



London CIV Voting Guidelines 2022



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

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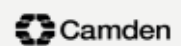
We would like to acknowledge the continued support from our clients on responsible investment, stewardship and climate change. Our shared commitment to minimising the financial and social risks of ESG factors enables us to generate sustainable returns and drive change together. We will also partner/ utilise the following services Hermes EOS, Investment Managers, PLSA, LAPPF and ShareAction when we feel the LCIV clients are appropriately aligned.

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. As of 31 December 2021, the total pooled assets were £27bn, split between £14bn active investments and £13bn in passive investments managed by Legal & General Investment Management and Blackrock but invested following fee negotiations conducted by London CIV on behalf of Client Funds.

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 the London Local Authorities to achieve their pooling requirements. ◀◀



About Our Voting Framework

This policy should be read in conjunction with our Responsible Investment Policy, Climate Change Policy and specifically our Stewardship Policy which details the implementation of our voting guidelines and the review process.

The purpose of the Voting Guidelines ("the Guidelines") is to detail the framework governing London CIV's voting approach. The policy explains our overarching voting process and provides a reference point for the voting mechanisms in place to carry out our voting process.

Most importantly, the guidelines provide how voting decisions are assessed and implemented on a case-by-case basis. A degree of flexibility will be required when interpreting the guidelines to reflect specific market, company, and meeting circumstances.

Using the four pillars of people, planet, principles of governance and prosperity we have set out a range of principles on key topics (Climate, Human Rights including diversity and Tax & Transparency), which express our expectations of companies, their Boards and management teams.

Our Stewardship Policy explains the importance of these issues in more detail. Whilst some engagement themes do not often result in direct votes - we will look to communicate our views with companies and have included desired engagement outcomes alongside each voting principle.

If companies are consistently unreceptive to engagement with London CIV or our Partners, we will consider voting to oppose relevant board members or resolutions. It is important to note that omission of an issue in this policy does not mean we will not vote against a particular resolution. London CIV takes an engagement approach with investee companies, however where a company is not open to dialogue or the dialogue is not constructive, we may deploy our escalation strategy (for full approach please see our Stewardship Policy).

This document is written for the companies London CIV invests in and our managers. The document sets out expectations to company directors on how we expect companies to be structured and behave. We also use it to engage with our managers priority issues for London CIV, our Client Funds and their members.

This is a living document that we will be updating regularly (reviewed at least annually) as we develop our voting and engagement to a transitioning business world.

Our Voting Principles

We will endeavour to:

1. **Exercise our shareholder rights by always voting on contentious issues:** This includes a focus on votes for or against and the avoidance of abstention, unless in exceptional circumstances where information to cast a vote may be inadequate or a conflict of interest may be present.
2. **We aim to vote consistently on issues:** We aim to vote consistently on issues, in line with our voting policy, applying duty of care and diligence, allowing for a case-by-case assessment of individual companies and market-specific factors when necessary.
3. **Remain informed:** We aim to be knowledgeable about our investee companies, undertaking adequate due diligence to understand the complexity of their supply chains and unique business models before engaging with companies.
4. **Alignment to long-term value creation:** Our voting and engagement seeks to protect and optimise long-term value for shareholders, stakeholders and society.
5. **Uphold exemplar transparency:** We will be transparent and keep our stewardship priorities updated annually, whilst publishing our voting activity on a quarterly basis.
6. **Partner with like-minded investors and service providers:**
To leverage our voting at scale.
7. **Alignment with Local Authority Pension Fund Forum ("LAPFF"):** Hermes EOS is our primary voting partner and we strive to vote in line with LAPFF recommendations where appropriate. Where there is misalignment between our votes and LAPFF's suggestions, we will provide sound reasoning and research behind our decisions to our stakeholders.
8. **We believe engagement is our most effective tool:** Leveraging the threat of divestment as a shareholder is more powerful than divestment alone.

Whilst we expect companies to:

1. **Remain accountable to their shareholders:** by holding regular board meetings, providing relevant information and being readily available for dialogue with investors and other initiatives.
2. **Align to long-term value creation:** Implementing incentive arrangements that create and protect value for their shareholders and not short-term financial goals that can detriment long-term company success, performance or natural, social, human capital.
3. **Demonstrate adequate transparency:** We expect companies to disclose, in a timely and comprehensible manner, robust information on environmental, social and governance issues that could have a material impact on the company's balance sheet or society.

Voting Guidelines

Consideration of environmental, social and governance factors is an integral part of our duty of care. As institutional investors, we believe we play a vital role in supporting companies for positive social and climate outcomes. We view governance as the grounding principle that drives social and environmental actions and financial performance. Corporate governance can provide shareholders with a clear indication of the company's integrity, effectiveness, reliability and can have profound implications for the company's financial health.

In its basic form, we categorise Corporate Governance systems into three key components, they are:

- 1 shareholders**
- 2 the board of directors**
- 3 company executive management**

Effective governance is dependent on the clear assignment of responsibilities and oversight between these three parties. Shareholders appoint directors to the board; the board oversees senior management and management executes the business strategy. If any of these parties fail to perform their responsibility adequately, the balance of the governance mechanism will be disrupted, and governance issues will arise which may weaken company performance. The role of auditors is another critical component which provides transparency for the shareholders in the form of financial disclosures and assurance.

We believe that a well-run, diverse and accountable company is pivotal in delivering positive environmental, socioeconomic and financial performance. For businesses to continue to thrive, companies need to build their resilience and protect their license-to-operate, through a greater commitment to long-term, sustainable value creation that embraces the wider demands of people and the planet.

