

# London LGPS CIV Limited Annual Review

For the reporting year ending 31st March 2023



## Delivering Sustainable Growth

## London LGPS CIV Limited Annual Review

For the reporting year ending 31st March 2023

### Contents

#### Overview

- 3 Our purpose, vision and culture
- 3 Chair's Foreword
- 4 London CIV Timeline

#### Business Review

- 6 London CIV core objectives and outcomes
- 7 CEO's Overview
- 7 London CIV and Client Key Facts
- 9 A fund portfolio that meets clients requirements
- 11 London CIV Fund range and assets under management
- 13 Impact investment framework
- 14 Client engagement
- 15 UK Housing Fund case study
- 17 Assets invested by our client funds
- 18 London Fund case study
- 19 Fund case studies
- 20 Responsible Investment and Engagement
- 25 Financial Review
- 28 Summary of Principal Risks and Mitigation
- 31 Business Model
- 32 People, Culture and Pay

#### Corporate Governance

- 36 Governance Framework
- 38 London CIV Board and Committees
- 42 Glossary

#### Financial Statements

- 44 London LGPS CIV Limited Annual Report and Financial Statements
- 61 Company and Investment Managers' information

## Our Client Funds

London LGPS CIV Limited ("London CIV"), established in 2015 by London Local Authorities manages London Local Government Pension Scheme ("LGPS") assets. London CIV is one of eight U.K. LGPS asset pooling companies. The London Boroughs and City of London who are the 32 Shareholders, are also our clients ("Client Funds").



































# Chair's Foreword

## Mike Craston



**London CIV's ambition is to be the trusted investment partner of the London Local Authority Local Government Pension Scheme (LGPS) client funds, working with them to drive down the cost of investment and improve outcomes, through economies of scale and the provision of dedicated investment expertise.**

In addition to investment activity, we aim to provide tangential benefits that are expected of an investment partner, such as reporting, education and thought leadership in evolving areas. With this in mind we have refreshed our stated purpose to better reflect what we aim to achieve for our client funds, current and future pensioners and all the communities we serve. "Working together to deliver sustainable prosperity for the communities that count on us all".

We are very conscious that this has been a year of significant economic and political turmoil which in addition to having a market impact has had a significant impact on London Local Authorities in delivering services. A key priority for Dean Bowden as new CEO has been to engage with all client funds, in their respective locations and really listen to the issues they face and understand how London CIV can provide support and solutions. In addition there has been a keen focus on how the organisation delivers the quality service, organisational efficiency, and good communication we aspire to and clients rightly expect. I believe that during 2023/24 the benefits of the changes we have begun to make will become progressively more evident.

In our Responsible Investment and Stewardship Policy we describe what prosperity means for London CIV in the following terms "our primary goal is to help our clients with meeting their pension commitments, ensuring that people are not vulnerable to financial challenges that could minimise the ability to prosper". Shortly after the March 2023 year end we launched our Impacting Investing Framework which sets out our approach, focused on planet, people and prosperity themes to developing an impact strategy in collaboration with client funds. We already have 9 funds with sustainability features including the LCIV UK Housing Fund launched this year, The London Fund, LCIV Global Bond Fund and LCIV Passive Equity Progressive Paris Aligned Fund (PEPPA) case studies on all of which are included in the Annual Review.

The development of our private market portfolio has been a key feature of recent years and the UK Housing Fund is a good example of a fund which responds both to the investment requirements of our client funds and also the interest in sustainable investment -and in going beyond the planet aspects of responsible investment. Through The London Fund it has also been possible to offer opportunities to invest in a wider range of infrastructure opportunities including regeneration. We are now engaging with client funds on both public and private markets priorities which include traditional asset class solutions i.e. equity and fixed interest, as well as more alternative/ esoteric asset classes such as natural capital and property.

In the forthcoming year we will review our funding model with a clear goal of reducing the fixed charge levied on to client funds, reducing the cost of manufacturing of our funds (through driving down the costs of all third party suppliers) and offering more value add services. I was pleased that this year we were able to offer our portfolio Climate Reporting service at no extra charge to all customers, showing our commitment to being their trusted investment partner as well as helping clients on their net zero journey.

I want to use this opportunity to place on record our thanks to Mike O'Donnell for all he has done to take forward London CIV since 2019 to December 2022. I am pleased to have this opportunity to welcome Dean Bowden, who has already made significant progress through his enthusiasm and energy for the task of forming a close working relationship with client funds to make sure London CIV meets the needs of the communities we serve.

**Mike Craston, Chair of the Board**

## Our purpose, vision and culture

### Purpose

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

We are here to deliver solutions which will allow LGPS client funds to invest assets on behalf of beneficiaries to provide improved and more efficient investment outcomes.

### Vision

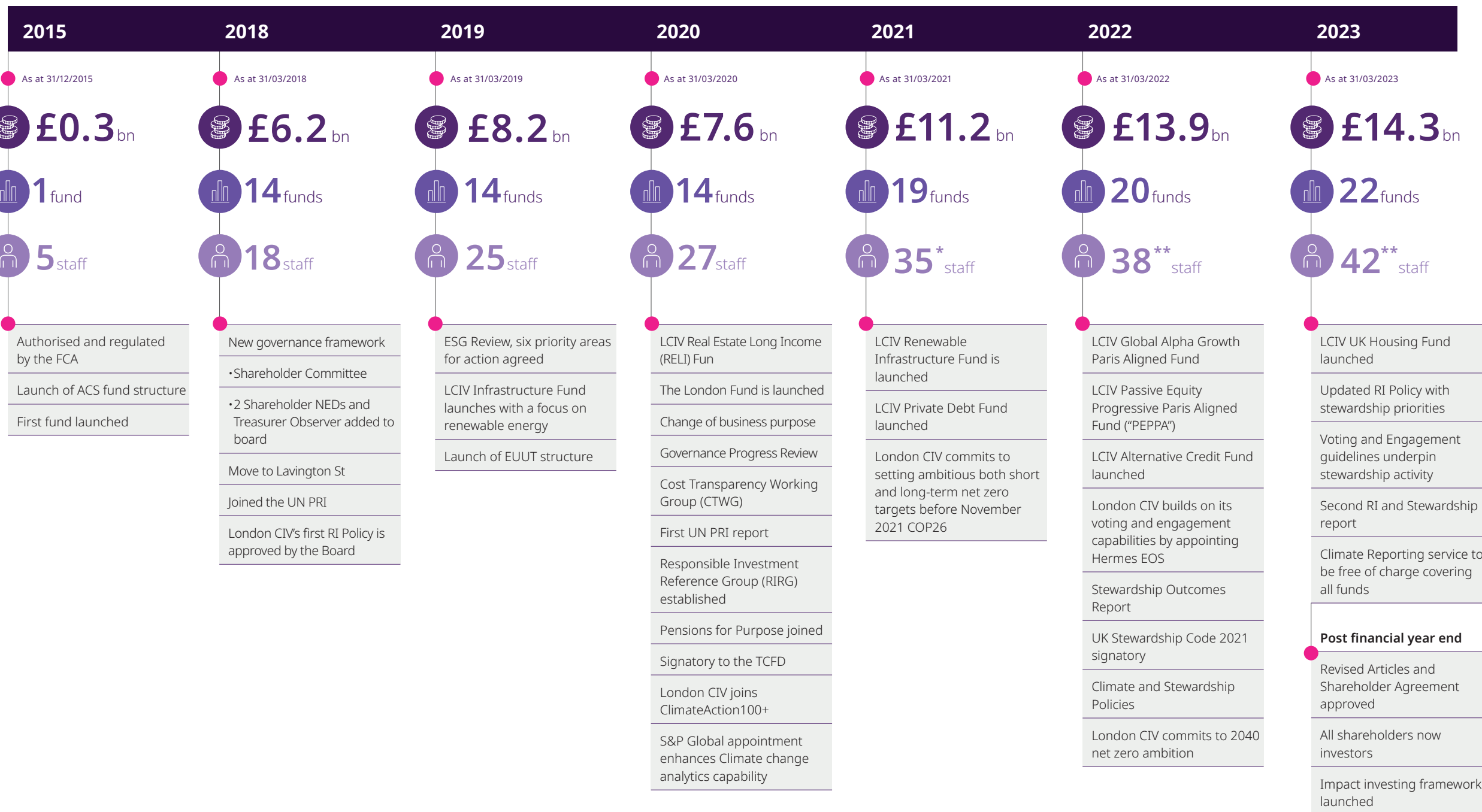
**To be the best in class asset pool delivering value for Londoners through long term sustainable investment strategies**

### Our Culture

**Working together to secure a sustainable future**

Collaboration is at the core of our business

# London CIV Timeline



\* Staff numbers include interim staff. \*\* Permanent staff

# Business Review



# London CIV's core objectives and outcomes for 2022-2023

2022-2023 Themes	KPIs/Deliverables	Progress at March 2023
<b>Develop Strategic Product Roadmap into three year pathway and deliver first phase</b>	<ul style="list-style-type: none"> <li>Produce roadmap and pathway and first phase of programme</li> <li>Target £1.6bn additional assets overall</li> </ul>	<ul style="list-style-type: none"> <li>Roadmap and pathway in place. 2nd edition is a 2023/24 objective.</li> <li>Shortfall against target £1.6bn additional assets reflects market conditions and triennial/strategic asset allocation cycle.</li> </ul>
<b>Increase investment in existing funds</b>	<ul style="list-style-type: none"> <li>Target additional £1.1bn additional investment in existing funds</li> </ul>	<ul style="list-style-type: none"> <li>Shortfall against target as well as overall target which reflects market conditions and triennial/strategic asset allocation cycle.</li> </ul>
<b>Improve Performance</b>	<ul style="list-style-type: none"> <li>Target is to achieve performance against benchmark/objective for individual funds</li> <li>Create a report against which overall performance could be measured.</li> </ul>	<ul style="list-style-type: none"> <li>This investment report is provided in the Quarterly Investment Report (QIR) with information at monthly Business Updates on manager monitoring and actions to improve performance.</li> <li>An improved report against which overall performance can be reported will be developed during 2023/24</li> </ul>
<b>ESG: achieve progress against net zero ambition; develop aspiration into fund launches and modifications; demonstrate benefit of engagement with companies and asset managers</b>	<ul style="list-style-type: none"> <li>Agree net zero roadmap for funds (by 2040) and LCIVs own emissions (by 2025)</li> <li>Develop a TCFD reporting service</li> <li>Report votes and engagement on a quarterly basis</li> <li>Develop RIRGs work with a stronger focus on collaboration between shareholders and London CIV in their climate risk response London wide</li> </ul>	<ul style="list-style-type: none"> <li>Internal working group for LCIVs own emissions underway in 2023</li> <li>Work on comprehensive plan for funds to begin in 2023 building on work on fund launches and modifications</li> <li>TCFD reporting service to be offered free of charge to all clients covering all funds (pooled and unpooled)</li> <li>Voting and engagement service provided by EOS Hermes with engagement undertaken in collaboration with a range of partners</li> <li>RIRG to move to quarterly, focusing on collaboration on climate risk response</li> </ul>
<b>Obtain additional regulatory permissions and develop plans for additional services including: transition services; enhanced oversight and reporting on passives; Investment Management Agreement (IMA) use</b>	<ul style="list-style-type: none"> <li>Obtain additional regulatory permissions</li> <li>Develop a plan for application and utilisation of additional regulatory permissions (including ICARA) within six months of agreement to updated constitutional documents</li> <li>Separately provide interim transition service (does not require additional permissions)</li> </ul>	<ul style="list-style-type: none"> <li>Just after the March 2023 year end approval was given to the revised Articles and Shareholder Agreement</li> <li>Work to apply for additional regulatory permissions began in May 2023 and is expected to take 6 to 9 months to achieve</li> <li>London CIV now has resources in place to assist clients in planning transitions</li> </ul>
<b>Add value: develop Assessment of Value (AoV) and other reporting which demonstrates value and deliver savings</b>	<ul style="list-style-type: none"> <li>Deliver an improved AoV report</li> <li>Identify opportunities for negotiating fee savings this year</li> </ul>	<ul style="list-style-type: none"> <li>AoV report 2021 published on client portal 3 May 2022 and report for year to Dec 2022 published 28 April 2023</li> <li>£1.4m fee savings delivered in 2022/23</li> </ul>
<b>Improve client experience including review of SIG processes, roles and responsibilities</b>	<ul style="list-style-type: none"> <li>Review SIG processes as part of fund launch process</li> <li>Review whether internal controls reporting should be strengthened as part of 2022 year end process</li> </ul>	<ul style="list-style-type: none"> <li>Review completed as part of review of fund launch framework. Communicated at July 2022 Business Update</li> <li>Reviewed and agreed this should be a more proactive version of current arrangement whereby a summary of arrangements in place is provided.</li> </ul>
<b>People and culture</b>	<ul style="list-style-type: none"> <li>People strategy covering organisational structure and succession planning; total reward, learning and development; a culture which attracts and retains a diverse and inclusive team and board</li> </ul>	<ul style="list-style-type: none"> <li>New People strategy developed with key information provided in the Annual Review, Remuneration and Nominations report to each General Meeting and quarterly Shareholder Committee report (provided to all shareholders) and at Business Updates</li> <li>London CIV is a member of the diversity project and founder member of the Asset Owners Charter which aims to promote diversity and inclusion amongst investment managers</li> </ul>

## CEO's Overview

### Dean Bowden



Since taking over as CEO at the end of December 2022 a key personal priority has been to develop a deep understanding of the requirements of our client funds, through direct engagement with them, and then to ensure that London CIV is set up in such a way as to ensure we are able to support these needs.

Our new purpose statement seeks to make clear that the London CIV is the investment partner for client funds and will offer a broad array of investment services, not just the pooling of assets, in supporting them in the management of their pension funds. We are a purpose led business, focused on supporting the delivery on prosperity for existing and future pensioners of the LGPS, as well as the broader London community. This is coupled with a strong focus on responsible investment and delivering sustainable outcomes, most clearly seen in our Net Zero ambitions, which are aligned with those of our client funds. As part of that commitment we decided in March 2023 to make our Climate Reporting service free of charge across all funds whether pooled or not.

There are two key messages I have been emphasising and want to repeat here

- We are very clear that London CIV must be its 'best self' in terms of efficiency, structure, governance and output (maturity); be more client centric, offering the products and services needed at a price and time they are needed (relevant); and deliver to the core principles of pooling (purpose led).
- Every basis point or pound sterling we can save our Client Funds can ultimately be invested elsewhere in the boroughs to drive prosperity across London. Equally London CIV is uniquely placed to support our Client Funds in the drive to net zero. The more we act in unison the greater the financial and sustainability impact we can have.

An Annual Review is a "look back" over the past year, in our case to end of March 2023, and the table on page 6 sets out the extent to which we have delivered against the objectives set out in the MTFS agreed by shareholders in January 2022 and I want to thank Mike O'Donnell my predecessor for all his work to December 2022 to take London CIV to this stage in its development.

Particular highlights to draw to your attention are below, with additional information provided as case studies:

- The launch of the LCIV UK Housing Fund which aims to deliver long term income, diversification and wider impact benefits (see case study page 15)
- Further acquisitions by The London Fund which seeks to deliver both financial and social benefit, (see case study page 18)
- Additional investment of £741m in public funds and £436M deployed in private markets
- Individual manager fee savings this year of £1.4m
- Climate Reporting service to be provided free of charge to cover all funds (pooled and unpooled)
- Shortly after the year end approval achieved from all shareholders to revised Articles and Shareholder Agreement to meet FCA requirements.

## London CIV and Client Funds Key Facts

£14.3bn

AUM in active funds  
as at 31/3/23

£12.5bn

in passive funds  
as at 31/3/23

22 funds<sup>1</sup>

at March 2023

1 fund

Launched this  
reporting year<sup>1</sup>

£45bn

assets held by client funds  
as at 31/3/23

707,488

beneficiaries across 32 client  
funds as at 31/3/22

UNPRI

Signatory

TCFD

Signatory

30

Investment managers  
and partners<sup>1</sup>

Stewardship  
Code

Signatory

60%

of client funds pooled<sup>1</sup>  
as at 31/3/23

16

stewardship and  
engagement collaborations<sup>2</sup>

<sup>1</sup> Funds listed on pages 11 and 12

<sup>2</sup> Collaborations listed page 24

## CEO's Overview continued

This year client funds have reviewed their Strategic Asset Allocations (SAA) taking into account Triennial Valuations and there have been changes to many Pension Committees following the local elections in May 2022. The marketplace was very volatile throughout the year influenced by factors such as the COVID19 pandemic, war in the Ukraine and changes in government and economic policy. Whilst uncertainties remain there is now greater confidence about making investment decisions and identifying strategic asset allocation and fund requirements going forward. The expectations of the LGPS (and pension funds generally) in respect of climate reporting and ESG are also much clearer. Although we are still awaiting government consultation on LGPS pooling guidance it is also clear from the Chancellors Edinburgh Reforms statement that LGPS pooling is still very much on the government agenda due to the potential to continue to offer long term financial benefits over and above those already achieved.

### Forward Look

London CIV is very clear that to succeed it has to demonstrate true added value to its clients and shareholders. The company was set up by the London Local Authorities to achieve the benefits that asset pooling, and collective investment vehicles, offer investors. We do not expect to be dependent on government policy as a motivator for pooling.

With that in mind we have embarked on a strategic review which will lead to the development of a 3 to 5 year medium term strategic plan and financial strategy against which we can be measured by client funds and our wider stakeholders. The intention is to achieve a London CIV which can operate as a purpose led, client focused mature business with a highly motivated and high performing staff team. As part of that we have:

- taken the first steps to improve our approach to client and shareholder engagement
- begun work in consultation with the Cost Transparency Working group (CTWG) to develop a revised funding model with the intention of beginning to implement this on a phased basis from 2024/25 as described in the financial review section

- begun work to develop the fund pipeline for 2023/24 and beyond taking into account client fund feedback, including an emphasis on sustainability (and within that impact) as described on pages 9 and 14.

Responsible Investment, including leveraging our influence to engage with the companies in which we invest, is core to all we do and you can read more about our climate related activity on pages 20 to 22 and our stewardship activity on pages 23 to 24. We have recently undertaken work to develop an Impact Investing Framework to help increase client funds' understanding of this area of investment including key factors such as Intentionality, Impact Measureability, Financial outcomes and different asset classes. We will work with clients in this financial year on the development of appropriate product and services to meet their requirements in this area.

Measuring the extent to which we are delivering what clients and stakeholders expect is key and the purpose of this Annual Review is to report back, in summary, across a range of measures on all that has been achieved. There is further information and more detailed reports, especially on topics such as Responsible Investment, on our public website [www.londonciv.org.uk](http://www.londonciv.org.uk) and also available for our client funds on our client portal.

A strong partnership with client funds is central to delivering our goals and I would like to end this report by thanking client funds for the welcome given to me, the time they have invested in helping me understand their needs, and their support so far in the development of the business to meet them. I also want to acknowledge the dedicated hard work of the London CIV team and their focus on the importance of delivering good outcomes for London Local Authority client funds and pension beneficiaries.

**Dean Bowden, Chief Executive Officer**



Havering

## Net Zero

London CIV has 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. It will also become a net zero company across operational and supply chain emissions as early as 2025. Alongside its main commitment, London CIV has set interim targets for its investments including a 35% carbon intensity reduction by 2025 (relative to 2020), and 60% by 2030 across funds invested via the London CIV Fund range worth £13.9bn (March 2022) in total. London CIV plan to achieve its goals by decarbonising existing funds through targeted engagement, contributing to avoided emissions, launching new net zero funds and eventually contributing to negative emissions. In 2022, it will also calculate the impact of the passive funds included in the London CIV pool and release a detailed roadmap to demonstrate a credible course of action to achieve its pathway to net zero on time.

### Climate Reporting

Last year we piloted a Climate Reporting service, working with Haringey, to cover all client funds whether pooled or unpooled. We had begun to roll this out to a wider number of funds and then took the decision to extend this to all client funds on a nil charge basis -as the first of what we intend will be a range of nil charge value added benefits of being a London CIV shareholder and client fund.



# A fund portfolio that meets client funds' requirements

## Jason Fletcher



Developing a fund portfolio tailored to meet London LGPS client funds' requirements depends on an ongoing process of engagement and market information including information about Strategic Asset Allocations (SAA) and pooling intentions at a London-wide and individual level.

### Our portfolio, investing with impact

We currently have a fund portfolio of 22 funds with a recent focus on developing private market funds and sustainability to meet client funds SAA expectations. Our investment beliefs (panel right) provide the high-level framework which directs our investment practices. We also have a Responsible Investment framework which includes a Climate Policy and Stewardship Policy.

Most recently we have been considering our framework for impact investing. This uses the Global Impact Investing (GIIN) definition "Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return" and identifies four guiding principles: intentionality, additionality, measurability and financial return.

London CIV proposes to focus on people, prosperity and planet

themes in developing our strategy for impact investing in collaboration with Client Funds. We currently have 9 funds with sustainability features in line with our impact investing framework (see page 13).

### Market context

The period under review was marked by sharp twists and turns in sentiment in response to geopolitical tensions, data on inflation and economic activity and expectations for interest rates. This was manifested by periods of calm punctuated by surges in volatility, particularly in the bond markets.

This volatility was amplified in March, when serious cracks appeared in the banking system. Although damage control measures implemented by central banks and other agencies helped to calm the markets, these events provided a reminder that rapid tightening of monetary policy can have serious repercussions over and above the strain placed on households and corporate borrowers.

Exposure to Silicon Valley Bank ("SVB"), Signature Bank ("SB") and Credit Suisse equity and debt was limited across the range of ACS funds managed by London CIV. We wrote to all Client Funds on 15 March 2023, after the failures of SVB and SB, and followed up with letters to investors in the Sub-funds which had exposure to these entities or Credit Suisse.

