London CIV Voting Guidelines 2024

August 2024

Our purpose

Working together to deliver sustainable prosperity for the communities that count on us all

Our values

Collaboration

We work together to build and sustain strong partnerships both internally and externally

Responsibility

We are committed to deliver on our promises, meet the needs of our stakeholders and go the extra mile

Integrity

We act with honesty, ethics, and respect in everything we do

Diversity

We respect and celebrate our differences and create an inclusive environment where everyone feels welcome

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About London CIV

Established by all London Boroughs and the City of London in 2015, London LGPS CIV Limited ('London CIV') is an investment pool for each of their respective Local Government Pension Schemes ('LGPS'). As well as our Partner Funds, they are also London CIV's shareholders. London CIV is one of eight LGPS asset pooling companies in the UK.

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

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About our Voting Guidelines

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

The Voting Guidelines ("the Guidelines") provide a blueprint for London CIV's voting approach. The Guidelines explain how we make our voting decisions and why, including how we execute our voting process. Most importantly, the guidelines explain how voting decisions are assessed and implemented, with flexibility to adapt to market, company, and meeting specifics.

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 Capital (including diversity), Natural Capital and Technology), which outline our expectations of companies, their Boards and management teams.

Our Stewardship Policy provides more detailed information on why these issues matter. Whilst some of the topics we engage on may not lead to direct voting activity - we aim to communicate our views to companies and have included desired engagement outcomes alongside each voting principle.

Failure by companies to meet any of the principles expressed in these Guidelines may result in London CIV voting against relevant board members or resolutions. Omission of a specific 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, if a company is not open to dialogue or the dialogue is not constructive, we may deploy our escalation strategy.

For example, London CIV are prepared to escalate when necessary. For instance, when a company consistently neglects investors' concerns. This involves holding specific Directors, including the Chair, accountable.

We're mindful of balancing the signalling effect of a voting sanction with the risk of worsening the situation we aim to address. For more detail, 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.

Our Voting Principles

We aim to:

1. **Exercise our shareholder rights by always voting on contentious issues**: We aim to vote either for or against a resolution and only abstain in exceptional circumstances. This can occur when our vote is conflicted, a resolution is (or will be) withdrawn, or insufficient information is available to base an informed decision.
2. **Vote consistently on issues**: We aim to vote consistently on issues, in line with our voting policy, applying due 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 and support their boards and management when their actions protect long-term shareholder value.
4. **Align 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 publish our voting activity quarterly and update our stewardship priorities annually.
6. **Engage**: We believe engagement is our most effective tool and will escalate a vote if our concerns remain unaddressed. Leveraging the threat of divestment as a shareholder is more powerful than divestment alone.
7. **Collaborate**: We will partner with like-minded investors and service providers to leverage our voting at scale and amplify our shareholder voice.
8. **Align with Local Authority Pension Fund Forum (“LAPFF”)**: We aim to vote in line with LAPFF recommendations. Where there is misalignment between our votes and LAPFF’s suggestions, we will provide sound reasoning and research behind our decisions to our stakeholders.

We expect companies to:

1. **Remain accountable to their shareholders** by: holding regular board meetings, providing relevant information, be readily available for dialogue with investors, implementing and responding to other initiatives as appropriate.
2. **Consider proposals fairly**: review proposals where shareholders express their views on corporate governance matters and other fundamental, prioritise proposals that help to promote long-term shareholder value.
3. **Align to long-term value creation**: implement incentive arrangements that create and protect shareholder value, prioritising strategies that won’t detriment long-term company success, performance, or natural, social, and human capital.
4. **Demonstrate adequate transparency**: Disclose robust and timely 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 are central to our duty of care. As institutional investors, we commit to making systematic use of all voting powers at our disposal to support the highest standards of governance.

We believe we play a vital role in supporting companies for positive social and climate outcomes, and view governance as the grounding principle that guides 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 and ability to thrive.

We categorise corporate governance systems into three key components:

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 responsibilities adequately, the balance of the governance mechanism will be disrupted, and governance issues will arise that may weaken company performance.

The role of auditors is another critical component that provides transparency for the shareholders in the form of financial disclosures and assurance.

We recognise that these guidelines may focus more on governance issues. However, 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.

We encourage (UK registered) large private companies to adopt the Wates Principles framework to help raise their standards of corporate governance by offering a structure for reporting that will fulfil their legal requirements and demonstrate good practice.

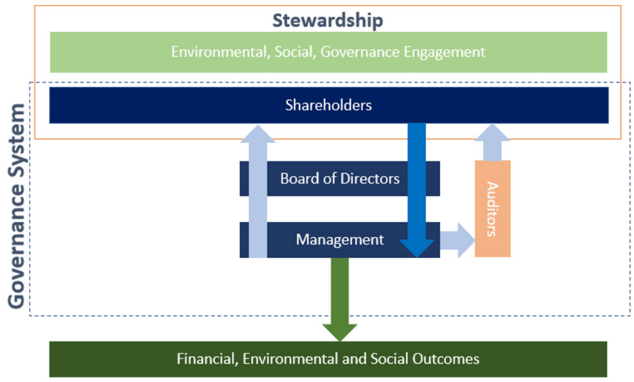


Figure 1: Governance and ESG System
Source: London CIV

London CIV values the four pillars of stakeholder capitalism metrics: People, Planet, Principles of Governance and Prosperity.

We believe these four pillars serve to not only maximise the financial health of companies but also foster their long-term sustainable growth. Our Voting Guidelines are founded on 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 address.

Safeguarding these pillars is a precondition for the long-term resilience of a financial system fit for delivering sustainable economic growth. We believe together we can cultivate prosperity that is empathetic of both people and the planet.

The SDGs and Our Mission: The four pillars of stakeholder capitalism directly align with the United Nations' Sustainable Development Goals (SDGs).

By prioritising investments that uphold these pillars, we contribute to the SDGs' broader vision of a more equitable and sustainable future.

By mapping our themes to the SDGs, we highlight how our investment decisions can contribute to tangible, positive impacts on the world's most pressing challenges.