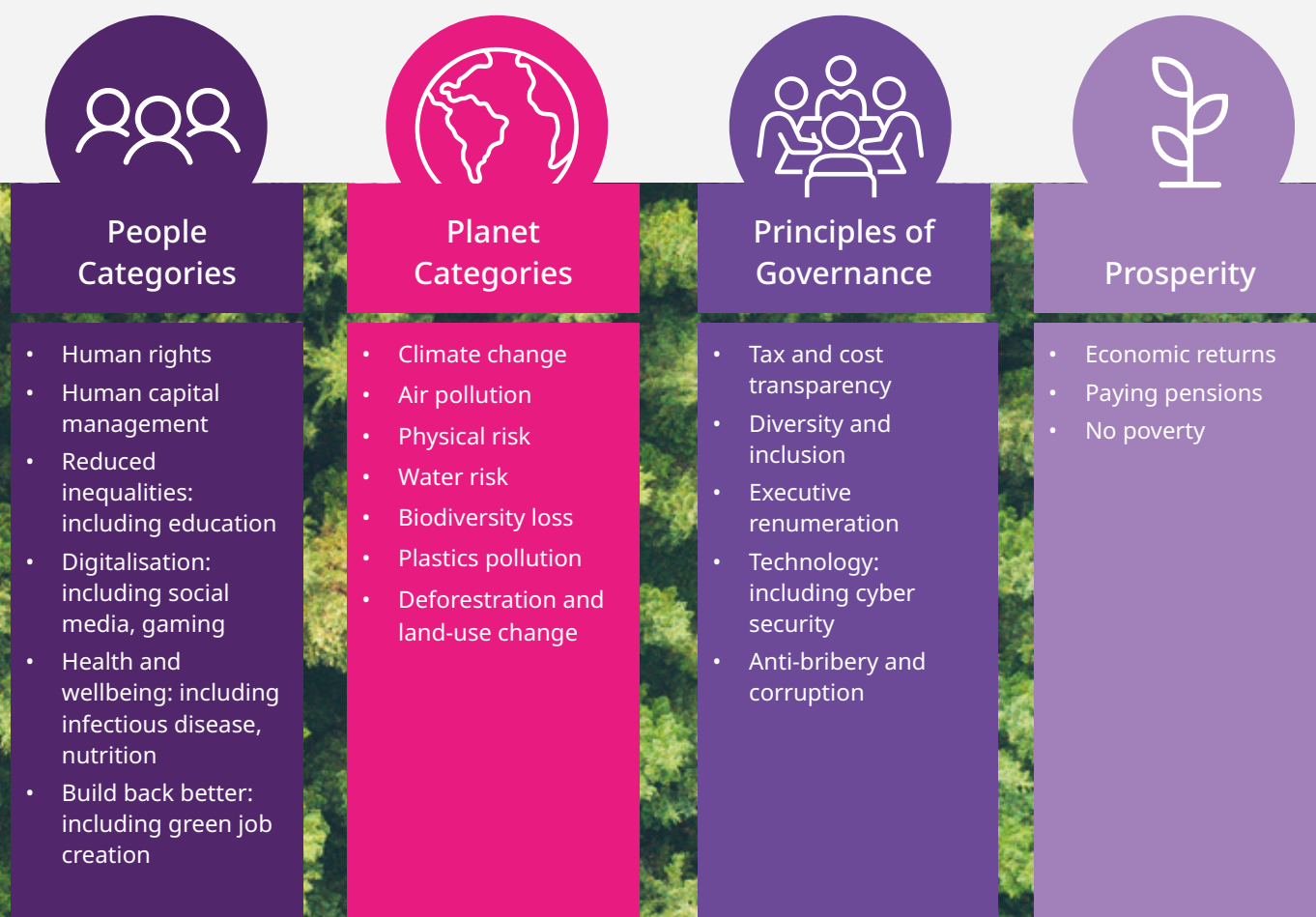


Figure 1 - Governance and ESG System. Source: London CIV

London CIV Priorities

London CIV values four pillars of stakeholder capitalism and they are People, Planet, Principles of Governance and Prosperity. We believe these four pillars will not only maximise the financial health of companies but also encourage long-term sustainable growth. Our ambition is to set voting guidelines that encapsulate these four pillars. Whilst our clients' primary purpose is to pay pensions, this will only be possible by managing risks and opportunities that the four pillars of stakeholder capitalism encompass.

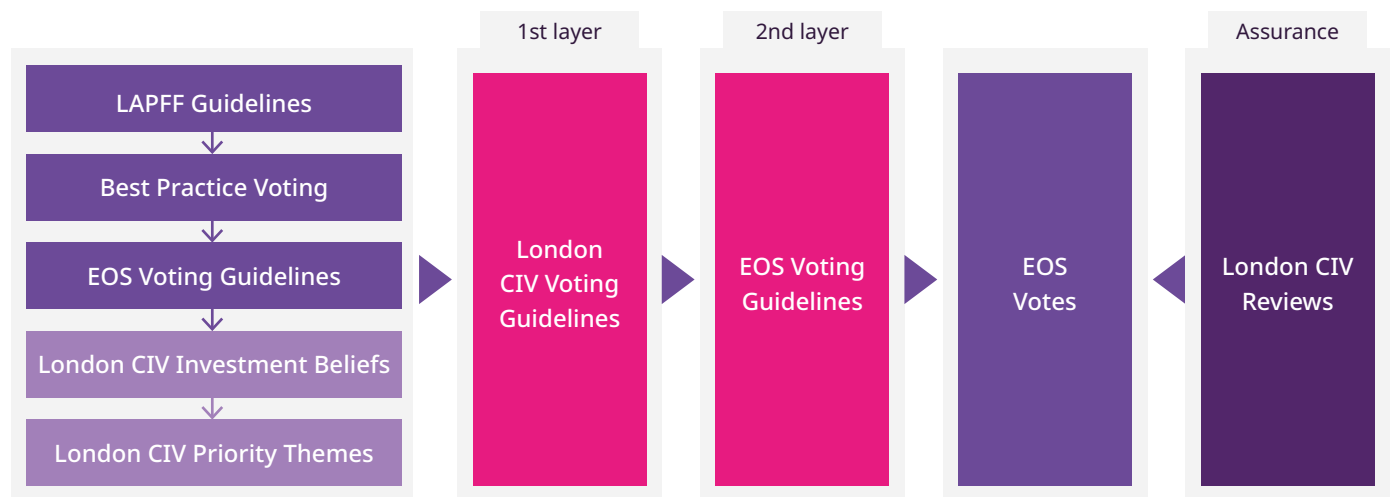
Safeguarding these pillars will support a financial system fit for the long-term future. We believe together we can cultivate prosperity that is empathetic of both people and the planet. A full table of our current stewardship priorities is listed below:



How We Vote

London CIV has appointed EOS to consolidate all our voting activities for our segregated funds and to provide engagement services to all our segregated public market funds. We believe by consolidating our votes, rather than outsourcing our voting activities to our fund managers, we can drive positive outcomes that is more tailored to London CIV's and our clients' priority themes.

As mentioned in the Regional Guidance chapter, we acknowledge that governance practices differ across regions. We believe by incorporating EOS's more country specific guidance which considers more traditional corporate governance factors as an overlay to our voting guideline, we can execute our votes in a more comprehensive manner. London CIV will review selected votes conducted by EOS to ensure they align to our voting guideline and LAPFF guidelines.



Below are the funds which EOS will conduct their voting services utilising the guidelines

Name of fund
LCIV GLOBAL ALPHA GROWTH FUND
LCIV GLOBAL ALPHA GROWTH PARIS ALIGNED FUND
LCIV GLOBAL EQUITY CORE FUND
LCIV GLOBAL EQUITY FUND
LCIV EMERGING MARKET EQUITY FUND
LCIV GLOBAL EQUITY FOCUS FUND
LCIV SUSTAINABLE EQUITY FUND
LCIV SUSTAINABLE EQUITY EXCLUSION FUND
LCIV PASSIVE EQ PROGRESSIVE PARIS ALIGNED FUND

Fixed Income Funds

Name of fund
LCIV MAC Fund
LCIV Bond Fund

For our pooled (not segregated) funds, where assets from individual investors are aggregated 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 due to our pooled Investment manager is not bound by our specific voting guidelines. However, during the manager selection process we have considered each pooling fund managers' stewardship policies are of a high standard to ensure effective voting.

