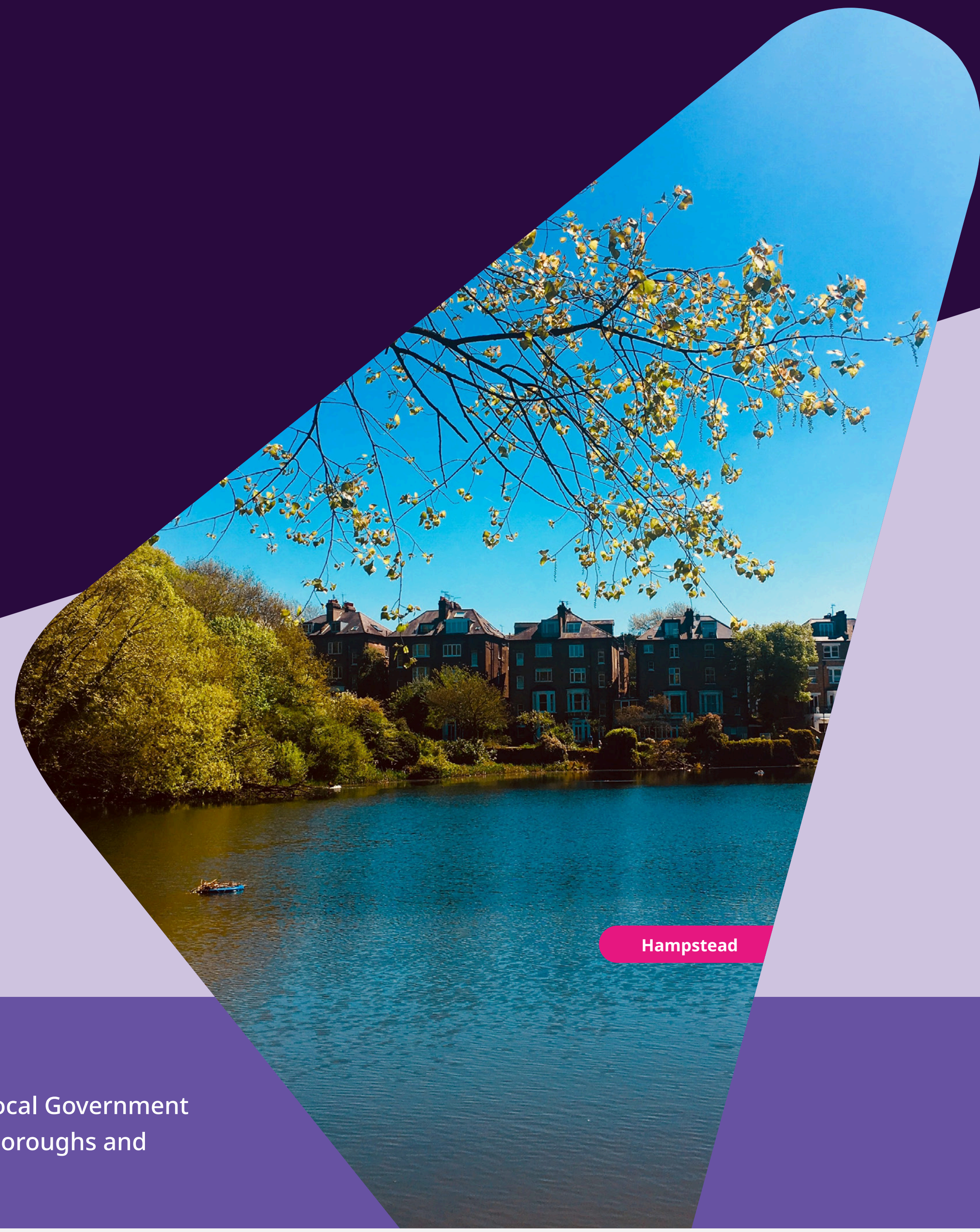
London CIV

London LGPS CIV Limited Annual Review

For the reporting year ending
31st March 2021

Contents



Our Client Funds

London LGPS CIV Limited ('London CIV'), established in 2015 by London Local Authorities manages London Local Government Pension Scheme ('LGPS') assets. London CIV is one of eight U.K. LGPS asset pooling companies. The London Boroughs and City of London who are the 32 Shareholders, are also our clients ('Client Funds').

London CIV and Client Funds Key Facts

£11.2bn
AUM in active funds as at 31/3/21

£12.6bn
in passive funds as at 31/3/21

£44bn
assets held by client funds as at 31/3/21

54%
of client funds pooled[1] as at 31/3/21

22 funds
Launched since 2015

4 funds
Launched this reporting year[2]

21
Investment managers and partners[3]

35
Staff members[4]

672,000
beneficiaries across 32 client funds[5] as at 31/3/21

UNPRI
Signatory

TCFD
Signatory

SAB Code of Transparency
Signatory

Climate Action100+
Member

LAPFF
Member

Diversity Project
Member

Pensions for Purpose
Member

1 Denotes the amount of assets invested via the London CIV ACS, EUUT and SLP and excludes amounts committed to LCIV Private Markets funds. If committed funds are included the percentage is 57%. This figure also includes assets that are invested passively through LGIM and Blackrock.
2 The London Fund (15 December 2020), LCIV Private Debt Fund (29 March 2021) LCIV Renewable Infrastructure Fund (29 March 2021), LCIV Inflation Plus Fund (11 June 2020)
3 ACS - Baillie Gifford (x2 Funds), Newton (x2 Funds), Longview, Epoch, RBC (x2 Funds), MSIM, JP Morgan, CQS, PIMCO, Pyrford, Ruffer. EUUT – Stepstone, Blackrock, Stonepeak, Foresight, Quinbrook, Churchill, Pemberton, Aviva. SLP – LPPI. Indirect (passives) – LGIM, Blackrock (already counted)
4 including interim staff/consultants
5 Plus LPFA as a client of The London Fund

Our purpose, vision and culture

Purpose

To be the LGPS pool for London to enable the London Local Authorities to achieve their pooling requirements

We are here to deliver solutions which will allow LGPS client funds to invest assets on behalf of beneficiaries to provide improved and more efficient investment outcomes.

Vision

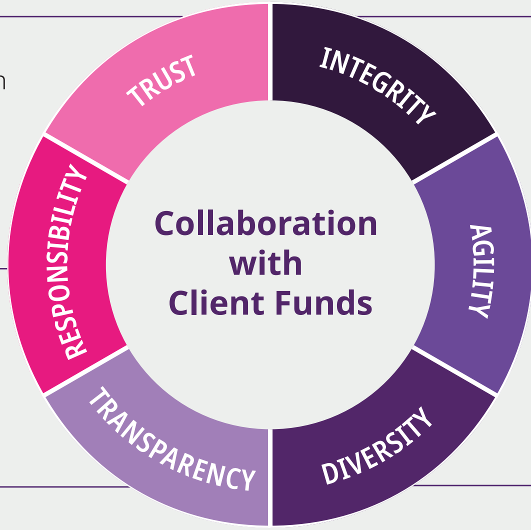
To be the best in class asset pool delivering value for Londoners through long term sustainable investment strategies

The current target for London CIV is to pool 75% of London LGPS total assets to help maximise value for our clients and broader stakeholders. We aim to add value for our clients through economies of scale, greater efficiency and improved performance.

Our Culture

Working together to secure a sustainable future

Collaboration is at the core of our business, bringing together a wealth of experience across teams to deliver, through excellent service, our Client Funds' pooling requirements. Our values help us collaborate with our clients to achieve our Vision to be the best-in-class asset pool delivering value for Client Funds and ultimately for all stakeholders, through long-term sustainable investment strategies



Trust:

We aim to be reliable, to deliver on our promises and to reset expectations when we face challenges on our deliverables. We encourage an open and equitable partnership with all of our stakeholders.

Responsibility:

We are committed to developing funds with clients that improve outcomes and add value, helping protect the future for a world worth retiring in.

Transparency:

We share information, communicating effectively between teams and with stakeholders, whilst also respecting confidentiality.

Integrity:

We always strive to have the highest professional standards and act on behalf of our clients. We are also all honest about where we can improve and are open to constructive challenge.

Agility:

We work flexibly as *one team*, so that the end service provided to Client Funds is as seamless as possible.

Diversity:

We respect and celebrate our differences and recognise this makes our organisation stronger.

London CIV Timeline

2015

- Authorised and regulated by the FCA
- Launch of ACS fund structure
- First fund launched

As at 31/12/2015
£0.3 bn
1 fund
5 staff

2016

As at 31/03/2016
£0.8 bn
7 funds
12 staff

2017

- Governance review

As at 31/03/2017
£3.6 bn
11 funds
12 staff

2018

- New governance framework
  - Shareholder Committee
  - 2 Shareholder NEDs and Treasurer Observer added to board
- Move to Lavington St
- Joined the UN PRI
- London CIV's first RI Policy is approved by the Board

As at 31/03/2018
£6.2 bn
14 funds
18 staff

2019

- Launch of EUUT structure
- LCIV Infrastructure Fund launches with a focus on renewable energy
- ESG Review, six priority areas for action agreed

As at 31/03/2019
£8.2 bn
14 funds
25 staff

2020

- Change of business purpose
- Governance Progress Review
- Cost Transparency Working Group (CTWG)
- LCIV Inflation Plus Fund launched
- First UN PRI report
- Responsible Investment Reference Group (RIRG) established
- Pensions for Purpose joined
- Signatory to the TCFD
- London CIV joins ClimateAction100+
- S&P Global appointment enhances Climate change analytics capability
- The London Fund is launched

As at 31/03/2020
£7.6 bn
14 funds
27 staff

2021

- LCIV Renewable Infrastructure Fund is launched
- London CIV commits to setting ambitious both short and long-term net zero targets before November 2021 COP26
- LCIV Private Debt Fund launched

As at 31/03/2021
£11.2 bn**
19 funds
35* staff

Post year end

- Stewardship Outcomes Report
- Climate Policy
- Stewardship Policy
- LCIV Global Alpha Growth Paris Aligned Fund launched April 2021
- London CIV builds on its Stewardship and Voting capabilities with Hermes EOS

* Staff numbers include interim staff
** Assets pooled on ACS

Chair's Foreword
Lord Bob Kerslake

I am pleased to be able to say that including passive funds well over half of all Client Fund assets are now pooled, we are achieving good performance overall against benchmark, achieving real savings for Client Funds and still ambitious to achieve more.

London CIV is committed to working together with client funds to secure a sustainable future.

I am pleased to be able to report that London CIV has made good progress this year, despite the challenging context created by the COVID19 pandemic including volatile financial markets.

Our Client Funds provide pensions which benefit about 672,000 people across London. I would like to place on record my gratitude and that of my colleagues to all who work of London Local Authorities for their dedication to providing services to Londoners in these difficult times. Our focus is on helping Client Funds pay pensions. I am proud of the way in which the London CIV team have risen to the challenge of delivering 4 more fund launches and holding client fund meetings in an online working environment. I am pleased to be able to say that, including passive funds, well over half of all Client Fund assets are now pooled, we are achieving good performance overall against benchmark, achieving real savings for Client Funds and we remain ambitious to achieve more.

I am also pleased that concerns that ESG would be a casualty of the pandemic have proved unfounded and that there has been an increased focus on the "S" in ESG as well as climate change. London CIV is committed to working together with client funds to secure a sustainable future. At the start of the 2020/21 financial year we began to implement our 6 point ESG action plan, including the establishment of a Responsible Investment Reference Group (RIRG). We received an "A" rating for our first UNPRI report. Jacqueline Jackson took up post as Head of Responsible Investment in June 2021 and has accelerated the implementation of our Responsible Investment and Stewardship activity, supported by two additional team members. Our initial focus has been on climate change risk and building our capacity stewardship and engagement. We are now well placed to develop a specific net zero climate ambition target which we will announce by the end of 2021, bearing in mind that COP 2026 takes place this year. We have just published our first Stewardship Outcomes report and appointed a Voting and Engagement provider which will enhance our ability, working collaboratively with others including LAPFF to influence the market place. We have also published our first Climate and Stewardship Policies. May I encourage you explore our new website where you will find more information and the detailed reports and policies www.londonciv.org.uk I would also like to take this opportunity to acknowledge the support of the Responsible Investment Reference Group (RIRG) as we develop this area of activity to respond to Client Fund requirements.

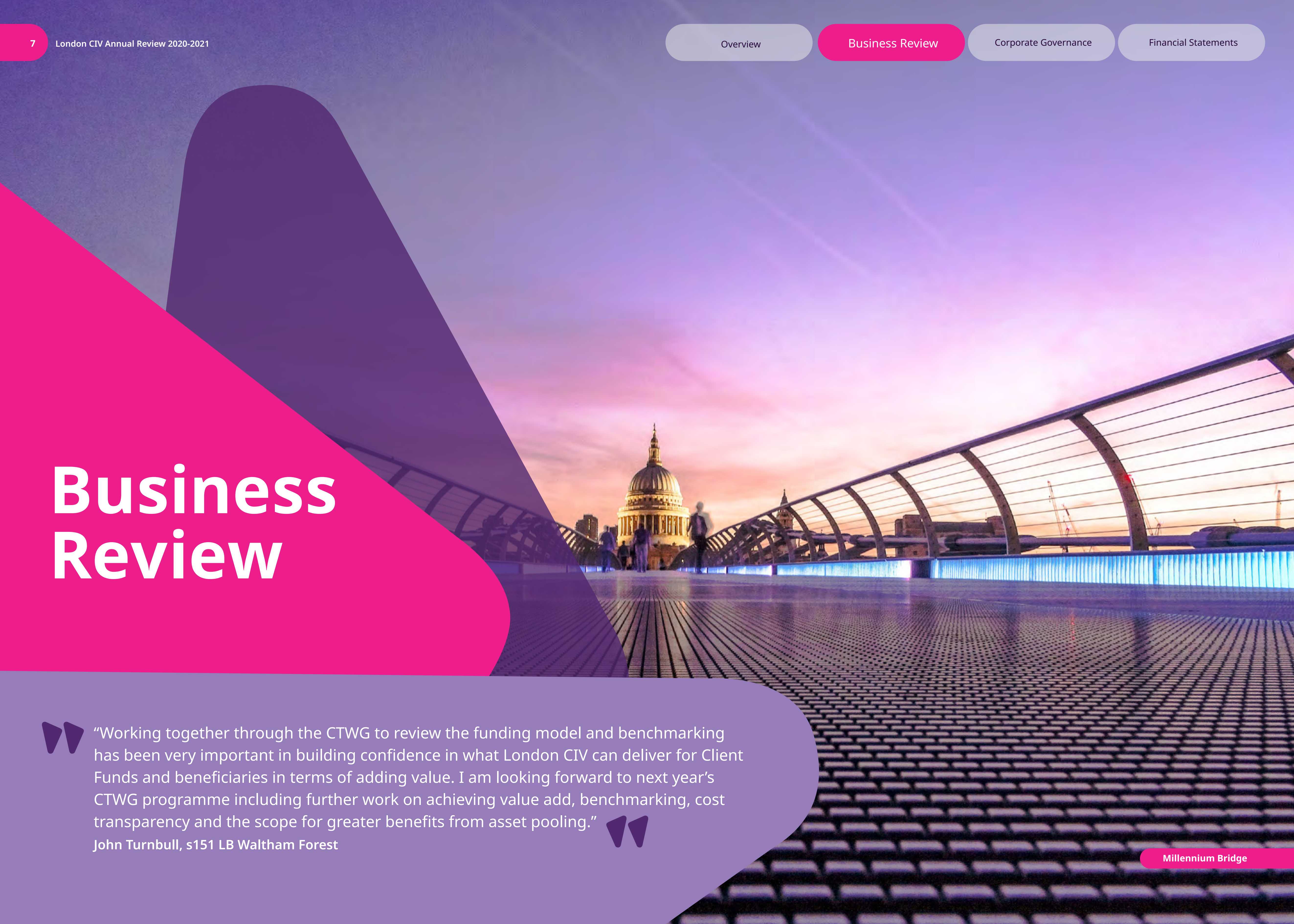
I am also pleased to report that during the year we launched 4 funds and shortly after the reporting year end, a Paris Aligned version of the LCIV Global Alpha Growth Fund. Jason Fletcher, who joined us as Chief Investment Officer (CIO) in July 2021 has been leading the team in developing a Strategic Product Roadmap for discussion with Client Funds. We are conscious of the importance of identifying principles for a Medium Term Strategy that ensure we can meet the strategic asset allocation requirements of our 32 Client Funds and also deliver value add and savings across the pool. We look forward to working with you to ensure that is the case.

