

London CIV

Corporate Governance Handbook

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1. INTRODUCTION

London LGPS CIV Limited ('the Company' / 'London CIV') is incorporated by shares, company number 9136455 registered in England and Wales], and authorised and regulated by the Financial Conduct Authority ('FCA') [registered number 710618]. It was established to enable the pooling of assets of the 32 Administering Authorities of the Local Government Pension Scheme in London, originally on a voluntary basis. The Administering Authorities are the London boroughs (LBs) and City of London. The LB Wandsworth and LB Richmond merged their schemes into one in 2016 which is why there are 32 shareholders. London CIV is wholly owned by the London Local Authorities (LLAs) who are its customers and also shareholders. Pooling has now been made mandatory by government.

London CIV is committed to maintaining high standards of corporate governance and believes that a sound governance framework enables efficient and effective decision making with clear accountabilities, contributing to achieving the Company's objectives and delivering long-term and sustainable value to its shareholders and investors. The strategic framework and statements are contained in section 3. The investment and responsible investment beliefs which guide the way in which we conduct London CIV's business are contained in Appendix A.

2. PURPOSE

The purpose of the Corporate Governance Handbook is to ensure that all staff, board members, shareholders and stakeholders are aware of:

- The overall strategic, legal and regulatory framework within which London LGPS CIV Limited operates;
- The governance framework within which London CIV operates
- Key responsibilities and accountabilities for these activities;
- Who to contact for guidance; and
- Whom issues or concerns should be reported to.

The primary audience for the Handbook is board and committee members and staff. This document is a guide and does not purport to cover every aspect of regulation in detail. More detailed information is provided in other policy and procedure documents listed at the end of this Handbook, including in the Compliance Manual. Some documents are for internal use. Contact the Governance Team for further information.

3. STRATEGIC FRAMEWORK

London CIV operates within the strategic framework of a purpose statement, vision and value proposition and funding model. The formal governance framework is complemented by an investor (customer) service level agreement.

STRATEGIC FRAMEWORK			
PURPOSE	<i>To be the LGPS pool for London to enable Client Funds to achieve their pooling requirements</i>		
VISION	<i>To be the best in class asset pool delivering value for Londoners through long term sustainable investment strategies</i>		
VALUE PROPOSITION			
Performance	Opportunities	Efficiencies	Transparencies
<ul style="list-style-type: none"> Deliver improved investment outcomes compared with current Client Fund performance Provide better value for shareholders through a more consistent professional approach at a larger scale than can be achieved by individual Client Funds 	<ul style="list-style-type: none"> Provide a broader range of investment opportunities to Client Funds than currently accessible (e.g. broader asset class coverage) 	<ul style="list-style-type: none"> Deliver cost savings to clients through the collective purchasing power / scale economies gained by pooling 	<ul style="list-style-type: none"> Deliver transparent reporting across investment performance, ESG, risk management and client benefits Deliver responsible oversight

4. LONDON LGPS CIV LIMITED LEGAL AND REGULATORY FRAMEWORK

Following approval by Shareholders to a change the definition of London CIV’s business purpose as set out in clause 2 of the Shareholder Agreement is that *“The business of the Company shall (unless and until otherwise determined in accordance with this Agreement) be confined to acting as the FCA authorised company to provide a collaborative platform through which the Administering Authorities of the LGPS funds can aggregate their pension monies and other investments. The Company will be branded as “London CIV”.*

London CIV currently operates using Authorised Contractual Scheme (ACS) and Exempt Unauthorised Unit Trust (EUUT) structures.

London CIV is in the process of applying to the FCA for additional regulatory provisions, in line with those held by other pools, which would permit it to offer a wider range of investment management and investment advisory services to meet client demand. This could include the use of Investment Management Agreements (IMAs) between London CIV and Client Funds.

The Company is governed by its Articles of Association and Shareholder Agreement which reserves certain matters to Shareholders for approval by majority or unanimously. The Shareholder Agreement was amended with the agreement of all Shareholders and the PCSJC which was a Joint

Committee of the London Councils was dissolved. There is now a Shareholder Committee which is a Committee of the Board.

The key legislation governing the operation of the company includes the Financial Services and Markets Act 2000 and the Companies Act 2006. The Company is also subject to the Freedom of Information Act 2000 (FOIA). A summary of the definitions of the Company for regulatory purposes can be found in the Compliance Manual.

London CIV's Directors are responsible for the governance and oversight of the Company in relation to the **FCA's Principles of Business**. The FCA's statutory overarching strategic objective is to ensure that relevant markets function well. This overarching strategic objective is supported by three operational objectives as follows: To secure an appropriate degree of protection for consumers; to protect and enhance the integrity of the UK financial system; and; to promote effective competition in the interests of consumers. The FCA Principles of Business and London CIV's approach to ensuring these are met is summarised in the Compliance Manual.

Some information about reporting and access to information is contained in the Board and Committee meeting section.

5. CORPORATE GOVERNANCE FRAMEWORK

The current governance framework was implemented from September 2018 in response to a governance review carried out in 2017 (with minor amendments in July 2020 following a governance progress review begun in the Autumn of 2019).