A full table of our current stewardship priorities is listed below:

Figure 2: People, Planet, Principles of Governance and Prosperity as defined by the World Economic Forum in collaboration with Deloitte, EY, KPMG and PwC, 2021

People

- Human rights and labour standards
- Human capital management
- Reduced inequalities: including education, poverty alleviation
- Digitalisation: including digital rights, social media, gaming
- Health and wellbeing: including antimicrobial resistance (AMR), public health, nutrition

Planet

Climate Change: including physical risk and adaptation

Biodiversity loss

Deforestation and land use change

Water risk

Resource efficiency

Pollution: Air, Water, Soil, Plastics

Principles of Government

Board composition and effectiveness

Diversity, equity and inclusion

Executive renumeration

Technology: including AI, cyber security, data protection

Tax and cost transparency

Investor protection and rights

Anti-bribery and corruption

Geopolitical risks

Prosperity

- Economic returns
- Paying pensions
- No poverty
- Innovation: products and services

We also align our themes to the UN's Sustainable Development Goals (SDGs)

The goals address global challenges critical to long-term business success. We believe the SDGs can create an economy and society in which businesses, people and planet can best thrive. Through our Voting activities, we aim to help improve the sustainability of companies in order to boost long-term wealth creation and achieve positive outcomes for society.

People	Planet	Principles of Governance	Prosperity
Human Rights and Labour Standards	Climate Change: decarbonisation, transition risk, physical risk and adaptation	Board Composition and Effectiveness	Economic Returns
5 GENDER EQUALITY; 10 REDUCED INEQUALITIES; 8 DECENT WORK AND ECONOMIC GROWTH	7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION	5 GENDER EQUALITY; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Diversity, Equity and Inclusion	Biodiversity	Executive Remuneration	Pay Pensions
5 GENDER EQUALITY; 10 REDUCED INEQUALITIES	13 CLIMATE ACTION; 15 LIFE ON LAND	8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES	1 NO POVERTY; 8 DECENT WORK AND ECONOMIC GROWTH
Human Capital	Deforestation and Land-use Change	Technology and Cyber	Employment and Wealth Creation
3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH	13 CLIMATE ACTION; 15 LIFE ON LAND	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	8 DECENT WORK AND ECONOMIC GROWTH

People	Planet	Principles of Governance	Prosperity
Digital Rights: including accessibility, social media, gaming and censorship	Water Risk: including water scarcity	Tax and Cost Transparency	Innovation: products and services
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	6 CLEAN WATER AND SANITATION; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION	10 REDUCED INEQUALITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Health and wellbeing	Pollution: Air, Water, Soil, Plastics	Transparency and Reporting	Geo-political Risk
3 GOOD HEALTH AND WELL-BEING	3 GOOD HEALTH AND WELL-BEING; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 14 LIFE BELOW WATER; 15 LIFE ON LAND	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Reduced Inequalities: including education and poverty	Resource Efficiency and Circular Economy	Investor Protection and Rights	
1 NO POVERTY; 4 QUALITY EDUCATION; 10 REDUCED INEQUALITIES	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	
Build Back Better: including green job creation, safe communities:			
7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION			

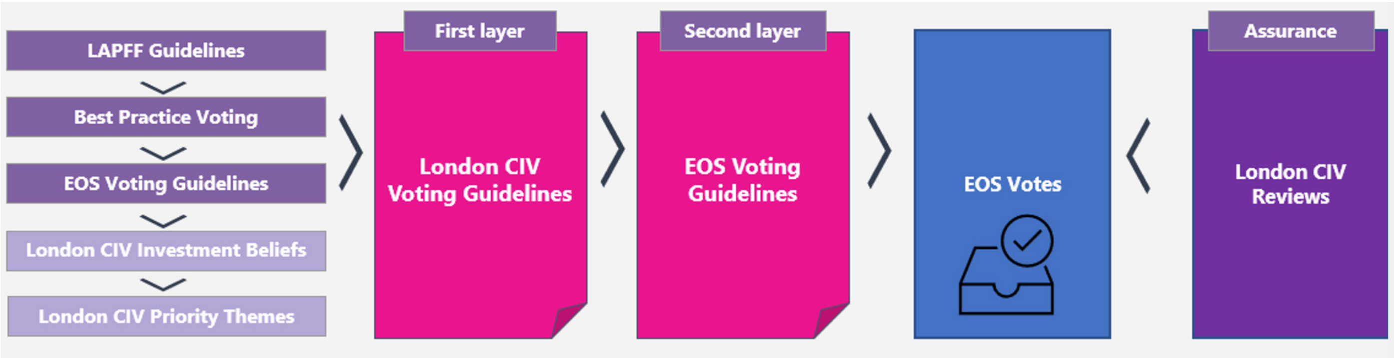
How we vote

London CIV has appointed EOS at Federated Hermes (EOS) to consolidate all our voting activities and to provide engagement services to all our segregated and pooled public market funds listed in the table below.

We believe we can drive positive outcomes that are tailored to London CIV's and our clients' priority themes by consolidating our votes, rather than outsourcing voting activities to our investment managers.

We acknowledge that governance practices differ across regions. We believe by incorporating EOS's region-specific guidance, as an overlay to our Voting Guidelines, we can execute our votes in a more relevant and effective manner.

London CIV will review selected votes recommended by EOS to ensure they align to our voting guidelines, LAPFF voting recommendations, and our responsible investment philosophy.



Source: LCIV 2023 Voting Guidelines

Below are the funds which EOS will conduct their voting services as laid out in this policy:

Name of Fund	Name of Fund
LCIV GLOBAL ALPHA GROWTH FUND	LCIV EMERGING MARKET EQUITY FUND
LCIV GLOBAL ALPHA GROWTH PARIS ALIGNED FUND	LCIV SUSTAINABLE EQUITY FUND
LCIV GLOBAL EQUITY FUND	LCIV SUSTAINABLE EQUITY EXCLUSION FUND
LCIV GLOBAL EQUITY QUALITY FUND	LCIV PASSIVE EQ PROGRESSIVE PARIS ALIGNED FUND
LCIV GLOBAL EQUITY FOCUS FUND	LCIV ABSOLUTE RETURN FUND

It's important to understand that voting rights can be diluted in pooled (non-segregated) funds, where assets from individual investors are combined. This is because our pooled investment manager is not always bound by our specific voting guidelines, unlike segregated mandates where we have more direct control.

