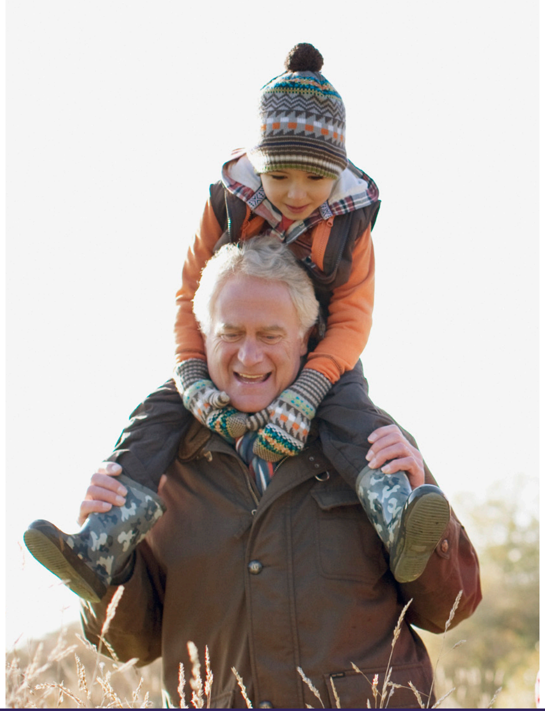


London LGPS CIV Limited
Annual Review 2019-2020

LONDON CIV

Contents

London CIV and Client Funds Key Facts

£7.6bn
AUM ON THE ACS

£9.1bn
IN PASSIVE FUNDS

£36.4bn
OF ASSETS HELD BY CLIENT FUNDS

46%
OF CLIENT FUND ASSETS POOLED

16funds
LAUNCHED SINCE DECEMBER 2015

13
INVESTMENT MANAGERS

£399m
COMMITTED TO THE INFRASTRUCTURE FUND

Inflation Plus Fund
LAUNCHED 11 JUNE 2020

27
STAFF MEMBERS

UNPRI
SIGNATORY

LAPF
POOL MEMBER

SAB Code of Transparency
SIGNATORY

All financial information as at 31 March 2020, unless otherwise stated.

Our purpose, vision and value proposition

PURPOSE:
To be the LGPS pool which can deliver the pooling requirements for our Client Funds

VISION:
To be the best in class asset pool delivering value for our Client Funds through long term sustainable investment strategies

PERFORMANCE

- Deliver improved investment outcomes compared with current LLA performance
- Provide better value for shareholders through a more consistent professional approach at a larger scale than can be achieved by individual LLAs

OPPORTUNITIES

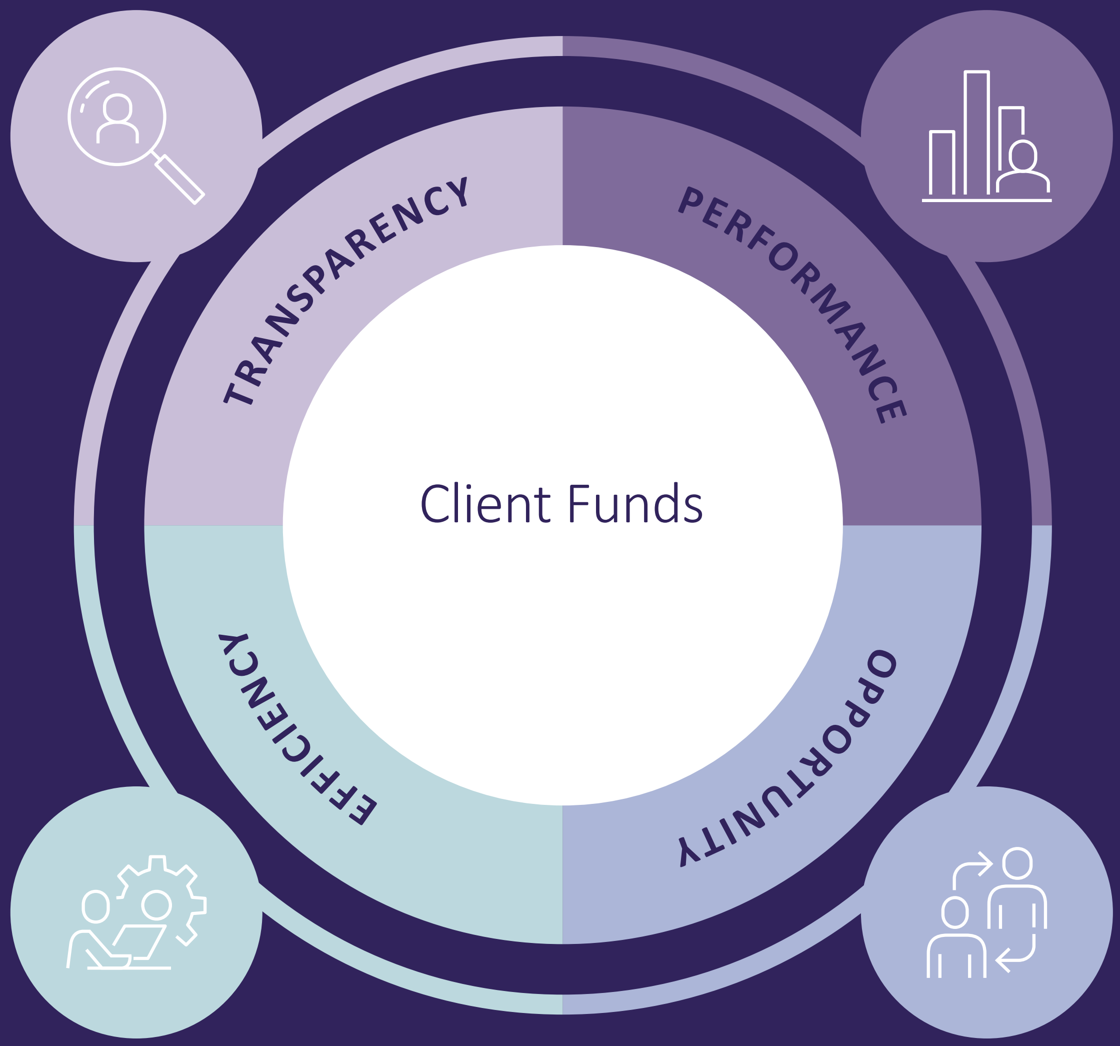
- Provide a broader range of investment opportunities to LLAs than currently accessible (e.g. broader asset class coverage)

EFFICIENCIES

- Deliver cost savings to clients through the collective purchasing power / scale economies gained by pooling

TRANSPARENCIES

- Deliver transparent reporting across investment performance, ESG, risk management and client benefits
- Deliver responsible oversight



London CIV Timeline

2015

FCA AUTHORISATION

LAUNCH OF ACS FUND STRUCTURE

FIRST FUND LAUNCHED

£0.3bn AUM AS AT 31/12/2015

1 FUND

5 STAFF

2016

£0.8bn AUM AS AT 31/03/2016

7 FUNDS

12 STAFF

2017

GOVERNANCE REVIEW

£3.6bn AUM AS AT 31/03/2017

11 FUNDS

12 STAFF

2018

NEW GOVERNANCE FRAMEWORK

- Shareholder Committee
- 2 Shareholder NEDs and Treasurer Observer added to board

MOVE TO LAVINGTON ST

£6.2bn AUM AS AT 31/03/2018

14 FUNDS

18 STAFF

2019

ESG REVIEW

- 6 Point action plan and new vision statement

LAUNCH OF EUUT STRUCTURE

£8.2bn AUM AS AT 31/03/2019

14 FUNDS

25 STAFF

2020

CHANGE OF BUSINESS PURPOSE

GOVERNANCE PROGRESS REVIEW

RESPONSIBLE INVESTMENT REFERENCE GROUP

COST TRANSPARENCY WORKING GROUP

£7.6bn AUM AS AT 31/03/2020

£8.7bn AUM AS AT 31/05/2020**

14 FUNDS

27 STAFF*

* Staff numbers include interim staff.
**The increase in AUM at 31 May reflects the recovery in financial markets following the impact of COVID-19 on AUM in the first quarter of 2020.

Chair's Foreward Lord Kerslake

"A key priority for 2019/20 has been to make responsible investment and ESG integrated into how London CIV operates."

This year has seen London CIV make progress in several areas, despite a rapidly changing external operating environment, but we remain ambitious to achieve further change in a number of key areas in order to achieve our aspirations as a pooling company for London.

The year has seen us plan against the backdrop of Brexit and COVID-19 with all that has meant for the financial markets, our regulatory and corporate environment and working context. Our Client Funds have been reviewing their strategic asset allocations and specific investment decisions in the light of triennial valuations.

One of our biggest challenges is to work more collaboratively as a collective venture of 32 stakeholders and pooling company, agreeing on priorities and expectations, and working to achieve an excellent client experience with the products and services Client Funds expect. Client Funds' appetite for pooling, and their asset allocation objectives vary across a wide spectrum. We need to move at pace to deliver our collective goal of 75% of assets pooled by 2023. This in turn requires Client Funds to work together with the company to identify realistic strategic priorities and deliver them for the benefit of the whole pool. I am pleased to report that shortly after the end of the financial year we reached the goal of unanimous approval to the change in definition of London CIV's business purpose which will give us flexibility to provide a wider range of products and services more effectively to meet Client Funds requirements.

A key priority for 2019/20 has been to make responsible investment and ESG integrated into how London CIV operates. That is reflected in our revised vision statement to be the best in class asset pool delivering value for Londoners through long term sustainable investment strategies. Following the Autumn 2019 ESG "stocktake" review we have begun to implement a six-part action plan which covers: products, stewardship (including voting), culture, improved reporting, carbon foot-printing and people.

There is more to be done during 2020/21 to get to the place where ESG and Responsible Investment is fully integrated into how London CIV works, and we are also heavily engaged on developing a product offer which meets Client Funds requirements.

The 2019/20 progress review of the governance framework implemented in 2018 highlighted the importance of a visibly high engagement business model whilst recognising the responsibility of London CIV for manager selection. The focus for change has therefore been Client Fund engagement in fund manager appointments and fund manager oversight. We have also established a Responsible Investment Reference Group and a Cost Transparency Working Group ("CTWG"). We expect the CTWG to support us in our work on cost transparency and savings and the review of the funding model. The governance progress review confirmed that, with some minor changes and enhancement of opportunities for informal engagement (and ongoing development of our government practice in line with good governance expectations,) the formal corporate governance arrangements are appropriate. We will of course review whether any enhancements are needed when revised MHCLG guidance is issued.

In this first Annual Review we have included a gender pay analysis, the details of which are contained on page 29. We believe strongly in the principle of gender equality, including pay and opportunity, and will report to shareholders on the progress the Company is making on this important matter in future reports where we will also include reporting on ethnicity and other diversity characteristics.

Lastly, I was pleased to welcome Mike O'Donnell, with his experience of financial leadership in London boroughs, as our Chief Executive at the beginning of the year. He has a strong team working for him that has been further strengthened by a number of recent recruits. I want to thank all members of the London CIV team for their contribution during the year.

LORD KERSLAKE

Business Review

CEO's Overview Mike O'Donnell

"2020 – a year of consolidation and transition."

I joined London CIV in March 2019 and am pleased to be able to report that we have made substantial progress in achieving some long-standing goals as well as the goals we set for the year.

However, we are not complacent and there is still a significant amount of work to do to deliver a more effective collaboration with Client Funds and the open and transparent client engagement we aspire to. Only then can we achieve our purpose which is to be the LGPS pool for London to enable our Client Funds to achieve their pooling requirements.

At the September 2019 shareholder ESG and strategy event we described 2019/20 as a year of consolidation and transition, and that has been the case, despite the turbulence in the external operating context with which we have had to contend. Most notably we have undertaken an ESG stocktake review, resulting in a 6-point action plan; launched 2 funds with others in progress; and undertaken a governance progress review.

Funds

The LCIV Infrastructure Fund has committed Funds of £399m and 6 investors at first close on 31 October 2019 and we expect further interest in the future. The LCIV Sustainable Equity Exclusion Fund launched on 11 March 2020 with £200m. We also obtained approval for the LCIV Global Equity Core Fund which is open for investment. In June we launched the LCIV Inflation Plus Fund with commitments of £107m.

We were unable to launch the LCIV Private Debt Fund last year because our investment manager partner decided not to proceed with the fund due its uneconomic size at launch and this meant we were also unable to launch the planned LCIV Liquid Loans Fund. We are currently reviewing options for a similar product offering.

Throughout the year we have been working to put a robust fund launch process in place. The governance progress review feedback emphasised the importance of more engagement at mandate design stage and working with seed investors.

We have introduced the use of mandate design and seed investor groups in developing the LCIV renewables fund and will do so for other new funds. We expect that this will assist in increasing the number of committed investors at fund launch which is essential for Client Funds to get real benefit from pooling and deliver on London CIV's value proposition.

AUM and strategic asset allocation trends and funding model review

During the year we revised our view of a realistic AUM forecast following the MHCLG survey in September 2019 with a target of 75% by 2023 as agreed by the Board and Shareholders in the 2020/21 budget and MTFS. We are now working to review our detailed asset pooling plan, informed by updated client strategic asset allocations following triennial allocations.

There has been a significant shift towards investment in passive funds which has impacted on our funding model and priorities in respect of the fund launch development programme. We anticipate that the recent turbulent market conditions may lead Client Funds to review their plans again. Establishing priorities and expectations in the next few months will be critical to ensuring that London CIV can deliver what clients need and is successful and sustainable financially. We have already committed to review our funding model during the year and will use the Cost Transparency Working Group (CTWG) to assist us in this work.