The formal governance framework is comprised of:

- The Company's Articles of Association and Shareholder Agreement, which reserves certain matters to shareholders for approval (either to all shareholders or a majority of shareholders)
- Shareholder decision-making at two general meetings, one of which approves the budget and annual objectives in the context of a Medium-Term Financial Strategy ('MTFS') and the other is the Annual General Meeting (AGM);
- The Board of Directors ('Board')
- A Shareholder Committee which is constituted as Company (Board) Committee with a consultative role
- Other Board Committees which have delegated responsibilities including decision-making responsibilities

This formal framework is complemented by the arrangements for informal engagement in particular in respect of fund launch and delegated manager appointment (and termination) decision-making and oversight. There is also a Responsible Investment Reference Group (RIRG) and a Cost Transparency Working Group (CTWG) which enhance the consultative arrangements and opportunities for Client Fund engagement.

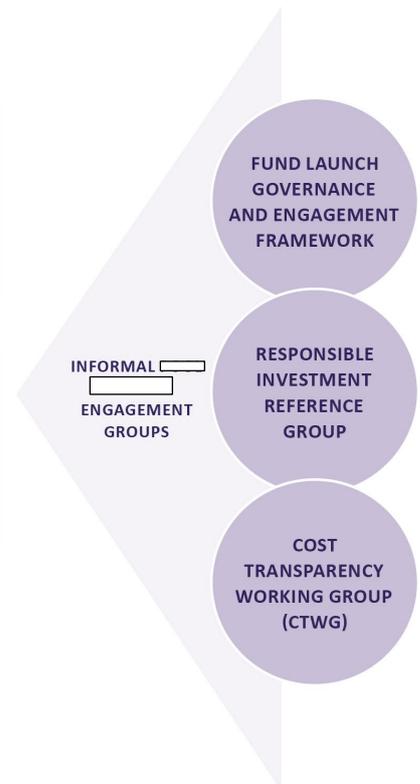
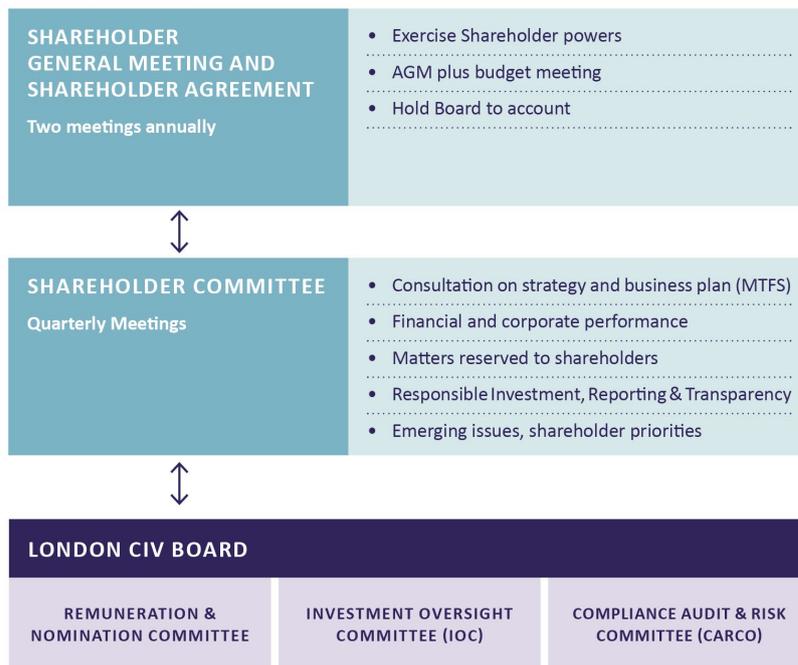
Regular "Meet the Manager" meetings have enhanced engagement in manager oversight and monthly business updates provide for ongoing communication between London CIV and Client Funds.

There is also a Service Level Agreement which documents London CIV's service commitment to Client Funds above and beyond the agreement signed when Client Funds subscribe to invest in specific funds.

These arrangements are summarised in the structure chart below.

London CIV committee structure

FORMAL GOVERNANCE



These arrangements mean that key shareholder decisions are made by all shareholders either as resolutions in general meeting under the provisions of the Companies Act (or written resolutions) or in writing under the provisions of the Shareholder Agreement. Some matters require majority approval and others unanimous approval. The Shareholder Agreement requirements for written approval run in parallel to the Companies Act provision and the Shareholder Agreement for written consent to act is to comply with the terms of that Agreement.

The membership of the Shareholder Committee is eight elected members, four Treasurers and the Chair of the London CIV Board. There is also a Trade Union member to ensure stakeholder engagement in respect of LGPS members. When the current governance framework was established in July 2018, the Trade Union representative was an observer and it was agreed in 2020 that they should be a voting member.

The Board of Directors includes two Leaders of London Local Authorities and there is a Treasurer Observer on the Board to ensure stakeholder engagement.

The Board has three other committees which are the Investment Oversight Committee (IOC), the Compliance Audit and Risk Committee (CARCO) and Remuneration and Nomination Committee (RemNomCo).