However, we're committed to maximising our influence on behalf of our clients. London CIV sets clear expectations with our investment managers on how we want our vote to be considered and cast in pooled funds. We ask our managers to explain their approach to voting and provide their voting policies detailing key financial considerations and their investment beliefs and objectives. We also ask managers to evidence how the relevant ESG criteria have been applied in voting decisions.

Additionally, we actively explore opportunities to split voting rights or take control of the vote on critical issues, as we did with the Absolute Return Fund managed by Ruffer. This approach allows us to balance the benefits of pooled funds with our commitment to responsible investing and active stewardship.

During the manager selection process, we have considered each pooling fund managers' stewardship policies are of a high standard to ensure effective voting. Our investment managers are responsible and accountable for conducting voting and engagement activities on the following funds:

Name of Fund (Pooled Fund Mandate)
LCIV GLOBAL TOTAL RETURN FUND
LCIV REAL RETURN FUND
LCIV DIVERSIFIED GROWTH FUND

Principles of Governance

Composition and effectiveness

The composition and effectiveness of boards is a critical component in determining a company's performance. Boards must comprise of 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 for the health of the company and to shareholders, and must maintain ongoing dialogue on matters relating to strategy, performance, environmental, social and governance risk and opportunities.

Guideline	How we will vote
Board Independence	
London CIV expects company boards to meet minimum standards of independence to hold company management accountable. 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. We will use the following considerations when determining independence: • 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. 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.	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. We will vote against the Chair of the audit committee where it is not fully comprised of independent members. 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 not support the re-election of the Chair and other non-executive directors after nine years. We will vote against a chair if they are also a member of the executive team.

Guideline	How we will vote
Board Committies	
We expect separate independent committees to be established to oversee key board functions, including but not limited to, nomination, audit and remuneration. We expect firms to adhere to governance codes in their local judication. However, as a rule of thumb, we expect firms to follow the UK Corporate Governance and Stewardship Code or local equivalent. We expect the remuneration committee to consist of fully independent non-executive directors. 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.	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. We will vote against the Remuneration Committee Chair (Director's election) if they fail to take investors' independence concerns into account and have been in post for more than one year. We will also vote against election/re-election of a director where we have concerns regarding: • Board independence, composition and diversity; • Their skills, experience and/or suitability for the role.
Director Commitment and Responsiveness	
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. 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. We consider committee chair roles at complex firms, particularly the chair of the audit and risk committee, to be more burdensome than a typical non-executive directorship. To protect shareholders rights, we expect directors to be responsive to shareholder concerns. E.g. Significant Shareholder dissent votes.	We will likely vote against directors where we have concerns over their ability to carry out their responsibilities adequately, such as: • Attending less than 75% of meetings without reasonable explanation. The maximum gap between two meetings attended should not be more than 120 days. • Sitting on an excessive number of public company boards, subject to what is considered best practice in certain industries and local markets. • As per the UK Corporate Governance Code and LAPFF guidance, we expect any full-time executive should not be on more than one FTSE100 non-executive role or chairship.

Guideline	How we will vote
Board Diversity	
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. We believe that to perform optimally, companies and their boards should seek diversity in both board composition and overall membership. We believe firms with strong gender; ethnic and socioeconomic diversity outperform peers when measured by return on equity and other traditional financial metrics. Furthermore, companies with more gender-balanced workforces outperformed their least-balanced peers by as much as 2 percentage points annually between 2013 and 2022, a BlackRock study of the MSCI World index has found. Today, 112 companies in the Fortune 500 include LGBTQ+ as a metric in their board diversity policies. 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 and equity in the workplace. We support and value diversity in all forms, but at present, we prioritise these three key attributes: **Gender Diversity**: In recent years, gender diversity has seen significant progress. The FTSE 350 met the 40% overall female representation on boards target in 2022. Though this progress has been positive, there is still room for further improvement . **Ethnic Diversity**: People of various ethnic and cultural backgrounds can help make boards more reflective of society as a whole. The Parker Review called on FTSE 100 companies to have at least one minority director by 2021, met by 96% of companies in 2022 , and for FTSE 250 companies to align by 2024, with 79% meeting the target in 2023 . We seek to encourage companies to meet this target and to disclose ethnic diversity data to their shareholders. **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. **Succession Planning**: 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. **Living Wage**: 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.	We will continue to engage with companies on all forms of diversity, inclusion and equity. 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. 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. Thresholds]/[metrics] we support: • We will oppose nomco/board chair of any FTSE 350 company which falls below 40% female representation on the board, or any company outside the FTSE 350 with no female board members. • We will oppose chair of any FTSE 350 company with an all-male executive committee and/or less than 33% female representation in the combined population of the executive committee and its direct reports, and has not made significant progress to towards that representation in the previous year. We will oppose nomco/board chair of any FTSE 250 company that does not have at least one minority ethnic background and has no credible plan to rapidly achieve this by 2024 , or that did not disclose information to the 2023 Parker Review report, and does not make a firm commitment to do so in future years. • We will oppose nomco/board chair of any FTSE 350 company that did not set a percentage target in 2023 for senior management positions that will be occupied by ethnic minority executives by 2027. We will engage with companies to encourage more granular diversity and inclusion disclosures, including socio-economic metrics. Please see our Regional Guidance section for more regional specific thresholds.

Guideline	How we will vote
Succession Planning	
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. We expect to be provided with sufficient and robust information regarding the succession planning process to evaluate the level of material risk in the event of a change in board and senior executives. 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.	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.
Executive Remuneration	
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). 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. 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. We may reference the following criteria: • 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	We will generally vote against incentive arrangements that do not align to the creation of long-term value creation for shareholders and other stakeholders. We will generally vote against overly complex incentive arrangements which are difficult for investors and others to readily understand. We may vote against the remuneration report if executive pay is increased above the wider workforce and above inflation without sufficient explanation. We will likely vote against the remuneration report if we believe executive bonuses are not justified based on the company's human capital management. E.g. failure to pay living wages to the general workforce. This will be reviewed on a case-by-case basis. We will likely vote against a remuneration report if sustainability (social/climate) factors are not incorporated into remuneration policies. 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.

