



## LONDON CIV SHAREHOLDER RIGHTS DIRECTIVE II

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

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## 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 valued at £44bn collectively<sup>1</sup>. As of 31 March 2021, the total pooled assets were £23.8bn, split between £11.2bn actively managed investments and £12.6bn in passive investments managed by Legal & General Investment Management and Blackrock.

Our Client Funds are also our shareholders and we work collaboratively to deliver our agreed purpose which is: “To be the LGPS pool for London to enable the London Local Authorities to achieve their pooling requirements”.

More information about how we collaborate with our stakeholders is available on [our website](#) and in the [Annual Review](#).

## 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 Client Funds and their members by acknowledging that climate-related risks and broader environmental, social and governance (“ESG”) factors are a source of financial risk.

We aim to make long-term sustainable investments supported by data-led and transparent processes. 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.





We would like to acknowledge the continued support from our Client Funds 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.

*London CIV published a dedicated [Stewardship Policy](#) in 2021, 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.*

*London CIV report annually on [Stewardship Outcomes and Activities](#) in line with our obligations under the UK Stewardship Code 2020 and The Shareholder Rights Directive II. Our Stewardship Policy and Outcomes Report detail our stewardship themes and priorities, voting behaviour, use of proxy advisors and significant votes.*

*We have provided supplementary information in this document to complete our reporting requirements under the Shareholder Rights Directive II for the financial year ending in 31<sup>st</sup> March 2021.*

## LONDON CIV INVESTMENT STRATEGY AND PRODUCTS

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

We want to increase the range of products available to our clients that deliver substantial climate change, environmental and social benefits. We continue to develop products in collaboration with our clients, helping them to meet their own climate goals whilst delivering on this strategy.

One of the key challenges we face is that there is a limited supply of investment products which meet our environmental, social and governance (“ESG”) objectives (low carbon, socially just, etc.) and investment requirements (the right risk-return profile).

Thus, encouraging innovation is critical to our product development and fund launch strategy. Our ESG conscious products and their approach to ESG are highlighted below. More detailed information about our climate impact and forward-looking risk analysis can be found in our [annual metrics report](#) and a summary is provided in the [Annual Review](#) for the year ending 31 March 2021 which includes the statutory Annual Report and Financial Statements published on our website:

Asset Class	Fund Name	Description
Equity	LCIV Sustainable Equity Fund	This Fund invests in a high conviction, research driven global equity portfolio. The strategy is based on the beliefs that great businesses create contingent assets not reflected in typical financial metrics, extensive evaluation of extra-financial factors reduces risk and uncovers alternative sources of alpha, and an integrated ESG approach supports responsible allocation of capital. These principles ensure that the strategy only considers companies with strong competitive dynamics, strong management, and environmental, social and governance practices.
Equity	LCIV Sustainable Equity Exclusion Fund	This Fund mirrors the LCIV Sustainable Equity Fund (as described above) and excludes issuers whose primary business is involved with any of the following restricted activities: adult entertainment; alcohol; gambling; weapons; small arms and tobacco; and does not invest in issuers whose primary business is directly involved in extracting, processing or transporting coal, oil or natural gas (“fossil fuels”).
Private Markets	The London Fund	The Local Pensions Partnership Investments and the London CIV have jointly set up “The London Fund” to help access investment opportunities in Greater London across real estate, infrastructure, and growth capital opportunities. The strategy focuses on investments across Greater London, which includes the 32 London Boroughs, the City of London Corporation, and the surrounding local authorities. Its investment objectives also include investments in projects with sustainable outcomes that address social needs in Greater London including job creation, area regeneration and a positive environmental impact.

Private Markets	LCIV Infrastructure Fund	The Fund invests in infrastructure assets in brownfield and greenfield investments. At least a quarter of the Fund will remain invested in renewable energy in line with the London CIV Responsible Investment and Engagement Policy.
Private Markets	LCIV Renewable Infrastructure Fund	The Fund invests in renewable energy infrastructure assets in brownfield and greenfield investments. This will include generation, transmissions and distribution assets, with a market segment focus on renewable energy including, wind solar and other generations such as biomass, biogas, hydroelectricity, and enablers.

London CIV ESG products as of 31 March 2021.

