London
CIV

London CIV Stewardship Policy 2022

Working together towards positive outcomes: Our commitment to responsible investment is part of our duty of care and our desire to build a sustainable city and a future in which people and planet will prosper.

Contents

We would like to acknowledge the continued support from our Clients on responsible investment, stewardship and climate change. Our shared commitment to minimising the financial and social risks of ESG factors enables us to generate sustainable returns and drive change together.

About London CIV

London CIV was authorised in 2015 to provide pooling solutions to the 32 Local Government Pension Scheme (LGPS) Funds ("the Client Funds") in London.

Our clients are also our shareholders and we work collaboratively to deliver our agreed purpose which is: "To be the LGPS pool for London to enable our clients to achieve their pooling requirements".

Our Commitment to Responsible Investment

Whilst our primary purpose is to deliver our Client Funds' pooling requirements, this will only be possible by managing ESG risks and opportunities for our funds and supporting a financial system fit for the future. We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

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 our partners in engagement and transparent processes. We want to be good stewards and integrate ESG issues into investment decisions, aligning value creation with protection of values to achieve prosperity.

London CIV's vision is "to be the best-in-class asset pool delivering value for Londoners through long term sustainable investment strategies." This is in collaboration with all our stakeholders with whom we are building better futures by investing for a world worth living in.

Our Stewardship Policy is designed to highlight our approach to setting stewardship priorities and use of active ownership to drive real-world outcomes at scale. This policy is intended to inform our holdings, managers and suppliers about our main concerns and expectations across all ESG factors.

Key Objectives:

1.

London CIV will review our **ESG priorities** on an annual basis and update our Stewardship Policy accordingly.

2.

We will engage with the **top 10** contributors to our global greenhouse gas emissions footprint footprint as part of our climate **change** risk mitigation strategy.

3.

We will set minimum criteria for diversity standards and engage with our **top 10** highest risk[1] holdings on **diversity and inclusion**.

4.

We will develop separate guidance on **corporate tax** and engage with **10** material holdings registered in tax havens where we feel we can have most influence.

5.

We aim to vote **100%** of all available ballots in respect of our holdings and will report annually on the percentage of votes executed.

6.

We aim to use **engagement** to drive real-world-**outcomes** at scale and will report on **milestones** achieved on an annual basis.

7.

We will **collaborate** to achieve outcomes and participate in **initiatives** which align with our stewardship themes.

8.

We have **disclosed** our voting and engagement activity on a quarterly and annual basis on the London CIV Portal.

1 Risk is calculated by assessing top contributors to low diversity and inclusion ratings weighted by London CIV exposure to the holding. In 2021, London CIV will engage with its top ten most material holdings with zero women or ethnic minorities (Black and Minority Ethnic or, Black, Asian and Minority Ethnic BME/BAME) represented on either the Board or Executive Team

Stewardship

As signatories of the UK Stewardship Code, we support the Financial Reporting Council's definition of 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.

London CIV supports the United Nations Principles for Responsible Investment ("UN PRI") Active Ownership 2.0 guidance which promotes an aspirational standard for improved stewardship that seeks outcomes over process and activity, and common goals and effort over narrow interests.

Active ownership is generally regarded as one of the most effective mechanisms to reduce risks, maximise returns and have a positive impact on society and the environment. Alternatively, divestment alone leaves investors with no voice or potential to help drive responsible corporate practices.

Effective engagement and proxy voting activities can enhance communication, improve knowledge, strengthen internal relationships and bring more integrated strategies. Conversely, poor dialogue and badly informed voting practices can be harmful and cause corporate cynicism.

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.

Our approach to stewardship

London CIV take a collaborative approach to stewardship through engagement with companies, investment managers, like minded peers and market participants. Recognising that engagement is an ongoing process, our approach is under constant refinement and review to reflect the evolving landscape of ESG risk and opportunity. Based on detailed research and review, we first select our annual engagement themes, refine our Stewardship Policy and Voting Guidelines as required, then work with our providers and support industry initiatives collaboratively in order to drive outcomes.

1. **Prioritisation:** assess materiality and focus efforts.
2. **Implementation:** using voting and engagement to drive positive outcomes.
3. **Collaboration:** delivering positive outcomes at scale.

Good active ownership requires research, prioritisation, objectives, tracking outcomes, integration with investment decisions, persistence and consistency. This is why each stage of our approach is underpinned by disclosure and transparency reporting in line with best practice and appropriate governance and oversight.

1. Prioritisation: assess materiality and focus efforts

Stewardship

Traditionally, the market has focused on quarterly financial performance and has kept pressure on management to meet shareholders' expectations. Companies have historically considered it paramount to maximise financial value, echoing Milton Friedman's belief that "the only social responsibility of business is to increase its profits".[1]

Yet over the past two decades, growing awareness of structural, environmental, and social trends threatening the long-term stability of the overall operating environment, together with the perceived responsibility of short-term focused shareholder value maximisation strategies for past recent crises, have sharpened the emphasis on sustainable development both for individual companies and our society. This trend saw the influential US Business Roundtable redefining the supremacy of the shareholder by saying that "the wellbeing of the environment, workers and other stakeholders should be taken into account alongside shareholders".[2]

Key priorities

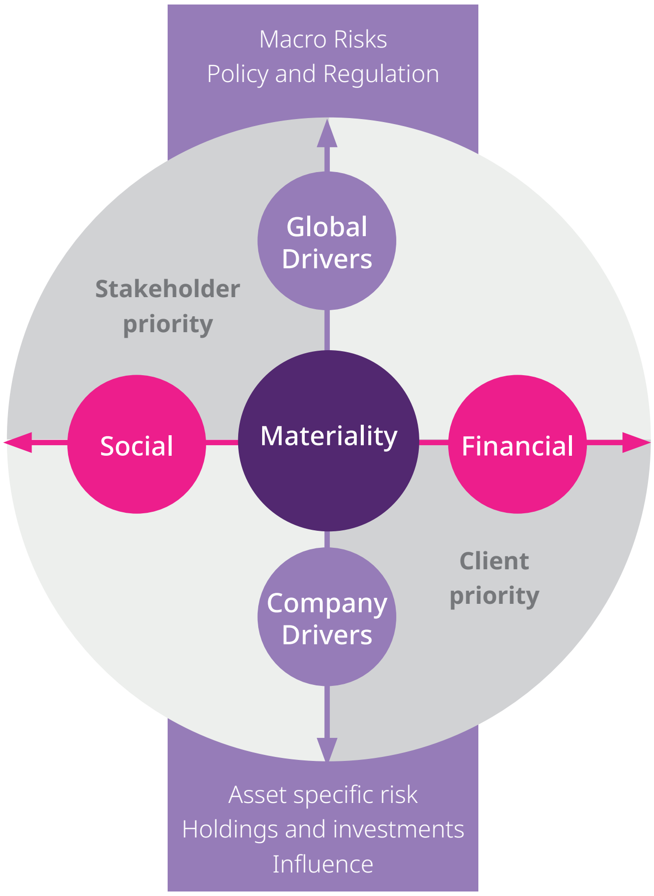
London CIV identifies key stewardship themes in five ways:

1. Identifying **global drivers** including macro risks, policy and regulation as well as stakeholder priorities.
2. Assessing **company drivers** unique to London CIV including asset specific risk, client priorities, our holdings and investments as well as where we can have influence.
3. Recognising **social materiality** in terms of which issues will have the biggest impact on the world around us.
4. Calculating **financial materiality** in terms of which issues will have the biggest impact on our returns.
5. Responding **reactively** to unforeseen events after a specific and significant incident. Where an issue is prioritised based on our exposure and the probability of a successful outcome.

Determining ESG priorities must be addressed without undermining the complex interconnectivity of a myriad of issues. At the macro-level we are affected by top-down global risks and client priorities. From a bottom-up perspective, we recognise micro-risks of our individual assets and specific areas where we can have influence.

This ever-evolving system of prioritisation is nuanced by a **values** versus **value-based** approach that sees risk as greater in terms of magnitude and likelihood when financial and social materiality combine. This is whilst influencing what is viewed as best practice by the industry and other stakeholders, and thus what policy and regulation will soon unfold.

Figure 1: London CIV ESG risk identification methodology.
Source: London CIV Research 2020.

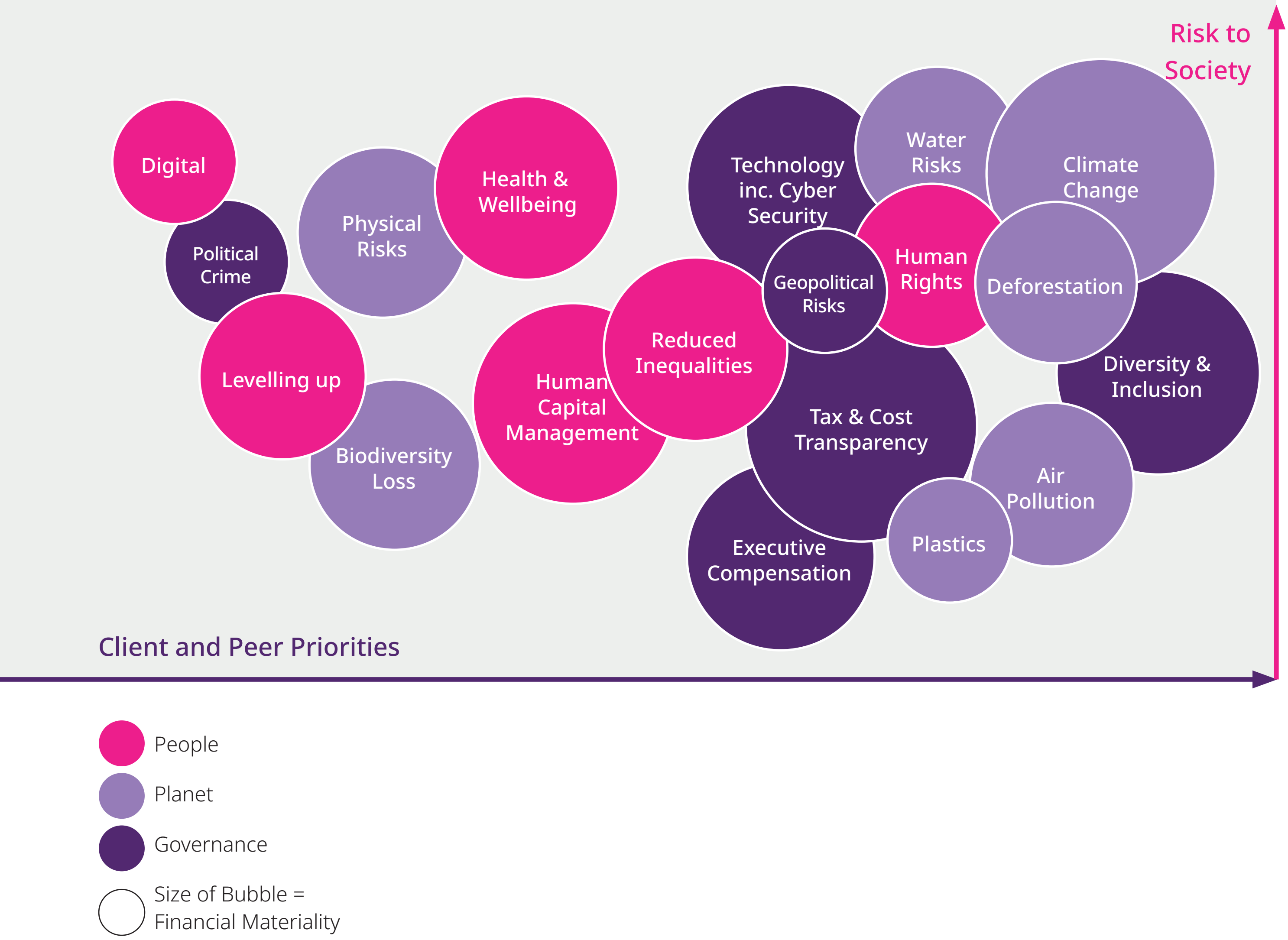


[1] https://www.ft.com/content/4eeaa803-511c-4227-962e-018ea1dc2883
[2] 2021 https://www.ft.com/content/04e5da48-582c-11ea-abe5-8e03987b7b20

Issues such as climate change and diversity may require standalone policies owing to the financial impact these issues pose and the influence we believe we can have. Other topics may be less established in responsible investment but we believe we should begin to acknowledge and address them owing to the financial materiality and risks they pose.

