

# Big Local Trust's Stewardship Code statement

## Background

Big Local Trust has an endowment fund that is invested to reflect the requirements of the programme. We have an investment strategy and take a responsible approach to investment. Our strategy can be seen on our website. We currently work with CCLA as our investment manager. As part of our strategy, some of our funds are invested in companies, which means that Big Local Trust is a shareholder. As a shareholder we support the UK Stewardship Code of the Financial Reporting Council which sets out the principles of effective ownership by institutional investors. The Financial Reporting Council encourages investors to report their compliance with the Code, that report is the purpose of this document.

## Statement

We welcome the UK Stewardship Code and its underlying principles. As a responsible investor, we take our stewardship role seriously and although the Stewardship Code only applies to UK-listed companies, we aim for our approach to be applied across all our investments regardless of where they are located. Our response to the underlying principles within the Code is outlined below.

### **Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.**

Big Local Trust is a responsible investor. We do not manage our investments in-house, but aim to select investment managers who are committed to integrating environmental, social and governance considerations into their investment processes and who conduct active stewardship with the companies they invest in.

We expect CCLA, as our investment manager, to monitor the companies in which it invests on our behalf and to vote at their annual general meetings. We also expect CCLA to increase its engagement where there are concerns about a company's performance, strategy, governance or its management of environmental or social risk. We believe that active dialogue will help these companies adapt their activities to changing contexts and thereby, over the life of our programme, increase the value of our investments.

Following the Charity Commission's guidance, we encourage CCLA to engage with companies on issues that support our charitable mission. If, over time, engagement with a company is not successful, we will consider selling our investment.

Big Local Trust's investment sub-committee monitors and evaluates CCLA's stewardship activities. The investment sub-committee regularly reviews CCLA's approach to responsible investment and stewardship, paying particular attention to the ratings that CCLA has been awarded in the annual United Nations Principles of Responsible Investment Assessment and Reporting Exercise. This meeting is attended by CCLA's Chief Executive Officer and Head of Ethical and Responsible Investment. Big Local Trust's investment sub-committee also receives and reviews detailed quarterly updates on voting and stewardship from CCLA.

CCLA's response to the Stewardship Code is available at <https://www.ccla.co.uk/our-approach/how-we-approach-stewardship-and-ethics>

**Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.**

We operate a conflict of interest policy in line with guidance from the Charity Commission. As all of our stewardship activities are delegated to our investment manager, we actively assess and welcome CCLA's Conflicts of Interest Policy, which is available at <https://www.ccla.co.uk/our-policies/conflicts-interest-policy>.

We continue to monitor CCLA's implementation of their policy and will signal any concerns to their senior management team if we believe that their activity is unduly favouring the needs of any particular group of clients or stakeholders.

**Principle 3: Institutional investors should monitor their investee companies.**

Because we do not manage our investments in-house, we delegate responsibility for day-to-day monitoring to CCLA.

Big Local Trust's annual review meeting on stewardship and responsible investment covers CCLA's approach to monitoring investee holdings, including their voting activity and the use of third-party data to assess the progress that companies are making. During this meeting, the investment sub-committee reviews details of any companies where concerns have meant that they have been escalated to engagement. As a further step, the investment sub-committee actively considers CCLA's quarterly voting reports and communicates any concerns directly to CCLA's senior management team.

Big Local Trust does not intend to develop relationships with companies directly, and as a consequence does not intend to undertake any direct stewardship activities which could necessitate receiving information that is not available to the public. This means that we will not become an 'inside' investor.

We also note that CCLA does not seek to become an insider and has clear policies and procedures in place in case its stewardship activities lead to it receiving information that is not in the public domain.

**Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.**

We have delegated our responsibility to our investment manager, CCLA.

As a standard part of its approach to investment, CCLA routinely monitors all portfolio companies' environmental, social and governance risk management in addition to wider performance concerns which are dealt with through a separate process.

Where CCLA identifies concerns they are reported to its quarterly Ethical and Responsible Investment Committee (E&RI Committee), the membership of which includes CCLA's Chief Investment Officer, Chief Executive Officer and Head of Ethical and Responsible Investment. The E&RI Committee is responsible for identifying the appropriate response. In the majority of instances, concerns lead to prioritised engagement with the company which, if not successful, can be further escalated to public comment. In the most severe cases the committee recommends divestment if this is considered appropriate to its clients' objectives.

CCLA formally reports its stewardship priorities to Big Local Trust's investment sub-committee on an annual basis.

**Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.**

We recognise the value of collective engagement. We encourage CCLA to act collectively with like-minded investors whenever appropriate.

CCLA proactively seeks to collaborate with like-minded shareholders on its stewardship priorities and builds the most appropriate coalition for each engagement activity. One example is its work helping the UK's largest oil and gas, mining and electrical power generation companies take steps to improve their activities to help control climate change. This is conducted through the 'Aiming for A' investor coalition, a group which includes investors currently with over £230 billion of investment assets.

**Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.**

We believe that voting is an integral part of the routine monitoring of the companies we invest in. We delegate our voting responsibilities to CCLA. CCLA is expected to vote on all of our investments in a manner that reflects our position as a responsible investor and our charitable mission, whenever practical to do so.

Big Local Trust's investment sub-committee reviews any changes to CCLA's voting policy on an annual basis. The investment sub-committee is of the view that the current approach, which supports companies who display high standards of corporate governance and challenges excessive or poorly designed pay policies for senior staff members, meets our requirements. CCLA's full voting policy is available at <https://www.ccla.co.uk/our-approach/how-we-approach-stewardship-and-ethics>.

We monitor CCLA's policy and activity in this area quarterly. CCLA's full voting record is available on the same web page.

**Principle 7: Institutional investors should report periodically on their stewardship and voting activities.**

We encourage CCLA to report regularly on its stewardship activity and as a result we receive quarterly updates. These include high level details of ongoing stewardship activities and full disclosure of voting conducted on our behalf. We encourage anyone who is interested to review this data which is included in CCLA's Quarterly Bulletin and is available on its website at <https://www.ccla.co.uk/existing-clients>. We understand that CCLA's stewardship reporting is verified by its internal audit department.

Local Trust, acting as the corporate trustee of Big Local Trust

September 2016