## PORTFOLIO COMPOSITION

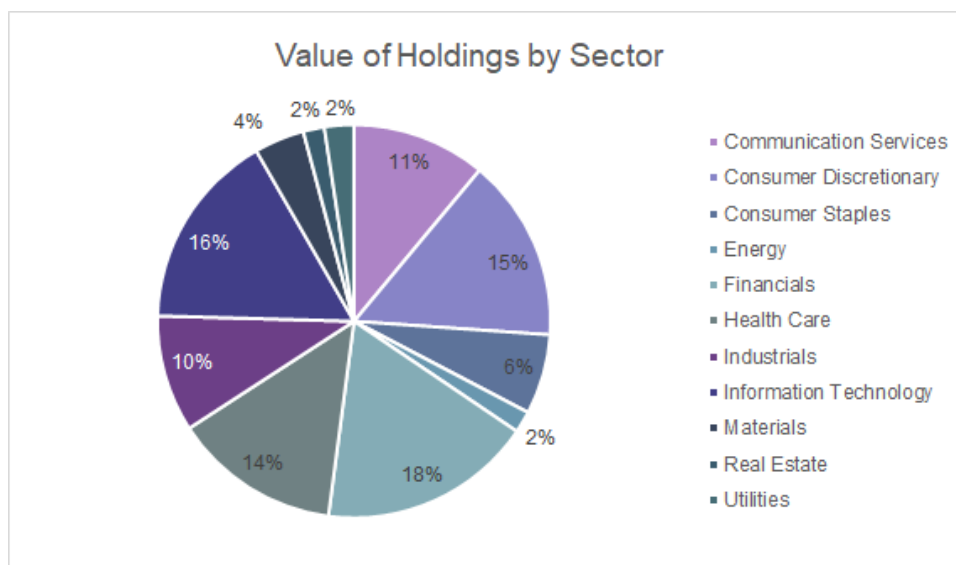
*Our voting and engagement activity priorities are informed by our top ten holdings, material risks, client and peer priorities and assets held by sector:*

### TOP TEN HOLDINGS

Company	Weight
Alphabet Inc.	2.71%
Microsoft Corporation	2.41%
Taiwan Semiconductor Manufacturing Company Limited	2.24%
Amazon.com, Inc.	2.16%
AIA Group Limited	1.72%
Naspers Limited	1.63%
Alibaba Group Holding Limited	1.62%
Mastercard Incorporated	1.13%
Moody's Corporation	1.09%
Tesla, Inc.	0.97%

Source: London CIV and Trucost S&P, 30 November 2020

### ASSETS BY SECTOR



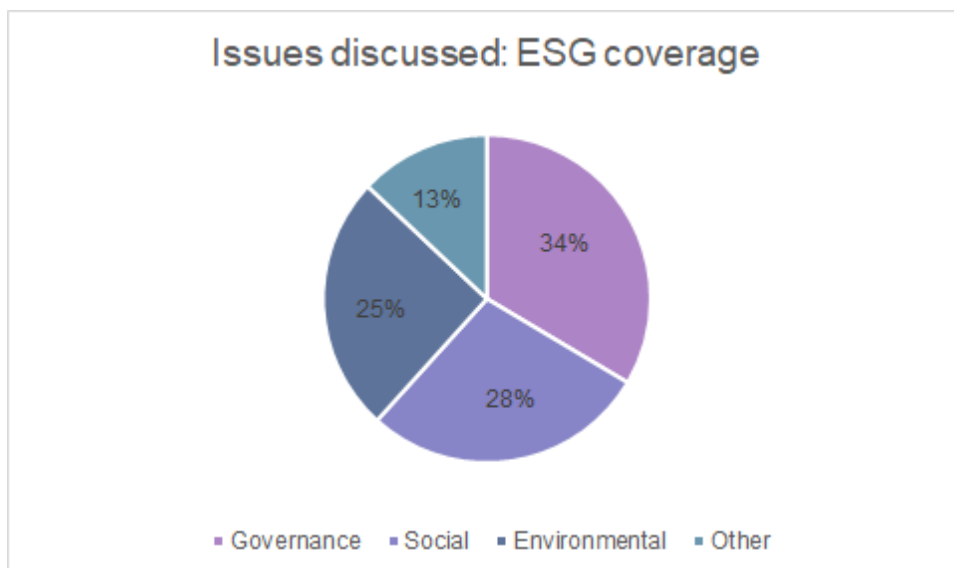
Source: London CIV and Trucost S&P, 30 November 2020