London CIV aims to provide cost savings to Client Funds through collective purchasing power. We will ensure that the operating costs involved in running a regulated pooling company are managed in a cost effective way. London CIVs operating model makes use of third-party fund managers to manage funds that reflect the investment objectives of our Client Funds

Savings made by individual members depend on the scale of the investments they have made and the length of time invested. Following the 2019 governance progress review we have re-defined the scope of the Cost Transparency Working Group (CTWG) and appointed a s151 officer (Treasurer) as Chair to involve Client Funds more closely in our cost transparency work. The CTWG will also be involved in our planned cost benchmarking review and the review of our funding model.

CEO's Overview continued

Responsible investment

The ESG stocktake review is fundamental to the consolidation and transition work we have been undertaking. All of London CIV's clients have either declared a climate emergency or made carbon reduction commitments. Responsible Investment and Stewardship in the broadest sense is a key issue for London as a capital city and for all our stakeholders. This emphasis is reflected in the update to our vision statement which now reads ***to be the best in class asset pool delivering value for Londoners through long term sustainable investment strategies***.

Our value proposition includes providing a broad range of investment opportunities for Client Funds. We have developed a product range which includes equities, multi asset, fixed income, and real assets with our commitment to sustainable investment in mind.

We are now giving added emphasis to developing our sustainable product range having launched the LCIV Sustainable Equity Fund in April 2018. We launched the LCIV Sustainable Equity Exclusion Fund in March 2020 and are now working on a Renewables Fund to complement our existing LCIV Infrastructure Fund which includes sustainable investment opportunities.

We are also collaborating with the London Pensions Partnership (LPP) and London Pension Fund Authority to develop a London Fund which will be a double bottom line impact fund providing investment opportunities in the Greater London area as well as providing good investment returns by deploying capital in areas such as local housing and infrastructure with a positive social and environmental impact.

There is still more to do in 2020/21 and beyond to fully integrate Responsible Investment and Stewardship into all our activities and implement the 6-point action plan in the 2019 report. You can read more in the Responsible Investment section.

Governance review

We undertook a progress review of our governance framework, described in more detail in the governance section , in the autumn of 2019. The overall response was that the existing formal framework is satisfactory, subject to some minor changes and more (informal) opportunities for all shareholders to contribute their views.

The emphasis for improvement has been on Client Fund engagement in fund mandate design and fund manager oversight, including improved transparency and communication. We also received feedback that there is scope for better communication about risk management, ESG reporting and manager performance.

In response we began, at the turn of the financial year, to put in place fund mandate design and seed investor groups, a monthly Business Update meeting open to all Client Funds and "meet the manager" events for those invested in particular funds. We are also establishing a Responsible Investment Reference Group and the CTWG as previously described.

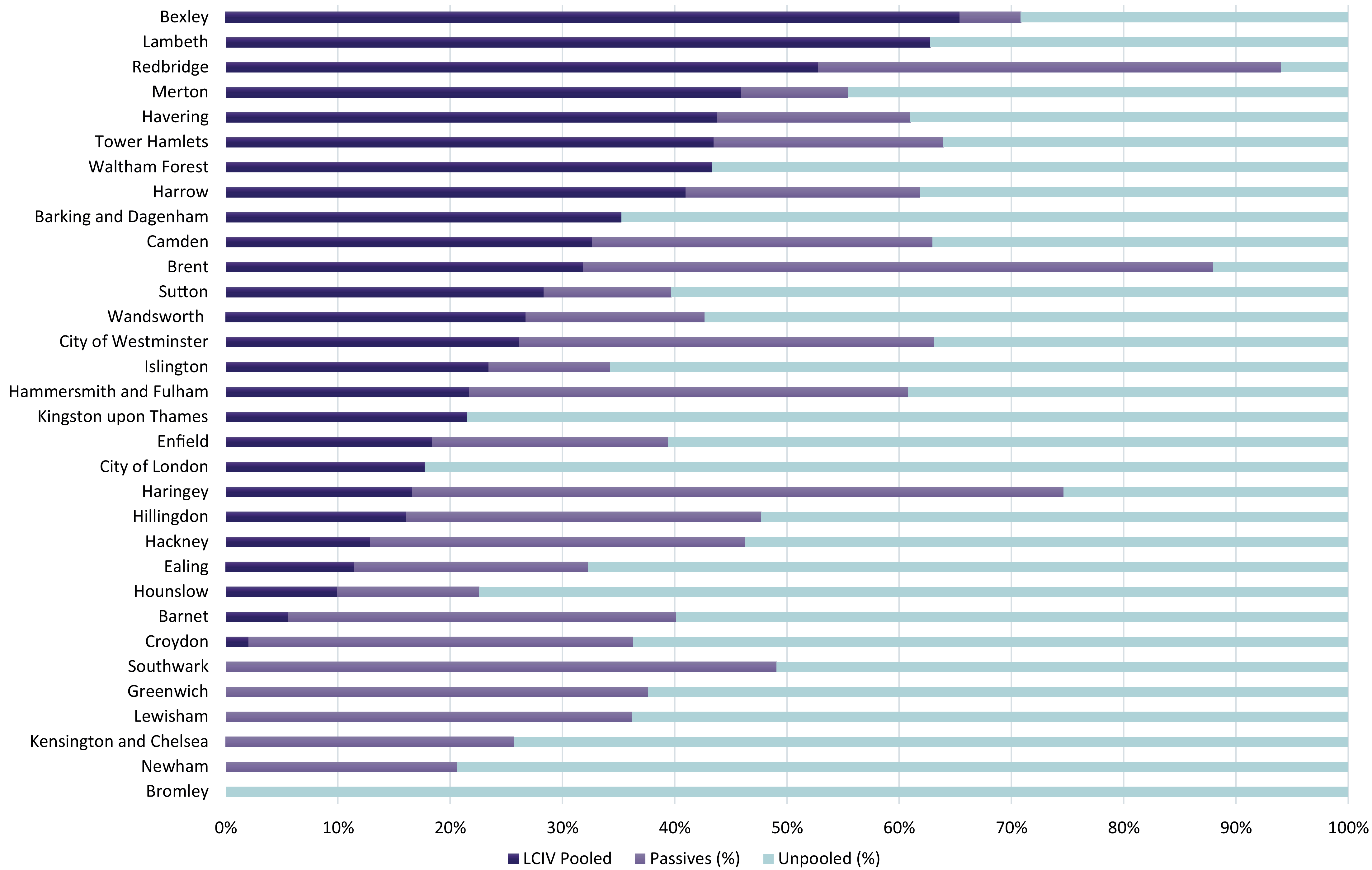
We are also working to improve our partnership with other key stakeholders including investment managers, investment advisors to Client Fund members and communication with representatives of beneficiaries including trade union representatives.

People

During the year we undertook a review of our Remuneration Policy to ensure that we can attract and retain the staff we need. We have also enhanced our learning and development programme. After consultation with shareholders we also agreed to close the Company's defined benefit pension scheme to new staff. Shortly after the year-end we finally achieved the signature by all shareholders on the pension guarantee agreements. This means that the Admission Agreement with the City of London has now been signed and the scheme closed to new entrants on 1 June 2020.

A talented team is key to delivering London CIV's objectives and in addition to the permanent team we have been pleased to have had the support of interims and consultants in a number of areas, including at a senior level first Mike Pratten and then Kevin Corrigan in the role of Interim Chief Investment Officer (CIO) and Stephen Burke in compliance and risk. In April 2020 Stephen Burke joined us on a permanent basis as Director Compliance and Risk. At the end of the year we appointed Jason Fletcher as permanent CIO starting in July 2020 and Jacqueline Jackson as Head of Responsible Investment, starting in June 2020. We also appointed Cameron McMullen to take over from Kevin Cullen as Client Relations Director on his retirement starting in April 2020.

Assets invested by our Client Funds with London CIV or invested by our Client Funds in passive funds managed by third parties at as 31 March 2020



London CIV's core objectives and outcomes for 2019-2020

Work in partnership with our shareholders to achieve company's purpose and vision

Objective	Outcome in year
• Shareholder support of MTFS and change in business purpose	• 2019 and 2020 MTFS approved by General Meeting including updated vision statement • Approval to change in definition of business purpose achieved shortly after year end • Governance progress review identifies areas of focus to achieve higher levels of engagement

Generate value through pooling LLA pension assets in line with the value proposition

Objective	Outcome in year
• Increase gross / net savings year on year • £21.1bn AUM (£11.1bn in LCIV funds and £10bn in passives)	• Net savings increased • AUM at 31 March 2020 on ACS £7.6bn, EUUT commitments £399m

Provide product portfolio and pooling structures which enable LLAs to meet their investment needs and pooling requirements

Objective	Outcome in year
• Deliver fund launch plan • Expand pooling structures • 32 LLA pooling plans obtained and incorporated into LCIV 2020 MTFS	• Original fund launch plan not achieved but robust launch process in place and launch plans being reprioritised to meet LLA priorities identified in updated SAA following triennial reviews. Launch process has been modified to provide better Client Fund engagement. • The agreement to extend the business purpose has now been agreed by all 32 shareholders • Responsible Investment "stocktake" review identifies 6-point action plan

Establish a transparent and trust-based relationship with pool members and work jointly to deliver LLA pooling plans

Objective	Outcome in year
• Service Level Agreement (SLA) agreed with 32 LLAs • Quarterly meetings held with 32 clients • Improved client satisfaction survey results	• SLA in place as working document • Quarterly meeting programme in place • Feedback in governance review and topic specific feedback used in lieu of client satisfaction survey

Maintain effective financial controls; ensure financial stability securing the company's capital base to meet regulatory capital requirements and ability to offer a broad range of products and pooling structures

Objective	Outcome in year
• Sufficient Regulatory Capital	• Sufficient regulatory capital at year end based on signed recharge agreements received

Maintain a robust governance framework and a regulatory compliant and risk-controlled operating environment ensuring adherence to current and new regulation, laws and standards

Objective	Outcome in year
• No material regulatory, audit or depositary findings	• The London CIV audit was completed with no audit recommendations or findings and the annual review by the Depositary was positive

Establish and maintain a cost-effective operating model ensuring data integrity, scalable systems and cost efficiencies

Objective	Outcome in year
• Deliver on budget	• Delivered on cost budget

Build a client and shareholder focused, collaborative work environment supported by a remuneration policy which attracts, retains and develops talented individuals

Objective	Outcome in year
• 32 Staff by March 2020	• 27 staff at March 2020 • Permanent CIO and Head of Responsible Investment appointed to take up roles by July 2020 • Remuneration Policy review, including pension scheme completed and updated policy agreed Oct 2019

London CIV's Operating Model

London CIV is authorised and regulated by the FCA and is owned by 32 shareholders, comprising the London Local Authorities including the Corporation of London.

It was established as a collective venture in 2015 to provide a more effective vehicle for managing the pooled pension fund assets of the London Local Authorities. The pool members and their pension fund beneficiaries are London CIV's key stakeholders and London CIV's purpose statement underlines the importance of adding value to London as a whole.

32 CLIENT FUNDS WHO ARE SHAREHOLDERS AND INVESTORS

↓

LONDON LGPS CIV LTD

Pooling company creating value

dedicated client service
–
investment expertise and market insight
–
strong client relationships and stakeholder insights
–
solution provider with transparent processes
–
negotiation through scale delivering cost savings and wider range of client solutions
–
committed to sustainable investment

REGULATORY OVERSIGHT

FCA
–
Northern Trust Depositary
–
External Auditor

OUTSOURCED INVESTMENT MANAGEMENT AND FUND ADMINISTRATION

Fund Launch Process

A disciplined, transparent, and efficient fund launch process is a key component in delivering our purpose to pool Client Fund's pension assets. This fund launch process sets out the governance framework for fund launches including the fund launch stages, roles and responsibilities, approval points, required approval documentation, and client engagement at each stage for the London CIV fund launch process. The governance framework has been established to ensure London CIV is launching funds which meet Client Funds needs within a disciplined and risk-controlled manner.

Client demand engagement includes the newly established principle of a Seed Investor Group for each fund launch which aims to ensure that:

- London CIV provides transparency to the process and works closely with Client Funds to define and agree the investment mandate and Client Funds support the launch of the fund;
- Our Client Funds understand where London CIV is in the launch process for each fund and is able to align timelines with Client Fund Committee dates and decision processes and policies.