Although our pooled fund managers remain responsible for providing voting services on our behalf. We share this guideline with our pooled funds as well as our fixed income managers as they can still have considerable influence. LCIV/EOS will only be conducting engagement activities on the companies held by the following funds working with the underlying managers.

Pooled (not segregated) Funds

Name of fund
LCIV GLOBAL ALPHA GROWTH FUND
LCIV GLOBAL ALPHA GROWTH PARIS ALIGNED FUND
LCIV GLOBAL EQUITY CORE FUND
LCIV GLOBAL EQUITY FUND

Principles of Governance



Composition and Effectiveness

The composition and effectiveness of boards is a critical component of company performance. Boards are responsible for the health of the company and should comprise a diverse range of skills, knowledge, and experience, including leadership skills, good group dynamics, relevant technical expertise and sufficient independence and strength of character to challenge executive management and hold it to account. The board is accountable to shareholders and should maintain ongoing dialogue on matters relating to strategy, performance, environmental, social and governance risk and opportunities.

Voting/ Engagement Guideline	How We Will Vote
Board Independence	
<p>London CIV expects company boards to meet minimum standards of independence to hold company management accountable.</p> <p>We expect firms with a dispersed ownership structure to have at least half of the board to be independent. For controlled companies, we expect no less than one third of the board to be independent.</p> <p>We will use the following considerations when determining independence:</p> <ul style="list-style-type: none"> • Length of tenure • Whether the individual represents a significant shareholder • Any direct or indirect material relationships with other members of the board, executives, or key stakeholders. Including remuneration beyond director fees <p>We believe the role of the Chair to the overall success of the board is paramount and the Chair must be independent to executive implementation of good governance.</p>	<p>We will vote against Chair re-election or other members of the board where we believe the overall board independence is not sufficient. We will also vote against the election of directors and/ or the Chair whose appointment would cause independence to fall below London CIV standards.</p> <p>We will vote against the Chair of the audit committee where it is not fully comprised of independent members.</p> <p>We believe the chair's position should rotate after nine years on a board. This should generally be the case for other non-executive directors. We will generally not support the re-election of the Chair and other non-executive directors after nine years.</p> <p>We will generally vote against a chair if they are also a member of the executive team.</p>
Board Independence	
<p>In general, particularly for larger firms, we expect separate independent committees to be established to oversee nomination, audit and remuneration. We expect firms to adhere to local best practice governance codes and regulations, such as the UK Corporate Governance Code, or provide clear explanations as to why they have chosen to diverge from these practices in particular areas, including board and committee composition.</p> <p>We expect the remuneration committee to be fully independent non-executive directors.</p> <p>We expect a clear mechanism in place for shareholder communication and to ensure the appointment of independent directors recruited based on evidence of their effectiveness in working with stakeholders. Having Independent Directors to sit across audit, remuneration and nomination will help to integrate and harmonise stakeholder considerations across all three functions.</p>	<p>We will generally vote against the election or re-election of individual directors whose presence would cause a board committee to fail to meet local governance/ independence guidelines on composition.</p> <p>We will escalate our concerns about independence to the committee and/or board chair if the Remuneration Committee Chair (Director's election) if they have been in post for more than one year and if they fail to take investors' independence concerns into account.</p>

Voting/ Engagement Guideline	How We Will Vote
Director Commitment and Responsiveness	
<p>We expect directors to attend all/most board and committee meetings and to provide ample preparation in advance of meetings. Directors should also be able to dedicate and allocate sufficient time and energy to fulfil their roles. Companies should fully disclose directors' attendance records and outside commitments to add assurance and enhance transparency.</p> <p>We are cautious where directors serve on an excessive number of boards who may not be able to dedicate their time to fulfil all their duties.</p> <p>To protect shareholders rights, we expect directors to be responsive to shareholder concerns. E.g. Significant Shareholder dissent votes.</p>	<p>We will likely vote against directors where we have concerns over their ability to carry out their responsibilities adequately, such as:</p> <ul style="list-style-type: none"> • Attending less than 75% of meetings without reasonable explanation. • Sitting on an excessive number of public company boards, subject to what is considered best practice in local markets. • As a general guide, we expect any full-time executive should not be on more than one FTSE100 NED role or chairship. This is a general guideline, and we will consider the size/complexity of company and responsibilities on a case-by-case basis.
Board Diversity	
<p>Diversity is a vital component for robust corporate governance, critical to a well-functioning organisation and needed to attract and retain a high-quality workforce.</p> <p>We believe firms with strong gender; ethnic and socioeconomic diversity outperform peers when measured by return on equity and other traditional financial metrics.¹ Diversity also helps to mitigate company-specific risk in the long term, leading to a lower cost of capital. As a result, we expect companies to disclose information on diversity and strategies to improve inclusion in the workplace.</p> <p>We support and value diversity in all forms, but at present, we prioritise these three key attributes:</p> <p>Gender Diversity: In recent years, gender diversity has seen significant progress. The FTSE 100 and FTSE 250 have met the 33% overall female representation on boards target in 2020. Though this progress has been positive, there is still considerable room for improvement².</p> <p>Ethnic Diversity: People of various ethnic and cultural backgrounds can help make boards more reflective of society as a whole. The Parker Review has called on FTSE 100 companies to have at least one minority director by 2021 and for FTSE 250 companies by 2024. We seek to encourage companies to meet this target and to disclose ethnic diversity data to their shareholders.</p> <p>Socioeconomic Diversity: We believe socioeconomic diversity is important for Board diversity despite challenges in measurement. This is due to the challenging nature of data collection and measurement of attributes. Companies should consider socioeconomic factors when electing board members, succession planning and development programs. We support and encourage companies to report on sociometric data.</p>	<p>We will engage with companies on all forms of diversity.</p> <p>We may vote against the financial statements and statutory reports of companies that provide inadequate disclosure on diversity or may escalate this to withdraw support for the relevant directors.</p> <p>In the UK, we will vote against the financial statements and statutory reports of qualifying companies (250 or more UK employees) that fail to disclose their gender pay gap, when required to report by the UK government.</p> <p>We will oppose nomco/board chair of any FTSE 100 company that does not have at least one director from an ethnic minority background and has no credible plan to rapidly achieve this, or that did not disclose information to the Parker Review report and does not make a firm commitment to do so in future.</p> <p>We will oppose nomco/board chair of any FTSE 350 company which falls below 33% female representation on the board, or any company outside the FTSE 350 with no female board members.</p> <p>We will oppose chair of any FTSE 100 company with an all-male executive committee and/or less than 20% female representation in the combined population of the executive committee and its direct reports</p> <p>We will continue to raise these expectations in future years, including expanding across the whole FTSE 350 on all dimensions</p> <p>We will vote against the chair of the board of any FTSE 100 companies that do not have at least one Black, Asian and Minority Ethnic (BAME) background director or no plan in place to achieve this. We expect FTSE 250 companies to prioritise this as well and will be expanding our voting guidelines to include them in the coming years.</p> <p>We will engage with companies to encourage more granular diversity disclosures, including socio-economic metrics.</p> <p>Please see our Regional Guidance section for more regional specific recommendations.</p>