## COMPANY ENGAGEMENT

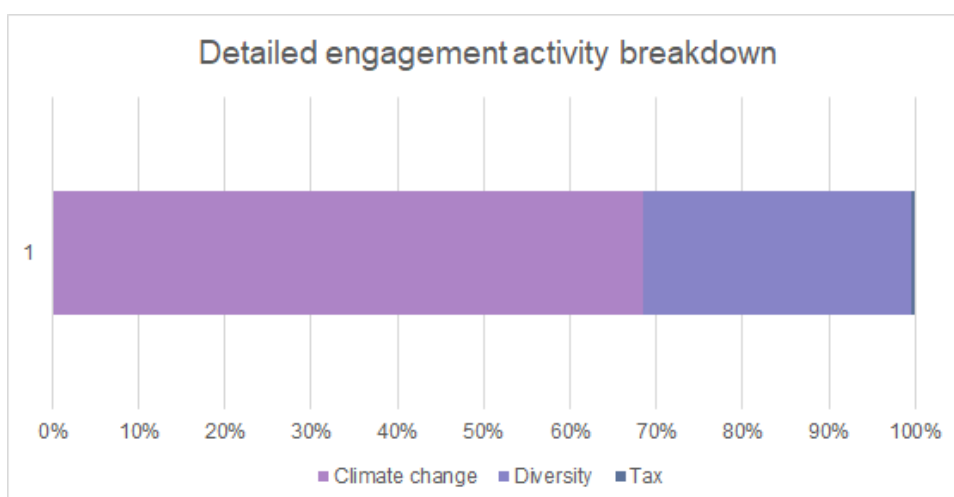
London CIV believe that a strong engagement strategy will help deliver real-world outcomes at scale and in turn, improve the performance of our funds.

Total management meetings for the 12-month period up to 31 March 2021 was 504.





Source: London CIV: Calculated based on Investment Managers' engagement data as of 31 March 2021.



Source: London CIV: Calculated based on Fund Managers' engagement data as of 31 March 2021.

## VOTING ACTIVITIES

As stewards of capital, exercising voting rights is an important part of our responsibility towards our clients' ESG objectives. We believe that voting on shareholder resolutions is a powerful part of our stewardship strategy as it helps communicate our views to companies. Publishing our voting records further supports this aim.

Number of Proposals	Voting instruction - For	Voting instruction - Against	Voting instruction - Other
11,202	9,983	810	409

Source: London CIV: Calculated based on Fund Managers' voting data and ProxyEdge data as of 31 March 2021.

## SIGNIFICANT VOTES

London CIV's investment managers are expected to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. London CIV monitors voting records on a quarterly basis and expects managers to be able to provide a rationale for all voting activity on a "comply or

explain” basis. We have selected the below votes as ‘Significant’ as the companies listed are London CIV’s top ten weighted companies in the portfolio (see ‘Portfolio Composition’ section above).

