		
ExxonMobil	No			No response				
F&C Investment Trust	No		No response					
Ferguson	Yes					Discussions ongoing		
Firstgroup	No	Discussions ongoing		Discussions ongoing				
Flutter Entertainment	No	No response	Discussions ongoing	Discussions ongoing				
Foresight Solar Fund	Yes							Discussions ongoing
Frasers Group	No	No response		No response				
Fresnillo	No		No response					
GCP Asset Backed	Yes							Discussions ongoing
Genuit Group	Yes		Discussions ongoing			No response		
Genus	Yes					No response		
Givaudan	Yes					Discussions ongoing		
Glencore	No		Discussions ongoing	Positive change				
Goldman Sachs Group	No			Discussions ongoing				
Grafton Group	No	No response		No response				
Greencore Group	No	No response						
Greggs	Yes	Discussions ongoing		Discussions ongoing		No response		
GSK	No	No response	Discussions ongoing	Discussions ongoing				
Haleon	No		Discussions ongoing					
Halfords Group	No	No response						
Halma	Yes		No response			No response	No response	
Hays	No	No response		Discussions ongoing				
HDFC Bank	Yes					No response		
Heineken	Yes					Discussions ongoing		
Hermès International	Yes			Positive change				
Hexagon	Yes						No response	Positive change
Hikma Pharmaceuticals	No		No response					
Hipgnosis Songs	Yes							Positive change
Hiscox	No		No response					
Home Depot	Yes			Discussions ongoing		Discussions ongoing	Discussions ongoing	
Honeywell International	Yes			No response		No response	No response	

Key: Due diligence/fact finding · No response · Discussions ongoing · Positive change · Met engagement target

Company	CCLA equity holding as at 31 Dec 2023	Better work: Cost of living and living wage	Better work: Human rights and modern slavery	Better health: Mental health	Better health: Health (other)	Better environment: Climate	Better environment: Environment (other)	Governance
Howden Joinery Group	No			Discussions ongoing				
HSBC Holdings	No	Discussions ongoing	Discussions ongoing	Positive change				
ICBC	No			No response				
Idex	Yes					No response		
IMI	No	Positive change	Discussions ongoing	Positive change				
Imperial Brands	No	No response	Discussions ongoing	No response				
Inchcape	No	No response		No response				
Informa	No		Discussions ongoing	No response				
Intel	No			Discussions ongoing				
Intercontinental Exchange	Yes					No response		
InterContinental Hotels Group	Yes		Discussions ongoing				No response	
Intermediate Capital Group	Yes		Discussions ongoing			No response		
International Consolidated Airlines Group	No	No response	Discussions ongoing	No response				
International Distribution Services	No	No response		No response				
International Personal Finance	No	No response						
Intertek Group	Yes	No response	No response	Discussions ongoing		No response		
Intuit	Yes			Discussions ongoing				
Investec	No		Discussions ongoing					
J Sainsbury	No	Discussions ongoing	Discussions ongoing	Discussions ongoing				
Johnson & Johnson	Yes			Discussions ongoing		Discussions ongoing	Discussions ongoing	
JD Sports Fashion	No	No response	No response	No response				
J D Wetherspoon	No	No response		No response				
John Wood Group	No	Discussions ongoing		Discussions ongoing				
Johnson Matthey	No	Discussions ongoing		Positive change				
JPMorgan Chase & Co	No			Positive change		Discussions ongoing		
Kainos Group	Yes					No response		
Kerry Group	Yes					Discussions ongoing		
Keyence	Yes					No response	No response	
Kier Group	No	Discussions ongoing						
Kingfisher	No	Positive change	Met engagement target	Positive change				
Kweichow Moutai	No			No response				
Land Securities Group	No		Discussions ongoing					
Legal & General Group	No		Discussions ongoing	Discussions ongoing				
Linde	No			No response				
Lloyds Banking Group	Yes	Positive change	Discussions ongoing	Discussions ongoing		Discussions ongoing		
L'Oréal	Yes			No response	Due diligence/fact finding	Discussions ongoing	No response	
London Stock Exchange Group	Yes	Discussions ongoing	Discussions ongoing	Discussions ongoing		Discussions ongoing		
Lowe's Cos	No			No response				
LVMH Moet Hennessy Louis Vuitton	Yes			Positive change		Discussions ongoing		

Key: ■ Due diligence/fact finding ● No response ■ Discussions ongoing ■ Positive change ■ Met engagement target