1 McKinsey & Company: Delivering Through Diversity: https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insights/delivering%20through%20diversity/delivering-throughdiversity_full-report.ashx

2 If we examine the individual companies only 68 companies from FTSE 100 and 152 companies from FTSE 250 have reached the individual targets of 33% women on board <https://ftsewomenleaders.com/targets-progress/>

Voting/ Engagement Guideline	How We Will Vote
Succession Planning	
<p>Succession planning is essential for any firm to secure long-term stability. We expect all company boards to have a succession plan in place for their board and senior executives.</p> <p>We expect to be provided with sufficient information regarding the succession planning process to evaluate the level of material risk in the event of a change in board and senior executives.</p> <p>We expect diversity and inclusion considerations to be incorporated into succession planning with a diverse pool of senior candidates developed and fostered within the firm.</p>	<p>Where we believe succession planning is not substantial and/or does not have sufficient diversity and inclusion considerations incorporated, we will likely vote against the chair of the nominations committee or other relevant proposals.</p>
Executive Remuneration	
<p>We expect the board to exercise good judgement to ensure executive pay is justified, based on the experience and the skill set of the executives. We expect pay structures to be simple, transparent and to be aligned to the long-term sustainable value creation of the organisation. (4 pillars of stakeholder capitalism in the exec summary)</p> <p>As recommended by PLSA, we expect remuneration structures to cascade down to all employees, where all employees can share in the success of the business.</p> <p>We believe all employees should receive fair pensions in line with their tenure of service and that companies should fully disclose pension entitlements (LAPFF). We do not support preferential pension arrangements for directors.</p> <p>We may reference the following criteria:</p> <ul style="list-style-type: none"> • Long-term incentive plans (LTIP) – We expect any LTIP to be fully disclosed and reasoned with appropriate performance metrics that include financial, social and climate KPIs. LTIPs should be long-term, have an element of deferral allowing claw back in future years. • Pay structure complexity • Justification for high pay – we expect the remuneration committee to be able exercise their discretion to justify executive remuneration and to ensure rewards are reflective of both financial and sustainable performance. • Incorporation of sustainability into remuneration planning 	<p>We will generally vote against remuneration plans that do not align to shareholder long-term value creation. We will reference the criteria listed on the guideline's column in this section.</p> <p>Where we identify a lack of transparency regarding preferential pension arrangements, we will engage with the company to enhance their disclosures and to phase out this practice. We will vote against the remuneration report if the company fails to respond to this engagement.</p> <p>We may vote against the remuneration report if executive pay is increased above the wider workforce and above inflation without sufficient explanation.</p> <p>We will likely vote against the remuneration report if we believe executive bonuses are not justified based on the company's human capital management. This will be reviewed on a case-by-case basis and test of appropriateness will be applied in light of the experience of other stakeholders (including employees).</p> <p>We strive to encourage and engage with companies to incorporate well-formulated and material ESG measures.</p>
CEO/Combined Chair	
<p>We do not support the combination of the roles of chair and CEO.</p> <p>We believe the two roles should be separated to diversify the risk of one person having full control of both leading the board and leading the company. We believe this can lead to a lack of accountability and oversight and too much power in one set of hands.</p>	<p>Where the role of CEO and Chair are combined without clear explanation and operationally possible, we will generally vote against the re-election of the chair of the nomination committee and the proposed/incumbent candidate for the Chair and CEO position.</p> <p>Please see our Regional Guidance section for more regional specific recommendations.</p>

Corporate culture and conduct

The board and executive leadership team are responsible for setting the 'tone from the top'. This ensures the business is acting in the long-term interests of its shareholders and other stakeholders. We believe companies are more likely to maintain their performance when boards lead their organisations in ways that benefit people in the whole organisation, not just a select few. Performance is also more sustainable when senior management achieve their goals within a broader framework of professional ethics and integrity. Boards should have an appropriate level of independence from executive management. Individual board members should each be competent, persuasive, open-minded, professional and sound in judgement. The board should be diverse in terms of gender, ethnicity, socioeconomic background and experience. We believe diversity of thought/opinions contributes to better decision making and improves conduct in general.

Voting/ Engagement Guideline	How We Will Vote
Political, Charitable and Industry Donations	
<p>We discourage companies from direct political donations due to concerns over the material reputational risks associated with funding political parties. Regarding memberships and industry groups donations, we expect firms to be transparent if their associated industry group lobby has policies that contradict the company's public position on a particular issue.</p> <p>We expect firms to exercise transparency and to disclose all political, industry and charitable donations over a total monetary threshold.</p> <p>The developments of Political Action Committees (PACs) and E2E Employee to Employee outreach in the US should also be captured and monitored</p>	<p>We may vote against political donations if:</p> <ul style="list-style-type: none"> • The firm made explicit donations to political parties or candidates during the year under review; • The duration of the authority sought exceeds one year • No cap limit is set on the level of donations
Living Wage	
<p>We support payment of "the living wage" in local terms as best practice. We believe companies should consider the regional pay necessary for employees and their families to "meet the costs of living". We expect companies to review the wages of their lowest paid staff members and contractors. We also expect firms to review the diversity mix of their lowest paid employees in terms of their ethnic, gender and socio-economic backgrounds and develop strategies to balance pay disparity.</p> <p>We encourage companies to provide stakeholders with disclosures on ordinary staff and contractors pay scales.</p>	<p>We will engage with companies on the living wage, working hours and precarious work practices as part of the Good Work Coalition with ShareAction.</p> <p>We may vote against the remuneration reports of companies where we identify risks relating to workforce pay at the operational level and expect investee companies to have visibility of lower than living wage risks within the supply chain.</p>

Audit and reporting

The Brydon Review³ defined the purpose of audit as “to help establish and maintain deserved confidence in a company, in its directors and in the information for which they have the responsibility to report, including the financial statements.”

We believe the primary client of a company's external auditor is the shareholders. Their role is critical in providing an independent opinion and assurance on a firm's financial disclosures to determine whether the statements are “true and fair”. It is key for shareholders and other stakeholders to determine the financial health of the firm.