CLIENT DEMAND	MANDATE DEVELOPMENT	FUND STRUCTURE/ OPERATIONAL VIABILITY	INVESTMENT MANAGER SELECTION	FUND PREPARATION	FCA PROCESS AND LAUNCH
Assess LLA strategic asset allocation, LLA pooling plans, needs and timing. Identify and prioritise potential mandates for development	Agree potential mandate with LLAs and identify demand and pre-conditions for commitments	Assess and establish most effective structure for proposed mandate and confirm operational viability	Complete investment manager selection include investment and operational due diligence	Work with NT Administration to complete operational preparation for fund	Complete fund documentation including approval from NT Administration and Depositary. File FCA submission and complete final set-up after FCA approval

London CIV's Fund Range and Assets under Management as at 31 March 2020

LONDON CIV

Authorised Contractual Scheme (ACS) pooling structure
Total £7.6bn

GLOBAL EQUITIES

FUND	LCIV Global Alpha Growth Fund	LCIV Global Equity Fund	LCIV Global Equity Focus Fund	LCIV Equity Income Fund	LCIV Emerging Market Equity Fund	LCIV Sustainable Equity Fund	LCIV Sustainable Equity Exclusion Fund
AUM	£2,415m	£584m	£678m	£210m	£302m	£382m	£210m
LAUNCH DATE	11/04/16	22/05/17	17/07/17	08/11/17	11/01/18	18/04/18	11/03/20
MANAGER	Baillie Gifford	Newton	Longview	Epoch	JPMorgan	RBC	RBC

MULTI ASSET

FUND	LCIV Global Total Return Fund	LCIV Diversified Growth Fund	LCIV Absolute Return Fund	LCIV Real Return Fund
AUM	£309m	£589m	£862m	£113m
LAUNCH DATE	17/06/16	15/02/16	21/06/16	16/12/16
MANAGER	Pyrford	Baillie Gifford	Ruffer	Newton

FIXED INCOME

FUND	LCIV MAC Fund	LCIV Global Bond Fund
AUM	£713m	£276m
LAUNCH DATE	31/05/18	30/11/18
MANAGER	CQS	PIMCO

Exempt Unauthorised Unit Trust (EUUT)
Total £506m*

ILLIQUID ASSETS

FUND	LCIV Infrastructure Fund	LCIV Inflation Plus Fund
AUM	£399m*	£107m**
LAUNCH DATE	31/10/19	11/06/20
MANAGER	Stepstone	Aviva

* Denotes investment commitments.
** The Inflation Plus Fund was launched on the 11th June when it had its first close for commitments.

London CIV’s Principal Risks and Mitigations

London CIV takes enterprise risk management seriously, recognising the importance of understanding and mitigating risks to the business and maximising business opportunities, setting and monitoring risk appetite and implementing the systems and controls required to manage them.

London CIV’s principles for risk management are as follows:

- The Board sets the Company’s risk appetite and approves the risk tolerance levels on an annual basis to guide business activities and to shape the controls framework
- The risk appetite must be taken into consideration in establishing the annual business plan and be integrated with the operational control culture of the organisation.
- The Board delegates the oversight of the Risk Management Framework (ensuring it is an integral part of the Company’s strategy, business planning and decision making) to the Compliance, Audit and Risk Committee (‘CARCO’) and the executive directors that are responsible for implementing the framework.
- The Company is required to notify the FCA of any material changes to the Risk Management Policy and of the arrangements, processes and techniques.
- Each fund must have an appropriate Alternative Investment Fund Managers Directive (AIFMD) risk profile and monitoring plan approved prior to the launch of the fund covering market, credit, counterparty, liquidity, leverage and operational risks combined with regular updates on the current level of risk and foreseeable or actual breaches of any risk limits.
- All employees are responsible for risk management and must conduct their business activities in a risk-controlled manner and report risk events (including near misses), issues, compliance breaches and potential complaints.

Risk Management Framework (RMF)

BUSINESS STRATEGY

BUSINESS STRATEGY RISK APPETITE (Defined by the Board)

RISK IDENTIFICATION (AGREED BY CARCO)

1. Strategic
2. Operational risk: firmwide operations including outsourcing & IT
3. Operational risk: legal and compliance
4. Investment risk
5. People
6. Financial strength and balance sheet

CORE RISK MANAGEMENT PROCESS	GOVERNANCE		ICAAP*
Risk Event Management	STANDARD REPORTING TO MANAGEMENT	ROLES AND RESPONSIBILITIES	Scenario Development
ISSUES & ACTIONS	EXCO	Business	Stress Testing
RCSA	CARCO	Risk & Compliance	Reverse Stress Testing
Risk Register including Policies	IOC	CARCO & Internal Review	Capital Calculation
Risk Profile Monitoring	Quarterly Risk Group		
KRIs			

CULTURE

> **“Culture is the foundation on which a risk away business is created.”**
>
> **Eric Mackay, Chair of CARCO**

Principal Risks and Mitigations continued

- The Company's allocation of resources to the identification, measurement, management and monitoring of risks shall be commensurate to the nature, scale, and complexity of the Company and the Fund's it manages.
- The Company's Risk Management Framework (RMF) is reviewed by CARCO to ensure it remains proportionate and effective.

The RMF establishes the three core pillars of the risk management structure set out in a three lines of defence model ("Roles and Responsibilities"), key risk management tools and processes ("Core Risk Management Process") and reporting requirements and governance ("Standard Reporting to Management"). The RMF is embedded in the Company's overall business strategy, operational policies and practises and is summarised as follows.

First line	Second line	Third line
Risk and control ownership	**Oversight, support and challenge**	**Assurance**
Specific accountabilities include:		
• Business strategy • Risk appetite defined by the Board • Risk identification • Owning and managing risk • Defining, operating and testing controls • Implementing and maintaining regulatory compliance • Reporting to Management • Identifying future threats and risks	• Providing expert regulatory advice on business initiatives • Advising the Board on setting risk appetite and risk framework • Reporting aggregate enterprise risks to the Board • Conducting independent and risk-based assurance • Interpreting material regulatory change • Overseeing the policy framework • Identifying future threats and risks	• Depositary Annual Due Diligence • Annual audits of the financial statements of the Funds and of London CIV • CARCO oversees work of Compliance and Risk.

London CIV Risk Appetite Statement

London CIV acknowledges the inherent risks in growing the business, selecting and overseeing portfolio managers, establishing effective pooling structures and delivering accurate reporting to clients and has established an appropriate control framework.

London CIV has no appetite for any activity (including manager selection, third party outsourcing arrangements, client communication and engagement, operational processes or procedures) which would impact the financial stability of the company and its ability to achieve its purpose and strategic objectives.

Definition	Risk Appetite Commentary
Strategic	
Failure to deliver the business strategy due to poor execution, decision making, governance, or a failure to deliver due to poor investor engagement, inadequate offering or external dynamics.	The Company acknowledges that the ability to deliver pooling of assets will depend on both the Company's efforts as well as the LLAs decisions. The Company has a low appetite for the lack of a clear strategy, effective business model and appropriate governance. The Company also has a low appetite for failing to deliver its value proposition to investors which includes fee reductions, expected savings and engaging with investors in a transparent manner.
Investment Risk	
Failure to conduct effective investment risk oversight (including counterparty, credit, liquidity, market risk), or failure to deliver on investment objectives	Whilst the Company has outsourced investment management to external delegated managers, the Company has a low appetite for failing to deliver on the investment objectives of the LCIV Funds or effective oversight of delegated managers. The Company also has a low appetite for poor manager selection or poor commercial agreements
Operational Risk - Legal and Compliance	
The risk that the Company does not comply with the applicable regulatory framework or does not adhere to applicable laws.	The Company has a low appetite for legal, compliance and operational risk and will assign all necessary resources to ensure the Company adheres to the spirit and letter of the laws and regulations that apply to us.
Operational Risk - Firmwide Operations, Outsourcing and IT	
The risk of loss as a result of inadequate internal processes, poor internal controls, poor contingency plans and poor operational oversight (internal and 3rd party)	The Company acknowledges and accepts that the rapid expansion of the fund portfolio and services introduces a heightened level of operational risk. The Company has a low risk appetite for operational risk across its critical operating processes including manager selection and oversight, fund launches, subscriptions/redemptions, and Fund Accounting oversight. Internal processes to control and mitigate risk are designed and operated accordingly.
People	
The ability to attract and retain top talent and the ability to maintain appropriate employment practices alongside a suitable remuneration framework	The Company acknowledges and accepts that rapidly expanding resources to ensure delivery of the strategic objectives introduces a heightened level of operational risk. The Company, however, has a low appetite for an organisational culture or conduct of resources which would impact either the financial, regulatory standing or reputation of the Company.
Financial Strength and Balance Sheet	
The risk that the Company does not have sufficient regulatory capital reserves or does not achieve sufficient income to remain a going concern	The Company has no appetite towards not fulfilling its regulatory capital requirements, and no appetite for not achieving budget approval and low appetite to go over-budget, in order to continue building the business.

Investment Review
Kevin Corrigan

“Core to our investment processes is our responsible investment and ESG focus.”

Our aim is to provide the best and most cost-effective solutions tailored to the needs of our London LGPS Client Funds. Whether through new fund launches or monitoring our existing investment managers, we understand the need to protect the interests of our investors and provide appropriate investment oversight. We have maintained our focus on putting in place the relevant policies and governance arrangements to exercise our responsibilities but also to elevate our dialogue with clients, external managers and their consultants.

The team has been involved in a number of new initiatives covering infrastructure, sustainable equities and real assets. Our Client Funds continue to seek better diversifiers and more sustainable strategies both in public and private markets and we are committed to building resources to meet these demands. In particular we recognise the need address climate change and our obligations as stewards of other people’s money.

Investment Principles

We have an established set of principles that underpin the way we invest. Our fiduciary duties as well as our commitment to responsible investing and sound risk management are enshrined in these statements.

Our investment principles are:

- Clear objectives, appropriate decision-making and robust governance are necessary enablers for superior investment returns.
- Proactive engagement with investment managers and companies to encourage responsible investment will enable more responsible investment outcomes.
- Markets can be inefficient creating opportunities to deliver higher risk adjusted returns, net of fees.
- Ensuring all risks, including ESG and climate change risks, are adequately compensated improves risk adjusted returns
- Fund structuring and implementation costs matter to ensure flexibility and to minimise expense.
- Diversification is key to minimizing unrewarded risks.
- Clearly articulated and consistent reporting of our investment goals and performance measures will ensure accountability.

London CIV’s ESG Processes

Authorised and implemented responsible investment policy, approved by all shareholders

Signed up to the UNPRI code of practice and encourage underlying managers to do the same

Ensure that each individual manager adheres to our responsible investment policy and has a suitable one of their own

Ensure that all potential managers have strong ESG credentials and proof of adherence

Investment Review continued

Responsible Investment and Stewardship

One of our core endeavours this year has been to respond to the needs of our Client Funds in environmental, social and governance matters. We have embarked on a number of initiatives including product development, reporting and carbon foot-printing, resources and training and governance.

The investment team, the executive and the Board all recognise the importance of developing these workstreams and we continue to prioritise this as we move into next year.

The Company has been an asset owner signatory to the UN Principles for Responsible Investment (UNPRI) since May 2018. This significant step demonstrates our commitment to the responsible investment of pension savings on behalf of pool members. During 2019/2020 we commissioned an in-depth review of our approach to Responsible Investment (RI) and ESG from Dawn Turner, an Independent Advisor formerly CEO of Brunel Pension Partnership. The review report included a 6-point plan aimed at ensuring we create long term sustainable value for clients, beneficiaries and stakeholders and integrate RI across all London CIV's activities. A particular concern has been to recognise the importance of offering investment strategies which address climate change. We have established a steering group championed by the CEO, and including the Chief Investment Officer (CIO), Client Relations Director (CRD) and an Independent Advisor.

Our vision statement now makes clear our responsible investment approach which is ***to be the best in class asset pool delivering value for Londoners through long term sustainable investment strategies***.

Our Strategic objectives for 2020/21 include establishing a leadership position in respect of Responsible Investment and ESG, including a product range which meets pool members requirements, engagement and voting. This will also include a review of our Responsible Investment Policy document and Stewardship Statement which will be undertaken by the incoming Head of Responsible Investment and permanent CIO by July 2020. We endorse and support the new stewardship Code 2020 and will be reporting, by March 2021, on how London CIV integrates stewardship throughout the company, third party providers and client services and improved outcomes across the 12 new principles.

We are excited by the challenges ahead and we recognise there is much work to do. I am delighted that we have new high calibre colleagues joining us and I hope that we can continue to build on the work done to date.

Key changes to our Responsible Investment and Stewardship governance and organisational framework in 2019/20 include

- Agreement to establish a Responsible Investment Reference Group which will provide a focused forum for client assurance and engagement, collaboration and drive for best practice to ensure that London CIV is effective is serving the best interests of beneficiaries
- Appointment of a Non-Executive Director (NED) champion, Chris Bilsland
- Changes to our Investment Oversight Committee (IOC) Terms of Reference to include Responsible Investment (The Shareholder Committee ToR already explicitly refer to Responsible Investment policy)
- Recruitment of a Head of Responsible Investment who starts in mid-June 2020

Other activities which will take forward the 6-point plan include:

- Developing a product offering which transparently meets our clients Responsible Investment requirements. Already in place are two sustainable equity fund options, one adopting an engagement approach to stewardship and the other an exclusion approach. We are now consulting pool members on a Renewables only Infrastructure Fund to add to our existing Infrastructure Fund which naturally includes renewables opportunities alongside of other infrastructure investments.
- Development of a Responsible Investment training programme for all staff which can be made available to interested pool members
- Developing communication about our Responsible Investment activity through our client portal and web site, including improved reporting
- Development of our existing voting and engagement activity beyond voting based on LAPFF guidance to a more proactive and outcome focused approach

Further development of our manager selection policies and procedures to enable transparency and assurance of integration of Responsible Investment policy and ESG financial risk management and considerations to long term financial sustainability and performance.

Programme of activity for 2020

- Ongoing review of the implementation of the Responsible Investment/ESG plan 6- point plan
- Pooling plan in respect of Responsible Investment products
- Implementation of the Stewardship Code
- Actions required of pool members to ensure the 2020 priorities and expectations are delivered within available resources
- Opportunities for London CIV and pool members to partner in achieving their shared ambition in respect of Responsible Investment including collaborative engagement obligations under the Stewardship Code and climate change

Reporting and Communication to Pool members

A report on the work of the RIRG will be provided at least annually to the Shareholder Committee as part of the annual review of London CIV's Responsible Investment and Stewardship programme and policy.