		Better work		Better health		Better environment		
Company	**CCLA equity holding as at 31 Dec 2023**	**Cost of living and living wage**	**Human rights and modern slavery**	**Mental health**	**Health (other)**	**Climate**	**Environment (other)**	**Governance**
M&G	No		Discussions ongoing					
Marks & Spencer Group	No	No response	Met engagement target	Discussions ongoing				
Marshalls	No		Met engagement target					
Marston's	No	No response						
Mastercard	Yes			Positive change				
McDonald's	Yes		No response	No response			Discussions ongoing	
Medtronic	Yes			Discussions ongoing		Discussions ongoing		
Meituan	No			Positive change				
Melrose Industries	No	No response	Discussions ongoing	No response				
Merck & Co	No			No response				
Meta Platforms	No			No response				
Micro Focus International	No	No response		No response				
Microsoft	Yes			Discussions ongoing		Discussions ongoing		
Mitchells & Butlers	No	No response		No response				
Mitie Group	No	No response		No response				
Mondi	No	Discussions ongoing	Discussions ongoing	Positive change				
Morgan Sindall Group	No		No response					
Morgan Stanley	No			Positive change				
National Express Group	No	No response		No response				
National Grid	No	No response	Discussions ongoing	Discussions ongoing				
NatWest Group	No	Positive change	Discussions ongoing	Positive change				
Nestlé	Yes			Discussions ongoing	Positive change	Discussions ongoing	Discussions ongoing	
Next	No	No response	Met engagement target	No response				
NextEra Energy	Yes		Positive change	Discussions ongoing		Discussions ongoing	No response	
Nice Group	Yes						No response	
NIKE	Yes		Discussions ongoing	Positive change		Discussions ongoing	No response	
Novartis	Yes			Positive change			No response	
Novo Nordisk	Yes			Positive change			No response	
NVIDIA	Yes		Positive change	No response		Discussions ongoing		
NXP Semiconductors	Yes		Discussions ongoing					
Ocado Group	No	Discussions ongoing	No response	Discussions ongoing				
Oracle	No			No response				
Pearson	No	No response	No response	No response				
PepsiCo	Yes			Discussions ongoing	Discussions ongoing	Discussions ongoing	Discussions ongoing	
Persimmon	No		Discussions ongoing					
PetroChina	No			No response				
Pfizer	Yes			No response		Positive change	Discussions ongoing	
Philip Morris International	No			No response				
Phoenix Group Holdings	No		Discussions ongoing					
Ping An Insurance Group Co of China	No			No response				
Polymetal International	No			No response				
Princess Private Equity	Yes							Positive change
Procter & Gamble	Yes			Discussions ongoing		Discussions ongoing	Discussions ongoing	
Prosus	No			Discussions ongoing				

Key: Due diligence/fact finding · No response · Discussions ongoing · Positive change · Met engagement target

Company	CCLA equity holding as at 31 Dec 2023	Better work: Cost of living and living wage	Better work: Human rights and modern slavery	Better health: Mental health	Better health: Health (other)	Better environment: Climate	Better environment: Environment (other)	Governance
PRS REIT	Yes					No response		
Prudential	Yes		Discussions ongoing	Discussions ongoing		No response		
Qualcomm	No			No response				
Reckitt Benckiser Group	Yes	Met engagement target	Met engagement target	Discussions ongoing	Discussions ongoing	No response		
Reliance Industries	No			No response				
RELX	Yes	No response	Discussions ongoing	No response		No response		
Rentokil Initial	No	No response	No response	Positive change				
RHI Magnesita	No	No response		No response				
Rightmove	Yes		Discussions ongoing			No response		
RM Infrastructure	Yes							Discussions ongoing
Rio Tinto	Yes	No response	Discussions ongoing	Positive change		No response	No response	
Roche Holding	Yes			Positive change		Discussions ongoing		
Rolls-Royce Holdings	No	No response	Discussions ongoing	Discussions ongoing				
Roper Technologies	Yes						No response	
Roundhill Music	No							Positive change
Royal Bank of Canada	No			No response				
Royal Mail	No	Discussions ongoing						
Safestore Holdings	No	No response						
Sage Group/The	Yes	No response	No response	Discussions ongoing		Discussions ongoing		
Salesforce.com	No			Discussions ongoing				
Samsung Electronics	No			No response				
SAP	No			Discussions ongoing				
Saudi Arabian Oil	No			No response				
Savills	No	No response		Discussions ongoing				
Schneider Electric	Yes					Positive change		
Schroders	No		Discussions ongoing					
SDCL Energy Efficiency Income Trust	Yes							Discussions ongoing
Siemens	Yes			No response		Discussions ongoing		
Serco Group	No	No response		Met engagement target				
Segro	Yes		Discussions ongoing			Discussions ongoing		
Severn Trent	No		Discussions ongoing					
Shell	No		Discussions ongoing	Positive change				
Singapore Exchange	Yes					No response		
Smith & Nephew	No	No response	No response	Discussions ongoing				
Smiths Group	No	No response	No response	Discussions ongoing				
Smurfit Kappa Group	No	No response	No response	Discussions ongoing				
Sonic Healthcare	Yes					No response		
Sony Group	No			No response				
Spirax-Sarco Engineering	Yes		Discussions ongoing			Discussions ongoing		
Spire Healthcare Group	No			No response				
SSE	No		Discussions ongoing	Positive change				
SSP Group	No	No response		Positive change				
St James's Place	No		No response					
Standard Chartered	No	No response	No response	Discussions ongoing				

