



London  
CIV

**Responsible  
Investment  
Policy  
2024**



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

## Introduction

### About London CIV

London CIV was formed in 2015 and manages the investment of the pension assets of the 32 Local Government Pension Scheme (LGPS) Funds in London. We are one of eight LGPS pools.



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

## Investment Beliefs

### London CIV Statement of Investment Beliefs

Our Investment Beliefs direct our investment practices in alignment with London CIV's purpose and values, specifically to collaborate with Client Funds and help them achieve their pooling requirements and deliver value for Londoners through long-term and sustainable investment strategies.

The Beliefs help us define how we create value for Partner Funds in the context of future uncertainty, risk and opportunity. They also help us make practical decisions about the suitability of investment strategies, selection and monitoring of investment managers and pooled funds, performance objectives and the integration of best practice in sustainable investment and active ownership.

Recognising how important all stakeholders are in translating beliefs into practice, we have worked together to develop the Investment Beliefs and ensure they are aligned to our cultural values. Working with external investment managers to achieve delivery of these Beliefs is central to our role.

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

## Policy Purpose

The purpose of the Responsible Investment Policy ("the Policy") is to detail the framework governing London CIV's Responsible Investment approach. The policy structures our overarching responsible investment process and provides a reference point for the mechanisms in place to manage ESG risks and opportunities throughout our investment process. This policy should be read in conjunction with our [Climate Policy](#), [Stewardship Policy](#) and Voting Guidelines for specific area guidance.

This document is written for London CIV's stakeholders including our partner funds, members of staff, and underlying fund managers. The first edition of the policy was approved by the Board following consultation with the Shareholder Committee. Subsequent updates have been approved similarly or under delegated authority in the case of minor changes e.g. consequential on changes to other policies and updates to stewardship priorities. London CIV's Responsible Investment team is responsible for the implementation and maintenance of this policy.

## Our Approach

London CIV believe responsible investment is not only a **moral imperative** but an **economic necessity**. We believe that in order to safeguard the interest of our clients and members, we must acknowledge that climate-related risks and broader ESG factors are a source of financial risk. We strive to integrate ESG considerations into our investment decisions and active ownership and support a data-led and transparent process. Our purpose statement is *working together to deliver sustainable prosperity for the communities that count on us all* London CIV further define ESG factors as the following:

- **Environmental** - Issues related to the conservation of the natural world and ecosystems, namely: carbon emissions and climate crisis, pollution of air and water, biodiversity, deforestation, energy efficiency, waste management, and water risks.
- **Social** - Issues related to people and the society, such as: human rights, inequality, human capital management, digitalisation, health and wellbeing.
- **Governance** - Issues related to standards for running a company, such as: tax, board composition, diversity and inclusion, remuneration, cyber security, anti-bribery, and corruption.

London CIV's responsible investment approach is pinpointed by three key steps.



### 1. Integration

We believe that by integrating responsible investment into investment decisions and our product designs, we can mitigate potential ESG risks and enhance portfolio resilience. We seek to design products that most importantly meet our duty of care by delivering the right risk-adjusted returns but can also deliver positive climate and social benefits. Integration of ESG considerations is introduced during the product development process to ensure ESG risk is factored in at both the product and portfolio level. ESG questionnaires are sent to managers before the selection process where the approach of the manager and their own corporate governance are assessed to indicate how advanced the manager's approach to ESG integration is. Due diligence meetings are conducted prior to appointment and quarterly meetings are held once managers have been selected as detailed in our Stewardship Policy.

### 2. Engagement

We expect companies in our portfolio to demonstrate their resilience against climate change and their responsibility for social considerations in their value chain. To strengthen our voting and

engagement process, we work with our Hermes EOS (EOS) to use our shareholder rights to maximise shareholder value. Our strategy is engagement over exclusion, we believe rather than excluding companies and sectors which are deemed problematic, we can use our influence to improve a company’s ESG performance. We have introduced an escalation strategy as detailed in our Stewardship Policy.