Updates on the work of the RIRG will be provided to all pool members via Collective Voice, the Client Portal and London CIV update.

KEVIN CORRIGAN
INTERIM CIO

Investment Review continued

Two examples of responsible investment made by London CIV through its Infrastructure Fund are shown below.

CASE STUDY

Gwynt Y Mor

Gwynt y Mor Offshore Wind ("Gwynt y Mor") is a 576-megawatt offshore wind farm located off the coast of North Wales and is the fifth largest operating offshore wind farm in the world.

Operational since 2015, Gwynt y Mor is comprised of 160 Siemens 3.6MW wind turbines spread across 80 square kilometres and provides enough clean electricity to power approximately 430,000 UK homes each year. The project has significant green impact, with the carbon dioxide equivalent avoided equivalent to taking 234,680 cars off the road.

Gwynt y Mor is a high-quality asset with a strong operational track record, experienced operational partners, and clear growth opportunities. Additionally, a combination of the UK's Renewables Obligation regime and certain steps taken to minimise power price exposure provide good visibility into future cashflows that include an element of income stability and long-term positive real yield. (Source Macquarie)

CASE STUDY

Stoke on Trent Clinical Waste Plant

The Stoke Clinical Waste Plant is a construct and operate project with a 16,000 tonne per annum clinical waste facility in Stoke on Trent, Staffordshire which is expected to be fully operational by Q3 2021.

The current two and-a-half acre site is being re-developed as a state-of-the-art facility to safely and effectively treat clinical and other hazardous waste streams, and to generate electricity that will be put into the local grid. It will use both SCR (Selective Catalytic Reduction) and SNCR (Selective Non-Catalytic Reduction) to filter emissions before being discharged to the air, making it one of the lowest emitting sites in the UK. (Source Equitix)

Clinical waste management is an essential health service which seeks to safely remove waste produced from healthcare such as swabs, bandages, dressings, needles. These are hazardous materials that may pose a risk of infection.

The project offers the National Health Service and other institutions, which have been thwarted by poor clinical waste services and an ageing fleet of incinerators, new infrastructure as well as professional collection and disposal services.

The facility will generate revenues under a long term contract with a reputable aggregator in the UK waste market who will source waste from various clients, including NHS trusts.

Financial Review

Brian Lee

“Financial control and fee savings are the cornerstones to delivering discernible benefits to our Client Funds.”

I am pleased to introduce the Financial Review for London CIV for the year to March 2020. This section of the Annual Review summarises the financial performance of the Company. A full set of statutory financial statements are included from pages 31 to 44.

Each year the Company agrees an Annual Budget which is approved by the Board and its Shareholders in the January prior to the next financial year which begins in April. This formal process for agreeing the annual budget is set out in the Shareholder Agreement and once agreed the Executive team at London CIV report to the Board and the Shareholder Committee on a quarterly basis to report on progress against the approved budget.

When the Annual Budget for the year 2020/21 was approved by the Board and Shareholders in January 2020, it was agreed that a funding model review would take place during the course of the current financial year. The funding model review will consider options as to how the Company could be funded in the future given the current operating framework with regards to asset pooling and the resources required by the Company to operate as a standalone FCA regulated business.

Working with the Cost Transparency Working Group, which is covered in more detail later in this review, and the Board, the funding model review will be progressed over the coming months including engagement with key stakeholders to gather views as to potential future funding options. This work will provide input into the annual budget cycle for the next financial year 2021/22.

Income statement

The operating loss for the year is £380k and is less than the budgeted loss in the Annual Budget for the year approved by the Board and Shareholders. Income is lower than the budget due to the lower levels of assets under management and expenses have been managed to remain within budget.

	Actual March 2019 £k	Actual March 2020 £k	Budget March 2020 £k
Turnover	5,074	5,364	5,792
Expenses	(4,756)	(5,744)	(6,269)
Operating Profit/(Loss)	318	(380)	(477)

Income

The income for the year comprises fixed income elements relating to the service charge and the development funding charge (‘DFC’) and ad valorem fees, relating to management fees of the Authorised Contractual Scheme and the Exempt Unauthorised Unit Trusts and passive assets fees. Income for the year was £5.3m of which £2.9m relates to the fixed fees.

Income	Actual March 2019 £’000s	Actual March 2020 £’000s	Budget March 2020 £’000s
Service charge	800	800	800
Development Funding charge ('DFC')	2,080	2,080	2,080
Passive Assets fees	470	506	500
Management Fees	1,724	1,978	2,412
Total	**5,074**	**5,364**	**5,792**

Operating Expenses

The operating expenses of the Company fall into four main categories namely, staff costs, facilities, professional fees, technology and data costs and a smaller cost category comprising miscellaneous expenses

Expenses	Actual March 2019 £k	Actual March 2020 £k	Annual Plan March 2020 £k
Staff costs	2,695	3,815	3,869
Facilities	460	666	702
Professional	1,200	637	724
Technology and Data	357	571	924
Miscellaneous	44	55	50
Total Operating Expenses	4,756	5,744	6,269

Full time staffing levels have been lower than budget and the Company has resourced the shortfall through the use of contractors which are included in the staffing number table below. The table below shows the additional human resources employed by the Company since March 2018 and the approved rise in staffing levels is reflected in the increase in staff costs from £2.7m in year ending March 2019 to £3.8m in year ending March 2020.

	Actual March 2018	Actual March 2019	Actual March 2020	Budget March 2020
Staff numbers (including contractors)	15	25	27	29

The increase in facilities expenditure between the financial years ending March 2018 and March 2020 reflects the full year impact of the Company relocating to new premises in November 2018.

Assets Under Management

The Company launched its first sub fund on the Authorised Contractual Scheme ('ACS') in December 2015, since when it has launched a further 12 sub funds on the ACS and one fund as an Exempt Unauthorised Unit Trust ('EUUT'). The Company also closed two funds to subscriptions during the year due to lack of investor demand. These two sub funds are in the process of being liquidated and were managed by Allianz and Majedie respectively. These two closed sub funds are not reflected in the total of 14 funds on the ACS and EUUT at March 2020.

The management fee rates that the Company receives from the sub funds on the ACS range from 0.5bp on the Global Bond Fund, 1bp for the MAC fund and 2.5bps which applies to the rest of the sub funds.

The table below shows how the Assets Under Management ('AUM') have increased since 2015. The fall in AUM for the year ending March 2020 was due to the market volatility caused by COVID-19 in the first quarter of 2020. The Company saw its AUM fall from £8.6bn to £7.6bn in March 2020 but had recovered to £8.5bn by the 20th May 2020.

	March 2016 £bn	March 2017 £bn	March 2018 £bn	March 2019 £bn	March 2020 £bn
AUM on the ACS and EUUT	0.8	3.6	6.2	8.2	7.6
Funds	2	7	11	14	14

The Company launched two funds on the EUUT one in October 2019 which was the LCIV Infrastructure Fund which received commitments totalling £399m from six Client Funds and in June 2020 the Inflation Plus Fund with commitments of £107m from two Client Funds. The EUUT was chosen as the pooling structure as the exempt unit trust format is more suited to less liquid asset classes such as infrastructure and real estate. The Company receives a management fee of 5 bps based on invested assets in the Infrastructure Fund.

In addition to the income items noted above, the Company also receives a fee in respect of passive investments managed by Legal and General Investment Management and Blackrock. This fee arrangement goes back to 2016/17 when it was agreed by the Pensions Sectoral Joint Committee ('PSJC') and the Board that the Company should receive a fee of 0.5bp in respect of fee negotiations the Company conducted on behalf of Client Funds. The Company does not provide any regulated service in connection with the passive investments.

The value of passive investments in respect of which the Company receives a fee is shown in the table below.

	March 2016 £bn	March 2017 £bn	March 2018 £bn	March 2019 £bn	March 2020 £bn
Passive investments	0	7	8.4	9.7	9.1

Regulatory Capital

The Company is an Alternative Investment Fund Manager ('AIFM') and subject to the Alternative Investment Fund Managers Directive 2011/61/EU ('AIFMD'), which is defined as an entity that provides portfolio management and risk management services for an Alternative Investment Fund ('AIF') or a number of AIFs.

The Company is classified as a Collective Portfolio Management Firm ('CPM'). This is the definition used by the FCA for a UK AIFM which does not have ancillary permissions to manage investments. Currently the Company is approved by the FCA to manage authorised funds (such as the ACS) and unauthorised funds (such as the EUUT).

Following a decision that was finally completed by the Company's shareholders in June 2020, the Company will be making an application to the FCA to widen the scope of its permissions to offer a broader range of pooling activities and services.

In respect of the regulatory capital that the FCA requires of a CPM firm, at the end of the year ending in March 2020, the Company had a regulatory capital requirement of £1.6m and a surplus of £3.6m. The capital adequacy calculation is based on the higher of the calculations based on assets under management or annual expenditure.

	March 2019 £'000s	March 2020 £'000s
Regulatory capital requirement	1,705	1,595
Regulatory capital surplus	3,192	3,596

Financial Review continued

Pension Scheme

Following a period of lengthy consultation with the Company's shareholders and other stakeholders, the Company has agreed to close its defined benefit scheme to new entrants with effect from the 1st June 2020. The Company continues to offer pension provision for eligible staff through defined contribution arrangements. As part of the agreement to close the defined benefit scheme to new entrants, the shareholders of the Company have agreed to provide a guarantee to the City of London Corporation Pension Fund. The guarantee would be called in the event that the Company was unable to meet its obligations to the Fund in respect of its defined benefit pension scheme liabilities relating to the Company's employees.

Going Concern

The coronavirus disease (COVID-19) pandemic has, and will likely continue to, impact the global economy, resulting in continuing volatility in the global financial markets. The duration and impact are uncertain. If the pandemic is prolonged or the actions of governments both in the UK and overseas and central banks are unsuccessful, the adverse economic and financial impact on the global economy could deepen. If this were to occur, the assets managed on behalf of our investors and financial condition of the Company could be adversely affected further.

Since the emergence of the pandemic the Company has initiated home working for all staff and is following UK Government advice on how to operate safely in the current environment with the health and welfare of staff, investors and business outsource partners remaining paramount. The Company also monitors guidance from its regulator, the FCA to ensure that the Company is following recommended practice.

The Company continues to monitor the impact of the pandemic on its business including its key outsource business partners such as investment managers and administrators. In respect of the Company's financial condition, the Company has prepared and continues to update its financial stress tests to ensure that the Company is able to meet its financial obligations over the foreseeable future with as much reasonable certainty as it possible in the circumstances.

The major business risks associated with the uncertain market and economic conditions continue to be actively monitored and managed by the Company. These risks include retaining sufficient capital and liquidity to withstand market and operating environment pressures. In particular, the Company's regulatory capital and liquidity is deemed sufficient to exceed regulatory capital requirements under both a normal and in a stressed market environment

The Directors have assessed the going concern status of the Company in the light of normal operating conditions and further impacts of COVID-19. In doing so the Directors have reviewed the financial results for the year ended 31 March 2020, and financial forecasts for the next 12 months including income and expenses, capital expenditure, regulatory capital and the cashflow requirements of the business. The Directors are of the opinion that the Company has sufficient financial resources to meet its ongoing obligations as they fall due over the next 12 months from date of signing the financial statements and will continue to monitor the situation in respect of COVID-19.

Cost Transparency

The Company has been working with its Client Funds over the last year to provide cost reporting that complies with the reporting requirements of the Scheme Advisory Board ('SAB') and the Local Government Association as part of the Cost Transparency Initiative ('CTI'). In June 2020, the Company provided its Client Funds with the CTI reports.

In addition to the CTI reports that have been provided to Client Funds, the Company has established a Cost Transparency Working Group chaired by John Turnbull, the treasurer of the London Borough of Waltham Forest. The role of the Working Group (CTWG) is to ensure that there is full transparency and understanding between London CIV and its investors about the calculation of cost savings and benefits that London CIV is delivering as the pool company of London Local Authorities. In addition, the Working Group will work with all stakeholders to ensure that the Cost Transparency Initiative is understood and with the review of the funding model.

It should be understood that the Working Group is independent of London CIV, acting in an advisory capacity only as it cannot override the fiduciary obligations of London CIV.

Key priorities for the Cost Transparency Working Group

- to agree the cost/benefit framework and analysis of what the Company is delivering for Client Funds both now and on an ongoing basis;
- The CTWG will assist Client Funds in addressing some of the reporting requirements on transition costs and cost transparency
- to establish a clear business case for pooling and track the costs and benefits on an ongoing basis including those LLAs with assets outside the Pool.
- The CTWG will be involved in the funding model review in 2020 as set out in the MTFS

Assessment of Value

The Company has conducted an assessment of value for each sub fund on the ACS that it manages as at 31 December 2019. The assessment considers whether the payments out of scheme property set out in the prospectus are justified in the context of the overall value delivered to unitholders. The considerations include:

- The range and quality of services provided to unitholders;
- Performance;
- Costs;
- Savings and benefits from economies of scale;
- Comparable market rates; and
- The quality of service it or its delegates provide.

The full report on the assessment of value can be found on the Company's client portal.