Key: ■ Due diligence/fact finding ● No response ■ Discussions ongoing ■ Positive change ■ Met engagement target

		Better work		Better health		Better environment		
Company	**CCLA equity holding as at 31 Dec 2023**	**Cost of living and living wage**	**Human rights and modern slavery**	**Mental health**	**Health (other)**	**Climate**	**Environment (other)**	**Governance**
Starbucks	Yes		Positive change					
Stryker	Yes					No response		
Suntory Beverage & Food	No			Discussions ongoing				
Taiwan Semiconductor Manufacturing Company	Yes			Discussions ongoing		Discussions ongoing		
Tata Consultancy Services	No			No response				
TBC Bank Group	No			No response				
Tencent Holdings	No			Discussions ongoing				
Tesco	No	Discussions ongoing	No response	Discussions ongoing				
Tesla	No			No response				
Texas Instruments	Yes			No response		Discussions ongoing		
The Restaurant Group	No	No response						
Thermo Fisher Scientific	Yes			Positive change				
TI Fluid Systems	No	No response		Discussions ongoing				
T-Mobile	No			Discussions ongoing				
Toronto-Dominion Bank	No			Positive change				
TotalEnergies	No			Positive change				
Toyota Motor	No			Positive change				
Travis Perkins	No	No response		No response				
Tritax Big Box REIT	Yes					No response		
TUI	No	Discussions ongoing		Positive change				
Unilever	Yes	No response	Met engagement target	Positive change	Positive change	Positive change	Discussions ongoing	
Union Pacific	Yes			Discussions ongoing				
UnitedHealth Group	Yes			Discussions ongoing		Discussions ongoing		
United Parcel Service	No			Discussions ongoing				
United Utilities Group	No		Discussions ongoing					
US Bancorp	Yes					Discussions ongoing		
US Solar Fund	Yes							Discussions ongoing
Verizon Communications	No			Discussions ongoing				
Vesuvius	No			No response				
Visa	Yes			Discussions ongoing				
Vodafone Group	No	No response	Discussions ongoing	Discussions ongoing				
Volkswagen	No			Discussions ongoing				
Walmart	No			Positive change				
Walt Disney	No			No response				
Watches of Switzerland Group	Yes	Positive change				No response		
Weir Group	No		No response	Positive change				
Wells Fargo & Co	No			No response				
Whitbread	No	Discussions ongoing	Discussions ongoing	Positive change				
WH Smith	No	No response		Discussions ongoing				
Wincanton	No	No response						
WPP	No	No response	No response	Positive change				
Zoetis	Yes					Discussions ongoing	No response	

Key: Due diligence/fact finding · No response · Discussions ongoing · Positive change · Met engagement target

Appendix 2: Collaborating for change

We aim to mobilise the investment industry into action. Here we summarise institutional investor support for CCLA stewardship initiatives as at end 2023.

	Find it, Fix it, Prevent it	Cost-of-living crisis	Seasonal Worker scheme	Mental health
abrdn	■			
Achmea				●
Adrian Dominican Sisters, Portfolio Advisory Board	■			■
AdviserAction				■
Aikya	■			
Alken Asset Management				●
Alliance Bernstein	■			
Alquity Investment Management				■
Amundi	■			
Anchorage Capital Group				■
AON	■			
Arabesque Asset Management				●
Archbishops' Council	■			
Artemis Funds	■			
AustralianSuper	■			
Asset Value Investors				■
Aviva	■	■		
Barrow Cadbury Trust	■			
Bible Society	■			
Bon Secours Mercy Health				■
Border to Coast	■			
Boston Common Asset Management	■			●
Brunel Pension Partnership	■	■		●
Canada Life Asset Management	■		■	
Cardano Asset Management		■		●
Castlefield Investment Partners	■	■		●
CCLA Investment Management	■	■	■	●
Central Finance Board of the Methodist Church	■		■	●
Christian Aid	■			
Christian Super	■			
Church Commissioners for England	■			●
Church Investors Group	■	■		
Church of England Pensions Board	■			
Church of Scotland Investors Trust	■			
Close Brothers Asset Management				■
Columbia Threadneedle	■			
Congregation of St. Joseph				■
CQS (UK)				●
Daughters of Charity, Province of St. Louise				■
De Nieuwe Beurskoers	■			
Diocese of Hallam	■			
Diocese of Leicester	■			
Diocese of Westminster	■			
EdenTree	■	■		
EOS at Federated Hermes (on behalf of its stewardship clients)	■	■		●
Episcopal Church (DFMS)	■			