Voting/ Engagement Guideline	How We Will Vote
Auditor Independence	
<p>As a general principle, we adhere to the EU regulations regarding the rotation of audit firms and payment of non-audit fees. For example, in the UK, we expect that all Public Interest Entities should retender their auditor every 10 years and rotate their auditors after at least 20 years.</p> <p>We will typically vote to ratify the appointment of external auditors, except if:</p> <ul style="list-style-type: none"> Concerns have been raised regarding the auditor's effectiveness and/or if the auditor has been involved with a material auditing controversy. The firm has changed auditors without explanation If a partner, Chair of an Audit Committee has been involved in overseeing poor audit practices elsewhere 	<p>We will vote against the chair of the audit committee and against the re-appointment of the auditor if we believe the firm fails to ensure auditor independence or fails to meet FRC requirements.</p>
Auditor Fees	
<p>We believe auditor fees should be disclosed in the annual reports of firms, the fees should be itemised by non-audit related fees and audit fees. The disclosure of non-audit fees should include:</p> <ul style="list-style-type: none"> Itemised cost of services received Tax compliance services differentiated from tax advisory services Non-statutory acquisition-related services differentiated from statutory services/consultancy work <p>As recommended by Pensions and Lifetime Savings Association (PLSA), no more than 50% of the total audit fees should be used on non-audit services. We believe this limit should be lower.</p>	<p>We will vote against the re-election of the external auditor where we believe the transparency in cost is lacking.</p> <p>Our expectation is that non-audit fees should not exceed 50% of audit fees in any given year. If this is exceeded, there should be a clear explanation as to why it was necessary for the auditor to provide these services (for example, for certain services such as reviewing interim reporting or performing due diligence on transactions) and how the independence and objectivity of the audit was assured. In these cases, we also expect the committee to take action to ensure this does not reoccur, either by tendering for a new audit firm or reallocating non-audit work to a different firm.</p>
Audit Committees	
<p>We believe the audit committee is responsible for the supervision of a firm's audit process and to ensure shareholders have access to transparent and independent reporting.</p> <p>We expect the audit committee to demonstrate sufficient independence from the firm's management team and should be comprised of independent directors with appropriate expertise.</p> <p>We expect the audit committee report to fully disclose the tender process, changes in audit process, non-audit fees and all conflicts of interest.</p>	<p>We will likely vote against the re-election of the chair of the audit committee where we feel the composition of the committee lacks independence and where the audit report is unable to provide meaningful and transparent information to shareholders.</p>

3 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/852960/brydon-review-final-report.pdf

Voting/ Engagement Guideline	How We Will Vote
Bribery and Corruption	
<p>We expect companies to have robust policies and practices in place to mitigate the risk of bribery and corruption. We expect the board to consider the risk of bribery and corruption in their malus and clawback provisions to increase individual accountability for wrongdoings.</p>	<p>We will vote against any board members that fail to act before a bribery incident when information is presented to them before the incident. We will engage with companies where we believe their compliance/audit process is lacking to mitigate the risk of bribery and corruption. Failure to engage/disclose will likely see a vote against the Audit chair and the accounts.</p>
Audit Report	
<p>The audit report should be present fairly, in all material respects. The audit report should also be “properly prepared” in accordance with local laws, standards and best practice.</p> <p>As suggested by the Brydon Review⁴, we would recommend auditors perform the following:</p> <ul style="list-style-type: none"> • to create continuity between successive audit reports • provide granular disclosures over differing estimations and disclose graduated findings • callout inconsistencies in information made public • reference external negative signals and how they have informed the audit 	<p>We will vote against approving audit reports where we believe the information provided lacks granular disclosures and are not prepared according to local legislation, standards and best practice</p>
Remuneration Reporting	
<p>Remuneration reports should clearly illustrate pay structures and schemes. We expect to see sufficient evidence and metrics that align to shareholders, interests and the firm's long-term strategy. We support the use of sustainability metrics integrated into executive pay schemes.</p>	<p>As recommended by the PLSA , we will likely vote against the remuneration report and the chair of the Remuneration committee if in post for more than year and not addressing the issues We will likely vote against if the reports fail to:</p> <ul style="list-style-type: none"> • Provide sufficient evidence of alignment with shareholders' interests and the firm's long-term strategy. • Provide valid and appropriate metrics that justify annual bonuses or LTIP. • Provide a convincing rationale to justify excess annual pay increased to executives in excess to the rest of the workforce. • Provide transparency and plans to reduce pension scheme disparity between workforce and senior executives. • Provide variable pay performance condictions for bonuses and other non-contractual pay. • Provide information on change of control which may trigger early or large payments. • Provide process of engagement before the AGM vote and fail to produce a remuneration policy that shareholders can support.

⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/852960/brydon-review-final-report.pdf

Voting/ Engagement Guideline	How We Will Vote
Sustainability Reporting	
<p>We believe firms should provide stakeholders and shareholders transparency regarding their material sustainability risks in a timely manner. We expect firms to disclose in their annual reports on how material sustainability risks are managed. We encourage companies to use sustainable accounting standards such as Sustainability Accounting Standards Board (SASB) to identify their sector specific material risks. We also encourage firms to adopt globally recognised frameworks such as Task Force on Climate-Related Financial Disclosures to disclose climate-related risks and conduct scenario analysis to better prepare for climate change risks. We are supportive of the use of clear quantifiable sustainability KPIs and metrics and believe it can ensure accountability of companies.</p> <p>We encourage firms to engage and participate in stakeholder initiatives that aim to improve the quality and harmonisation of sustainability risk reporting.</p>	<p>We will vote to support resolution for sustainability metrics disclosures.</p> <p>We will engage with companies to provide more transparent sustainability reporting metrics to their shareholders.</p>
Tax	
<p>While we comprehend efficient tax planning is essential for cost management, we believe organisations should align their tax practices to their ethical and corporate responsibility standards.</p> <p>We oppose companies from using creative tax planning and aggressive tax minimisation. We support a fair and transparent approach to corporate tax.</p> <p>We expect companies to:</p> <ul style="list-style-type: none"> • Comply with local tax laws and regulations in all countries of operation • Pay taxes in line with where economic value is generated • Publish a global tax policy and disclose their tax information in line with frameworks such as the Global Reporting Initiative Tax Standard 	<p>We will engage with companies on tax transparency.</p> <p>London CIV has mapped out and analysed corporate issuers that are incorporated in jurisdictions with favourable tax regimes (statutory tax rate or effective tax rate <12.5%) and jurisdictions included in Oxfam's list of corporate tax havens. We aim to use the results of this review as a basis for our corporate tax engagement activity.</p> <p>We will generally support shareholder proxies where we believe the company is aggressively practicing base erosion and profit shifting. These practices may include but are not limited to:</p> <ul style="list-style-type: none"> • Change of domicile based on tax benefits • Restricting where tax planning is a key driver
Whistleblowing	
<p>We believe it is essential for organisations to have a robust whistleblowing policy in place to allow information or activities that are considered as illegal or unethical are brought to the attention of responsible authorities.</p> <p>Organisations should foster a culture of an open, transparent and safe working environment where workers feel comfortable speaking up. Moreover, employees should also have adequate training in place to ensure all members of staff are aware of the policy's procedures.</p>	<p>We will likely vote against the Chair of the Audit committee where we believe there are concerns over whistleblowing policies and their implementation.</p> <p>We will likely also vote against board members on the board who failed to act on information provided by whistleblowers at the time where illegal or unethical activities occurred.</p>

Safeguarding Shareholder Rights

Ensuring the rights of shareholders is pivotal to sound corporate governance. We stand with management and shareholder proposals that aim to eliminate unequal voting rights and complex shareholding structures. We expect companies to provide shareholders with access to information, the ability to vote and to remove directors or chairs that are not suitable.