Guideline	How we will vote
CEO/Combined Chair	
We do not support the combination of the roles of chair and CEO. 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.	Where the role of CEO and Chair are combined without clear explanation and reasoning, we will vote against the re-election of the chair of the nomination committee and the proposed/ incumbent candidate for the Chair and CEO position. Please see our Regional Guidance section for more regional specific recommendations.
Risk Management	
We believe board governance and risk oversight should be considered holistically. Boards should set the cultural tone for the company and give full consideration to understanding and mitigating long-term risks to the company's financial sustainability. This should include ESG-related risks as well as conventional risks.	We will vote against the board Chair in instances where a board has inadequately addressed or managed risks, and where a company lacks both a mitigation plan and a comprehensive risk management strategy.

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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.

Guideline	How we will vote
Political, Charitable and Industry Donations	
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. We expect firms to exercise transparency and to disclose all political, industry and charitable donations over a total monetary threshold. The developments of Political Action Committees (PACs) and E2E Employee to Employee outreach in the US should also be captured and monitored.	We may vote against political donations if: • 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 If we feel charity, PAC /E2E/corporate memberships are political in nature we will engage for fuller transparency and justification. If the company is not engaging or disclosing we will likely vote against directors and accounts. We will vote against direct political donations if asked in a proxy, and will vote against the Chief Finance Director/Accounts if political donations are deemed excessive
Living Wage	
We support payment of the "living wage" or reward packages broadly equivalent in value, supported by robust evidence, and aligned with external standards such as the Living Wage Foundation UK, or comparable local assessment. 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 encourage companies to provide stakeholders with disclosures on ordinary staff and contractors pay scales.	We will engage with companies on the living wage, working hours and precarious work practices as part of the Good Work Coalition with ShareAction. We will 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.

Audit and Reporting

The Brydon Review 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.

Guideline	How we will vote
Auditor Independence	
We expect companies to ensure external auditors to be rotated based on local requirements. As required in the U.K., all Public Interest Entities should retender their auditor every 10 years and rotate their auditors after at least 20 years . We will typically vote to ratify the appointment of external auditors, except if: • 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	We will generally vote against the ratification of external auditors and/or the payment of audit fees where we have concerns, including those relating to audit quality or independence, or controversies involving the audit partner or firm. We encourage companies to exceed the minimum standard for auditor rotation by seeking competitive tendering for the company's audit firm every seven years, with mandatory rotation after no more than 15 years. • We will generally vote against the appointment of the auditor, the chair and other audit committee members where we have concerns about the performance of the audit committee, including the oversight of the external auditor or the independence and quality of the audit. • We will generally vote against the ratification of the auditor where their tenure exceeds 20 years, and where an open and competitive retender process at the interim point of 10 years has not been executed. • To the extent a company's financial statement does not adequately consider material climate change-related risks and there is no corresponding explanation as to why, we may recommend a vote against the audit committee chair, the financial statements and statutory reports and auditor ratification.

Guideline	How we will vote
Auditor Fees	
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: • Itemised cost of services received • Tax compliance services differentiated from tax advisory services • Non-statutory acquisition-related services differentiated from statutory services/consultancy work 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.	We will vote against the re-election of the external auditor where we believe the transparency in cost is lacking. We will not support the re-election of the external auditor or the Audit chair reelection where over 33% of the total audit fees are for non-audit/consultancy services.
Audit Committees	
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. 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. We expect the audit committee report to fully disclose the tender process, changes in audit process, non-audit fees and all conflicts of interest	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.
Bribery and Corruption	
We expect companies to have robust policies and practices in place to mitigate the risk of bribery and corruption. We support the Audit committee to consider the risk of bribery and corruption in their malus and clawback provisions to increase individual accountability for wrongdoings.	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, and potentially any director identified as being accountable.

Guideline	How we will vote
Audit Report	
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. As suggested by the Brydon Review , we would recommend auditors perform the following: • 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	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
Remuneration Reporting	
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.	As recommended by the PLSA , we will likely vote against the remuneration report and the chair of the Renumeration committee if in post for more than year and not addressing the issues We will likely vote against if the reports fail to: • 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 conductions 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.

Guideline	How we will vote
Sustainability Reporting	
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 (TCFD) and Nature-Related Financial Disclosures (TNFD) to disclose climate-related risks and conduct scenario analysis to better prepare for climate change and nature risks. We are supportive of the use of clear quantifiable sustainability KPIs and metrics and believe it can ensure accountability of companies. We encourage firms to engage and participate in stakeholder initiatives that aim to improve the quality and harmonisation of sustainability reporting.	We will vote to support resolutions for qualitative and quantitative sustainability disclosures. We will engage with companies to provide more transparent sustainability reporting metrics to their shareholders.
Tax	
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. We oppose companies from using creative tax planning and aggressive tax minimisation. We support a fair and transparent approach to corporate tax. We expect companies to: • 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	We will engage with companies on tax transparency. 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: • Change of domicile based on tax benefits; • Restricting where tax planning is a key driver. We will generally vote against the chair and other relevant directors at companies where we consider its corporate tax management has not materially changed in line with our proxy voting service provider Hermes EOS' responsible tax principles, or there has been a lack of an appropriate response to engagement. We generally support on a case-by-case basis shareholder resolutions seeking improved disclosure in line with the above responsible tax principles.

Guideline	How we will vote
Whistleblowing	
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. 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.	We will likely vote against the Chair of the Audit committee where we believe there are concerns over whistleblowing policies and their implementation. 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.
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, receive fair treatment, and the ability to propose and vote on resolutions at shareholder meetings, including removing directors or chairs that are not suitable. We endorse a single share class structure and typically discourage measures that add complexity to shareholding structures.
Shareholder Rights Protection	
Limitation of shareholder rights: We do not support proposals that will potentially restrict shareholder rights. 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; • Bundled resolutions.	We will vote against proposals that will restrict shareholder rights.
Shareholder Proposals / Proxies	
We support the right for shareholders to submit proposals to companies for adequate consideration.	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.