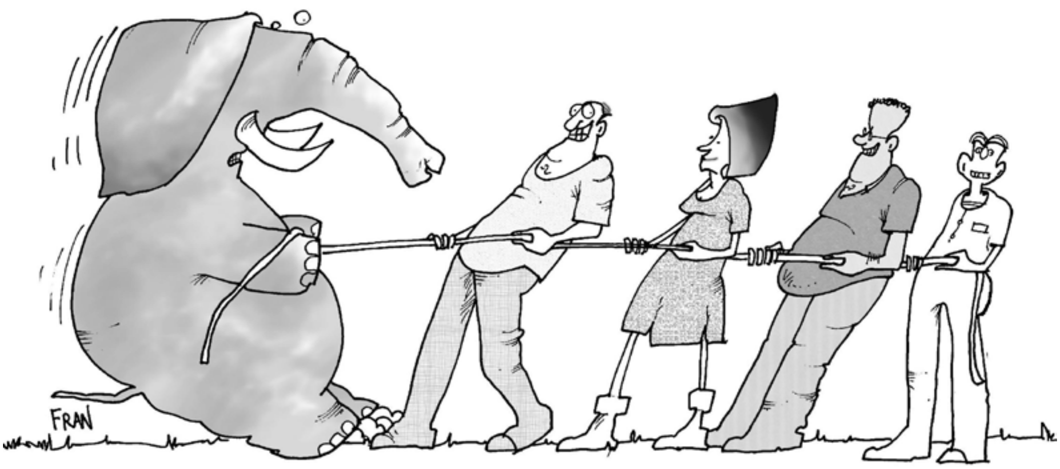
Key: ● Founding signatory ■ Signatory as at 31 December 2023

	Find it, Fix it, Prevent it	Cost-of-living crisis	Seasonal Worker scheme	Mental health
Epworth Investment Management (part of Methodist, AUM above)	■			●
Ethical Partners Funds Management				●
Evelyn Partners (formerly Tilney and Smith & Williamson Group)	■		■	●
Federated Hermes	■	■		●
Fidelity	■			
First Sentier Investors				●
Fondo Cometa				●
Friends Fiduciary				●
Friends Provident	■	■		
Future Super Group				●
GAM Investments	■			
Guy's and St Thomas' Foundation				■
IEIR				■
Impax Asset Management				■
Interfaith Center on Corporate Responsibility	■			●
Islington Pension Fund		■		
J. Stern				■
Jesuits in Britain	■	■		●
JLens Network				●
Joseph Rowntree Foundation		■		
KLP Kapitalforvaltning	■			
Lazard Asset Management	■			
Legal & General Investment Management		■		
LGT	■			
Lindsell Train	■			
Liontrust				■
Local Authority Pension Fund Forum	■			
Local Government Pension Scheme Central	■			
M&G	■			
Medical Missionary Sisters	■			
Mercy Investment Services	■			●
Miller/Howard Investments				■
NEI Investments				■
Nomura Asset Management				●
OVF (The Norwegian Church Endowment)	■			
Panahpur	■			
Pension Protection Fund	■		■	■
Pensionbee		■		
PIRC	■	■	■	
Plater Trust	■			
Polden-Puckham Charitable Foundation	■			
Quilter Cheviot	■		■	
Railpen	■			●
Rathbone Greenbank Investments	■			●
Region VI Coalition for Responsible Investment				■
Representative Church Body of the Church in Wales	■			
Representative Church Body of the Church of Ireland	■			
Robeco				
Royal London Asset Management				■

Key: ● Founding signatory ■ Signatory as at 31 December 2023

	Find it, Fix it, Prevent it	Cost-of-living crisis	Seasonal Worker scheme	Mental health
Salvation Army UK Territory	■			
Sarasin & Partners	■		■	
Schroders	■		■	■
SHARE Canada	■			
Sisters of St. Francis, Dubuque, Iowa				●
Sisters of the Humility of Mary				●
Sjunde AP-fonden (AP7)	■			
Stichting Pensionfonds voor Huisartsen				■
Strathclyde Pension Fund		■		
Sycomore Asset Management				■
Titan Asset Management				■
Trust for London		■		
United Reformed Church Ministers' Pension Trust	■			
United Reformed Church Trust	■			
Vancity Investment Management				■
William Leech Foundation	■			

Key: ● Founding signatory ■ Signatory as at 31 December 2023



We can do ANYTHING if we all pull together!