The Board has ultimate responsibility for the management of the Company, its general policy and for ensuring the agreement and implementation of the Company's strategic direction.

The day to day management of the Company is the responsibility of the Executive Directors.

6. WORKING IN PARTNERSHIP

London CIV is a partnership between the 32 authorities and with London CIV. The authorities are both shareholders and customers so individual authorities necessarily make decisions as shareholders bearing in mind collective interests whereas investment decisions are made on the basis of each individual authority's strategic asset allocation decisions.

The governance framework includes arrangements for shareholder decision-making and separate arrangements for Client Fund involvement in the decision-making about the development of funds to meet asset allocation requirements. The Client Fund engagement arrangements include consultation at the first mandate development (design) stage and manager selection stage. A Seed Investor Group (SIG) approach has been implemented to enhance Client Fund involvement. Section 4 describes the corporate governance arrangements for enabling the partnership between London CIV and its shareholders (see section 11 of this document) .

An essential part of ensuring an effective partnership is ongoing collaboration in the development of a successful and sustainable forward plan that meets shareholder requirements. The shareholder agreement summarises this commitment between shareholders to each other and the company in section 4 of the agreement. The annual approval of the MTFFS/budget is the cornerstone of the collective shareholder decision-making process and is supported by preliminary feedback from the Shareholder Committee and all shareholders in particular in respect of the strategic asset allocation expectations, priorities and expectations for the forthcoming year.

A service level agreement issued in December 2019 following consultation sets out the arrangements for regular meetings with its Client Funds, attendance at pension committee meetings and the information and reports provided to Client Funds.

7. EXTERNAL OVERSIGHT OF THE COMPANY

External independent oversight of the company is provided by the FCA, the Depositary (currently Northern Trust) and the external auditor (currently Deloitte).

The government department responsible for pooling policy is the Ministry for Housing Communities and Local Government (MHCLG). The requirements for pooling LGPS assets were set out in November 2015 and include requirements to report to the MHCLG and Scheme Advisory Board (SAB). The MHCLG consulted on updated guidance in early 2019 and a further consultation is expected in the light of responses to that guidance.

London CIV is approved and regulated by the FCA as an Alternative Investment Fund Manager (AIFM). The Company's Compliance Manual sets out how London CIV fulfils its obligations in more

detail. The FCA may carry out investigations if it believes that an organisation is not meeting the appropriate standards. It has wide-ranging powers of intervention and sanction.

The Depositary acts on behalf of investors and its duties include:

- Safeguarding assets of funds via its custody services or utilising a sub custodian
- Oversight of other assets not held in custody
- Oversight of managers activities e.g. unit pricing, dealing, portfolio management
- Oversight of how the manager is discharging its responsibilities
- Cash flow/liquidity oversight
- Distributions
- Protecting the best interests of investors
- Reporting breaches of FCA guidance to the FCA (including any due diligence findings)

8. THE BOARD

The Board has ultimate responsibility for the management of the Company, its general policy and for ensuring the agreement and implementation of the Company's strategic direction. It is responsible for all major and unusual decisions, subject to the provisions for reserved matters in the Shareholder Agreement and the requirements of the FCA.

The Board is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs, having due regard to its shareholders, customers and other stakeholders.

The Board's role is to provide leadership within a framework of controls which enable risk to be assessed and managed. The Board sets the Company's strategic aims, ensures the necessary resources are in place for the Company to meet its objectives and reviews management performance. The Board sets the Company's values and standards and ensures that its obligations to its shareholders, customers and other stakeholders are understood and met.

In carrying out these responsibilities the Board must have regard to what is appropriate for the Company's business and reputation, the materiality of the financial and other risks inherent in the business and the relevant costs and benefits of implementing specific controls.

The Board is required to be comprised of suitably skilled and experienced individuals who collectively have sufficient knowledge and understanding of the Company's market and products to be able to discharge their responsibilities in an effective, efficient and compliant manner. There is more detail on the requirements of directors of a regulated company in the Compliance Manual.

Within the Board the roles of the Chair and Chief Executive Officer (CEO) are distinct and complementary. The Chair is responsible for the leadership of the Board and ensuring its effectiveness. The CEO, with the support of the other Executive Directors, is responsible for the day to day management of the Company in line with the Board's agreed strategy.

In addition to the general requirements for all directors, the Company Non-Executive Directors (NEDs) provide:

