

Remuneration policy

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1. CCLA mission and purpose

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

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

2. CCLA Remuneration Policy

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

This policy sets out how CCLA ensures that its remuneration approach supports the delivery of its business strategy, objectives and long-term interests of the organisation, with consideration of the:

- organisation's risk appetite including environmental, social and governance factors
- organisation's culture and values
- long-term effect of the investment decisions taken

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

This policy, and its practical operation, shall be reviewed by the committee on a regular basis and at least once a year, including compliance with all relevant regulatory requirements.

3. Purpose of the policy

The purpose of this policy is to:

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

4. Scope of the policy

This policy applies to all CCLA employees, and all aspects of remuneration that could have a bearing on effective risk management, including salaries, bonuses, long-term incentive plans, severance packages and pension arrangements, where relevant.

5. Regulatory context

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

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

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

These codes are collectively referred to as the Remuneration Codes.

6. Remuneration principles

CCLA applies a Total Reward Approach which is built on the following core remuneration principles.

Principle 1: Values-driven

CCLA's Total Reward Approach aligns the organisation's remuneration practices with CCLA's values and goals to nurture a culture that adheres to CCLA's high standards of conduct and behaviour and provides a sense of purpose to employees.

Principle 2: Integrity

CCLA's Total Reward Approach aligns the interests of employees with those of clients/investors, shareholders and the organisation to ensure employees act with integrity, deliver good outcomes for both clients/investors and CCLA and generally act in line with the expectations set by FCA's Consumer Duty rules.

Principle 3: Sustainable

CCLA's Total Reward Approach considers the longer-term performance of the organisation within the context of CCLA's risk appetite in order to deliver sustainable growth and long-term value creation for clients/investors and shareholders.

Principle 4: Fair and equitable:

CCLA's Total Reward Approach considers multiple gender-neutral criteria for setting and reviewing remuneration, including the overall performance of the organisation as well as the performance and contribution of the individual, the team and the relevant business unit or funds to promote a sense of community and collaboration among employees. Control functions are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Principle 5: Inclusive

CCLA's Total Reward Approach considers the needs of different employees to promote a sense of inclusivity and diversity.

Principle 6: Balanced

CCLA's Total Reward Approach considers both the external and the internal market relativities to help the organisation attract, retain and engage a diverse and talented workforce, adequately experienced and qualified, needed to support the organisation's success.

Principle 7: Transparent

CCLA's Total Reward decisions are clear and the processes and outcomes transparent to build trust and confidence among employees and stakeholders.

7. Remuneration structure

Remuneration is built on the following elements:

Fixed

Fixed remuneration is generally permanent, predetermined, non-discretionary and not dependent on performance. The following elements of remuneration are regarded as fixed:

- base salary
- employer pension contributions or equivalent cash allowance (if over the lifetime allowance)
- annual leave.

CCLA also provides employees with a range of benefits, which are considered part of fixed remuneration but are not contractual and are provided at the sole discretion of the company. CCLA reserves the right to discontinue, vary or amend any of the benefits it offers at any time on reasonable notice.

Variable

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

- discretionary bonus
- deferred bonus
- long-term incentive plan for CCLA IM's executive directors
- long-term incentive plan for key employees.

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

Variable remuneration is set and delivered in a way that does not reward failure or misconduct. For example, CCLA does not have a formulaic link between individual quantitative targets and remuneration, which could lead to behaviour that is not in the best interest of the client/investor.

When determining an appropriate fixed/variable ratio, CCLA will consider the role of employees and the impact they have on the risk profile of the organisation and/or the assets it manages.

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

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

In addition:

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

To support CCLA's ownership culture, CCLA operates the following share schemes offering participation opportunities for its employees:

- **CCLA's share incentive plan.** CCLA wishes to ensure that all employees share a common interest with the organisation. The share incentive plan is open to all employees and provides an opportunity for employees to become shareholders in CCLA.
- **Executive long-term incentive plan.** CCLA IM is keen to ensure that its executive directors have a common interest with its shareholders and are tied to CCLA in a way that ensures a long-term financial commitment and an alignment of the impact of gains and losses. The long-term incentive plan has been implemented to achieve this, in which the current three executive directors of CCLA IM are eligible to participate.
- **Long-term incentive plan 2 (phantom share plan).** CCLA is keen to ensure that its key employees also have a common interest with its shareholders and are tied to CCLA in a way that ensures a long-term financial commitment and an alignment of the impact of gains and losses. The long-term incentive plan 2 is targeted at key CCLA employees who have been identified as likely key contributors to CCLA's long-term success.

8. Deferral

Certain employees may be awarded bonuses that meet or exceed the organisation's deferral threshold(s). In these instances, predefined percentage(s) of the bonus will be deferred for a period of three years.