Appendix 3: Focus on shareholder resolutions

The table below shows CCLA's 'for' votes and how they fit within our ESG framework.

Company name	Meeting date	Meeting type	Proposal text	Environment	Social	Governance
Visa	24/01/23	Annual	Require independent board chair			■
Starbucks	23/03/23	Annual	Establish committee on corporate sustainability	■	■	■
Starbucks	23/03/23	Annual	Adopt policy on succession planning			■
Starbucks	23/03/23	Annual	Commission third-party assessment on company's commitment to freedom of association and collective bargaining rights		■	
Starbucks	23/03/23	Annual	Report on operations in communist China		■	
Starbucks	23/03/23	Annual	Report on plant-based milk pricing	■		
Disney	03/04/23	Annual	Report on charitable contributions			■
Disney	03/04/23	Annual	Report on political expenditures			■
Synopsys	12/04/23	Annual	Reduce ownership threshold for shareholders to call special meeting			■
Adobe	20/04/23	Annual	Report on hiring of persons with arrest or incarceration records		■	
Coca-Cola	25/04/23	Annual	Issue transparency report on global public policy and political influence			■
Coca-Cola	25/04/23	Annual	Report on congruency of political spending with company values and priorities			■
Coca-Cola	25/04/23	Annual	Require independent board chair			■
Bank of America	25/04/23	Annual	Require independent board chair			■
Bank of America	25/04/23	Annual	Submit severance agreement (change-in-control) to shareholder vote			■
Bank of America	25/04/23	Annual	Report on climate transition plan describing efforts to align financing activities with GHG targets	■		
Texas Instruments	27/04/23	Annual	Reduce ownership threshold for shareholders to call special meeting			■
Texas Instruments	27/04/23	Annual	Report on due diligence efforts to trace end-user misuse of company products		■	
Pfizer	27/04/23	Annual	Report on political expenditures congruence			■
Pfizer	27/04/23	Annual	Require independent board chair			■
Pfizer	27/04/23	Annual	Submit severance agreement (change-in-control) to shareholder vote			■
Pfizer	27/04/23	Annual	Report on feasibility of intellectual property transfer to boost Covid-19 vaccine production		■	
Pfizer	27/04/23	Annual	Report on impact of extended patent exclusivities on product access		■	
Johnson & Johnson	27/04/23	Annual	Adopt policy to include legal and compliance costs in incentive compensation metrics			■
Johnson & Johnson	27/04/23	Annual	Report on government financial support and equitable access to Covid-19 products		■	

Key: ■ CCLA voted in favour of the resolution

Company name	Meeting date	Meeting type	Proposal text	Environment	Social	Governance
Johnson & Johnson	27/04/23	Annual	Report on impact of extended patent exclusivities on product access		■	
Intuitive Surgical	27/04/23	Annual	Report on gender/racial pay gap		■	
Abbott Laboratories	28/04/23	Annual	Adopt policy to include legal and compliance costs in incentive compensation metrics			■
Abbott Laboratories	28/04/23	Annual	Report on lobbying payments and policy			■
Abbott Laboratories	28/04/23	Annual	Require independent board chair			■
PepsiCo	03/05/23	Annual	Issue transparency report on global public policy and political influence			■
PepsiCo	03/05/23	Annual	Require independent board chair			■
Danaher	09/05/23	Annual	Require independent board chair			■
Danaher	09/05/23	Annual	Report on effectiveness of diversity, equity, and inclusion efforts		■	
Stryker	10/05/23	Annual	Report on political contributions and expenditures			■
Verizon	11/05/23	Annual	Adopt a policy prohibiting direct and indirect political contributions to candidates			■
Verizon	11/05/23	Annual	Amend clawback policy			■
Verizon	11/05/23	Annual	Require independent board chair			■
Verizon	11/05/23	Annual	Submit severance agreement (change-in-control) to shareholder vote			■
Edwards Lifesciences	11/05/23	Annual	Require independent board chair			■
JPMorgan Chase & Co.	16/05/23	Annual	Reduce ownership threshold for shareholders to call special meeting			■
JPMorgan Chase & Co.	16/05/23	Annual	Report on political expenditures congruence			■
JPMorgan Chase & Co.	16/05/23	Annual	Require independent board chair			■
JPMorgan Chase & Co.	16/05/23	Annual	Adopt time-bound policy to phase out underwriting and lending for new fossil fuel development	■		
JPMorgan Chase & Co.	16/05/23	Annual	Amend public responsibility committee charter to include animal welfare	■		
JPMorgan Chase & Co.	16/05/23	Annual	Disclose 2030 absolute GHG reduction targets associated with lending and underwriting	■		
JPMorgan Chase & Co.	16/05/23	Annual	Report on climate transition plan describing efforts to align financing activities with GHG targets	■		
Union Pacific	18/05/23	Annual	Amend bylaws to require shareholder approval of certain provisions related to director nominations by shareholders			■
NextEra Energy	18/05/23	Annual	Disclose board skills and diversity matrix			■
Zoetis	18/05/23	Annual	Provide right to call a special meeting at a 10 per cent ownership threshold			■
Union Pacific	18/05/23	Annual	Require independent board chair			■
Union Pacific	18/05/23	Annual	Adopt a paid sick leave policy		■	