LCIV Fund	Company	Date	Proposal Label	Instruction	Voting Rationale	Explanation of Significant Votes
LCIV Global Alpha Growth Fund	Amazon.com	27-May-20	1A., 1B, 1C, 1D, 1E, 1F, 1G, 1H, 1I, 1J, 2,3,4	For	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
			5.	For	We instructed our Manager to vote in line with LAPFF recommendations	This vote is significant as it is one of our top 10 holdings
			6.	Against	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
			7.	Against	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
			8.	For	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
			9.	For	We instructed our Manager to vote in line with LAPFF recommendations	This vote is significant as it is one of our top 10 holdings
			10.	For	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
			11.	Against	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
			12.	Against	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
			13.	Against	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
			14.	For	We instructed our Manager to vote in line with LAPFF recommendations	This vote is significant as it is one of our top 10 holdings
			15.	For	We instructed our Manager to vote in line with LAPFF recommendations	This vote is significant as it is one of our top 10 holdings
			16.	For	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
LCIV Global Alpha Growth Fund	AIA Group	29-May-20	1, 2, 3, 4, 5, 6, 7A, 7B, 8	For	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
LCIV Global Alpha Growth Fund	Mastercard	16-Jun-20	1A, 1B, 1C, 1D, 1E, 1F, 1G, 1H, 1I, 1J, 1K, 1L, 1M, 1N, 2, 3	For	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
LCIV Global Alpha Growth Fund	TSMC ADR	09-Jun-20	1, 2, 3.001	For	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
LCIV Global Alpha Growth Fund	Naspers	21-Aug-20	O.1, O.2, O.3, O.4.1, O.4.2, O.5.1, O.5.2, O.5.3, O.5.4, O.6.1, O.6.2, O.6.3, O.6.4, O.7, O.8, O.9, O.10, O.11, O.12, O.13, O.14, O.15, S.1.1, S.1.2, S.1.3, S.1.4, S.1.5, S.1.6, S.1.7, S.1.8, S.1.9, S.1.10, S.1.11, S.1.12, S.1.13, S.2, S.3, S.4, S.5, S.6	For	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
LCIV Global Alpha Growth Fund	Tesla Inc	22-Sep-20	1.1, 1.2 1.3, 2., 3.	For	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
			4.	Against	Our Manager opposed a shareholder proposal requesting the company amend its approach to marketing and advertising. This	This vote is significant as it is one of our top 10 holdings



					proposal seeks to micromanage a part of Tesla's business which is best looked after by the management team.	
			5.	For	Our Manager supported a shareholder proposal to eliminate supermajority voting requirements from the company's bylaws and to adopt a simple majority voting standard. The Manager believes this change is in shareholders' best interests.	This vote is significant as it is one of our top 10 holdings
			6.	For	Our Manager supported a shareholder proposal requesting a report on the company's use of arbitration to resolve employee disputes. The Manager believes additional disclosure and transparency on this provision would be helpful in understanding Tesla's workplace practices.	This vote is significant as it is one of our top 10 holdings
			7.	Against	Our Manager opposed a shareholder proposal requesting a report on the company's approach to human rights. The Manager believes Tesla's current policies and practices are reasonable and improving, making this proposal unnecessary.	This vote is significant as it is one of our top 10 holdings
LCIV Global Alpha Growth Fund	Microsoft	02-Dec-20	1A., 1B., 1C., 1D., 1E., 1F., 1G., 1H., 1I., 1J., 1K., 1L., 2., 3.	For	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings
			4	Against	Our Fund Manager opposed a shareholder resolution requesting a report on employee representation on the board of directors as we are satisfied that the company's existing director selection and election process is appropriate to maintain a competent board to oversee the business.	This vote is significant as it is one of our top 10 holdings
LCIV Global Alpha Growth Fund	Moody's	21-April-20	1A., 1B., 1C., 1D., 1E., 1F., 1G., 1H., 1I., 2A., 2B., 2C., 3., 4.	For	Our Fund Manager voted on our behalf based on their voting guidelines	This vote is significant as it is one of our top 10 holdings

Source: London CIV: Based on Investment Manager Voting Records for the 12-month period up until 31 March 2021. The top 10 holdings are based on data as of 30 November 2021.

Detailed information about how London CIV integrates shareholder engagement in its investment strategy, monitors and communicates with investee companies, exercise voting rights, cooperates with other shareholders and manages conflicts of interest can be found on the [Stewardship Outcomes and Activities report](#). **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 Client Funds. 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 Client Funds who have differing interests in the outcome of our activities.
- Staff or Client Funds 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 stewardship and engagement provider can be viewed [here](#).

## TURNOVER AND TRANSACTION COSTS

Turnover	85%
Transaction Costs	0.25%

Turnover is calculated as the sum of security purchases and sales divided by the monthly average market value for each fund. Results have been consolidated at London CIV by computing a weighted average of each fund’s turnover.

Transaction costs are calculated as the sum of implicit and explicit cost figures divided by the monthly average market value for each fund. Results have been consolidated at London CIV by computing a weighted average of each fund's turnover.

#### STOCK LENDING AND SHARE RECALL

London CIV do not participate in any stock lending at present. However, it can provide an important source of revenue which would be reduced if stock is recalled to vote at AGMs. Lending should not undermine governance, our ability to vote or our long-term investment approach. Therefore, we would look to integrate controls and additional guidance to this policy before stock lending and share recall are factored into our investment strategy.