Whilst our clients' primary purpose is to pay pensions, this will only be possible by managing ESG risks and opportunities for our own funds and supporting a financial system fit for the future. An economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

Figure 2: London CIV ESG risk materiality matrix. Source: London CIV Research 2022



Source: London CIV Research 2022

Stakeholder capitalism: aligning value creation with protection of values to achieve prosperity

Figure 3: People, Planet, Principles of Governance and Prosperity as defined by the World Economic Forum in collaboration with Deloitte, EY, KPMG and PwC, 2021

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.

London CIV values all four pillars as part of our duty of care as well as believing that they encourage long-term sustainable growth and maximise the economic health of companies. A full table of our current engagement priorities is listed below:

People Categories

- Human rights
- Human capital management
- Reduced inequalities: including education
- Digitalisation: including social media, gaming
- Health and wellbeing: including infectious disease, nutrition
- Levelling Up

Planet Categories

- Climate change
- Air pollution
- Physical risk
- Water risk
- Biodiversity loss
- Plastics pollution
- Deforestation and land-use change

Principles of Governance

- Tax and cost transparency
- Diversity and inclusion
- Executive renumeration
- Technology: including cyber security
- Anti-bribery and corruption
- Geopolitical risks

Prosperity

- Economic returns
- Paying pensions
- No poverty

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 London CIV: recognising that assets are dependent on human capital and can positively or negatively impact society.

Human Rights

Increasing visibility and urgency around many human rights issues coupled with a better understanding of our role and responsibility in shaping real-world outcomes across our investment activities has increased expectations on the protection of human rights. As institutional investors, London CIV have a responsibility to respect human rights as formalised by the UN and the Office of Enforcement and Compliance Assurance ("OECA") in 2011.

Our approach to managing human rights issues applies to all our themes relating to **people**. We believe that by meeting international standards and preventing and mitigating actual and potentially negative outcomes for people leads to better financial risk management and helps to align activities with the evolving demands of beneficiaries, clients and regulators, whilst future-proofing our investments.

Human Capital Management

The most profitable and sustainable companies are those that attract, develop and retain talent. The impact of staff turnover is significant; its effects are felt in productivity, financial costs, revenues and employee satisfaction across the organisation. Happier workplaces are linked to greater productivity, lower turnover and fewer accidents. In addition, studies have linked employee satisfaction directly to greater sales revenues and profitability.

London CIV assess and engage with companies on human capital management issues. We expect companies to comply with internationally recognised human rights principles such as the United Nations Guiding Principles on Business Human Rights ("UNGPs"). Companies should have Board-level oversight of employee development strategies, disclose key metrics annually to demonstrate this and have fair and sustainable remuneration practices.

Reduced Inequalities

Inequalities, including income inequality, has the potential to negatively impact our portfolios as a whole, increase financial and social system level instability, damage output and reduce economic growth, and can contribute to the rise of extremism, isolationism and protectionism. The effects can negatively impact long-term investment performance, change the risks and opportunities that affect our investment universe and destabilise the financial and social systems within which we operate. All these risks could impact risk adjusted returns.

London CIV integrates inequality risks into investment decision-making. Guidelines on what we expect from companies are detailed in other **people** and **governance** themes. It includes Executive compensation, corporate tax policies, employee relations, labour markets and promotion of the social, economic and political inclusion of all individuals irrespective of age, sex, disability, race, ethnicity, origin, religion, economic or other status. Companies should do nothing to hinder the global goal of achieving equality and actively promote it. We seek to consider where our investments may support global opportunities to reduce inequalities.

Digitalisation

The digital economy is the most important engine of innovation, competitiveness and economic growth in the world. Whilst digitalisation is critical for the provision of many processes across all industries, it gives rise to new challenges. As a stewardship theme, we will look specifically at the responsibility of companies with a focus on specific industries such as gaming and social media.

Whilst gaming and social media provided many positive benefits during the worldwide lockdowns, several social impacts affecting both users and developers should be considered by investors in order to address gratuitous violence, inciting hatred, stereotyped representations of minority groups and an increase in online abuse of young gamers and social media users.

Health and Wellbeing

Despite the overall population leading a healthier lifestyle than it did ten years ago,[3] non-communicable diseases are on the rise, costing trillions in treatment. Many of these diseases are avoidable. Obesity as a condition for example remains a major concern contributing to conditions such as heart disease and diabetes, whilst worsening resilience against viruses such as COVID-19. Similarly, infectious diseases remain a significant challenge, even those for which cures exist. We recognise that businesses not only need healthy workforces to maintain and enhance productivity levels but thriving consumers too.

All businesses have a responsibility to promote healthy behaviours and support mental resilience, both in terms of the products they sell and the way they treat their workforce. We engage with food and beverage companies around marketing practices and the nutritional characteristics of their products. This is whilst recognising the responsibility of companies in the healthcare industry to consider the overall global health burden in their R&D and pricing strategies. Some challenges may present commercial opportunities; others might not, but a broader duty towards society remains. The solutions are complex, yet we maintain that all companies have a role to play and can make a difference.

Levelling Up

The Levelling Up whitepaper was unveiled in 2022 by the UK Government to address the geographical disparities within the UK. It sets out actions to boost jobs, living standards and productivity in areas where lagging. It aims to spread opportunities and restore a sense of community where they have been lost.

This stewardship theme aligns with our Reduced Inequalities issue, and we strive to consider where our investments may support opportunities to reduce inequalities within the UK.

[3] Hermes SDG Engagement Equity Fund Annual Report 2018: www.hermes-investment.com/uki/insight/equities/sdg-engagement-equity-2018-annual-report/

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 London CIV: environmental degradation poses critical financial and economic risks to long-term investment returns.

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 significant physical and economic impacts on most aspects of human activity and consequently multiple implications for our clients and their beneficiaries. Addressing climate change is therefore part of our clients fiduciary duty and a strategic investment priority for London CIV.

Owing to the materiality of climate change risk, London CIV has a standalone Climate Change Policy which details our objectives and expectations on companies. As all companies are subject to physical, transition risks or both, we expect all companies to report on climate change risks in line with the Task Force on Climate Related Financial Disclosures ("TCFD") and at least disclose their carbon footprint. We calculate our own climate risk to engage with our material holdings.

Deforestation and land-use change

The forests are our key allies to achieving three of our other key stewardship themes. First and foremost, they are one of the most important solutions to addressing the effects of climate change. Given that forest degradation, deforestation and land-use change are responsible for 25% of the global emissions, forestry is a major protector of the climate. In addition, as forests are responsible for absorbing one-third of the CO2 from burning of fossil fuels every year, they act as a critical climate stabiliser[4].

The second factor is human rights, 25% of the world's population rely on the forests for their livelihood. We recognise the negative human rights impacts caused by deforestation such as displacement of indigenous people, land grabbing and child labour[5].

Finally, our forests are essential for biodiversity with them being home for 80% of the world's land based biodiversity[6].

Over 100 world leaders (including the UK) have agreed to end and reverse deforestation by 2030 during the COP26 climate summit. The countries backing up the pledge covers around 85% of the world's forests. As institutional investors, we have the obligation to use our influence to ensure companies in our portfolio have procedures and policies in place to mitigate deforestation in their operation and supply chains.

In 2022, we signed the COP26 commitment letter on eliminating commodity-driven deforestation. We will map out and publish our exposures to deforestation risks and use this as a basis for our engagement and voting decisions. London CIV also acknowledges the highest-risk agricultural commodities such as soy, cattle, palm oil, timber, pulp and paper (responsible for two-thirds of global deforestation) and will use this as a basis to set engagement priorities for not only our holdings but also for our fund managers.

[4] https://www.iucn.org/resources/issues-briefs/forests-and-climate-change
[5] https://www.iucn.nl/en/our-work/forests-and-climate/#:~:text=Facts-,Worldwide%2C%201.6%20billion%20people%20(almost%2025%25%20of%20the%20world's,(part%20of)%20their%20livelihood.
[6] https://www.un.org/sustainabledevelopment/biodiversity/

London CIV will strive to:

By the end of 2022:

- Assess exposure to deforestation risk arising from investments made directly by Funds, or indirectly through funding provided by portfolio companies.
- Incorporate deforestation risk into our Stewardship Policy and assess our current fund managers' approaches to deforestation risks.
- Accelerate engagement with the highest risk holdings on deforestation.
- Engage on policy and collaborate with external groups to support an enabling environment for businesses to avoid deforestation risks and impacts.

By 2023:

- Disclose deforestation exposure and associated engagement activities in our Stewardship Outcomes Report.

By 2025:

- Publicly report on creditable progress in our Stewardship Outcomes Report with engagement milestones on deforestation.

We acknowledge that there are limitations regarding data whilst assessing deforestation risk butwill use a number of resources as recommended by *"How to achieve deforestation-free pensions"*, such as Forest 500, CDP and through the assessment of high-risk sectors.

Air pollution

91% of the world's population lives in places where air quality fails to meet World Health Organisation guidelines. Poor air quality is responsible for 4.2 million premature deaths each year, it contributes to a range of health issues, costs the global economy billions of pounds each year and is ranked as the fourth highest risk factor for attributable deaths.[7] England's air pollution could cost £5.3 billion by 2035.[8] It contributed to the deaths of over 4,000 Londoners in 2019 and though nitrogen dioxide levels are falling, 99% of London does not meet recommended limits for PM2.5.

As a global investor, London CIV are not only concerned with London's air quality. We will engage with pollution laggards worldwide and embrace air quality opportunities by sector. We expect full supply chain transparency of innovative industries to ensure the problem is not displaced elsewhere. For example, we will work with electric vehicle manufacturers to understand how they can improve air quality in major cities whilst tackling pollution and labour rights issues within the supply chain.

Physical risk

Global mean temperatures have already risen by approximately 1.0°C above pre-industrial levels, causing more frequent and more extreme weather events as well as gradual shifts in rainfall patterns, sea levels, sea ice, and glacial retreat. Stabilising the climate at 1.5°C or 2.0°C, in line with the 2015 Paris Agreement, though a 'better case scenario', should not be mistaken as a safe level. Both will still have catastrophic impacts across the world in both developing and developed countries.