Key: ■ CCLA voted in favour of the resolution

Company name	Meeting date	Meeting type	Proposal text	Environment	Social	Governance
Home Depot	18/05/23	Annual	Reduce ownership threshold for shareholders to request action by written consent			■
Home Depot	18/05/23	Annual	Report on political expenditures congruence			■
Home Depot	18/05/23	Annual	Require independent board chair			■
Intercontinental Exchange	19/05/23	Annual	Amend right to call special meeting			■
Honeywell	19/05/23	Annual	Require independent board chair			■
Honeywell	19/05/23	Annual	Issue environmental justice report	■		
Merck	23/05/23	Annual	Adopt policy to require third party organizations to annually report expenditures for political activities			■
Merck	23/05/23	Annual	Require independent board chair			■
Merck	23/05/23	Annual	Report on access to Covid-19 products		■	
Merck	23/05/23	Annual	Report on impact of extended patent exclusivities on product access		■	
PayPal	24/05/23	Annual	Adopt majority vote standard for director elections			■
Amazon	24/05/23	Annual	Adopt a policy to include non-management employees as prospective director candidates			■
Amazon	24/05/23	Annual	Amend bylaws to require shareholder approval of certain provisions related to director nominations by shareholders			■
Amazon	24/05/23	Annual	Consider pay disparity between executives and other employees			■
Amazon	24/05/23	Annual	Establish a public policy committee			■
Amazon	24/05/23	Annual	Commission a third-party audit on working conditions		■	
Amazon	24/05/23	Annual	Commission third-party assessment on company's commitment to freedom of association and collective bargaining		■	
Amazon	24/05/23	Annual	Commission third-party study and report on risks associated with use of Rekognition		■	
Amazon	24/05/23	Annual	Publish a tax transparency report		■	
Amazon	24/05/23	Annual	Report on customer due diligence		■	
Amazon	24/05/23	Annual	Report on median and adjusted gender/racial pay gaps		■	
Amazon	24/05/23	Annual	Revise transparency report to provide greater disclosure on government requests		■	
Amazon	24/05/23	Annual	Report on animal welfare standards	■		
Amazon	24/05/23	Annual	Report on climate lobbying	■		
Amazon	24/05/23	Annual	Report on climate risk in retirement plan options	■		
Amazon	24/05/23	Annual	Report on efforts to reduce plastic use	■		
Amazon	24/05/23	Annual	Report on impact of climate change strategy consistent with just transition guidelines	■		

Key: ■ CCLA voted in favour of the resolution

Company name	Meeting date	Meeting type	Proposal text	Environment	Social	Governance
McDonald's	25/05/23	Annual	Issue transparency report on global public policy and political influence			■
McDonald's	25/05/23	Annual	Report on lobbying payments and policy			■
McDonald's	25/05/23	Annual	Adopt policy to phase out use of medically-important antibiotics in beef and pork supply chain		■	
McDonald's	25/05/23	Annual	Comply with World Health Organization guidelines on antimicrobial use throughout supply chains		■	
IDEX	25/05/23	Annual	Report on hiring of persons with arrest or incarceration records		■	
McDonald's	25/05/23	Annual	Report on animal welfare	■		
Illumina	25/05/23	Proxy Contest	Elect dissident nominee director Andrew J. Teno			■
UnitedHealth	05/06/23	Annual	Report on congruency of political spending with company values and priorities			■
UnitedHealth	05/06/23	Annual	Submit severance agreement (change-in-control) to shareholder vote			■
UnitedHealth	05/06/23	Annual	Report on third-party racial equity audit		■	
Veeva Systems	21/06/23	Annual	Amend bylaws to require shareholder approval of certain provisions related to-director nominations by shareholders			■
Mastercard	27/06/23	Annual	Amend bylaws to require shareholder approval of certain provisions related to director nominations by shareholders			■
Mastercard	27/06/23	Annual	Report on lobbying payments and policy			■
Mastercard	27/06/23	Annual	Report on establishing merchant category code for gun and ammunition stores		■	
Nike	12/09/23	Annual	Report on effectiveness of supply chain management on equity goals and human rights commitments		■	
Nike	12/09/23	Annual	Report on median gender/racial pay gap		■	
Procter & Gamble	10/10/23	Annual	Amend bylaws to require shareholder approval of certain provisions related to director nominations by shareholders			■
Cisco Systems	06/12/23	Annual	Report on tax transparency set forth in the global reporting initiative's tax standard		■	
Microsoft	07/12/23	Annual	Adopt a policy requiring third party groups to report their political expenditures			■
Microsoft	07/12/23	Annual	Publish a tax transparency report		■	
Microsoft	07/12/23	Annual	Report on risks of operating in countries with significant human rights concerns		■	
Microsoft	07/12/23	Annual	Report on risks of weapons development		■	
Microsoft	07/12/23	Annual	Report on risks related to AI-generated misinformation and disinformation		■	
Microsoft	07/12/23	Annual	Report on climate risk in retirement plan options	■		