The purpose of the bonus deferral scheme is to:

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

9. Material risk takers¹ (MRTs)

A material risk taker is an employee whose professional activities have a material impact on the risk profile of CCLA or of the assets that CCLA manages. In identifying its MRTs, CCLA considers all types of risks involved in its activities. These may include prudential, operational, market, conduct and reputational risks. The decisive factor when identifying MRTs is not the title of the function or role, but the authority and responsibility held by the individual.

MRTs will include senior management, control functions, senior investment professionals and those who undertake activities that meet the criteria as set out in the FCA Senior Management Arrangement, Systems and Controls Handbook (SYSC19G.5).

CCLA may consider any other, additional criteria to identify further individuals based on the specific types of activities and risks relevant to the firm.

An individual may become a MRT at any point during CCLA's performance period (i.e. financial year), either by joining CCLA or by changing role within CCLA. At the time of hiring or at the time of a change in role, the Human Resource team will coordinate with Compliance to identify any roles that are considered MRTs.

HR maintains a list of all CCLA MRTs. The list maps MRTs to the relevant MRT identification criteria. The list is reviewed at least annually by both the Human Resources and Compliance teams, and approved by the committee.

MRTs variable remuneration considers the multi-year performance of CCLA and their teams as well as their individual performance. The nature of CCLA's business means that the company's profitability is primarily driven by our services and activities in any specific year, but a key contributing factor is (investment) performance over three (and five) years. In addition, payment of MRTs variable remuneration is spread over a period that takes into account both the business and investment performance cycle of CCLA and its business risks.

With effect from the performance year 2022/23 onwards, all variable remuneration of employees classified as

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

- the MRT has participated in or was responsible for conduct which resulted in financial or reputational damage to CCLA and/or has failed to meet appropriate standards of fitness and propriety
- the MRT has been guilty of severe negligence which resulted in significant losses or reputational damage

¹ For the purposes of SYSC 19B and SYSC 19E references in this policy to MRTs refer to Remuneration Code Staff.

- there is reasonable evidence of fraud or material dishonesty by the MRT
- CCLA has been required to restate its accounts to a material extent
- CCLA becomes aware of any material wrongdoing on an MRT's part that would have resulted in the relevant payment or award not being made had CCLA known about such material wrongdoing at the time the relevant award was made

CCLA may also apply malus where:

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

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

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

10. Standard remuneration requirements

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

- **Pension policy.** Pension arrangements have been reviewed to ensure that they are in line with CCLA's business strategy, objectives, values and long-term interests and that of the funds and client investments it manages. CCLA does not provide discretionary pension benefits.
- **Non-compliance with the Remuneration Code.** CCLA does not reward any employees through any alternative vehicles or methods that could facilitate non-compliance with the relevant Remuneration Codes.
- **Payments related to early termination.** Unless otherwise required by law, the maximum level of severance pay that could be paid is 100% of an employee's annual total compensation. This also applies to MRTs.
- **Retained shares or other instruments.** For the purposes of the MiFIDPRU Remuneration Code (SYSC 19G), the provisions in SYSC 19G.6.19 to 19G.6.23 do not apply to CCLA. For the purposes of the AIFMD and UCITS Remuneration Codes, CCLA has assessed the provisions relating to retained shares or other instruments against the proportionality rule and has determined that they can be disapplied. CCLA is a private company with a limited shareholder base. It has therefore made the decision not to require a portion of its employees' variable remuneration to be in the form of shares or other instruments with the exception of executive directors or where variable remuneration is deferred (see deferral below). The committee undertakes an annual review of the proportionality principle to ensure the provisions can still be disapplied.

- **Deferral.** For the purposes of the MiFIDPRU Remuneration Code (SYSC 19G), the provisions in SYSC 19G.6.24 to SYSC 19G.6.29 do not apply to CCLA. For the purposes of the AIFMD and UCITS Remuneration Codes, CCLA has assessed the provisions relating to deferral against the proportionality rule and has determined that the provisions can be disapplied; however, certain employees, including MRTs, may be awarded variable remuneration that exceeds the firm's minimum deferral threshold. In these instances, predefined percentage(s) of the remuneration award exceeding the minimum deferral threshold will be deferred for a period of three years. There is a predefined minimum deferral amount. All predefined factors are agreed and approved by the committee.
- **FCA reporting.** CCLA will notify the FCA of any remuneration matters deemed reportable in the FCA Handbook.

11. Governance and oversight

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

Employee remuneration levels are set by the executive directors and overseen by the committee, including compliance with the statutory obligations relating to equal pay and non-discrimination. The committee specifically approves individual salary, bonus payments, deferral arrangements and, where relevant, participation in the long-term incentive plan for executive directors and the Chief Risk Officer.

Human Resources, with support from Risk and Compliance teams, conducts an annual review of this policy for compliance with regulatory requirements, including the Remuneration Codes, prior to it being presented to the committee for final approval. The committee is responsible for overseeing its implementation within the organisation.

In addition, the policy is subject to an annual review by an independent third party.

12. Record keeping

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

Important information

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

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

WANT TO KNOW MORE?

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