Government bond markets bore the brunt of the surge in inflation. The yield on ten year Gilts increased to 3.5% at the end of March 2023 from 1.6% in March 2022. The UK also suffered the effects of the ill-judged 'mini budget' announced in the third quarter of 2022. This caused sharp falls in Sterling and UK government bonds, and a cascade effect linked to leveraged vehicles used to implement liability driven (LDI) strategies which forced the Bank of England to provide a liquidity backstop.

## London CIV Investment Beliefs

Our Investment Beliefs are the top-level corporate statements which direct our investment practices in alignment with London CIV's strategy, purpose and vision, to collaborate with Client Funds and help them achieve their pooling requirements and deliver value for Londoners through long term and sustainable investment strategies

- 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.

## A fund portfolio that meets client funds' requirements continued

Yields also rose in most other markets, and the Bloomberg Global Aggregate Credit Index (hedged to GBP) was down 6.6% in the year under review. Based on that Index, investment grade debt offered a yield to maturity of 4.9% at the end of March 2023, putting high-quality debt back on the agenda as a credible source of income for pension funds.

On a positive note, consumer spending and corporate earnings proved to be more resilient in the year under review than had been expected. This helped support equity markets after the worst excesses of valuation had been corrected. For the year as a whole, stocks lost 0.9% based on the MSCI All Country World (Total Return) Index (in GBP), with developed markets outperforming emerging markets by a substantial margin.

The impact of recent events in the banking sector, and interest rate increases already implemented, on the 'real' economy is difficult to predict. Although the risk that excessive tightening of monetary policy precipitates a deep and/or prolonged recession has eased, we are still exposed to the potential for a mild recession or extended period of slow growth, possibly accompanied by higher core inflation for longer than is currently expected. With the rapid disappearance of Credit Suisse and two substantial regional banks in the U.S. we have a stark reminder that big changes in policy regimes will inevitably cause damage, but not always where it is expected.

We are monitoring corporate earnings reports and looking for signs that pressure on consumers and companies is flowing through to default rates. Sentiment could change quickly, resulting in surges in volatility (for both bonds and equities) and possibly, liquidity flight.

The investment managers engaged by London CIV are investing as we expect them to. On balance, they are cautious when making forecasts and careful to ensure that the sources of risk and drivers of returns are reasonably diverse at the portfolio level. On a positive note, they are also alert to opportunities to capitalise on volatility and dispersion across and within asset classes to put capital to work at attractive prices.

For a commentary on climate risk please see page 31.

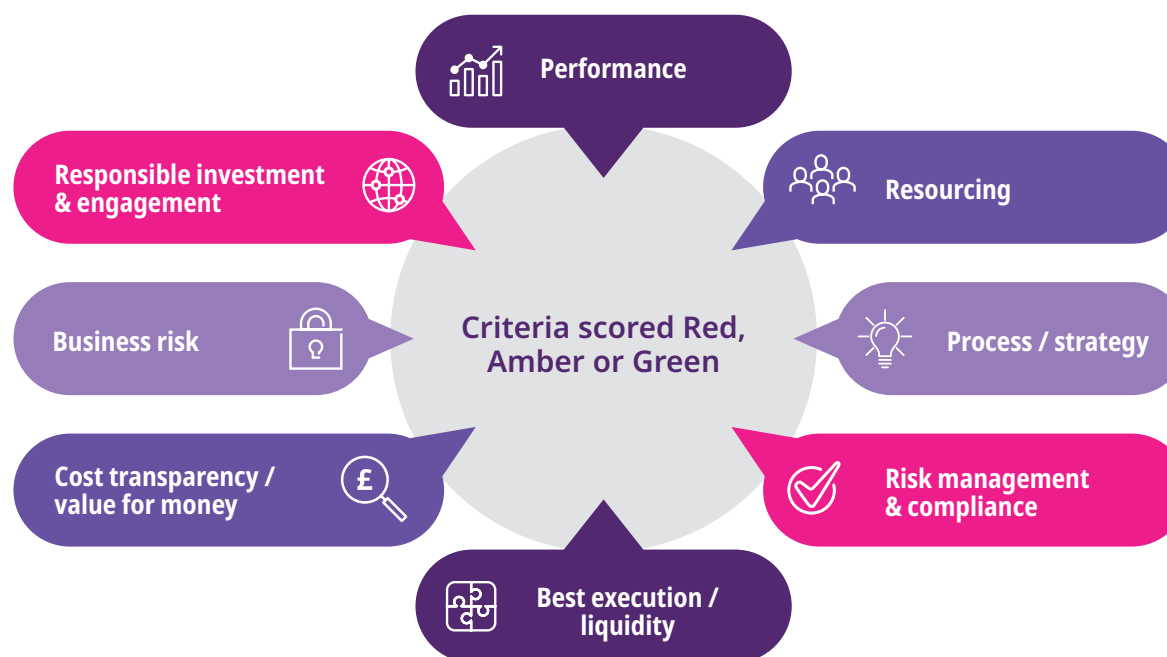
### Fund Performance

We provide client funds with a Quarterly Investment Report (QIR) which reviews the performance of each of the funds in our portfolio. This is complemented by the Annual Assessment of Value (AoV) reports and calendar year end report on the public market funds within the ACS fund structure. We also provide monthly updates to client funds at our online Business Update about our ongoing reviews of fund manager performance. This uses a RAG status and reviews our expectations across 8 key categories to assess managers monitoring status as Normal, Enhanced and Watch list. The diagram below summarises our approach. We also request our public markets managers to report to us on a quarterly basis in respect of responsible investment and provide examples of how decisions are made on ESG factors and update us on key Responsible Investment changes. You can read more about this in our Stewardship Outcomes report.

### Fee Savings

One of the drivers behind LGPS pooling was that it would deliver savings for client funds, in particular manager fee savings, bearing in mind that managers are prepared to offer more attractive fees for LGPS funds. The table on page 27 sets out the fee savings achieved through pooling London LGPS funds with London CIV. During 2022/23 we have negotiated £1.4m in fee savings from existing managers. Now that London CIV is a mature organisation we are beginning a systematic programme of manager fee reviews which began shortly before the close of the 2022/23 financial year.

### Fund monitoring schematic



## A fund portfolio that meets client funds' requirements continued

## London CIV Fund Range and Assets under Management

## Product range and Assets Under Management

LONDON CIV									
Authorised Contractual Scheme (ACS) (Public Markets) Total £12.9bn									
Global Equities									
Fund	LCIV Global Alpha Growth Fund	LCIV Global Alpha Growth Paris Aligned Fund	LCIV Global Equity Fund	LCIV Global Equity Quality Fund	LCIV Global Equity Focus Fund	LCIV Emerging Market Equity Fund	LCIV Sustainable Equity Fund	LCIV Sustainable Equity Exclusion Fund	LCIV Passive Equity Progressive Paris Aligned Fund "PEPPA"
AUM	£936m	£2,185m	£589m	£555m	£1,076m	£590m	£1,240m	£549m	£549m
Launch Date	11/04/16	13/04/21	22/05/17	21/08/20	17/07/17	11/01/18	18/04/18	11/03/20	01/12/21
Manager	Baillie Gifford	Baillie Gifford	Newton	MSIM	Longview	JP Morgan	RBC	RBC	State Street
No. of Investors	4	11	3	2	6	8	8	4	2
Multi Asset					Fixed Income				
Fund	LCIV Global Total Return Fund	LCIV Diversified Growth Fund	LCIV Absolute Return Fund	LCIV Real Return Fund	LCIV Global Bond Fund	LCIV MAC Fund	LCIV Alternative Credit Fund		
AUM	£214m	£793m	£1,117m	£172m	£669m	£1,299m	£359m		
Launch Date	17/06/16	15/02/16	21/06/16	16/12/16	30/11/18	31/05/18	31/01/22		
Manager	Pyrford	Baillie Gifford	Ruffer	Newton	PIMCO	CQS and PIMCO	CQS		
No. of Investors	3	9	10	2	8	13	3		

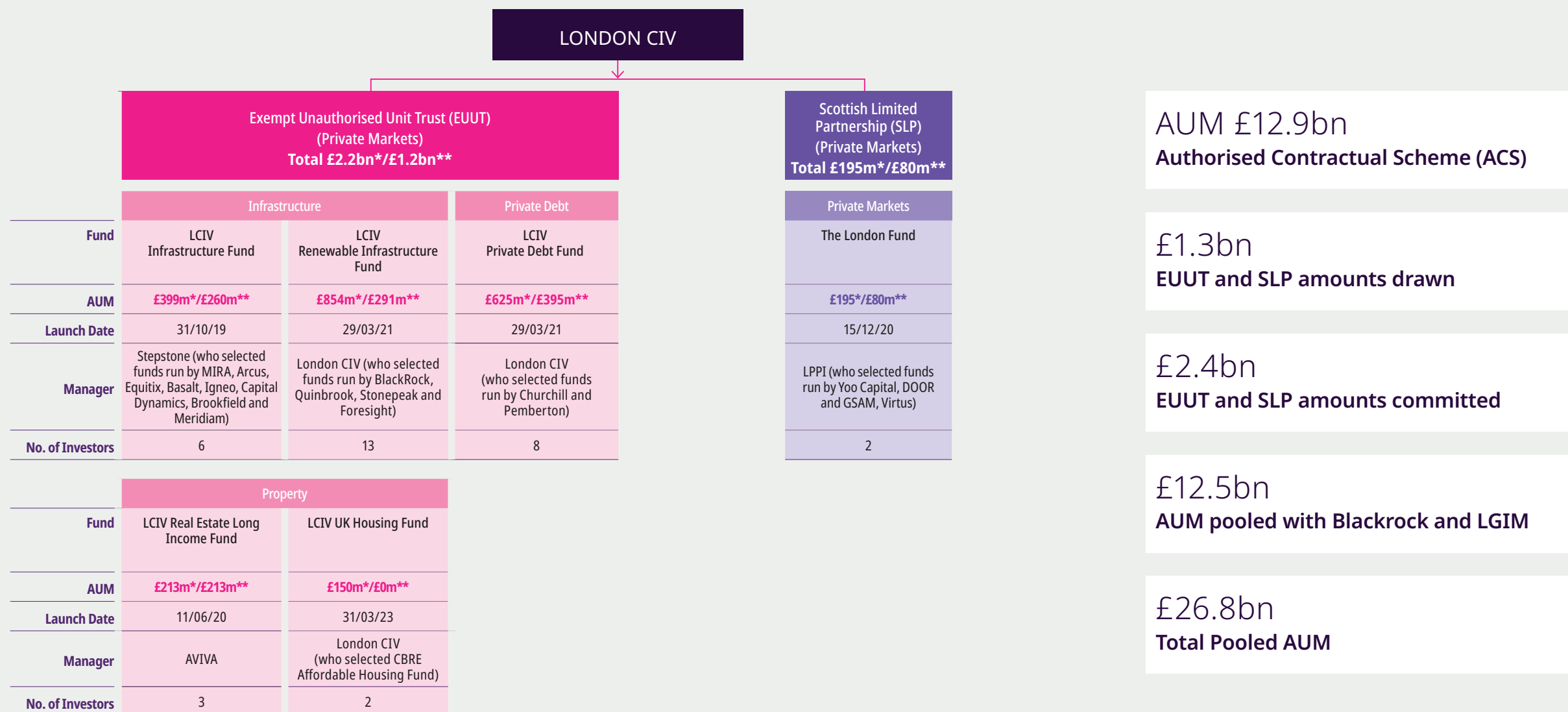
Source: Nothern Trust

ACS and PM Funds data is at 31 March 2023

A fund portfolio that meets client funds' requirements continued

## London CIV Fund Range and Assets under Management

### Product range and Assets Under Management



Source: Nothern Trust

ACS and PM Funds data is at 31 March 2023

\*Denotes committed amount \*\*Denotes drawn amount

## A fund portfolio that meets client funds' requirements continued

### Impact themes

	People		Prosperity	Planet	
<b>Sustainable outcomes</b>	Affordable and sustainable housing	Resilient and sustainable communities	Productive employment and sustainable economic growth	Combat climate change	Protect ecosystems
<b>Sample measurable objectives</b>	Additional unit deliveries, affordability tests, occupier satisfaction, environmental performance.	Access to public transport, commercial services and green space, energy use.	Employment rates, hourly wages, inclusion, and diversity measures	Carbon intensity, temperature pathways, abatement metrics.	Forest cover, species protection, biodiversity metrics.
<b>Sample strategies</b>	Bespoke place based residential real estate	Critical infrastructure: social, transportation, renewable energy	Place based private equity and lending	Public and private market strategies which have explicit science-based Net Zero goals	Public and private market strategies which explicitly contribute to protecting ecosystems
<b>SDG alignment</b>	3, 6, 7, 8, 9, 10, 11	3, 6, 7, 9, 11	3, 8, 9, 10, 11	3, 7, 9, 10, 11, 13	3, 6, 9, 10, 11, 14, 15
<b>Mapping our fund range:</b>	London Fund UK Housing Fund	London Fund UK Housing Fund	London Fund	<ol style="list-style-type: none"> <li>1. Global Alpha Growth Paris Aligned</li> <li>2. Sustainable Equity Exclusion</li> <li>3. Global Equity Quality</li> <li>4. PEPPA</li> <li>5. Global Bond</li> <li>6. Alternative Credit</li> <li>7. Renewable Infrastructure</li> <li>8. UK Housing</li> </ol>	

### Guiding Principles

#### Intentionality

London CIV will design products with impactful objectives which help Client Funds achieve a positive societal or environmental outcome through investments

#### Additionality

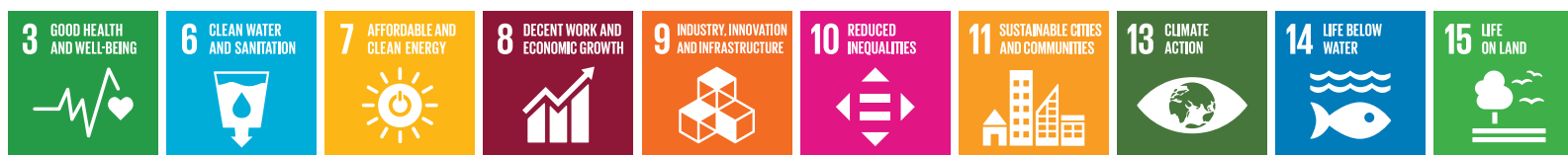
London CIV and Client Funds will aim to deliver impact which would not have been achieved without the capital directed to the strategy.

#### Measurability

London CIV commits to measuring the social and environmental performance and progress of underlying investments, and reporting on this to Client Fund investors

#### Financial return

London CIV will design fund mandates to achieve returns which are aligned to the nature of risks taken to achieve the targeted social, environmental, and financial outcomes.



## A fund portfolio that meets client funds' requirements continued

### Continuous engagement

Continuous feedback from client funds through forums, Seed Investor Groups (SIGs), at one-to-one meetings, complemented by ongoing dialogue with consultants and advisors is important to developing a portfolio that we intend will meet client funds' needs. The panel to the right summarises the main forums and events that have taken place during the year, in addition to the meetings and conversations with individual client funds (including attendance at Pension Committee meetings).

There are 4 key stages to our fund launch process which seek to: engage client funds in a dialogue to make sure that the funds meet London LGPS requirements; achieve a critical mass of investors at launch; and provide the level of investment to leverage fee manager savings. The LCIV UK Housing Fund case study on page 15 illustrates the engagement process in developing a fund which has sustainability features and is intended to generate a positive measurable social impact alongside a financial return.

In dialogue with client funds our initial focus for 2023 is on developing a Sterling Credit Fund and Global Equity Value Fund and on identifying client priorities in respect of sustainability, such as strategies with science based net zero goals and forest cover, together with our property and passives strategies.

It is important to us to find the right way to make sure that we listen to all the key stakeholders and decision-makers in our partner funds. The formal arrangements and our forums such as the Responsible Investment Reference Group (RIRG) and Cost Transparency Working Group (CTWG) are described in more detail in the corporate governance section of this report (page 36). We also have networking arrangements in place with other pools, DLUHC and sector bodies. You can read more about some of the organisations we collaborate with, including to achieve our stewardship and engagement objectives, on page 24. We have included a case study of The London Fund which is delivered in collaboration with London Pensions Partnership Investments (LPPI) on page 18.



## Key engagement facts and figures

# 10

Business Updates

# 2

Semi-annual General Meetings

# 7

Seed Investor Groups

# 1

Annual London CIV Strategy Conference

# 4

Shareholder Committee Meetings

### External conferences include

- LGPS Sustainable Investment Forum
- PLSA
- LA Pension Fund Forum
- Asset Manager Conferences
- Publisher and Media Conferences

# 8

Consultants/advisers meetings

# 4

Responsible Investment Reference Group (RIRG) meetings

# 1

Cost Transparency Working Group (CTWG) meeting

### 14 TV and media interviews include

- Asset TV
- Room 151
- LGC Podcast
- IPE
- Responsible Investor

# 4

Meet the Manager events



"Working far more closely with our clients and broader Stakeholders in a genuinely collaborative manner, has undoubtedly resulted in enabling us to better meet our client's expectations."

**Cameron McMullen, Client Relations Director**

# LCIV UK Housing Fund – A case study in fund development and client engagement

## Fund design based on client requirements

- The priority product pipeline is based on client feedback about Strategic Asset Allocations (SAA) and from clients, consultants and advisers at events and meetings
- Property was identified as a focus, including for a product which could also help address the chronic shortage of affordable housing
- In 2022 the investment team engaged with leading investors such as Big Society Capital and mapped the universe of UK affordable housing managers
- We held events to test potential client fund interest in the concept and identify issues that were important to clients



## The fund aims to achieve:

- Diversification from other property markets
- Create a housing fund that not only provides homes for some of the most vulnerable members of society BUT also drives resilient long-term returns -the social & affordable housing sector is lowly correlated with other real estate income and tends not to be so sensitive to changes in the economy nor so influenced by market forces and this has been proven throughout the pandemic & since the mini budget crisis. Affordable housing yields have remained relatively stable, in contrast to very challenging times in the commercial market.
- There are three main categories of social & affordable housing funds that we are targeting
  - With General Needs Social & Affordable Housing, we want to increase the provision & accessibility of secure & affordable homes
  - With Specialist Housing, we want to increase the provision & accessibility of affordable housing for those with specific physical & mental health needs
  - With Transitional supported housing, we want to increase the provision of safe & appropriate transitional housing (e.g. homelessness housing) allowing vulnerable people to access support & transition to independent living
- The fund will be investing a minimum of 50% of capital in General Needs Social & Affordable Housing & have the ability to invest up to 25% in specialist housing and transitional supported housing.
- We are targeting an IRR net of fees of 5-7% and a target yield of 3-4%
- Supply/demand imbalance means there are long waiting lists and lack of other housing options, which reduces void risk and generally leads to high occupancy rates with low tenant turnover.

## Fund Timelines and Investment Facts

- First close 31 March 2023
- £150m client funds in from two boroughs
- First investment into CBRE UK AHF has closed
- £200m plus of Client Fund demand
- Open ended structure using Exempt Unauthorised Unit Trust (EUUT) structure similar to many of other private market vehicles
- The “Lock-Up Period” will be five years from the date that each Commitment is made by an investor to the Fund
- Redemption requests after the Lock-Up Period will be satisfied on a best-efforts basis.
- the Fund is not expected to be leveraged.



### Cllr Adrian Garden, Chair of Pension Committee, London Borough of Lambeth said:

“Lambeth Pension Fund has for many years sought to invest in a fund that would increase the amount of social and affordable housing in the UK. With the setting up of the LCIV UK Housing Fund we are delighted that we are able to achieve that aim whilst meeting our fund’s wider objectives of diversification, impact, and securing long-term income.”