Key: ■ CCLA voted in favour of the resolution

Appendix 4: Other initiatives

To add breadth to our thematic stewardship work, we support a number of initiatives led by other organisations. These are outlined below.

Better environment

Initiative	Lead organisation	Role	Rationale
CDP Climate Change Programme	CDP	Signatory	Measurement and disclosure are essential to the effective management of climate change risk
CDP Forests Programme	CDP	Signatory	Addressing deforestation is critical to meet global ambition to prevent dangerous climate change
CDP Non-Disclosure Campaign	CDP	Signatory	Focus on companies that have never responded to CDP or have not responded in recent years
CDP Water Programme	CDP	Signatory	Water security is essential to tackling climate change. Companies are requested to disclose and reduce their impacts
Ceres & ICCR Banks Working Group	Ceres/Interfaith Centre for Corporate Responsibility (ICCR)	Member	Provides resources against which bank performance can be measured, with engagement then tailored for each financial institution
Climate Action 100+	IIGCC/Ceres/PRI	Collaborative/ Co-lead investor; founding member	Investor-led initiative to ensure the world's largest corporate GHG emitters act on climate change
Financing a Just Transition Alliance	FJTA/London School of Economics/ Grantham Research Institute on Climate Change and the Environment	Signatory	Designed to identify the role that finance can play in connecting action on climate change with inclusive development pathways
Global Investor Statement to Governments on the Climate Crisis	IIGCC	Signatory	Statement calling on governments to raise their climate ambition in line with the goal of limiting global temperature rise to 1.5°C
Institutional Investors Group on Climate Change	IIGCC	Member	Brings the investment community together to work towards a climate resilient future
Investor Position Statement on Voting for Net Zero Alignment Disclosures	IIGCC	Signatory	Investor call for a routine vote on the implementation of the Net Zero Transition Plan
Nature Action 100	IIGCC	Member	Investor engagement to drive greater corporate ambition and action to reverse nature and biodiversity loss
Net Zero Asset Managers Initiative	IIGCC	Signatory	Aims to galvanise the asset management industry to commit to a goal of net-zero emissions
Net Zero Engagement Initiative	IIGCC	Member; collaborative investor; signatory	Objective is to help investors align more of their portfolios with the goals of the Paris Agreement
Powering Past Coal Alliance	Powering Past Coal Alliance	Steering committee member	A coalition of national and subnational governments, businesses and organisations working to advance the transition from unabated coal power generation to clean energy

Initiative	Lead organisation	Role	Rationale
PRI stewardship initiative for nature (Spring)	PRI	Signatory advisory committee member	Focus is on enabling policy alignment and implementation across geographies to help generate positive outcomes for nature and investor portfolios
Transition Plan Task Force (Delivery Group)	UK Government	Member	Experts leading and contributing to Transition Plan Taskforce workstreams