Guideline	How we will vote
Shareholder meeting rules and procedures	
We believe virtual meetings can bring many benefits, such as an increase in attendance and mitigation of Green House Gases ("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.	We will generally vote against virtual-only shareholder meetings, we support hybrid format on a case-by-case basis.
Share buy-back & Dividends	
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. 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. The PLSA recommends firms should provide metrics on buy backs related to Stock options and Executive LTIPs.	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. 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.
Pre-emption Rights	
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.	We will generally support share capital proposals that follow Pre-Emption Group guidelines or country equivalent.
Related Party Transactions ("RPT")	
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.	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.

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Pensions and Lifetime Savings Association (PLSA), https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/Stewardship-and-voting/2024/PLSA-Stewardship-and-Voting-Guidelines-2024.pdf. Accessed 1 August 2024.

Human Capital

London CIV recognises that assets that are dependent on human capital and human capital itself as an asset. Human capital can positively or negatively impact society and is central to the prosperity and sustainability of a company. The success of an organisation is driven by the knowledge, skills, and contributions of its workforce, fuelling productivity and innovation but also enhances the overall value of the company.

We believe safeguarding the interests of employees, consumers, contractors, suppliers, and other stakeholders in the value chain are key to securing a Just Transition to a sustainable economy and mitigating material risks to investments, people and prosperity.

Guideline	How we will vote
Human Capital Management	
The most profitable and sustainable companies are those that attract, develop and retain talent. 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. We expect companies to develop adequate human capital strategies with Board-level oversight and disclose qualitative as well as quantitative key metrics to demonstrate this. Companies should also have fair and sustainable remuneration practices. We expect companies to comply with internationally recognised human rights principles such as the United Nations Guiding Principles on Business Human Rights (UNGPs).	We expect companies to manage their workforce effectively to enhance their productivity and to deliver sustainable returns. We will engage with companies and vote accordingly to ensure Human Capital Management standards are aligned best practices such as the Chartered Institute of Personnel and Development and International Organization for Standardization.

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 OECD Guidelines for Multinational Enterprises (MNEs). 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. Companies should comply with all legal requirements and the duty to respect all internationally recognised human rights, including the UN Guiding Principles for Business and Human Rights (UNGPs) and the Modern Slavery Act in the UK, and other jurisdictions where applicable. In addition, we support the Employer Pays Principle. Policies should also apply to suppliers and sub-contractors. We also encourage companies to engage with and respect indigenous communities, which, if mishandled, can carry significant reputational risk and severely impact a company's social licence to operate.	Human Rights is a key stewardship theme for London CIV and we are stepping up our engagement efforts accordingly. How a company manages its human rights strategy is of critical importance to its licence to operate, its impact on people's lives and ultimately its ability to create and preserve long-term holistic value. We expect companies to not participate, facilitate, enable, or benefit directly or indirectly from human rights violations and abuses in their value chain, including the design and use of their products and services. 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. We will engage with companies to improve transparency and disclosure. We will consider voting against relevant directors, the discharge of management or other relevant resolutions where we have significant concerns about a company's actions relating to human rights, and / or there are substantial failures to manage ESG risk We will also take into account a company's score on industry benchmarks in our voting decisions, including: • The Corporate Human Rights Benchmark , which ranks some of the world's largest companies on how well they address human rights through policies, processes, and practices, responding to serious allegations. • The Ranking Digital Rights Index , which ranks major technology companies based on their commitments and policies regarding users' freedom of expression and privacy rights. • The BankTrack Human Rights Benchmark , which ranks some of the world's largest banks on their progress towards fully implementing the UNGPs. • The Know the Chain Index , which ranks some of the world's largest companies on their current corporate practices to identify and eradicate forced labour risks in their supply chain.

Guideline	How we will vote
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 are supportive of companies who provide disclosure on their workforce and follow the Transparency in Supply Chains Guide issued by the Home Office, and encourage companies to adopt and to increase use of appropriate technology to improve transparency on end-to-end supply chain management.	We will engage and vote 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 will vote against the annual report of FTSE350 companies that fail 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 on supply chain issues and progress.
Health and Wellbeing	
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 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.	We will engage with companies and external initiatives around marketing practices and the nutritional/health attributes of their products. We will engage with healthcare companies where we believe their products are detrimental to their consumers, or where they have not adequately managed ESG risks. We will vote against companies that we believe are not sufficiently addressing health and wellbeing, including where no progress has been made. We will likely vote against FTSE 100 companies do not have a formal approach to workplace wellbeing disclosure, including mental health management and disclosure.
Cyber protection	
Cybercrime is now a trillion-dollar cost to the global economy, with worldwide cybercrime costs estimated to hit $15.63 trillion annually by 2029 Furthermore, the global average cost of a data breach in 2023 was $4.45 million, a 15% increase over three years, highlighting the growing financial burden on organisations. These concerns are one of the top material risks that many companies face in all geographies and sectors. We expect companies to exercise care and vigilance when dealing with this risk. Artificial Intelligence (AI) is rapidly disrupting various industries, creating new markets and investment opportunities. As with any transformative technology, AI also presents a range of challenges that have the potential to negatively impact society, from both a moral perspective and from criminals using AI within security threats.	We expect companies to disclose any material cyber breeches 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. 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 material cybercrime incident.

Guideline	How we will vote
Reduced Inequalities	
We believe both inequalities and a lack of equality, such as income inequality, negatively impact our investments as they increase the instability of financial and social systems. These risks may not only alter the investment landscape, but also impact risk-adjusted returns in the long run.	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. We strive to continue dialogues with companies to address inequality issues.
Build Back Better	
‘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. 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.	We expect companies to support actions that can aid ‘build back better’ and will engage with them on this goal.

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Ranking Digital Rights, https://rankingdigitalrights.org/. Accessed 1 August 2024.
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KnowTheChain, https://knowthechain.org/. Accessed 1 August 2024.
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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.