Voting/ Engagement Guideline	How We Will Vote
Shareholder Rights Protection	
<p>We do not support proposals that will potentially restrict shareholder rights:</p> <ul style="list-style-type: none"> • This may include authorisations of stocks with differential voting rights which may affect the voting rights of existing shareholders. • Unusual and excessive share allotment. • Poison Pill arrangements 	<p>We will vote against proposals that will restrict shareholder rights.</p>
Shareholder Proposals/Proxies	
<p>We support the right for shareholders to submit proposals to companies.</p>	<p>We will review proposals on a case-by-case basis. We will generally support proposals that enhance shareholders' rights, promote good governance, provide transparency and support sustainability.</p>
Shareholder Meeting Rules and Procedures	
<p>We believe virtual meetings can bring many benefits, such as an increase in attendance and mitigation of GHG emissions caused by business travel. However, we will generally vote against proposals of allowing virtual-only shareholder meetings. We support a hybrid format, provided all shareholder rights remain equal.</p>	<p>We will generally vote against virtual-only shareholder meetings, we support hybrid format on a case-by-case basis.</p>
Share Buy-back & Dividends	
<p>We believe share buy-backs and dividends can be a useful tool for firms to efficiently manage their capital structure. We generally support the use of this strategy when they are in line with achieving long-term value.</p> <p>We expect companies to have clear dividend policies and disclosures. Dividend policies should clearly define circumstances for dividend distributions and return of capital to shareholders. We expect to see granular levels of disclosures so that shareholders can understand how dividends/ buy-backs are determined.</p> <p>The PLSA recommends firms should provide metrics on buy backs related to Stock options and Executive LTIPs.</p>	<p>We will generally support share buyback and dividend payments but may vote against Rule 9 (Where the use of cash for dividend or buy back is not supported by the cash flows from the company) waivers or country equivalent.</p> <p>We expect companies to request for shareholder approvals regarding financial dividends and buybacks. If a company fails to do this, we may submit a shareholder resolution or vote against the company's accounts and reports.</p>
Pre-emption Rights	
<p>Pre-emption rights are vital for the protection of stakeholder interests. We expect companies to seek to follow recommendations from the Pre-Emption Group UK Statement of Principles or country equivalents.</p>	<p>We will generally support share capital proposals that follow Pre-Emption Group guidelines or country equivalent.</p>
Related Party Transactions	
<p>Companies should have a sound procedure in place for reviewing, approving, and monitoring related party transactions (RPTs). We expect firms to have appropriate systems in place to manage conflicts of interest, such as establishing a committee of independent directors who are able to take independent advice and can review significant RPTs.</p>	<p>We will likely vote against a resolution on related party transactions if we believe there has been a lack of oversight by the board. We may also vote against a resolution of the same kind if we believe the RPT's benefits to the company is not clearly justified.</p>

People



Human Capital

London CIV recognises that assets that are dependent on human capital and can positively or negatively impact society. We believe safeguarding the interest of employees, consumers, contractors, and other stakeholders in the value chain are key to securing a Just Transition to a sustainable economy and mitigating material risks to investments and people.

Voting/ Engagement Guideline

How We Will Vote

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 meeting international standards and preventing actual and potentially negative outcomes for people leads to better financial risk management. Thus, helping to align activities with the evolving demands of beneficiaries, clients and regulators, whilst future-proofing our investments.

We will engage with companies who are accused of human rights violations published by credible sources such as OHCHR.

We expect companies to have a robust Modern Slavery policy/ statement in place and will likely vote against the annual report if we consider the policy/statement to be insufficient.

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, costs of hiring, 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 will assess and engages 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.

We will engage and vote with companies to ensure Human Capital Management standards are aligned best practices such as International Organization for Standardization.

Supply Chain

While we recognise the challenges in navigating the complexity in supply chains, we believe businesses have a duty to ensure their suppliers upstream and downstream are traceable and managed responsibly to the best of their ability.

We will engage with companies to enhance their due diligence process regarding their supply chain management. We expect companies to adhere to standards such as Modern Slavery Act 2015 and expect FTSE350 firms to publish an adequate annual modern slavery statement.

We encourage companies to provide supply chain mapping and to publish periodic reports to provide transparency to stakeholders.

Voting/ Engagement Guideline	How We Will Vote
Health and Wellbeing	
<p>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.</p> <p>We will 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 research and development 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.</p>	<p>We will engage with companies and external initiatives around marketing practices and the nutritional/health attributes of their products.</p> <p>We will vote against companies that we feel are not heading in the right direction on health and wellbeing.</p>
Cyber protection	
<p>It is estimated that cybercrime is a trillion-dollar cost to the global economy⁶. Risks relating to data security and privacy have increased exponentially in 2020 due to companies shifting to a remote working model⁷. These concerns are becoming one of the top material risks that many companies face. Cyber risk is applicable to all geography and sectors, and we expect companies to exercise care and vigilance when dealing with this risk.</p> <p>For more Information Technology sector guidance, please refer to page 22.</p>	<p>It is estimated that cybercrime is a trillion-dollar cost to the global economy . Risks relating to data security and privacy have increased exponentially in 2020 due to companies shifting to a remote working model . These concerns are becoming one of the top material risks that many companies face. Cyber risk is applicable to all geography and sectors, and we expect companies to exercise care and vigilance when dealing with this risk.</p> <p>For more Information Technology sector guidance, please refer to page 22.</p> <p>We expect companies to disclose any material cyber breaches and have policies in place to manage such risks. We support firms in high cyber risk sectors such as financial and information technology to conduct routine cyber security audits and reviews.</p> <p>We may consider voting against the Chair of the board where we believe there is a lack of oversight from the board to address and prevent a severe material cybercrime incident.</p>
Reduce Inequalities	
<p>We believe inequalities, such as income inequality negatively impact our investments as it increases financial and social system instability. These risks may well impact risk-adjusted returns in the long run.</p>	<p>We have integrated inequality risks into this guideline. It is detailed in sections on how we vote and engage for issues such as diversity, tax, human rights, remuneration and succession planning.</p> <p>We strive to continue dialogues with companies to address inequality issues.</p>
Build Back Better	
<p>'Building back better' was originally used to describe disaster response and risk reduction. It has since been applied to define ambitions for a sustainable, resilient post-COVID-19 recovery.</p> <p>We see the recovery as an opportunity to expedite action on many of the ESG themes. We believe companies have a vital role to play in helping to achieve ambitious low carbon growth and addressing social concerns such as unemployment and inequality.</p>	<p>We expect companies to support actions that can aid 'build back better' and will engage with them on this goal.</p>

6 <https://www.mcafee.com/enterprise/en-us/assets/reports/rp-hidden-costs-of-cybercrime.pdf>

7 <https://www.itpro.co.uk/security/cyber-attacks/358276/2020-the-busiest-year-on-record-for-cyber-attacks-against-uk-firms#:~:text=Businesses%20in%20>

Planet



Climate Change

Escalation to our erratic and warming climate has been recorded in the past decades, driven predominantly by anthropogenic (emissions due to human activity) emissions. We believe as a pension pool and stewards to our Client Funds; we have a key role to play in delivering products that not only drive competitive financial returns but also supports the transition to a net zero and climate resilient economy for future generations. 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.