Working collaboratively is key to our success and we are pleased that the outcome of the Seed Investor Groups (SIGs) as part of the fund launch process has been an improved understanding of Client Fund requirements, greater commitment by Client Funds to invest which in turn has assisted with delivering launches to meet expectations in some very challenging circumstances. We are pleased with the way in which the Cost Transparency Working Group ("CTWG"), chaired by John Turnbull, s151 officer at LB Waltham Forest, is developing, especially in its work to support our review of the funding model and reporting as part of the Cost Transparency Initiative (CTI). We expect to see more involvement by the CTWG in our CTI and savings work in 2021/22.

I come to the end of my term of office in September 2021 so it is pleasing to be able to end on a positive note as I hand over to my successor. We now have a stable and skilled staff and leadership team. In September 2020 we appointed Alison Talbot and Kitty Ussher to the Board and we will shortly have both as Chairs of two key Board Committees, CARCO and the Remuneration and Nomination Committee, with Paul Niven now as Investment Oversight Committee (IOC) Chair. We are in the process of recruiting two Non-Executive Directors (NEDS) to replace Eric Mackay and Chris Bilsland and I would like to pay tribute to their commitment to London CIV over the last six years and insights they have contributed. I would also like to thank Cllr Ravi Govindia and Cllr Stephen Alambritis for their supportive challenge as shareholder NEDs. It is of course the staff team/ led by Mike O'Donnell who are responsible for delivering London CIV's achievements and it is good to be leaving with a strong team in place.

Lord Bob Kerslake, Chair of London CIV

Business Review



Millennium Bridge

"Working together through the CTWG to review the funding model and benchmarking has been very important in building confidence in what London CIV can deliver for Client Funds and beneficiaries in terms of adding value. I am looking forward to next year's CTWG programme including further work on achieving value add, benchmarking, cost transparency and the scope for greater benefits from asset pooling."

John Turnbull, s151 LB Waltham Forest

CEO's Overview
Mike O'Donnell

Collaboration and resilience in challenging circumstances

I am proud of everything the team have achieved in collaboration with Client Funds in what has been a challenging year, adapting to working online to continue to provide a good service and high levels of communication to all of our Stakeholders colleagues.

This has been a busy year in a challenging environment, but London CIV has proved it can be resilient in a high stress operating environment, both in terms of volatile financial markets and chilling economic winds in the context of the COVID19 pandemic.

London Local Authorities have of course also faced significantly increased challenges in delivering front line services to Londoners. I am pleased that the staff team have been able to work collaboratively with client funds to deliver so much in such difficult circumstances. At the year end we had £23.6bn of the total £44bn London Assets pooled of which £11.1bn was invested in London CIV funds and £12.5bn in LGIM and Blackrock passive funds which is counted as pooled.

Unpredictability has been a key feature of this year for us all. When we went into lockdown in March 2020, none of us expected it to last as long as it has. Online working and online client meetings, even committee meetings and AGMs became the norm and we adapted our regular London CIV Business Update, Meet the Manager events and Client Fund regular meetings accordingly with continued high levels of attendance. The flexibility afforded by online events appears to be popular with Client Funds and we expect to continue with this post lockdown whilst attending individual meetings face to face where this is preferred.

This has served to underline the importance of our collaboration with Client Funds across London and with other pools in initiatives such as The London Fund. It also emphasises the potential value of LGPS pooling in delivering efficiencies and added value including the scope for greater collective influence including in respect of the "S" in ESG.

Our business model is one built on high levels of engagement with Client Funds and Stakeholders and we have revised our Fund Launch Framework (FLF) during the year, in particular with the use of Seed Investor Groups (SIGs) to achieve a much higher level of Client Fund involvement in fund development. We believe that this is now bearing fruit in terms of delivering funds that meet Client Fund asset allocation requirements within a time frame that meets expectations. As the chart on page 16 shows our focus has moved to Private Markets funds and those which meet Client Funds ESG requirements. During the year we launched the LCIV Inflation Plus Fund, The London Fund, LCIV Renewable Infrastructure Fund and the LCIV Private Debt Fund (the last two on 29th March 2021) and shortly after the year end launched the LCIV Global Alpha Growth Paris Aligned Fund on 13th April 2021. In each case we delivered the launch on time in line with client expectations. We expect to make some changes to the Fund Launch Framework in 2021 to streamline it where possible whilst maintaining high levels of Client Fund engagement and making sure it meets the needs of Private Market fund launches.

Savings made by individual Client Funds depend on the scale of the investments 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, John Turnbull of LB Waltham Forest, 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.

Medium term plan, strategic asset allocation trends and funding model review

In the Autumn of 2020, we decided that it would be more appropriate to separate out the work to develop a Medium-Term Plan from the Annual Budget 2021/22 exercise so that we had better information from Client Funds about their Strategic Asset Allocations on which to build a Strategic Product Roadmap and resourcing plan. We are part way through the development of the Medium-Term Plan exercise at the time of writing this Annual Review and expect to consult with Client Funds before we begin the normal Annual Budget cycle. We have been working closely with individual Client Funds on their Strategic Asset Allocation plans and are now holding six monthly Progress on Pooling Strategy meetings with each client fund. These are the basis on which we are developing our short term and Medium-Term Strategic Product Road map and also our financial plans.

Taken together with the regular Client Fund meetings we believe both Client Funds and London CIV will be able to have a high level of confidence that both the overall Medium-Term Plan and individual asset pooling opportunities available will be capable of delivering long term cost savings and value add.

The increase in Assets under Management (AuM) target we set for 2020/21 has been achieved but only about half of this is the result of new fund launches and investments in existing funds. The rest reflects market conditions. This is not unexpected as against the backdrop of the COVID19 pandemic Client Funds have made Strategic Asset Allocation decisions and individual fund investment later than might otherwise have been expected. The response to recent fund launches, in particular Private Market and ESG funds has been positive, and we have also responded to the shift towards investment in passive funds.

CEO's Overview continued

During 2020 we conducted a review of our funding model and identified a preference from clients for a move towards a higher level of funding through Ad Valorum fees when this could be achieved whilst still ensuring a sufficiently resilient and stable business and financial model. We also undertook a benchmarking exercise which we expect to make use of as part of a cross- pools benchmarking and reporting project due to report in July 2021. The report by EY, who undertook the benchmarking work, concluded that London CIV operates with disproportionally few resources even though it has a wider breadth of client funds and a wider fund offering. The CTWG has supported us in the review of the funding model and our cost transparency work, and this continues to be the case in 2021/22.

The budget we put to shareholders for approval in January 2021, including key objectives, is subject to a number of stress tests and we report to the Shareholder Committee quarterly on financial and corporate performance and also to the General Meeting of all Shareholders twice annually. The outcomes reported in this Annual Review are in line with those reports. In summary I am pleased to be able to confirm that despite such a volatile operating environment London CIV has proved to be resilient with a stable staff team committed to delivering a quality service and sustainable future for Client Fund pension scheme members.

Responsible investment

We have made substantial progress in implementing our ESG action plan and moving towards our objective of having a leading-edge reputation for Responsible Investment and Stewardship. Our vision is to be the best in class asset pool delivering value for Londoners through long term sustainable investment strategies.

Last year our focus was on laying the foundations for that work including undertaking a review and the culture and governance framework. This year the focus has been on implementation and the resources needed to achieve that objective. We are pleased that in July 2020 progress to date was recognised by an "A" rating for our first UNPRI report.

There is still more to do in 2021/22 and beyond and we have outlined our ambition in our recently published Climate Policy and Stewardship Policy. You can read more in the Responsible Investment section of this report and on our website where the policies and our reports are available.

People, culture and values

Last year we agreed to close the staff Defined Benefit pension scheme to new entrants. Early in this reporting year we finally achieved the long outstanding signature by all shareholders on the pension guarantee agreements. This meant that the Admission Agreement with the City of London could be signed and the scheme closed to new entrants on 1 June 2020.

A talented team is key to delivering London CIV's objectives and we are pleased that it has been possible to make permanent appointments at all levels in the organisation this year to make sure we have the skilled stable team needed to deliver our plans for the future. This includes Jason Fletcher as CIO, Cameron McMullen as Client Relations Director and Jacqueline Jackson as Head of Responsible Investment. Rob Hall our Deputy CIO left us just after the 2021 year end for a new role after three and a half years with London CIV. In the meantime we have recruited two new "Heads of" in the investment team, Vanessa Shia and Andrea Wildsmith and a further Client Relations Manager, Stephanie Aymes. We have over the course of the last 12 months increased our staffing levels by a third.

A new culture and values statement was developed by a staff group and formally adopted by the Board in March 2021. It emphasises our focus on working collaboratively, delivering a quality service for clients and commitment to "working together to secure a sustainable future". To reflect this commitment all staff will agree one Responsible Investment and one Culture and Values objective for 2021/22.

You can read about our approach to diversity and inclusion in the people and pay section of this report.

We are supported by a committed and insightful Board. I would like to pay tribute to the leadership and contribution of Lord Bob Kerslake as he comes to the end of his term of office in September 2021 and who has guided London CIV from its beginnings as an FCA authorised and regulated company to the positive stage of its development where it is today.

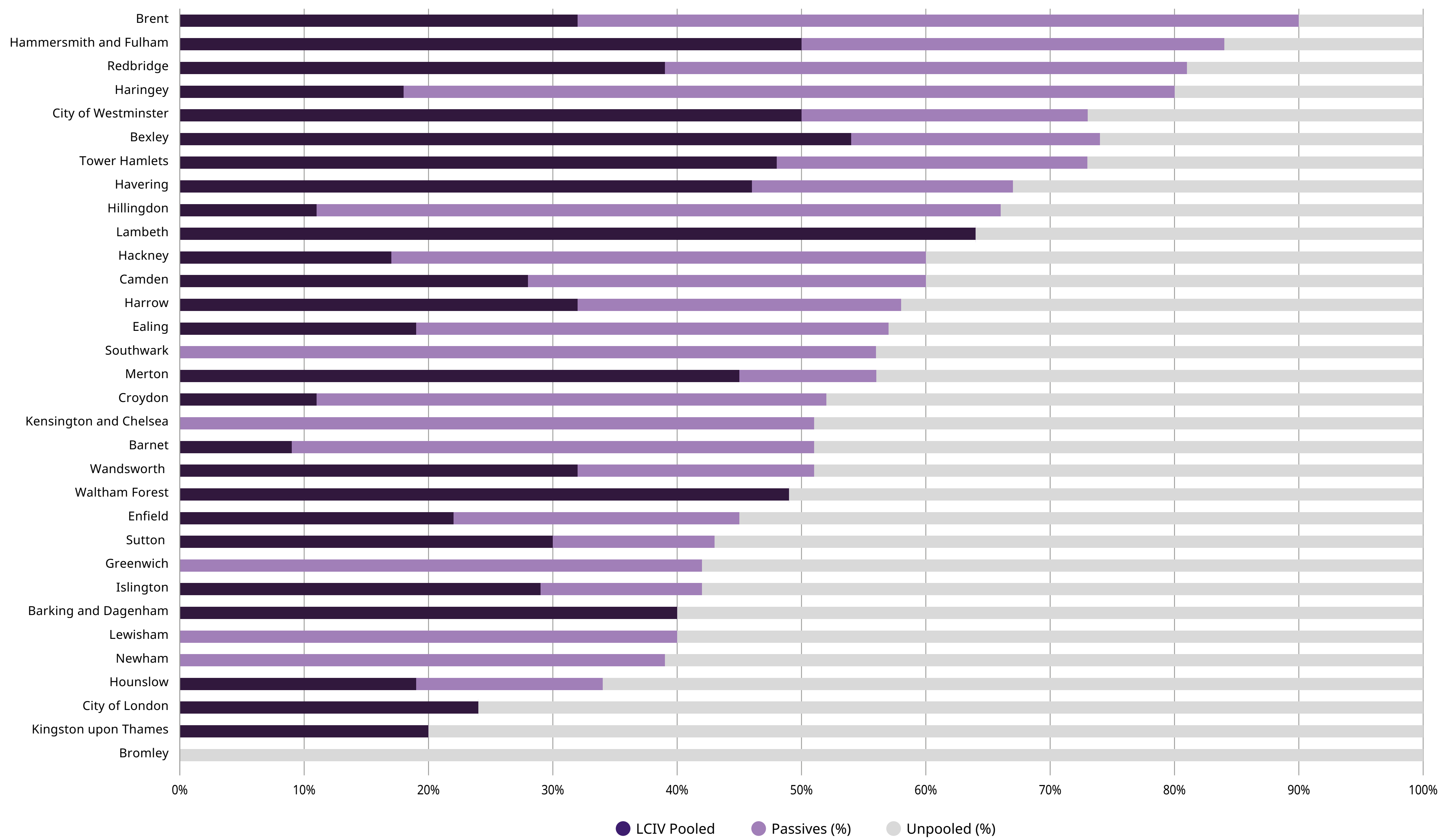
Mike O'Donnell, CEO

THE LONDON FUND

The London Fund was established to provide sustainable, long-term and risk-adjusted value to pension scheme investors, while creating a 'double bottom line benefit' by investment in real estate, infrastructure and growth capital sectors in Greater London. Its secondary objective is to generate a social benefit in the UK Capital through job creation, area regeneration and providing a positive environmental impact for Londoners.

London CIV is working in partnership with Local Pensions Partnership Investments (LPPI) and our own Client Funds on this collaborative development which seeks to deliver good financial returns and wider social benefits. The seed investor was the London Pension Fund Authority (LPFA) – one of LPPI's clients. An example of one of The London Fund's investments is a large scale residential property project that delivers high-quality, affordable and professionally-managed homes.

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 2021



London CIV's core objectives and outcomes for 2020-2021

Objective	KPIs/Deliverables	Progress at March 2021
Establish a pooling strategy to meet Client Funds strategic allocation plans including Responsible Investment and climate change requirements **Deliver fund launches on time** **Deliver strong fund performance**	• AUM increase of £1.4bn on £8bn • Complete mapping of Client Fund intentions to drive three-year plan for AUM growth and fund portfolio • Develop investment and fund strategy to meet client strategic allocation plans • Produce proposal for additional investment management and investment advisory service (dependent on additional regulatory permissions) • Produce passive investment proposal	• AUM increase met through increased investment by Client Funds and market conditions • Medium Term Plan to be developed during 2021 based on mapping available in early 2021. To include Strategic Product Roadmap and short to mid- term product pipeline. • FCA submission made in December 2020. Implementation plans for new services to be made once additional regulatory permissions received. • Low Carbon (passive) fund proposal made and options for life funds once regulatory permissions received under review
Establish leadership position on Responsible Investment and climate change	• Implement 6-point Responsible Investment plan including engagement, voting and Products	• 6-point action plan delivered including key outputs in April to June 2021
Improve Client Fund (development and oversight) engagement **Undertake governance progress review**	• Review current client engagement model and ensure adding value • Undertake and implement governance progress review	• New engagement model in place • Governance progress review complete • Revised approach includes Responsible Investment Reference Group, Cost Transparency Working Group, Seed Investor Groups, Business Update and Meet the Manager event
Deliver on financial efficiency and savings	• Review funding model • VAT and transfer pricing review • Undertake cost benchmarking and cost/savings reviews • Deliver fee savings and quarterly net savings reporting • Deliver CIPFA, SAB and Cost Transparency Initiative compliant reporting for clients	• Funding model review complete with proposed model and conditions for implementation (75% potential AuM pooled) identified • VAT review outcome beneficial • Cost benchmarking review complete and will assist in developing next MTFS • Savings and CTI work on track
Deliver strategic projects	• Change in permissions –dependent on achieving business purpose change • Senior Management Certificate Regime (SMCR) • Information systems including FIS	• Change in permissions application made having obtained approvals to change in business purpose • SMCR implemented • Information systems development ongoing into 2021/22 and on track
Improve transparency, communication and reporting	• Improve website • Access to shareholder cttee papers and board minutes • Enhance London CIV year-end report • Enhance fund engagement process and information about fund decision-making	• Web and client portal re-launch April 2021 • Shareholder Committee papers and Board minutes available on client portal • Enhanced year-end report published July 2020 • Enhanced fund launch engagement process in place
People and culture	• Appoint permanent CIO and stabilise team • Close LGPS to new hires, signature of 32 pension guarantee and recharge agreements	• New culture and values statement agreed • Jason Fletcher joined as CIO July 2020 and other appointments across the team increase stability and resources to provide quality client services • LGPS closed to new hires following signature of 32 guarantees. 4 recharge agreements outstanding

London CIV's Operating Model

London CIV was established as a collective venture to pool LGPS pension assets and is owned by its 32 London Local Authority clients.

It is FCA authorised and regulated. Client Funds and their 672,000 beneficiaries are the key stakeholders. A disciplined fund launch framework which provides high levels of engagement with Client Funds is fundamental to our business model.