Better work

Initiative	Lead organisation	Role	Rationale
Amazon co-filing group	SHARE, SOC Investor Group	Co-filer	Co-ordinates and exchanges information in relation to Amazon resolution.
Find it, Fix it, Prevent it	CCLA	Founder and manager	An investor network collaborating to make investors more active in the fight against modern slavery
ICCR – Equitable Supply Chains	ICCR	Member	Global supply chains need a transformation, one that benefits all stakeholders, but especially workers and their communities who are vulnerable to wage theft, exploitative and oppressive working conditions
ICCR – Advancing Worker Justice	ICCR	Member	Brings shareholder advocates and allied worker-led and focused organisations together to advance dignity and justice for all working people in US and Canada.
Investor Alliance for Human Rights	IAHR	Member	An alliance aimed at equipping the investment community with the expertise and opportunities to put the investor responsibility to respect human rights into practice
Know the Chain	Know the Chain	Advisory group of Find it, Fix it, Prevent it	A benchmark initiative on modern slavery
Labour Rights Investor Network	UNI Global Union	Member	A global investor network focusing on the rights to freedom of association and collective bargaining. It acts as an education and exchange platform and a place to connect on issues related to freedom of association and collective bargaining
Living Hours	Church Investors Group	Supporter	The Living Hours initiative calls on companies to become accredited Living Hours employers by agreeing to provide stable minimum working hours, in addition to paying their staff the real Living Wage. CIG is supporting this initiative
Platform Living Wage Financials	ASN Bank, Triodos	Member in the Apparel and Footwear Working Group	An alliance of financial institutions that encourages and monitors investee companies to enable living wages and incomes in their global supply chains
ShareAction Good Work Coalition	ShareAction	Member	An investor coalition campaigning to support living wages, tackling insecure work, and promoting diversity equity and inclusion in the UK workforce

Initiative	Lead organisation	Role	Rationale
UN PRI Advance Programme	UN PRI	Lead investor on NextEra	A UN PRI-led collaborative initiative where institutional investors seek to advance human rights and positive outcomes for people through investor stewardship
Votes Against Slavery	Rathbones Group	Signatory	A group which aims to address the systemic nature of modern slavery by encouraging the highest standards of supply chain transparency at FTSE 350 companies
Workforce Disclosure Initiative	ShareAction	Member	Aims to improve corporate transparency and accountability on workforce issues, provide companies and investors with comprehensive and comparable data, and help increase the provision of good jobs worldwide

Better health

Initiative	Lead organisation	Role	Rationale
Access to Medicine Foundation	Access to Medicine Foundation	Signatory	Access to medicine, including the fair and equitable dissemination of medicines and vaccines, should be a significant business concern for global companies involved in the development, manufacture, or distribution of medicines
Access to Medicine Index Antimicrobial Resistance Benchmark	Access to Medicine Foundation	Signatory	This benchmark compares how pharmaceutical companies are tackling the antimicrobial resistance crisis
Access to Medicine Index Covid-19 Investor Statement	Access to Medicine Foundation	Signatory	This calls for a fair and equitable global response to COVID-19 by world leaders and the pharmaceutical industry
Access to Nutrition Initiative	Access to Nutrition Foundation	Signatory	This assesses how the world's 25 largest global food and beverage manufacturers contribute to addressing malnutrition in all its forms
Business Benchmark on Farm Animal Welfare (and Global Investor Collaboration on Farm Animal Welfare)	Chronos Sustainability	Signatory	Analyses the farm animal welfare policies, management systems, reporting and performance of 150 of the world's largest food companies across 37 distinct, objective criteria
FAIRR Initiative's investor network	FAIRR	Investor member	An investor coalition focused on ESG risks in protein supply chains. They support investors through research as well as by running collaborative engagements with the food industry
FAIRR Investor Action on Antimicrobial Resistance	FAIRR	Signatory	A coalition between the Access to Medicine Foundation, the FAIRR Initiative, the Principles for Responsible Investment and the UK Government Department of Health and Social Care to galvanise investor efforts to address global antimicrobial resistance

Initiative	Lead organisation	Role	Rationale
Global investor coalition on workplace mental health	CCLA	Lead and signatory	A global investor coalition coordinated by CCLA to galvanise the investment community into action on corporate mental health
Healthy Markets Initiative	ShareAction	Signatory	Asking companies to commit to producing healthier products and to make these products more available, affordable and accessible
Investor Coalition on Food Policy	The Food Foundation	Member	Exists to engage with policymakers to advocate for well-designed regulation aimed at creating a healthier, more sustainable and more affordable food system
Investor statement on technology, mental health & well-being	AXA IM, Sycomore AM	Signatory	Collaborative engagement initiative to help tech companies define policies and implement measures to mitigate the potential negative impact of technology on their end consumers' mental health and well-being
Long-term Investors in People's Health	ShareAction	Signatory	Broad coalition of investors coordinated and run by ShareAction to tackle major public health issues

"Someone's taken its appendix out"

Endnotes

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Images

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HM Young Offender Centre Hydebank Wood

Page 14, *Love is Every Where*
HM Prison Long Lartin

Page 17, *Glam Rocks*
HM Prison Low Moss

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HM Prison & Young Offender Institution Grampian

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HM Prison Warren Hill

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Important information

All data as at 31 December 2023, unless specified otherwise.

*Denotes holdings not in CCLA portfolio(s) as at 31 December 2023.

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