## LCIV UK Housing Fund – A case study in fund development and client engagement continued

### Key criteria in selecting managers (in addition to fees and other commercial terms) include

- Strategic alignment with LCIV UK Housing Fund
- Deep knowledge of the sector & skilled at stakeholder management
- Track record (IRR, return, yield)
- Cost transparency/value for money (full look through on fees both at fund level & property level)
- Well resourced & incentivised team
- Pipeline (sourcing/origination) & deployment
- Strong partnerships with reputable housing associations & other service providers
- Alignment & risk sharing between different stakeholders (e.g., underlying housing funds, housing associations, and occupiers)
- ESG/Responsible Investment
- Effectiveness of managers to generate, measure, and report impact.
- Governance & Oversight (e.g., Investment committee & Boards)
- Risk management

### Related Sustainable Development Goals

- access to adequate, safe and affordable housing is a core target for SDG 11 Sustainable Cities & Communities
- a decent & affordable home is an important determinant of the health & wellbeing of individuals and families (SDG 3)
- and has a positive knock on effect for children's education (SDG 4),
- and can help people to get & sustain employment (SDG 8)
- and can provide a route out of poverty (SDG 1)
- Housing's carbon footprint can also be reduced through the right energy efficiency and construction measures (SDGs 7 & 13)

We expect all managers shortlisted for our Housing Fund to have an impact measurement framework for example Big Society has been working alongside The Good Economy on standardizing an approach towards impact reporting for investments in social & affordable housing & building transparency & accountability in the sector

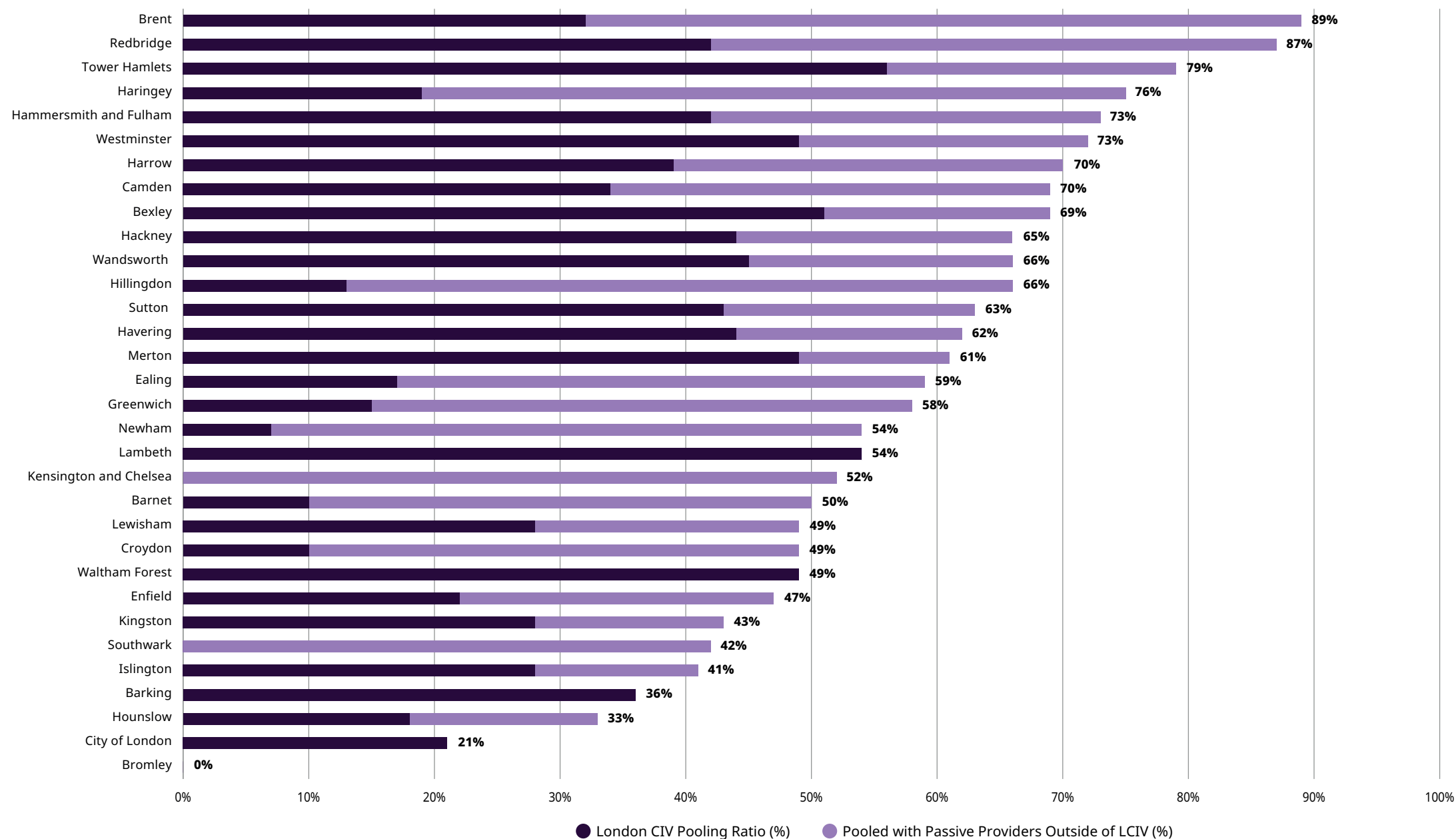


Abbey Place



# Adding value and delivering savings

Assets invested by our Client Funds with London CIV or invested by our Client Funds in passive funds managed by third parties at as 31 December 2022



## Adding value and delivering savings continued

### Case Study:

## The London Fund – a case study in collaboration

# THE LONDON FUND

The London Fund (“TLF”) was established alongside Local Pensions Partnership Investments (LPPI) to provide sustainable, long-term and risk-adjusted value returns to pension scheme investors through investments in real estate, infrastructure, and growth capital sectors. TLF has a secondary objective to generate a social benefit in the UK capital through job creation, area regeneration and providing a positive environmental impact for Londoners.

The seed investor was the London Pension Fund Authority (LPFA) one of LPPI’s clients and thereafter the London Borough of Haringey followed LPFA into TLF. Both investors are represented on the Advisory Committee.

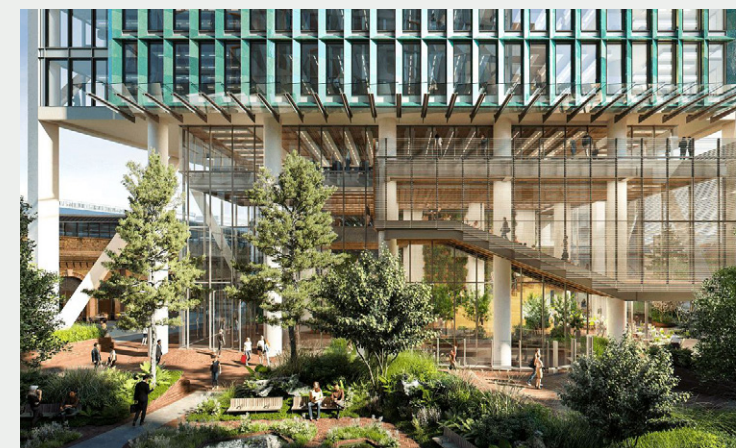
As of 31 March 2023, TLF had made four commitments: DOOR, Yoo Capital Fund II, Edge London Bridge (“EDGE”) and MEIF 7 Co-invest (“Virtus”). This provides a more diversified exposure following the drawdowns into Virtus in December 2022.

The seed TLF investment in DOOR continues to provide exposure to a mix of private rental sector, student accommodation and affordable housing.

YOO Capital Fund II LP is embarking on regeneration and redevelopment projects to Shepherd’s Bush Market and the West End’s Saville Theatre, with considerable benefits for local communities.

The EDGE London Bridge project is a 260,000 sq ft NIA best-in-class, sustainable office tower in St Thomas Street, London Bridge. The funding partnership – LPPI Real Estate Fund, The London Fund and Goldman Sachs Asset Management – own approximately 75% of the development, with the remainder owned by Edge, the Amsterdam based developer. Mace has been selected to deliver the office building and to help drive sustainable construction methods during the development process. Due to be completed in Q1 2026, the building has a target of becoming “Paris-Proof”, with targeted regulated energy consumption of less than 23 kWh/sqm to align with the RIBA 2030 Climate Challenge operational intensity targets for new-build offices. Through its innovative design, the building will emit less than half the amount of carbon emissions compared to similar towers and generate some of its own renewable energy onsite. It will also target the highest levels of BREEAM (Outstanding) / WELL (Platinum) and WIRED (Platinum) certifications.

Virtus is a co-investment alongside Macquarie Asset Management to acquire a significant minority stake in VIRTUS Data Centres (“VIRTUS”) -one of the leading and fastest growing hyperscale data centre platforms in London. VIRTUS provides critical digital infrastructure while matching its electricity consumption to 100% renewable energy procurement alongside its wider commitment to net zero by 2030.



## Adding value and delivering savings continued

### Case Study:

#### LCIV Passive Equity Progressive Paris Aligned Fund (“PEPPA”)



The objective of the PEPPA Fund is to track the performance of the S&P Developed Ex-Korea LargeMidCap Net-Zero 2050 Paris Aligned ESG Index (GBP). It launched on 1st December 2021 with £520m seed investment from London Borough of Havering and London Borough of Lewisham. At the end of March 2023, we welcomed the third investor into PEPPA, London Borough of Waltham Forest.

London CIV worked in collaboration with Client Funds via Seed Investment Groups (“SIG”) on the design of PEPPA. The PEPPA Fund has been designed for investors who wish to be at the forefront of the transition towards a low carbon economy by seeking alignment with the ambitious targets of the Paris Agreement, which aims to limit global warming to 1.5°C above pre-industrial levels. The Index is progressive, as it is updated in line with any changes to the minimum standards of EU Paris-Aligned Benchmarks. Stewardship and Engagement is a critical part of the Fund’s core strategy. London CIV consolidates all its votes in PEPPA, sets key priorities at a high level and is also guided by Client Funds’ priorities and the Local Authority Pension Fund Forum’s guidelines. Our voting provider Hermes EOS executes our votes and provides expertise and guidance to ensure our votes support our stewardship priorities.

London CIV appointed State Street Global Advisors Limited (“SSGA”) to manage PEPPA and track the Index. S&P Dow Jones Indices (“S&P DJI”) is the index provider. Since its inception PEPPA has tracked the benchmark index efficiently and the investment manager, SSGA, is performing to our expectations.

### Case Study:

#### LCIV Global Bond Fund



The LCIV Global Bond Fund invests in the global bond markets, with a primary focus on investment grade corporate debt. The investment policy of the Sub-fund has been strengthened by incorporating more stringent requirements relating to the integration of ESG elements into the investment process used by the delegated investment manager, Pimco Europe.

The policy has also been updated to omit investments in companies which derive more than 10% of their revenue from adult entertainment, thermal coal mining and generation, tobacco, weapons, oil sands or oil and gas, subject to exceptions for carefully selected sustainable bonds issued by companies operating in these sectors. The Sub-fund is also subject to tests based on the MSCI ESG Controversies Assessment, MSCI Global Norms Screening, Transparency International Corruption Perceptions Index, World Bank Worldwide Governance Control of Corruption Index and the Freedom House Freedom Index.

The Sub-fund portfolio was realigned to the revised investment policy in stages over a six month period to minimise costs. The strengthening of the ESG profile of the LCIV Global Bond Fund, and the associated reduction in the carbon intensity of the Sub-fund, has been achieved without materially constraining the ability of the Investment Manager to achieve the overall objective of the Sub-fund and sustain appropriate levels of diversification of risk.

# Responsible Investment and Engagement

## Jacqueline Amy Jackson



As responsible investors, it is our duty to not only seek financial returns but also to drive positive change. Engagement with companies and active ownership are essential tools to influence sustainable practices and create long-term value for our clients' beneficiaries.

The diagram below summarises what the People, Planet, Principles of Governance and Prosperity World Economic Forum "Pillars" mean for London CIV.



### What ESG means for London CIV

We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation.

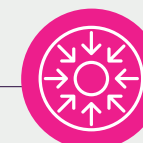
Whilst our primary purpose is to pay pensions, this will only be possible by managing ESG risks and opportunities for our funds and supporting a financial system fit for the future. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

We regard it as part of our fiduciary duty to encourage long-term sustainable growth and maximise the economic health of companies.

In the diagram to the left we describe how value creation is aligned with value protection to achieve prosperity as part of ESG.

The diagram below shows our three step approach which involves integrating ESG into investment decision-making and design; fund management; and disclosure and reporting in line with best practice.

#### 1. Integration



Embedding responsible investment into investment decision and design

#### 2. Engagement



Collaboration with companies, managers, peers and participants

#### 3. Disclosure



transparent reporting in line with best practice

## Delivering sustainable growth continued

### Climate Change Context

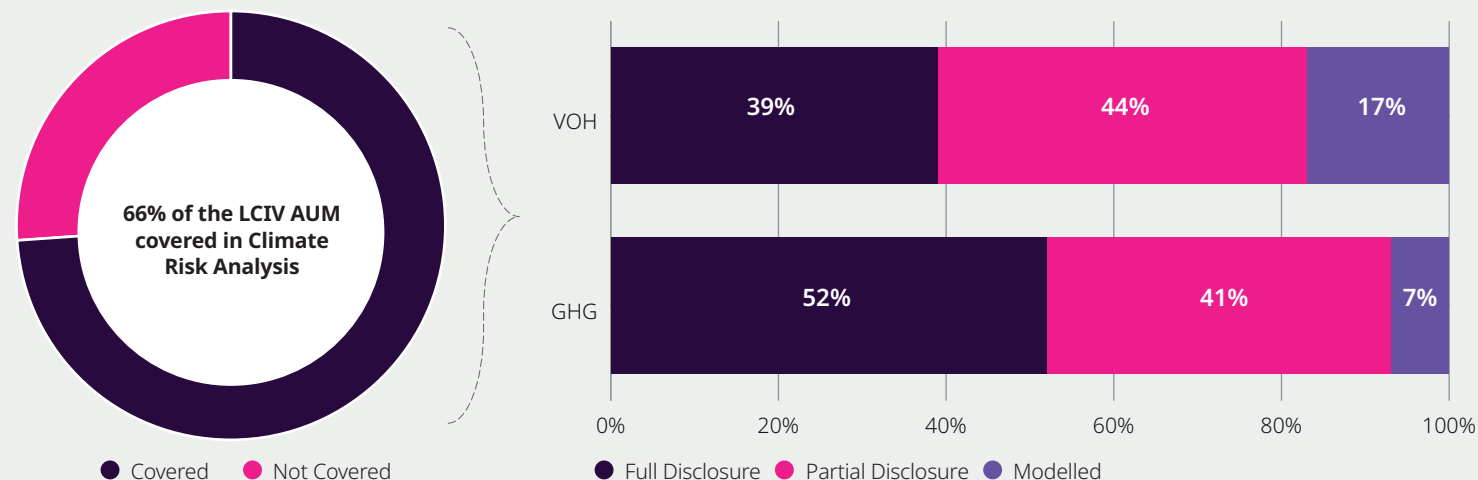
Climate change risk and opportunity is a strategic priority for London CIV, our Client Funds and their members. London CIV have been a signatory to the Task Force on Climate Related Financial Disclosures (“TCFD”) since June 2020 and will continue to report annually in line with its recommendations. In 2022 the United Kingdom announced that TCFD-aligned disclosures will be mandatory across the economy by 2025. London CIV strongly supports this decision and believes that pricing climate-related risks will not only serve our clients’ best interests but allow financial institutions to demonstrate actions they are taking will build a more resilient financial system fit for the future. As we look forward to the year ahead, investors not only have a role to play in mitigating risks associated with climate change in existing portfolios, but they also have an exciting opportunity to shape the transition to a more sustainable economy through innovations in energy, infrastructure, reforestation and nature-based solutions.

The year 2022 began on a challenging note, in contrast to the optimism that followed the COP26 climate conference in Glasgow. Putin’s invasion of Ukraine created geopolitical turmoil and triggered a global energy crisis, raising doubts about the significance of environmental, social, and governance (ESG).

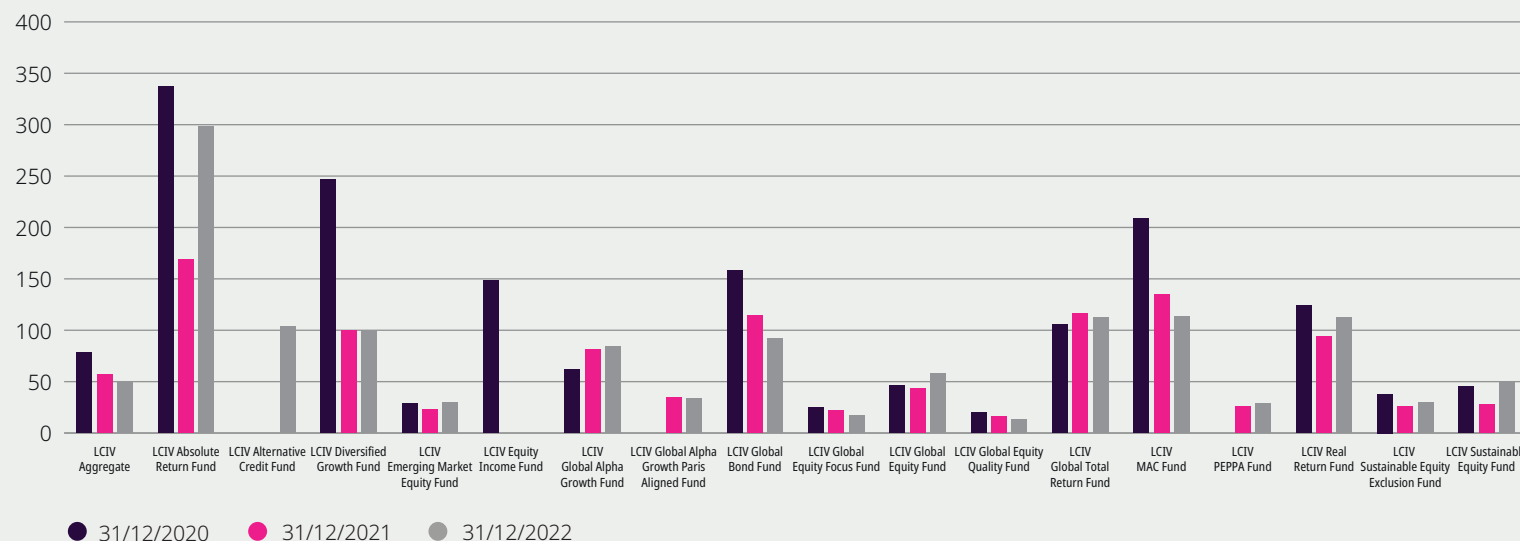
Meanwhile, in the US, Republican leaders accused asset managers of pursuing ideological ESG goals at the expense of financial returns. Despite financial and social losses, characterised by record-breaking temperatures from India to Siberia, as well as devastating flooding spanning from Pakistan to Europe, from Nigeria to Brazil.

Yet even though the surge in energy prices brought a short-term return of coal-fired power to some markets, it also turbo-charged efforts to replace fossil fuels with renewable energy, storage and demand-management measures. Plus, COP15 produced a deal that almost 200 countries will work to “halt and reverse” biodiversity loss by the end of the decade.

### London CIV Climate Risk Analysis Coverage



### London CIV Carbon Footprint



## Delivering sustainable growth continued

### Progress at London CIV

London CIV has a commitment to net zero GHG emissions by 2040, and operationally by 2025. This year, we have made significant progress towards our climate milestones, highlights include:

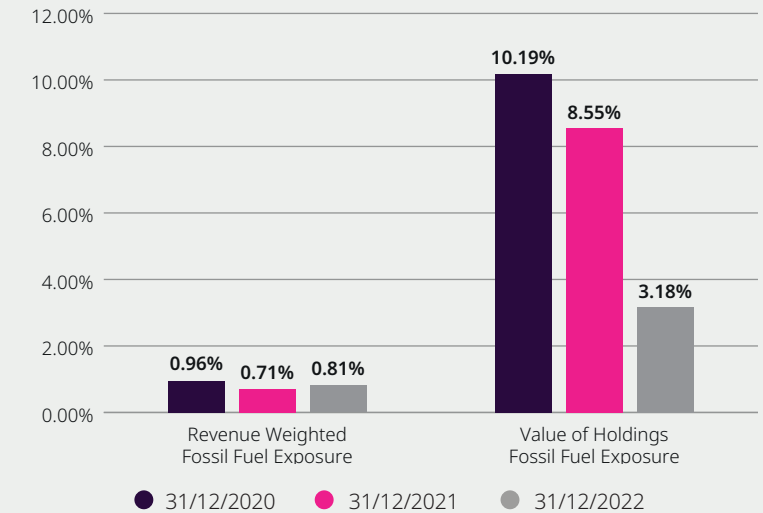
- Enhancing existing products. For instance, the LCIV Global Bond Fund no longer invests in companies with revenues derived from coal extraction, distribution, and power generation. As a result of the Fossil fuel-based screens that were implemented the fund reduced its Scope 1-2-3 Carbon to Value carbon intensity by 50%, from 499 tCO<sub>2</sub>e/mGBP to 248 tCO<sub>2</sub>e/mGBP
- Providing new solutions. Namely, the LCIV Renewable Infrastructure Fund (LRIF) investment into the MGETS marked the first investment by LRIF into a pure play energy transition strategy, supporting technologies beyond traditional wind and solar generation that will be needed to achieve net-zero targets such as energy storage, hydrogen and renewable fuels, clean transportation, carbon capture utilisation and storage, and the circular economy.
- , Launching thorough engagement strategies. We targeted major contributors to our climate risk exposure using comprehensive stewardship approaches with the oil and gas sector. Key engagements have taken place with Shell and BP in collaboration with Nest and Brunel Pension Partnership and we have supported several shareholder resolutions calling for improved litigation disclosure and end to new fossil fuel exploration.
- Supporting improved disclosure on nature-related impacts. Becoming one of the first pension fund group members of the deforestation-free pensions guidance working group set up by Global Canopy, Systemiq and Make My Money Matter. and a signatory to the Taskforce on Nature Related Financial Disclosures (TNFD).
- Delivering policy advocacy. By providing responses to consultations such as the Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks and the ISSB's Exposure Drafts.

To assist Client Funds, we now provide a complementary climate analytics service, delivering a comprehensive report in accordance with UK regulation. The analysis can be used to inform the development of investment strategies, decarbonisation roadmaps, internal risk management, and strategic asset allocation.

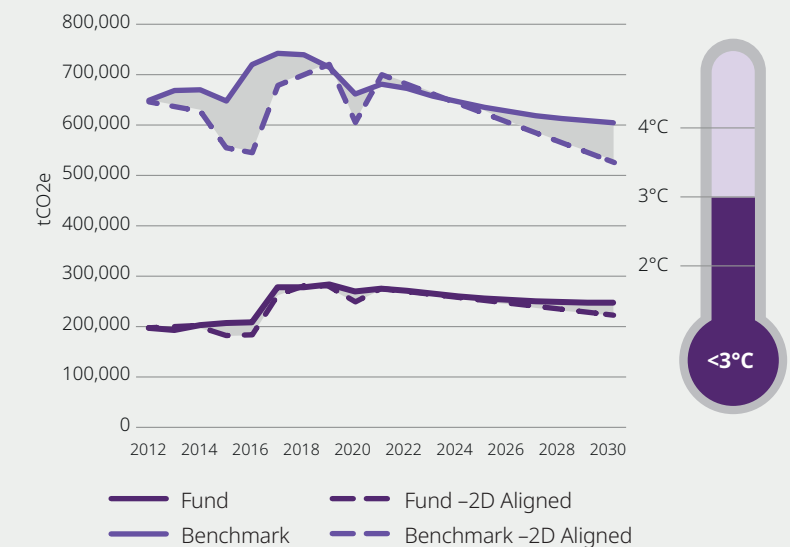
Climate risk is recognised as a strategic risk with London CIV's risk management framework (see page 28). In early 2023 our governance arrangements pertaining to the Board and management were reviewed and strengthened to include a senior management Risk Committee. This is expected to enhance the focus and resilience at the executive level, thereby strengthening task of addressing the climate emergency.