Hackney

32 Clients Funds are shareholders and investors

London LGPS CIV Limited

Pooling company creating value

dedicated client service
–
investment expertise and market insight
–
strong client relationships and stakeholder insights
–
negotiation through scale delivering cost savings and wider range of client solutions
–
committed to sustainable investment
–
robust assurance through external oversight, accountability and internal controls

Regulatory oversight

- FCA
- Northern Trust Depositary
- External Auditor

Outsourced investment administration

Fund development characterised by high levels of client engagement including seed investor groups

Funds using ACS, EUUT partnership and potentially other structures. structure

Investment management is mostly outsourced but a small amount of private market funds use some inhouse expertise combined with outsourced managers

Client Fund and stakeholder accountability through CTWG and RIRG in addition to formal governance

+

Added value services such as climate reporting

Client Engagement

Improving the quality of client services and client engagement has been a key theme for 2020/21 and will continue to be so in 2021/22.

Some objectives had already been agreed as part of the MTFS and we received valuable feedback as part of the 2019 governance review about areas where changes needed to be made to achieve the high engagement business model that London CIV aspires to. Cameron McMullen joined as Director Client Relations in April 2020 and has led an expanded Client Relations Team in developing a stronger, more collaborative working relationship with Client Funds and co-ordinated consultation with Client Funds across the London CIV teams.

We have launched four funds in the last 12 months: The LCIV Inflation Plus Fund (11 June 2020), The London Fund (15 December 2020); the LCIV Private Debt Fund (29 March 2021) and; the LCIV Renewable Infrastructure Fund (29 March 2021) all of which were launched on time and all attracting sufficient committed assets from our Client Funds to make these successful launches. The London Fund launched with £100m; The LCIV Private Debt Fund launched with £290m and; the LCIV Renewable Infrastructure Fund launched with £435m. We have second closes for each of these three funds that we anticipate by the end of December 2021 to have attracted a further approximate £450m in aggregate for these three funds, pending Pension Committee decisions.

London CIV's engagement strategy with Clients Funds and our wider Stakeholders now includes the regular monthly Business Update; a quarterly Meet the Manager event; and the Seed Investor Groups (SIG), which collaboratively help in the design of new fund mandates. Importantly we have implemented bi-annual high level strategy meetings with senior decision makers at each of our Client Funds.

We have also established quarterly meetings to make sure we keep client's investment consultants and independent advisers appraised of current developments at London CIV. Our communications strategy will continue to evolve and mold itself around the needs and requirements of our audience.

Our new website and client portal launched in April 2021 has significantly more content and improved access to information which we also expect to raise London CIV's public profile and influence on Responsible Investment matters. The Client Portal includes tailored content for individual Client Funds including about funds and forthcoming meetings likely to be of interest.

Our first step in reporting improvements has been expanded information in the Quarterly Investment Reports (QIR) which responds to client feedback. The next step will be to add more information to Private Markets reports and about Responsible Investment/ESG reporting together with our voting and engagement activities.

Our culture statement sets out our commitment to a client centered approach to delivering on London CIV's purpose and our MTFS objectives for 2021/22 set out some of the specifics in detail, including developing our Medium Term Plan on a collaborative basis, continuous improvements in communication and improved reporting.

Engagement statistics for the year

9
Business Updates

9
Consultants/ Independent Advisors Meetings

4
Fund investors Meetings LCIV MAC fund

2
LCIV Funding Model Workshop

6
Meet the Manager Events

2
Semi-Annual General Meetings

1
Pension Chair Induction event

20
Seed Investor Groups (SIGs)

2
Specific Pooling Opportunity meetings

"Working far more closely with our clients and broader Stakeholders in a genuinely collaborative manner via a structured engagement strategy, has undoubtedly resulted in enabling us to better meet our client's expectations."

Cameron McMullen

London CIV Assessment of Value

The London CIV Assessment of Value has been prepared for investors in the London LGPS CIV Authorised Contractual Scheme (LCIV ACS) following the introduction of the reporting requirement from the FCA for Authorised Fund Managers in 2020.

The format and the presentation of information will continue to evolve over time and the principles at the heart of the Assessment of Value (AOV) will remain a key focal point for London CIV. London CIV believes that many of the AOV principles were enshrined in the operation of its ACS sub funds prior to the FCA requirement.

It is worth noting that many of the topics referenced in the original FCA study that led to introduction of the AOV reporting regime such as product profitability margins, value for money and transparency are already addressed through London CIV's engagement and governance framework that links the needs of London CIV's investors to the core requirement of value for money.

London CIV continues to focus on improving the quality of its services and transparency of operations with its investors and shareholders. Over the course of the last year, London CIV has enhanced the quality of its processes covering investments, operations, governance, risk management and client engagement many of which touch on the FCA value assessment criteria. Improvement is an iterative process and London CIV will continue to build on its achievements to date, ensuring that it operates to the standards expected of an organisation responsible for the assets of the client funds of London Local Authorities and London pensioners. The table below summarises the basis on which the FCA assessment of value criteria are being met.

Summary of how the FCA criteria are met

The following table summarises how the FCA criteria have been met during the year under review.

FCA Criteria		Comment	Overal RAG
Quality of service	i. Each investor has in place a Service Level Agreement which sets out the services provided by London CIV to the investor . ii. Quarterly client relationship meetings are offered to investors together with attendance at investor pension committee meetings. iii. Investment performance is assessed as part of the quality of service review. iv. Complaints and breaches are reviewed by London CIV where they arise and reported to the various governance bodies.	London CIV considered the range and quality of services provided to investors. This included the quality of portfolio management including delegation and includes factors such as ESG, delays, breaches, complaints and compliance with service level agreements complaints.	
Performance	i. London CIV reports on performance on a monthly basis to its investors via the Business Update. ii. ii. Detailed Quarterly Investor Reports (QIR) are prepared for each investor including details on performance against benchmarks and comparators. iii. Investors are offered quarterly meetings to discuss performance iv. As part of the fund launch process, potential investors are involved in mandate design to ensure that investment requirements meet with investor needs including ESG. v. The Responsible Investment Reference Group (RIRG) was set up in 2020 to improve ESG focus for investors together with the addition of ESG investment resource	London CIV considers the investment performance of each fund against the fund objective. The clarity of the fund objective is an area of scrutiny for the FCA so it is important that each fund has a stated benchmark or comparator benchmark.	

London CIV Assessment of Value continued

FCA Criteria - Continued		Comment	Overal RAG
Costs	i. London CIV operates to break even in each financial year and therefore gross margins are minimal, compared to the general industry standard where the FCA have reported on gross margins being 30%+. ii. The Annual Budget seeks to deliver a balanced budget each year so that income is set at a level to cover costs and meet regulatory capital requirements. iii. The Annual Budget is agreed each year with its shareholders who are its investors. The revenue of the Company is a combination of ad valorem fees charged on assets managed, which is a fee to investors and fixed fees charged to shareholders. iv. Currently investor charged ad valorem fees represent 45% of income which is insufficient to cover the operating costs of the business. v. In 2020, the investor led Cost Transparency Working Group (CTWG) were involved in a cost benchmarking exercise conducted by EY. The report concluded that the Company has 'disproportionately fewer resources' than other pool comparators. vi. As part of the fund launch process, potential investors are involved in discussions on the costs of launching funds. vii. Fee savings reporting is based on the total investment management costs incurred by investors within the ACS sub fund compared investment management costs outside the ACS.	The FCA's rules require London CIV to compare the charges it levies to investors against its actual costs in providing the services to which the charges relate, effectively London CIV's gross margin.	
Economies of scale	i. All investors benefit from tiered or discounted fee rates within each sub fund.	The FCA expects firms to pass on economies of scale to investors.	
Comparable market rates	i. As part of the fund launch process, London CIV conducts a benchmarking exercise to evaluate new managers. ii. London CIV regularly reviews the fees charged by investment managers and its major outsource providers. iii. The company reports fee savings to investors and MHCLG on at least an annual basis. iv. Fee savings are based on what investors are deemed to be able to obtain outside of the London CIV pool. v. London CIV also reports via the Cost Transparency template on the overall level of costs and individual costs to investors and the Scheme Advisory Board on an annual basis.	In relation to each service, London CIV must assess the market rate for any comparable service provided by the company to or by any of its delegates.	
Comparable services	i. All investors receive the same service for each fund. All funds offer the same level of service – no differentiation between funds or investors.	London CIV assessed each charge for comparable services to investors. The FCA intention is that the different investors are not paying different or substantially higher fees where the size and service are similar.	N/A
Share classes	i. London CIV only offers one share class, with investors having the option to receive distributions or reinvest.	London CIV does not offer multiple share classes across its fund range.	N/A

London CIV's Fund Range and Assets under Management as at 31 March 2021

LONDON CIV

Authorised Contractual Scheme (ACS) pooling structure
Total £11.1bn

Exempt Unauthorised Unit Trust (EUUT)
Total £1,231m*

Scottish Limited Partnership (SLP)
Total £150m*

Global Equities (ACS)

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 Global Core Fund	LCIV Sustainable Equity Fund	LCIV Sustainable Equity Exclusion Fund	LCIV Global Alpha Growth Paris aligned Fund
AUM	£3,691m	£725m	£917m	£141	£497M	£512m	£693M	£390m	£500m
Launch Date	11/04/16	22/05/17	17/07/17	08/11/2017	11/01/18	21/08/20	18/04/18	11/03/20	12/04/21
Manager	Baillie Gifford	Newton	Longview	Epoch	JP Morgan	MSM	RBC	RBC	Ballie Gifford

Private Markets (EUUT)

Fund	LCIV Infrastructure Fund	LCIV Inflation Plus Fund (PROPERTY)
AUM	£399m*/£30m**	£107m*/£50m**
Launch Date	31/10/19	11/06/20
Manager	Stepstone	Aviva

Private Markets (SLP)

Fund	The London Fund
AUM	£150*/£22m**
Launch Date	16/12/2020
Manager	LPPI

Multi Asset (ACS)

Fund	LCIV Global Total Return Fund	LCIV Diversified Growth Fund	LCIV Absolute Return Fund	LCIV Real Return Fund
AUM	£241m	£657m	£1,018m	£124m
Launch Date	17/06/16	15/02/16	21/06/16	16/12/16
Manager	Pyrford	Baillie Gifford	Ruffer	Newton

Fixed Income (ACS)

Fund	LCIV MAC Fund	LCIV Global Bond Fund
AUM	£1,137m	£343m
Launch Date	31/05/18	30/11/18
Manager	CQS	PIMCO

Infrastructure / Private Debt (EUUT)

	Infrastructure	Private Debt
Fund	LCIV Renewable Infrastructure Fund	LCIV Private Debt Fund
AUM	£435m*/£0m	£290m*/£0m
Launch Date	29/03/21	29/03/21
Manager	BlackRock, Quinbrook Stonepeak and Foresight	Churchill and Pemberton

*Denotes the total commitments
**Denotes the amount invested.
Two of the 22 funds launched prior to the end of the 2020/21 financial year have been closed. A further fund is in the process of closure.

Risk Management Framework

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.
- In setting the risk appetite the Board state: "The Company acknowledges the inherent risks in growing the business at pace, 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 a medium appetite for 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."
- 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.

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: Standard Reporting to Management	Governance: Roles And Responsibilities	ICAAP
Risk Event Management	EXCO	Business	Scenario Development
ISSUES & ACTIONS	CARCO	Risk & Compliance	Stress Testing
RCSA	IOC	CARCO & Internal Review	Reverse Stress Testing
Risk Register including Policies	Quarterly Risk Group		Capital Calculation
Risk Profile Monitoring			
KRIs			

CULTURE

Risk Management Framework continued

- The Company notifies the FCA of any material changes to the Risk Management Policy.
- Each fund has an appropriate risk profile and monitoring plan approved prior to launch covering at least market, credit, counterparty, liquidity, leverage and operational risks, combined with regular updates to ExCo and CARCO 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.
- The Company's allocation of resources to the identification, measurement, management and monitoring of risks is commensurate to the nature, scale, and complexity of the Company and the funds it manages.
- The Company's Risk Management Framework (RMF) is reviewed by CARCO at least annually to ensure it remains proportionate and effective.
- The RMF defines the Company's independent business functions, their roles, responsibilities, risk management tools and processes and reporting requirements. A three lines of defence risk management model is in place to support the RMF and is embedded in the Company's overall business strategy, operational policies and practices and is summarised on the following table:

First line

Risk and control ownership

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

Second line

Oversight, support and challenge

Specific accountabilities include:

- 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

Third line

Assurance

Specific accountabilities include:

- Depositary Annual Due Diligence
- Annual audits of the financial statements of the Funds and of London CIV
- CARCO oversees work of Compliance and Risk.

Business environmental risks

We identify the following risks:

Climate change

We are responding to climate change risk by increasing our risk analysis capability in order to develop a science based net zero ambition for London CIV including the funds we offer and corporately. We will work collaboratively with our Client Funds in order to do so.

Public Policy

We work closely with our Client Funds to identify public policy changes which might impact on the business and Client Funds. The Shareholder Committee has specific responsibility for identifying emerging trends which might impact on the business or Client Funds which should be considered by the Board or the Executive. Issues include national government policy in respect of pensions and LGPS pooling and local government together with pension and financial market regulation. The societal impact of ESG policy is becoming increasingly significant in addition to climate policy and we are responding in the way we manage London CIV corporately and across the extended enterprise including through our Responsible Investment activity.

Brexit

The direct impact of Brexit on London CIV was minimal; we have been updating investment and legal agreements, taxation and regulatory arrangements as a result of legislative change and evolving market practice.

Covid-19

We continue to assess the impact of Covid 19 on our operating environment including our outsource providers. In the absence of unforeseen shocks, we anticipate a gradual return to the use of our office and more face to face meetings. We will use more flexibility in our working arrangements in the future which we believe will be beneficial for our Client Funds and our staff.

Summary of Principal Risks and Mitigation

The Company has identified the following six key risks that may arise in the course of its activities, and has implemented systems and controls to prevent these risks from materialising and to manage and mitigate the impact of those that do:

Principal Risk & Definition	Principal risk description	How we mitigate	Changes during 2020-21
Strategic Failure to conduct effective investment risk oversight (including counterparty, credit, liquidity, market risk), or failure to deliver on investment objectives	Risk that we fail to deliver due to poor client engagement or inadequate offering	We engage with Client Funds regularly on the performance of the funds in which they invest and are available to them. Annually we assess the value of our funds, reporting on costs and cost savings.	During the year the proposition was enhanced with the launch of the four private markets' funds and a further global equity fund on the ACS. This includes the use of Seed Investor Groups to enhance engagement. We continue to improve cost transparency reporting and we are engaged in cross pool work on benchmarking value add and cost saving measurement.
	Failure to deliver strategy due to poor execution, decision making or governance	We work closely with Client Funds to understand the changing external markets including engagement with the pooling agenda. We have an extensive programme of Client Fund engagement with a dedicated Client Relations Team with a focus on developing effective working relationships with our Client Funds and their advisers. We work to a defined service standard supported by customer relations management tools. We track and report on engagements at our ExCo	We have developed resources and an approach to responsible investment to help Client Funds mitigate climate risk. Client Funds delayed their Strategic Asset Allocation decisions in 2020 because of COVID-19 which constrained the Company in making forward plans. Firmer information became available in early 2021. We have enhanced our Shareholder Engagement arrangements principally through a monthly business update meeting as well as direct engagement with the principal officers of all Client Funds. The development of Seed Investor Groups is showing early promise as is the move to provide greater transparency on London CIV processes and is delivering successful fund launches
Investment Risk Failure to conduct effective investment risk oversight (including counterparty, credit, liquidity, market risk), or failure to deliver on investment objectives	The risk that investment Performance and Pooling Structure are not effective	We have a structured investment manager selection process with qualitative and quantitative filters together with a rigorous investment due diligence process. Our manager oversight process is supported by an operational and performance assessment which escalates concerns to an enhanced monitoring.	Strengthened resource though appointment of a permanent CIO and Heads of Responsible Investment, Performance and Risk, and Private Markets. Published the Investment Governance Document clarifying our investment process. Added additional database resources to support manager selection. Worked with investment advisers on manager selection for the first time.
	Undue counterparty, credit, liquidity or market risk	We closely monitor the performance of delegated investment managers against the risk limits set for our funds for counterparty, credit, liquidity or market risk. We offer liquid public markets funds and much less liquid private markets funds. We maintain close relationships with our Client Funds to help ensure we understand their liquidity needs and we work with them to achieve their liquidity requirements.	Improved performance and risk reporting, operational due diligence and mandate compliance arrangements. Upgraded Liquidity Policy and liquidity monitoring arrangements were put in place but remains an area of focus.