BRIAN LEE
CHIEF OPERATING OFFICER

Corporate Governance

“An effective governance framework is key to London CIV’s operation, long term success and sustainability.”

Governance Framework

Stakeholders and the 2019 Governance Progress Review

An effective governance framework is key to London CIV's operation, long term success and sustainability and to our legal and regulatory requirements. The Board has invested time and effort in collaboration with shareholders, in a review of the governance framework put in place in 2018. The key message from the 2019/20 governance progress review was that whilst in general, formal arrangements were working satisfactorily, the business model needed to be characterised by visibly higher levels of Client Fund engagement. London CIV is therefore implementing enhancements to the governance framework, in particular in respect of arrangements for Client Fund engagement in fund decision-making and Client Fund oversight. As part of our ongoing work on Board and Committee effectiveness, we will work to make the Shareholder Committee as effective as possible and improve the opportunities for engagement with those not on the Committee and the flow of information between the Committee and other shareholders.

Changes include the creation of a Responsible Investment Reference Group and a Cost Transparency Working Group (CTWG) together with enhanced arrangements for the involvement of Client Funds in the development of LCIV funds including mandate seed investor groups. There is now a monthly "Meet the Manager" event to improve fund manager oversight involvement and a regular London CIV update.

We are amending the Shareholder Committee Terms of Reference (ToR) so that the Trade Union Observer, who provides insight on the stakeholder interests of beneficiaries, is a voting member.

We will also put in place a Disputes and Deadlock procedure.

We aim to ensure these, and other informal events, provide all shareholders with the opportunity to inform the development of our statement of strategic priorities, expectations and objectives which are reviewed by the Shareholder Committee and formally approved by all shareholders at the January General Meeting.

London CIV committee structure

FORMAL GOVERNANCE

SHAREHOLDER GENERAL MEETING AND SHAREHOLDER AGREEMENT

Two meetings annually

- Exercise Shareholder powers
- AGM plus budget meeting
- Hold Board to account

SHAREHOLDER COMMITTEE

Quarterly Meetings

- Consultation on strategy and business plan (MTFS)
- Financial and corporate performance
- Matters reserved to shareholders
- Responsible Investment, Reporting & Transparency
- Emerging issues, shareholder priorities

LONDON CIV BOARD

- REMUNERATION & NOMINATION COMMITTEE
- INVESTMENT OVERSIGHT COMMITTEE (IOC)
- COMPLIANCE AUDIT & RISK COMMITTEE (CARCO)

INFORMAL POOL MEMBER ENGAGEMENT GROUPS

- FUND LAUNCH GOVERNANCE AND ENGAGEMENT FRAMEWORK
- RESPONSIBLE INVESTMENT REFERENCE GROUP
- COST TRANSPARENCY WORKING GROUP (CTWG)

Governance Framework continued

London CIV Governance Framework

Major decisions, including approval of the budget, strategic objectives and business plan are reserved to shareholders in General Meeting as set out in a Shareholder Agreement.

Certain decisions require approval from all (or a majority of) shareholders. There are 2 meetings each year of all shareholders and quarterly meetings of a Shareholder Committee representative of shareholders. The Committee considers all reserved matters, emerging issues and corporate and financial performance. In addition, there are two shareholder nominated directors who are Leaders of London Local Authorities and a Treasurer Observer (s151 officer) on the Board.

The overall strategic direction, management and general policy of London CIV is vested in the Board, which is responsible for major decisions unless reserved to shareholders. The Executive Directors, led by the Chief Executive, are responsible for the day-to-day management of the company and there is an Executive Committee which is attended by other senior managers in the firm. The Board Committees are an Investment Oversight Committee (IOC); a Compliance, Audit, and Risk Committee (CARCO); and a Remuneration and Nomination Committee (RemNomCo) which includes the Chair of the Shareholder Committee amongst its membership. The Shareholder Committee is a consultative committee to the Board.

SHAREHOLDER COMMITTEE

Consultation on strategy and business plan (MTFS) financial and corporate performance matters reserved to shareholders Responsible Investment, Reporting & Transparency Emerging issues, shareholder priorities.

LONDON CIV COMPANY BOARD

Matters reserved to the Board (subject to matters reserved to shareholders) include:

- Strategy and oversight of management of the company
- Budget setting and forward plan
- Reviews performance
- Major contracts and significant decisions including in relation to funds
- Financial reporting and controls

INVESTMENT OVERSIGHT COMMITTEE (IOC)

Oversees the investment activity of London CIV in line with the Company's strategy and business plan, including responsible investment

COMPLIANCE/AUDIT/RISK COMMITTEE (CARCO)

- Oversee compliance obligations
- Risk management framework
- Integrity of financial statements and reporting

REMUNERATION AND NOMINATION COMMITTEE (REMNOMCO)

- Remuneration policy
- Remuneration of key staff
- Nominations and succession planning for key staff and the Board

EXECUTIVE COMMITTEE (EXCO)

- The CEO is responsible, together with other executive directors, for the day-to-day operations of the company, supported by the wider executive leadership team
- The executive directors acting collectively as ExCo have a number of specific delegated responsibilities. The role of ExCo in summary is to:
  - Execute the board-approved strategic objectives and business plan in line with risk appetite and financial limits (and developing this for approval)
  - Develop and implement effective solutions to address issues and opportunities facing the company
  - Ensure the day-to-day operations meet relevant legal requirements and compliance obligations of the company
  - Keep corporate and financial performance under review and ensure the Board and Board Committees receive reports such that they can fulfil their responsibilities

London CIV Board and Committees

Chaired by Lord Kerslake

Key issues discussed by the Board during the year were:

- Corporate performance, including Assets Under Management (AUM), the investment pipeline, performance against MTFS objectives, client feedback and communication
- Financial performance, including regulatory capital requirements and related issues such as the Pension Guarantee and Recharge agreements
- Medium Term Financial Strategy (MTFS), annual budget, business plan and objectives
- Governance progress review
- Regular update on governance and shareholder matters
- Responsible Investment
- Transparency and Reporting Framework
- Strategic priorities and "Big Questions"
- Strategic challenges and risks
- Remuneration and appointment matters
- Year-end financial report

During the year the Board undertook a review of its collective effectiveness identifying desirable changes to improve its working practice and assist directors in developing their knowledge and skills, including in respect of the regulatory environment.

As part of the Board Effectiveness review, the Board also identified a number of key issues for discussion as part of the forward programme and in setting the strategy for London CIV, specifically: whether the Company is delivering client stakeholder needs and improving feedback from Client Funds collectively

- whether business proposals are aligned with the strategy
- risks to delivering the strategy and to specific proposals
- ensuring that London CIV's culture is such that it delivers good outcomes
- improving understanding of how strategic and operational decisions impact on shareholder clients
- a commitment to give more attention to how environmental and social issues might impact the business.

Board Membership

All directors must meet FCA fitness to serve requirements and are specifically approved by the FCA where required by the SM&CR regime. The Executive directors and Chair of the Board hold designated Senior Manager Functions (SMF) under the FCA's Senior Management & Certification Regime (SM&CR).

Two Non-Executive Directors, Cllr Stephen Alambritis (LB of Merton) and Cllr Ravi Govindia (LB of Wandsworth) are nominated by Shareholders and Ian Williams is the Treasurer Observer.

Key changes to membership of the Board that took place during (or just before the start and at the end of) the year were:

- Mike O'Donnell joined London CIV as CEO on 4 March 2019.
- Michael Pratten was appointed as interim Chief Investment Officer (CIO) from 7 May 2019 and as a member of the Board from 15 May 2019 resigning on 2 September 2019. Kevin Corrigan was appointed as interim CIO in November 2019 and joined the Board on 11 February 2020.
- Lord Kerslake was re-appointed by the Board, on the recommendation of RemNomCo, to serve as Chair of the London CIV Board, for a further term of two years from September 2019.
- Carolan Dobson resigned from the Board effective her last day of service being 31 March 2020.
- Linda Selman and Paul Niven come to the end of their three-year term of office in September 2020 and are eligible to serve for a further three-year term.
- The Board has commenced a search with the aim of making two new non-executive director appointments.

London CIV Board and Committees continued

Shareholder Committee

Chaired by Cllr Yvonne Johnson
(LB Ealing Pension Fund Panel)

The committee is consulted on:

London CIV's strategy, budget and business plan (MTFS); financial and corporate performance; all matters reserved to shareholders; emerging issues and shareholder priorities; Responsible Investment, and Reporting & Transparency. This role means that the Shareholder Committee plays an important role in identifying emerging issues and realistic solutions which will ensure that London CIV can deliver pooling to meet the needs of London. It has a key role in reviewing the budget and other matters reserved to shareholders before the Board makes a recommendation to all shareholders.

Key issues discussed by the Committee in the last year were:

- Corporate and financial performance
- Strategic priorities
- Medium Term Financial Strategy (MTFS), annual budget, business plan and objectives prior to decision by the January 2020 General Meeting of all Shareholders
- Responsible Investment review report and implementation plan
- Governance Progress Review Report, also discussed by all shareholders at the January 2020 General Meeting
- Governance and shareholders' matters
- Transparency and Reporting governance framework, focusing on non-financial information

The role of our shareholders

SHAREHOLDER ROLE

- London CIV's shareholders are the Client Funds
- Shareholders have rights set out in company law (Companies Act 2006)
- London CIV Shareholder rights are set out in the Articles of Association and Shareholder Agreement

SHAREHOLDER GENERAL MEETINGS

- 32 Members
- Meeting every six months (AGM and one other)
- Approves annual budget, business plan and objectives
- Approves membership of the Shareholder Committee
- Attended by all Shareholder Representatives

SHAREHOLDER AGREEMENT

- Sets out requirement for all shareholders to appoint a named "shareholder representative" (usually the Pension Committee Chair or equivalent)
- Reserves certain decisions to all or a majority of shareholders in general meeting or in writing

SHAREHOLDER COMMITTEE ROLE

- Corporate and financial performance review
- Consulted on any matters reserved for shareholder approval including Annual Budget, business plan and objectives
- Identifies emerging issues for the Board and Executive to consider
- Consulted on Responsible Investment and Transparency and Reporting Policy

London CIV Board and Committees continued

Compliance, Audit and Risk Committee (CARCO)

Chaired by Eric Mackay

The committee is responsible for:

overseeing compliance obligations; for the integrity of financial statements and reporting, auditor engagement; and for the risk and control framework.

The key issues considered by CARCO this year include:

- The ongoing compliance monitoring programme
- FCA regulatory requirements in particular the implementation of the SM&CR regime, review of liquidity arrangements and confirmation that the firm is able to manage the Brexit transition
- Work to enhance the risk and control framework to meet the changes in the internal and external operating environment of the firm, in particular the increasing number of funds and complexity of funds and the changes in the organisational structure and operational model as the firm grows. This includes the relationship with the Depositary.
- The statutory report and financial statements for London CIV and for the ACS (which contains reports on the Funds) and for each EUUT.
- The report of the external auditor including going concern requirements
- Business resilience, including the impact of COVID19 on the operation of the business and the response made by the firm.

Investment Oversight Committee (IOC)

Chaired by Chris Bilsland

The committee is responsible for:

overseeing the investment activity of London CIV in line with the Company's strategy and business plan. This includes the appointment of investment managers as part of the fund launch process (subject to approval by the Board), and fund performance including the performance of investment managers.

The IOC's Terms of Reference (ToR) were reviewed recently and updated to include an annual review of the Company's Investment Principles, Responsible Investment Policy and policy on the Stewardship code, considering environmental, social and governance (ESG) matters, particularly climate change. The Responsible Investment Policy and Stewardship Policy are reserved to the Board for approval and subject to consultation with the Shareholder Committee.

The key issues considered by IOC this year include:

- Fund launches.
- Appointment of new managers
- Fund closure
- Responsible Investment
- Fund performance and the performance of fund managers

Remuneration and Nomination Committee (RemNomCo)

Chaired by Eric Mackay

The committee is responsible for:

remuneration policy; remuneration of key staff; nomination matters (appointments) and succession planning for key staff and the Board.

London CIV's Remuneration Policy, including all options for the Pension Scheme, has been a major focus for the Committee during the year and has also taken up significant management time. The Remuneration Policy review demonstrated that it was necessary to have more flexibility in London CIV's ability to make market related pay adjustments where appropriate. The updated policy agreed in October 2019 makes that possible. The October 2019 decision to close the LGPS pension scheme to new entrants was put into effect on 1 June 2020 once signed Pension Guarantee Agreements had been received from all shareholders, which allowed the outstanding Admission Agreement with the City of London to be signed. A reduced pension scheme funding rate now applies as a result of putting the guarantee agreement in place. A defined contribution pension scheme will now be offered to all staff joining the company as part of the Remuneration Package.

More details about remuneration policy and pay are given in the pay disclosure section.

Other matters discussed by the Committee were:

- Annual pay award
- Appointment of senior staff including the Chief Investment Officer (permanent and interim appointments)
- Appointment of Non-executive directors

London CIV Board and Committees continued

LORD KERSLAKE
CHAIR

Lord Kerslake is Chair of London CIV, Chair of Peabody (the housing association), Chair of the Centre for Public Scrutiny (CfPS), President of the Local Government Association and Chair of Be First.

A former Head of the Civil Service, Lord Kerslake led the Department for Communities and Local Government (DCLG) from November 2010 and prior to this was the first Chief Executive of the Homes and Communities Agency. The current Ministry for Homes, Communities and Local Government (MHCLG) oversees the statutory framework for pension asset pooling within which London CIV operates.