Voting/ Engagement Guideline	How We Will Vote
Climate Change Management	
<p>We support and expect companies to disclose climate metrics and climate risk mitigating strategies in line with global frameworks such as TCFD. We encourage firms to disclose their climate management strategies and climate metrics.</p> <p>As climate risk data and best practices are evolving quickly due to the urgency of the crisis, we expect companies to stay updated and informed.</p> <p>We will utilise Transition Pathway Initiative (TPI) categories to measure a firm's readiness in managing climate risks.</p>	<p>In accordance with our Net Zero strategy, we aim to engage with 20 companies annually with a focus on those responsible for ~65% of emissions in our portfolio. We intend to expand on our engagement outreach with companies in high emission targeted sectors.</p> <p>We may vote against the re-election of the chair of the company, if the high emitting firms that we have identified in our Net Zero strategy have not reached TPI level 4 (Europe, Australia and New Zealand) and TPI level 3 (If Asia, US and elsewhere). Or where a company's TPI score has fallen. We will likely vote against companies that are not travelling towards Net zero future.</p>
Deforestation and Land-Use Change	
<p>The WWF estimates that 27 football fields of forest are lost every minute⁸. Forests cover around 30% of the land area of our planet and is responsible for providing 13.2 million people with jobs in the forestry sector and another 41 million people with jobs in related sector. The most critical of all, forests are the lungs of the earth and are responsible for sequestering around one-third of global CO₂ released from burning fossil fuels⁹.</p> <p>Over 100 world leaders have agreed to end and reverse deforestation by 2030 during the COP26 climate summit¹⁰. The countries backing up the pledge covers around 85% of the world's forests.</p> <p>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.</p>	<p>We will vote for resolutions to adopt policies on supply chain deforestation and more transparency on deforestation.</p> <p>We will vote against the re-election of directors who fail to oversee deforestation risks after engagement.</p>

⁸ <https://www.worldwildlife.org/threats/deforestation-and-forest-degradation>

⁹ https://www.fs.fed.us/research/highlights/highlights_display.php?in_high_id=321

¹⁰ <https://www.gov.uk/government/news/over-100-leaders-make-landmark-pledge-to-end-deforestation-at-cop26>

¹¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002824/Dasgupta_Response_web_July.pdf

Voting/ Engagement Guideline	How We Will Vote
Biodiversity	
<p>Rapid biodiversity loss poses financial risks for businesses. The loss of natural capital is lowering crop yields, raising the cost of water, affecting supply chains and exacerbating natural disasters such as flooding.</p> <p>According to the Dasgupta Review¹¹, nature is under-priced. If biodiversity is not tackled now, physical transition and litigation risks will affect economic activities and in turn, investments.</p> <p>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.</p> <p>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.</p>	<p>We are beginning to engage with companies on biodiversity and will integrate recommendations from the Taskforce on Nature-related Financial Disclosures as it becomes available.</p>
Natural Resource Efficiency	
<p>We expect firms to use natural resources sustainably. This includes:</p> <p>Air pollution: As a global investor, London CIV is not only concerned with London's air quality. We expect full supply chain transparency of innovative industries to ensure the problem is not displaced elsewhere.</p> <p>Water risk: Water underpins life and nearly all goods and services. 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.</p> <p>Plastics pollution: As investors, we recognise our holdings could be exposed to risks specifically due to plastics exposure and poor plastics management. Our engagement activity on plastics focuses on businesses involved in the manufacturing of chemicals for plastics and in consumer goods and encouraging corporate strategies, goals, transparency and reporting.</p>	<p>We will engage on natural resource efficiency topics where it is the most material. We will generally support resolutions regarding resource efficiency disclosures and policies. We may vote against re-election of directors who fail to oversee natural resource efficiency risks.</p> <p>We will engage with pollution laggards worldwide and embrace air quality opportunities by sector.</p>

11 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002824/Dasgupta_Response_web_July.pdf

Prosperity



Prosperity

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 and Engagement aligning value creation with protection of values to achieve prosperity.

Voting/ Engagement Guideline

How We Will Vote

Sustainable Development Goals ("SDGs")

We encourage companies to consider and review their business models on how their operations, services and products are addressing specific UN Sustainable Development Goals. We will support companies to report their sustainability outcomes in line with SDGs.

We will engage with companies for SDG alignment and data disclosure.

We will strive to vote for resolutions which support reporting in line with the SDGs.

We will engage with companies on how they could contribute to achieving SDGs in their strategies, policies and their value-chains.

Deforestation and Land-Use Change

Our primary goal is to pay pensions and to ensure that people are not vulnerable to financial challenges that could reduce their ability to prosper. The long-term goal of economic returns will only be possible by managing ESG risks and opportunities for our funds and supporting a financial system fit for the future.

We expect companies to adhere and be accountable to sound ESG practices. We expect companies to protect the shareholder interests and generate long-term risk-adjusted returns to shareholders.

We believe how we vote in governance, social, environmental factors in all previous sections of this guideline will ultimately influence the outcome of long-term economic returns. London CIV strives to engage on ESG issues that may affect the generation of long-term risk-adjusted returns to our clients.

Regional Guidance

Corporate governance does not develop in a silo. Each country's standards are reflective of its economic, cultural and legal systems. We recognise that our voting guideline must consider regions where standards and best practice differ from that of the U.K. Our voting partner Hermes EOS has tailored its approach to local market conditions across 20 markets to set a more specific overlay in the final voting decision making process. These markets are listed in APPENDIX 1. We seek to provide some more flexibility for regions where certain practices may not be as well established as in the UK. The below table illustrates some regional considerations:

Asia, South America, South Africa	Europe, Australia and New Zealand	North America
Board Diversity		
<p>Regarding board diversity, some countries in this region are more challenging compared to their international peers. According to MSCI's Women on Boards review 2020¹², in South Korea 35% of MSCI index companies have women on board and only 4.9% of women held position at director level (compared to the U.K which is at 84% with 3+ more women on board and 34% respectively).</p> <p>In Japan, it is estimated¹³ that only 3% of TOPIX 100 and 1.3% of companies have reached 30% of female representation on their board, which is considered as the critical mass needed to influence group dynamics.</p> <p>We aim to engage with firms based in countries with less diversity development and provide a more flexible approach on a case-by-case basis to foster a more diverse board.</p>	<p>We expect the board to have at least 30% gender diversity. We seek to review other areas of diversity such as ethnicity, socioeconomic where possible.</p>	<p>Our expectations for S&P500 companies are 50% overall board diversity including gender, race and ethnicity and other diversity traits such as LGBTQ+ and disability.</p> <p>Within this 50% we expect 30% minimum gender diversity and one or more ethnically or racially diverse directors [we will consider a vote against the chair of the nominating and governance committee if overall diversity is below 40%, gender diversity is below 30% and there is not at least one ethnically or racially diverse director].</p> <p>For ex-S&P companies, we expect at least 40% overall diversity [we will consider a vote against the chair of the nominating and governance committee if overall diversity is below 30%, gender diversity is below 20% and there is not at least one ethnically or racially diverse director]</p>
Climate Change		
<p>Climate change is a global challenge nevertheless we recognise that some regions may require more time to develop their transition strategy.</p> <p>We may vote against the chair of a company if the company has not reached TPI level 3.</p>	<p>We may vote against the chair of a company if the company has not reached TPI level 4.</p>	<p>We may vote against the chair of a company if the company has not reached TPI level 3.</p>
Independence		
<p>The requirement on separation of the CEO and chair is mixed in this region we aim to vote against CEO and Chairman combined where we can.</p>	<p>We will generally vote against the combination of CEO and Chairman in this region.</p>	<p>In the U.S., CEO and Chairman combined is more commonly accepted. Where this structure is in place, an independent chairman or a lead independent Director should be included to ensure sound governance, though we will recommend that that individual is made the Chair.</p> <p>We will vote to split CEO and Chairman where it is operationally possible.</p>