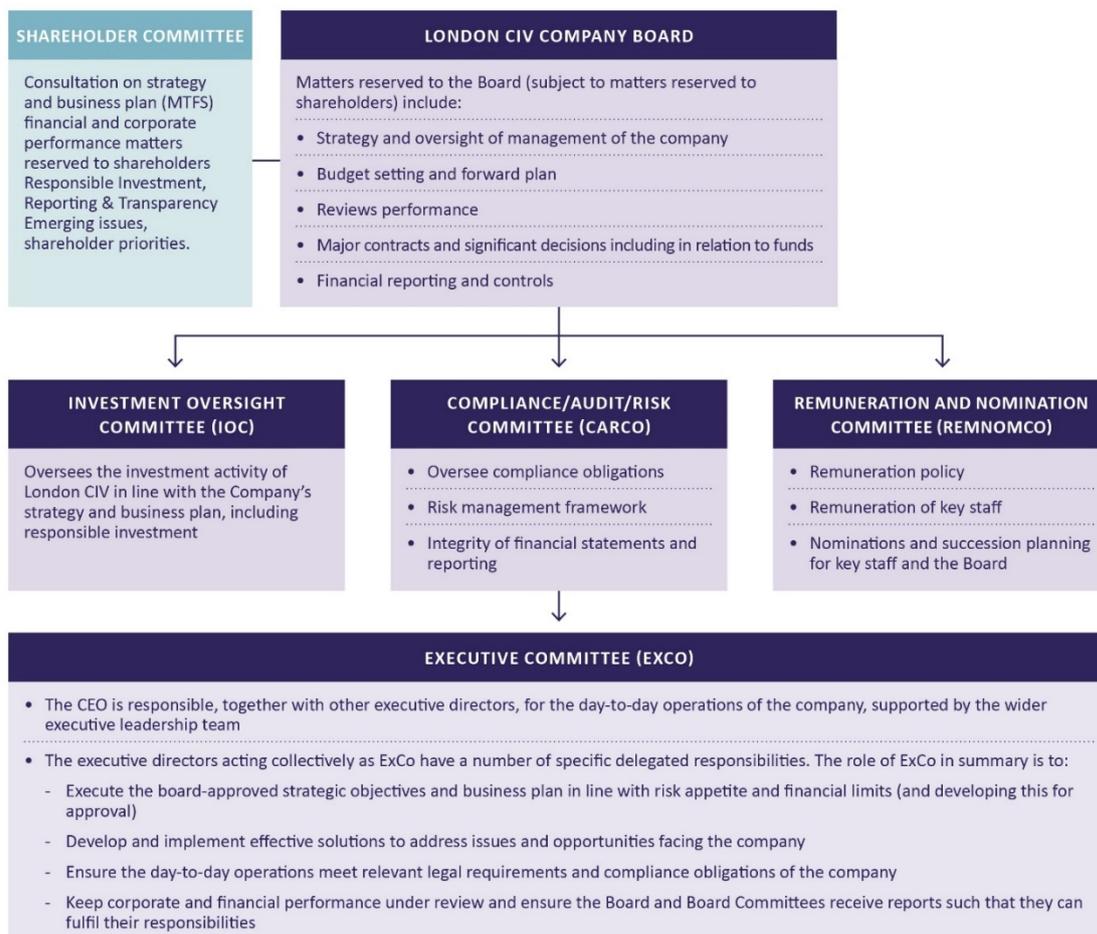
- Constructive challenge and contribute to the development of strategy
- Scrutiny of the performance of management in meeting agreed goals and objectives
- Monitoring of performance
- Review that financial information is accurate and financial controls and systems of risk management are robust
- A key role in succession planning, appointing and where necessary removing senior management.

The two Leaders of LLAs who are Board members are subject to the same obligations and requirements as other NEDs.

The Statement of Matters Reserved to the Board outlines the specific responsibilities of the Board.

9. BOARD COMMITTEES

The Board has established several committees to ensure that oversight responsibilities have the appropriate level of focus at Board level. Terms of Reference are reviewed annually, provided to Directors and key staff, and available from the Governance Team.



10. EXECUTIVE COMMITTEE AND MANAGEMENT TEAM

The Board has delegated to the CEO (with the support of the other executive directors) the management of the Company on a day to day basis, subject to the matters reserved to the Board and its Committees. The two other executive directors are the Chief Operating Officer (who is the Chief Financial Officer) and the Chief Investment Officer. The Shareholder Agreement specifies that London CIV must appoint a Company Secretary.

The Committee meets monthly and is comprised of the Executive Directors (voting members) and the Director Client Services, Director for Governance and Company Secretary, and Director Compliance and Risk. The Executive Directors usually meet fortnightly to discuss the development of the business. Separate meetings are usually held to make decisions in respect of fund launches and investment manager appointments.

There are four executives approved by the FCA as Senior Management Function (SMF) holders. These are the three Executive Directors and the Director of Compliance and Risk. The Chair also has a Statement of Responsibilities approved in accordance with FCA requirements. This information is set out in the Compliance Manual. The Director for Governance and Company Secretary is the Data Protection Officer and designated officer in respect of the FOIA.

11. APPOINTMENT OF DIRECTORS

The Directors are appointed in accordance with the Companies Act, Articles of Association, requirements for FCA approval and as described in the Shareholder Agreement (section 5). The requirements are outlined in this section.

There must be at least five directors at all times. The Shareholder Agreement states that that the intention is that as far as possible the directors should comprise three Executive Directors and at least three Non-Executive Directors. Currently (September 2020) the composition of the Board is three Executive Directors, the Chair, five other Independent NEDs and two NEDs who are Leaders of LLAs (Shareholder Representatives). The inclusion of two Shareholder NEDs who are LLA Leaders aims to ensure that the Board is better able to take account of wider stakeholder interests. The Company is required by the Shareholder Agreement to have a Company Secretary.