Before joining the Civil Service Lord Kerslake served in local government in London and Sheffield. He was made a life peer in 2015.

MIKE O'DONNELL
CHIEF EXECUTIVE OFFICER

Mike O'Donnell is the Chief Executive Officer of the London CIV which he joined in March 2019. Mike has over 15 years' experience as a local government finance and corporate services director, having spent 13 years at the London Borough of Camden and, more latterly, undertaking interim executive director roles at Birmingham City Council and the London Borough of Newham.

Mike is a former President of the Society of London Treasurers and a former Chair of the London Finance Advisory Committee. He is also a former NED and Chair of the Audit and Risk Committee of the London Pension Fund Authority.

BRIAN LEE
CHIEF OPERATING OFFICER

Brian Lee is the Chief Operating Officer of London CIV as well as the Compliance Officer. Brian is a Chartered Accountant and has been responsible for the management and operation of substantial investment management and fiduciary services businesses including the asset management division of a major bank, a FTSE 250 wealth manager, and a NYSE listed hedge fund and private equity manager.

Brian has deep experience in the set up and operation of investment management businesses and has been responsible for the operation and compliance of collective investment schemes under FSMA 2000 since 2005.

CLLR STEPHEN ALAMBRITIS
NON-EXECUTIVE DIRECTOR

Cllr Stephen Alambritis was first elected as the Leader of the Council at the London Borough of Merton in 2010 and re-elected again in 2014 and in 2018.

He is also a former Board member at the London Pensions Fund Authority (until 30 September 2018) and also a former member of the Committee of the Regions representing London Local Government in Brussels.

Cllr Alambritis was for many years the voice of small firms as Head of Public Affairs at the Federation of Small Businesses from 1988 until 2010. He was a member of the Better Regulation Task Force at the Cabinet Office and was a Commissioner at the Equality and Human Rights Commission as well as a former Fellow of the Chartered Institute of Public Relations.

CHRIS BILSLAND
NON-EXECUTIVE DIRECTOR

Chris is a non-executive director for London CIV and chairs the Investment Oversight Committee. His experience with the LGPS dates back to 1991 when as the Somerset County Treasurer he was responsible for the Somerset Fund. He previously served as the Chamberlain of London where he was responsible for the finances of an organisation with turnover in excess of £500m p.a. and property and investment assets of over £4bn.

Chris has worked in both the public and private sector. He has been an advisor to the LGPS Scheme Advisory Board, was President of CIPFA from 2011/2012 and received the OBE in 2014 for his services to local government finance. In 2016, Chris was granted an Honorary Fellowship for his services to music and drama.

KEVIN CORRIGAN
INTERIM CIO

Kevin leads the Investment team, helping colleagues deliver investment solutions for all our boroughs. He is a member of the LCIV Investment Oversight Committee and has worked in investment management for over 25 years. He serves on the board of the CCLA charity funds and the University of Reading Investment Committee.

CLLR RAVI GOVINDIA
NON-EXECUTIVE DIRECTOR

Cllr Ravi Govindia has led Wandsworth Council since 2011. He has specialised in the fields of regeneration, housing, finance and planning.

He is co-chair of the Nine Elms Vauxhall Partnership and played a key role in securing the Northern Line extension to Nine Elms, unlocking London's biggest regeneration programme.

Under his leadership, Wandsworth has delivered record housing, the second lowest council tax and pioneered a range of innovative homeownership schemes. In 2017 he was awarded a CBE for services to local government.

ERIC MACKAY
NON-EXECUTIVE DIRECTOR

Eric Mackay has over 20 years' experience in investment management, where he has held a number of senior roles in authorised firms. Eric spent fourteen years at F&C Asset Management where he was Chief Risk Officer and in 2013 joined TT International. At TT Eric is the Chief Operating Officer.

Eric has extensive experience providing oversight and bringing appropriate independent challenge within an investment firm managing over £100bn of assets. He also has a range of other relevant experience, including responsibility for the risk management framework, legal, compliance and operational functions.

PAUL NIVEN
NON-EXECUTIVE DIRECTOR

Paul is Head of Multi-Asset Investment at BMO Global Asset Management, which manages in excess of £180bn. He has over twenty years of investment experience and is Fund Manager of the FTSE 250 listed F&C Investment Trust, one of the largest Investment Trusts in the UK.

Paul has invested across a wide range of traditional and alternative asset classes and has experience across a number of relevant areas including manager and product selection, strategic and tactical asset allocation as well as risk and portfolio management.

LINDA SELMAN
NON-EXECUTIVE DIRECTOR

After almost 40 years in financial services, Linda retired in 2016. She is an actuary who has spent almost her entire career in a wide range of investment roles, including managing fixed income and derivative portfolios for a mutual life company where she was ultimately Group Investment Manager.

After a period as a client director for a fund management company she spent the later stages of her career as an investment consultant providing advice to pension funds in both the private and public sectors, including London boroughs. She contributed to the research on the establishment of investment pools for the LGPS.

IAN WILLIAMS
TREASURER OBSERVER

Ian is the London Borough of Hackney's statutory Chief Finance Officer. His directorate includes Customer Services, Revenues – Council tax and Business rate collection, Housing Benefits and Needs, ICT, Strategic Property, Procurement, & Contracts, Audit and anti-fraud investigation. He is also the lead officer for the £500m development of the Britannia Site to include Leisure and Education provision alongside 480 residential properties.

Ian is an active member of the Society of London Treasurers and a member of the London Finance Advisory Committee.

Pay and People

London CIV's remuneration policy seeks to attract, recruit, retain and motivate staff of the calibre necessary to achieve the Company's corporate objectives and long term strategic goals.

During the year London CIV undertook a review of its remuneration policy including a comparison with market rates and all options for the pension scheme. One outcome was to introduce more flexibility to respond to market rates, including to retain staff. The second was a decision to close the LGPS to new entrants as reported by the Remuneration and Nomination Committee on page 27.

London CIV is a small company with 23 employed staff, well under the 250 staff threshold for statutory reporting on gender pay ratios and some other pay reporting. However Executive Management and the Board, in particular the Remuneration and Nomination Committee, are concerned to use this reporting information as a tool to keep the company's culture and working practices under review and also to respond to stakeholder expectations about transparency of information.

The NED fees paid are in line with public sector rather than private sector financial services NED fees. No increase in fees has been made since 2015. A fee review is scheduled to take place in 2020. A fee of £3,500 pa is also paid to the Shareholder Committee Chair.

Remuneration is defined in the following table as the fee or salary received in the year.

Statutory Director pay/fees 2019/20

Name	Role	Remuneration
Lord Kerslake (Chair)	Chair	£30,000
Chris Bilsland	NED IOC Chair	£15,000
Eric Mackay	NED CARCO and RemNomCo Chair	£15,000
Paul Niven	NED	£15,000
Carolan Dobson	NED	£15,000
Linda Selman	NED	£15,000
Cllr Stephen Alambritis	NED	£15,000
Cllr Ravi Govindia	NED	£15,000
Mike O'Donnell	CEO	£240,000
Brian Lee	COO	£161,750
Kevin Corrigan		Note 1
Mike Pratten		Note 1

Note 1: The Interim CIO directors were paid by a third party employment agency with whom they Company contracted.

CEO Pay and Pay Ratios

Mike O'Donnell received a salary of £240,000 in the year. The hourly pay ratio between the CEO and the lowest paid employee is 9:1.

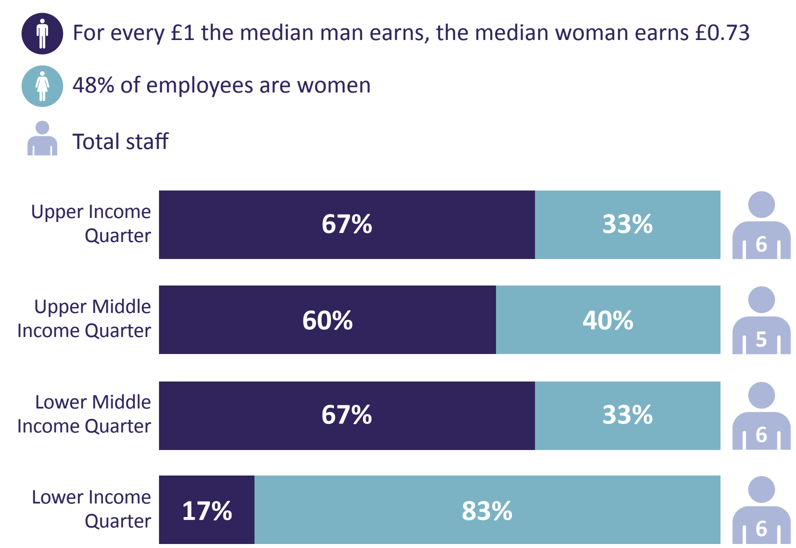
Gender pay ratio analysis

London CIVs gender pay report is based on the 23 staff employed as at 31 March 2020 and does not include interims and consultants. Based on such a small cohort, one individual can significantly impact the gender pay ratios so that caution is required in interpreting the data.

The analysis is based on hourly earnings by gender and indicates that for every £1 the median man earns, the median woman earns £0.73 across a workforce of 23 staff, 48% of which are female.

The key challenge for London CIV is to make sure that the organisational culture and working arrangements attract, motivate and retain a diverse workforce, providing as many development and progression opportunities as possible within the constraints of a very small and specialist team.

London LGPS CIV Limited Hourly Earnings by Gender



Gender pay gap shown is based on median hourly earnings by gender

London CIV Report and Financial Statements

This section is the audited statutory Report and Financial Statements for London LGPS CIV Limited approved by the Board of London CIV on 18 June 2020.

London LGPS CIV Limited

Annual Report and Financial Statements for the year Ended 31 March 2020

Company registration number: 09136445

Authorised and regulated by the Financial Conduct Authority No. 710618

Directors' Report
for the year ended 31 March 2020

The directors present their annual report and the audited financial statements of London LGPS CIV Limited (the "Company") for the year ended 31 March 2020.

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

C N Bilsland
Lord R W Kerslake
B M Lee
E G Mackay
C Dobson (resigned 31 March 2020)
L M Selman
P G Niven
Cllr S S Alambritis
Cllr R P Govindia
M F O'Donnell
M Pratten (appointed 15 May 2019, resigned 2 September 2019)
K F Corrigan (appointed 11 February 2020)

Board Attendance

The list below shows the attendance at board meetings by board directors during the year. There were 7 formal Board meetings held during the course of the financial year ending 31 March 2020.

Director	Meetings
Lord Robert Kerslake (Chair)	7/7
Christopher Bilsland	7/7
Carolan Dobson	5/7
Eric Mackay	5/7
Paul Niven	6/7
Linda Selman	4/7
Brian Lee	7/7
Cllr Stephen Alambritis	6/7
Cllr Ravindra Govindia	3/7
Michael O'Donnell	7/7
Michael Pratten	2/2
Kevin Corrigan	1/1

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 Section 1A, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Pension scheme

The Company participates, as an Admitted Body, in the City of London Corporation Pension Fund (the 'Fund') which operates a defined benefit pension scheme. The funding of the scheme by the Company is determined by the actuary to the Fund. The Company is obliged to account for its participation in the Fund under FRS 102 which is a different basis of calculation compared to the actuarial funding rate. As at 31 March 2020, the actuary has reported an FRS 102 pension deficit of £1,243,000 (2019: £1,635,000). The Company also continues to arrange for agreements to be put in place with its shareholders so that future pension contributions by the Company to the Fund are separately reimbursed by its shareholders. These agreements enable a reimbursement asset on the Company's Balance Sheet. As at 31 March 2020, allowing only for the fair value of those recharge agreements confirmed by individual shareholders to that date, this reimbursement asset was £1,206,795 (2019: £954,079). After the Balance Sheet date, further agreements were received from shareholders which would be included in the financial statements for year ending 31 March 2021. If these agreements had been received before 31 March 2020, the pension reimbursement asset would have increased by an additional £104,939.

Following a period of lengthy consultation with the Company's shareholders and other stakeholders, the Company has agreed to close its defined benefit scheme to new entrants with effect from the 1st June 2020. The Company continues to offer pension provision for eligible staff through defined contribution arrangements. As part of the agreement to close the defined benefit scheme to new entrants, the shareholders of the Company have agreed to provide a guarantee to the City of London Corporation Pension Fund. The guarantee would be called in the event that the Company was unable to meet its obligations to the Fund in respect of its defined benefit pension scheme liabilities relating to the Company's employees.

Emergence of COVID-19

The coronavirus disease (COVID-19) pandemic has, and will likely continue to, impact the global economy, resulting in continuing volatility in the global financial markets. The duration and impact are uncertain. If the pandemic is prolonged or the actions of governments both in the UK and overseas and central banks are unsuccessful, the adverse economic and financial impact on the global economy could deepen. If this were to occur, the assets managed on behalf of our investors and financial condition of the Company could be adversely affected further.

Since the emergence of the pandemic the Company has initiated home working for all staff and is following UK Government advice on how to operate safely in the current environment with the health and welfare of staff, investors and business outsource partners remaining paramount. The Company also monitors guidance from its regulator, the FCA to ensure that the Company is following recommended practice.

The Company continues to monitor the impact of the pandemic on its business including its key outsource business partners such as investment managers and administrators. In respect of the Company's financial condition, the Company has prepared and continues to update its financial stress tests to ensure that the Company is able to meet its financial obligations over the foreseeable future with as much reasonable certainty as it possible in the circumstances.