Summary of Principal Risks and Mitigation continued

Principal Risk & Definition	Principal risk description	How we mitigate	Changes during 2020-21
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	Regulatory Compliance The risk that the Company does not comply with the applicable regulatory framework.	We scan the regulatory change horizon and track regulatory developments and engage and build compliance requirements into daily operational decisions. Our Compliance Matrix details all our obligations which are assess via our annual compliance monitoring programme.	We put in place an independent compliance and risk function with a dedicated staff, membership of ExCo and reporting to the CEO and to CARCO. We implemented Senior Management and Certification Regime during the year. We submitted a request to the FCA to expand our regulatory licence which is under consideration.
Operational Risk - Firmwide Operations including 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 risk that our Operational or Administrative Process is not effective.	We manage our fund developments, dealing and reporting processes thorough a dedicated team who manage our infrastructure and key third party service providers. Our operational activities are overseen by Northern Trust the depositary of the funds who proactively assess our compliance with FCA fund regulations. In addition to our controls this risk is mitigated by insurance and regulatory capital.	We put in place an independent compliance and risk function with a dedicated staff, membership of ExCo and reporting to the CEO and to CARCO. We implemented the Senior Management and Certification Regime (SM & CR) during the year. We submitted a request to the FCA to expand our regulatory licence which is under consideration.
	The risk of exposure to raised operational risk through third-party service providers	We operate a rigorous selection, due diligence and evaluation framework to support the appointment of material third party service providers. We maintain a register of outsourced arrangements; supported by contractual agreements and Service Level documents. Third party service providers are held to account via service meetings supported by key performance indicators as well as periodic revaluation. Our third party service providers provide expertise, capabilities and independence to us, but we aim to ensure this lowers rather than increases our risk. As well as capability we also monitor the financial strength of our third party service providers.	We completed significant additional work at the beginning of the COVID19 crisis to assess the operating effectiveness of our third party service providers as they needed to adjust their operating arrangements. We continue to monitor their arrangements as they move away from work from home to hybrid operating models.
	The risk that our business is not resilient - Failure to safeguard and maintain operations	Our business is dependent on Information Technology to operate smoothly. Our platform is operated on our behalf by a material outsource providers with ISO27001 accreditation under the information security standard. We use other specialist resources to test the effectiveness of these arrangements. We undertake an annual review of our business continuity and disaster recovery plans.	The whole company has worked from how for the entire year following government COVID-19 guidance. No changes were required to our operating platform. During the year we strengthen aspects of our IT security and we are enhancing surveillance arrangements.

Summary of Principal Risks and Mitigation continued

Principal Risk & Definition	Principal risk description	How we mitigate	Changes during 2020-21
People The ability to attract and retain top talent and the ability to maintain appropriate employment practices alongside a suitable remuneration framework	Risk that we cannot hire and retain appropriately skilled people	Our colleagues are central to the development and delivery of our funds and services for our client funds. We operate from London where there are many skilled people, but at the same time there is competition for their talents. We offer fixed salaries, great experience and opportunities to learn and develop and as we grow career advancement. We recruit primarily through our network and when necessary with the help of recruitment partners. We undertake capacity and resource planning and supplement our staff with additional temporary employees or external support when appropriate.	We increased our permanent headcount from 23 to 31 (year end figures). We replaced our defined benefit pension scheme with a defined contribution arrangement.
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	Capital Adequacy The risk that London CIV does not have sufficient financial resources to meet its operational regulatory capital requirements.	We have been well capitalised by our shareholders and maintain a highly liquid balance sheet. We carefully plan through our Medium Term Financial Strategy (MTFS).	We closed our Defined Benefit Pension Scheme to new members, significantly reducing balance sheet risk. MTFS agreed with no increase in DFC for 2022-23

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

What ESG means for London CIV

The diagram below summarises how we work together across the four pillars to create not just a sustainable city but a future in which people and planet will prosper

People, Planet, Principles of Governance and Prosperity as defined by the World Economic Forum in collaboration with Deloitte, EY, KPMG and PwC

People

"An ambition to end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality in a healthy environment"

What it means for LCIV: recognising that assets are dependent on human capital and can positively or negatively impact society.

Planet

"An ambition to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations."

What it means for LCIV: environmental degradation poses critical financial and economic risks to long-term investment returns.

Principles of Governance

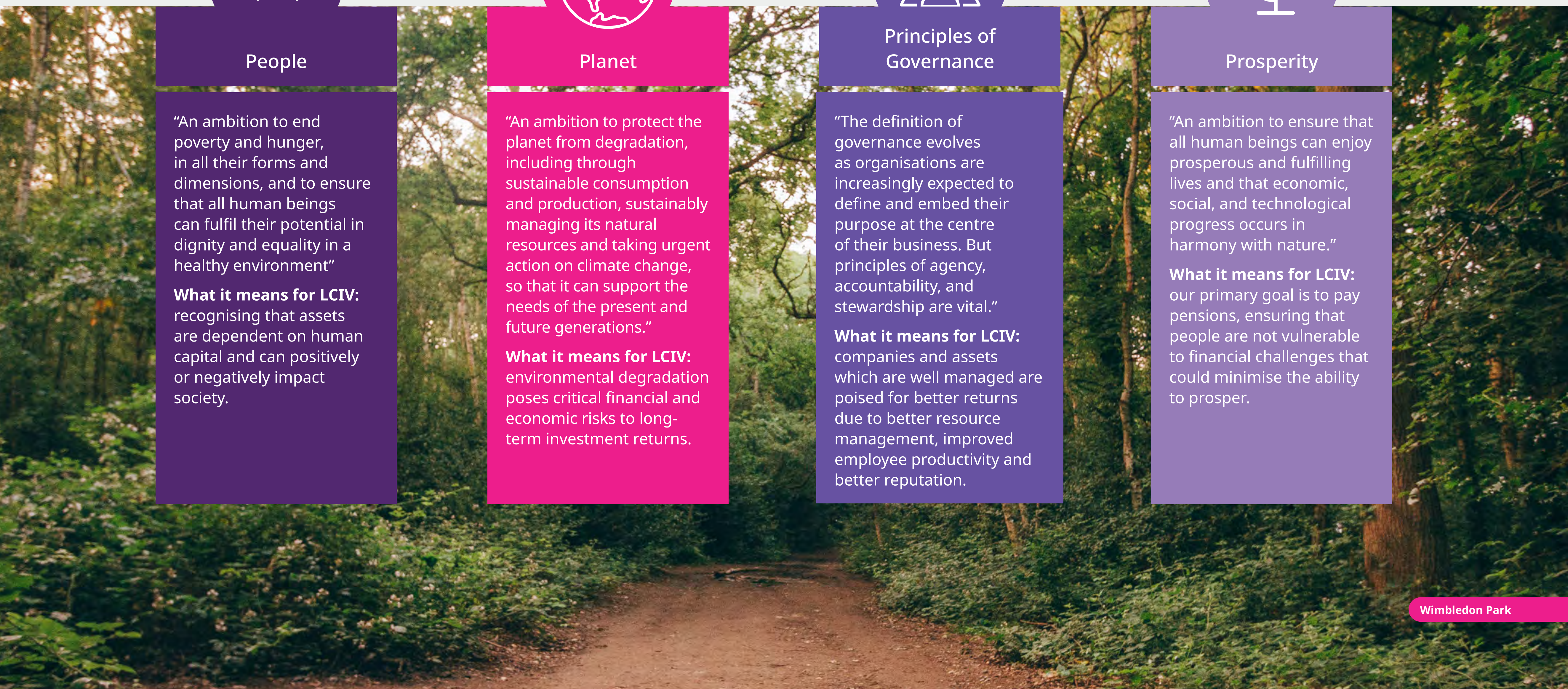
"The definition of governance evolves as organisations are increasingly expected to define and embed their purpose at the centre of their business. But principles of agency, accountability, and stewardship are vital."

What it means for LCIV: companies and assets which are well managed are poised for better returns due to better resource management, improved employee productivity and better reputation.

Prosperity

"An ambition to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social, and technological progress occurs in harmony with nature."

What it means for LCIV: our primary goal is to pay pensions, ensuring that people are not vulnerable to financial challenges that could minimise the ability to prosper.



Wimbledon Park

Investment Review
Jason Fletcher

"Looking to integrate ESG, Cost Transparency and Risk Management into the Investment Lifecycle."

Our focus this year has been to develop the Design–Select–Manage lifecycle to launching funds and managing existing funds. We are integrating ESG, cost transparency and risk management into each part of the investment lifecycle. This is being done to ensure that London CIV achieves its aim of adding value to our clients, adds access to Infrastructure assets and in order to provide robust governance and decision making.

These processes and policies have been shared with clients in the Investment Governance Document (IGD) on the new website and portal. The output from this process is reflected in client reporting in the enhanced Quarterly Investment Reports. (QIRs).

London CIV have continued working with Client Funds through the Seed Investment Groups (SIGs) and Investment groups for existing investors co-ordinated by the London CIV Client Relations Team. These meetings are critical to the design of new funds and the development of our existing funds.

This design process has enabled us to launch 4 funds in the last year, The London Fund, LCIV Renewable Infrastructure, LCIV Private Debt, LCIV Inflation Plus Fund. Shortly after the year end we also launched the LCIV Global Alpha Growth Paris Aligned Fund.

The year also saw the closure of the LCIV Equity Income fund with divestments by two client funds. In all cases ESG was important in the design and selection of investment manager(s). We also launched a Climate Change version of the LCIV Global Alpha Growth Fund with Baillie Gifford demonstrating our commitment to develop and integrate ESG throughout our product offering.

Private Markets funds have increased from 2 to 5 funds in the last 12 months with over £1.3bn of client commitments. Of this 64% has been committed to external managers and 11% has been invested (see table on page 16. Given more than half these commitments have only been made in the last 3 months we expect these funds to deploy capital more quickly moving forward. We also expect to have a second close on The London Fund and LCIV Renewable Infrastructure funds in July 2021.

We have three funds in the pipeline leading with the LCIV Low Carbon Passive Equity Fund which will move from the design into the implementation stage over the summer. We are currently assessing client demand for a Sterling Credit fund and an Alternative Credit fund.

On fund monitoring we have developed an internal monitoring structure RAG (Red, Amber, Green) that feeds into the monitoring status of our funds that we share with Investors. We currently have the LCIV Equity Focus fund on watch and the LCIV MAC fund on enhanced monitoring. The other 17 funds are all on normal monitoring. With the 2 funds we are working with investors and the underlying managers to resolve the concerns we have. Commentary on this monitoring is shared in the QIRs.

London CIV's Fund Management ESG Processes

Design
Design products that meet the clients' objectives and strategies

Selection
Select investments and Investment managers that meet and beat the objectives of the fund

Management
Monitor selected managers versus the objectives and the KPIs/RAG status for the fund

Compare with Peers in similar strategies and asset classes

Change Management/ closure
If failing to deliver on the objectives of the fund or the KPIs then terminate managers and prepare options for replacing the manager

Investment Review continued

The Investment Governance Document (IGD) was published on the Client Portal in late 2020. This document details the process that we apply to the investment funds that we have at London CIV. We are currently upgrading this to add enhancements around risk, ESG and private markets. We have also upgraded the Investment Oversight, Termination and Selection & Appointment polices also published on the Client Portal and are reviewing the Allocations Policy which will also be available to Client Funds.

During the year we have increased the level of resources in the investment team, in particular by establishing a dedicated Responsible Investment team and by adding to the expertise across each of the portfolios as we have expanded our product offer and management of our risk and performance reporting capability.

As set out in the MTFS agreed at the January 2021 General Meeting we are working on an Investment Strategy Roadmap which will form part of the Medium Term Plan demonstrating how we aim to achieve the medium to long term ambitions of the London CIV pool. In the short term we expect to launch new funds during 2021 as described above and expect to see higher levels of investment by Client Funds in our existing funds following decisions about Strategic Asset Allocations in late 2020 and early 2021.

Jason Fletcher, Chief Investment Officer

London CIV Investment Beliefs

The revised Investment Beliefs agreed in October 2020 reflect the increased focus on ESG, Cost Transparency and Risk Management together with the collective benefit we get from working in partnership with client funds

1 We believe long term investors get better risk adjusted returns

2 We believe taking the right risk for the right return will maximise opportunities

3 We believe robust risk management and mitigation improves risk adjusted returns

4 We believe Responsible Investment mitigates financial risk and maximises opportunity

a) We believe good corporate governance improves outcomes

b) We believe in good stewardship and in proactive engagement

c) We believe management of climate change risk is a key element of our investment strategy

d) We believe diversity adds value for our clients

5 We believe diversification can improve returns and reduce risk

6 We believe that costs are important and should be managed

a) We believe managing fees and assessing remuneration will support cost effectiveness

b) We believe fund structuring and implementation costs matter

7 We believe clear objectives, expert knowledge and robust research will add value by supporting investment and manager selection

8 We believe transparency and accountability build client trust

9 We believe innovation and strong leadership supports more sustainable returns

10 We believe that a collective approach to investment improves returns and reduces risk

Investment Review continued

Two case studies of new funds are shown below.

LCIV Private Debt Fund

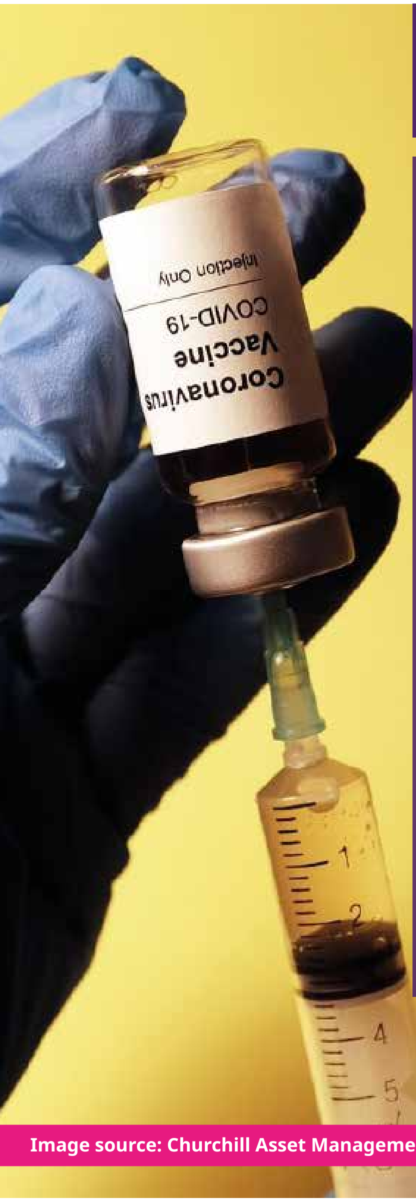


Image source: Churchill Asset Management

The LCIV Private Debt fund has a closed-ended structure and will seek to achieve its objective by investing its assets into underlying funds which make loans to European and North American middle market companies.

The approach was developed in collaboration with Client Funds using London CIV Seed Investors Groups (SIGs). London CIV have selected funds managed by Churchill Asset Management, and Pemberton Asset Management. The LCIV Private Debt fund has been seeded by three Client Funds with a total commitment of £290m; a further three investors are expected to invest more than £150m by the end of the year. It will remain open to further commitments from London CIV Client Funds for the next twelve months.

LCIV Renewable Infrastructure Fund

The LCIV Renewable Infrastructure Fund was developed in consultation with Client Funds and will focus on renewable energy infrastructure assets by investing in greenfield and brownfield assets.

This will include generation, transmission, distribution and enabling assets. It uses an open ended structure. London CIV have selected funds managed by BlackRock Investment Management, and Foresight Group , Quinbrook Infrastructure Partners , and Stonepeak Global Renewables Advisor. Five seed investors have committed an initial £435m into the fund and we currently expect to see a further six Client Funds invest more than £300m.

Responsible Investment
Jacqueline Jackson

Our vision is to be a best-in-class asset pool that delivers value for Londoners through long term sustainable investment strategies.

"Aside from testing any assumptions we can make about risk, the pandemic has highlighted a myriad of inequalities and accelerated our desire to drive change. By sharpening the focus on stakeholder value, we seek to improve returns across environmental, social and economic capital".

Jacqueline Amy Jackson, Head of Responsible Investment

Responsible Investment

London CIV are committed to protecting the interests of our clients and members by acknowledging that climate-related risks and broader environmental, social and governance (ESG) factors are a source of financial risk.

We aim to make long-term sustainable investments supported by data-led and transparent processes. Our vision is to be a best-in-class asset pool that delivers value for Londoners through responsible investment strategies.

In collaboration with all our stakeholders we are building better futures by investing for a world worth living in. The support of the Responsible Investment Reference Group (RIRG) has been key in developing our approach to engagement and response to Client Funds' expectations.

Collaboration

London CIV recognise that our voice is more efficient and effective when we work together. This is why we work in collaboration with a multitude of partners and industry leaders to raise the standards of our investee companies, investment managers and our own organisation.

London CIV are a signatory to the UN-backed Principles of Responsible Investment (PRI). In the reporting year we were assessed on three modules Strategy & Governance, Listed Equity and Fixed Income – SSA, and achieved an A score against all three. We also support the Financial Reporting Council's UK Stewardship Code (UKSC).