The Company is required to notify Shareholders in writing on the appointment of each Director.

There is a requirement in the Shareholder Agreement, that all Executive Directors enter into a service agreement with the Company and that NEDs enter into a letter of appointment with the Company. In accordance with the provisions of the Companies Act service agreements and letters of appointment are available for inspection at the company's office (please contact the Company Secretary).

The Articles of Association provide that directors must be FCA approved. The Senior Management & Certification Regime (SM&CR) effective from 9 December 2019 removes the requirement for NEDs to be explicitly approved by the FCA, except in the case of the Chair, although "fit and proper" requirements continue to apply. Because the Company is the AIFM to the ACS, FCA regulation require it to ensure at least one quarter of the members of its governing body (the Board) are independent persons. If the Board comprises fewer than eight members, at least two must be independent persons.

As of September 2020, five NEDs are considered to be ‘independent’ (not including the Chair).

Independent members are required to be independent in character and judgement so it is necessary to consider whether there are relationships or circumstances which are likely to affect, or could appear to affect, that member’s judgement. Independent members should have enough expertise and experience to be able to make judgements on whether the Company is managing each scheme in the best interests of investors.

From 1 October 2019 the Company’s Independent Directors’ term of appointment must be for no longer than five years, with a cumulative maximum duration of ten years. These service limits are counted from 1 October 2019. The usual term of appointment is three years with the potential to renew for a further term, subject to the needs of the business.

RemNomCo is responsible for the process of appointing Directors. More detailed information about the Director Appointment process is available from the Governance Team.

All Directors are required to participate in induction and development programmes which take account of the FCA’s requirements, in particular those of the SM&CR regime and the FCA’s Code of Conduct. The Guides produced by London CIV for staff and Directors are available from the Governance Team. The Board also undertakes a collective Board Effectiveness review. More information about these arrangements is available from the Governance Team.

12. SHAREHOLDER RESPONSIBILITIES

The Shareholder Agreement sets out the responsibilities of shareholders, including in respect of the conduct of finance and regulatory capital (section 3), the Company’s affairs (section 4), and the annual budget (including objectives) and accounting (section 6 headed Accounting Matters, Business Plans and Dividend Policy). Responsibilities in respect of the conduct of the Company’s affairs include the responsibility of shareholders in respect of:

- conducting themselves such that they “be just and true to, and act in good faith towards, the others” [shareholders]
- promptly notifying the others of any matters of which it becomes aware which may affect the Company or the Business
- using all reasonable endeavours to promote and develop the business of the Company and any subsidiaries to the best advantage in accordance with good business practice and the highest ethical standards
- appointing a representative to act on behalf of the Shareholder at general meetings
- exercising voting and other rights and powers of control available and delivering required actions promptly to ensure that provisions binding on shareholders are given effect

The Matters Reserved to Shareholders are set out in Schedules at the end of the Shareholder Agreement. Provisions in respect of certain matters are detailed in the body of the Agreement so the Schedules must be read in the context of the Agreement as a whole. The key provisions are summarised in section 12 and a more detailed document summarising arrangements in respect of General Meetings is also available from the Governance Team.

13. FINANCIAL MATTERS

The Board is responsible for approving the Company's annual budget or MTFs and this is also approved by shareholders in General Meeting. Prior to this the Shareholder Committee is consulted (the Terms of Reference provide for the Committee to be consulted on all Matters Reserved to all Shareholders for approval which ensures that the Board has a "sounding board" for all major decisions which must be put to shareholders for approval.)

Shareholders are required to pay an annual service charge (the "Service Charge" and "Development Funding Charge") which is agreed as part of the annual budget in January.

Each Shareholder is required to contribute to Regulatory Capital in accordance with the Regulatory Capital Statement issued annually (and approved in writing by a majority of Shareholders. The approval is obtained at the Annual General Meeting held in July). If the directors decide additional regulatory capital is required, they may notify Shareholders who are then required to advance additional Regulatory Capital.

If the Company requires additional funds or financial support, no Shareholder may seek to agree terms with the Company which differ from any other Shareholder.

The Annual Budget must be submitted for approval to the directors no later than 90 days before the commencement of the Financial Year to which it relates. It must be submitted to the Shareholders not later than 60 days before the commencement of the Financial Year to which it relates. If the Board or majority of Shareholders fail to approve the Budget, then the budget for the preceding Financial Year applies increased by the Consumer Price Index (if this is negative then the Budget for the previous year applies). Subject to prevailing circumstances, the Board may decide that profits are used to reduce the budget or be distributed to shareholders.

The Shareholder Agreement section 6.3 provides that each Annual Budget shall include the following:

- an estimate of the working capital requirements of the Company incorporated within a cashflow forecast
- a projected profit and loss account
- an operating budget (including estimated capital expenditure requirements) and balance sheet forecast
- a review of projected business
- a summary of business objectives: and
- a financial report which includes and analysis of the results of the Company for the previous year compared with the business plan for that financial year, identifying variations in sales, revenues, costs and other material items.