Whilst climate change risk metrics such as carbon emissions are relatively advanced, physical risk is harder to measure. Though we know these catastrophic physical impacts will come with significant financial risks, there are no accepted global estimates for the loss and damage arising from physical risk factors. We use S&P Global physical risk models to identify risks including drought, flood, hurricane, heatwave, cold wave and coastal flooding, serving as the basis for engagement.

Water risk

Water underpins life and nearly all goods and services. Pollution and overconsumption of water are making clean water an increasingly scarce resource, putting businesses and economic growth at risk. Economic development, population growth, and climate change are increasing the pressure on water resources and water quality, creating risks for all sectors. Furthermore, water is under-priced often not pricing in the externalities its consumption causes. Studies[9] have shown that if the full cost of water availability and water-quality impairment had to be absorbed by companies, average profits would be cut by 18% for the chemicals industry, 44% for the utilities sector, and 116% for food and beverage companies.

[7] Source: World Bank and the Institute for Health Metrics and Evaluation (IHME), 2013; Barclays Research
[8] Cost to NHS and social care according to PHE Report: May 2018
[9] "Smart Water Management for Business Growth: Integrating Water Risk into Business Decision Making," Trucost, March 21, 2017

Water risk management remains challenging. Unlike carbon emissions, water-related impacts are highly location specific – a cubic metre of water used in a drought-prone, highly populated area will have a greater environmental impact than a sparsely populated area where water is plentiful. In addition, most water-related risks are hidden in the supply chain. With no internationally agreed-upon water targets, action has been slow and disclosure – sparse. London CIV see this as a growing concern. We will model water risks in our portfolio to target engagement with companies, encouraging better disclosure of water use, targeted supplier engagement and target setting.

Biodiversity loss

According to the Dasgupta Review,[10] nature is under-priced. Rapid biodiversity loss poses financial risks for businesses. Loss of natural capital is lowering crop yields, reducing fish catches, affecting supply chains and exacerbating natural disasters such as flooding. Climate change and COVID-19 are striking examples of nature's loss of resilience due to over-exploitation of forests, grasslands, and oceans. If biodiversity is not tackled now, physical transition and litigation risks will affect economic activities and in turn, investments.

Despite the risks, corporate efforts to tackle ecosystem loss are still in their infancy. London CIV encourages companies to commit to having a net-positive impact on biodiversity throughout their operations and supply chains.[11] We recognise that mechanisms to achieve this goal will vary by company and sector but strategies may include ensuring there is no deforestation in their value chains or investing in nature-based solutions to address the dual challenges of climate change and biodiversity loss.

Plastics pollution

Plastic has transformed our world, thanks to its low cost and range of societal benefits, from light-weighting millions of products to reducing food waste and disease. It will even have a critical role to play in the transition to a low carbon economy.[12] However, the volume and nature of plastics use presents an enormous challenge. As they are predominantly produced from fossil fuel-based hydrocarbons, the resultant climate related risks are high. Lack of biodegradability means that microplastics are 'leaked' into the environment, subsequently finding its way into animals, aquatic species and humans. Furthermore, the 'take-make-waste' model associated with plastics further increases the damage associated with all downsides. The UN Environment Programme values negative societal costs from plastics pollution at $40bn annually.

As investors, we recognise our holdings could be exposed to risks specifically due to plastics exposure and poor plastics management. These risks could be internalised by taxation, shifts in consumer behaviour, licenses-to-operate or other regulated economic disincentives. Our engagement activity on plastics focusses on businesses involved in manufacturing of chemicals for plastics and in consumer goods and encouraging corporate strategies, goals, transparency and reporting. We expect chemical makers and packaging manufacturers to secure long-term growth opportunities through innovation and for other companies to be changing how plastics are used to reduce embedded emissions.

[10] https://www.gov.uk/government/publications/final-report-the-economics-of-biodiversity-the-dasgupta-review
[11] https://www.hermes-investment.com/uki/insight/eos/eos-publishes-biodiversity-paper-our-commitment-to-nature/
[12] 1 "Plastic Waste: Addressing a Global Economic and Environmental Challenge Through the Power of the Capital Markets" Morgan Stanley Institute for Sustainable Investing, April 2019

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 London CIV: companies and assets which are well managed are poised for better returns due to better resource management, improved employee productivity and better reputation.

Geopolitical risks

Geopolitical risks are challenging to anticipate and can have significant impact on societies and the related market valuations. For example, recently we saw Russia default on its sovereign debt for the first time since 1998 and government sanctions put in place globally. Currently, we assess geopolitics risks on a case-by-case basis to determine if it will have material impact to Client Funds, following the below process when assessing such risks:

Research – The Investment Team tracks news flow and market data to assess the materiality of a geo-political event. We may utilise external resources such as Corruption Perceptions Index, Freedom House Freedom Index to help understand country risks. We generally determine whether the occurrence may trigger the following actions:

- Potential credit defaults or inability to trade securities held by London CIV funds
- Reputational risks for London CIV and our Clients
- Risks associated with other key Stewardship themes (e.g. Human Rights and Climate)

Exposure Analysis - Once we have identified a material geopolitical event, we will map out exposure across our funds.

Collaboration - Following mapping, we engage with our investment managers to understand and assess their approach in mitigating the risks identified and communication to our clients as soon as is feasible. We also work with EOS and other partners to engage with companies who may be affected by the associated event.

Internal Controls – We work with our custodian, internal compliance team and depositary to ensure London CIV funds remain compliant with all UK sanctions.

Proxy Voting –In the event of a highly material geopolitical event we may utilise "Do Not Vote" or vote "Against" for all resolutions for impacted companies. This is to reduce the reputational risks of potentially breaching sanction regimes or being seen as supporting a sanctioned regime. We will seek official guidance from regulatory bodies such as the FCA in these instances.

Diversity and inclusion

As many companies continue to fall far short on gender equality and the business world experiences renewed concerns about racial and ethnic representation, COVID-19 and The Black Lives Matter movement has pushed the long-standing issues of gender inequality and systemic racism to the fore. The disproportionate impact of COVID-19 on women and ethnic minorities and stakeholders' increased awareness and activism are accelerating expectations on corporate transparency and accountability to unprecedented levels.[13]

Diversity is an essential component of sound corporate governance, critical to a well-functioning organisation and needed to attract and retain a quality workforce.

Companies with strong gender and ethnic diversity outperform peers when measured by return on equity and other traditional financial metrics.[14] Diversity also helps to reduce company-specific risk in the long term, leading to a lower cost of capital. As a result of we expect companies to disclose information on diversity and strategies to improve inclusion in the workplace.

In 2022, we published our voting guidelines which sets the threshold and expectations for board diversity. We aim to review the guidelines annually to ensure it reflects best practice.

Executive remuneration

Existing remuneration plans for senior executives do not necessarily promote sustainable value creation for their companies. Incentive schemes often do not align with ESG metrics even when there are clear links to shareholder value. The limitations of pay schemes reliant on performance-based incentives have been highlighted by the COVID-19 pandemic, as share price volatility and limited visibility meant some boards have struggled to set meaningful targets. Inclusion of appropriate ESG issues within executive management goals and incentive schemes are a critical factor in the creation and protection of long-term shareholder value.

We expect boards to use their judgement to ensure executive pay can be justified in the context of the experience of other stakeholders, particularly for companies that have made redundancies, made use of government support (including to furlough employees) or those that are otherwise in distress. We expect to see simpler pay schemes aligned to the long-term success of the organisation rather than the use of total shareholder return as a dominant metric.

Tax and cost transparency

Rising inequality has increased scrutiny over tax and cost systems. London CIV promotes a fair and transparent approach as a way for corporations to contribute to the economies in which they operate and asset managers to demonstrate value for money.

Corporate tax transparency is important to us because:[15]

- **The amount of corporate income tax a company pays is material to its profitability.** We therefore seek to understand the extent to which future cash flows are based on the performance of the underlying business, and the extent to which they rely on other factors such as subsidies or artificial tax structures which may be challenged in the future.
- **Corporate tax avoidance activities may suggest underlying legal, operational, reputational, financial and/or governance risks**. Companies that pursue aggressive tax minimisation activities may be sending a signal regarding the board's risk tolerance. High risk tolerance can result in a variety of damaging outcomes for the business. For example, where boards are focussed on short-term tax related strategies and gains, opportunities linked to genuine economic activity may be overlooked.

[13] McKinsey Global Institute - COVID-19 and gender equality: Countering the regresshttps://www.mckinsey.com/featured-insights/future-of-work/covid- 19-and-gender-equality-countering-the-regressive-effects
[14] McKinsey & Company: Delivering Through Diversity: https://www. mckinsey.com/~/media/mckinsey/business%20functions/organization/ our%20insights/delivering%20through%20diversity/delivering-through- diversity_full-report.ashx
[15] https://www.unpri.org/Uploads/t/r/l/PRI_Evaluating-and-engaging-on-corporate-tax-transparency_Investor-guide.pdf

- **We want reassurance that tax practices of our portfolio companies can withstand stakeholder scrutiny and potential regulatory changes**. As corporate tax regimes are reconsidered across countries to avoid revenue loss, multinational companies will face increased pressure to defend their tax-related transactions and may see new forms of taxation applied. Thus, we look for companies to be transparent with strategies adjusted for the regulatory environment.
- **We recognise that corporate taxes support societies tangible (i.e., infrastructure) and intangible (i.e., education) needs.** Recognising that strong government institutions create a solid foundation for competitive growth and other factors that enable long-term business sustainability at investee companies, corporate income taxes are an important part of most governments' revenue base, and, as such help support this.
- **Tax structures need to be understood in more detail at the individual company level.** Tax structures can be complex and nuanced. Some companies may use tax relief schemes to invest in research and development. Others may be registered in countries with low tax rates for operational reasons. Lack of transparency makes it challenging to understand corporate taxes thus exposing us to unknown risks that should be added into valuations.

Tax avoidance has a serious knock-on effect on society as governments are less able to fund schools, hospitals and other vital public services. Pensioners also lose out from lower investment in services over their lifetimes. We conduct reviews of our portfolio to identify companies with headquarters in jurisdictions with questionable tax regimes and use these results as a basis for engagement on corporate tax responsibility.

London CIV endorses the Cost Transparency Initiative (CTI) and believe that greater cost management and cost transparency will help our clients' beneficiaries achieve a better income in retirement. Our managers are required to provide standardised cost and charges information which enables us to make clear cost comparisons across different investment platforms and challenge asset managers on cost and performance to seek better value for our clients.

Technology Risk: including cyber security

Cybercrime is now a trillion-dollar cost to the global economy [16] and continues to climb the corporate agenda. 2020 marked the busiest year on record for cyber-attacks against UK firms as hackers took advantage of remote working.[17] Furthermore, Artificial Intelligence (AI) raises further risks from both a moral perspective and from criminals using AI within security threats. As the incidence of cyber-attacks and the costs of security failures increase, we must assess portfolio exposure to cyber security-related risks.

Poor corporate disclosure on this topic and lack of advanced technical expertise makes it a challenge to understand how resilient companies are against the risks. We will engage with companies to promote improved disclosure on cyber security policy, board oversight and reporting and access to expertise, training and risk assessment. We expect cyber resilience to be integrated into corporate strategies and will use the Ranking Digital Rights Corporate Accountability Index[18] to inform engagements on disclosure and practices.