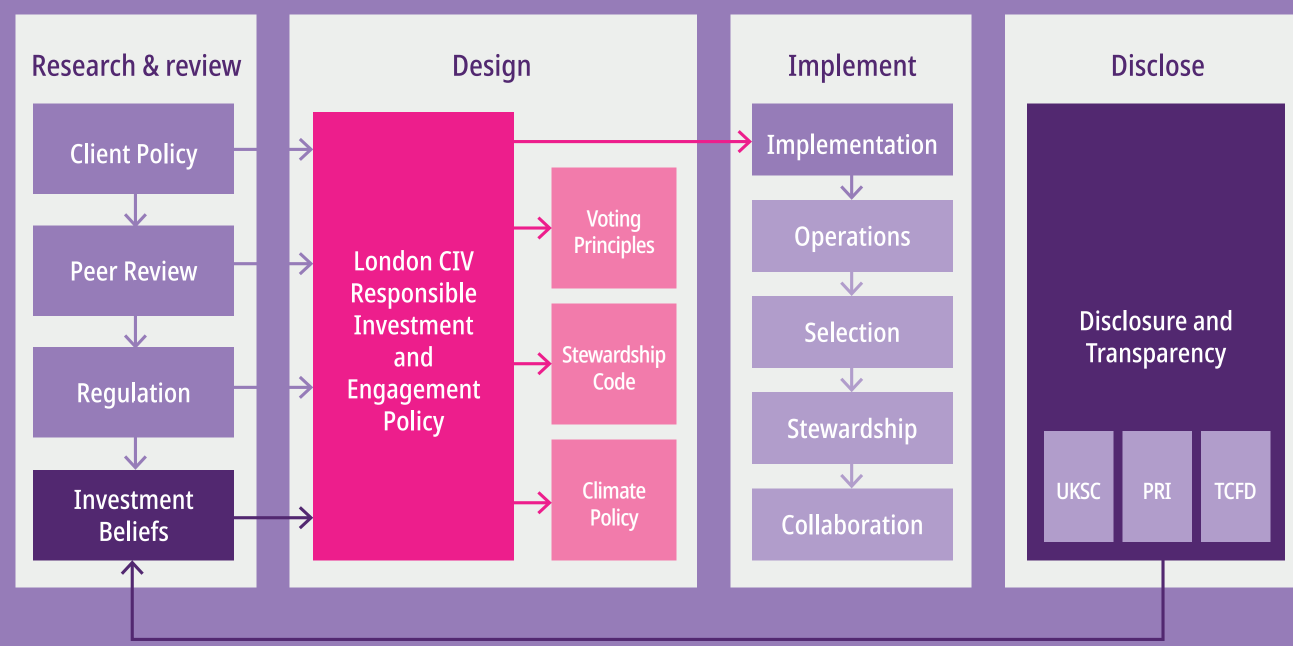
Other initiatives we proudly support include Climate Action 100+, ShareAction: Better Work Coalition, and Pensions for Purpose.

The ESG Action Plan

At the end of 2019 we conducted a review of our responsible investment activity and agreed on a programme for 2020 which included cultural change, product development, improved resourcing, better stewardship and climate change risk mitigation.

In the reporting year, the Responsible Investment ("RI") Team grew from a baseline of no dedicated staff to a team of three. A Responsible Investment Reference Group ("RIRG") was set up and an ESG Champion on the Board was appointed in order to drive action on RI throughout the organisation.

London CIV's Responsible Investment and Engagement Strategy and Process is ongoing. Priorities and processes are reviewed and reported on at least annually.



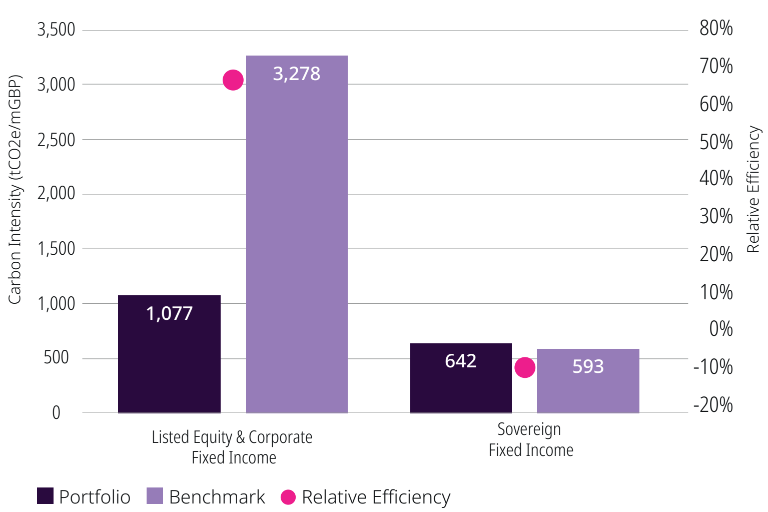
Responsible Investment continued

Climate Change

Climate change presents an immediate systemic risk to the ecological, societal, and financial stability of every economy, country, asset type and sector on the planet. It will have a significant physical and economic impact on most aspects of human activity and consequently multiple implications for our Client Funds and their beneficiaries. Addressing climate change is therefore part of our fiduciary duty and a strategic investment priority for London CIV.

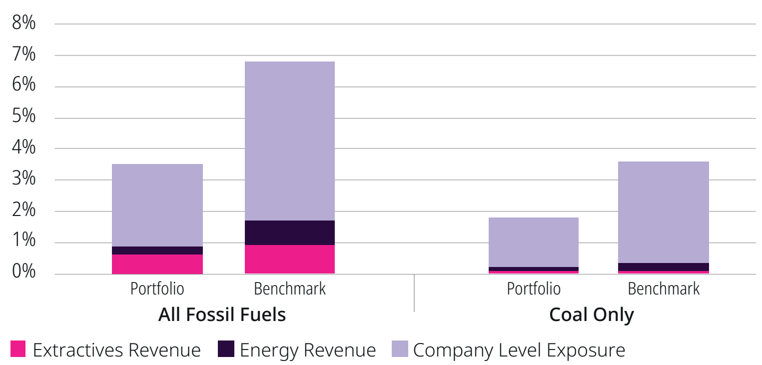
Recognising the materiality of the issue and demonstrating our commitment to assessing climate-related financial risks London CIV have signed up to and disclosed against the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures (TCFD). We have completed our first climate risk and opportunities analysis and published a standalone Climate Policy.

Weighted Average Carbon Intensity (Source: Trucost)



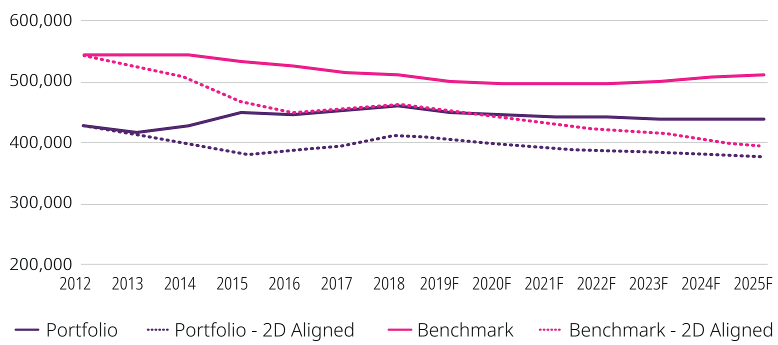
London CIV's exposure to fossil fuel and coal was also lower than the benchmark at 3.5% versus 6.8% and 1.9% versus 3.8% respectively.

Exposure to Fossil Fuel Activities (Source: Trucost)



Whilst London CIV performs better than the benchmark across all climate metrics and despite positive progress on climate risk mitigation efforts, the London CIV transition path is currently not compatible with a warming below 2°C.

Emissions Trajectory (Source: Trucost)



In terms of apportioned emissions, these are approximately 11.5% higher than the emissions allowed for a 2°C carbon balance over the period 2012 to 2025. The analysis confirms that a significant level of decarbonisation is required by investee companies to be in alignment with 1.5°C of warming.

London CIV have committed to setting short-, medium- and long-term targets to achieve net zero emissions by 2050 and will publish a decarbonisation framework ahead of COP26 in Glasgow, November 2021.

In the meantime, London CIV continues to engage with its investment managers and investee companies as a key part of its climate risk mitigation efforts.

Contribution to the United Nations Sustainable Development Goals

London CIV has calculated the carbon footprint of its infrastructure portfolio and estimated the avoided emissions resulting from the displacement of conventional power generation sources by renewable energy assets.

The fund commitments towards renewable energy infrastructure will contribute towards 335,040 tCO2e of avoided emissions during the project lifetimes1. This corresponds to 14,287 tCO2e of avoided emissions on an annual basis. Based on this assessment London CIV concluded that the investments contributed to 4 of the 17 Sustainable Development Goals ("SDGs"):

[1] The content above was prepared by London CIV with data derived from the Ecoinvent LCA inventory, Bloomberg New Energy Finance, and the EPA Greenhouse Gas equivalencies calculator.

Responsible Investment continued

Stewardship

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The effectiveness of active ownership depends upon the achievement of real-world outcomes at scale. Achieving such outcomes matters to London CIV, our clients and their beneficiaries. This is because systemic risks, such as climate change and inequitable social structures seriously threaten the long-term performance of economies and asset owners' portfolios, as well as the world in which our beneficiaries live.

To sharpen the focus on our role as active owners, London CIV have released a standalone Stewardship Policy and published its first Stewardship Outcomes Report. Both helping us to identify priority themes across the four pillars of People, Planet, Principles of Governance and Prosperity and to track the progress of our efforts.

Key Outcomes

£11.2bn[1]
Active investments through London CIV

£44bn
of assets held by Client Funds

93%
AUM covered in ESG risk analysis

36%
of our infrastructure investments are committed towards **renewable energy**

27.5%
London CIV Listed Equity and Corporate Fixed Income has **27.5% lower carbon** intensity than the MSCI World[2]

48.5%
Total Fossil Fuel Exposure for London CIV is **48.5% lower** than the benchmark at **3.5%** in total

9,647
out of **9,966 votes cast** on management proposals in 2020[3]

363
out of **364 votes cast** on shareholder proposals in 2020[4]

10,010
votes cast in total

424
engagement meetings held by our managers in 2020

42
of which included discussions on **diversity**[5]

10
Engagement Initiatives and Membership Groups supported by London CIV in 2020[6]

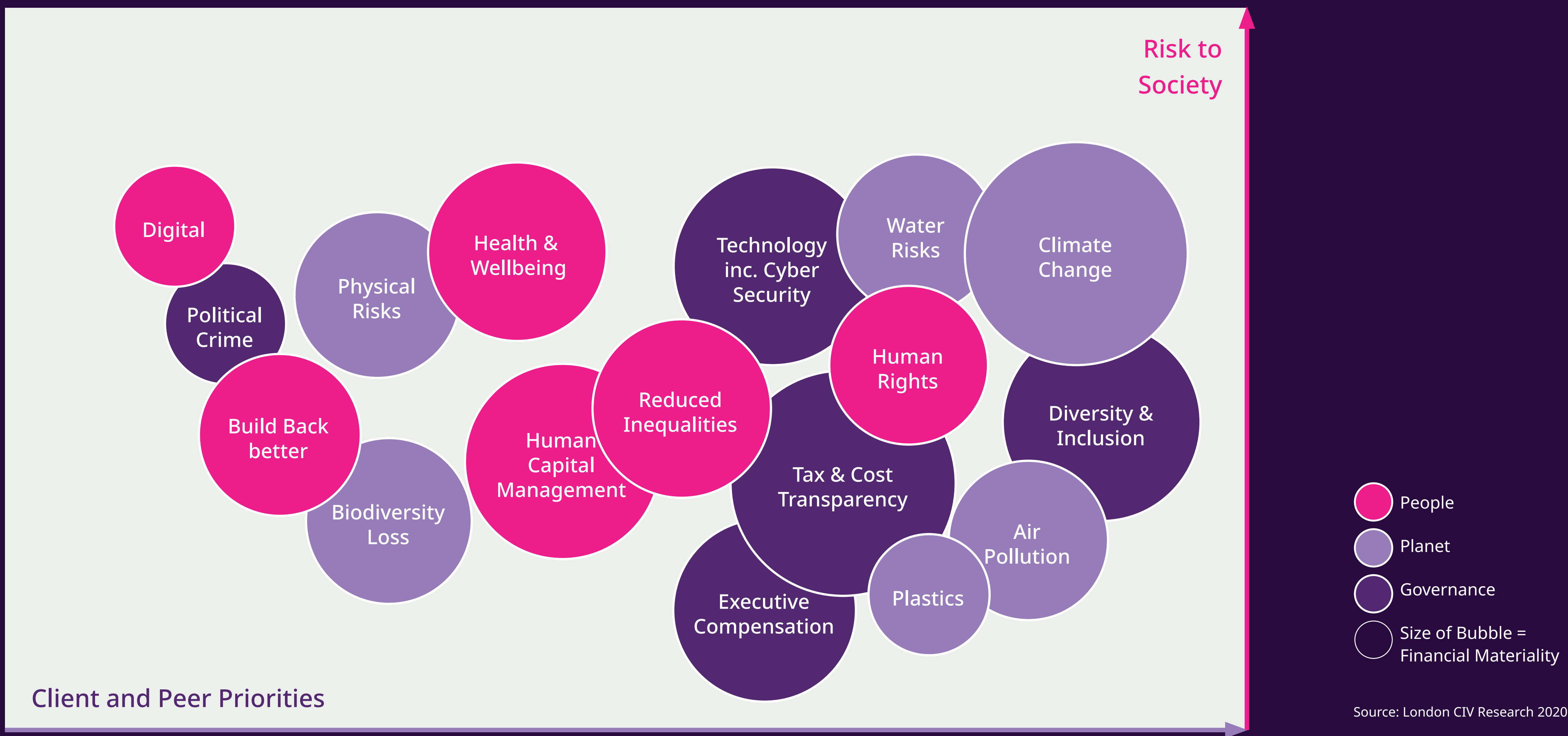
100%
of investment managers are signatories of the UN Principles for Responsible Investment ("UN PRI")

100%
managers committed to cost transparency

15 out of 16
funds managed by signatories of the Task Force on Climate-related Financial Disclosures ("TCFD")[i]

1 Source: London CIV. Data as of 31 March 2021
2 In terms of the consolidated LCIV pool's WACI, as per 30.11.20 according to Trucost, S&P Global data
3 Representing a 97% voting execution
4 With only 1 abstention
5 Diversity was covered as a topic in engagement discussions with companies in 42 separate instances during 2020
6 Please see section 3 on collaboration: delivering outcomes at scale. This includes engagement initiatives
includes groups such as ClimateAction100+ and membership groups such as PRI.
i As of 31st December 2020

Key Stewardship Priorities (2021)



Source: London CIV Research 2020

Financial Review
Brian Lee

In the last twelve months, we have reviewed our funding model and our costs to ensure we continue to deliver value for money

During a year of volatility our financial arrangements have remained stable.

I am pleased to introduce the Financial Review for London CIV for the year to March 2021. This section of the Annual Review summarises the financial performance of the Company. A full set of statutory financial statements are included as the second half of this document.

As we are all well aware, the last twelve months have been unprecedented as we have responded to the impact of the COVID-19 pandemic. During that time, London CIV staff have been home working but we have continued to operate the business as normal and I am pleased to confirm our financial arrangements have remained stable and on course when compared to our budget. We remain focussed on managing our costs to deliver value for our shareholders and investors.

The level of volatility last year can be assessed by the change in the value of assets under management (AUM) on the Authorised Contractual Scheme. At March 2020, AUM was £7.6bn and had risen to £11.2bn by March 2021, an increase of £3.5bn of which £2.8bn was on account of asset appreciation. The budgeted AUM at year end was £9.5bn.

During 2020/21 we consulted on options for a new funding model, bearing in mind the importance of sustainability and stability, the impact on all clients and the balance between the fixed fee and ad valorem fee (which varies depending on which funds clients invest in).

Based on current trends in AUM and feedback from Client Funds about preferred options we envisage that we will review the scope to move to a new model in about 2023 when we expect that AUM will have increased sufficiently to allow a 70%/30% split between ad valorem fee and fixed fee funding. During 2021/22 we expect to undertake further work on the funding model as part of our medium-term plan, with a particular focus on the pricing model for different funds. Cost transparency, and the best use of resources to support the development of new funds and run existing funds will be a key theme for 2021/22 and underpin the work on our medium-term plan.

Income statement

The operating profit for the year, before the exceptional item, is £23k and is slightly higher than the budgeted profit in the Annual Budget for the year approved by the Board and Shareholders. Income is higher than the budget due to the higher levels of assets under management and expenses have been managed to remain close to budget. A number of fund launch costs have been expensed this year.

	Actual March 2020 £000	Actual March 2021 £000	Budget March 2021 £000
Turnover	5,364	6,335	6,153
Expenses	(5,744)	(6,312)	(6,146)
Operating Profit/(Loss)	(380)	23	7

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 £6.3m of which £2.9m relates to the fixed fees. The level of fixed fee income was important last year as market volatility could have led to a loss of income if asset values had continued to fall from the March 2020 low point.