14. SHAREHOLDER COMMITTEE

The Shareholder Committee is consultative and constituted as a Company committee. The intention is that members collectively provide the Board with a 'sounding board' for matters reserved to shareholders for approval. The Committee is also responsible for identifying emerging issues likely to impact on shareholders and the Company. It also considers a report on corporate and financial performance at each meeting. The Committee is responsible for promoting collaborative working

between members and with the London CIV to support the delivery of the London CIV objectives. It is consulted on the Company's corporate governance policies in respect of the Responsible Investment Policy, arrangements in respect of the Stewardship Code, and Reporting and Transparency Framework.

The Committee is comprised of eight elected members, four Treasurers (s151 officers) nominated by the Society of London Treasurers and usually the officers of the SLT) and the Chair of the London CIV Board. There is also a Trade Union Member. The Terms of Reference contain more detailed information about the nomination and appointment procedure and further guidance is available from the London CIV Governance Team.

15. SHAREHOLDER REPRESENTATIVES

Each Shareholder is responsible for formally appointing a Shareholder Representative to act on behalf of that Shareholder at general meetings. The Shareholder Representative is usually the Pension Committee Chair (or equivalent). Each Shareholder is requested to appoint a Deputy or Alternate representative. More detailed information about this formal procedure is available from the London CIV Governance Team. It is for each Shareholder to determine and confirm to the company which individuals are duly authorised to act on behalf of the Shareholder/ Pension Fund on matters outside general meetings, bearing in mind the distinction between corporate and investor matters. It is usually the case that the authorised signatory(ies) in respect of corporate Shareholder matters is (are) the Shareholder Representative and/or s151 officer.

A briefing session on London CIV is available to all shareholder representatives when they are appointed.

16. BOARD AND COMMITTEE MEETINGS

The Shareholder Agreement requires that the Board shall meet at least four times annually. The Board meets four times a year and also holds a Board strategy day. The frequency of Board Committee meetings is decided as part of their Terms of Reference. Additional guidance on the procedures and working practices in respect of the Board and its Committees, including the Shareholder Committee is available from the Governance Team and follows good corporate governance practice meeting the requirements of the FCA code. This includes requirements and expectations in respect of papers, minutes, and the provision of management information and reports to the Board and its Committees, minutes, the circulation of minutes and reports to Shareholders. Some of these requirements are set out in relevant Terms of Reference.

The Board agreed at its March 2020 meeting that the minutes of the Board will be made available to Shareholders once the draft minutes have been approved by the Chair. This is on a confidential to Shareholders basis (meaning that if included in Client Fund Committee papers they should be included in the exempt section of the papers as with all London CIV papers). Where absolutely necessary minutes are redacted before circulation to meet FCA client confidentiality, (personal) data privacy and other recognised confidentiality requirements. However, the presumption is that redaction will not usually be necessary.

The Board has also agreed that the papers (including minutes) of Shareholder Committee meetings should be made available to all Shareholders on a confidential to Shareholders basis as described above. This is set out in the ToR of the Committee.

Additional guidance in respect of access to information, transparency and reporting, including in relation to the FOIA, Data Privacy and Confidentiality is available from the Governance Team.

17. SUMMARY OF THE EXECUTIVE MANAGEMENT RESPONSIBILITIES, AUTHORISATION AND DELEGATIONS FRAMEWORK

The Corporate Governance Framework in respect of the respective responsibilities of Shareholders and the Board and delegations to Committees, including the Executive Committee has been described above. The Responsible Investment Reference Group and Cost Transparency Working Group and not formal governance committees and do not have any decision-making powers. The responsibilities of the senior leadership team are described in their job descriptions. These are the three executive directors, the Director for Governance, the Director of Client Relations and the Director of Compliance & Risk.

In the case of Executive Directors (and Company Secretary) accountabilities and responsibilities are also set out in law and in letters of appointment as directors. The statutory responsibilities of directors are set out in Appendix 2. The most recent companies legislation and guidance has placed an added emphasis on directors obligations to stakeholders although the reporting requirements do not apply to London CIV as it is a small company.

London CIV has 5 individuals with FCA Senior Manager functions. These are SMF1 Chief Executive Mike O'Donnell, SMF3 Executive Director, Mike O'Donnell, Brian Lee and Jason Fletcher, SMF9 Chair of the Board, Lord Kerslake, and SMF16 Compliance Oversight and SMF17 MLRO Stephen Burke.

There are three senior managers who have FCA Prescribed Responsibilities ('PRs'). Each PR should normally be held by only one Senior Manager who is the most senior person responsible for that activity or area, with sufficient authority, knowledge and competence to carry out the responsibility. These arrangements are described in more detail in the Compliance Manual and summarised in the table below.