3. As a member of Local Authority Pension Fund Forum (“LAPFF”), London CIV works with our fund managers to ensure that they exercise our rights in line with our responsible investment and engagement policies and taking into account our Voting and Engagement Guidelines.

4. Disclosure

London CIV have developed and implemented a robust monitoring and accountability mechanism to enhance transparency and reporting quality. We believe accurate and timely ESG disclosure is central to the effective implementation of commitments set out in this policy. London CIV is currently reporting on the following:

ESG Disclosures	Frequency
Quarterly Investment Reports <sup>1</sup> - ESG commentaries, voting and climate metrics at fund level	Quarterly
Stewardship Activities and Outcomes Report	Annually
TCFD Report	Annually
SRD II	Annually
UN PRI	Annually

Asset class considerations

Our responsible investment responsibilities extend to all funds held by London CIV. We recognise asset classes such as private markets and infrastructure can be more challenging due to limitation in ESG data and access. Recognising this, we have tailored our approach to each asset class which is detailed in our Stewardship Policy.

Stewardship

London CIV take a collaborative and collective approach to stewardship through engagement with investment managers, companies, regulators, peers, and market participants. We believe active ownership is a vital mechanism in managing risk and maximising triple bottom line (investment, social and environmental outcomes) returns. We have published our [Stewardship Policy \[Link\]](#) which details of our active stewardship approach. Our Stewardship Policy is designed to govern our approach to setting stewardship priorities and use of active ownership to drive real-world outcomes at scale. This policy is intended to inform our managers and suppliers about our main concerns and expectations across all ESG factors. As a signatory of the FRC’s UK Stewardship Code and the UN PRI we are committed to following guidance of best stewardship practices. Our stewardship approach is summarised below:

1. Prioritisation

We believe we must prioritise stewardship themes that are the most material to our portfolio while acknowledging emerging themes. We identify and prioritise our key stewardship themes in five ways:

<sup>1</sup> Report is only available to investors of each fund

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

## 2. Implementation

As active stewards, we seek to utilise the rights and position of ownership to influence the activities and behaviour of investee companies. We believe voting and engagement practices are interlinked and feed into each other; one can be the initiator or the complementary tool of the other, both should be used as effective tools to support long-term value creation. We have published our **Voting Guidelines** [insert link] which encapsulates our position in key ESG themes. We work with Hermes EOS to consolidate and harmonise our voting activities and to take account of LAPFF recommendations. For engagement, we take a collaborative approach which will be summarised in the next section.

## 3. Collaboration

We believe collaborating with other like-minded institutional investors and service providers is an effective way to pool knowledge and information as well as share costs and risks to influence corporate management. By working with our fund managers, companies, our voting and engagement manager, clients and peers we are able to:

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

By engaging companies with a unified voice, we can more effectively communicate our concerns to corporate management. The result is typically a more informed and constructive dialogue.

## Our Priorities

By utilising our prioritisation methodology highlighted in our **Stewardship Policy** to review priorities London CIV have identified the below five key stewardship themes for engagement in 2024/25. These priorities were selected due to the financial impact these issues pose and the influence we believe we can have.

### Climate Change

Due to the materiality of climate change risk, London CIV have a standalone **Climate Change Policy**, which details our objectives and expectations on companies. London CIV have also committed to

become a net zero entity by 2040 in line with the Paris Agreement objectives to limit global temperature rise below 1.5°C. In line with our ambition, we are committed to becoming a net zero company operationally as early as 2025. Addressing climate change is major part of our duty of care to clients and a strategic investment priority for London CIV. As all companies are subject to physical, transition risks or both, we expect all companies to report on climate change risks in line with the Task Force on Climate Related Financial Disclosures (“TCFD”) and at least disclose their carbon footprint. We calculate our own climate risk working with our partner S&P Trucost and support the Transition Pathway Initiative using both resources to engage with our material holdings.

#### Human Rights and Human Capital

As institutional investors, London CIV have a responsibility to respect human rights as formalised by the UN and the Office of Enforcement and Compliance Assurance (“OECA”) in 2011. 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. Our approach to managing human rights issues applies to all our themes relating to people. We believe that by meeting international standards and preventing and mitigating actual and potentially negative outcomes for people leads to better financial risk management and helps to align activities with the evolving demands of beneficiaries, partner funds and regulators.