Income	Actual March 2020 £'000s	Actual March 2021 £'000s	Budget March 2021 £'000s
Service Charge	800	800	800
Development Funding Charge ("DFC")	2,080	2,720	2,720
Passive Asset Fees	506	564	538
Management Fees	1,978	2,251	2,094
Total Income	**5,364**	**6,335**	**6,153**

Financial Review continued

Operating Expenses

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

Expenses	Actual March 2020 £000	Actual March 2021 £000	Budget March 2021 £000
Staff costs	3,815	4,051	4,148
Facilities	666	638	707
Legal & Professional	637	877	595
Travel & general expenses	55	41	74
Technology	449	296	172
Investment systems costs	122	410	450
Total expenses	**5,744**	**6,312**	**6,146**

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 and the approved rise in staffing levels is reflected in the increase in staff costs from £3.8m in year ending March 2020 to £4.1m in year ending March 2021.

	Actual March 2020	Actual March 2021	Budget March 2021
Staff numbers (including contractors)	27	35	35

The increase in legal and professional fees arises from the significant level of fund launch activity in the last quarter of the financial year and the associated legal costs. These costs will be recovered when the actual funds launches start investing.

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 15 funds on the ACS, Exempt Unauthorised Unit Trusts (EUUT) and one fund as a Scottish Limited Partnership.

	March 2016 £bn	March 2017 £bn	March 2018 £bn	March 2019 £bn	March 2020 £bn	March 2021 £bn
AUM on ACS and EUTT	0.8	3.6	6.2	8.2	7.6	11.2
Funds	2	7	11	14	14	16

During the year, London CIV launched four private markets funds with client fund commitments of approximately £1bn. The private markets funds will continue to be an area of growth. After the year end we launched the LCIV Global Alpha Growth Paris Aligned Fund.

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 on the ACS.

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	March 2021 £bn
Passive investments	0	7	8.4	9.7	9.1	12.6

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).

In respect of the regulatory capital that the FCA requires of a CPM firm, at the end of the year ending in March 2021, the Company had a regulatory capital requirement of £2.3m and a surplus of £2.8m. The capital adequacy calculation is based on the higher of the calculations based on assets under management or annual expenditure.

	Actual March 2020 £000	Actual March 2021 £000	Budget March 2021 £000
Regulatory capital requirement	1,705	2,306	1,934
Regulatory capital surplus	3,486	2,751	3,366

Cost Transparency Working Group

The Company continues to work with client funds through the Cost Transparency Group (CTWG), 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.

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 202I, the Company provided its Client Funds with the CTI reports.

Cost Benchmarking

During the year a number of other strategic finance related projects were completed. We conducted a detailed review of our funding arrangements as well as a cost benchmarking exercise, working with our stakeholders and the Cost Transparency Working Group. Engagement with our shareholders involved surveys, working groups and presentation of findings led by EY.

The Board of London CIV committed in last year's MTFS to conduct a cost benchmarking exercise to ensure that the operating costs of the business were within reasonable cost parameters given the cost and complexity of the organisation. We commissioned EY to undertake the review and the report findings are summarised below :-

- **Disproportionally fewer resources.** In comparison to other pools London CIV operates on the lowest budget (£5.7m vs £8.5m - £12.6m for comparator pools), and have the lowest personnel costs (£3.8m vs £4.7m - £6.0m for comparator pools).
- **Wider breadth of Client Funds and fund offering.** London CIV has materially more Client Funds than other pools (32 compared to 4-8 for other pools) and also offers a wide range of active funds (15 vs 5 to 17).
- **Budget and service evolution.** Since 2017, the number and breadth of deliverables required of the LCIV, whether they be driven by regulation, growth towards objectives, enhancing core functions or Client Fund needs and demand, has expanded meaningfully.
- **Qualitative considerations.** London CIV has been launching their owns funds in increasingly more complex asset classes (requiring new vehicles including the EUUT and SLP) which has led to an increase in the volume of investment-related activities and compliance.

The outcomes from the exercises were an agreement to move to a higher level of ad valorem fees and less reliance on fixed fees once a greater level of assets had been pooled, identified as 75%, compared to the current level of 54% of available assets (rising to 57% including commitments) pooled. In terms of costs, EY determined that the cost base of the Company was lower than other pools, even taking into account different operating models, and that London CIV has a wide breadth of Client Funds and fund offering.

Funding Model Review

The CTWG also oversaw the funding model review conducted by EY including reviewing client fund funding questionnaire responses, attending funding workshops and reviewing the EY proposals arising from the funding review. There were two workshops attended by over 40 representatives from Client Funds.

In respect of the funding review, the CTWG made the following comments and observations:

- All Clients Funds are shareholders of the London CIV and therefore have an interest in the continued financial viability of the London CIV. Continuation of a service charge will help support the continued financial viability to the benefit of all stakeholders
- Client Funds that have illiquid investments may not be able to meet minimum threshold pooling levels given the lock-up periods on those assets.
- Pooling is defined as both assets on the ACS and passive assets. Whilst a Client Fund may have the same % of total assets pooled, the ad valorem fees they pay may be materially different due to their ACS/passive split. This may raise concerns around fairness.
- Client Funds may have to accept they may be a little worse off under a new model, but this would be acceptable if there is a clear direction of travel towards a long-term model that is fair.

Going Concern

Last year a detailed financial analysis looking at the going concern position of the Company was undertaken. This financial assessment covered the potential impact of COVID 19 and included stress testing. In recent months, the impact of COVID-19 has abated and this has been reflected in the approach to the going concern analysis this year. We have reviewed the Annual Budget that was signed off by shareholders in January 2021 for the financial year 2021/22 to determine if there have been any material changes to the business model which could impact on the financial integrity of the Company.

There are two important points to note in assessing the going concern status and regulatory capital requirements of the business:-

Pension scheme – last year London CIV shareholders agreed to provide a guarantee in favour of the City of London in respect of the defined benefit pension scheme in the event that London CIV was unable to meet its exit payment obligations which would arise in the event of London CIV exiting the COL pension scheme. This guarantee reduces the uncertainty on the Company's finances arising from funding future defined benefit pension scheme liabilities. This guarantee has also led to a reduction in the DB funding rate for 2020/21.

Variation of Permissions – the impact on the capital adequacy requirements arising from any new permissions has been factored into the analysis, including detailed risk capital analysis captured in the Company's Internal Capital Adequacy Assessment Process

Finally, we have been working on our Internal Capital Adequacy Process, generally known as the 'ICAAP', which determines the capital requirements for our planned new regulatory permissions. We are pleased to note that the pension guarantee agreements referred to above have been helpful in our ICAAP analysis.

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

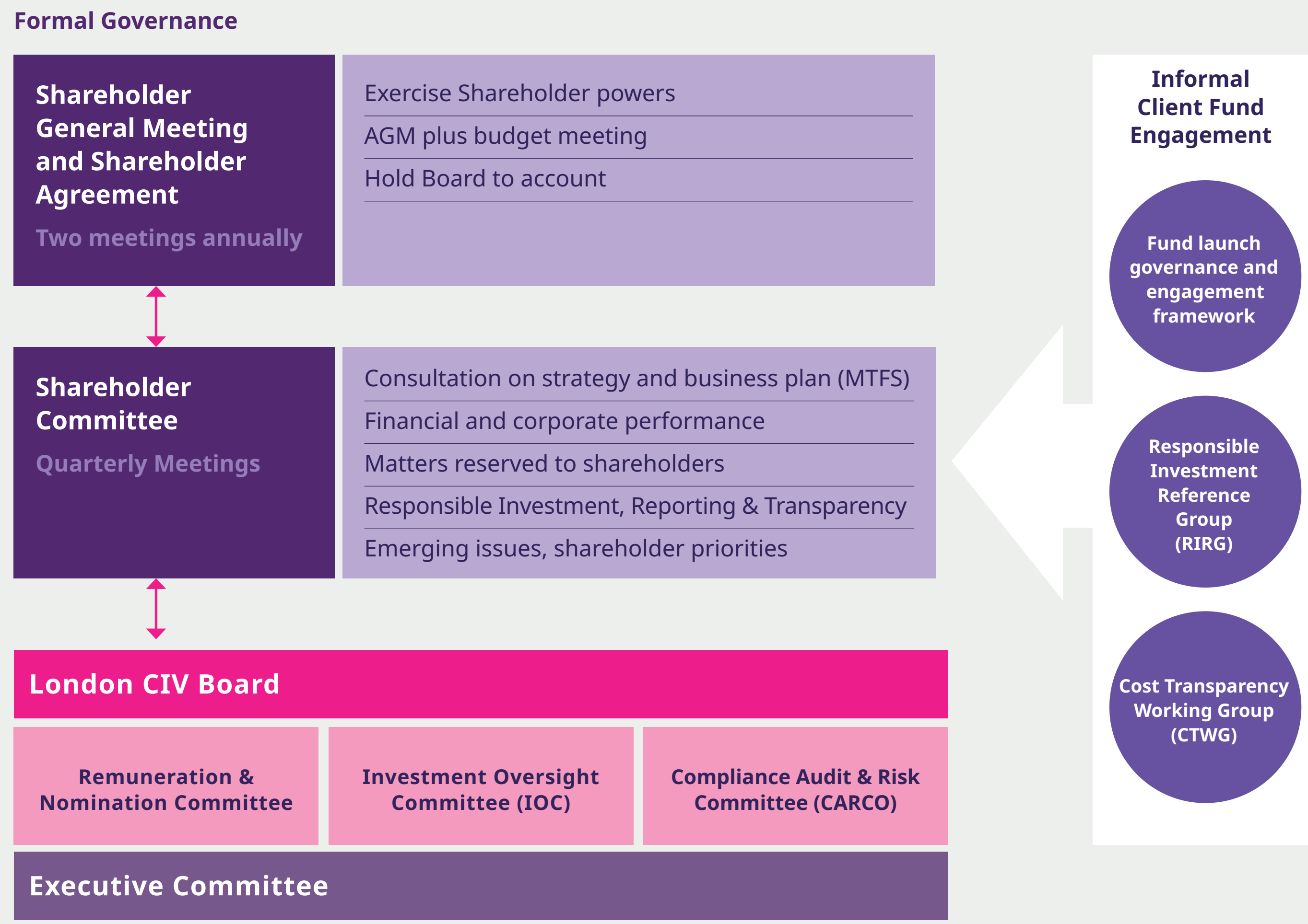
Stakeholders

London CIV is an FCA regulated company limited by shares whose 32 London Local Authority shareholders are its only clients. 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 client funds and their beneficiaries are London CIV's key stakeholders and London CIV's purpose statement underlines the importance of adding value to London as a whole **To be the LGPS pool for London to enable the London Local Authorities to achieve their pooling requirements.** Other stakeholders include the Ministry for Housing Local Government and Communities (MHCLG), London taxpayers and the users of London local government services which include education, public health, social care, waste management, housing and culture.

An effective governance framework is key to London CIV's operation, long term success and sustainability, and to our legal and regulatory requirements. During 2020/21 we have implemented the changes to our corporate governance arrangements agreed following the 2019/20 governance progress review. We have also made changes to ensure that the business model is characterised by visibly high levels of client fund engagement, in particular in respect of Client Fund involvement in fund launch development (Seed Investor Groups "SIGs") and engagement with fund managers. We now have an active Responsible Investment Reference Group (RIRG), chaired by Cllr Robert Chapman of LB Hackney, which has provided a sounding board to steer the development of our Responsible Investment and Stewardship activity. The Cost Transparency Working Group (CTWG) chaired by a s151 Officer, John Turnbull of Waltham Forest has supported us in the work to review our funding model and develop our cost transparency and benchmarking activity. The new website and client portal have allowed us to improve the quality and transparency of information about London CIV's decisions, performance and services.

London CIV committee structure



The Terms of Reference of the Shareholder Committee were amended to include the Trade Union member as a voting member which means that beneficiaries are now more explicitly included in our governance structures, in line with Scheme Advisory Board expectations and Investment Association guidance in respect of good corporate governance in respect of stakeholders. This is consistent with the Committee's consultative role and responsibility for identifying emerging issues which may impact on the Company or shareholders and assists Directors in fulfilling their Companies Act s172 obligation to consider the impact of decisions on stakeholders.

The Responsible Investment section of this report provides more information about how the Company has fulfilled its stewardship responsibilities and more information can be found in the Stewardship Outcomes report and other Climate and Stewardship reports and policies including the TCFD report published on the website at **www.londonciv.org.uk**

London CIV Governance Framework

Major decisions, including approval of the budget, objectives and business plan are reserved to Shareholders in General Meeting as set out in a Shareholder Agreement. As part of the 2019/20 governance review it was agreed to provide for a Disputes and Deadlock procedure to be put in place.

Certain decisions require written 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 on the Board who are Leaders of London Councils 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 Governance 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. 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, including cross-cutting themes identified in the 2019/20 board effectiveness review were:

- Corporate performance, including Assets Under Manager (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
- Annual budget, business plan and objectives
- Medium Term Strategy and "Big Questions"
- Regular update on governance and shareholder matters
- Responsible Investment and Stewardship including London CIV's net zero climate ambition and priorities for voting and engagement
- Client engagement, communication and reporting
- The impact of strategic and operational decisions on client funds and alignment of business proposals with strategy
- Corporate culture including the new statement of culture and values in order to deliver good outcomes for clients
- Strategic challenges and risks to delivering the strategy and specific proposals
- Diversity and inclusion, remuneration, succession and appointment matters
- Application for additional regulatory permissions and related ICAAP
- Year-end financial report and Annual Review

The Board's collective review of its own effectiveness would usually have taken place before this report was written. However it was decided to defer the review until July 2021 so that it can be taken forward by the incoming Chair of the Board and Chair of the Remuneration and Nomination Committee whilst also taking advantage of feedback from outgoing board members and the Chair of the Board. The Chair of the Board has conducted appraisals of Non Executive members of the Board and the CEO. The Shareholder nominated NEDs have conducted an appraisal of the performance of the Chair. The CEO has conducted appraisals of the two Executive Directors including their roles as Board members.

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, Chair of the Board and Compliance and Risk Director hold designated Senior Manager Functions (SMF) under the FCA's Senior Management & Certification Regime (SM&CR). Two Non-Executive Directors, Cllr Stephen Alambritis and Cllr Ravi Govindia are nominated by Shareholders and Ian Williams is the Treasurer Observer. There is also a Non-Executive member of the Investment Oversight Committee (IOC) who is not a Board member

Key changes to membership of the Board that took place during the year or are due to take place in the first few months of 2021/22 are:

- Kevin Corrigan who was appointed as interim CIO in November 2019 joined the Board on 11 February 2020 and left the Board on 30 June 2020.
- Jason Fletcher CIO was appointed to the Board from 23 July 2020
- Linda Selman came to the end of her three-year term of office in September 2020
- Paul Niven was re-appointed to serve for a further three year term to September 2023 and in November 2020 appointed as Chair of the IOC in succession to Chris Bilsland
- Alison Talbot was appointed to the Board commencing 21 September 2020 and as Chair of CARCO in succession to Eric Mackay in March 2021
- Kitty Ussher was appointed to the Board commencing 21 September 2020 and took office as Chair of the Remuneration and Nomination Committee in succession to Eric Mackay on 9 June 2021
- The Board has commenced a search with the aim of making two new non-executive director appointments to replace Chris Bilsland and Eric Mackay by November 2021. Cllr Ravi Govindia comes to the end of his term of office in September 2021 and is eligible for re-appointment. Cllr Stephen Alambritis comes to the end of his term of office at the same time and is not eligible for re-appointment. New nominations have been requested
- Mike Craston has been appointed Chair of the Board in succession to Lord Kerslake subject to FCA approval

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.

During the year the Committee has worked with the Board to find ways to improve the way in which the members of the Committee and the Board work together, despite the additional challenges of doing so in a virtual environment given the restrictions of the COVID19 pandemic. Committee and Board members have held two "meet and greet" events and Board Committee Chairs have attended Shareholder Committee meetings.