Guideline	How we will vote
Climate Change Action	
Climate change is a material strategic priority and key Stewardship theme for London CIV. We expect investee companies to actively assess, manage and report on the physical, transition and adaption risks and opportunities stemming from climate change across their value chain to the global net zero emissions transition. We expect companies to disclose climate metrics and climate risk mitigating strategies in line with global frameworks such as the Taskforce for Climate-Related Disclosure (TCFD). We expect investee companies to improve the quality of their climate-data disclosures in alignment with recommendations of the TCFD and the Sustainability Accounting Standards Board (SASB). We recognise that accurate and timely disclosure of climate-related financial information is central to the development of effective risk-mitigation strategies. As climate risk data and best practices are evolving quickly due to the urgency of the crisis, we expect companies to remain updated and informed. We encourage companies to commit to achieving net-zero emissions by no later than 2050 and set supporting short and medium-term science-based targets to reduce greenhouse gas emissions in line with the goals of the Paris Agreement. We will measure companies against the Transition Pathway Initiative (TPI) categories to assess a firm's readiness in managing its climate risks. Additionally, we expect firms to be transparent about its governance procedures and climate-related lobbying activities by aligning with best-practices set out in the IIGCC Investor Expectations on Corporate Lobbying on Climate Policy. We also acknowledge that human rights can be affected by s econdary impacts indirectly resulting from other activities, for example, a company's failure to respond to climate change, or to provide access to clean air, water and sanitation. Human rights infringements can also be a result of lack of consideration related to companies' decarbonisation strategies.	We actively engage with companies on their disclosure and implementation of climate mitigation strategies and will always use our vote to reinforce our engagement. In accordance with our Net Zero strategy, we will engage with the top 10 contributors to our global greenhouse gas emissions footprint to deliver our climate change risk mitigation strategy and advance progress of emissions in our portfolio. In 2024, we are also expanding on our engagement outreach with companies in high emission targeted sectors which are more financially exposed. We will engage more intensively with companies that do not yet disclose climate-related data in alignment with the TCFD or SASB frameworks. We will vote against responsible directors where we consider a company to be a climate laggard, assessed based on the following: • Companies scoring below Level 4 on the Transition Pathway Initiative (TPI) Management Quality Score. • Companies identified as lacking comprehensive medium-term greenhouse gas emissions reduction targets and/or TCFD reporting by the Climate Action 100+ (CA100+) Net Zero benchmark. • Companies identified as failing to appropriately reflect, or demonstrate consideration of, material climate-related risks in their financial statements by the CA100+ Net Zero benchmark or other sources. • Banks without a medium-term target for reducing emissions associated with its financing activities and/or those that do not recognise climate-related risks as a key risk category or explain the exclusion. • Companies included on the Global Coal Exit List without Paris-aligned coal phase-out plans and those listed as expanding coal-related infrastructure. • Companies insufficiently managing deforestation-related risks. The includes a review of companies scoring poorly on the Forest 500 assessment. • Companies are insufficiently managing human rights risks relating to their climate-impacts.

Guideline	How we will vote
Deforestation and Land-Use Change	
London CIV believe forests are one of the most important solutions to addressing effects of climate change and protecting biodiversity. There is no solution to climate change without an end to deforestation, and land use change is the leading driver of biodiversity loss . Given that forest degradation, deforestation and land-use change alone are responsible for 25% of global greenhouse gas emissions, forestry is a major climate protector. In addition, forests act as a critical climate stabiliser , absorbing one-third of the CO2 from burning of fossil fuels every year. We recognise the devastating human rights impacts caused by continued deforestation such as displacement of indigenous communities, land grabbing and child labour . They are also essential to human health, purifying our water and air and serving as our first line of defence against new infectious diseases . 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 commodity-driven deforestation in their operation and supply chains. We also recognise that financial institutions have a vital role to play in ending deforestation through their finance and lending practices. In 2022, London CIV signed the COP26 Investors Policy Dialogue on Deforestation (IPDD) commitment letter on eliminating commodity-driven deforestation.	Natural Capital is a key stewardship theme for London CIV and we are stepping up our engagement efforts accordingly. We will engage with companies on deforestation in high impact sectors we are materially exposed to and encourage the adequate disclosure of their related risks and mitigation strategies. We will vote for resolutions to adopt policies on supply chain deforestation and encourage more transparency on deforestation scale and impact. We may vote against the re-election of the company chair or other responsible director where: • Deforestation risks have been inadequately managed, or we consider a company's efforts to mitigate deforestation to be insufficient; • A company has scored poorly on the Forest 500 assessment. We will vote against the re-election of directors we deem responsible who fail to oversee deforestation risks after engagement.
Biodiversity	
Biodiversity loss and natural capital degradation are systemic risks. Rapid biodiversity loss poses financial risks for businesses. The loss of natural capital is lowering crop yields, raising the cost of water, habitat destruction, affecting supply chains and exacerbating natural disasters such as flooding. According to the Dasgupta Review , nature is under-priced. Loss of natural capital is lowering crop yields, reducing fish catches, affecting supply chains and exacerbating natural disasters such as flooding. 55% of the world's GDP, equivalent to $58trn, is dependent on nature – up from $44trn in 2020. 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. We recognise that mechanisms to achieve this goal will vary by company and sector, but strategies may include working to ensure their supply chain is deforestation free, and investing in nature-based solutions to address the dual challenges of climate change and biodiversity loss.Risk management and disclosure support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.	We will engage with companies on biodiversity with a focus on our most material holdings. Acknowledging that there are limitations for companies, and investors, regarding data availability we will engage with companies on ensuring the quality of data reported. We will factor recommendations from the Taskforce on Nature-related Financial Disclosures (TNFD) into our analysis. We may vote against re-election of Directors that do not set and disclose ambitions and implement appropriate governance oversight. We encourage companies to evaluate their exposure to biodiversity risks and opportunities, and disclose in line with the TNFD recommendations where they are a signatory: • the 'core global metrics' that apply to all sectors – to be disclosed on a comply or explain basis; • the 'core sector metrics' for each sector – to be disclosed on a comply or explain basis. We also encourage portfolio companies to consider how they can integrate their nature-related exposure information into capital allocation decisions regarding investments that generate/towards nature-positive outcomes.