Going Concern and COVID-19

The major business risks associated with the uncertain market and economic conditions continue to be actively monitored and managed by the Company. These risks include retaining sufficient capital and liquidity to withstand market and operating environment pressures. In particular, the Company's regulatory capital and liquidity is deemed sufficient to exceed regulatory capital requirements under both a normal and in a stressed market environment.

The Directors have assessed the going concern status of the Company in the light of normal operating conditions and further impacts of COVID-19. In doing so the Directors have reviewed the financial results for the year ended 31 March 2020, and financial forecasts for the next 12 months including income and expenses, capital expenditure, regulatory capital and the cashflow requirements of the business.

The Directors are of the opinion that the Company has sufficient financial resources to meet its ongoing obligations as they fall due over the next 12 months from date of signing the financial statements and will continue to monitor the situation in respect of COVID-19. Accordingly the Directors believe it is reasonable for the Company to continue to adopt the going concern basis in preparing the financial statements for a period of at least 12 months from date of signing the financial statements.

Events after the Balance Sheet Date

Since the Balance Sheet date the COVID-19 pandemic has, and will likely continue to, severely impact global economic conditions, resulting in substantial volatility in the global financial markets and operational challenges. The extent of the impact is highly uncertain and cannot be predicted and could adversely affect the future operations and financial condition of the Company. For further detail, refer to the 'Emergence of COVID-19' and 'Going Concern and Covid-19' sections of the Directors' Report above.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

Under section 487(2) of the Companies Act 2006, Deloitte LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

Small companies exemption

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

M F O'Donnell
Director

Date: 18 June 2020

Independent Auditor's Report

to the members of London LGPS CIV Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of London LGPS CIV Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK)us to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this respect of these matters.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Caullay CA (Senior Statutory Auditor)
For and on behalf of **Deloitte LLP**
Statutory Auditor
Glasgow,
United Kingdom

Date: 18 June 2020

Statement of comprehensive income

for the year ended 31 March 2020

	Note	2020 £	2019 £
Turnover		5,363,844	5,074,451
Administrative expenses		(6,044,606)	(4,804,876)
Operating (loss)/profit		(680,762)	269,575
Interest receivable and similar income		104,731	86,808
Interest payable and similar expenses		(117,557)	(100,237)
(Loss)/profit before taxation		(693,588)	256,146
Tax on (loss)/profit	6	185,257	(64,319)
(Loss)/profit for the financial year		(508,331)	191,827
Other comprehensive income/(expense) for the financial year			
Actuarial gains/(losses) on defined benefit pension scheme		671,000	(279,000)
Deferred tax		108,110	–
Other comprehensive income/(expense) for the financial year		779,110	(279,000)
Total comprehensive income/(expense) for the financial year		270,779	(87,173)

The notes on pages 37 to 44 form part of these financial statements.

REGISTERED NUMBER: 09136445

Balance sheet

As at 31 March 2020

	Note		2020 £		2019 £
Fixed assets					
Tangible assets	7		98,250		137,306
Current assets					
Debtors: amounts falling due after more than one year	8	1,237,292		1,052,041	
Debtors: amounts falling due within one year	8	1,194,853		997,340	
Cash at bank and in hand	9	4,753,984		4,979,513	
		7,186,129		7,028,894	
Creditors: amounts falling due within one year	10	(824,766)		(609,034)	
Net current assets			6,361,363		6,419,860
Total assets less current liabilities			6,459,613		6,557,166
Creditors: amounts falling due after more than one year	11		(4,950,033)		(4,950,033)
Deferred tax	12		(243)		–
Provision for liabilities					
Pension liability	13		(1,243,000)		(1,635,000)
Net assets/(liabilities)			266,337		(27,867)
Capital and reserves					
Called up share capital			–		–
Other reserves			1,206,795		954,079
Profit and loss account			(940,458)		(981,946)
Total shareholders' funds/(deficit)			266,337		(27,867)

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A-small entities.

The financial statements on pages 36 to 44 were approved and authorised for issue by the board and were signed on its behalf by:

M F O'Donnell
Director

Date: 18 June 2020

The notes on pages 37 to 44 form part of these financial statements.

Statement of changes in equity

for the year ended 31 March 2020

	Called up share capital £	Pension reimbursement reserve £	Profit and loss account £	Total shareholders' funds/(deficit) £
At 1 April 2018	–	239,036	(894,773)	**(655,737)**
Comprehensive expense for the financial year				
Profit for the financial year	–	–	191,827	191,827
Actuarial losses on pension scheme	–	–	(279,000)	(279,000)
Other comprehensive expense for the financial year	–	–	(279,000)	(279,000)
Total comprehensive expense for the financial year	–	–	(87,173)	(87,173)
Contributions by and distributions to owners				
Pension reimbursement asset reserve	–	715,043	–	715,043
Total transactions with owners	–	715,043	–	715,043
At 31 March 2019 and 1 April 2019	–	954,079	(981,946)	(27,867)
Comprehensive income for the financial year				
Loss for the financial year	–	–	(508,331)	(508,331)
Actuarial gains on pension scheme	–	–	671,000	671,000
Deferred tax	–	–	108,110	108,110
Other comprehensive income for the financial year	–	–	779,110	779,110
Total comprehensive income for the financial year	–	–	270,779	270,779
Contributions by and distributions to owners				
Pension reimbursement asset reserve	–	252,716	–	252,716
Deferred tax	–	–	(229,291)	(229,291)
Total transactions with owners	–	252,716	(229,291)	23,425
At 31 March 2020	–	1,206,795	(940,458)	266,337

The notes on pages 37 to 44 form part of these financial statements.

Notes to the financial statements

for the year ended 31 March 2020

1. General information

London LGPS CIV Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is Eversheds House, 70 Bridgewater Street, Manchester, M1 5ES and Registered Number: 09136445. Authorised and regulated by the Financial Conduct Authority No. 710618.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The Company's functional and presentational currency is GBP.

The following principal accounting policies have been applied consistently throughout the year:

2.2 Going concern

The Company continues to adopt the going concern basis in preparing its financial statements. Further to note 12, the share capital of the Company is treated as debt in consideration of the 12 month redeemable option attached to A and B Ordinary Shares. When considering this share capital as available capital, the Directors believe the Company has sufficient resources to enable it to continue its activities in the future.

The Directors have also prepared an annual business plan which shows for a period of at least 12 months from the date of signing the financial statements the Company has sufficient resources to meet its liabilities as they fall due.

The Company's response to COVID-19, together with the factors likely to affect its future development, performance and position, are reflected in the Directors' Report on page 33.

As set out in the Directors Report, maintaining sufficient regulatory capital to withstand market pressures remain central to the Company's strategy. The directors believe it is reasonable for the Company to continue to adopt the going concern basis in preparing the financial statements for a period of at least 12 months from date of signing the financial statements.

Notes to the financial statements continued

2. Accounting policies continued

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Service charges and development funding charge are billed annually in advance and recognised over the year to which they relate.

Asset management fees are ad valorem fees calculated daily and invoiced monthly in arrears.

2.4 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives. using the straight-line method.

The estimated useful lives range as follows:

Leasehold improvements	–	3 years
Fixtures and fittings	–	3 years
Computer equipment	–	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Other Debtors represent set-up costs directly attributable to the funds of the London LGPS CIV Authorised Contractual Scheme and the London LGPS Exempt Unauthorised Unit Trust. The costs are typically recovered over 2 years following the launch of the fund.

The debtors balances also includes pension reimbursement asset, see note 2.13 of the pension reimbursement asset valuation.

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.7 Creditors

Short term creditors are measured at the transaction price.

2.8 Financial liabilities

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements continued

2. Accounting policies continued

2.10 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.12 Leased assets: the Company as lessor

Where assets leased to a third party give rights approximating to ownership (finance lease), the lessor recognises as a receivable an amount equal to the net investment in the lease i.e. the minimum lease payments receivable under the lease discounted at the interest rate implicit in the lease. This receivable is reduced as the lessee makes capital payments over the term of the lease.

A finance lease gives rise to two types of income: profit or loss equivalent to the profit or loss resulting from outright sale of the asset being leased, at normal selling prices, reflecting any applicable discounts, and finance income over the lease term.

2.13 Pensions

Defined benefit pension plan

The Company participates in a defined benefit plan operated by the City of London Corporation. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the estimated present value of the Company's share of the estimated defined benefit obligation at the Balance Sheet date less the Company's share of the fair value of plan assets at the Balance Sheet date out of which the obligations are to be met.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to estimate the defined benefit obligation.

The fair value of plan assets and liabilities are measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

(a) the increase in net pension benefit liability arising from employee service during the period; and

(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

Pension reimbursement asset

The Company continues to arrange recharge agreements with its shareholders to provide for them to separately reimburse future pension contributions by the Company to the defined benefit plan. The pension reimbursement asset recognised on the Balance Sheet is in respect of recharge agreements signed by shareholders as at 31 March 2020.

The pension reimbursement asset is the estimated present value of those parts of the future pension contribution reimbursement amounts that relate to the secondary contribution rate, determined by the actuary to the defined benefit plan as part of the formal valuation process. It excludes any element of the future pension contribution reimbursement amounts that relate to the primary contribution rate, determined by the actuary as relating to the cost of future accruals of benefits.

The estimated present value of the pension reimbursement asset is established using the discount rate used to value pension obligations under FRS 102 and estimating pensionable salary roll increases in the first year after the Balance Sheet date in accordance with the business plan and thereafter using the assumption under FRS 102 for future salary increases. The estimated present value of the reimbursement asset is evaluated over a period equal to the recovery period used by the actuary to the defined benefit plan in the most recent formal valuation of the plan.

2.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Notes to the financial statements continued

2. Accounting policies continued

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements and assumptions regarding the valuation of defined benefit post-employment obligations and pension asset that affect the financial statements and related disclosures. The Company believes that the estimates utilised in preparing the financial statements are reasonable, relevant and reliable. Actual results could differ from these estimates.

The Directors do not believe any accounting judgements or estimates have been applied to this set of financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

4. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	40,320	38,820

	2020 £	2019 £
Fees payable to the Company's auditors in respect of:		
Other audit related services	15,720	15,120
Non-audit related services	–	54,408
	15,720	69,528

Other audit related services relate to the provision of a client assets report to the Financial Conduct Authority.

5. Employees

The average monthly number of employees, including directors, during the year was 36 (2019: 26).

6. Tax on (loss)/profit

	2020 £	2019 £
Current tax result on (loss)/profit for the year	(64,319)	64,319
Total current tax	(64,319)	64,319
Deferred tax		
Origination and reversal of timing differences	(120,938)	–
Total deferred tax	(120,938)	–
Total tax	(185,257)	64,319

Notes to the financial statements continued

6. Tax on (loss)/profit continued

Factors affecting tax (credit)/charge for the year

The tax assessed for the year is lower than (2019: higher than) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	2020 £	2019 £
(Loss)/profit before taxation	(693,588)	256,146
(Loss)/profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(131,782)	48,668
Effects of:		
Expenses not deductible	2,828	1,142
Other	–	14,509
Deferred tax not previously provided	(56,303)	–
Total tax (credit)/charge for the financial year	(185,257)	64,319

Factors that may affect future tax charges

Finance (No. 2) Act 2015 reduced the UK main rate of corporation tax to 17% with effect from 1 April 2020. However, following the UK Budget on 11 March 2020 and subsequent resolutions given statutory effect under the Provisional Collection of Taxes Act 1968, for the financial years 2020 and 2021 the UK statutory rate is 19%.

7. Tangible assets

	Leasehold improvements £	Fixtures and fittings £	Computer Equipment £	Total £
Cost				
At 1 April 2019	44,651	4,594	111,585	160,830
Additions	-	4,285	9,953	14,238
At 31 March 2020	44,651	8,879	121,538	175,068
Accumulated depreciation				
At 1 April 2019	6,012	638	16,874	23,524
Charge for the year	14,884	2,126	36,284	53,294
At 31 March 2020	20,896	2,764	53,158	76,818
Net book value				
At 31 March 2020	23,755	6,115	68,380	98,250
At 31 March 2019	38,639	3,956	94,711	137,306

8. Debtors

	2020 £	2019 £
Due after more than one year		
Pension reimbursement asset	1,139,330	954,079
Rent deposits*	97,962	97,962
	1,237,292	1,052,041

The deposit is not expected to mature until the end of the lease on 15/11/2021.

	2020 £	2019 £
Due within one year		
Trade debtors	177,267	276,078
Other debtors	69,886	157,045
Pension reimbursement asset	67,465	–
Prepayments and accrued income	638,615	564,217
Other receivable (see note 18)	177,301	–
Tax recoverable	64,319	–
	1,194,853	997,340

9. Cash at bank and in hand

	2020 £	2019 £
Cash at bank and in hand	4,753,984	4,979,513

10. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	162,680	73,932
Corporation tax	–	64,319
Taxation and social security	202,865	67,490
Other creditors	11,404	15,762
Other provision (see note 18)	202,301	–
Accruals and deferred income	245,516	387,531
	824,766	609,034

Notes to the financial statements continued

11. Creditors: amounts falling due after more than one year

	2020 £	2019 £
Share capital treated as debt	4,950,033	4,950,033

The holders of B Ordinary Shares are not entitled to receive any dividends, distributions of capital or vote at General Meetings of the Company.

Both A and B Ordinary Shares can be redeemed at par at the option of the shareholder(s) subject to the provision of 12 months written notice and as such the issued share capital has been treated as debt.