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

- Corporate and financial performance
- Annual budget, business plan and objectives prior to decision by the January 2020 General Meeting of all Shareholders (it was decided this year to consider the Medium-Term Strategy separately later in 2021 so that this could be based on better information about Client Fund strategic asset allocations)
- The emerging Medium-Term Strategy
- Responsible Investment and Stewardship
- Investment Oversight Committee (IOC) update
- Governance and shareholder matters which is a regular agenda item

Shareholders Role and Responsibilities

Shareholder Responsibilities

- London CIV's shareholders are the Client Funds
- Shareholders have rights and responsibilities set out in company law (Companies Act 2006)
- London CIV Shareholder obligations, responsibilities and 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

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

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

London CIV Board and Committees continued

Compliance, Audit and Risk Committee (CARCO)

Chaired by Eric Mackay

to March 2021

In summary CARCO is responsible for: overseeing compliance obligations; for the integrity of financial statements and reporting, the external 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 and review of Liquidity arrangements
- Business resilience, including the impact of COVID19, Brexit, and working from home arrangements and the response made by the firm
- The statutory report and financial statements for London CIV and for the Authorised Collective Scheme (which contains reports on the funds) and EUUT .
- The report of the external auditors including going concern requirements in particular in the context of COVID19
- Variation of Regulatory permissions in particular the ICAAP process which considers regulatory capital requirements
- Work to enhance the risk and control framework to meet the changes in the external and internal strategic and operating environment of the firm, including to identify changes to enterprise risks and mitigating actions required, bearing in mind changes to the organisational model as the firm grows and the number of funds and the complexity of their structures increases
- The Annual Report of the Depositary

From March 2021 chaired by Alison Talbot

Investment Oversight Committee (IOC)

Chaired by Chris Bilsland

to November 2020

In summary, the role of the IOC is to oversee the investment activity of London CIV in line with the Company's strategy and business plan. This includes forward looking activity such as the Strategic Product Roadmap and fund launch pipeline and fund launches in progress, including the appointment of fund managers. It covers fund performance and the performance of investment managers. The IOC's Terms of Reference (ToR) reflect the increased emphasis on Responsible Investment and Stewardship and include an annual review of the Company's Investment Principles and consideration of environmental, social and governance (ESG) matters, particularly climate change. The Responsible Investment Policy is reserved to the Board for approval and subject to consultation with the Shareholder Committee.

Key topics discussed by the IOC, discussed in more detail in the Investment Report.

- The Strategic Product Roadmap which aims to identify how London CIV will provide the funds required to meet Client Funds asset allocation requirements in a way which adds value
- The fund launch programme, including the appointment of new managers
- Responsible Investment and Stewardship
- Fund performance and the performance of fund managers

From November 2020 chaired by Paul Niven

London CIV Board and Committees continued

Remuneration and Nomination Committee (RemNomCo)

Chaired by
Eric Mackay

In summary the Committee is responsible for: remuneration policy; remuneration of key staff; nominations matters (appointments) and succession planning for key staff and the Board.

The main focus for the work of the Committee this year has been succession planning and the appointment of non-executive directors, Board Committee Chairs and the Chair of the Board. Kitty Ussher and Alison Talbot were appointed to the Board in September 2020. A panel, chaired by Eric Mackay, was appointed to oversee the recruitment of an successor to Lord Kerslake as Chair of the Board. Alison Talbot was appointed to replace Eric Mackay as CARCO Chair and Kitty Ussher has been designated as the RemNomCo Chair to succeed Eric Mackay. Paul Niven was appointed to succeed Chris Bilsland as IOC Chair. The recruitment of two new NEDs is due to commence in June 2021. The Board and RemNomCo reviewed London CIV's approach to Diversity and Inclusion in October 2020 and March 2021 including the approval of a Board Diversity and Inclusion policy. The targets were revised in March 2021 so that the calculation now excludes the two shareholder nomination NEDs. The target is to achieve a Board where 40% of the members are female and where there is at least 1 BAME member. The 3 Executive directors are all male and have only been recruited relatively recently so a specific target date has not yet been set.

The annual review of the remuneration policy resulted in drafting changes to ensure the wording emphasises the importance London CIV places on a diverse and inclusive culture. Changes have also been made to ensure it is consistent with the Senior Manager & Certification Regime (SM&CR).

Other matters discussed by the Committee were;

- Annual staff pay award
- Non executive director pay, it was agreed to pay an extra fee of £2,500 to committee chairs

From June 2021
chaired by Kitty Ussher

More information about pay and the gender and ethnic profile of the board and staff team is given in the people and pay section on page 41.

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), a 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.

Jason Fletcher
Chief Investment Officer

Jason Fletcher is the Chief Investment Officer at the London CIV and joined in July 2020. Jason has significant experience in the LGPS sector; he has previous experience as Chief Investment Officer at LGPS Central and at West Midlands Pension Fund prior to that, where he has worked in partnership with a multitude of pension funds.

His familiarity with the LGPS sector complements 25 years of experience in the financial services industry more broadly, where he has previously progressed at the Universities Superannuation Scheme Investment Management (USSIM), initially specialising in Equities and succeeding as Co-Deputy Chief Investment Officer.

Brian Lee
Chief Operating Officer

Brian Lee is the Chief Operating Officer of London CIV. 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.

Alison Talbot
Non-Executive Director

Alison Talbot has over 20 years' experience in senior roles in financial services with an emphasis on asset management. Her most recent C suite executive roles include Chief Legal Officer of AEGON Asset Management Europe/Kames Capital Plc and she is a qualified solicitor. Her roles have included a wide range of corporate governance, fund structuring and merger and acquisition activity. Her earlier career was with Standard Life and Scottish Widows and included the project leading to the demutualisation and merger of Scottish Widows and Lloyds TSB. She has been Chair of the Executive Risk Committee and Executive Legal and Financial Control Meeting, and Member of the Board Audit and Risk Committees for AEGON/Kames. She has been active in AEGON/Kames diversity and inclusion work. Alison Chairs the Compliance, Audit and Risk Committee.

Kitty Ussher
Non-Executive Director

Kitty Ussher is an economist, former Lambeth councillor and MP who served as Economic Secretary to the Treasury (City Minister) during the financial crisis of 2007-08. In parliament she was a member of the Public Accounts Committee, the 2006 Companies Act and several Finance Bill committees. She has also served on the Financial Services Consumer Panel of the FCA.

More recently, her expertise has come from public policy research consultancy, including as Chief Executive of the think- tank Demos and Managing Director of Tooley Street Research. She is currently the Chief Economic Advisor to Demos and a fintech firm NED. Kitty Chairs the Remuneration and Nomination Committee.

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. Paul Chairs the Investment Oversight Committee.

Cllr Stephen Alambritis
Non-Executive Director

Cllr Stephen Alambritis was elected as the Leader of the Council at the London Borough of Merton in 2010 and re-elected twice before stepping down in October 2020. He is a former Board member at the London Pensions Fund Authority (until 30 September 2018) and a former member of the Committee of the Regions representing London Local Government in Brussels. He 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. In 2020 he was awarded a MDE for services to local government.

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.

Chris Bilsland
Non-Executive Director

Chris is a non-executive director for London CIV and NED Responsible Investment Champion. 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.

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.

London CIV is a small company with 31 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 more in line with public sector rather than private sector financial services NED fees. A fee review took place during the year and it was agreed to pay a small additional fee of £2,500 to Committee Chairs whilst keeping the fee of £3,500 pa paid to the Shareholder Committee Chair at the same level. It was agreed to review the fee paid to Chair in the context of reviewing the expectations of the role when recruiting his successor. The fee agreed is £45,000 pa. Michael Green is paid a fee of £7,500 as a non-executive member of the IOC.

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

Statutory Director pay/fees 2020/21

Name	Role	Remuneration
Lord Kerslake (Chair)	Chair	£30,000
Chris Bilsland	NED, IOC Chair	£15,268
Eric Mackay	NED, CARCO and RemNomCo Chair	£15,000
Paul Niven	NED	£16,271
Linda Selman	NED (resigned 18 September 2020)	£7,500
Cllr Stephen Alambritis	NED	£15,000
Cllr Ravi Govindia	NED	£15,000
Mike O'Donnell	CEO	£246,600
Brian Lee	COO	£182,758
Jason Fletcher	CIO (appointed 23 July 2020)	£167,475
Kitty Ussher	NED (appointed 21 September 2020)	£8,750
Alison Talbot	NED (appointed 21 September 2020)	£8,750
Kevin Corrigan	Paid through a third party as interim CIO	See note under Role

Note 1: resigned 30 June 2020

London CIV Culture and values

Our culture and values can be summed up as "working together to secure a sustainable future"

Trust:

We aim to be reliable, to deliver on our promises and to reset expectations when we face challenges on our deliverables. We encourage an open and equitable partnership with all of our stakeholders.

Integrity:

We always strive to have the highest professional standards and act on behalf of our clients. We are also all honest about where we can improve and are open to constructive challenge.

Responsiblilty:

We are committed to developing funds with clients that improve outcomes and add value, helping protect the future for a world worth retiring in.

Agility:

We work flexibly as one team, so that the end service provided to Client Funds is as seamless as possible.

Transparency:

We share information, communicating effectively between teams and with stakeholders, whilst also respecting confidentiality.

Diversity:

We respect and celebrate our differences and recognise this makes our organisation stronger.

Pay and People continued

Diversity and Inclusion

45% of employees are female and 19% of employees are BAME. 42% of staff at "Heads of" and above are female against a target of 40% and 9% of staff at "Heads of" and above are BAME against a target of 8%. All figures are at 31 March 2021 and given the small permanent staff numbers, 31 in total not including interim staff/consultants, one individual can impact significantly on percentages

The Board has agreed a Diversity and Inclusion Policy which includes targets for the composition of the Board and senior staff defined as "Head of" and above which are based on the recommendations of the Hampton—Alexander and Parker reviews. The Board agreed in March 2021 that the calculation for the Board should exclude the two shareholder nominated NEDs. Of the 9 members of the Board excluding the 2 shareholder nominated NEDs 22% of the Board overall are female against a target of 40% and 33% of the other NEDs are female. Currently none of the 9 Board members are BAME against a target of at least 1 (the Parker review target).

During the year a Culture and Values staff group developed the new organisational culture and values statement which was agreed by the Board in March 2021. This underlines our commitment to work together for a sustainable future and our commitment to diversity and inclusion. In June 2021 London CIV became a corporate member of the Diversity Project.

CEO Pay and Pay Ratios

Mike O'Donnell received a salary of £246,600 in the year. The hourly pay ratio between the CEO and the lowest paid employee based on permanent staff numbers is 7:1.

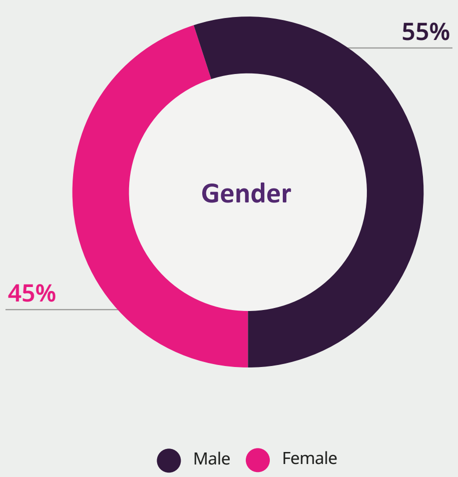
Gender pay ratio analysis

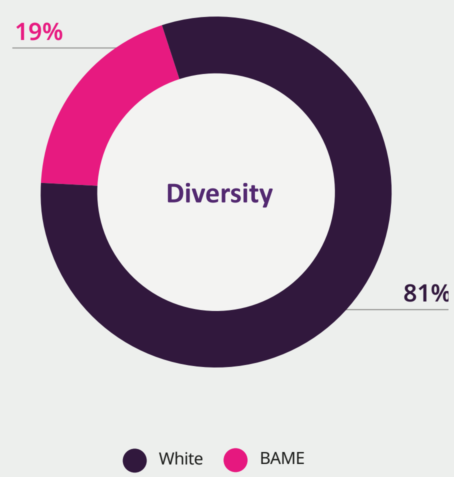
London CIVs gender pay report is based on the 31 permanent staff employed as at 31 March 2021 and does not include interims and consultants. Based on such a small cohort, one individual can significantly impact the gender pay ratios so that caution is required in interpreting the data.

The analysis is based on hourly earnings by gender and indicates that for every £1 the median man earns, the median woman earns £0.74 across a workforce of 31 permanent staff, 45% of which are female.

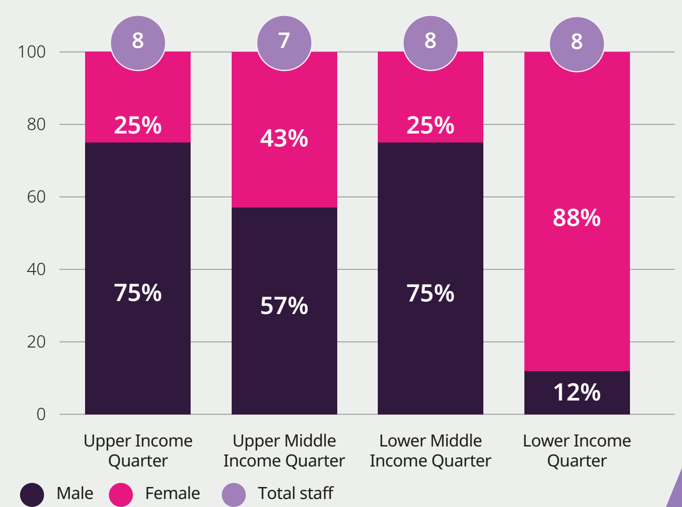
The key challenge for London CIV is to make sure that the organisational culture and working arrangements attract, motivate and retain a diverse workforce, providing as many development and progression opportunities as possible within the constraints of a very small and specialist team.

31 Total staff (as at 31 March 2021)





London LGPS CIV Limited Hourly Earnings by Gender



For every £1 the median man earns, the median woman earns

£0.74

Percentage of employees are women

45%

Glossary

Acronyms and Terms	Definition
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 (PLSA) 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.
Climate Action100+	An investor initiative to drive corporate action on climate change. Over 400 investors with >$35 trillion in assets under management ("AUM") are engaging 100 systemically important emitters (accounting for two thirds of global emissions) on improving governance, curbing emissions and strengthening disclosures.

Acronyms and Terms	Definition
DFC – Development Funding Charge	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 until management fee income had risen sufficiently to contribute to core costs.
Diversity Project	The Diversity Project is a cross-company initiative championing a more inclusive culture within the Savings and Investment profession.
ESG – Environmental, Social and Governance	ESG Environment, Social and Governance are issues that are identified or assessed in responsible investment processes. Environmental factors are issues relating to the quality and functioning of the natural environment and natural systems. Social factors are issues relating to the rights, well-being and interests of people and communities. Governance factors are issues relating to the governance of companies and other investee entities.
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).

Glossary continued

Acronyms and Terms	Definition
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 com-pany. 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.
Pensions for Purpose	Pensions for Purpose is a collaborative initiative of impactmanagers, pension funds, social enterprises and others involved or interested in impact investment. Its aim is to promote understanding of impact investment by effectively sharing news stories, blogs, case studies, academic research and thought leadership papers.
QIR – Quarterly Investment Report	A report sent to all London CIV Client Funds detailing the financial and ESG performance of London CIV funds on a quarterly basis.
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 succes-sion planning for key staff and the board.
RIRG – Responsible Investment Reference Group	RIRG is a forum which supports the Executive and IOC in developing and co-ordinating London CIV and Client Funds' approach to stewardship, responsible in-vestment and ESG.
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.

Acronyms and Terms	Definition
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.
TCFD – Financial Stability Board's Task Force on Climate Related Financial Disclosures ("TCFD")	TCFD was established with the goal of developing a set of voluntary climate-related financial risk disclosures which can be adopted by companies so that those companies can inform investors and other members of the public about the risks they face related to climate change.
UK Stewardship Code 2020	The Code sets stewardship standards for asset owners and asset managers, and for service providers that support them. The Code comprises a set of 'apply and explain' principles for asset managers and asset owners, and a separate set of principles for service providers.
UNPRI – the UN Principles for Responsible Investment	A set of six principles that provide a global standard for responsible investing as it relates to environmental, social and corporate governance factors. Organisations follow these principles to meet commitments to beneficiaries while aligning investment activities with the broader interests of society.
UN SDGs – UN Sustainable Development Goals.	These include the SDG targets and indicators, thresholds set by the UNFCCC 2015 Paris Agreement, expectations set out in the Universal Declaration of Human Rights, and other environmental, social, governance, and development objectives established by political or socio-economic institutions.

Financial Statements

This section is the audited Financial Statements for London LGPS CIV Limited approved by the Board of London CIV on 29 June 2021.

Wandsworth Common

London CIV

London LGPS CIV Limited

Annual Report and Financial Statements

for the year ended 31 March 2021

Contents

Company registration number : 09136445

Authorised and regulated by the Financial Conduct Authority No. 710618

Directors' Report
For the year ended 31 March 2021

The directors present their annual report and the audited financial statements of London LGPS CIV Limited (the "Company") for the year ended 31 March 2021.

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	Cllr R P Govindia
Lord R W Kerslake	M F O'Donnell
B M Lee	K F Corrigan (resigned 30 June 2020)
E G Mackay	J C Fletcher (appointed 23 July 2020)
L M Selman (resigned 18 September 2020)	A J Talbot (appointed 21 September 2020)
P G Niven	K Ussher (appointed 21 September 2020)
Cllr S S Alambritis	

Board Attendance

The list below shows the attendance at board meetings by board directors during the year. There were 5 formal Board meetings held during the course of the financial year ending 31 March 2021.