An overview of key climate performance metrics is included below. For more information please refer to the London CIV TCFD report on our website.

### London CIV FOSSIL FUEL EXPOSURE 31-12-2021



### London CIV TEMPERATURE ALIGNMENT 31-12-2021



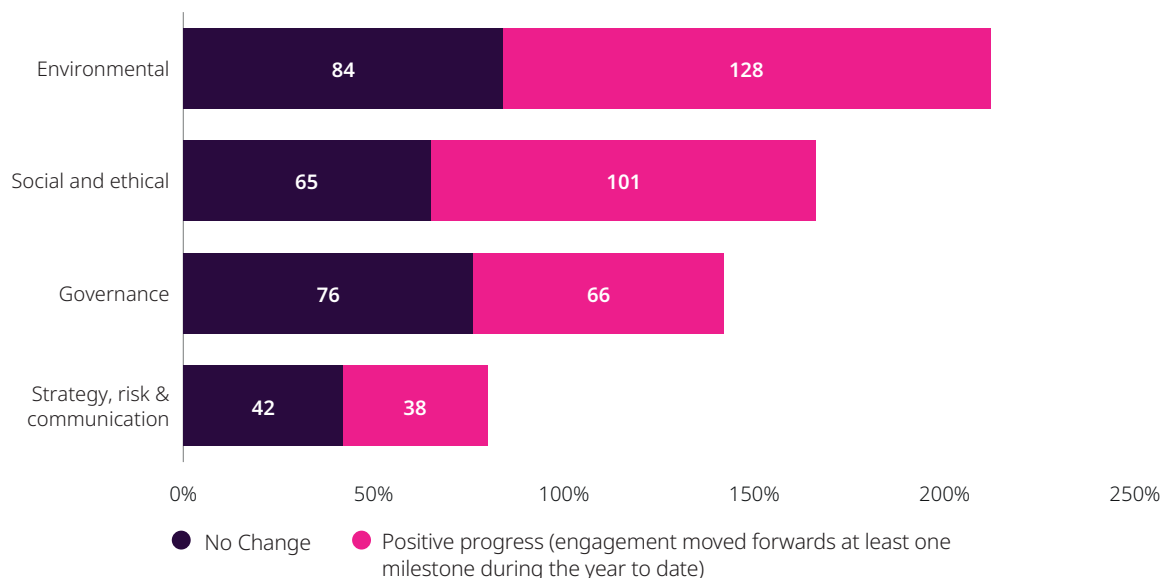
## Delivering sustainable growth continued

### Stewardship and Engagement

Our Stewardship Policy sets out priorities for engagement which are: climate change, human rights including diversity & inclusion, and tax and cost transparency. This year we have given an added emphasis to bio-diversity as a priority. Our Stewardship Policy sets out our strategy and objectives in more detail including how we integrate ESG considerations throughout the investment process. We use robust data sources to measure ESG risk exposure across all investments and target engagements by asset class, geography and fund structure. We have appointed Hermes EOS as our engagement and voting provider to enhance our capacity to engage with a large number of companies across a wider range of topics and to consolidate our voting activities. To achieve added impact we are members of a number of groups and have taken part in a number of engagement initiatives in 2022 and previous years. Our collaboration with LAPFF is key and we will continue to collaborate.

### Engagement progress (2022)

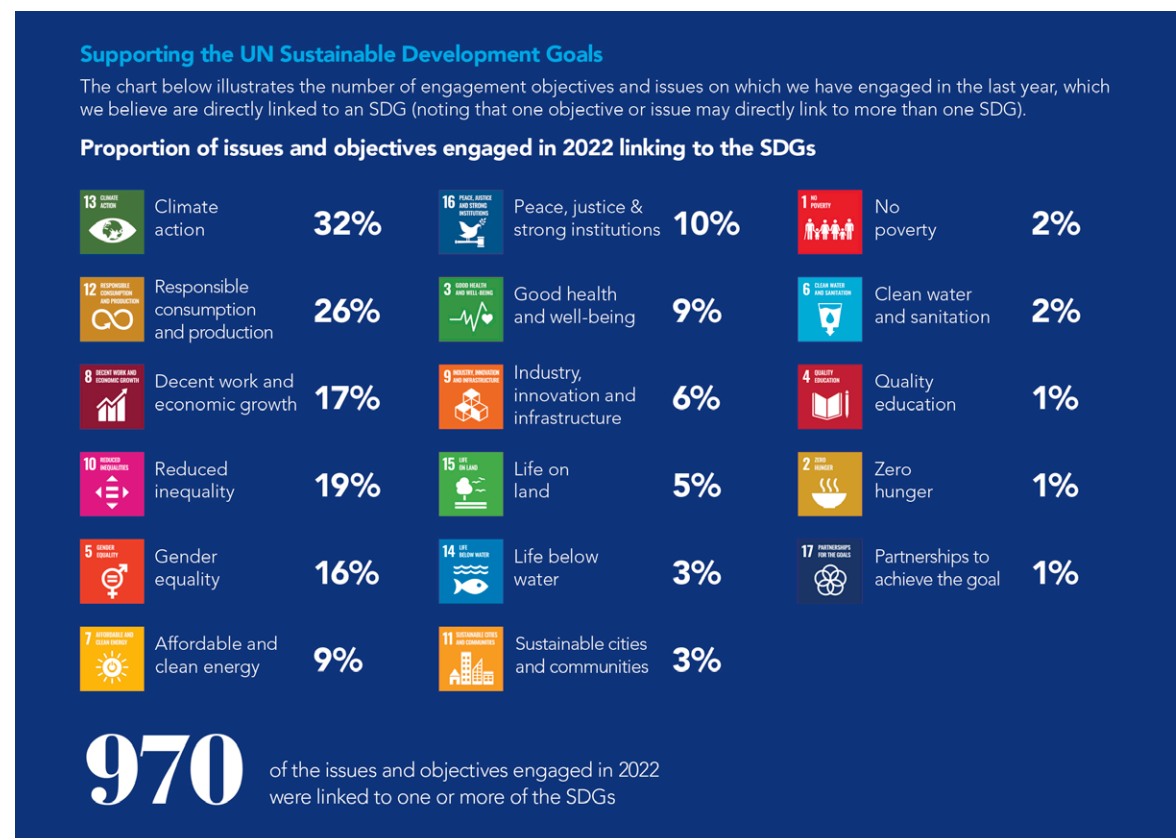
The below chart demonstrates how much progress has been made in achieving milestones set for each engagement. 56% of objectives have moved forward in at least one milestone during 2022 compared to 48% in 2021.



### Linking engagement to Sustainable Development Goals (“SDGs”)

London CIV supports the delivery of the UN SDGs which aim to be the blueprint to achieve a better and more sustainable future for all. This includes the scope for investors to fund sustainable development.

The SDGs provide a common framework and language for investors and companies to work towards the achievement of the shared goals, with measurable indicators of progress. We believe EOS’ and our own engagement with companies encourages them to act responsibly and reduce their negative impact on society, across their value chains. EOS’ engagement methodology links each engagement objectives to specific SDG target across our portfolio. The chart below shows how 970 of the 1,709 issues and objectives on which engagements took place can be directly linked to one or more of the SDGs.



## Delivering sustainable growth continued

### Working in partnership

London CIV is a member of a number of sector organisations benefiting from wider networks both in terms of shared knowledge and influence. This includes collaboration with other LGPS pools, the Scheme Advisory Board (SAB), the Diversity Project, and as a UK Stewardship Code signatory.

London CIV also partners with a number of bodies to further its stewardship and engagement activity as shown below, you can read more about this activity in our Stewardship Outcomes report:

- **Asset Owner Diversity Charter** -an initiative set up by Brunel, Cambridge, Camden, London CIV, Lothian and NEST pension funds to develop a formal set of actions the industry can commit to in order to improve diversity across the investment industry
- **Climate Action100+** an investor initiative to drive corporate action on climate change involving over 400 investors with over \$35 trillion in assets engaging 100 systemically important emitters
- **Cost Transparency Initiative (CTI)** an independent group tasked by the FCA in 2018 to deliver a standardised template to disclose costs, 100% of London CIV managers do so
- **Deforestation Free Pensions Working Group** was established by Global Canopy, Systemiq and Make My Money Matter to develop practical guidance to enable pension funds to identify, address, and eliminate deforestation, conversion and associated human rights abuses from their investments. We are an active member with the ambition to provide practical guidance and consultation for Global Canopy and partners.
- **FSB's Task Force** on Climate Related Financial Disclosure (TCFD) as a signatory London CIV publish a climate risk analysis covering listed equity, fixed income, infrastructure and sovereign debt
- **LAPFF** London CIV is a pool member and tracks LAPFF guidance on our voting and engagement and any difference from our own voting and engagement where they cross over (LAPFF only covers 100 companies) and is seeking opportunities to collaborate on targeted investments

- **Marine Conservation Society:** Microplastics Pollution successful engagement outcomes provide a significant contribution to SDG 14, "Life under Water" specifically Target 14.1
- **IPDD** an investor initiative we joined to support our commitment to deforestation and its associated human rights issues.
- **Investor Alliance for Human Rights** London CIV became a signatory and joined two working groups in discussing human rights issues in the ICT sector and the Uyghur region.
- **Pensions for Purpose** as an affiliate we participate in thought leadership discussions and publications to enhance and share our knowledge of impact investment
- **ShareAction:** the Good Work Coalition focusses on a broader range of international topics including: Living Wage, Insecure Work and Gender Equality for Low Paid Women.
- **ShareAction:** Healthy Markets Coalition group of investors with over \$1 trillion in AUM aimed at increasing accountability of food retailers and manufacturers for their role and impact on people's diets and the growing concerns surrounding increasing levels of obesity
- **TNFD Forum** we joined in 2022 to support our biodiversity stewardship theme and disclosures.
- **UN backed Principles for Responsible Investment (PRI)** in signing we have committed to and promote six guiding principles incorporating ESG issues into investment decision making and active ownership, where consistent with our fiduciary responsibilities.
- **UNPRI Tax Reference Group** we have been an active member of this corporate tax responsibility working group
- **UNPRI Advance** launched in 2022 focuses on advancing human rights and social issues through investor stewardship. We joined to help support our key stewardship themes

## Key Facts

Source: London CIV Responsible Investment and Stewardship Report December 2022

1,274 engagement meetings  
held in 2022 by our fund managers

418 companies  
EOS has engaged on behalf of London CIV with  
418 companies across 1,709 ESG topics

23,411  
votes in total

59% shareholder proposals  
We supported 59% of shareholder proposals

16 engagement initiatives  
and Membership Groups supported by  
London CIV in 2022



# Financial Review

## Brian Lee



I am pleased to introduce this report which reflects on the financial performance of the Company for the year to March 2023. A full set of statutory financial statements are included in pages 44 to 60 of the Annual Review.

### Income statement

The operating profit for the year was £74k compared to a budget of £30k (£1,326k in 2022). It should be noted that the Company does not operate to make a taxable profit as it operates for the benefit of its investors who are its shareholders and therefore a small profit or break-even EBITDA is a desirable outcome. The fall in asset values and the slower level of fund inflows compared to budget meant that management fee income was lower than budget. In order to maintain a balance budget and reflect the lower levels of income, the Company reduced costs through efficiency gains and reducing the rate of staff recruitment, a policy that the Company will keep in place until financial conditions improve.

	Actual March 2022 £000	Actual March 2023 £000	Budget March 2023 £000
Turnover	7,659	7,767	8,111
Expenses	6,333	7,693	8,081
Operating Profit	1,326	74	30

### Income

The income for the year comprises fixed income elements relating to the service charge and the development funding charge (DFC) and ad valorem fees, relating to management fees of the Authorised Contractual Scheme and the Exempt Unauthorised Unit Trusts and Scottish Limited Partnership and passive assets fees. Income for the year was £7.7m of which £3.6m relates to the fixed fees. Fixed fee income is important as a mitigant against market volatility as well as covering the income required to cover expenses not met by management fees.

	Actual March 2022 £'000s	Actual March 2023 £'000s	Budget March 2023 £'000s
Fixed fees	3,520	3,520	3,520
Passive fees	662	617	684
Management fees	3,477	3,630	3,907
	<b>7,659</b>	<b>7,767</b>	<b>8,111</b>

### Operating Expenses

The operating expenses of the Company fall into five categories namely, staff costs, facilities, professional fees, general expenses, and technology systems costs.

Full time staffing levels have been lower than budget and are reflected in lower actual staff costs compared to budget. The increase in legal and professional fees arises predominantly from the regulatory capital legal review and tax advice relating to the 2021 VAT recovery.

	Actual March 2022 £000	Actual March 2023 £000	Budget March 2023 £000
Staff cost	4,263	5,626	5,686
Facilities	625	581	608
Professional fees	596	563	662
General expenses	63	91	116
Technology costs	787	832	1,009
	<b>6,334</b>	<b>7,693</b>	<b>8,081</b>

### Assets Under Management (AUM)

In last year's report, I made reference to financial uncertainties created firstly by COVID-19 in 2021, followed by Russia's invasion of Ukraine in early 2022. Since those two significant events, we have also witnessed a steep rise in interest rates and double digit inflation in the second half of 2022. This volatility has impacted the value of our partner funds' investments during the year under review.

During the year net flows into the public markets funds amounted to nearly £250m but the fall in market values meant that the total value of public assets fell by just over £300m in the year. The deployment of capital by the five private markets funds increased invested assets from £841m to £1.36bn.

	Actual March 2022 £000	Actual March 2023 £000	Budget March 2023 £000
Reported assets			
Public Markets	13,203	12,896	14,382
Private Markets	841	1,360	1,000
	<b>14,044</b>	<b>14,256</b>	<b>15,382</b>
Passives	13,282	12,533	13,598
<b>Total assets</b>	<b>27,326</b>	<b>26,789</b>	<b>28,980</b>

### Regulatory Capital

The Company is an Alternative Investment Fund Manager (AIFM) and subject to the Alternative Investment Fund Managers Directive 2011/61/EU (AIFMD), which is defined as an entity that provides portfolio management and risk management services for an Alternative Investment Fund (AIF) or a number of AIFs. The Company is classified as a Collective Portfolio Management Firm (CPM). Currently the Company is approved by the FCA to manage authorised funds (such as the ACS) and unauthorised funds (such as the EUUT and SLP). In respect of the regulatory capital the Company had a regulatory capital requirement of £3.3m and a surplus of £4.3m. Shortly after the year end all shareholders agreed to changes to the Articles and Shareholder Agreement such that the shares will be classified as equity rather than financial liabilities going forward. The analysis below shows that shares on the basis that they are qualifying regulatory capital.

## Financial Review continued

	Actual March 2022 £000	Actual March 2023 £000	Budget March 2023 £000
Regulatory Capital	6,474	7,729	4,656
Capital requirement	2,858	3,353	3,291
Surplus	3,616	4,376	1,365

It should be noted that the spike in interest rates in the latter part of 2022 has led to an FRS102 pension credit for the defined benefit pension scheme and the reimbursement asset being valued at nil as at March 2023. The net change of these two pension components is reflected in a net improvement in the capital adequacy of the Company by nearly £1m.

The FRS102 pension adjustment is calculated annually by the Scheme Actuary taking into account asset returns, the discount rate, inflation and mortality rates. The notes to the financial statements contain a detailed explanation of the accounting for the defined benefit pension scheme. FRS102 accounting for defined benefit pension schemes uses different assumptions to those used by the Scheme Actuary, Barnett Waddingham.

London CIV is an admitted body in the City of London Pension Scheme which has just completed its triennial review of the pension scheme as of March 2022. The review has determined that the London CIV component of the City of London Pension Scheme is fully funded and so the current contribution rate represents the primary rate only.

### Cost Transparency Working Group

The Company continues to work with client funds through the Cost Transparency Group (CTWG), previously chaired by John Turnbull, the treasurer of the London Borough of Waltham Forest and now Damon Cook (treasurer at the Royal Borough of Greenwich) who took over the chair role in April 2023. Our thanks go to John for his excellent support and chairing the CTWG for the last three years and we look forward to working with Damon in the expanded CTWG.

The role of the CTWG is to ensure that there is full transparency and understanding between London CIV and its investors about the methodology used in the calculation of fee savings that London CIV is delivering as the investment company for London Local Authorities, including the City of London. During the year the Company's fee saving methodology which follows existing CIPFA guidance was reviewed by EY and the EY report reviewed by the CTWG and shared with all shareholders.

The Company has also worked closely with the CTWG on the Assessment of Value (AoV) report and a key project for 2023 is an updated review of the funding arrangements following on from the last review in 2021.

The Company continues to work with its client funds to provide cost reporting that complies with the reporting requirements of the Scheme Advisory Board (SAB) and the Local Government Association as part of the Cost Transparency Initiative (CTI).

### Going Concern

Last year a detailed financial analysis looking at the going concern position of the Company was undertaken. In respect of the current year London CIV has reviewed the Annual Budget that was signed off by shareholders in January 2023 for the financial year to March 2024 to determine if there have been any material changes to the business model which could impact on the financial integrity of the Company.

The basis of the going concern forecast is the Annual Budget that was signed off by Shareholders in January 2023 for the financial year 2023/24 and was reviewed to determine if there have been any material changes to the business model, the operating environment or the regulatory capital position which could impact the financial integrity of the Company.

In preparing this report, the Company has taken into consideration:-

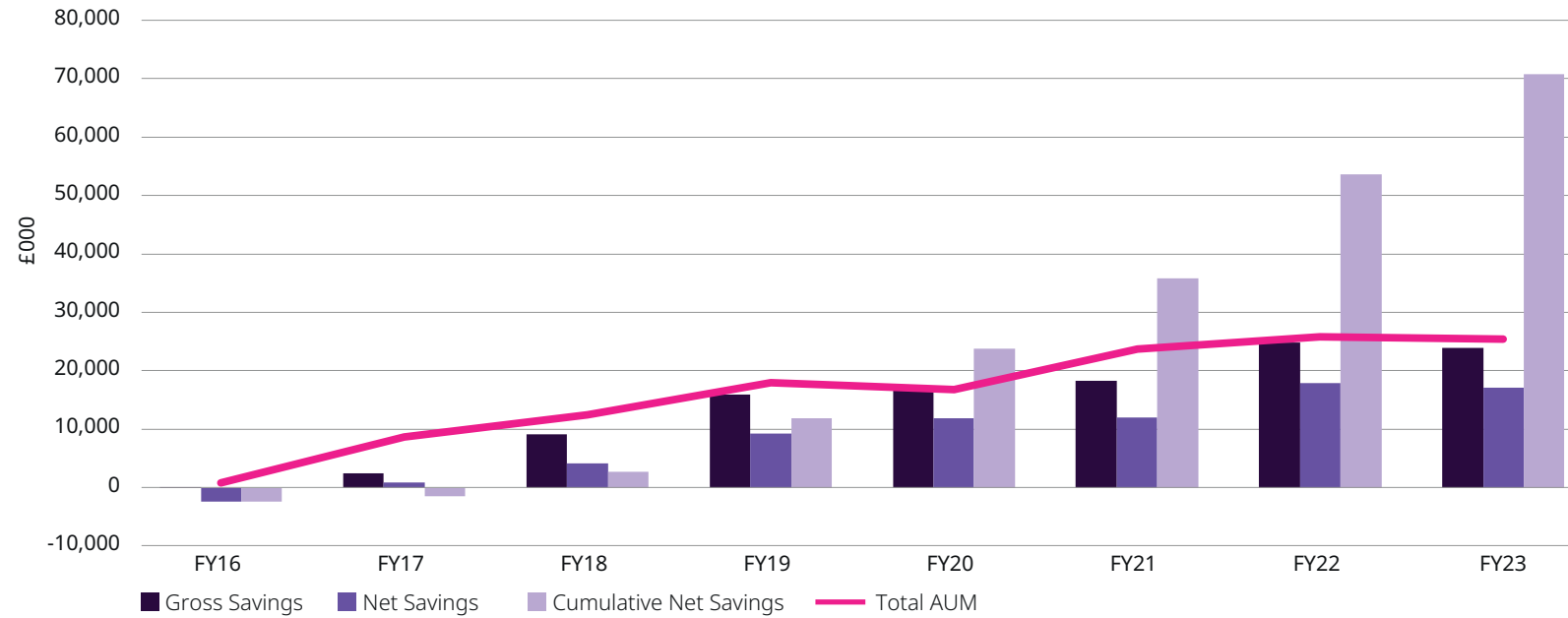
- the annual budget and MTFS that was approved by Shareholders in January 2023,
- shareholders consent to the amendments to the shareholder agreement and articles of association which was achieved on 20 April 2023 after the financial year end,
- the capital adequacy position of the company both current and prospective
- the current trading activity of the company
- the general economic environment

The Company determined that it had the financial resources to operate as a going concern for the foreseeable future

**Brian Lee, Chief Operating Officer**

## Financial Review continued

### Cumulative net savings to March 2023 (ACS and Passives)



	FY16 Mar-16	FY17 Mar-17	FY18 Mar-18	FY19 Mar-19	FY20 Mar-20	FY21 Mar-21	FY22 Mar-22	FY23 Mar-23
Total AUM (£m)	761	8,678	12,455	17,952	16,748	23,769	25,796	25,429

#### Savings (£k)

Gross Savings	117	2,486	9,140	15,872	17,236	18,330	24,850	23,898
Net Savings	-2,431	916	4,201	9,186	11,874	12,030	17,852	17,091
Cumulative Net Savings	-2,431	-1,515	2,688	11,873	23,747	35,777	53,629	70,721

Source: London CIV. Data as at 31 March 2023. The assets under management include Client Fund investments in the LCIV ACS funds, as well as the passive products managed by LGIM and BlackRock which do not form part of the LCIV Fund range.