[16] https://www.mcafee.com/enterprise/en-us/assets/reports/rp-hidden-costs-of-cybercrime.pdf
[17] https://www.itpro.co.uk/security/cyber-attacks/358276/2020-the-busiest-year-on-record-for-cyber-attacks-against-uk-firms#:~:text=Businesses%20in%20the%20UK%20each,on%20record%20for%20cyber%20attacks.
[18] https://rankingdigitalrights.org/index2020/

Anti-bribery and corruption

Political and regulatory crime, bribery and corruption pose heavy financial risks to investors. Every year, corruption losses alone represent over 5% of global GDP (US$2.6 trillion) and bribes exceed US$1 trillion. This is a cost which can be brought to bear on companies and their investors, and one that is detrimental to governments and society. Corruption adds up to 10% to the cost of doing business globally and up to 2% to the cost of procurement contracts in developing countries. Furthermore, companies embroiled in corruption scandals can suffer from:

- Damage to brand, reputation and share price.
- Exclusion from potential business opportunities.
- Liability to pay hefty fines.
- Diversion of significant senior management time away from running the business to manage investigations and prosecutions.[19]

We aim to work with 1 – 10% of our invested universe based on our percentage holding and the materiality of the issue. We perform background research to assess company culture and existing procedures and policies such as, those that forbid bribes or facilitation payments to secure business or conducting integrity due diligence on new business partners. We may ask companies about the cost of not paying bribes, for disclosures on whistleblowing and employee turnover. In regions where engagement is less advanced, we can refer to national corporate governance guidelines.

[19] https://www.unpri.org/download?ac=1826&adredir=1

Public Policy and Codes of Practice

Given the ever-evolving nature of ESG risk, good governance underpins all ESG factors and mitigates risks from other environmental and social factors. Corporate governance is a vital component of lasting success and something we expect to see from all of our holdings. Businesses that are well governed can typically point to strong management guiding their decision-making and a long-term focus.

As global investors, we apply our principles of good stewardship universally. We are advocates of the benefits of various stewardship codes to improve the quality of engagement. As a UK-based investor our key reference points are the UK Stewardship Code 2020, the UK Corporate Governance Code and the 2006 Companies Act (s172) as terms of reference when considering company activities and actions for engagement.

Corporate behaviour in line with s172 facilitates a more resilient financial system, which supports prosperity for all and in turn enables us to achieve the right risk for the right return and long-term sustainable growth for our clients. However, recognising that each company is different, we aim to assess how companies apply these principles to their own circumstances or use other governance codes to inform practices.

2. Implementation: using voting and engagement to drive outcomes

Active ownership is the use of the rights and position of ownership to influence the activities or behaviour of investee companies. Voting and engagement practices are interlinked and feed into each other; one can be the initiator or the complementary tool of the other, both should be used as effective tools to support long-term value creation.[20]

Approach to voting

Voting refers to the exercise of voting rights on management and/or shareholder resolutions to formally express approval (or disapproval) on relevant matters. In practice, this includes taking responsibility for the way votes are cast on topics raised by management, as well as submitting resolutions as a shareholder for other shareholders to vote on (in jurisdictions where this is possible). Voting can be done in person or by proxy during a General Meeting, including an Annual General Meeting ("AGM") or Extraordinary General Meeting ("EGM").

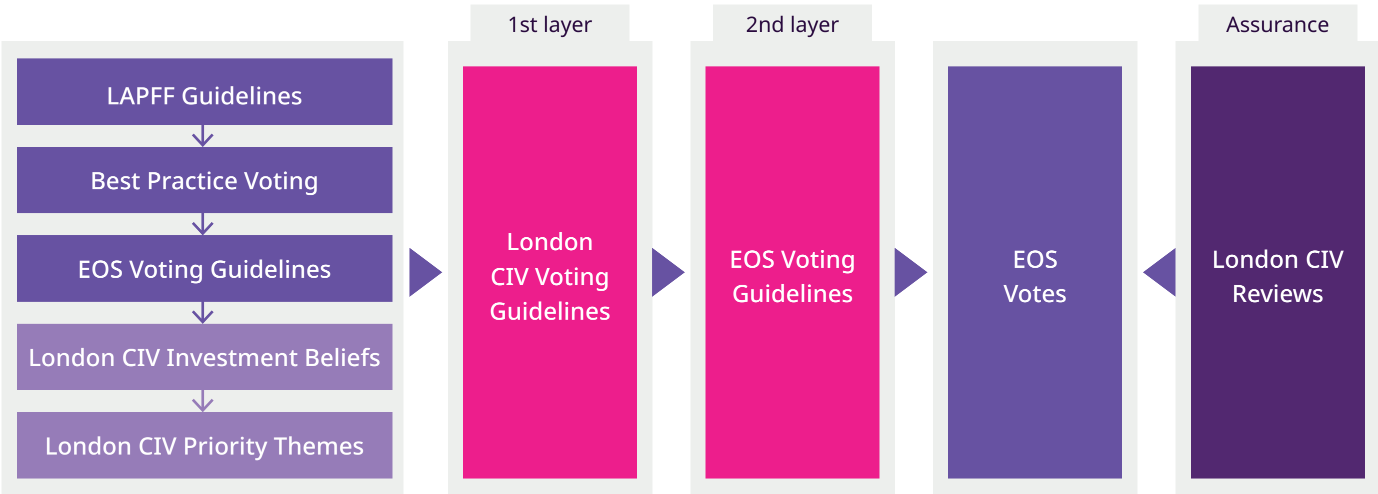
London CIV is a member of LAPFF and works with EOS at Federated Hermes ("EOS") to execute our votes. By tailoring LAPFF Guidance, Hermes EOS Guidelines, best practice approaches to our own Investment Beliefs and priority Stewardship Themes, we arrive at LCIVsown Voting Guidelines which are reviewed on an annual basis.

LAPFF is a member-led forum which engages with companies and issues voting alerts based on its own research to its members. EOS Guidelines are informed by a hierarchy of global and regional best practice guidelines, which set out expectations of companies regarding strategy, communications, financial structure, governance and the management of social and environmental risks.

EOS Voting Principles outline their house position on key ESG issues and are informed by external local market standards, including the OECD Principles for Corporate Governance and national corporate governance codes, as well as the views of its clients.

In 2022, London CIV published its inaugural Voting Guidelines which details how we vote into practice. Please review our Voting Guidelines for more details.

Figure 4: London CIV's Voting Guideline development process. Source: London CIV.



[20] https://www.unpri.org/download?ac=4151#:~:text=Active%20ownership%20is%20the%20use,includes%20engagement%20and%20voting%20activities.

Approach to engagement

Engagement captures any interactions between the investor and current or potential investee companies on ESG issues and relevant strategies, with the goal of improving (or identifying the need to influence) ESG practices and/or improving ESG disclosure. It involves a structured process that includes dialogue and continuously monitoring companies. These interactions might be conducted individually or jointly with other investors.

London CIV engage with companies through our investment managers and our engagement partners using collaborative forums or via our voting and engagement provider. We believe that a long- term multi-pronged approach to engagement will always be most effective. This is why we take a number of collaborative approaches to engagement. As we monitor success in terms of outcomes, we always identify the milestones that need to be achieved when we set objectives.

Where engagement is not succeeding at the pace required, we will consider using escalated engagement techniques that may be more public.

Approach to escalation

Escalation is a strategy used to pursue engagement in cases where the company is not open to dialogue or where dialogue has not been constructive.

If dialogue does not bring the desired outcomes after a defined period, we will consider different escalation strategies to trigger corporate reaction. Possible next steps after an unsuccessful engagement may include:

- communicating with the Board: expressing concerns to corporate representatives or non-executive directors, either directly or in a shareholders' meeting.
- collaborating with other investors to increase pressure on the company.
- issuing a public statement and organising or supporting a media campaign.
- submitting shareholder resolutions in relation to the ESG issues of concern.
- voting against the re-election of directors who are responsible for the topic of engagement (i.e., risk and audit committee members).
- voting against the board of directors or the annual financial report.
- submitting one or more nominations for election to the Board.
- threatening to reduce exposure or divest.

Use of data providers

London CIV utilises a variety of data sources to inform our stewardship activities. We recognise that ESG data is a developing discipline, and we consistently encourage improved disclosure from our investments. In addition to our asset managers' and London CIV's own analysis of ESG exposure within our portfolio, we use third party proprietary and public data sources. At present these include: and public data sources. At present these include:

Provider	Description	Website
Trucost, part of S&P Global	Trucost, part of S&P Global, assesses risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors. Data includes carbon emissions for scope 1, 2 and 3 emissions, coal power generation, fossil fuel reserves, physical risk, transition risk and broader environmental factors. London CIV uses its data sets to inform our environmental portfolio risk analysis.	trucost.com
EcoInvent	The EcoInvent database is an lifecycle inventory database, providing documented process data for thousands of products, including renewable energy assets. London CIV uses its database to model the embedded emissions of its infrastructure investments as part of its wider climate risk analysis.	ecoinvent.org

A lack of standardisation and transparency across ESG and climate data means that analysis can be subject to inconsistencies. To ensure the quality of our data outputs we assess the Quality Control (QC) procedures for any new datasets we use and also maintain our own QC checks by way of internal assurance.

Owing to the complex and nuanced nature of ESG data, analysis is always reported alongside qualitative insights. We use data where possible in our everyday monitoring and report on insights in our quarterly reports to support the stewardship activities and oversight of our clients.

As ESG and Climate data evolves, we review our provision and aim to increase the information available to us on an annual basis. Whilst our focus has been largely on climate risk to date, we seek to increase our analysis on other material ESG factors in order to work effectively with our managers on a broader spectrum of investment risks.

Conflicts of Interest

Engagement processes and voting rights are exercised in line with the best interests of clients to protect and enhance the long-term value of shareholdings. The management of conflicts is important in protecting our clients' assets, building long-term relationships with the companies we invest in and maintaining strong partnerships. London CIV has a robust approach to conflicts of interest, with comprehensive controls operating at all levels within the business to prevent conflicts of interest from adversely affecting the interests of clients, as well as the Client Funds' members and their administering authorities. The effective management of potential conflicts of interest is a key component of our due diligence on all asset managers and service providers, as well as our ongoing contract management.

Conflict of interest clauses are included in investment management agreements. Conflicts are also considered when undertaking voting and engagement activities. Details on how Hermes EOS, our appointed engagement voting provider, approaches conflicts of interest in stewardship is available here.

By undertaking engagement activities, the following conflicts may arise:

- We may engage with or vote in respect of a company which has a strong commercial relationship, including as a service provider, with London CIV and/or our clients.
- We may engage with or vote in respect of a company where staff own securities or have a personal relationship with senior staff members in a company.
- We may engage with or vote in respect of a company where client representatives are on the Board of the organisation.
- We may engage with or vote in respect of a company where staff either hold a share of the company or have a direct link to the Board of the organisation.
- We may engage with a government or government body which is the sponsor or associate of the sponsor of one of our clients.
- We may vote on a corporate transaction, the outcome of which would benefit one client more than another.
- We may otherwise act on behalf of clients who have differing interests in the outcome of our activities.
- Staff or clients may also be exposed to entertainment, gifts or free events from companies which could influence judgement or result in favouritism towards specific organisations.