Director	Meetings
Lord Robert Kerslake (Chair)	5/5
Christopher Bilsland	5/5
Eric Mackay	5/5
Paul Niven	5/5
Linda Selman	1/2
Brian Lee	5/5
Cllr Stephen Alambritis	5/5
Cllr Ravindra Govindia	4/5
Michael O'Donnell	5/5
Kevin Corrigan	2/2
Kitty Ussher	3/3
Alison Talbot	3/3
Jason Fletcher	3/3

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 2021, the actuary has reported an FRS 102 pension deficit of £1,567,000 (2020: £1,243,000). 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 2021, allowing only for the fair value of those recharge agreements confirmed by individual shareholders to that date, this reimbursement asset was £817,000 (2020: £1,206,795). After the Balance Sheet date, a further agreement was received from shareholders which would be included in the financial statements for year ending 31 March 2022. If this agreement was received before 31 March 2021, the pension reimbursement asset would have increased by an additional £30,000. The Company agreed to close its defined benefit scheme to new entrants with effect from the 1 June 2020. The Company continues to offer pension provision for eligible staff through defined contribution arrangements.

COVID-19 Update

Since the emergence of COVID-19 last year, the Company has continued with home working for all staff and is following UK Government advice on how to operate safely with the health and welfare of staff, investors and business outsource partners remaining paramount. The Company continues to monitor the impact of COVID-19 on its business.

Going concern and COVID-19

The Directors have reviewed the financial results for the year ended 31 March 2021, and the annual budget for the year to March 2022 which covers income and expenses, 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 the date of signing the financial statements. 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.

Brexit

In preparing for the UK's departure from the European Union on 31 December 2020, London CIV has been monitoring the potential impact on its business. Her Majesty's Treasury (HMT) implemented a number of statutory instruments (SIs) under the EU (Withdrawal) Act to ensure that common rules continue to apply to the financial services industry during the implementation period (29 March 2019 through 31 December 2020) and beyond. The SIs have brought into UK law the requirements set out in key European Directives and Regulations such as AIFMD and MIFID. The Company continues to comply with all relevant requirements.

Variation of Permissions

Following shareholder agreement to extend its range of regulated activities, the Company has filed an application with the FCA to vary its regulatory permissions and we are currently working through FCA questions on the application. As detailed in note 12 to the financial statements, the share capital of the Company has been classified under FRS102 as a financial liability rather than equity capital as a shareholder of the A and B shares could, in certain limited circumstances, request its shares to be redeemed or repurchased. As a consequence, we are discussing the implications of the share capital classification with the FCA.

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 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.

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: 29 June 2021

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 2021 and of its profit 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 regard.

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.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company’s industry and its control environment, and reviewed the Company’s documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies Act 2006 and relevant tax and pensions laws and regulations; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company’s ability to operate or to avoid a material penalty. These include the Company’s regulatory solvency requirements, requirements of the Financial Conduct Authority (“FCA”) and the Financial Services and Markets Act 2000.

We discussed among the audit engagement team including internal pension specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

Accuracy of asset management fee

There is an inherent risk of fraud that the asset management fee earned by the Company may not be accurately calculated based on the key inputs to its calculation.

We have performed the following procedures to address this fraud risk:

- evaluated the design and implementation of key controls covering the calculation and approval of the management fee; and
- for a sample of asset management fees, we have:
  - (i) recalculated the asset management fee amounts using the terms in the relevant Asset Management Agreements;
  - (ii) validated Asset Under Management used in the asset management fee computation; and
  - (iii) agreed asset management fee amounts invoiced to subsequent cash receipts.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing correspondence with Financial Conduct Authority.

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
- 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; or
- we have not received all the information and explanations we require for our audit.

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

Date: 29 June 2021

Statement of Comprehensive Income

for the year ended 31 March 2021

	Note	2021 £	2020 £
Turnover		6,334,893	5,363,844
Administrative expenses		(6,499,562)	(6,044,606)
Other operating income	6	897,300	-
Operating profit/(loss)		732,631	(680,762)
Interest receivable and similar income		125,620	104,731
Interest payable and similar expenses		(115,818)	(117,557)
Profit/(loss) before taxation		742,433	(693,588)
Tax on profit/(loss)	7	(173,374)	185,257
Profit/(loss) for the financial year		569,059	(508,331)
Other comprehensive (expense)/income for the financial year			
Actuarial (losses)/gains on defined benefit pension scheme		(166,000)	671,000
Remeasurement of pension reimbursement asset		(418,155)	-
Deferred tax		-	108,110
Other comprehensive (expense)/income for the financial year		(584,155)	779,110
Total comprehensive (expense)/income for the financial year		(15,096)	270,779

The above results were derived wholly from continuing operations.

The notes on pages 53 to 61 form part of these financial statements.

Balance sheet

as at 31 March 2021

Registered Number: 09136445

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	8		47,901		98,250
Current assets					
Debtors: amounts falling due after more than one year	9	914,962		1,237,292	
Debtors: amounts falling due within one year	9	1,365,542		1,194,853	
Cash at bank and in hand	10	5,310,668		4,753,984	
		7,591,172		7,186,129	
Creditors: amounts falling due within one year	11	(870,799)		(824,766)	
Net current assets			6,720,373		6,361,363
Total assets less current liabilities			6,768,274		6,459,613
Creditors: amounts falling due after more than one year	12		(4,950,033)		(4,950,033)
Deferred tax	13		-		(243)
Provision for liabilities					
Pension liability	14		(1,567,000)		(1,243,000)
Net assets			251,241		266,337
Capital and reserves					
Called up share capital			-		-
Other reserves			817,000		1,206,795
Profit and loss account			(565,759)		(940,458)
Total shareholders' funds			251,241		266,337

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 were approved and authorised for issue by the board and were signed on its behalf by:

M F O'Donnell, Director

Date: 29 June 2021

The notes on pages pages 53 to 61 form part of these financial statements.

Statement of changes in equity

for the year ended 31 March 2021

	Called up share capital £	Pension reimbursement reserve £	Profit and loss account £	Total shareholders' funds £
At 1 April 2019	-	954,079	(981,946)	(27,867)
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(508,331)	(508,331)
Actuarial losses on pension scheme Deferred tax	-	-	671,000	671,000
Actuarial losses on pension scheme	-	-	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 and 1 April 2020	-	1,206,795	(940,458)	266,337
Comprehensive income for the financial year				
Profit for the financial year Actuarial gains on pension scheme	-	-	569,059	569,059
Remeasurement of Pension reimbursement asset	-	-	(166,000)	(166,000)
Deferred tax	-	(418,155)	-	(418,155)
Other comprehensive expense for the financial year	-	(418,155)	(166,000)	(584,155)
Transfer to Pension reimbursement asset reserve	-	28,360	(28,360)	-
At 31 March 2021	-	817,000	(565,759)	251,241

The notes on pages 53 to 61 form part of these financial statements.

Notes to the financial statements

for the year ended 31 March 2021

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 4th Floor, 22 Lavington Street, London, SE1 0NZ 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 except as outlined in the accounting policies below 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, at least 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 47 .

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.

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.

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 and reserve

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 as at 31 March 2021 and guarantee agreement dated 28 May 2020 which guarantees the future contribution reimbursements relating to the cost of future accruals of benefits if the assets of the pension plan are not sufficient.

Given the signing of the guarantee agreement dated 28 May 2020 and the closure of the Fund to new members, the Company has revised its approach to valuing the reimbursement asset since the prior year. This now discounts future contribution streams for 30 years under a number of different pension asset return scenarios and averages them to give a fair value for the reimbursement asset as at 31 March 2021.

The surplus arising from the recognition of this asset is held in a separate 'Pension reimbursement reserve' to make it clearly identifiable and separable from reserves arising on from the operations of the Company.

Any changes arising from the remeasurement of the asset are recognised in Other Comprehensive Income.

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.

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 reimbursement 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.

During the year, the principle actuarial assumptions i.e discount rate and future salary increase used by the Company were not as prescribed by the actuary. The management used its external expert to determine these rates. The Management believes that the rates used are within a reasonable range.

The change in rates have reduced the pension liability by £0.7 million.

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

	2021 £	2020 £
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	39,011	40,320

	2021 £	2020 £
Fees payable to the Company's auditors in respect of:		
Other audit related services	13,600	15,720

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 41 (2020: 36).

6. Other operating income

	2021 £	2020 £
Other operating income	19,300	-
VAT refund	878,000	-
	897,300	-

Included within other operating income is an amount of £878,000. This amount is deemed to be the VAT element recovered from the expenditure incurred by the Company for 4 years up to 31 December 2019.

Notes to the financial statements continued

7. Tax on profit/(loss)

	2021 £	2020 £
Corporation tax		
Current tax result on profit/(loss) for the financial year	173,617	(64,319)
Total current tax	173,617	(64,319)
Deferred tax		
Origination and reversal of timing differences	-	(120,938)
Credited to profit or loss	(243)	-
Total deferred tax	(243)	(120,938)
Total tax	173,374	(185,257)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	2021 £	2020 £
Profit/(loss) before taxation	742,433	(693,588)
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	141,062	(131,782)
Effects of:		
Expenses not deductible	2,828	2,828
Movement in unrecognised deferred tax	29,484	(56,303)
Total tax charge/(credit) for the financial year	173,374	(185,257)

Factors that may affect future tax charges

On 3 March 2021, the Chancellor of the Exchequer announced that the main rate of corporation tax in the United Kingdom will rise to 25% with effect from 1 April 2023 for companies earning annual taxable profits in excess of £250,000. Companies earning annual taxable profits of £50,000 or less will continue to pay corporation tax at 19% with a marginal rate adjustment for companies earning annual taxable profits between the two levels. These changes had not been substantively enacted at the Balance Sheet date and therefore no adjustment has been made to deferred taxation balances to account for this change.

8. Tangible assets

	Leasehold improvements £	Fixtures and fittings £	Computer Equipment £	Total £
Cost				
At 1 April 2020	44,651	8,879	121,538	175,068
Additions	-	-	6,793	6,793
At 31 March 2021	44,651	8,879	128,331	181,861
Accumulated depreciation				
At 1 April 2020	20,896	2,764	53,158	76,818
Charge for the year	14,884	2,960	39,298	57,142
At 31 March 2021	35,780	5,724	92,456	133,960
Net book value				
At 31 March 2021	8,871	3,155	35,875	47,901
At 31 March 2020	23,755	6,115	68,380	98,250

9. Debtors

	2021 £	2020 £
Due after more than one year		
Pension reimbursement asset	817,000	1,139,330
Rent deposits*	97,962	97,962
	914,962	1,237,292

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

	2021 £	2020 £
Due within one year		
Trade debtors	379,839	177,267
Other debtors	163,680	69,886
Pension reimbursement asset	-	67,465
Prepayments and accrued income	822,023	638,615
Other receivable	-	177,301
Tax recoverable	-	64,319
	1,365,542	1,194,853

10. Cash at bank and in hand

	2021 £	2020 £
Cash at bank and in hand	5,310,668	4,753,984

11. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	49,969	162,680
Corporation tax	173,617	-
Taxation and social security	193,194	202,865
Other creditors	19,113	11,404
Other provision	-	202,301
Accruals and deferred income	434,906	245,516
	870,799	824,766

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

	2021 £	2020 £
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 at least 12 months' written notice and as such the issued share capital has been treated as financial liability. Refer to "variation of permissions" paragraph on page 48 for further information.

13. Deferred taxation

	2020 £
At beginning of year	243
Credited to profit or loss	(243)
Charged to other comprehensive income	105,601
Reversed from other comprehensive income	(105,601)
At end of year	-

The £105,601 charged to other comprehensive income represents the deferred tax on the movement in the pension reimbursement asset (£74,061) and the deferred tax movement on the pension liability (£31,540). The reversal of £105,601 represents the derecognition of a deferred tax asset on the pension liability such that there is no overall net deferred tax asset.

The deferred taxation balance is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	7,416	14,154
Tax losses carried forward	-	(6,352)
Short term timing differences - trading	(7,416)	(7,559)
	-	243

As at year end, there is a potential residual deferred tax asset of £135,084 (2020: £Nil) relating to defined benefit obligations. No deferred tax asset has been recognised as it is considered unlikely that the Company would generate sufficient taxable profits in the future to utilise these amounts.

Notes to the financial statements continued

14. Pension commitments

The Company operates a Defined Benefit Pension Scheme which is now closed to new staff members joining.

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 15% of active employees' salary. 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 2021, 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 2021 and this has been used to value the liabilities. Mortality projections have been updated to use the Continuous Mortality Investigation (CMI) 2020 model. To calculate the Company's asset share as at 31 March 2021, 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:

	2021 £	2020 £
Equities	2,920,000	2,132,000
Cash	25,000	60,000
Infrastructure	564,000	443,000
Multi-asset fund	1,349,000	945,000
Total plan assets	4,858,000	3,580,000

The return on the Funds (on a bid to bid basis) for the year ended 31 March 2021 is estimated to be 26.45% (2020: (3.0)%).

	2021 £	2020 £
Fair value of plan assets	4,858,000	3,580,000
Present value of plan liabilities	(6,425,000)	(4,823,000)
Net pension scheme liability	(1,567,000)	(1,243,000)

The amounts recognised in profit or loss are as follows:

	2021 £	2020 £
Administration expenses	3,000	3,000
Current service cost	314,000	504,000
Interest on obligation	115,000	117,000
Interest on assets	(88,000)	(81,000)
Total	344,000	543,000

The total return on the fund assets for the year to 31 March 2021 are as follows:

	2021 £	2020 £
Interest on assets	88,000	81,000
Return on assets less interest	896,000	(178,000)
Total	984,000	(97,000)

Reconciliation of fair value of plan liabilities were as follows:

	2021 £	2020 £
Opening defined benefit obligation	4,823,000	4,717,000
Current service cost	314,000	504,000
Interest costs	115,000	117,000
Contributions by scheme participants	95,000	113,000
Change in financial assumptions	1,193,000	(502,000)
Experience loss on defined benefit obligation	(79,000)	33,000
Change in demographic assumptions	(52,000)	(204,000)
Benefits paid, net of transfers in	16,000	45,000
Closing defined benefit obligation	6,425,000	4,823,000

14. Pension commitments continued

Reconciliation of fair value of plan assets were as follows:

	2021 £	2020 £
Opening fair value of scheme assets	3,580,000	3,082,000
Administrative expenses	(3,000)	(3,000)
Interest income on plan assets	88,000	81,000
Return on assets less interest	896,000	(178,000)
Other actuarial gains	-	176,000
Contributions by employer	186,000	264,000
Contributions by scheme participants	95,000	113,000
Benefits paid plus unfunded transfers in	16,000	45,000
	4,858,000	3,580,000

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

	2021	2020
Discount rate	2.20%	2.35%
Future salary increases	3.60%	2.85%
Future pension increases	2.60%	1.85%
Mortality rates		
– for a male aged 65 now	21.6 years	21.8 years
– at 65 for a male aged 45 now	22.9 years	23.2 years
– for a female aged 65 now	24.3 years	24.4 years
– at 65 for a female member aged 45 now	25.7 years	25.8 years

15. 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 2021, allowing only for the fair value of those recharge agreements signed by individual shareholders as at 31 March 2021, this reimbursement asset, which is shown separately from the pension deficit, was £817,000 (2020: £1,206,795).

The Company has revised its approach to valuing the reimbursement asset since the prior year (see note 2.13). The pension reimbursement asset is calculated over a period of 30 years (2020: 14 years), and allows for the 27 (2020: 23) recharge agreements that were signed by 31 March 2021.

16. Commitments under operating leases

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

	2021 £	2020 £
Not later than 1 year	388,352	582,528
Later than 1 year and not later than 5 years	-	388,352
	388,352	970,880

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

17. Commitment under finance lease

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

	2021 £	2020 £
Not later than 1 year	1,567	1,567
Later than 1 year and not later than 5 years	2,742	3,917
	4,309	5,484

Notes to the financial statements continued

18. Related party transactions

During the year, each of the 32 (2020: 32) shareholders paid an amount to London LGPS CIV Limited which totaled £800,000 (2020: £800,000) for service charge fees and £2,720,000 (2020: £2,080,000) for development funding charge. At the end of the year, £30,000 (2020: £Nil) of service charge fees and

£135,600 (2020: £26,000) of development funding charge remained outstanding and is included within trade debtors.

During the year, the Company incurred charges of £Nil (2020: £2,214) 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 (2020: £Nil) remained outstanding.

19. Subsequent events

After the Balance Sheet date, a further agreement was received from shareholders which would be included in the financial statements for year ending 31 March 2021. If this agreement was received before 31 March 2021, the pension reimbursement asset would have increased by an additional £30,000.

Merton

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