Private markets data is not currently available therefore only ACS and passives are shown.



# Summary of Principal Risks and Mitigation

## Stephen Burke



We strive to minimise our enterprise risk and prevent harm to our Client Funds

### Enterprise Risk

London CIV recognise the importance of good risk management to prevent harm whilst maximising investment opportunities.

#### London CIV's principles for enterprise risk management are as follows:

- The Board has maintained the Company's risk appetite as: "The Company acknowledges the inherent risks in growing the business at pace, selecting and overseeing portfolio managers, establishing effective pooling structures and delivering accurate reporting to clients and has established an appropriate control framework. London CIV has a medium appetite for manager selection, third party outsourcing arrangements, client communication and engagement, operational processes or procedures which would impact the financial stability of the company and its ability to achieve its purpose and strategic objectives." The Board approves the risk tolerance levels on an annual basis to guide business activities and to shape the controls framework.
- Risk Appetite is taken into consideration in establishing the Company's Medium Term Financial Strategy and is integrated with its operational controls and culture.
- Throughout the year the Company's share capital did not meet the Financial Conduct Authority ('FCA') definition of Common Equity Tier One which was outside the Risk Appetite set by the Board. The Company was not able to remedy this issue as it needed all shareholders to agree to the required changes. The Company sought to mitigate the risk through regular engagement with FCA and Department of Levelling Up Housing and Communities ('DLUHC') so they were kept apprised of developments. The Company also continued to be engaged with the shareholders who had not agreed to the required changes and a mutually acceptable solution was determined. After the end of the financial year a solution was implemented and this risk has been addressed to the satisfaction of the Company. The Company has returned to trading within its Risk Appetite.

- The Board delegates the oversight of its Risk Management Policy to the Compliance, Audit and Risk Committee ('CARCO') and the executive directors that are responsible for implementing the Policy which is an integral part of the Company's strategy, business planning and decision making. The Policy sets out the Company's three lines of defence risk management model which is summarised as:

#### First line

Risk and control ownership

#### Second line

Oversight, support and challenge

#### Third line

Oversight from the Depositary and assurance from corporate and fund auditors.

## Summary of Principal Risks and Mitigation continued

### Principle Sources of risk controllable by the Company

Principal Risk	Definition	Risk tolerance	Assessment
<b>Strategic</b>	Failure to deliver the Business Strategy due to poor execution, decision making, governance, or a failure to deliver due to poor investor engagement, inadequate offering or external industry dynamics, including meeting net zero carbon targets and roadmaps	<b>MEDIUM</b>	<p>This risk is within the Company's Risk Appetite but outside tolerance. The progress of the Company's business strategy is dependent on investor engagement. In the financial year there were significant changes in the constitution of many Client Funds' Pension Committees, due to local Government Elections in May 2022, as well as LGPS triannual valuations and revised asset allocation decisions. While we have worked hard to get to know new councilors and to understand the requirements of their new asset allocations it has resulted in less demand for new investment in exiting funds and the launch of new funds. The Company has launched a service to support Client Funds to meet their Task Force on Climate-Related Financial Disclosure (TCFD) reporting obligations supporting them on their net zero journeys.</p> <p>As has been stated above the Company appointed a new CEO. The new CEO has refreshed the vision and purpose of the Company and its business strategy which has helped in the resolution of the long-standing regulatory capital issue described above.</p> <p>This risk came within tolerance after the end of the financial year.</p>
<b>Investment Risk</b>	Failure to conduct effective investment risk oversight (including counterparty, credit, liquidity, market and ESG risk), or failure to deliver on investment principles or objectives.	<b>MEDIUM</b>	<p>This risk is within tolerance. We continue to work to improve the quality and automation of our investment risk and performance processes.</p>
<b>Operational Risk - Legal and Compliance</b>	The risk that the Company does not comply with the applicable regulatory framework or does not adhere to applicable laws	<b>LOW</b>	<p>This risk is within the Company's Risk Appetite but was out of tolerance due to the regulatory capital issue discussed above.</p> <p>During the year the Depositary reduced its risk assessment of the Company from "Increased" to "Standard" (its lowest rating). Other areas of raised risk relate to the legal risk associated with private markets transactions which we mitigate through third party legal advice.</p> <p>Work commenced in the year to improve our operating model, which aims to reduce the complexity of the Company's operating environment and improve the use of our limited resources to bring this risk into tolerance.</p>
<b>Operational Risk - Firmwide Operations including Outsourcing and IT</b>	The risk of loss as a result of inadequate internal processes, poor internal controls, poor contingency plans and poor operational oversight (internal and 3rd party)	<b>LOW</b>	<p>This risk is within the Company's Risk Appetite but is out of tolerance. We continue to experience high volumes of subscriptions and transitions, mainly due to private markets funds. These transactions are supported by a dealing process which depends on manual controls. We have improved governance and workflow management during the financial year and continue to seek more automation in this process from our outsourcing partner.</p> <p>During the year we managed a significant growth in transition work and we implemented a revolving credit facility put in place for a private market fund. Both of these activities have added to the complexity of our operations.</p> <p>We continue to take steps to strengthen our IT arrangements. The Company attained CyberEssentials certification in the financial year and is now progressing towards ISO27001, the international standard for information security.</p>
<b>People</b>	The ability to attract and retain top talent and the ability to maintain appropriate employment practices alongside a suitable remuneration framework	<b>LOW</b>	<p>This risk is within tolerance. We continue to improve our employment offer and HR processes.</p>
<b>Financial Strength and Balance Sheet</b>	The risk that the Company does not have sufficient regulatory capital reserves or does not achieve sufficient income to remain a going concern	<b>VERY LOW</b>	<p>This risk was outside the Company's Risk Appetite and risk tolerance in the financial year as the Company's share capital did not meet the FCA requirements. The Company engaged its shareholders to amend the terms of its share capital and worked with FCA and DLUHC to achieve the required outcome. The Company has remained a going concern throughout the last financial year.</p> <p>This risk came within tolerance after the end of the financial year.</p>

## Summary of Principal Risks and Mitigation continued

### Business environmental risks

We identify the following risks:

#### Climate change

Last year the Company set a net zero target for London CIV by 2025.

The Company also established a net zero target for our fund range of 2040 offering pathways for Client Funds with varying targets.

We continue to focus on the climate impact of our fund offering, launching the LCIV UK Housing Fund in the financial year. The Company is also offering services to support Client Funds with information to prepare their TCFD reporting.

#### Public Policy

We work closely with our Client Funds to identify public policy changes which might impact on the business and Client Funds. The Shareholder Committee has specific responsibility for identifying emerging trends which might impact on the business or Client Funds which should be considered by the Board or the Executive. Issues include national government policy in respect of pensions and LGPS pooling and local government together with pensions and financial markets regulations. At the 2023 Budget the Government challenged the LGPS in England and Wales to move further and faster on consolidating assets stating that a forthcoming consultation will propose LGPS funds transfer all listed assets into their pools by March 2025, and set direction for the future. The Government said that they will consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets.

Local government elections occurred on 5th May 2022 which delivered meaningful change in London. This translates into changes in leadership of many of the LGPS Pension Committees and many new Pension Committee members. At the same time triannual pension scheme valuations have been completed and new strategic asset allocations are being determined by Pension Committees. We have been working with our Client Funds to get to know the new Pension Committees and to meet their changing requirements.

#### Covid-19 recovery

We use hybrid working arrangements with the focus of the office being a venue for meetings, collaboration and training. We are pleased with the way these arrangements work, but we will continue to tune them to ensure they are optimised. We have continued to increase our headcount but we do not anticipate increasing our office space.

#### War in Ukraine

Sanctions on Russia have continued. No new investment have been made in Russian or Belarusian securities. Where possible our delegated investment managers have sold Russian investments. The Company has valued the small number of these investments that cannot be sold at nil, and its delegated investment managers will sell them if the opportunity arises.

#### 2023 Banking Crisis

Some of the Company's delegated investment managers had small investments in certain US banks and in Credit Suisse, which have failed. Banking regulators in the UK, USA and Switzerland have closed these banks or arranged take overs of these banks. Our funds' investments in these cases had no value and have been written off.

#### Inflationary Pressures

Inflationary pressures impact us as the DFC has remained unchanged and our costs are increasing. At the same time our annual management fees have become more volatile due to uncertainty in the financial markets. The Company does, however, have a significant capital buffer and strong cash balances, so it is well positioned to manage through the crisis.



# Creating Value for Stakeholders

London CIV was established as a collective venture to pool LGPS pension assets and is owned by its 32 London Local Authority clients.

It is FCA authorised and regulated.

Client Funds and their 707,488 beneficiaries are the key stakeholders.

A disciplined Fund Launch Framework (FLF) which provides high levels of engagement with Client Funds is fundamental to our business model. The FLF makes use of SIGs to achieve this. We also provide quarterly updates to Client Fund consultants and advisors.

For three private markets funds we are the portfolio manager. For other funds portfolio management is delegated or our funds invest in specified third-party funds. The funds use UK authorised and unauthorised structures.

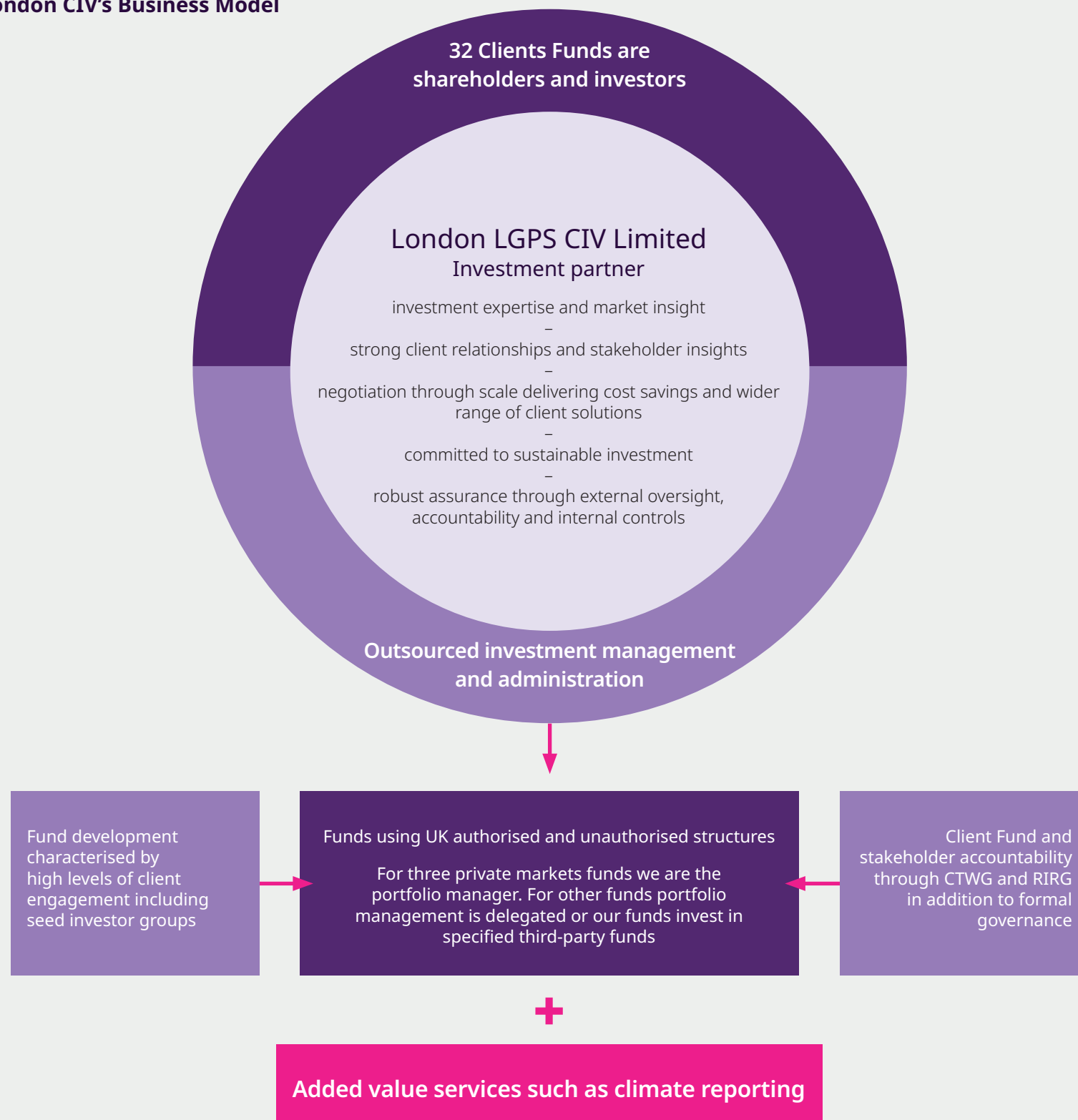
We aim to develop added additional services, the first of which is our climate reporting service. A transition management service is in the pipeline.

Our investment administration is outsourced.

Regulatory oversight is provided by the FCA, Depositary (Northern Trust) and our external auditors.

This is complemented by our internal assurance framework which together provides a robust assurance framework.

## London CIV's Business Model



# People, Culture and Pay

## Sam Furlano



Our culture and values can be summed up as “working together to secure a sustainable future”

### Key themes

Our people are essential to the successful delivery of the London CIV strategy and to ensure we sustain business performance. Our new purpose statement is intentionally more motivational and intentional. In revising our vision, culture statement and values we expect to give further emphasis to our commitment to being client centric and our “best selves”, working for all the communities that depend on us.

Strong engagement helps us to accelerate our people’s development, enhance our leadership capabilities and improve employee performance. Our Employee Voice staff group plays a key role in obtaining staff feedback and forums such as the monthly “Townhall” and weekly “huddle” are designed to ensure the whole staff are kept up to date and meet together. Our programme of induction and social activities assist in building a collaborative team. Diversity and Inclusion is a cross-cutting theme and we are members of the Diversity Project which is a financial services sector organisation aimed at improving diversity and inclusion in the sector.

During 2021/22 we reviewed and developed a comprehensive People Strategy. The implementation of that strategy continued to be an important strategic theme during 2022/23. It was given further emphasis in 2023 with the inclusion of purpose and culture, and the organisational structure, in Dean Bowden’s Strategic Business Review.

London CIV’s remuneration policy seeks to attract, recruit, retain and motivate staff of the calibre necessary to achieve the Company’s corporate objectives and long term strategic goals. This goes beyond pay and the first phase of the Total Reward Framework review in 2022/23 emphasised non-pay benefits, including our hybrid working, learning and development programme, introduction of private medical insurance, increased annual leave and more attractive family friendly policies.

The key focus for the senior leadership team was the key appointment of Dean Bowden as CEO in succession to Mike O’Donnell. Just before the close of the year end it was decided to separate out the roles of Chief Operating Officer (COO) and Chief Financial Officer (CFO). Brian Lee continues as CFO and an Executive Director with a focus on business strategy. The COO role will also be an Executive Committee member and report to the CEO and assist in providing a high quality service to clients and efficient and effective organisation.

### People strategy themes



## Learning and Development

### Key facts

#### All staff

undertook a minimum of 10 hours of regulatory learning and development and all staff are members of the professional body CISI

#### Professional qualifications

10 staff (245) undertook a professional qualification including CFA, CAIA, CFA Certificate in ESG Investing, ISA27001, mini MBA, CGI

#### Cross team working

All staff undertook individual workstyle assessments and participated in cross team workshops

#### Management capability

All managers undertook a 3 day managers fundamentals programme to upskill and enhance their management capability

#### Coaching

Presentation skills training for 13 staff

#### Net Zero plan

BSI training course as part of our organisational Net Zero plan and footprint assessment



## People, Culture and Pay continued

### Diversity and Inclusion

This year London CIV joined the Diversity project's newly created Small Firms' Forum which has proved helpful in identifying realistic ways to retain and attract a diverse and inclusive staff team given the small size of the firm.

43% of staff self-define as female and 36% self-define as minority ethnic. 46% of staff at "Heads of" and above self-define as female against a target of 40% and 8% of staff self-define as minority ethnic at "heads of" and above against a target of 8%. All figures are at 31 March 2023 and given the small permanent staff numbers, 42 in total not including interim staff/consultants, one individual can impact significantly on percentages. We collect gender and ethnicity pay gap figures and publish gender pay gap figures in this report but bearing in mind the size of the staff team and the need for anonymity have not published ethnicity pay gap figures although these are discussed by the executive.

The Board has agreed a Diversity and Inclusion Policy which includes targets for the composition of the Board and senior staff defined as "Head of" and above which are based on the recommendations of the Hampton-Alexander and Parker reviews. The Board agreed in March 2021 that the calculation for the Board should exclude the 2 shareholder NEDs. Of the 9 members of the Board excluding the 2 shareholder nominated NEDs 33% of the Board overall are female against a target of 40% and excluding the Executive Directors 50% of the NEDs are female.

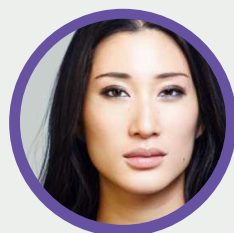
Currently none of the 9 Board members excluding the 2 shareholder nominated NEDs are from ethnic minorities (against a Parker review target of 1) although the Parker review target is met if the shareholder nominated NEDs are included. Taking the 5 Chair, CEO, CARCO Chair, RemNomCo Chair and CFO roles, bearing in mind FCA diversity reporting expectations, 40% of these roles are held by women. There is no Senior Independent Director (SID) however there are 2 shareholder nominated NEDs and a Shareholder Committee Chair.

London CIV is a small company with 42 employed staff, well under the 250 staff threshold for statutory reporting on gender pay ratios and some other pay reporting. However Executive Management and the Board are concerned to use this reporting information as a tool to keep the company's culture and working practices under review and also to respond to stakeholder expectations about transparency of information. The NED fees paid are more in line with public sector rather than private sector financial services NED fees and were reviewed in 2021 when it was agreed to pay an additional fee of £2,500 to Committee Chairs whilst keeping the fee of £3,500 paid to the Shareholder Committee Chair to the same level. The fee paid to the Chair was reviewed as part of the process when Mike Craston replaced Lord Kerslake and was increased to £45,000. Michael Green is paid a fee of £7,500 as a non-executive member of IOC. Following the 2023 review of governance arrangements, the composition and Terms of Reference of IOC will be revised with a greater emphasis on customer outcomes. Michael Green will not be replaced at the end of his term of office. Remuneration is defined as the fee or salary received in the reporting year. Paul Niven waived his Chair fee.

### Statutory Director pay/fees

Name	Role	Remuneration
Mike Craston (Chair)	Chair	£45,000
Paul Niven	NED (IOC Chair)	£15,000
Alison Talbot	NED (CARCO Chair)	£17,500
Kitty Ussher	NED (RemNomCo)	£17,500
Yvette Lloyd	NED	£15,000
Mark Laidlaw	NED	£15,000
Cllr Peter Mason	NED	£15,000
Cllr Ravi Govindia	NED	£15,000
Dean Bowden	CEO	£295,000
Brian Lee	COO	£205,130
Jason Fletcher	CIO	£260,730

### Some of our staff speakers at outside events, London CIV conferences and business updates



## People, Culture and Pay continued

### CEO Pay and Pay Ratios

Dean Bowden's annual salary is £295,000. The hourly pay ratio between the CEO and the lowest paid employee based on permanent staff numbers is 9:1.

### Gender pay ratio analysis

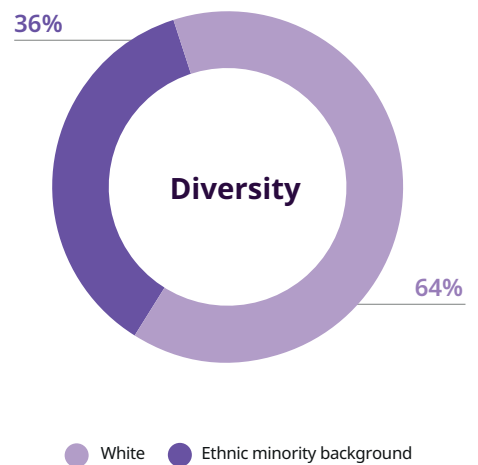
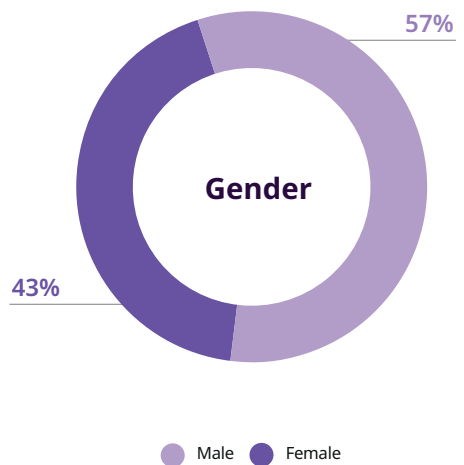
London CIV's gender pay report is based on 42 permanent staff as at 31 March 2023 and does not include interims, consultants or non-executive directors. Based on such a small cohort one individual can significantly impact the gender pay ratios so that caution is required in interpreting the data. The analysis is based on hourly earnings by gender and indicates that for every £1 the median man earns the median woman earns £0.82 across a workforce of 42 permanent staff of which 43% are female.