Ref	Description	Senior Manager
(a)	Performance by LCIV of its obligations under the SM&CR, including implementation and oversight	Mike O'Donnell
(b)	Performance by LCIV of its obligations under the Certification Regime	Mike O'Donnell
(b-1)	Performance by LCIV of its obligations in respect of notifications and training of the Conduct Rules.	Mike O'Donnell
(d)	Responsibility for the LCIV's policies and procedures for countering the risk that LCIV might be used to further financial crime	Stephen Burke
(z)	Responsibility for LCIV's compliance with CASS (if applicable)	N/A

(za)	Authorised Fund Managers-Responsibility for an AFM's assessments of value, independent director representation and acting in investors' best interests. (PR only applies to Authorised Fund Managers).	*Lord Robert Kerslake
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The FCA's Senior Manager and Certification Regime (SM&CR) sets out expected standards of conduct. The first tier standards which apply to all staff are as follows:

1. You must act with integrity
2. You must act with due care, skill and diligence
3. You must be open and cooperative with the FCA, the PRA and other regulators
4. **You must pay due regard to the interests of customers and treat them fairly**
5. You must observe proper standards of market conduct

The second tier which apply to senior managers (SC4 also applies to independent directors) are as follows:

- SC1.** You must take reasonable steps to ensure that the business of LCIV for which you are **responsible** is controlled effectively
- SC2.** You must take reasonable steps to ensure that the business of LCIV for which you are **responsible** complies with the relevant requirements and standards of the regulatory system
- SC3.** You must take reasonable steps to ensure that any **delegation of your responsibilities** is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively
- SC4.** You must **disclose appropriately any information** of which the FCA or PRA would reasonably expect notice

Company policies include the decision-making roles and responsibilities of governance bodies and senior managers and other key staff in respect of key corporate decisions related to London CIV's business. The policy approval framework is described in the following section. A schedule of authorised signatories is maintained by the Governance Team. Further guidance on the execution of documents is available from the Governance Team and further guidance about arrangements for authorising expenditure and payments is available from the Finance Team.

18. SUMMARY OF RELATED TERMS OF REFERENCE, POLICIES AND PROCEDURES

The following are the key Terms of Reference, Policies and Procedures related to this Corporate Governance Handbook. In addition, individual sections of this document refer to topics where more detailed guidance is available from the Governance Team. Please refer to the Governance Team for any guidance or interpretation in respect of governance or corporate or company law matters:

Schedule of Matters Reserved to the Board (ToR)

- Terms of Reference of the Investment Oversight Committee
- Terms of Reference of the Remuneration and Nomination Committee
- Terms of Reference of the Compliance Audit and Risk Committee
- Articles of Association
- Shareholder Agreement
- Risk Management Policy

- Compliance Manual
- Fund Launch Process
- Service Level Agreement
- Policy Register, including approval and review arrangements Responsible Investment Reference Group Terms of Reference (informal group)
- Cost Transparency Working Group ToR (informal group)

A Register of Policies and key manuals is maintained by the Governance Team. This includes the owner and approver for each policy. Most policies are approved by the Executive Committee. A small number are reserved for approval by the Board or IOC or CARCO. Arrangements are in place for minor changes to be approved by the owner of the policy.

When a policy has been approved by the relevant Committee or Board and the Register of Policies updated, all London CIV staff will be emailed by the Governance Team to notify them of this. More information about policy approval and review arrangements and the register is available from the Governance Team.

19. SUMMARY OF ROLES AND RESPONSIBILITIES IN RESPECT OF THIS POLICY

Roles and responsibilities across the policy and the review and approval process for this policy are outlined below:

Director for Governance and Company Secretary: owns the policy and is responsible for ensuring it is updated at least annually and as Company Secretary is responsible to the Chair of the Board and CEO for ensuring that the Company has an effective corporate governance framework. The Director for Governance is supported by the Company Secretariat & Governance Manager. Both individuals are referred to as the ‘Governance Team’.

Chief Executive: has accountability for the policy and is the Executive Director with Prescribed Responsibility

Chair of the London CIV Board: has accountability for the effective governance of the Company as Chair of the Board and has the Prescribed Responsibility of Assessment of Value

London CIV Executive Committee (ExCo): reviews and approves the Corporate Governance Handbook on at least an annual basis

VERSION CONTROL

Version	Date	Author	Key updates or changes made	Approved by	Date
1.0	30/11/2019	Kristina Ingate Chief of Staff and Company Secretary	Initial draft		
2.0	12/10/2020	Kristina Ingate Director for Governance	2 nd edition following 2019/2020 governance	CEO	28/10/2020

		and Company Secretary	progress review, update to shareholder agreement		

APPENDICES

1.1 Appendix 1: SUMMARY STATEMENT OF INVESTMENT BELIEFS

1. Long term investors get better risk adjusted returns
2. We believe taking the right risk for the right return will maximise opportunities
3. 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

1.2 Appendix 2: DIRECTORS COMPANIES ACT DUTIES AND SUMMARY OF FCA REQUIREMENTS

The UK Companies Act requires a Director to display possession of the knowledge, skill and experience that may reasonably be expected of the person carrying out the role. It also codifies the following **Directors duties** into law:

To act within powers

To promote the success of the company for the benefit of its shareholders (see below)

To exercise independent judgement

To exercise reasonable care, skill and diligence

To avoid conflicts of interest

Not to accept benefits from third parties; and

To declare interests in proposed transactions or arrangements

Duty two requires Directors to have regard (amongst other matters) to the likely consequences of any decision in the long term to the interests of employees, the need to foster relationships with customers, suppliers and others; the impact of operations on the community and the environment; the desirability of maintaining high standards of business conduct and the need to act fairly as between shareholders. The government has stated that promoting success means striving for “long term increase in value”.