12. Deferred taxation

	2020 £
At beginning of year	–
Credited to profit or loss	(120,938)
Charged to other comprehensive income	54,083
Charged in equity	67,098
At end of year	243

The deferred taxation balance is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	14,154	–
Tax losses carried forward	(6,352)	–
Short term timing differences- trading	(7,559)	–
	243	–

An unrecognised deferred tax asset exists in respect of trading losses of £Nil (2019: £Nil) and pension liabilities of £Nil (2019: £277,950). These assets have not been recognised as it is uncertain as to when sufficient profits will be realised against which the losses can be utilised.

13. Pension commitments

The Company operates a Defined Benefit Pension Scheme and during the year introduced a defined contribution scheme for certain employees.

The Company participates in the City of London Pension Fund (the "Fund"), part of the Local Government Pension Scheme. This is a multi-employer defined benefit pension scheme with assets held in a separately administered fund. The Fund provides retirement benefits on the basis of members' earnings over their careers. The Fund is administered by the City of London, which is responsible for ensuring that the Fund is sufficiently funded to meet current and future obligations. The Company has agreed a funding plan with the City of London, whereby contributions made by the Company into the Fund are equal to 38% of active employees' salary. The Company considers that its contribution rate, agreed following the last valuation, is sufficient to eliminate any funding deficit ascribed to the Company over the agreed period and does not anticipate that its contributions will need to increase significantly. Additional contributions may be agreed with the City of London to reduce any funding deficit ascribed to the Company if necessary.

A comprehensive actuarial valuation of the Fund, using the projected unit credit method, was carried out at 31 March 2019 by the Fund Actuary.

To assess the FRS 102 liabilities at 31 March 2020, the actuary has based the value of the Company's liabilities calculated for the funding valuation as at 31 March 2019, allowing for benefits paid and further benefits to accrue to members and for benefits established in respect of transfer values received, using financial assumptions that comply with FRS 102. Membership data has been updated to 31 March 2020 and this has been used to value the liabilities. Mortality projections have been updated to use the Continuous Mortality Investigation (CMI) 2018 model published in March 2019. To calculate the Company's asset share as at 31 March 2020, the actuary has used the assets allocated to the employer at 31 March 2019 allowing for investment returns, contributions and transfers paid in, and estimated benefits paid from, the Fund by and in respect of the employer and its employees. The difference is shown on the Balance Sheet as a deficit in accordance with FRS 102.

Composition of plan assets:

	2020 £	2019 £
Equities	2,132,000	2,060,000
Cash	60,000	35,000
Infrastructure	443,000	171,000
Multi-asset fund	945,000	816,000
Total plan assets	3,580,000	3,082,000

The return on the Funds (on a bid to bid basis) for the year ended 31 March 2020 is estimated to be-3% (2019: 8.0%).

	2020 £	2019 £
Fair value of plan assets	3,580,000	3,082,000
Present value of plan liabilities	(4,823,000)	(4,717,000)
Net pension scheme liability	(1,243,000)	(1,635,000)

Notes to the financial statements continued

13. Pension commitments continued

The amounts recognised in profit or loss are as follows:

	2020 £	2019 £
Administration expenses	3,000	3,000
Current service cost	504,000	328,000
Interest on obligation	117,000	100,000
Interest income on plan assets	(81,000)	(71,000)
Total	543,000	360,000

	2020 £	2019 £
Interest on assets	81,000	71,000
Return on assets less interest	(178,000)	137,000
Total	(97,000)	208,000

Reconciliation of fair value of plan liabilities were as follows:

	2020 £	2019 £
Opening defined benefit obligation	4,717,000	3,810,000
Current service cost	504,000	328,000
Interest costs	117,000	100,000
Contributions by scheme participants	113,000	88,000
Change in financial assumptions	(502,000)	265,000
Experience loss on defined benefit obligation	33,000	231,000
Change in demographic assumptions	(204,000)	(80,000)
Benefits paid, net of transfers in	45,000	(25,000)
Closing defined benefit obligation	4,823,000	4,717,000

Reconciliation of fair value of plan assets were as follows:

	2020 £	2019 £
Opening fair value of scheme assets	3,082,000	2,617,000
Administrative expenses	(3,000)	(3,000)
Interest income on plan assets	81,000	71,000
Return on assets less interest	(178,000)	137,000
Other actuarial gains	176,000	–
Contributions by employer	264,000	197,000
Contributions by scheme participants	113,000	88,000
Benefits paid plus unfunded transfers in	45,000	(25,000)
	3,580,000	3,082,000

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2020	2019
Discount rate	2.35%	2.45%
Future salary increases	2.85%	3.85%
Future pension increases	1.85%	2.35%
Mortality rates		
– for a male aged 65 now	21.8 years	23.4 years
– at 65 for a male aged 45 now	23.2 years	25.0 years
– for a female aged 65 now	24.4 years	24.8 years
– at 65 for a female member aged 45 now	25.8 years	26.6 years

14. Pension reimbursement asset

The Company is implementing agreements with its shareholders so that future pension payments to the Fund are separately reimbursed by its shareholders. These agreements enable a reimbursement asset to be established on its Balance Sheet. As at 31 March 2020, allowing only for the fair value of those recharge agreements signed by individual shareholders as at 31 March 2020, this reimbursement asset, which is shown separately from the pension deficit, was £1,206,795 (2019: £954,079).

The pension reimbursement asset is calculated using the discount rate and (from 1 April 2020) the rate of future salary increases shown above in note 14. Total pensionable salary increases in the year from 1 April 2020 to 31 March 2021 were calculated as 29.1% (2019: 79.4%), in accordance with the business plan. The pension reimbursement asset is calculated over a period of 14 years (2019: 17 years), and allows for the 23 (2019: 10) recharge agreements that were signed by 31 March 2020.

15. Commitments under operating leases

At 31 March the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	582,528	582,528
Later than 1 year and not later than 5 years	388,352	970,880
	970,880	1,553,408

The current year lease expense is included in the administrative expenses.

Notes to the financial statements continued

16. Commitment under finance lease

At 31 March the Company had future minimum lease payments under non-cancellable finance leases as follows:

	2020 £	2019 £
Not later than 1 year	1,567	1,567
Later than 1 year and not later than 5 years	3,917	5,484
	5,484	7,051

17. Other receivable/provision

The Company has recognised a provision in respect of a reimbursement due to the LCIV Diversified Growth Fund, a sub-fund of the Authorised Contractual Scheme managed by the Company. The event which lead up to the reimbursement provision occurred in March 2020 and will involve the Company paying £202,301. A provision for this amount is included in the Balance Sheet of the Company. An insurance claim relating to this event has been accepted by the Company's insurer and an receivable of £177,301 has been recorded in the Balance Sheet of the Company.

18. Related party transactions

During the year, each of the 32 (2019: 32) shareholders paid an amount to London LGPS CIV Limited which totaled £800,000 (2019: £800,000) for service charge fees and £2,080,000 (2019: £2,080,000) for development funding charge. At the end of the year, £Nil (2019: £Nil) of service charge fees and £26,000 (2019: £78,000) of development funding charge remained outstanding and is included within trade debtors.

During the year, the Company incurred charges of £2,214 (2019: £209,375) from London Councils, a related party by virtue of it being under the control of the members of this Company, for administration services and accommodation fees. At the end of the year, £Nil (2019: £Nil) remained outstanding.

19. Subsequent events

After the Balance Sheet date, further agreements were received from shareholders which would be included in the financial statements for year ending 31 March 2021. If these agreements had been received before 31 March 2020, the pension reimbursement asset would have increased by an additional £104,939.

Since the Balance Sheet date coronavirus disease (COVID-19) pandemic has, and will likely continue to, severely impact global economic conditions, resulting in substantial volatility in the global financial markets and operational challenges. The extent and duration of the impact are uncertain and cannot be predicted and could adversely affect the future operations and financial condition of the Company. For further detail, please refer to the 'Emergence of COVID-19' section on page 33 of the Directors' Report.

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Glossary

ACS – Authorised Contractual Scheme
An Authorised Contractual Scheme (ACS) is a UK authorised, tax transparent fund structure, which provides a flexible alternative to open ended investment companies and authorised unit trusts.

AIF – Alternative Investment Fund
An alternative investment fund (AIF) is a collective investment in so-called 'non-standard' tangible and non-tangible assets whereby investors' capital is pooled, and the returns are also pooled.

AIFM – Alternative Investment Fund Manager
An AIFM is defined as an entity that provides, at a minimum, portfolio management and risk management services to one or more AIFs as its regular business irrespective of where the AIFs are located or what legal form the AIFM takes.

AIFMD – Alternative Investment Fund Managers Directive
Directive reference 2011/61/EU
The Alternative Investment Fund Managers Directive (AIFMD) is a regulatory framework for alternative investment fund managers (AIFMs), including managers of hedge funds, private equity firms and investment trusts.

AUM – Assets Under Management
Assets under management (AUM) is the total market value of the investments that the Company manages on behalf of client funds.

CARCO – Compliance, Audit, and Risk Committee
CARCO oversees London CIV's activity in respect of compliance, audit and risk.

CTI – Cost Transparency Initiative
The CTI is a new industry standard for institutional investment cost data designed to provide transparent information on costs and charges and help investors decide whether investments represent value for money. The CTI Board partners are the LGPS Scheme Advisory Board, Pension and Lifetime Savings Association and Investment Association

CTWG – and a Cost Transparency Working Group
The role of the Working Group (CTWG) is to ensure that there is full transparency and understanding between London CIV and its client funds about the calculation of cost savings and benefits that London CIV is delivering.

DCLF
The Department sets policy on supporting local government; communities and neighbourhoods; regeneration; housing; planning, building and the environment; and fire and rescue. It has an important role in supporting local development and promoting economic growth.

DFC – Development Funding Charge
The development funding charge is paid by LCIV's shareholders and currently forms part of the Company's income and used to bridge London CIV's income shortfall

ESG – Environmental, Social and Governance
The DFC and service charge together comprise the London CIV's fixed income stream and are paid by all shareholders contributing to the core costs of the company. When introduced the intention was that the DFC would be a short to medium term measure and that management fee income would rise to contribute to core costs

EUUT – Exempt Unauthorised Unit Trust
An unauthorised unit trust (UUT) is any unit trust which has not been authorised under Section 243 of the Financial Services and Markets Act (FSMA) 2000 by the Financial Services Authority and, a UUT can qualify as an exempt unauthorised unit trust (EUUT) if: the trustees are UK resident, the investors are exempt from capital gains tax or corporation tax on chargeable gains (for reasons other than residency) and, approved by HMRC

FCA- Financial Conduct Authority
The conduct regulator for 59,000 financial services firms and financial markets in the UK and the prudential supervisor for 49,000 firms, setting specific standards for 19,000 firms

IOC – Investment Oversight Committee
The Investment Oversight Committee (IOC) oversees the investment activity of London CIV in line with the Company's strategy and business plan, including responsible investment

LAPFF – Local Authority Pension Fund Forum
The Local Authority Pension Fund Forum (LAPFF) is a voluntary association of public sector pension funds based in the UK. LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

MHCLG – Ministry for Housing Local Government and Communities
The Ministry of Housing, Communities and Local Government's (formerly the Department for Communities and Local Government) job is to create great places to live and work, and to give more power to local people to shape what happens in their area. (source: MHCLG website)

MTFS – Medium Term Financial Strategy
A financial strategy which outlines investment and other financial goals within an annual and 5-year timescale.

NED – Non-Executive Director
A non-executive director is a member of London CIV's board who is not a member of the executive team and not involved in the day-to-day management of the company. They are involved in strategic direction, governance, setting the company's risk appetite, and monitoring corporate and financial performance. They are expected to provide challenge and act in the interests of the Company's stakeholders

RemNomCo – Remuneration and Nomination Committee
The Remuneration and nomination Committee are responsible for London CIV's remuneration policy, remuneration of key staff and, nominations and succession planning for key staff and the board

RIRG – Responsible Investment Reference Group
The Responsible Investment Reference Group (RIRG) is a forum which supports the Executive and IOC in developing and co-ordinating London CIV and the London pool's approach to stewardship, responsible investment and ESG.

Glossary continued

RMF – Risk Management Framework

The Risk Management Framework is used to identify threats to London CIV and outlines the process for mitigating those risks. The RMF is embedded in the Company's overall business strategy, operational policies, and practises.

SAB – Scheme Advisory Board

The Local Government Pension Scheme Advisory Board is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113. The purpose of the Board is to be both reactive and proactive. It will seek to encourage best practice, increase transparency, and coordinate technical and standards issues in respect of the LGPS

SM&CR – FCA's Senior Management & Certification Regime

The Senior Managers and Certification Regime (SM&CR) replaced the Approved Persons Regime (APR) for solo-regulated firms from 9 December 2019. The regime aims to reduce harm to consumers and strengthen market integrity. It sets a new standard of personal conduct for everyone working in financial services.

SMF – Senior Manager Functions

Senior management functions (SMFs) are a type of controlled function under FSMA. They are prescribed in the Handbook and apply to UK-authorised firms and EEA Branches.

ToR – Terms of Reference

The formal description of the purpose, structures, objectives and duties of committees and other groups

UNPRI – the UN Principles for Responsible Investment

The UN Principles for Responsible Investment (PRI) is an international organisation that works to promote the incorporation of environmental, social, and corporate governance factors (ESG) into investment decision-making.

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