Guideline	How we will vote
Natural Resource Efficiency	
We expect firms to use natural resources sustainably. This includes 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.	We will engage on natural resource efficiency topics with specific companies where it is most material. We are engaging with companies on antimicrobial resistance and managing water stress to enable more affordable access to food and clean water. We will generally support resolutions regarding disclosures and policies relating to natural resource efficiency. We will consider voting against re-election of directors we deem responsible who fail to oversee natural resource efficiency risks.
Zero Pollution	
We expect firms to avoid, and to mitigate at minimum, pollution of air, land, water and soil to below harmful levels throughout their value chain, including product usage and disposal. Environmentally harmful pollution and waste, whether from operations, supply chains or products, is inconsistent with a long-term sustainable business model. Key areas of concern are plastics pollution, fast fashion and electronic waste. **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. **Water pollution**: pesticides, the leakage of single-use plastics and chemicals into waterways and catastrophic oil spills or tailings dam leaks is rising. Businesses risk harming wider society, fines, and the loss of their social license to operate. It's imperative that companies are managing these risks and seeking to reduce and compensate damage caused. **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.	We will engage with pollution laggards worldwide focusing efforts on controlling pollution of air, land and water to below harmful levels for humans and other living organisms We may vote against re-election of directors we deem responsible for overseeing pollution-related ESG risks.

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PWC, https://www.edie.net/pwc-55-of-global-gdp-at-risk-from-nature-loss/. Accessed 1 August 2024.

Prosperity

We aim to make long-term sustainable investments supported by data-led and transparent processes. We strive to be good stewards and integrate ESG issues into investment decisions and Engagement, aligning value creation with protection of values to achieve prosperity for both companies and broader society.

Guideline	How we will vote
Sustainable Development Goals ("SDGs")	
As a consequence of responsible governance, we seek specific environmental and social outcomes aligned to the UN's Sustainable Development Goals (SDGs). We encourage companies to consider and review how their operations, services and products are addressing UN Sustainable Development Goals most material to their business models. We 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 endorse reporting in line with the SDGs. We will engage with companies on how they could contribute to achieving SDGs through integration into their strategies, policies and their value-chains.
Economic Returns and Paying Pensions	
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 to maintain pension fund health.	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 the Appendix of this document. We seek to provide some more flexibility for regions where certain practices may not be as well established as in the UK. The following tables illustrates some regional considerations.

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 Guidelines, Stewardship Policy and Climate Policy.

Provider	Asia, South America, South Africa	Europe, Australia and New Zealand	North America
Board Diversity	Regarding board diversity, some countries in this region are more challenging compared to their international peers. According to MSCI's Women on Boards review 2022, in South Korea 21% of MSCI index companies have no women on the board and only 13% of women held a position at director level (compared to the U.K which at 88% with 3+ more women on board and 39% respectively). In Japan, 7% of companies have no women on the board and only 16% of women held a position at director level (with 8% of companies with 3+ more women on board). We expect the board to target at least 30% gender diversity in Asia and GEMs by 2030. Factoring in guidance from our Voting services provider Hermes EOS, we have included their market-specific minimum expectations for board and management diversity. We see these thresholds as minimum standards and expect companies to set more ambitious targets in their respective markets: • In most Asian and emerging markets, we expect boards to be comprised of at least 20% women. • We expect boards to be comprised of at least 15% women at large Korean companies, and at all Japanese companies. • In Malaysia, we expect boards to be comprised of at least 30% women. • In the Middle East, we expect boards to be comprised of at least one independent female director. 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.	We expect the board to target at minimum 40% gender diversity Factoring in guidance from our Voting services provider Hermes EOS, we have included their market-specific minimum expectations for board and management diversity. We see these thresholds as minimum standards and expect companies to set more ambitious targets in their respective markets: Germany: • 30% female representation on the supervisory board. • At least 20% women on the management board for DAX40 companies. • At least one woman on the management board for other companies. Italy: • 33% women on the boards of larger companies (FTSE MIB). • At least 20% women on the management boards of FTSE MIB. • At least one woman for other companies. Spain: • 40% women on the boards of listed companies. • At least 20% women on the management boards of IBEX35. • At least one woman for other companies. France and the Netherlands: • Support for minimum requirements for women on boards (40% and 33% respectively). • Expectation for progress towards at least 30% female representation on executive teams or management boards. We seek to review other areas of diversity such as ethnicity, socioeconomic where possible.	Factoring in guidance from our Voting services provider Hermes EOS, we have included their market-specific minimum expectations for board and management diversity. We see these thresholds as minimum standards and expect companies to set more ambitious targets in their respective markets: We may vote against responsible directors where we do not see: • A minimum of 40% board diversity including gender, race and ethnicity, and ideally 50% overall board diversity including other diversity traits such as LGBTQ+ and disability. • overall expectation, 30% minimum representation of women or the minority gender and one or more directors from an ethnically or racially diverse background. • For S&P500, Nasdaq and TSX listed companies, executive teams with at least 30% representation of women or the minority gender, and one or more senior management team member from an ethnically or racially diverse background. • We seek to review other areas of diversity such as ethnicity, socioeconomic where possible.

<table>
<tr><th>Provider</th><th>Asia, South America, South Africa</th><th>Europe, Australia and New Zealand</th><th>North America</th></tr>
<tr><td>Climate Change</td><td>We hold the chair or other responsible directors accountable where we believe companies are insufficiently managing climate-related risks to the business or their actions are materially misaligned with the goals of the Paris Agreement.

We may recommend opposition for responsible directors where we consider a company to be a climate laggard, assessed based on the following:

• Companies in Asian and emerging markets scoring below 3 on the TPI Management Quality Score, or any oil, gas, coal, utilities or automotive companies scoring below 4.

• Companies identified as lacking comprehensive medium-term greenhouse gas emissions reduction targets by the Climate Action 100+ (CA100+) benchmark.

• Companies identified as failing to appropriately reflect, or demonstrate consideration of, material climate-related risks in their financial statements by the CA100+ benchmark or other sources.</td><td>We hold the chair of the sustainability committee or equivalent and/or other responsible directors accountable where we believe companies are insufficiently managing climate-related risks to the business.

We may recommend opposition for responsible directors where we consider a company to be a climate laggard, assessed based on the following:

• Companies scoring below Level 4 on the Transition Pathway Initiative (TPI) Management Quality Score.

• Companies identified as lacking comprehensive medium-term greenhouse gas emissions reduction targets and/or TCFD reporting by the Climate Action 100+ (CA100+) Net Zero benchmark.