The conflict of interest provisions require Directors to avoid profiting from their position as a Director on an opportunistic basis apply to exploiting an opportunity, property or information even when the company could not take advantage of it.

Individual conduct rules and standards

All Directors are subject to the FCA Code of Conduct and all staff are subject to the individual conduct rules and standards. More information can be found in London CIV’s Compliance Manual. The individual conduct rules and standards are:

Rule 1. You must act with integrity

Rule 2. You must act with due skill, care and diligence

Rule 3. You must be open and cooperative with the FCA, PRA and other regulators

Rule 4 You must pay due regard to the interests of customers and treat them fairly

Rule 5. You must observe proper standards of market conduct

In addition, those Directors who hold certain specific SM&CR functions are subject to the following additional FCA Conduct Rules:

SC1. You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively

SC2 You must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system

SC3: You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively.

SC4: You must disclose appropriately any information of which the FCA or PRA would reasonable expect notice.

1.3 Appendix 3: SENIOR MANAGER RESPONSIBILITIES

Function	Description of the Function	Responsibility
Governing	SMF1 – Chief Executive	Authority for the conduct of the Company-the most senior member of the executive team.
Governing	SMF3 – Executive Director	A director other than an Independent Director.
Governing Oversight	SMF9 - Chair	Chairing, and overseeing the performance of the governing body. Only approved function held by an Independent Director
Required	SMF16 – Compliance Oversight	Compliance function and reporting to the governing body.
Required	SMF17 – Money Laundering Reporting Officer	Oversees compliance with FCA rules on systems and controls against money laundering.
Other Independent Directors do not need to be approved by FCA, but are subject to our Conduct Rules, fit and proper requirements and regulatory reference rules.		

Appendix 1.4 Glossary of Main Terms

Board	The Board of Directors of London CIV. There are 3 Executive Directors, 2 Non-Executive Directors (NEDs) nominated by Shareholders who are Leaders of London Councils, one Chair of the Board and 5 other NEDs. The NEDs must be independent. They serve for a three-year term which may be renewed and exceptionally (but not usually) might be extended beyond this e.g. to facilitate succession planning although this would normally be avoided.
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CARCO	Compliance Audit and Risk Committee. London CIV has a single Committee of the Board covering compliance, audit and risk although some companies establish separate committees. This approach is proportionate to the size of London CIV.
CEO	Chief Executive Officer
COO	Chief Operating Officer. London CIV's COO is also the Chief Financial Officer
CIO	Chief Investment Officer
Client Fund	The 32 London Local Authorities who are London CIV's clients (who are also shareholders and therefore own the company)
Company Secretary	The Company Secretary is a statutory officer of the Company. All PLCs must have a company secretary and London CIV is required to have a Company Secretary by the Shareholder Agreement. The Director for Governance is the Company Secretary.
Executive Director	A company director who is an executive. The three chief officers are Executive Directors and appointed as directors under the Companies Act. The Shareholder Agreement envisages that London CIV will have three executive directors, the CEO, COO and CIO.
ExCO	Executive Committee of the Board of London CIV. The Committee is made up of the three Executive Directors (voting members) and also attended by other senior managers including the Director Compliance and Risk, Client Relations Director and Director for Governance & Company Secretary.
FCA	Financial Conduct Authority. The regulator for financial services firm established by the Financial Services and Markets Act.
IOC	Investment Oversight Committee of the Board of London CIV which is comprised of NEDs and the CEO of London CIV. It plays a key role on behalf of the board in overseeing the investment strategy of London CIV, key decisions during fund launches and London CIV's responsible investment strategy.
LCIV	Abbreviation for London LGPS CIV Limited
London CIV	Brand name of London LGPS CIV Limited. The brand name included in clause 2 of the Shareholder Agreement.
RemNomCo	Remuneration and Nomination Committee. This governance Committee of the Board includes the Chair of the Shareholder Committee as well as the two Shareholder nominated NEDs to ensure influence and accountability over key remuneration and nomination decisions.
RIRG	Responsible Investment Reference Group. This group plays a key role in London CIV's informal governance and consultation arrangements, in particular providing feedback on the implementation of London CIV's Responsible Investment deliverables and the scope to achieve greater synergies for all client funds.
Shareholder	The 32 London Local Authorities who hold shares in London CIV. Every shareholder holds an "A" voting share and a "B" share which

	contributes capital. The Shareholder Agreement sets out detailed obligations and rights of shareholders including expectations about conduct towards other shareholders to achieve the objectives of the company
Shareholder Agreement	The legal (contractual) agreement between all the London Local Authority Shareholders and with London CIV that governs the conduct of the company, key decisions and how shareholders will co-operate together to ensure that London CIV can deliver the objectives shareholders set in establishing the company. It includes how decisions are taken to approve the annual budget and business plan.