London CIV maintains policies and procedures that mitigate the risks of perceived, potential and actual conflicts. Examples of how we reduce the risk of conflicts occurring and manage such risks if they do occur include:

- Ensuring all staff discuss any foreseen potential conflict of interest from voting or engagement with their line manager and report to the Compliance and Risk Team.
- Any potential conflicts arising over our approach to voting or engagement are discussed with the Chief Investment Officer ("CIO") and reported to the Compliance and Risk Team.
- Split voting in exceptional circumstances in the event of a potential conflict.
- The Investment Oversight Committee ("IOC") to review voting decisions and engagement activities on a regular basis.
- Allowing any unforeseen conflicts of interests to follow an escalation procedure involving the CIO.

London CIV always places the interests of our clients and their beneficiaries first and require that when acting on our behalf, our suppliers do the same and publicly disclose their conflicts of interest policies. The Conflicts of Interest Policy published by our current Stewardship and Engagement provider can be viewed here.

Stewardship by asset class

Our stewardship responsibilities extend to all funds held by London CIV. We tailor our approach to each asset class and investment strategy. Stewardship can be more challenging for pooled, multi-asset, private market, and emerging market funds. Nonetheless, we are committed to strategic asset allocation that minimises short-term risks through diversification.

So rather than excluding geographies, fund types or asset classes that are challenging in terms of ESG integration, London CIV has developed detailed guidance and questionnaires to support engagement in these areas and will continue to work closely with its investment managers to drive responsible investment practices across all our assets.

Listed Equity

We believe well-governed companies are critical to the creation of long-term value for shareholders, other stakeholders, society and the environment. We expect companies to comply with regulation and other company law in the countries in which they operate, as well as with any relevant regional or international requirements.

Our approach to voting, engagement and escalation as detailed earlier explains our stewardship approach for listed equities in segregated accounts. A segregated account is one in which the shares are held separately from other investors and we can instruct votes directly at company meetings on behalf of our clients to support engagement. Our Voting Guidelines detail our approach to voting for our segregated accounts.

Pooled Funds

Where listed equity engagement becomes more challenging is where we are invested in pooled funds. Pooled funds refer to investment schemes in which assets from individual investors (in which London CIV invests alongside other investors, such as pension funds, endowment funds, insurance companies and other asset managers) are aggregated for the purposes of investment. These funds are used by pension funds as they are a very cost-effective way to get exposure to a large, diverse universe of companies.

The most significant pooled funds are the passive and target return funds. With pooled funds, our influence in terms of voting rights, engagement and stewardship activities, responsible investment policy requirements and disclosure is diluted compared with segregated mandates. This is because the pooled provider is not bound by London CIV's specific Voting Guidelines.

However, stewardship capability and implementation are an important aspect to the selection of our pooled index provider. Legal and General Investment Management's (London CIV's clients' largest provider of pooled funds) approach to active ownership can be viewed here.

By working closely with our Fixed Income (please see next section), pooled and index providers on engagement and voting, we will aim for greater alignment of stewardship priorities and expectations over time. For example, the CQS Credit Multi Asset Fund (CMA) which the LCIV MAC Sub-fund invests in, is now classified as an Article 8 fund under SFDR (a fund which promotes environmental and/or social characteristics and incorporates good governance criteria into its investment strategy).

Fixed Income

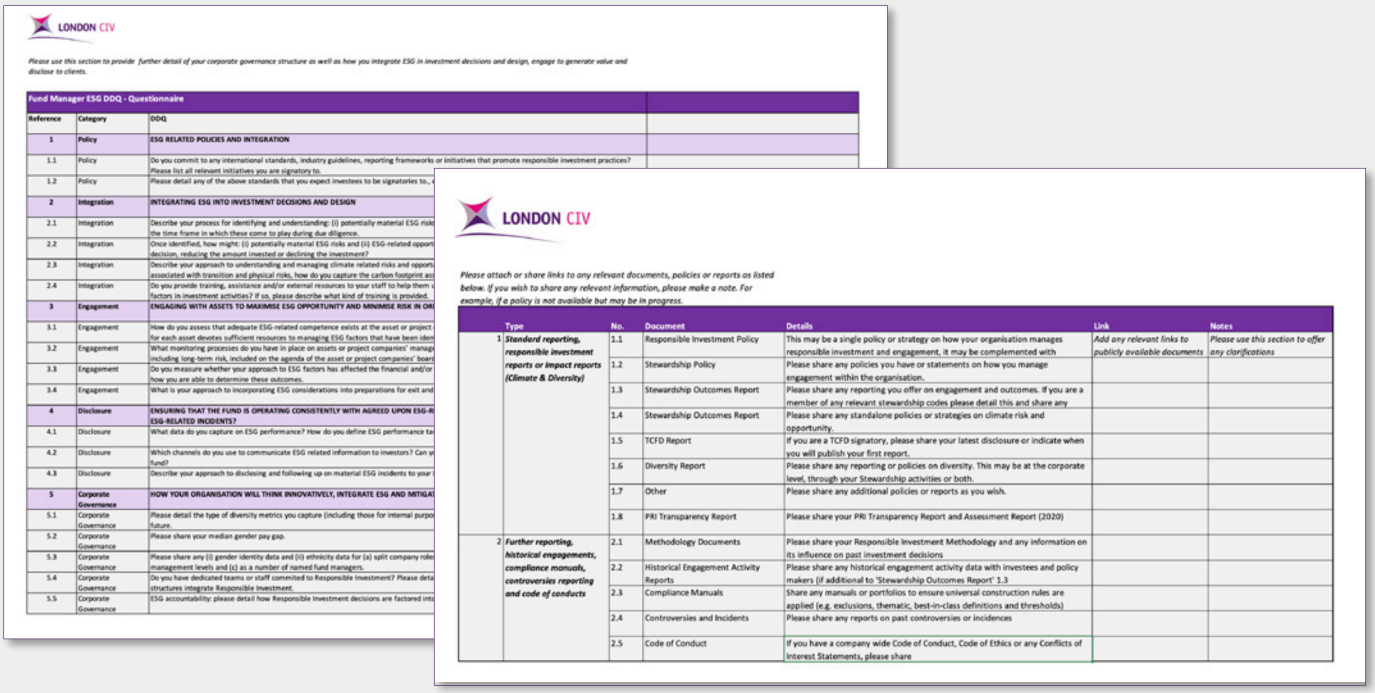
Whilst the materiality of ESG risk is less familiar to bond investors than equity investors, ESG factors can affect the investment performance of bonds, both negatively and positively, at the issuer, sector, geographic and system levels. We believe well-governed companies are more likely to make their loan repayments and improve their creditworthiness, creating long-term value across all capitals.

Our fixed income managers use a range of different approaches to engage with borrowers. We expect managers to embed ESG into the investment process either using credit analysts, portfolio managers or a dedicated engagement team specialised in ESG themes. We expect our managers to look to engage particularly prior to issuance, where the most impact can be made.

As active ownership in this asset class is slightly more challenging and less established than in listed equities, integration of ESG considerations at manager selection and ongoing monitoring is a critical part of London CIV's approach to ensure ESG risk is factored in at the issuer, sector, and geographic level.

ESG questionnaires are sent to managers before the selection process where the approach of the manager and their own corporate governance are assessed to indicate how advanced the manager's approach to ESG integration in fixed income is. Due diligence meetings are conducted prior to appointment and quarterly meetings are held once managers have been selected.

Figure 5: Example of a due diligence questionnaire used at selection stage to assess manager ESG competence prior to appointment. Source: London CIV.



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Please use this section to provide further detail of your corporate governance structure as well as how you integrate ESG in investment decisions and design, engage to generate value and disclose to clients.

Fund Manager ESG DDQ - Questionnaire			
Reference	Category	DDQ	
1	Policy	ESG RELATED POLICIES AND INTEGRATION	
1.1	Policy	Do you commit to any international standards, industry guidelines, reporting frameworks or initiatives that promote responsible investment practices? Please list all relevant initiatives you are signatory to.	
1.2	Policy	Please detail any of the above standards that you expect investees to be signatories to.,	
2	Integration	INTEGRATING ESG INTO INVESTMENT DECISIONS AND DESIGN	
2.1	Integration	Describe your process for identifying and understanding: (i) potentially material ESG risk the time frame in which these come to play during due diligence.	
2.2	Integration	Once identified, how might: (i) potentially material ESG risks and (ii) ESG-related opport decision, reducing the amount invested or declining the investment?	
2.3	Integration	Describe your approach to understanding and managing climate related risks and opport associated with transition and physical risks, how do you capture the carbon footprint as	
2.4	Integration	Do you provide training, assistance and/or external resources to your staff to help them factors in investment activities? If so, please describe what kind of training is provided.	
3	Engagement	ENGAGING WITH ASSETS TO MAXIMISE ESG OPPORTUNITY AND MINIMISE RISK IN ORI	
3.1	Engagement	How do you assess that adequate ESG-related competence exists at the asset or project for each asset devotes sufficient resources to managing ESG factors that have been iden	
3.2	Engagement	What monitoring processes do you have in place on assets or project companies' manag including long-term risk, included on the agenda of the asset or project companies' boar	
3.3	Engagement	Do you measure whether your approach to ESG factors has affected the financial and/or how you are able to determine these outcomes.	
3.4	Engagement	What is your approach to incorporating ESG considerations into preparations for exit and	
4	Disclosure	ENSURING THAT THE FUND IS OPERATING CONSISTENTLY WITH AGREED UPON ESG-R ESG-RELATED INCIDENTS?	
4.1	Disclosure	What data do you capture on ESG performance? How do you define ESG performance ta	
4.2	Disclosure	Which channels do you use to communicate ESG related information to investors? Can y fund?	
4.3	Disclosure	Describe your approach to disclosing and following up on material ESG incidents to your	
5	Corporate Governance	HOW YOUR ORGANISATION WILL THINK INNOVATIVELY, INTEGRATE ESG AND MITIGAT	
5.1	Corporate Governance	Please detail the type of diversity metrics you capture (including those for internal purpo future.	
5.2	Corporate Governance	Please share your median gender pay gap.	
5.3	Corporate Governance	Please share any (i) gender identity data and (ii) ethnicity data for (a) split company role management levels and (c) as a number of named fund managers.	
5.4	Corporate Governance	Do you have dedicated teams or staff commited to Responsible Investment? Please deta structures integrate Responsible Investment.	
5.5	Corporate Governance	ESG accountability: please detail how Responsible Investment decisions are factored int	

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Please attach or share links to any relevant documents, policies or reports as listed below. If you wish to share any relevant information, please make a note. For example, if a policy is not available but may be in progress.