Recognising human capital as a core driver of long-term value, our Stewardship Policy emphasises active engagement with investee companies and the investment managers we work with. Diversity and inclusion, key components of human capital, are not just ethical imperatives; but are demonstrably linked to stronger financial performance, innovation, and talent retention<sup>1</sup>. Studies show companies with greater gender and ethnic diversity outperform peers in key metrics like return on equity. A diverse workforce can foster deeper understanding of global markets, drive cutting-edge product development, and attract top talent – all critical factors for its future success. Through regular dialogue, we encourage investee companies and investment managers to improve transparency in diversity data, implement inclusive hiring practices, and cultivate a culture that empowers all employees. Such engagement aligns not only with our commitment to fair and responsible investment, but also with maximising long-term returns for our clients’ beneficiaries. We are a member of the Diversity Project, Asset Owners Diversity Working Group and Investor Alliance for Human Rights.

#### Natural Capital

As responsible investors, protecting and restoring natural capital is paramount. Businesses simultaneously impact and depend upon clean air, water, and biodiversity – resources forming the very foundation of their operations and long-term viability. Unsustainable practices like deforestation, water pollution, and greenhouse gas emissions not only inflict environmental damage but also expose businesses to significant financial risks, from disrupted supply chains to regulatory penalties. Through active engagement, we encourage investee companies to adopt responsible practices like resource efficiency, renewable energy sources, and biodiversity conservation. Investing in natural capital isn't just about environmental responsibility; it's about safeguarding the foundation of a sustainable future and mitigating risks for long-term financial returns. As early adopters of the Taskforce on Nature-related Financial Disclosures (TNFD), London CIV are also committed to reporting against our nature-related risk in 2025.

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<sup>1</sup> Catalyst, "Why Diversity Matters" (2023)



## Technology & 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. 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.

## Health, Safety & Wellbeing:

Investing in a healthy and thriving workforce is paramount. We believe a focus on health, safety, and wellbeing isn't just a moral imperative but also a strategic investment. Proactive health initiatives and safety protocols reduce risks and create a positive work environment, boosting employee engagement and productivity. We encourage investee companies to prioritise employee wellbeing through comprehensive healthcare options, mental health support, and safe working conditions. By fostering a healthy and safe work environment, we contribute to a more resilient and productive workforce, ultimately enhancing long-term value.

## Governance of this policy

This policy is developed by the Responsible Investment team and will be reviewed annually to ensure it is current and updated periodically in particular to reflect revised stewardship priorities. The integration of ESG considerations in manager selection, monitoring and management is explicit in all roles within the Investment Team. Overall responsible investment development and operational accountability is led by the chief sustainability officer (CSO) who reports to the chief executive officer ("CEO") and is supported by two responsible investment managers each responsible for Climate and Stewardship as well as an RI analyst.

The Board of London CIV is responsible for agreeing the high level purpose and belief statements which guide London CIV, including in respect of Responsible Investment and for approving key policies in this area (Executive Responsibility is held by the CEO who is responsible for approving changes in the usual course of business). This policy is recommended by the CSO.

The development of this policy has been supported by key stakeholders including the Sustainability Working Group ("SWG") previously the Responsible Investment Reference Group ("RIRG"), membership of which includes representatives from Client Funds, London CIV. The Shareholder Committee is consulted when changes are made.

## Other Documents

### Policy Framework

This document is the overarching policy which governs our:

- Voting Policy
- Stewardship Policy
- Climate Policy
- Investment Governance Document
- Investment Beliefs

## Getting in Touch

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

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### Version Control

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<b>December 2020</b>		<b>To include information of reviews undertaken to implement the policy.</b>	<b>RI team</b>
<b>April 2022</b>		<b>Restructured to include information from Stewardship Policy, Climate Policy and other RI documents.</b>	<b>RI Team</b>
<b>March 2024</b>		<b>New additions to reflect updated stewardship priorities following a 3 year review.</b>	<b>RI Team</b>