The key challenge for London CIV is to make sure that the organisational culture and working arrangements attract, motivate and retain a diverse workforce, providing as many development and progression opportunities as possible within the constraints of a very small and specialist team.

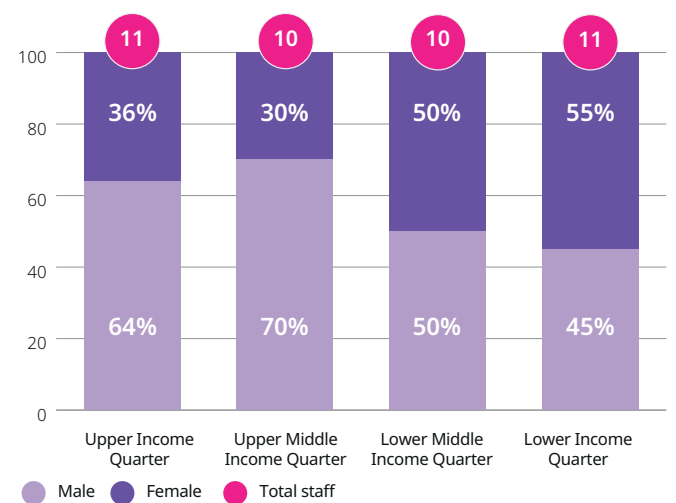


42

Total staff (as at 31 March 2023)



### London LGPS CIV Limited Hourly Earnings by Gender



For every £1 the median man earns, the median woman earns

**£0.82**

Percentage of employees are women

**43%**



# Corporate Governance

# Governance Framework

## Stakeholders

London CIV is an FCA regulated company limited by shares whose 32 London Local Authority shareholders are its only clients. It was established as a collective venture in 2015 to provide a more effective vehicle for managing the pooled pension fund assets of the London Local Authorities.

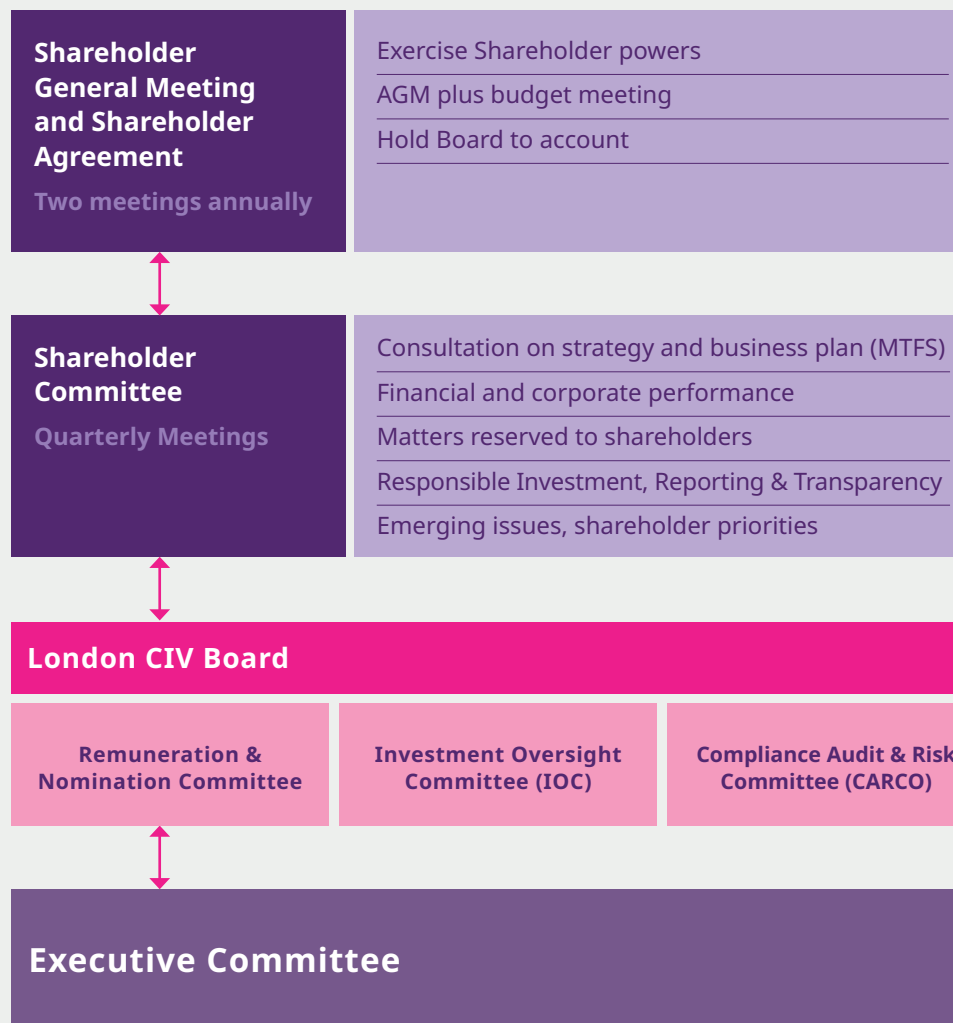
The client funds and their beneficiaries are London CIV's key stakeholders and London CIV's purpose statement underlines the importance of adding value to all the stakeholders which it serves and delivering sustainable prosperity. Other stakeholders include the Department for Levelling Up, Housing and Communities (DLUHC), London taxpayers and the users of London local government services which include education, public health, social care, waste management, housing and culture.

Responsible Investment is core to all we do and prosperity is one of four World Economic Forum "pillars" alongside People, Planet and Principles of Governance. It is defined as "an ambition to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature". Our Responsible Investment and Stewardship Policy describes what prosperity means for London CIV in the following terms "our primary goal is to help our clients with meeting their pension commitments, ensuring that people are not vulnerable to financial challenges that could minimise the ability to prosper.

An effective governance framework is key to London CIV's operation, long term success and sustainability, and to our legal and regulatory requirements. The business model is characterised by visibly high levels of client fund engagement, in particular in respect of Client Fund involvement in fund launch development (Seed Investor Groups "SIGs"). We have an active Responsible Investment Reference Group (RIRG), chaired by Cllr Robert Chapman of LB Hackney, which has provided a sounding board to steer the development of our Responsible Investment and Stewardship activity. The Cost Transparency Working Group (CTWG) chaired by a s151 Officer has supported us in the work to review our funding model and develop our cost transparency and benchmarking activity. During 2022/23 CTWG was chaired by John Turnbull of LB Waltham Forest who at the turn of the reporting year was succeeded by Damon Hill of Royal Borough of Greenwich.

## London CIV committee structure

### Formal Governance



The Terms of Reference of the Shareholder Committee include the Trade Union member as a voting member which means that beneficiaries are explicitly included in our governance structures, in line with Scheme Advisory Board (SAB) expectations and Investment Association guidance in respect of good corporate governance in respect of stakeholders. This is consistent with the Committee's consultative role and responsibility for identifying emerging issues which may impact on the Company or shareholders and assists Directors in fulfilling their Companies Act s172 obligation to consider the impact of decisions on stakeholders.

London CIV is a UK Stewardship Code signatory. The Responsible Investment and Stewardship section of this report provides more information about how the Company has fulfilled its stewardship responsibilities and more information can be found in the Stewardship Outcomes report and other Climate and Stewardship reports and policies including the TCFD report published on the website at [www.londonciv.org.uk](http://www.londonciv.org.uk)

## Governance Framework continued

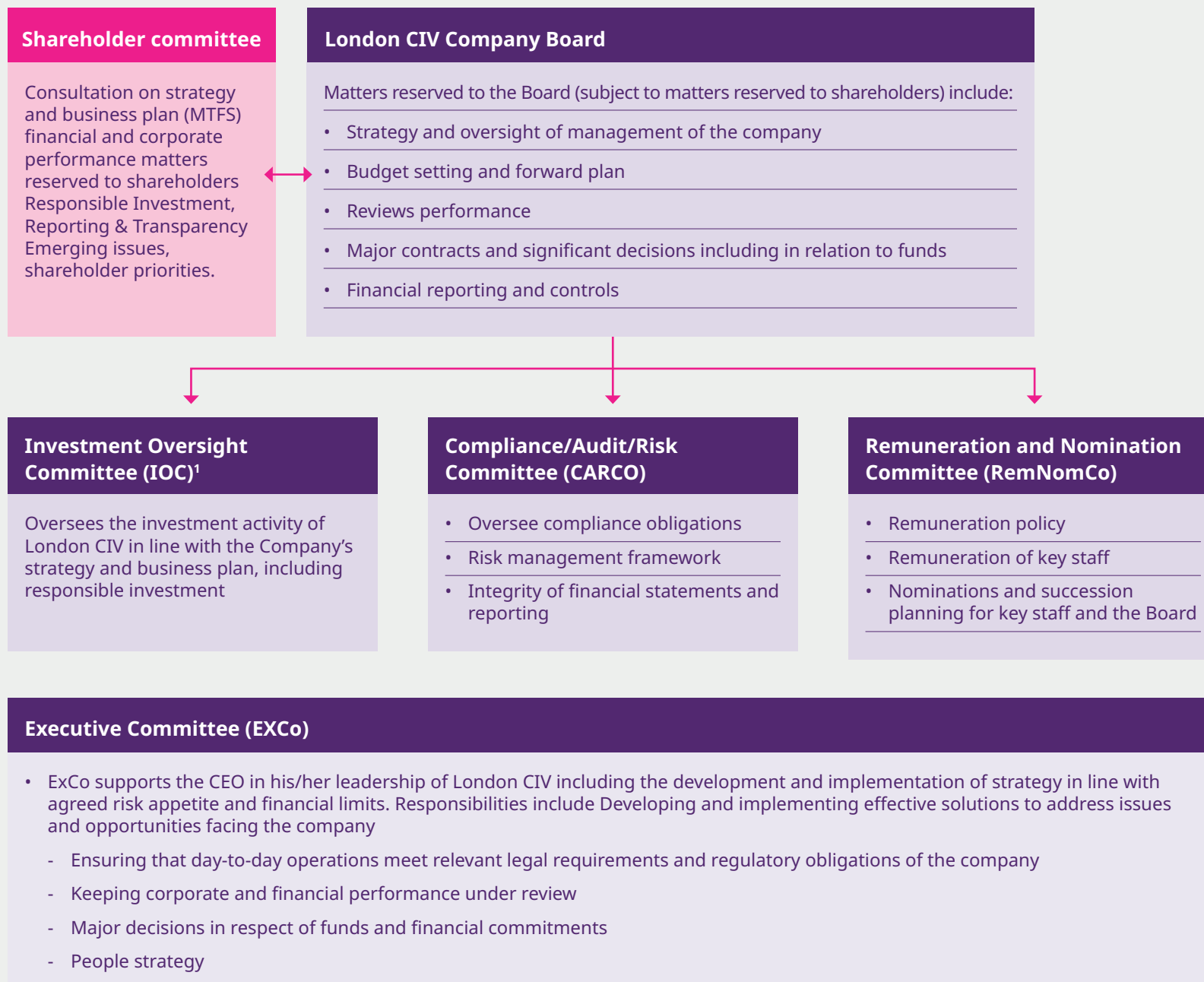
### London CIV Governance Framework

London CIV was set up for the specific purpose of pooling the LGPS pension assets of the London Local Authorities. The constitutional arrangements therefore include a Shareholder Agreement which reserves certain decisions to shareholders. This includes approval of the budget, objectives and business plan.

There are 2 general meetings each year of all shareholders and quarterly meetings of a consultative Shareholder Committee representative of shareholders. The Committee considers emerging issues and corporate and financial performance and is consulted on decisions about matters reserved to shareholders. There are two shareholder nominated directors on the Board who are Leaders of London Councils and a Treasurer Observer (s151 officer) on the Board.

The overall strategic direction and governance of London CIV is vested in the Board, which has responsibility for major decisions not reserved to shareholders. The Executive Directors, led by the Chief Executive, are responsible for the day-to-day management of the company and there is an Executive Committee which includes other senior managers in the firm. Under the FCA's Senior Management & Certification Regime (SMCR) certain individuals are responsible for the management and conduct of London CIV as Senior Management Function Holders (SMFs). During 2022/23 these included the CEO, Chief Investment Officer (CIO), Chief Operating Officer (COO with responsibilities covering finance and operations), and Compliance Officer (with responsibilities covering compliance and risk). It has been decided to split the Chief Finance Officer (CFO) and Chief Operating Officer responsibilities and the CFO will also focus on business strategy and their Executive Director role with capacity for the COO to focus on operations which includes management of third party suppliers.

The Board Governance Committees are the Investment Oversight Committee (IOC); Compliance, Audit, and Risk Committee (CARCO); and Remuneration and Nomination Committee (RemNomCo) which includes the Chair of the Shareholder Committee. The Shareholder Committee is a consultative committee to the Board.



1 In June it was agreed to change the name of the Investment Oversight Committee to the Investment and Customer Outcomes Committee (ICO) to emphasise this aspect of its remit

# London CIV Board and Committees

## Mike Craston



### Key issues discussed by the Board during the year, were:

- Corporate performance including investment performance and the investment portfolio pipeline, and performance against MTFS objectives
- Financial performance and regulatory capital requirements
- Annual budget, business plan and objectives set in the context of a medium term financial plan
- Medium Term Strategy including Purpose and Culture and achieving effective client engagement to deliver the strategy and the funding model.
- Regular update on governance and shareholder matters
- Responsible Investment and Stewardship including London CIV's net zero climate ambition and priorities for voting and engagement
- Client engagement and feedback, communication and reporting
- Strategic challenges and risks to delivering the strategy and specific proposals
- Diversity and inclusion, remuneration, succession and appointment matters
- Amendments to the Articles of Association (AA) and Shareholder Agreement (SHA) to meet FCA requirements
- Year-end financial report and Annual Review

The comprehensive Board evaluation of its collective performance was undertaken externally and the timing has allowed the report to be used to inform the incoming CEO as well as the Board collectively in identifying desirable changes to working practices and to governance and management committee structures to be implemented in the forthcoming reporting year. As expected this includes further development of themes identified last year including board discussion of strategic challenges and risks (for example through "deep dives").

All directors must meet FCA fitness to serve requirements and are specifically approved by the FCA where required by the SM&CR regime. The Executive directors, Chair of the Board and Compliance and Risk Director hold designated Senior Manager Functions (SMF) under the FCA's Senior Management & Certification Regime (SM&CR). Two Non-Executive Directors, Cllr Peter Mason (Cllr Stephen Alambritis to September 2021) and Cllr Ravi Govindia are nominated by Shareholders and Ian Williams is the Treasurer Observer. There is also a Non-Executive member of the Investment Oversight Committee (IOC) who is not a Board member

There were no changes to the Non-Executive membership of the Board during the year.

In December 2022 Dean Bowden was appointed Chief Executive in succession to Mike O'Donnell and replaced Mike O'Donnell as a Board member.



## London CIV Board and Committees continued

# Shareholder Committee

Chaired by  
**Cllr Rishi Madlani**



The committee is consulted on: London CIV's strategy, budget and business plan (MTFS); emerging issues and shareholder priorities; financial and corporate performance; Responsible Investment, and Reporting & Transparency. It is also consulted about matters reserved to shareholders by the shareholder agreement. This role means that the Shareholder Committee plays an important role in identifying emerging issues and realistic solutions which will ensure that London CIV can deliver pooling to meet the needs of London. The Chair of the Committee is a member of the Remuneration and Nomination Committee and there are regular meetings between the Chair of the Board, Chair of the Shareholder Committee and CEO.

Particular areas of focus have been: London CIV's medium term plans, in particular delivering the anticipated benefits of pooling to client funds and value for money; the challenge of achieving amendments to the Articles of Association and Shareholder Agreement.

### Key issues discussed by the Committee in the last year were:

- Corporate and financial performance including value for money
- Medium term financial strategy, annual budget, business plan and objectives prior to decision by the January 2022 General Meeting of all Shareholders
- Responsible Investment, including progress in achieving London CIV's net zero targets and stewardship and engagement activity – see pages 20 to 24 for more information
- Diversity and inclusion, including progress as part of London CIV's activity as an investor (for more information see the Stewardship Outcomes report) and the diversity of the staff team, Board and Committees -see the People, culture and pay report on pages 32 to 34

## Shareholders Role and Responsibilities



### Shareholder Responsibilities

- London CIV's shareholders are the Client Funds
- Shareholders have rights and responsibilities set out in company law (Companies Act 2006)
- London CIV Shareholder obligations, responsibilities and rights are set out in the Articles of Association and Shareholder Agreement



### Shareholder General Meetings

- 32 Members
- Meeting every six months (AGM and one other)
- Approves annual budget, business plan and objectives
- Approves membership of the Shareholder Committee
- Attended by all Shareholder Representatives



### Shareholder Agreement

- Reserves certain decisions to all or a majority of shareholders in general meeting or in writing
- Sets out requirement for all shareholders to appoint a named "shareholder representative" (usually the Pension Committee Chair or equivalent)



### Shareholder Committee Role

- Corporate and financial performance review
- Identifies emerging issues for the Board and Executive to consider  
Consulted on Annual Budget, business plan and objectives and decisions about matters reserved for shareholder approval
- Consulted on Responsible Investment and Transparency and Reporting

## London CIV Board and Committees continued

## Compliance, Audit and Risk Committee (CARCO)

Chaired by  
**Alison Talbot**



In summary CARCO is responsible for: overseeing compliance obligations; for the integrity of financial statements and reporting, the external auditor engagement; and for the risk and control framework.

### The key issues considered by CARCO this year include

- The ongoing compliance monitoring programme Business resilience, cybersecurity and the information systems programme
- The statutory report and financial statements for London CIV and for the Authorised Collective Scheme (which contains reports on the funds) and EUUT.
- Regulatory capital and action to amend the Articles of Association and Shareholder Agreement to meet FCA requirements.
- The report of the external auditors including going concern requirements
- Assessment of Value (AoV) report to client funds on ACS funds
- Internal control environment and assessment of any need for an internal audit function and controls reporting
- Ongoing work to enhance the risk and control framework to meet changes in the external and internal strategic and operating environment of the firm, including enterprise risks and mitigating actions required
- The Annual Report of the Depositary

## Investment Oversight Committee (IOC)

Chaired by  
**Paul Niven**



In summary, the role of the IOC is to oversee the investment activity of London CIV in line with the Company's strategy and business plan. This includes forward looking activity such as the Strategic Product Roadmap, fund launch pipeline and fund launches in progress as well as fund performance. The IOC's Terms of Reference (ToR) reflect the increased emphasis on Responsible Investment and Stewardship, including climate change. We were pleased that, following submission of the Stewardship Outcomes Report, London CIV was approved for the second time as an asset owner signatory to the UK Stewardship Code 2020.

### Key topics discussed by the IOC, considered in more detail in the Investment Report.

- The Strategic Product Roadmap which aims to identify how London CIV will provide the funds required to meet Client Funds asset allocation requirements in a way which adds value
- The fund launch programme, including the appointment of new managers
- Fund performance, performance of fund managers and oversight of investment risk in funds
- Responsible Investment, in particular progress in achieving London CIV's net zero ambition in respect of climate change and TCFD reporting including the new climate analytics service
- Stewardship and Engagement, including the three priority stewardship themes

## Remuneration and Nomination Committee (RemNomCo)

Chaired by  
**Kitty Usher**



In summary the Committee is responsible for: the remuneration framework; remuneration of key staff; nominations matters (appointments) and succession planning for key staff and the Board.

The main focus for the work of the Committee this year has been succession planning in respect of the appointment of a CEO. An external search firm assisted with the process which was also supported by the HR Director. Dean Bowden was appointed and took up the role in December 2022 following FCA approval

Diversity and inclusion continues to be a key focus for the Board and the Executive as part of the People Strategy and recruitment at all levels and this is reflected in the wording of the remuneration policy. The People, Culture and Pay section of the Annual Review provides more information about the People Strategy and also about diversity commitments and the current composition of the staff team and board.

The key areas of emphasis for the work of the Committee in respect of the People Strategy are:

- The review of the Remuneration Framework in order to ensure that London CIV is able to attract, retain and motivate the quality staff required to deliver services to client funds. Progress includes pay policy reflective of cost of living pressures and improved non-pay benefits including London CIV's Learning and Development Programme
- Succession planning and appointments in respect of the Board and senior staff as described above



## London CIV Board and Committees continued



**Mike Craston**  
Chair

Mike joined the London CIV Board as Chair in September 2021. He is Chair of Aviva Investors and a non-executive director of Aviva plc. He is non-executive Chair of Railpen Ltd. Prior to this, he held a number of roles at Legal and General, Aegon Asset Management, Scottish Equitable, and Schroders.



**Dean Bowden**  
Chief Executive Officer

Dean Bowden was appointed as Chief Executive of London CIV in December 2022. He has over 25 years experience in the investment sector, most recently as CEO of Quilter Investors Portfolio Management and Managing Director of Quilter Investors Limited, while also undertaking the role of Quilter's Group Head of Responsible Investment. Dean began his career as an Investment Manager at Thesis Asset management, personally managing individual client portfolios and a range of funds, before moving to Skandia (now Quilter) in 2007 as Chief Investment Officer of the International Division, spending 15 years with the group undertaking a number of senior leadership positions.