	Type	No.	Document	Details	Link	Notes
1	*Standard reporting, responsible investment reports or impact reports (Climate & Diversity)*	1.1	Responsible Investment Policy	This may be a single policy or strategy on how your organisation manages responsible investment and engagement, it may be complemented with	*Add any relevant links to publicly available documents*	*Please use this section to offer any clarifications*
		1.2	Stewardship Policy	Please share any policies you have or statements on how you manage engagement within the organisation.		
		1.3	Stewardship Outcomes Report	Please share any reporting you offer on engagement and outcomes. If you are a member of any relevant stewardship codes please detail this and share any		
		1.4	Stewardship Outcomes Report	Please share any standalone policies or strategies on climate risk and opportunity.		
		1.5	TCFD Report	If you are a TCFD signatory, please share your latest disclosure or indicate when you will publish your first report.		
		1.6	Diversity Report	Please share any reporting or policies on diversity. This may be at the corporate level, through your Stewardship activities or both.		
		1.7	Other	Please share any additional policies or reports as you wish.		
		1.8	PRI Transparency Report	Please share your PRI Transparency Report and Assessment Report (2020)		
2	*Further reporting, historical engagements, compliance manuals, controversies reporting and code of conducts*	2.1	Methodology Documents	Please share your Responsible Investment Methodology and any information on its influence on past investment decisions		
		2.2	Historical Engagement Activity Reports	Please share any historical engagement activity data with investees and policy makers (if additional to 'Stewardship Outcomes Report' 1.3		
		2.3	Compliance Manuals	Share any manuals or portfolios to ensure universal construction rules are applied (e.g. exclusions, thematic, best-in-class definitions and thresholds)		
		2.4	Controversies and Incidents	Please share any reports on past controversies or incidences		
		2.5	Code of Conduct	If you have a company wide Code of Conduct, Code of Ethics or any Conflicts of Interest Statements, please share		

We see fixed income engagement as an exciting opportunity for innovation and expect ESG factors to directly affect issuance. Examples of strategies we encourage include offering margin rachets to borrowers who score more highly on ESG criteria. We see all ESG factors as financially material to whether loan repayments can be made and thus believe it should affect creditworthiness.

Having a less developed ESG strategy does not necessarily mean London CIV will choose not to work with the selected fixed Income investment manager, as we see this as an opportunity to have a greater impact where they are willing to commit to our ongoing engagement and reporting expectations. Though increasingly, we have minimum expectations for responsible investment integration, which may rule out some managers.

Sovereign Debt

Investor engagement in the sovereign debt context can be misinterpreted as lobbying, advocacy or an attempt to interfere in a government's policy choices. Whilst governance and political factors have long been a part of sovereign credit analysis, the asset class has until recently remained largely unexamined from an ESG risk and reporting perspective due to the absence of reliable metrics and actionable intelligence. Please refer to the Geopolitical Risk section for how we currently incorporate political risks into our ESG assessment.

London CIV believes that bondholders should engage to make more informed investment decisions. Many of our managers already regularly engage with government representatives and other country authorities to gain insight, primarily around fiscal and monetary policies, both key for pricing bonds. We encourage our sovereign debt managers to use the meetings they already have with sovereign officials to point out which ESG information they deem important.

We recommend our managers to frame engagement around ESG disclosure and making progress towards existing policy commitments, such as the Sustainable Development Goals ("SDGs") or the Paris Agreement. The COVID-19 crisis has increased countries' public financing needs, presenting investors, as funding providers, with a unique opportunity to engage with sovereigns on delivering sustainable recovery plans.

In addition, we calculate the climate footprint of our sovereign fixed income assets on an annual basis as well as their contribution to the global energy transition. The results of this analysis are available in our TCFD Report.

Private Markets

Private markets include investments unavailable through public markets, such as listed exchanges. It includes asset classes such as infrastructure, renewables, real estate, private equity, and private debt. We see private markets as an attractive way to diversify our clients' investment portfolios and enhance long-term returns. Active ownership is a critical part of investment in private markets due to the degree of influence London CIV can have and the long-term nature of the investments that are made.

However, within the asset class there are barriers to stewardship due to the lack of disclosure and use of general partners and investment managers which provide an additional communication barrier between London CIV, our managers and the underlying assets. As a result, pre-investment, in-depth due diligence is a critical part of our strategy. We assess ESG criteria as part of the investment manager selection process as we believe that well governed companies with strong ESG criteria will offer better long- term risk adjusted returns.

We expect managers to have firm ESG and climate change policies and reporting processes in place, across the entire value chain, from investment due diligence, through to ownership and exit. Before investing in a fund, we consider whether the mandate focusses on sustainability-related themes or whether the fund mandate focuses on sectors or geographies with relatively higher ESG-related risks and opportunities.

We seek to understand the selected manager's approach to ESG during due diligence. We expect material ESG risks and opportunities to be identified at this stage and where necessary, develop follow-up actions or mitigation plans that London CIV will monitor on an ongoing basis.

At the selection stage, London CIV may seek to include reporting and ESG commitments from the manager in a side letter to the Limited Partnership Agreement ("LPA").

As the average ownership period for an underlying portfolio investment often more than 10 years. Much can change during this time within the investment, the investment manager the regulatory environment and in the market, which may expose ESG risks that were not material at the time of investment.

Therefore, we expect managers to have policies, systems and resources to ensure ESG factors are monitored during the lifetime of the investment.

Application of effective stewardship in private markets can be very dynamic. Thus, we seek to use the appropriate mechanisms relative to the asset class, size and complexity of our investments, our position in the capital structure

and the influence that we may or may not have as a result. Some examples of stewardship activities across private markets include:

- Where London CIV have a significant holding we will seek to influence the underlying manager at Limited Partner Advisory Committees ("LPAC") meetings.
- Ensuring appropriate governance structures are in place, especially if managers have minority positions in assets.
- Assessing how responsible investment integration is embedded into the culture of the organisation.
- Understanding the awareness, training programmes and capacity to manage ESG issues.
- Assessing the manager's approach to diversity and inclusion.
- Working with managers to improve transparency and ESG/impact reporting, by explaining which metrics we seek to gather on our investments and explaining why we see new metrics as material.
- Establishing what commitments to responsible investment have been made through affiliations with organisations such as PRI, TCFD or Global Real Estate Sustainability Benchmark ("GRESB").
- Estimating the full value chain footprint of ESG impacts to serve as the basis of engagement, to understand if adequate data is collected to mitigate any potential 'hotspots' of risk.

Infrastructure

Infrastructure has an essential role to play in mitigating and adapting to climate change as well as achieving the Sustainable Development Goals ("SDGs"). However, this often means that when trying to assess ESG criteria, disclosure may focus on the operational benefits of the asset such as emissions avoided or direct employment generated whilst omitting the full lifecycle impacts such as the embedded carbon footprint or labour standards in the supply chain of the materials used to build the asset.

Given the economic lives of many infrastructure assets, private infrastructure debt can be long-term in nature. Therefore, it is vital that we understand and price all risks associated with the investment. ESG factors can have a material impact on long-term investment outcomes and play an integral role in the lending decision-making process. We expect our managers to remain vigilant on ESG issues for infrastructure, requiring adequate disclosure that covers the full value chain of the investment.

We believe that engagement can be particularly effective for private infrastructure debt because there is often a sole lender or a small number of lenders – compared with multiple lenders in a public corporate bond issue. Therefore, lenders should have closer relationships with borrowers and access to early engagement.

We expect our managers to integrate ESG considerations pre- and post-investment. Prior to new issuance, all investment risks should be assessed. This is particularly critical due to the illiquidity of most private debt instruments. It is also important to engage through the lifecycle of the investment. As with all of our private markets engagements, we work closely with our investment managers and perform ongoing quarterly meetings to highlight any emerging issues and track progress.

London CIV works with its real assets and infrastructure investors to incorporate ESG and climate considerations into investment due diligence and decision-making. We calculate the environmental footprint of their energy infrastructure investments as well their contribution to the SDGs on an annual basis as part of our TCFD Report and use these results to help us prioritise engagement.

Real Estate

Investing in real estate presents two key ESG considerations when compared with other asset classes. As with infrastructure, it has a long-term investment horizon, which is important because more ESG risks are likely to materialise when assessed over longer periods. Secondly, many ESG issues emerge at the local level, for example extreme weather, water stress and community relations and direct real estate investments are inextricably linked to a specific geographic location. Whilst a company can move its operations or change suppliers, real estate has no such flexibility.

Specific examples of how engagement should be used for real estate investments include:

- Assessing the managers' approach to quantifying physical climate change risks, and how these are fully integrated into their due diligence, valuation and property management.
- Using tools, such as the GRESB to evaluate performance and areas for improvement.
- Assessing how sustainability credentials of assets can be improved through refurbishments and green retrofits.
- Understanding how the environmental and social footprint of the asset has been calculated throughout the full supply chain.
- Evaluating the operational footprint of the asset by assessing raw data such as utility bills, third party reports or independent databases.
- Assessing the effectiveness of tenant engagement around operational issues such as energy and waste management
- Engaging on any data gaps (at the operational or supply chain level) to improve transparency and reporting with particular focus on carbon foot printing and climate specific metrics
- Calculating the "triple-bottom line" benefits of any real estate, including social benefits/impact captured from affordable housing or job creation for example.
- Assessing the managers' approach to quantifying how the asset contributes to quality of life in the local area using specific localised Quality of Life indicators.

Emerging Markets

Over half of the world's GDP growth since 2009 has come from emerging markets, with China and India accounting for over 40% of that growth.[21] This trend is expected to continue, thus emerging markets can be an important opportunity for investors. Whilst there has been considerable progress in developed markets with regards to ESG integration, companies in emerging and frontier markets still lag their peers.

The rise of emerging markets is happening alongside other structural changes, namely, changing governance expectations and climate change. This presents a difficult challenge for our managers on how they can actively engage portfolio companies in markets where governance norms, legal frameworks, and responses to climate change may vary.[22]

We expect managers to assess the local context and take the time to understand the local business environment, culture, and evolving regulations. These differences serve to guide variances in stewardship and engagement activities. We believe our assessment of the diversity and inclusion of the manager at the operational level can be a good indicator of whether or not the investment team have the right cultural diversity internally to contextualise engagements.

Aside from our standard due diligence processes to determine the skills and quality of all managers whom we invest with, we expect managers working in emerging markets to:

1. Focus on larger holdings where there is a pre-existing relationship with the companies
2. Not to force domestic norms on foreign companies, but maintain a minimum global baseline that all companies must meet.
3. Engage with emerging markets companies alongside knowledgeable local investors.

Stock Lending and Share Recall

Stock lending is the practice of funds lending shares to other investors for a short-term period in exchange for a fee. It is a long-established and highly regulated practice that provides an additional source of income for funds. Stock lending also plays an important role in well-functioning equity markets. This is achieved via two main routes: a) the additional liquidity that stock lending provides which reduces bid/ask spread costs and b) facilitating the price discovery process via short selling. This is a tangible gain, which is particularly important for Asset Owners with a long-term investment horizon, who benefit from market efficiency and the prevention of asset pricing bubbles that pose systemic risks.

London CIV is currently considering Stock lending across a number of its funds London CIV will introduce a number of measures to mitigate the financial and reputational risks associated with stock lending. Related to voting which may include:

- Recall 100% of lent stock ahead of Annual General Meetings ("AGMs") for 'contentious' votes.
- Create a 'contentious list' of stocks that will be recalled 10 days before the registration for votes at AGM and extraordinary general meeting.
- Retention of a minimum quantity for any individual stock to ensure restrictions on time horizons for lending for contentious stocks. Contentious stockholdings that are lent out will be engaged with throughout the year as London CIV funds are the beneficial owner. They will be re -called for votes.
- Recognise that stock lending does not restrict our ability to engage with companies and investment Managers in any way.

[21] https://data.worldbank.org/indicator/NY.GDP.MKTP.CD
[22] https://www.weforum.org/agenda/2020/02/investor-engagement-emerging-markets/

3. Collaboration: delivering outcomes at scale

Collaborating with other institutional investors and service providers can be an effective way to pool knowledge and information as well as share costs and risks as well as to influence and gain corporate managers' attention. Complex market transformation is also more likely to be achieved through an alliance of investors rather than a single institution acting alone.

