

London CIV Statement of Investment Beliefs

Investment beliefs set the direction for our investment policy, practices and organisational culture. Whilst helping us to respond to our client needs by aligning with their beliefs and principles.

They help us define how we will create investment value, in the context of future uncertainty, risk and opportunity. Whilst helping us to make practical decisions about our investment style, selection and monitoring of investment managers, asset allocation, investment decisions, performance objectives, and approach to active ownership.

Recognising how important internal stakeholders are in translating investment beliefs into investment practice, we have worked together to develop, formalise and agree the final set of approved beliefs.

1. We believe long term investors get better risk adjusted returns
2. We believe taking the right risk for the right return will maximise opportunities
3. We believe robust risk management and mitigation improves risk adjusted returns
4. We believe Responsible Investment mitigates financial risk and maximises opportunity
 - a. We believe good corporate governance improves outcomes
 - b. We believe in good stewardship and in proactive engagement
 - c. We believe management of climate change risk is a key element of our investment strategy
 - d. We believe diversity adds value for our clients
5. We believe diversification can improve returns and reduce risk
6. We believe that costs are important and should be managed:
 - a. We believe managing fees and assessing remuneration will support cost effectiveness
 - b. We believe fund structuring and implementation costs matter
7. We believe clear objectives, expert knowledge and robust research will add value by supporting investment and manager selection
8. We believe transparency and accountability build client trust
9. We believe innovation and strong leadership supports more sustainable returns
10. We believe that a collective approach to investment improves returns and reduces risk

Detailed Statement of Investment Beliefs

In order to ensure our internal stakeholders and operational staff apply our principles, we provide detail on how we action our investment beliefs in practice to deliver better investment performance. We also work with our investment managers to seek to ensure that these beliefs are translated into action.

Given the importance of responsible investment, we have specified four dedicated beliefs which we believe are the most material issues to consider. Recognising how quickly environmental, social and governance (“ESG”) issues can increase in materiality, we will continue to review and add to this list as required.

| Belief | Details | Principle | In Practice |
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| 1. Long term investors get better risk adjusted returns | We believe in a long-term approach to investment to deliver better returns, improved outcomes, and reduced trading costs. Our long-term view includes our responsibility to support a sustainable and sufficient return to Investors. | We invest for the long term | We apply long term thinking to the decision-making process. We implement strategies that require productive assets, contributing to economic activity including growth, income, fixed income, and private assets. This does not prohibit tactical decision making or products with more regular trading if the use of the instrument or fund provides long-term benefits. |
| 2. We believe taking the right risk for the right return will maximise opportunities | We believe that markets can be inefficient creating opportunities to deliver alpha (higher risk-adjusted returns, net of fees). Good risk management improves outcomes and adds value. We will make our collective investments work as hard as possible to meet our funds' objectives: providing the right structure of Portfolios, investments, and managers within asset classes. While we take account of market and economic levels in our | We should manage risk and return together | Recognising the risk in certain investments; we take advantage of these where possible to improve investment returns and note the opportunity in engaging with holdings that have weak governance of financially material ESG issues to make them better. It is essential that the pool options are flexible enough to meet all the investment needs of the fund which includes both risk and return objectives. Opportunities can be captured so long as they are aligned with |

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| | decision making. | | our objectives and if there is a sufficient evidence base upon which to make an investment decision. |
| 3. Robust risk management and mitigation improves risk adjusted returns | We believe that robust risk management and risk mitigation can improve outcomes. Robust risk management is critical for our Client Funds to have complete confidence in us to deliver their investment strategy needs and to maintain our authorisation requirements. | We manage risks appropriately | We will be comprehensive in our consideration of our funds' risks assessed by their liabilities and contributions, considering financial and non-financial risk as appropriate. Robust risk management is at the heart of all our investment beliefs, thus we integrate risk management throughout the investment lifecycle (design, select, manage, and sell). |
| 4. We believe Responsible Investment mitigates financial risk and maximises opportunity | We believe that being a responsible investor improves outcomes, supports risk adjusted returns and is part of our fiduciary duty. Responsible investment is about the consideration of all material financial, environmental, social and governance (ESG) risks to long term growth and thus supports our first belief in being long-term investors. | Responsible Investment is integrated into everything we do | We integrate responsible investment into every stage of the investment process and expect. We maintain high expectations of companies and fund managers and request defined policies on matters relating to climate change, natural resource constraints and broader ESG factors and ensure that all associated risks are adequately compensated to improve risk adjusted returns. |
| 4a. We believe good corporate governance improves outcomes | We believe that investee companies and asset managers with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events. Thus, we adopt a disciplined and rigorous manager selection process. Whilst recognising companies and asset managers which exhibit good governance are poised for better returns and less likely to pose a financial material risk to our funds. If issues arise we adopt a stewardship approach to generate a greater positive impact. | We expect to be exemplars of corporate governance | Governance and diversity are assessed throughout the investment process. We set out clear criteria in our management selection, monitoring and ongoing evaluation process. We keep abreast of news and governance issues, as well as exercising our stewardship rights to ensure good governance is maintained by investee companies and managers. We adopt best practice collective governance with appropriate oversight, prioritisation, delegation and accountability and we expect the same of our investee companies, consultants and asset managers. |