• Companies identified as failing to appropriately reflect, or demonstrate consideration of, material climate-related risks in their financial statements by the CA100+ Net Zero benchmark or other sources.

• Banks without a medium-term target for reducing emissions associated with its financing activities and/or those that do not recognise climate-related risks as a key risk category or explain the exclusion.

• Companies included on the Global Coal Exit List without Paris-aligned coal phase-out plans and those listed as expanding coal-related infrastructure.

• Companies insufficiently managing deforestation-related risks. Companies scoring very poorly on the Forest 500 assessment will be reviewed.

We will vote against the combination of CEO and Chairman in this region.</td><td>We hold the chair or other responsible directors, determined through committee charters, accountable where we believe companies are insufficiently managing climate-related risks to the business or their actions are materially misaligned with the goals of the Paris Agreement.

We may recommend opposition for responsible directors where we consider a company to be a climate laggard, assessed based on the following:

• Companies scoring below Level 3 on the Transition Pathway Initiative (TPI) Management Quality Score, or any oil, gas, coal, utilities or automotive companies scoring below Level 4.

• Companies identified as failing to appropriately reflect, or demonstrate consideration of, material climate-related risks in their financial statements by the CA100+ benchmark or other sources.

• Companies included on the Global Coal Exit List without coal phaseout plans and those listed as expanding coal-related infrastructure.

• Companies insufficiently managing deforestation-related risks. Companies scoring very poorly on the Forest 500 assessment will be reviewed.</td></tr>
</table>

Provider	Asia, South America, South Africa	Europe, Australia and New Zealand	North America
Independence	The requirement on separation of the CEO and chair is mixed in this region and we aim to vote against CEO and Chairman combined wherever possible. We will generally oppose the election of responsible directors when the composition of independent directors fall below the following thresholds: • In Brazil, we expect at least 50% of the board directors to be independent in companies with a dispersed ownership structure and in companies listed in the Novo Mercado; and at least 40% of directors to be independent in other companies. • In Mexico, we expect at least 50% of the board directors to be independent in companies with a dispersed ownership structure, and at least 33% to be independent in controlled companies. • In China, we expect companies listed in China and Hong Kong to achieve at least 33% board independence, and for those listed in the US to achieve 50% independence. • In Taiwan, we expect at least 50% of the board directors to be independent in companies with a dispersed ownership structure, and at least 33% to be independent in controlled companies. • In Korea, we expect large companies to have a majority of independent directors, as required by law. At other companies, we expect at least 50% of the board directors to be independent in companies with a dispersed ownership structure, and at least 33% to be independent in controlled companies. • In India, we expect at least 50% of the board of directors to be independent in companies with an executive or promoter chair and at least 33% to be independent in other cases. • In Japan, we expect all companies to achieve at least 33% board independence. At companies with a controlling shareholder, we would like to see the majority of directors to be independent at Prime market listed companies and one third of directors to be independent at other companies. • In the ASEAN region, we expect at least 33% of the board of directors to be independent. • In South Africa, we expect at least 50% of the board directors to be independent in all companies.	We will vote against the combination of CEO and Chairman in this region.	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. We will vote to split CEO and Chairman when it is possible.

Sector Specific Considerations

Composition and effectiveness

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

Sector	Voting / Engagement Guideline
Technology and Cyber	Responsible investment necessitates active engagement with technology's impact. From artificial intelligence (AI) shaping industries to cybersecurity threats evolving, navigating this dynamic landscape requires collaboration. Artificial Intelligence (AI) is rapidly changing industries, offering new markets and investment prospects. However, as well as an opportunity for transformation, it brings challenges with potential negative societal impacts and security threats. The rise of Artificial Intelligence (AI) presents a multifaceted landscape for investors. While AI disrupts industries, generating new markets and investment possibilities, it also introduces significant challenges with ethical and security implications. Furthermore, inadequate corporate disclosure regarding these risks makes it difficult to assess a company's preparedness to tackle them. AI has the potential to change the investment landscape in three ways: London CIV remains committed to: • Evaluating portfolio exposure to technology-related risks. • Addressing these risks through responsible investor initiatives with partners and investee companies. Cyber Security and Data Protection is also a 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. We promote responsible development and adoption of AI, encouraging ethical considerations and potential risks. We advocate for robust cybersecurity measures and proactive threat mitigation strategies. By engaging with investee companies, we strive to ensure technology empowers a sustainable and secure future, contributing to long-term value creation for our clients' beneficiaries. 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). We expect firms to pay fair tax based on the intention of tax laws in proportion to the location of economic value generated. 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. 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.

Sector	Voting / Engagement Guideline
Carbon-intensive sectors	London CIV's top carbon-intensive sectors include utilities, materials and airlines. These sectors are highly exposed to systemic transition risk and are the most material across our funds. As a part of our Net Zero strategy, strategy, we will engage with the top 10 contributors to our global greenhouse gas emissions footprint to deliver our climate change risk mitigation strategy and advance progress of emissions in our portfolio. In We will also seek to expand our engagement activities with corporates in these targeted sectors. We hold a higher standard for these sectors to disclose their climate data in line with industry standards such as TFCD 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.
Financials	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. We hold financial institutions accountable for their ESG activities and will vote accordingly to enforce this. Most importantly, we expect a high standard of transparency for shareholders regarding ESG disclosures such as TCFD, TNFD and green product labeling disclosures, such as the FCA's Sustainability Disclosure Requirements (SDR) and investment labels policy which comes into force on 31st July 2024. 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.

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:

Sector	Voting / Engagement Guideline
Investment Managers	Whilst London CIV no longer relies on its investment managers to cast votes on its behalf, it works with its managers to exercise its engagement rights. The voting process for our non-segregated funds' equities holdings is conducted by the investment manager with London CIV oversight.
Hermes EOS	EOS at Federated Hermes is a specialist stewardship services provider. In 2021 London CIV appointed EOS to manage its voting and stewardship engagement 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.

Related Documents

- London CIV Responsible Investment Policy
- London CIV Climate Policy
- London CIV Stewardship Policy

POLICY APPROVED
London CIV, July 2024

Appendix

EOS Regional Principles

Country	Principle
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

DOCUMENT ENDS