By speaking to companies with a unified voice, investors can more effectively communicate their concerns to corporate management. The result is typically a more informed and constructive dialogue. By working with fund managers, companies, our voting and engagement manager, clients and peers we are able to:

- **Building knowledge and skills:** through collective expertise on highly complex issues, enabling us to approach companies operating in challenging environments or covering a range of economic, regulatory, and cultural markets.
- **Increasing efficiency:** to avoid duplication of effort by sharing tasks and responsibilities.
- **Enhancing power and legitimacy:** through the collective reputation, size and weight of members which are difficult for companies to ignore.

How we work with companies

London CIV engages with companies individually, through our investment managers, our stewardship partner and collectively through industry collaboration, with the objective of improving investment outcomes over the long-term. We expect companies to adhere to the UK Corporate Governance Code on a 'comply or explain' basis and expect non-UK companies to adhere to international corporate governance principles, whilst recognising local application and development.

Whilst most of our engagement takes place via third parties, London CIV has clear guidance on what we expect from companies and what companies should expect from us so that managers, GPs and our stewardship partner can be assessed against similar standards.

What companies can expect from us:

- **Transparency:** We will disclose our expectations on companies and always be clear on our objectives and the outcomes we seek to achieve when approaching companies.
- **Collaboration:** We will collaborate with other investors where possible so as to avoid the duplication of multiple requests.
- **Materiality:** We will clearly demonstrate the business case, prioritising areas associated with greater economic opportunities, increased competitiveness and improved long-term prospects for the firm.
- **Alignment:** We will align requests with international standards where possible to save companies' time.
- **Preparedness:** We will arrive prepared and provide feedback. We will avoid entering engagement without fully reviewing financial, sustainability and operational data of the company or without having specialist knowledge on issues.

What we expect from companies:

- **Transparency:** We expect companies to provide adequate disclosure on ESG issues to support our research, as this gives us confidence ESG issues are understood and in hand. We also expect them to be responsive to data requests.
- **Collaboration:** We expect companies to be proactive in responding to requests and willing to provide access to senior members of staff to aid dialogue.
- **Investor Relations:** Companies can enhance their communication with us by closing the loop between internal ESG information systems and reporting practices.
- **Proactivity:** Corporations can use engagement proactively and strategically to test ESG policies, identify more efficient ESG targets and build better ESG management systems.
- **Cohesion:** We expect companies to operate with good coordination between corporate investor relations departments and board-level executives to ensure engagements are not a lost cause.

How we work with investment managers

London CIV expects company directors and investment managers to adopt measures to promote both stewardship and long-term decision making. Managers can contribute more to the performance of businesses through greater involvement in the companies in which they invest. We believe that adopting such responsible investment practices will prove beneficial for investors and markets alike.

Working with managers is a key part of our stewardship strategy, specifically for more challenging asset classes such as private markets and infrastructure. Where we cannot rely on our stewardship provider, or the use of a vote, we must turn to our investment manager to seek dialogue with the underlying asset and drive outcomes.

Manager stewardship is assessed on a quarterly basis and reported to our clients. An example of our internal manager monitoring assessment questionnaire is below. Managers are scored across five criteria: responsible investment integration, engagement and stewardship, company culture and governance, disclosure and momentum.

Figure 6: Sample manager monitoring assessment questionnaire. Source: London CIV.

	Questions:	Fund Type:
	Responsible Investment Integration	
1	Have there been any changes to your ESG integration process over the reporting period (e.g. additional resources, information sources)? If so, why?	All
2	Which integration practices/tools have worked and have not worked over the reporting period, and why?	All
3	What are some specific examples of how ESG factors have impacted investment decisions?	All
4	What are some specific examples of major ESG risks that you identified in the holdings or assets in the portfolio over the reporting period, and what have you done to mitigate them?	All
5	Have concerns over tracking error prevented you from divesting a holding with high ESG risks? If so, what is a specific example?	Equities
6	What are some specific examples of ESG factors contributing to buy and sell decisions, e.g. are there any examples of instances where you chose one company over the other due to ESG considerations?	Equities
7	What are some specific examples of valuations being adjusted due to an ESG factor? How did this impact the investment decision?	Equities
8 (optional)	Regarding the recent revelations about company X in the portfolio, why did you buy/hold/sell the stock or increase/decrease your holdings?	Equities
	Engagement and Stewardship	
9	How was ESG information that had been gathered through active ownership activities used to identify investment risks and opportunities? What impact has this had on investment decisions?	Equities / Fixed Income
10	How have you measured success of the engagement? Was this quantifiable? If not, what were the qualitative results?	Equities
11	How are portfolio managers involved in active ownership activities?	Equities
12	What are some specific examples of engagement activities or voting outcomes resulting in a stock being sold or bought?	Equities
	Culture and Governance	
13	Do you have a diversity policy for your organisation/have you made any updates to your existing diversity policy? What are you doing to address this issue within your organisation? (Alternatives: do you engage with GPs on diversity matters).	All
14	Do you have dedicated teams or staff committed to Responsible Investment? Have there been any changes to the Responsible Investment and Investment Teams?	All
15	Have you undertaken any ESG training over the last quarter? Please advise what this was.	All
	Disclosure	
16	Have there been any updates to your RI&E policy?	All
17	Do you have a specific policy on climate change/have you made any adjustments to your climate policy? Do you quantify the carbon footprint of the fund? (For infrastructure and real estate: do you calculate the embedded carbon of the asset)? What scopes does your carbon foot printing cover?	All
18	As a member of PRI have you signed up to any other industry initiatives this quarter, please list?	All

All investment managers are at different stages in their responsible investment journey, and we recognise that they may have different challenges owing to the nature and asset classes of their funds. Momentum is therefore an important criterion in our manager assessment process. We will continue to develop our reporting expectations in a way that works for individual managers and their various investment approaches.

How we work with our stewardship partner

London CIV has selected EOS to complement our own stewardship activities following a tender using the National Framework and due diligence process. As of April 2021, EOS engage with companies that form part of our public equity and corporate fixed income holdings to seek positive change for our clients, the companies and the societies in which they operate.

Using these services enables us to achieve a wider coverage of assets and provides access to more detailed expertise across a range of investment themes. The team's connections, language skills and cultural understanding greater enhances the ability to create and maintain constructive relationships with company boards.

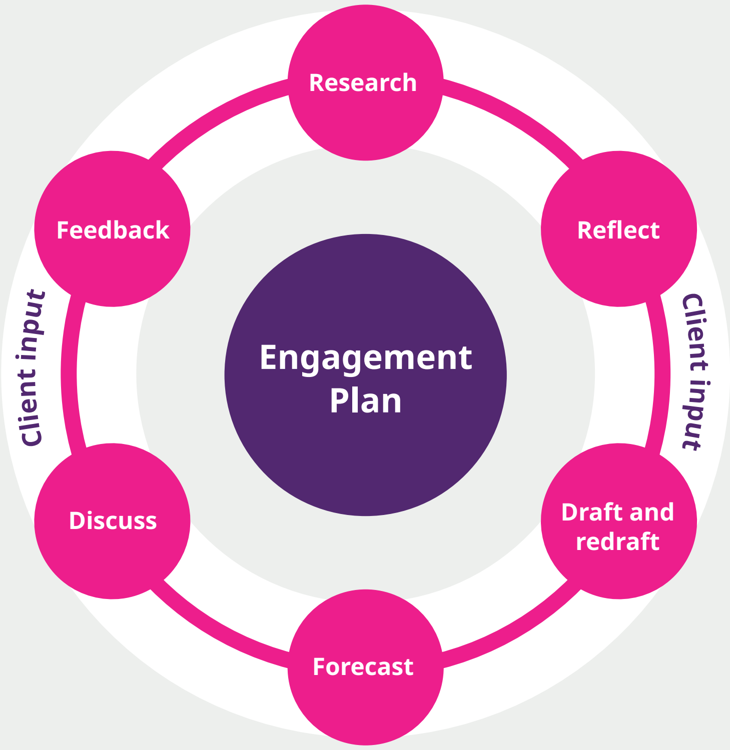
As we are looking to track milestones, EOS brings continuity to our engagement plan with a focus on long- term outcomes. EOS too has a four-stage milestone system which allows it to track the progress of engagements, relative to the objectives set for each company. When it sets an objective, it also identifies the milestones that need to be achieved. Progress is then assessed regularly and evaluated against the original engagement proposal.

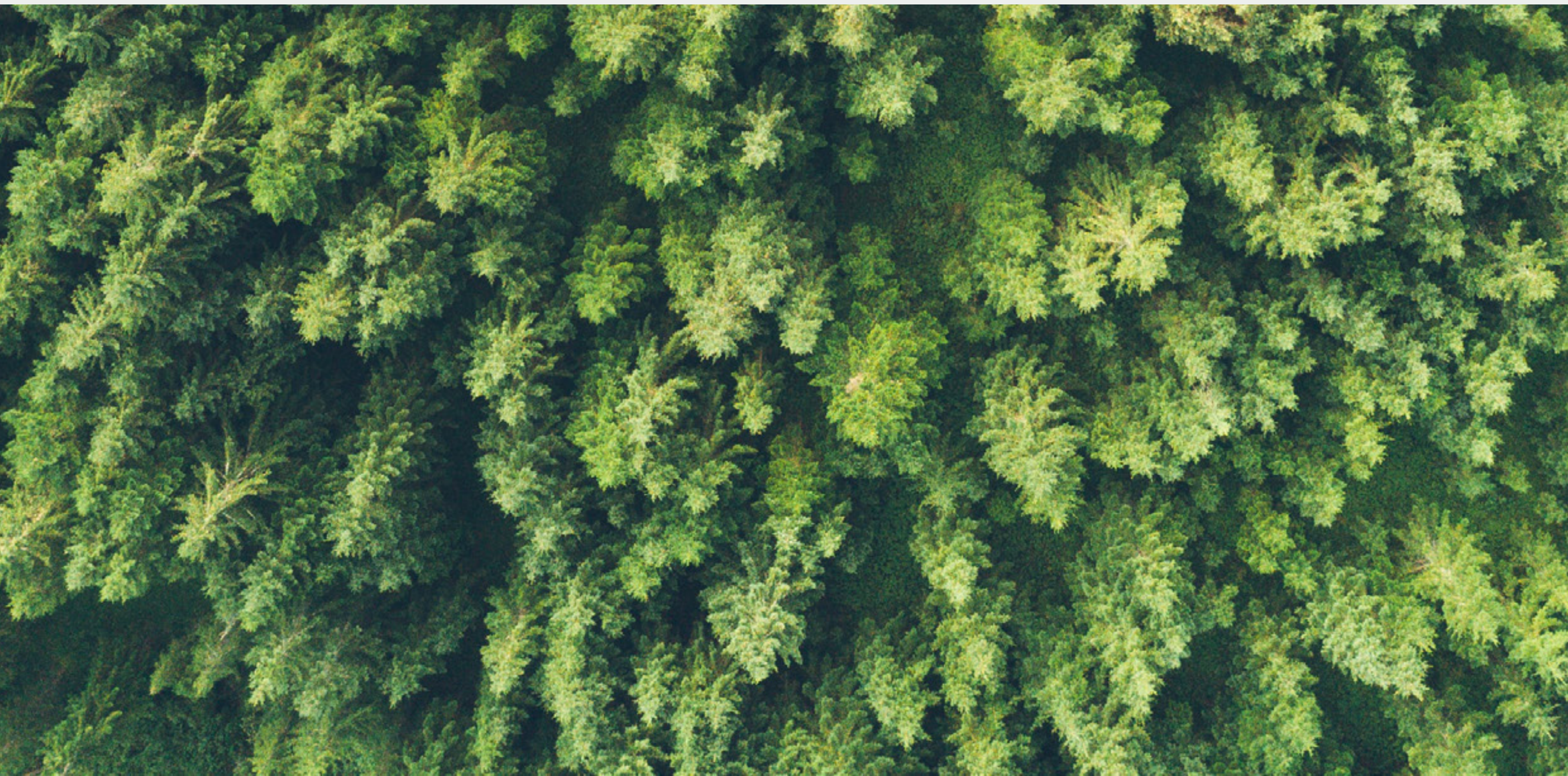
Figure 7: Measuring progress – milestones. Source: Hermes Equity Ownership Services.