Where we believe the London CIV approach is better than world practice we will vote accordingly. (e.g., on diversity, board independence and climate reporting) We will also engage with overseas companies where we believe the local best practice is not in keeping with London CIV's voting guideline, stewardship policy and climate policy.

¹² <https://www.msci.com/documents/10199/9ab8ea98-25fd-e843-c9e9-08f0d179bb85>

¹³ https://www.lgimblog.com/categories/esg-and-long-term-themes/why-gender-diversity-in-japan-s-boardrooms-should-matter-to-investors/#_ftn8

Sector Specific Considerations

While we expect all sectors to adhere to sound governance practices, certain sectors are exposed to more material ESG risks. This section we included some more detailed sector specific considerations regarding how we approach our voting and engagement practices.

Sector	Voting/Engagement Guideline
Information Technology	<p>We acknowledge this sector is one of the worst offenders for tax base erosion and profit shifting practices by leveraging mismatches in international tax regulations. The OCED estimates that this practice costs countries 100-240 billion USD annually . Tax avoidance can have a profound impact on the local communities that the firm's customers and employees inhabit. This is due to firms depriving nations of tax revenues which could contribute to the creation of social values (such as education, healthcare, and infrastructure).</p> <p>We expect firms to pay fair tax based on the intention of tax laws in proportion to the location of economic value generated.</p> <p>Antitrust and anti-competition issues in this sector are highly material. Firms with large networks face intensified regulatory risk from anti-trust laws. The heightened anti-trust scrutiny for major players in this sector is best illustrated by a series of antitrust disputes brought against major tech players in US, India and EU in recent years.¹⁴ Based on the materiality of this issue, we seek to engage with companies to ensure sound governance in managing antitrust and anti-competition practices and support boards who we believe are taking a proactive stance. We will vote against the directors where we believe company boards are not responsive to our concerns regarding antitrust and anti-competition issues.</p> <p>Cyber Security is another top material priority in this sector and a global social concern. We expect companies in this sector to adhere to the highest standard of cyber security practices due to their materiality. We will engage with firms on their strategy to cyber security and support boards that we believe are taking an active stance.</p>
Carbon-intensive sectors	<p>London CIV's top carbon-intensive sectors include power generation, cement, steel and airlines. These sectors are highly exposed to systemic transition risk and are the most material across our funds.</p> <p>As a part of London CIV's Net Zero strategy, we aim to engage with 20 companies with a focus on those responsible for ~65% of sector emissions. We will also seek to expand on our engagement activities with corporates in these targeted sectors.</p> <p>We hold a higher standard for these sectors to disclose their climate data in line with industry standards such as TCFD and set de-carbonisation targets. We believe this higher standard should be replicated in other sectors too, we seek to vote for proposals that aim to improve the transparency in climate disclosures for these sectors. We will likely vote against the chair of the remuneration committee, where directors' remuneration policies are not linked to climate and social targets.</p>
Financials	<p>Financial institutions play a critical role in bringing systemic change and in mobilising capital needed to address not only climate change but also social inequality. As capital providers, they also hold significant power in influencing companies in other sectors.</p> <p>We hold financial institutions accountable for their ESG activities. Most importantly, we expect a high standard of transparency for its shareholders regarding ESG disclosures such as TCFD and green product labeling disclosures.</p> <p>We seek to ensure key ESG, and climate change issues are embedded into executive pay policies. We will likely vote against the chair of the remuneration committee, where directors' remuneration policies are not linked to climate and social targets.</p>

14 https://www.sasb.org/wp-content/uploads/2019/08/SASB_Internet_Media-Services_Brief.pdf

Voting in Practice

Our Partners

London CIV work with several partners to exercise our voting rights. More information on how we work with each of our partners is detailed below:

Fund Managers	Whilst London CIV no longer relies on its managers to cast votes on its behalf for its segregated funds, it works with its fund managers to exercise its engagement rights. The voting process varies by fund types which is explained on page 7.
Hermes EOS	EOS are a specialist stewardship provider. In 2021 London CIV appointed EOS to manage its votes and stewardship activities across environmental, social and governance activities.
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. It provides critical voting alerts on specific issues. London CIV usually vote in line with LAPFF guidelines as standard but will assess all voting alerts on a case-by-case basis.
PLSA ("Pensions and Lifetime Savings Association")	PLSAs mission is to help everyone achieve a better income in retirement by raising standards and sharing best practice with its members. LCIV works with the PLSA on voting Guidelines and on Cost Transparency.

Stock Lending

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 benefit, 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 currently has one fund (LCIV Passive Equity Progressive Paris Aligned Fund) that is considering stock lending.

London CIV will introduce a number of measures to mitigate the 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.

London CIV is in the process of developing a stock lending procedure for the LCIV Passive Equity Progressive Paris Aligned Fund, the measures mentioned above will be encapsulated into the separate procedure document.

Appendix 1

EOS Regional Principles	
Australia	The ASX Corporate Governance Principles
Brazil	Brazilian Corporate Governance Code
Canada	The Canadian Coalition for Good Governance
Mainland China & Hong Kong	The Code of Corporate Governance for Listed Companies The Corporate Governance Code
Denmark	Committee on Corporate Governance Recommendations for corporate governance
France	Corporate Governance Code of Listed Corporations
Germany	The German Corporate Governance Code
India	2013 Companies Act
Italy	The Italian Corporate Governance Code
Japan	The Asian Corporate Governance Association's "White Paper on Corporate Governance in Japan"
Mexico	The Code of Best Practices in Corporate Governance
The Netherlands	Dutch Corporate Governance Code
Russia	The Federal Commission for the Securities Markets' "Code of Corporate Conduct", and the OECD's "White Paper on Corporate Governance in Russia"
South Africa	King Code of Corporate Governance
South Korea	Act on Corporate Governance of Financial Institutions
Spain	The Comisión Nacional del Mercado de Valores' "Unified Good Governance Code of Listed Companies"
Sweden	The Swedish Code of Corporate Governance
Switzerland	The Swiss Code of Best Practice for Corporate Governance
United States	EOS US Corporate Governance Principles

Related Document

[Responsible Investment Policy](#)

[Climate Policy](#)

[Stewardship Policy](#)



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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