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| 4b. We believe in good stewardship and in proactive engagement | <p>We believe in good stewardship and that proactive engagement with investment managers and companies alike will enable better outcomes and deliver impact where it is needed for our wider stakeholders. We value the opportunity to influence companies and have a positive impact not only on the world around us but on the value of our funds.</p> | <p>We are good stewards of capital</p> | <p>Recognising the opportunity to deliver impact and improved outcomes, we consider proactive engagement at every stage of the investment value chain across all environmental, social and governance themes. Using this approach to mitigate systemic risk through widespread stewardship, thought leadership, company engagement and industry participation.</p> |
| 4c. We believe management of climate change risk is a key element of our investment strategy | <p>We believe financial markets could be materially impacted by climate change through the response of policymakers and increasing physical risks.</p> <p>Responsible investors should proactively manage this risk factor through measurement and management of climate related financial disclosures which are forward looking and robust.</p> | <p>Climate change risk is integrated into the design, selection and management of investments</p> | <p>We will quantify and disclose the risk of climate change exposure associated with our funds. We will also mitigate risk through our stewardship activities, using partnerships of like-minded investors. We will support ongoing efforts to adhere to the Paris agreement and recognise efforts of investees that seek continual improvement setting ambitious targets in a science-based and data driven way.</p> |
| 4d. We believe diversity adds value for our clients. | <p>There is clear evidence showing that decision-making and performance are improved when company boards and investment teams are composed of diverse individuals. We believe companies and asset managers will improve outcomes by championing diversity in people and skill sets.</p> | <p>We expect to see diversity</p> | <p>We recognise that our opportunity in diversity is strongest when we consider our influence on fund management and the materiality of our funds. Yet we prefer to lead by example and recognise the value of diversity within our organisation as well and the opportunity to strive for continual improvement alongside our fund managers and investees.</p> |
| 5. We believe diversification can improve returns and reduce risk | <p>We recognise that diversification can improve returns and reduce risk. Yet we remain aware that over diversification can result in greater costs and eclipse the benefits of diversification.</p> | <p>We should diversify investments appropriately</p> | <p>We offer diversified pooled funds and a variety of sub-funds to meet the risk return appetite of our investors.</p> <p>Offering too many funds that are too diversified will damage risk adjusted returns after costs.</p> |

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| <p>6. We believe that costs are important and should be managed</p> | <p>We believe that we have a duty to manage costs in order to serve our Clients Funds and their beneficiaries.</p> | <p>We should measure and manage full Investment cost</p> | <p>We will seek to gain leverage from our collective status through reductions in fees and avoid added costs through increased resilience and collaboration of strengths, knowledge, and expertise. We will utilize the Cost Transparency Initiative (“CTI”) templates to ensure we measure and manage full investment costs to the benefit of all our Investors.</p> |
| <p>6a. We believe managing fees and assessing remuneration will support cost effectiveness</p> | <p>The management fees of investment managers and the remuneration policies of investee companies are of significance for the Company’s clients, particularly in a low return environment. Fees and remuneration should be aligned with the long-term</p> | <p>We should manage fees and assess remuneration</p> | <p>Meeting the needs of the sub-funds efficiently is the core purpose of the pool and we will seek the most cost- effective solutions to achieve our funds’ objectives whilst implementing these principles collectively. We are prepared to pay for active</p> |
| <p>6b. We believe fund structuring and implementation costs matter</p> | <p>We believe that the measurement and management of costs through structuring of funds and transitions will help clients deliver their objectives</p> | <p>We should measure and manage costs to improve net returns and outcomes</p> | <p>We will utilise CTI templates and any economies of scale opportunities to drive a better deal for our clients</p> |
| <p>7. We believe clear objectives, expert knowledge and robust research will add value by supporting investment and manager selection</p> | <p>Clear objectives appropriate decision making, and robust governance are necessary enablers for superior investment returns. Appropriate skills and knowledge (built through investing in people and resources) are critical for our Client Funds to have complete confidence in us to deliver their needs. We believe that evidence- based decision making, not only in the selection of our investments but in our managers will ensure the funds’ needs are met quickly and efficiently.</p> | <p>We should have clear objectives, effective tools and governance to make good investment decisions.</p> | <p>We make our decisions based on extensive expertise and high quality, knowledgeable advice. We take an evidence and research-based approach to investment: continually learning and reappraising from academic research, investment professionals, and our peers. We seek continual development in our understanding of investment and invest in the LCIV staff to ensure they are well equipped to make critical investment decisions.</p> |

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| <p>8. We believe transparency and accountability build client trust</p> | <p>Being transparent, open and accountable to the Client Funds we serve is essential. We believe in the importance of being transparent and accountable, to ensure the right actions are taken, manage risk and facilitate better decisions. This applies both in our own operations, the investors we work with, and our investments. We believe that clearly articulated and consistent reporting of our investment goals and performance measures will support accountability.</p> | <p>We are transparent and accountable</p> | <p>Transparency and accountability help our client funds and their beneficiaries to have complete confidence in us. Not only in delivering their investment strategy needs but in supporting industry wide need for disclosure to enable broader risk mitigation. In practice, this means that we communicate with managers and companies on the information we require and disclose as much information as possible about our own approaches and decisions.</p> |
| <p>9. We believe innovation and strong leadership supports more sustainable returns</p> | <p>We are innovative and demonstrate thought leadership. We recognise the positive influence both London CIV and its clients together can have as asset owners to share ideas, best practice and drive momentum in the investment industry towards more sustainable investment practices.</p> | <p>We will seek to lead innovation in the industry</p> | <p>We strive to lead by example and help to contribute to a more sustainable investment industry by demonstrating innovation that goes beyond our regulatory duties. We will also develop our own investment professionals to ensure we deliver a high-quality investment service to our clients.</p> |
| <p>10. We believe that a collective approach to investment improves returns and reduces risk</p> | <p>We believe that a collective approach to investment improves investment outcomes. We value the opportunities presented by industry collaboration and specifically the pooling of assets to manage costs and create efficiencies.</p> | <p>We will collaborate with the collective</p> | <p>We will work in partnership with other funds, LGPS pools and the market to create cost effective, leading solutions required by the pool and its funds. We will also capitalise upon the cost efficiencies we can generate and the increased influence we can achieve by working together.</p> |