**Jason Fletcher**  
Chief Investment Officer

Jason Fletcher is the Chief Investment Officer at the London CIV and joined in July 2020. Jason has significant experience in the LGPS sector; he has previous experience as Chief Investment Officer at LGPS Central and at West Midlands Pension Fund prior to that, where he has worked in partnership with a multitude of pension funds. His familiarity with the LGPS sector complements 25 years of experience in the financial services industry more broadly, where he has previously progressed at the Universities Superannuation Scheme Investment Management (USSIM), initially specialising in Equities and succeeding as Co-Deputy Chief Investment Office



**Brian Lee**  
Chief Operating Officer

Brian Lee is the Chief Financial Officer of London CIV and has been a director of London CIV since 2015. Brian is a Chartered Accountant and his previous experience has been in senior management roles in global investment management and fiduciary businesses including a major international bank, a FTSE 250 wealth manager, and a NYSE listed hedge fund and private equity manager.



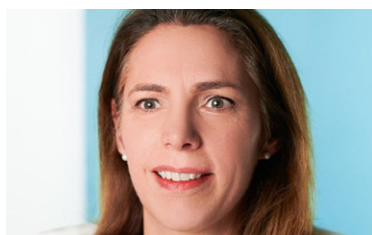
**Alison Talbot**  
Non-Executive Director

Alison Talbot has over 25 years' experience in senior roles in financial services with an emphasis on asset management. She is currently the Chief Risk Officer and General Counsel for the Scottish National Investment Bank Plc. She is a qualified solicitor and her roles have included a wide range of corporate governance, fund structuring and merger and acquisition activity. Alison Chairs the Compliance, Audit and Risk Committee (CARCO).



**Kitty Ussher**  
Non-Executive Director

Kitty Ussher is an economist, former Lambeth councillor and MP who served as Economic Secretary to the Treasury (City Minister) during the financial crisis of 2007-08. In parliament she was a member of the Public Accounts Committee, the 2006 Companies Act and several Finance Bill committees. She has also served on the Financial Services Consumer Panel of the FCA. Kitty is currently Chief Economist at the Institute of Directors, Non-Executive Director at Revolut NewCo UK Ltd and a member of The Times shadow monetary policy committee. She chairs the Remuneration and Nomination Committee.



**Yvette Lloyd**  
Non-Executive Director

Yvette Lloyd is Head of Investment Product Structuring Solutions at BNY Mellon Investment Management EMEA Ltd, overseeing and consulting on global product solutions. She brings expertise in equity, multi-asset, and real estate in both public and private markets, for both retail and institutional investors. Yvette has over twenty years' of experience in large asset management firms including the implementation of ESG factors across a global funds platform. She has served as a Member Nominated Director of a large UK pension scheme and an advisor to the Trustee for the Royal College of Nurses Foundation. Yvette is a member of the Investment Oversight Committee.



**Paul Niven**  
Non-Executive Director

Paul is Head of Asset Allocation (EMEA) at Columbia Threadneedle Investments, which manages in excess of £480bn. He has over twenty five years of investment experience and is also Fund Manager of the FTSE 100 listed F&C Investment Trust, one of the largest Investment Trusts in the UK. Paul has extensive experience in leading teams of investors, managing investment processes and has invested across a wide range of traditional and alternative asset classes and has experience across a number of relevant areas including manager and product selection, strategic and tactical asset allocation as well as risk and portfolio management. Paul is Chair of the Investment Oversight Committee.



**Cllr Peter Mason**  
Non-Executive Director

Peter Mason is the Leader of the London Borough of Ealing. Before being elected Leader in 2021, he served on the Ealing cabinet in various portfolios including housing, planning, skills & employment as well as public service reform and transformation. Peter is a member of the Old Oak and Park Royal Development Corporation (OPDC Board) and the Chair of the West London Economic Prosperity Board and several other sub-regional committees. Peter was the Head of Public Sector at a leading digital engagement PropTech company. He is a trained town planner holding a Master's in Urban Regeneration from the Bartlett School of Planning.



**Cllr Ravi Govindia**  
Non-Executive Director

Cllr Ravi Govindia led Wandsworth Council from 2011 to May 2022. He has specialised in the fields of regeneration, housing, finance and planning. As co-chair of the Nine Elms Vauxhall Partnership he played a key role in securing the Northern Line extension to Nine Elms, unlocking London's biggest regeneration programme. Under his leadership, Wandsworth delivered record housing, the second lowest council tax and pioneered a range of innovative homeownership schemes. In 2017 he was awarded a CBE for services to local government



**Mark Laidlaw**  
Non-Executive Director

Mark has over 30 years' experience in financial services primarily within life, pensions and asset management and is a qualified actuary. Mark most recently was Corporate Strategy Director at LV= and held a number of roles including as Chief Financial Officer (CFO) and Chief Risk Officer (CRO) at AEGON UK. Mark is a Non-Executive Director of Omnilife, Kilter Finance and Scottish Friendly as well as a Trustee of the LV= pension scheme and a member of the investment committee of TPT (a DB master trust). Mark is a member of the Compliance Audit and Risk Committee (CARCO).



**Ian Williams**  
Treasurer Observer

Ian is the London Borough of Hackney's statutory Chief Finance Officer. His directorate includes Customer Services, Revenues – Council tax and Business rate collection, Housing Benefits and Needs, ICT, Strategic Property, Procurement, & Contracts, HR, Audit and anti-fraud investigation. He is also the lead officer for the £500m development of the Britannia Site to include Leisure and Education provision alongside 480 residential properties. Ian is an active member of the Society of London Treasurers and a member of the London Finance Advisory Committee and also a member of CIPFA Council.

# Glossary

Acronyms and Terms	Definition
<b>ACS – Authorised Contractual Scheme</b>	An Authorised Contractual Scheme (ACS) is a UK authorised, tax transparent fund structure, which provides a flexible alternative to open ended investment companies and authorised unit trusts.
<b>AIF – Alternative Investment Fund</b>	An alternative investment fund (AIF) is a collective investment in so-called 'non-standard' tangible and non-tangible assets whereby investors' capital is pooled, and the returns are also pooled.
<b>AIFM – Alternative Investment Fund Manager</b>	An AIFM is defined as an entity that provides, at a minimum, portfolio management and risk management services to one or more AIFs as its regular business irrespective of where the AIFs are located or what legal form the AIFM takes.
<b>AIFMD – Alternative Investment Fund Managers Directive</b>	Directive reference 2011/61/EU The Alternative Investment Fund Managers Directive (AIFMD) is a regulatory framework for alternative investment fund managers (AIFMs), including managers of hedge funds, private equity firms and investment trusts.
<b>AoV – Assessment of Value</b>	An FCA required report on individual funds covering specified headings intended to provide clients with a transparent report on value add and any performance concerns
<b>AUM – Assets Under Management</b>	Assets under management (AUM) is the total market value of the investments that the Company manages on behalf of client funds.
<b>CARCO – Compliance, Audit, and Risk Committee</b>	CARCO oversees London CIV's activity in respect of compliance, audit and risk.
<b>CTI – Cost Transparency Initiative</b>	The CTI is an industry standard for institutional investment cost data designed to provide transparent information on costs and charges and help investors decide whether investments represent value for money. The CTI Board partners are the LGPS Scheme Advisory Board, Pension and Lifetime Savings Association (PLSA) and Investment Association
<b>CTWG – and a Cost Transparency Working Group</b>	The role of the Working Group (CTWG) is to ensure that there is full transparency and understanding between London CIV and its client funds about the calculation of cost savings and benefits that London CIV is delivering.

Acronyms and Terms	Definition
<b>Climate Action100+</b>	An investor initiative to drive corporate action on climate change. Over 400 investors with >\$35 trillion in assets under management ("AUM") are engaging 100 systemically important emitters (accounting for two thirds of global emissions) on improving governance, curbing emissions and strengthening disclosures.
<b>DFC – Development Funding Charge</b>	The DFC and service charge together comprise the London CIV's fixed income stream and are paid by all shareholders contributing to the core costs of the company. When introduced the intention was that the DFC would be a short to medium term measure until management fee income had risen sufficiently to contribute to core costs.
<b>Diversity Project</b>	The Diversity Project is a cross-company initiative championing a more inclusive culture within the Savings and Investment profession.
<b>DLUHC – Department for Levelling Up</b>	Housing and Communities the government department responsible for local authorities including LGPS pension asset pooling policy
<b>ESG – Environmental, Social and Governance</b>	ESG Environment, Social and Governance are issues that are identified or assessed in responsible investment processes. Environmental factors are issues relating to the quality and functioning of the natural environment and natural systems. Social factors are issues relating to the rights, well-being and interests of people and communities. Governance factors are issues relating to the governance of companies and other investee entities.
<b>EUUT – Exempt Unauthorised Unit Trust</b>	An unauthorised unit trust (UUT) is any unit trust which has not been authorised under Section 243 of the Financial Services and Markets Act (FSMA) 2000 by the Financial Services Authority and, a UUT can qualify as an exempt unauthorised unit trust (EUUT) if: the trustees are UK resident, the investors are exempt from capital gains tax or corporation tax on chargeable gains (for reasons other than residency) and, approved by HMRC.
<b>FCA – Financial Conduct Authority</b>	The conduct regulatory for 50 financial services firms and financial markets in the UK and the prudential supervisor for 48,000 firms, setting specific standards for 18,000 firms.
<b>IOC – Investment Oversight Committee</b>	The Investment Oversight Committee (IOC) oversees the investment activity of London CIV in line with the Company's strategy and business plan, including responsible investment.

## Glossary continued

Acronyms and Terms	Definition
<b>LAPFF – Local Authority Pension Fund Forum</b>	The Local Authority Pension Fund Forum (LAPFF) is a voluntary association of public sector pension funds based in the UK. LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.
<b>MTFS – Medium Term Financial Strategy</b>	A financial strategy which outlines investment and other financial goals within an annual and 5-year timescale.
<b>NED – Non-Executive Director</b>	A non-executive director is a member of London CIV's board who is not a member of the executive team and not involved in the day-to-day management of the company. They are involved in strategic direction, governance, setting the company's risk appetite, and monitoring corporate and financial performance. They are expected to provide challenge and act in the interests of the Company's stakeholders.
<b>Pensions for Purpose</b>	Pensions for Purpose is a collaborative initiative of impact managers, pension funds, social enterprises and others involved or interested in impact investment. Its aim is to promote understanding of impact investment by effectively sharing news stories, blogs, case studies, academic research and thought leadership papers.
<b>QIR – Quarterly Investment Report</b>	A report sent to all London CIV Client Funds detailing the financial and ESG performance of London CIV funds on a quarterly basis.
<b>RemNomCo – Remuneration and Nomination Committee</b>	The Remuneration and Nomination Committee are responsible for London CIV's remuneration policy, remuneration of key staff and, nominations and succession planning for key staff and the board.
<b>RIRG – Responsible Investment Reference Group</b>	RIRG is a forum which supports the Executive, Board and IOC in developing and co-ordinating London CIV and Client Funds' approach to stewardship, responsible investment and ESG.
<b>RMF – Risk Management Framework</b>	The Risk Management Framework is used to identify threats to London CIV and outlines the process for mitigating those risks. The RMF is embedded in the Company's overall business strategy, operational policies, and practises.

Acronyms and Terms	Definition
<b>SAB – Scheme Advisory Board</b>	The Local Government Pension Scheme Advisory Board is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113. The purpose of the Board is to be both reactive and proactive. It will seek to encourage best practice, increase transparency, and coordinate technical and standards issues in respect of the LGPS.
<b>SM&amp;CR – FCA's Senior Management &amp; Certification Regime</b>	The Senior Managers and Certification Regime (SM&CR) replaced the Approved Persons Regime (APR) for solo-regulated firms from 9 December 2019. The regime aims to reduce harm to consumers and strengthen market integrity. It sets a new standard of personal conduct for everyone working in financial services.
<b>SMF – Senior Manager Functions</b>	Senior Management Functions (SMFs) are a type of controlled function under FSMA. They are prescribed in the Handbook and apply to UK-authorized firms and EEA Branches.
<b>TCFD – Financial Stability Board's Task Force on Climate Related Financial Disclosures ("TCFD")</b>	TCFD was established with the goal of developing a set of voluntary climate-related financial risk disclosures which can be adopted by companies so that those companies can inform investors and other members of the public about the risks they face related to climate change.
<b>UK Stewardship Code 2020</b>	The Code sets stewardship standards for asset owners and asset managers, and for service providers that support them. The Code comprises a set of 'apply and explain' principles for asset managers and asset owners, and a separate set of principles for service providers.
<b>UNPRI – the UN Principles for Responsible Investment</b>	A set of six principles that provide a global standard for responsible investing as it relates to environmental, social and corporate governance factors. Organisations follow these principles to meet commitments to beneficiaries while aligning investment activities with the broader interests of society.
<b>UN SDGs – UN Sustainable Development Goals.</b>	These include the SDG targets and indicators, thresholds set by the UNFCCC 2015 Paris Agreement, expectations set out in the Universal Declaration of Human Rights, and other environmental, social, governance, and development objectives established by political or socio-economic institutions.



# Financial Statements





# London LGPS CIV Limited

## Annual Report and Financial Statements

for the year ended 31 March 2023

### Contents

- Directors' Report
- Independent Auditors Report to the Members of London LGPS CIV Limited
- Statement of Comprehensive Income
- Balance Sheet
- Statement of Changes in Equity
- Notes to the Financial Statements
- Company Information

Company registration number: 09136445

Authorised and regulated by the Financial Conduct Authority No. 710618

# Directors' Report

## For the year ended 31 March 2023

The directors present their annual report and the audited financial statements for London LGPS CIV Limited (the "Company") for the year ended 31 March 2023.

### Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

Dean Bowden (appointed 15 December 2022)	Cllr Peter Mason
Michael Craston (Chairman)	Mark Laidlaw
Jason Fletcher	Yvette Lloyd
Brian Lee	Paul Niven
Mike O'Donnell (resigned 14 December 2022)	Alison Talbot
Cllr Ravi Govinda CBE	Kitty Ussher

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### Board Attendance

The list below shows the attendance at board meetings by board directors during the year. There were 7 formal Board meetings held during the course of the financial year ending 31 March 2023.

Director	Meetings
Michael Craston (Chair)	7/7
Dean Bowden (appointed 15 December 2022)	2/2
Jason Fletcher	7/7
Brian Lee	7/7
Mike O'Donnell (resigned 14 December 2022)	5/5
Cllr Ravi Govindia CBE	6/7
Cllr Peter Mason	4/7
Mark Laidlaw	7/7
Yvette Lloyd	6/7
Paul Niven	4/7
Alison Talbot	7/7
Kitty Ussher	5/7

### Going concern

The directors have reviewed the financial results for the year ended 31 March 2023, and the annual budget for the year to March 2024 which covers income and expenses, regulatory capital and the cashflow requirements of the business. The directors are of the opinion that the Company has sufficient financial resources to meet its ongoing obligations as they fall due over the next 12 months from the date of signing the financial statements. Accordingly the directors believe it is reasonable for the Company to continue to adopt the going concern basis in preparing the financial statements for a period of at least 12 months from date of signing the financial statements.

### Pension scheme

The Company participates, as an Admitted Body, in the City of London Corporation Pension Fund (the 'Fund') which operates a defined benefit pension scheme. The funding of the scheme by the Company is determined by the actuary to the Fund. The Company is obliged to account for its participation in the Fund under FRS 102. As at 31 March 2023, the Actuary has reported an FRS 102 pension surplus of £859,000 (31 March 2022: deficit £1,212,000). All shareholders of London CIV have agreed and signed the pension recharge agreements, so that future pension contributions by the Company to the Fund are separately reimbursed by its shareholders. These agreements create a reimbursement asset on the Company's Balance Sheet. As at 31 March 2023, allowing for the fair value of the recharge agreements confirmed of £Nil (31 March 2022: £650,000). The Company closed its defined benefit scheme to new entrants with effect from the 1 June 2020. The Company continues to offer pension provision for eligible staff through defined contribution arrangements.

### Brexit

Following the UK's departure from the European Union on 31 December 2020, London CIV has continued to monitor the potential impact on its business. Her Majesty's Treasury (HMT) implemented a number of Statutory Instruments have brought into UK law the requirements set out in key European Directives and Regulations such as AIFMD and MIFID. HMT and the Financial Conduct Authority are actively discussing changes to some former EU requirements to better reflect the requirements of the UK financial market.

### Changes to the Shareholder Agreement ('SHA') and Articles of Association ('AA')

The Company's A and B shares are ordinary shares with the B shares contributing to the Company's regulatory capital. The FRS102 accounting treatment of the share capital has required the A and B shares to be accounted for as financial liabilities rather than equity capital. In 2021 the FCA advised the Company that this meant that requirements in respect of regulatory capital were not met and changes would be required to the SHA and AA. The Company therefore took steps to obtain shareholder approval to modify the SHA and AA, keeping the FCA informed throughout. The directors believe this resolves the regulatory capital position, subject to regulatory approval.

## Directors' Report continued

In April 2023 the Company received approval from all shareholders to revised SHA and AA and the revised AA have been filed at Companies House. The change in classification from financial liabilities to equity is a post balance sheet event. As such the A and B ordinary shares remain classified as financial liabilities in the balance sheet and will be shown as equity in the 31 March 2024 audited financial statements. The effect of these changes is set out in note 20 as a post balance sheet event.

### Subsidiary Companies

The Company's subsidiaries during the year were LCIV Nominee (1) Limited, LCIV Nominee (2) Limited and London LGPS CIV GP Limited, The London Fund GP LLP and The London Fund LP. The principal activities are described in note 9.

### Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", Section 1A, and applicable law).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 Section 1A, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
  - the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.
- This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### Independent auditor

Under section 487(2) of the Companies Act 2006, Deloitte LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

### Small companies exemption

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The Company is not required to prepare consolidated financial statements by virtue of the exemption under section 399 2A of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

**B M Lee, Director**

Date: 21 June 2023

# Independent Auditor's Report

## to the members of London LGPS CIV Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of London LGPS CIV Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



## Independent Auditor's Report continued

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and those charged with governance about their own identification and assessment of the risks of irregularities, including those that are specific to the Company's business sector.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies Act 2006 and relevant tax and pensions laws and regulations; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These include the Company's regulatory solvency requirements, requirements of the Financial Conduct Authority ("FCA") and the Financial Services and Markets Act 2000.

We discussed among the audit engagement team including relevant internal specialists such as pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in accuracy of turnover recorded in the financial statements as there is an inherent risk of fraud that the turnover earned by the Company may not be accurately calculated based on the key inputs to its calculation.

We have performed the following procedures to address this fraud risk:

We substantively tested, on a sample basis, the management fee recorded by the Company by:

- (i) recalculating the asset management fee amounts using the terms in the relevant Asset Management Agreements;
- (ii) validating Asset Under Management used in the asset management fee computation; and
- (iii) agreeing asset management fee amounts invoiced to subsequent cash receipts.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing correspondence with the Financial Conduct Authority.

## Independent Auditor's Report continued

### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

#### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' report and from the requirement to prepare the Strategic Report.

We have nothing to report in respect of these matters.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Michael Caullay CA (Senior Statutory Auditor)

for and on behalf of **Deloitte LLP**

Statutory Auditor

Glasgow

Date: 21 June 2023

# Statement of Comprehensive Income

## for the year ended 31 March 2023

	Note	2023 £	2022 £
Turnover		8,370,231	8,111,938
Administrative expenses		(8,680,336)	(7,217,769)
Other operating income	6	131,553	170,582
<b>Operating (loss)/profit</b>		(178,552)	1,064,751
Interest receivable and similar income		181,417	111,371
Interest payable and similar expenses		(184,158)	(142,312)
<b>(Loss)/profit before taxation</b>		(181,293)	1,033,810
Tax on (loss)/profit	7	164,416	(218,652)
<b>(Loss)/profit the financial year</b>		(16,877)	815,158
<b>Other comprehensive income/(expense) for the financial year</b>			
Actuarial gains on defined benefit pension scheme		2,326,000	663,000
Remeasurement loss of pension reimbursement asset		(650,000)	(167,000)
Deferred tax relating to items of other comprehensive income		(404,051)	34,140
<b>Other comprehensive income for the financial year</b>		1,271,949	530,140
<b>Total comprehensive income for the financial year</b>		1,255,072	1,345,298

For both the prior and current year, all results derived from continuing operations.

The notes on pages 52 to 60 form integral part of these financial statements.

# Balance sheet

## as at 31 March 2023

Registered Number: 09136445

	Note	2023 £	2022 £
<b>Fixed assets</b>			
Tangible assets	8	43,689	52,096
Investments	9	21	21
		43,710	52,117
<b>Pension assets</b>	15	859,000	-
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	10	66,447	716,447
Debtors: amounts falling due within one year	10	2,020,179	1,873,423
Cash at bank and in hand	11	9,000,294	6,159,046
		11,086,920	8,748,916
Creditors: amounts falling due within one year	12	(4,039,874)	(1,114,869)
<b>Net current assets</b>		7,047,046	7,634,047
<b>Total assets less current liabilities</b>		7,949,756	7,686,164
Creditors: amounts falling due after more than one year	13	(4,950,033)	(4,950,033)
Pension liability	15	-	(1,212,000)
Deferred taxation	14	(220,520)	-
<b>Net assets</b>		2,779,203	1,524,131
<b>Capital and reserves</b>			
Called up share capital		-	-
Pension reimbursement reserve		-	650,000
Profit and loss account		2,779,203	874,131
<b>Total shareholders' funds</b>		2,779,203	1,524,131

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements on pages 46 to 60 were approved by the board of directors and were authorised for issue on 21 June 2023. They were signed on its behalf by:

**B M Lee, Director**

Date: 21 June 2023

The notes on pages 52 to 60 form integral part of these financial statements.