EOS make voting recommendations guided by LCIV Voting Guidelines that are, where practicable, engagement-led and involve communicating with company management and boards in the period prior to the vote. This ensures that its rationale is understood by the company and that the recommendations are well- informed and lead to change where necessary.

We communicate our engagement priorities to EOS on a regular basis by taking advantage of the various touchpoints described below. As well as feeding into EOS's engagement strategy, we undertake our own monitoring of the provision to ensure the service delivery meets our expectations and check that activities align with our stewardship themes and priorities.

Figure 8: EOS client-led approach. Source: EOS at Federated Hermes





Collaborating with likeminded institutional investors

London CIV recognises that our voice has greater influence and is more efficient and effective when we work together with partners. We are committed to collaborating with peers and clients in a range of initiatives covering a variety of ESG issues. Key commitments and areas of focus, as well as how we have participated in these initiatives to date, are detailed below:

Initiative	Description
Asset Owner Diversity Charter	An asset owner led initiative set up in 2020 by Brunel, Cambridge, Camden, London CIV, Lothian and NEST pension funds to develop a formal set of actions the industry can commit to in order to improve diversity, in all forms, across the investment industry.
ClimateAction100+	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.
Cost Transparency Initiative (CTI)	An independent group tasked by the Financial Conduct Authority in 2018 with delivering a standardised template for the disclosure of costs and charges to institutional investors.
FSB's Task Force on Climate Related Financial Disclosures (TCFD)	A market-driven initiative, set up to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings.
LAPFF (Local Authority Pension Fund Forum)	LAPFF promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds. The Forum leads the way on issues such as executive pay, reliable accounting and a just transition to a net zero economy.
Marine Conservation Society: Microplastics Pollution	First State Investors and the Marine Conservation Society convene like-minded investors, to engage with the manufacturers of domestic and commercial washing machines to fit, (as standard), filters to their products to prevent plastic microfibres entering the world's precious marine ecosystems.
Pensions for Purpose	A collaborative initiative of impact managers, pension funds, social enterprises and others involved in impact investment. Aimed at promoting the understanding of impact investment.
ShareAction: The Good Work Coalition	An evolution of its existing Living Wage Coalition, The Good Work Coalition focusses on a broader range of international topics including: The Living Wage, Insecure Work and Gender Equality for Low Paid Women.
ShareAction: Healthy Markets Coalition	A group of investors with over $1 trillion in AUM aimed at increasing accountability of food retailers and manufacturers for their role and impact on people's diets and the growing concerns surrounding increasing levels of obesity.
UN backed Principles for Responsible Investment (PRI)	The PRI is the world's leading proponent of responsible investment which encourages institutional investors to commit to and promote six guiding principles including incorporating ESG issues into investment decision making, active ownership, better disclosure, collaboration and reporting on progress.
Investor Alliance for Human Rights	The alliance is a collective platform for responsible investment that is grounded in respect for people's fundamental rights. The initiative helps investors to navigate their responsibility to respect human rights. They utilise corporate engagements to drive positive business conducts and set human rights standards for businesses.
Deforestation Free Pensions Working Group	This working group was established by Global Canopy, Systemiq and Make My Money Matter to develop a practical guidance to enable pension funds to identify, address, and eliminate deforestation, conversion, and associated human rights abuses from their investments.
Like-minded investment Managers	We work with all our investment managers to manage ESG risks and harness ESG opportunities.

London CIV's policy is to collaborate in initiatives where issues align with our priority areas and/or where we feel we can have a positive impact. We are committed to continuing and expanding these efforts and will report on our role in each initiative, along with successes and outcomes, in our Annual Stewardship Activities and Outcomes Report.

Reporting

As signatories of the PRI, disclosure is a key part of our stewardship activities. We expect appropriate disclosure on ESG issues by the entities in which we invest and will engage accordingly. We will also report on our activities and progress towards implementing our Stewardship Policy.

Each quarter, London CIV will report on its voting record and engagement activities to clients as part of its Quarterly Investment Report ("QIR"). We will also disclose summary reports on our website covering our engagement and voting records to inform clients' own stewardship efforts.

On an annual basis we will report on our Stewardship Activities and Outcomes. The move towards tracking outcomes is a key part of our strategy and as part of our policy we will monitor milestones and outcomes for each engagement activity that we undertake.

Governance and Oversight

The London CIV Board approves and is collectively accountable for London CIV's strategy and governance, including its overall approach to active ownership and stewardship. The IOC oversees the implementation of London CIV's investment strategy on behalf of the Board including its approach to active ownership.

The Executive Team, led by the Chief Executive Officer ("CEO"), is responsible for the day-to-day management of London CIV, including delivery and development of stewardship activities. The CIO is responsible for managing the integration of ESG factors into the portfolio construction, implementation and overall investment decision making.

Stewardship strategy development and operational accountability is led by the Head of Responsible Investment ("HRI") who reports to the CIO and is supported by two Responsible Investment Managers, one of whom oversees stewardship and engagement. The integration of ESG considerations in manager selection, monitoring and management is explicit in all roles within the Investment Team.

The development of this policy has been supported by key stakeholders specifically through the support of the Responsible Investment Reference Group ("RIRG"), membership of which includes representatives from Client Funds, London CIV, and the appointed ESG Champion from the Board. The group meets monthly to discuss emerging ESG issues and priority areas.

This policy relates to and interacts with other documents, in particular the Responsible Investment Policy and Climate Change Policy.

The first edition of this Stewardship Policy was approved on behalf of the Board on April 2021 and the annual update approved on September 2022.

Appendix

Glossary

Acronyms and Terms	Definition
AGM	Annual General Meeting.
CEO	Chief Executive Officer.
CIO	Chief Investment Officer.
Companies Act (2006) s172	Section 172 is a part of the section of the Act which defines the duties of a company director and concerns the "duty to promote the success of the company".
CTI	The Cost Transparency Initiative is an industry standard to improve cost transparency for institutional investors.
Dasgupta Review	The Dasgupta Review is an independent, global review on the Economics of Biodiversity led by Professor Sir Partha Dasgupta (Frank Ramsey Professor Emeritus, University of Cambridge). The Review was commissioned in 2019 by HM Treasury and has been supported by an Advisory Panel drawn from public policy, science, economics, finance and business.
Diversity and Inclusion	Diversity refers to recognising differences, acknowledging the benefit of having a range of perspectives in decision-making and the workforce being representative of the organisation's customers. Inclusion is where people's differences are valued and used to enable everyone to thrive at work. An inclusive working environment is one in which everyone feels that they belong without having to conform, that their contribution matters and they can perform to their full potential, no matter their background, identity or circumstances.
EOS	EOS at Federated Hermes is a leading stewardship service provider. Our engagement activities enable long-term institutional investors to be more active owners of their assets, through dialogue with companies on environmental, social and governance issues.
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.
GRESB	Global Real Estate Sustainability Benchmark. GRESB validates, scores and benchmarks ESG performance data, providing business intelligence and engagement tools to investors and managers.
HRI	Head of Responsible Investment.
IOC	Investment Oversight Committee.
LAPFF	The Local Authority Pension Fund Forum is the UK's leading collaborative shareholder engagement group. LAPFF promotes corporate governance standards to protect the long-term value of local authority pension funds.

Acronyms and Terms	Definition
London Quality of Life Indicators	The London Quality of Life Indicators are designed to capture the breadth of challenges facing London and to provide a means to gauge how London is performing against several measures considered to be key factors in delivering a sustainable city that supports and enhances quality of life. They can also help alert policy makers to unsustainable trends.
LPAC	Limited Partner Advisory Committees
OECA	The Office of Enforcement and Compliance Assurance is the legal enforcement arm of the United States Environmental Protection Agency.
OECD	Organisation for Economic Cooperation and Development – A group of 37 member countries that collaborate and develop economic and social policies.
PM2. 5	PM2. 5 refers to particles that have diameter less than 2.5 micrometres (more than 100 times thinner than a human hair) and remain suspended for longer. These particles are formed as a result of burning fuel and chemical reactions that take place in the atmosphere.
QIR	The Quarterly Investment Report is a report sent to all London CIV Client Funds detailing the financial and ESG performance of London CIV funds on a quarterly basis.
RIRG	The Responsible Investment Reference Group – is a working group including representatives from Client Funds, London CIV, and the appointed ESG Champion from the Board.
TCFD	Financial Stability Board's Task Force on Climate Related Financial Disclosures ("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 Corporate Governance Code	The UK Corporate Governance Code sets out standards of good practice for listed companies on board composition and development, remuneration, shareholder relations, accountability and audit.
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.
UN Environment Programme	The environmental authority in the United Nations system. It uses its expertise to strengthen environmental standards and practices while helping implement environmental obligations at the country, regional and global levels.
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.

Acronyms and Terms	Definition
UNGP	United Nations Guiding Principles on Business Human Rights – A set of guidelines for governments and companies to prevent, address and remedy human rights wrongdoings committed in business operations.
UNPRI	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.
US Business Roundtable	The US Business Roundtable is a not-for-profit association whose members are chief executive officers of major US based corporations. The association aims to promote a thriving US economy and expand opportunities through sound public policy. Its members join with communities, workers and policymakers to build a better future for the nation and its people.

Investment Beliefs

London CIV aims to deliver stronger investment returns over the **long term**, protecting our clients' interests through contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society. Our Investment Principles clearly articulate our commitment to be **responsible investors**. We recognise that social, environment and corporate governance (ESG) considerations, including climate change, are integrated throughout all aspects of our investment process.

1. Long term investors earn better returns net of costs.
2. Careful calibration of risk against objectives, together with robust risk management, leads to better risk-adjusted returns.
3. Responsible Investment improves outcomes, mitigates risks and creates opportunities through:
   a. Good corporate governance
   b. Active stewardship and collective engagement
   c. Effective management of climate change risk
   d. Promoting diversity and inclusion
4. Providing value for money is critical and it is essential to manage fees and costs.
5. Collaboration, clear objectives, robust research and evidence-based decision-making adds value.
6. Targeting opportunities across the public and private asset markets is aligned to the needs of Client Funds.

Our Investment Beliefs details how we integrate climate change throughout the investment process and sets objectives to work towards to ensure outcomes can be monitored and measured over time.

Getting in touch with the team

If you have any questions or comments about this report please email Jacqueline Amy Jackson, Head of Responsible Investment at RI@LondonCIV.org.uk.

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