# Statement of changes in equity

## for the year ended 31 March 2023

	Called up share capital £	Pension reimbursement reserve £	Profit and loss account £	Total shareholders' funds £
<b>At 1 April 2021</b>	–	817,000	(565,759)	251,241
<b>Comprehensive income for the financial year</b>				
Profit for the financial year	–	–	815,158	815,158
Actuarial gains on defined benefit pension scheme	–	–	697,140	697,140
Remeasurement loss of pension reimbursement asset	–	(167,000)	–	(167,000)
<b>Other comprehensive (expense)/ income for the financial year</b>	–	(167,000)	697,140	530,140
Deferred tax	–	–	(72,408)	(72,408)
<b>At 31 March 2022 and 1 April 2022</b>	–	650,000	874,131	1,524,131
<b>Comprehensive expense for the financial year</b>				
Loss for the financial year	–	–	(16,877)	(16,877)
Actuarial gains on defined benefit pension scheme	–	–	2,326,000	2,326,000
Remeasurement loss of pension reimbursement asset	–	(650,000)	–	(650,000)
Deferred tax relating to items of other comprehensive income	–	–	(404,051)	(404,051)
<b>Other comprehensive income for the financial year</b>	–	(650,000)	1,905,072	1,255,072
<b>At 31 March 2023</b>	–	–	2,779,203	2,779,203

The notes on pages 52 to 60 form integral part of these financial statements.

# Notes to the financial statements

## for the year ended 31 March 2023

### 1. General information

London LGPS CIV Limited (the “Company”) is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is 4th Floor, 22 Lavington Street, London, SE1 0NZ and Registered Number: 09136445. Authorised and regulated by the Financial Conduct Authority No. 710618.

The principal activity of the Company is the provision of FCA regulated investment management services.

The ultimate parent of the Group is London LGPS CIV Limited.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The Company's functional and presentational currency is GBP.

The following principal accounting policies have been applied consistently throughout the year:

#### 2.2 Going concern

The Company continues to adopt the going concern basis in preparing its financial statements. Further to note 13, the share capital of the Company is treated as debt in consideration of the, at least 12 month redeemable option attached to A and B Ordinary Shares. When considering this share capital as available capital, the Directors believe the Company has sufficient resources to enable it to continue its activities in the future.

The Directors have also prepared an annual business plan which shows for a period of at least 12 months from the date of signing the financial statements the Company has sufficient resources to meet its liabilities as they fall due.

As set out in the Directors' Report, maintaining sufficient regulatory capital to withstand market pressures remain central to the Company's strategy. The directors believe it is reasonable for the Company to continue to adopt the going concern basis in preparing the financial statements for a period of at least 12 months from date of signing the financial statements.

## Notes to the financial statements continued

### 2. Accounting policies continued

#### 2.3 Exemption from preparing consolidated financial statements

The Company is not required to prepare consolidated financial statements by virtue of the exemption under section 399 2A of the Companies Act 2006.

#### 2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The service charge and development funding charge are billed to each shareholder annually and recognised over the year to which they relate.

Asset management fees are ad valorem fees calculated daily and invoiced in arrears. Turnover also includes the reimbursement of certain fund related expenses which are also included in administrative expenses.

#### 2.5 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives using the straight-line method.

The estimated useful lives range as follows:

Leasehold improvements	–	3 years
Fixtures and fittings	–	3 years
Computer equipment	–	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

#### 2.6 Investments

Investments in subsidiaries are stated at cost, less provision for any impairment. Dividends, impairment losses and reversals of impairment losses are recognised in the Statement of Comprehensive Income in 'Net gains/ (losses) on investments'.

Dividends from investments which would be classified as financial liabilities by the investee are classified as interest and recognised in the Statement of Comprehensive Income in 'Interest income'.

#### 2.7 Impairment of investments

Impairment losses on investment in subsidiaries are measured as the difference between cost and the current estimated recoverable amount. When the recoverable amount is less than the cost, an impairment is recognised within the Statement of Comprehensive Income in 'Net losses on investments,' and is reflected against the carrying amount of the impaired asset on the Balance Sheet.

#### 2.8 Financial liabilities

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

#### 2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

## Notes to the financial statements continued

### 2. Accounting policies continued

#### 2.10 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.11 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

#### 2.12 Leased assets: the Company as lessor

Where assets leased to a third party give rights approximating to ownership (finance lease), the lessor recognises as a receivable an amount equal to the net investment in the lease i.e. the minimum lease payments receivable under the lease discounted at the interest rate implicit in the lease. This receivable is reduced as the lessee makes capital payments over the term of the lease.

A finance lease gives rise to two types of income: profit or loss equivalent to the profit or loss resulting from outright sale of the asset being leased, at normal selling prices, reflecting any applicable discounts, and finance income over the lease term.

#### 2.13 Pensions

##### Defined benefit pension plan

The Company participates in a defined benefit plan operated by the City of London Corporation. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration.

The amount recognised in the Balance Sheet in respect of the defined benefit plan is the estimated present value of the Company's share of the estimated defined benefit obligation at the Balance Sheet date less the Company's share of the fair value of plan assets at the Balance Sheet date out of which the obligations are to be met. The present value of the defined benefit obligation at the Balance Sheet date is less than the fair value of plan assets at that date i.e the plan has a surplus. A plan surplus is recognised as a defined benefit plan asset as the management believes that it is able to recover the surplus through reduced contributions in the future.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to estimate the defined benefit obligation.

The fair value of plan assets and liabilities are measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

##### Pension reimbursement asset and reserve

The Company continues to arrange recharge agreements with its shareholders to provide for them to separately reimburse future pension contributions by the Company to the defined benefit plan. The pension reimbursement asset recognised on the Balance Sheet is in respect of 32 recharge agreements signed as at 31 March 2023 and guarantee agreement dated 28 May 2020 which guarantees the future contribution reimbursements relating to the cost of future accruals of benefits if the assets of the pension plan are not sufficient.

The Company values the reimbursement asset by discounting the future contribution streams for 30 years under a number of different pension asset return scenarios and averages them to give a fair value for the reimbursement asset as at 31 March 2023.

The surplus arising from the recognition of this asset is held in a separate 'Pension reimbursement reserve' to make it clearly identifiable and separable from reserves arising on from the operations of the Company.

Any changes arising from the remeasurement of the asset are recognised in Other Comprehensive Income.

#### 2.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

## Notes to the financial statements continued

### 2. Accounting policies continued

#### 2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

#### 2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

### 3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements and assumptions regarding the valuation of defined benefit post-employment obligations and Pension reimbursement asset that affect the financial statements and related disclosures. The Company believes that the estimates utilised in preparing the financial statements are reasonable, relevant and reliable. Actual results could differ from these estimates.

The Directors do not believe any accounting judgements or estimates have been applied to this set of financial statements other than regarding the valuation of defined benefit post-employment obligations (refer note 15) and pension reimbursement asset (refer note 16) that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

### 4. Auditor's remuneration

	2023 £	2022 £
<b>Fees payable to the Company's auditors for the audit of the Company's annual financial statements</b>	37,750	36,300

	2023 £	2022 £
<b>Fees payable to the Company's auditors in respect of:</b>		
<b>Other audit related services</b>	14,660	14,100

Other audit related services relate to the provision of a client assets report to the Financial Conduct Authority.

### 5. Employees

The average monthly number of employees, excluding directors, during the year was 44 (2022: 35).

### 6. Other operating income

	2023 £	2022 £
<b>Other operating income</b>	131,553	170,582

## Notes to the financial statements continued

## 7. Tax on (loss)/profit

	2023 £	2022 £
<b>Corporation tax</b>		
Current tax on (loss)/profit for the financial year	19,112	256,920
<b>Total current tax</b>	19,112	256,920
<b>Deferred tax</b>		
Origination and reversal of timing differences	(139,485)	-
Effect of changes in tax rates	(44,046)	(38,268)
<b>Total deferred tax</b>	(183,531)	(38,268)
<b>Total tax</b>	(164,419)	218,652

## Factors affecting tax (credit)/charge for the year

The tax assessed for the year is lower than (2022: higher than) the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023 £	2022 £
(Loss)/profit before taxation	(181,293)	1,033,810
(Loss)/profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	(34,446)	196,424
<b>Effects of:</b>		
Movement in unrecognised deferred tax	(88,296)	58,811
Expenses not deductible	2,369	1,685
Tax rate changes	(44,046)	(38,268)
<b>Total tax (credit)/charge for the financial year</b>	(164,419)	218,652

## Factors that may affect future tax rate charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2021 (published on 24 May 2021, with royal assent received on 10 June 2021). This confirmed an increase to the corporation tax rate to 25% with effect from 1 April 2023. Deferred taxes at the Balance Sheet date have been calculated based on the corporation tax rate of 25% that is enacted at the reporting date.

## 8. Tangible assets

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>				
At 1 April 2022	44,651	12,863	177,463	234,977
Additions	-	-	24,455	24,455
<b>At 31 March 2023</b>	<b>44,651</b>	<b>12,863</b>	<b>201,918</b>	<b>259,432</b>
<b>Accumulated depreciation</b>				
At 1 April 2022	44,651	8,710	129,520	182,881
Charge for the year	-	2,161	30,701	32,862
<b>At 31 March 2023</b>	<b>44,651</b>	<b>10,871</b>	<b>160,221</b>	<b>215,743</b>
<b>Net book value</b>				
<b>At 31 March 2023</b>	<b>-</b>	<b>1,992</b>	<b>41,697</b>	<b>43,689</b>
At 31 March 2022	-	4,153	47,943	52,096

## 9. Investments

	Investments in subsidiary companies £
<b>Cost</b>	
At 1 April 2022	21
<b>At 31 March 2023</b>	<b>21</b>



## Notes to the financial statements continued

### 9. Investments continued

#### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
LCIV Nominee (1) Limited	22 Lavington Street, 4 <sup>th</sup> Floor, London, SE1 0NZ	Dormant	Ordinary	100%
LCIV Nominee (2) Limited	22 Lavington Street, 4 <sup>th</sup> Floor, London, SE1 0NZ	Dormant	Ordinary	100%
London LGPS CIV GP Limited	22 Lavington Street, 4 <sup>th</sup> Floor, London, SE1 0NZ	Dormant	Ordinary	100%
The London Fund GP LLP *	22 Lavington Street, 4 <sup>th</sup> Floor, London, SE1 0NZ	General partner for The London Fund LP	Ordinary	51%
The London Fund LP *	BRODIES LLP, Capital Square 58 Morrison Street Edinburgh, EH3 8BP			-

\* Indirect subsidiary

### 10. Debtors

	2023 £	2022 £
<b>Due after more than one year</b>		
Pension reimbursement asset	-	650,000
Rent deposits*	66,447	66,447
	66,447	716,447

\* The deposit is not expected to mature until the end of the lease on 15/11/2024.

	2023 £	2022 £
<b>Due within one year</b>		
Trade debtors	282,956	548,550
Other debtors	396,115	111,996
Prepayments	449,772	360,209
Accrued income	891,336	852,668
	2,020,179	1,873,423

### 11. Cash at bank and in hand

	2023 £	2022 £
Cash at bank and in hand	9,000,294	6,159,046

### 12. Creditors: amounts falling due within one year

	2023 £	2022 £
Trade creditors	223,357	344,828
Amounts owed to group undertakings	21	21
Corporation tax	19,112	256,920
Other taxation and social security	416,351	80,850
Other creditors	2,883,787	75,268
Accruals and deferred income	497,246	356,982
	4,039,874	1,114,869

Amounts owed to group undertakings are interest free and repayable on demand.

## Notes to the financial statements continued

### 13. Creditors: amounts falling due after more than one year

	2023 £	2022 £
Share capital treated as debt	4,950,033	4,950,033

The holders of B Ordinary Shares are not entitled to receive any dividends, distributions of capital or vote at General Meetings of the Company.

The Company has been advised that under certain circumstances both A and B Ordinary Shares may be redeemed at par at the option of the shareholder(s) subject to the provision of at least 12 months' written notice and as such the issued share capital has been treated as financial liability.

### 14. Deferred taxation

	2023 £
At beginning of the year	-
Credited to profit and loss	183,531
Charged to other comprehensive income	(404,051)
<b>At the end of the year</b>	<b>(220,520)</b>

The £404,051 charged to other comprehensive income represents the deferred tax on the movement in the pension reimbursement asset (£162,500) and the deferred tax movement on the pension liability £566,551.

The deferred taxation balance is made up as follows:

	2023 £	2022 £
Accelerated capital allowances	(10,922)	13,024
Short term timing differences - trading	(209,598)	(13,024)
	<b>(220,520)</b>	-

As at year end, there is a potential residual deferred tax asset of £Nil (2022: £162,500) relating to defined benefit obligations. No deferred tax asset has been recognised as it is considered unlikely that the Company would generate sufficient taxable profits in the future to utilise these amounts.

### 15. Pension commitments

The Company operates a Defined Benefit Pension Scheme which has been closed to new members since 2020.

The Company participates in the City of London Pension Fund (the "Fund"), part of the Local Government Pension Scheme. This is a multi-employer defined benefit pension scheme with assets held in a separately administered fund. The Fund provides retirement benefits on the basis of members' earnings over their careers. The Fund is administered by the City of London, which is responsible for ensuring that the Fund is sufficiently funded to meet current and future obligations. The Company has agreed a funding plan with the City of London, whereby contributions made by the Company into the Fund are equal to 15% of active employees' salary. Additional contributions may be agreed with the City of London to reduce any funding deficit ascribed to the Company if necessary.

A comprehensive actuarial valuation of the Fund, using the projected unit credit method, was carried out at 31 March 2022 by the Fund Actuary.

To assess the FRS 102 surplus at 31 March 2023, the actuary has based the value of the Company's surplus calculated for the funding valuation as at 31 March 2022, allowing for benefits paid and further benefits to accrue to members and for benefits established in respect of transfer values received, using financial assumptions that comply with FRS 102. Membership data has been updated to 31 March 2023 and this has been used to value the liabilities. Mortality projections have been updated to use the Continuous Mortality Investigation (CMI) 2021 model. To calculate the Company's asset share as at 31 March 2023, the actuary has used the assets allocated to the employer at 31 March 2022 allowing for investment returns, contributions and transfers paid in, and estimated benefits paid from, the Fund by and in respect of the employer and its employees. The difference is shown on the Balance Sheet as a surplus in accordance with FRS 102.

Reconciliation of fair value of plan liabilities were as follows:

	2023 £	2022 £
Opening defined benefit obligation	6,673,000	6,425,000
Benefits paid net of transfers in	(71,000)	(12,000)
Contributions by scheme participants	87,000	92,000
Current service cost	367,000	434,000
Interest cost	184,000	142,000
Change in financial assumptions	(3,079,000)	(443,000)
Experience loss on defined benefit obligation	844,000	35,000
Change in demographic assumptions	(177,000)	-
<b>Closing defined benefit obligation</b>	<b>4,828,000</b>	<b>6,673,000</b>

## Notes to the financial statements continued

### 15. Pension commitments continued

Reconciliation of fair value of plan assets were as follows:

	2023 £	2022 £
Opening fair value of scheme assets	5,461,000	4,858,000
Benefits paid plus unfunded transfers in	(71,000)	(12,000)
Contributions by employer	148,000	162,000
Interest income on plan assets	152,000	110,000
Actuarial gain/(losses)	96,000	-
Return on assets less interest	(182,000)	255,000
Contributions by scheme participants	87,000	92,000
Administrative expenses	(4,000)	(4,000)
<b>Closing fair value of scheme assets</b>	<b>5,687,000</b>	<b>5,461,000</b>

Composition of plan assets:

	2023 £	2022 £
Equities	3,336,000	3,227,000
Cash	41,000	77,000
Infrastructure	759,000	677,000
Multi-asset fund	1,551,000	1,480,000
	<b>5,687,000</b>	<b>5,461,000</b>

The return on the funds (on a bid to bid basis) for the year ended 31 March 2023 is estimated to be (-0.54%) (2022: 7.31%).

	2023 £	2022 £
Fair value of plan assets	5,687,000	5,461,000
Present value of plan liabilities	(4,828,000)	(6,673,000)
<b>Net pension scheme asset/(liability)</b>	<b>859,000</b>	<b>(1,212,000)</b>

The amounts recognised in profit or loss are as follows:

	2023 £	2022 £
Current service cost	367,000	434,000
Interest on obligation	184,000	142,000
Interest on assets	(152,000)	(110,000)
Administrative expenses	4,000	4,000
	<b>403,000</b>	<b>470,000</b>

The total return on the fund assets for the year to 31 March 2023 are as follows:

	2023 £	2022 £
Interest on assets	152,000	110,000
Return on assets less interest	(182,000)	255,000
	<b>(30,000)</b>	<b>365,000</b>

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2023	2022
Discount rate	4.80%	2.75%
Future salary increases	3.90%	3.90%
Future pension increases	2.90%	2.90%
Mortality rates (in years):		
- for a male aged 65 now	21.1	21.6
- at 65 for a male aged 45 now	22.3	23.0
- for a female aged 65 now	23.5	24.3
- at 65 for a female member aged 45 now	25.0	25.8

### 16. Pension reimbursement asset

The Company has in place reimbursement agreements with each shareholder so that future pension payments to the Fund are separately reimbursed by each shareholder. These agreements enable a reimbursement asset to be established on its Balance Sheet. As at 31 March 2023, allowing only for the fair value of those recharge agreements signed by individual shareholders as at 31 March 2023, this reimbursement asset, which is shown separately from the pension deficit, was £Nil (2022: £650,000).

The pension reimbursement asset is calculated over a period of 20 years (2022: 29 years), and allows for the 32 (2022: 32) recharge agreements that were signed by 31 March 2023.

## Notes to the financial statements continued

### 17. Commitments under operating leases

At 31 March the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2023 £	2022 £
Not later than 1 year	300,720	300,720
Later than 1 year and not later than 5 years	200,480	501,200
Later than 5 years	-	-
	501,200	801,920

The current year lease expense is included in the administrative expenses.

### 18. Commitment under finance lease

At 31 March the Company had future minimum lease payments under non-cancellable finance leases as follows:

	2023 £	2022 £
Not later than 1 year	766	1,567
Later than 1 year and not later than 5 years	-	608
	766	2,175

### 19. Related party transactions

During the year, each of the 32 (2022: 32) shareholders paid an amount to London LGPS CIV Limited which totaled £800,000 (2022: £800,000) for service charge fees and £2,720,000 (2022: £2,720,000) for development funding charge. At the end of the year, £Nil (2022: £Nil) of service charge fees and £Nil (2022: £134,400) of development funding charge remained outstanding and is included within trade debtors.

During the year, London LGPS CIV Limited also received fee income of £19,143 (2022: £10,727) from The London Fund LP. At the year end, £5,459 (2022: £2,926) remained outstanding.

### Parent and subsidiary relationships

The parent and ultimate controlling entities are disclosed in note 1 to the financial statements. The Company's subsidiary undertakings at 31 March 2023 and 31 March 2022 are disclosed in note 9.

### 20. Post balance sheet events

On 20 April 2023 shareholders approved changes to the Articles of Association and Shareholder Agreement which amended the terms of issue of both A and B Ordinary Shares so they may no longer be redeemed at par at the option of the shareholder. This changed the substance of their contractual obligations.

From 20 April 2023 the A and B Ordinary Share have been reclassified according to the substance of their contractual obligations from financial liabilities to equity, in accordance with the Company's Accounting Policy 2.8 Financial liabilities.

The effect of this post Balance Sheet event has been to increase Called up share capital by £4,950,033 and decrease Creditors: amounts falling due after more than one year by £4,950,033. As a result, the Company's Total shareholders' funds has increased by £4,950,033 and its Net assets will also increase by £4,950,033. There will be no impact on the Company's Statement of Comprehensive Income.

## Company information

### Directors

Dean Bowden  
 Michael Craston (Chairman)  
 Jason Fletcher  
 Brian Lee  
 Cllr Ravi Govinda CBE  
 Cllr Peter Mason  
 Mark Laidlaw  
 Yvette Lloyd  
 Paul Niven  
 Alison Talbot  
 Kitty Ussher

### Company secretary

K A Ingate

### Registered number

09136445

### Registered office

4<sup>th</sup> Floor  
 22 Lavington Street  
 London  
 SE1 0NZ

### Business address

4<sup>th</sup> Floor  
 22 Lavington Street  
 London  
 SE1 0NZ

### Independent auditor

Deloitte LLP  
 Statutory Auditor  
 110 Queen Street  
 Glasgow  
 G1 3BX

## Investment Managers' information

### Aviva Investors Global Services Limited

St Helens  
 1 Undershaft  
 London  
 EC3P 3DQ

### Baillie Gifford & Co

Calton Square  
 1 Greenside Row  
 Edinburgh  
 EH1 3AN

### CQS (UK) LLP

1 Strand, Charing Cross  
 London  
 WC2N 5HR

### JPMorgan Asset Management (UK) Limited

25 Bank Street  
 Canary Wharf  
 London  
 E14 5JP

### Local Pensions Partnership Investments Ltd

First Floor  
 1 Finsbury Avenue  
 London  
 EC2M 2PF

### Longview Partners (Guernsey) Limited

Mill Court  
 La Charroterie  
 St Peter Port  
 Guernsey  
 GY1 6JG

### Morgan Stanley Investment Management Limited

25 Cabot Square  
 Canary Wharf  
 London  
 E14 4QA

### Newton Investment Management Ltd

BNY Mellon Centre  
 160 Queen Victoria Street  
 London  
 EC4V 4LA

### PIMCO Europe Limited

11 Baker Street  
 London  
 W1U 3AH

### Pyrford International Limited

95 Wigmore St, Marylebone  
 London  
 W1U 1HH

### RBC Global Asset Management (UK) Limited

77 Grosvenor Street  
 London  
 W1K 3JR

### Ruffer LLP

80 Victoria Street  
 London  
 SW1E 5JL

### State Street Global Advisers Limited

20 Churchill Place  
 Canary Wharf  
 E14 5HJ

### StepStone Group Real Assets LP

2 St James's Market  
 St. James's  
 London  
 SW1Y 4AH

