London CIV Responsible Investment and Stewardship Outcomes Report 2022

For the reporting year ending 31st December 2022

About London CIV: Our Purpose and Vision

London CIV was formed in 2015 and manages the investment of the pension assets of the 32 Local Government Pension Scheme (LGPS) Funds in London. We are one of eight LGPS pools. These client funds are also our shareholders and we work collaboratively to deliver our agreed purpose which is. **To be the LGPS pool for London to enable the London Local Authorities to achieve their pooling requirements.**

Our statement of Investment Beliefs sets out how we work in collaboration with clients to improve investment returns and manage risk. It articulates how we set out to achieve our commitment to be responsible investors and good stewards. Our vision statement is **To be the best in class asset pool delivering value for Londoners through long term sustainable investment strategies.**

Our Client Funds retain responsibility for their asset allocation and investment strategy, and thus exposure to environmental, social and governance (ESG) risks. We see our role as helping them implement their strategy and to understand and manage the associated risks, whilst also addressing global issues and helping to drive progress.

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Key Facts

£25.8bn
of total assets deemed pooled by our Client Funds[1]

£12.6bn
AUM in our ACS Funds. £2.3 bn total committed in Private Markets and £1.1 bn called to date

66%
AUM covered in Climate Risk analysis

Net Zero
by **2040** and operationally by **2025**

24%
of our infrastructure investments are committed towards renewable energy and we have launched a standalone **renewable energy fund**

55%
London CIV listed corporate equity and corporate fixed income portfolio assets have 55% **lower carbon intensity** than the MSCI World[2]

3.18%
Total **Fossil Fuel** Exposure for London CIV funds is **54% lower** than the MSCI World at **3.18%** in total

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

22,303
votes cast on management proposals in 2022

1,108
votes cast on shareholder proposals in 2022

23,411
votes cast in total

1,274
engagement meetings held in 2022 by our Investment Managers

59%
We supported 59% of **shareholder proposals**

16
Engagement Initiatives and Membership Groups supported by London CIV in 2022

100%
investment managers committed to cost transparency

100%
of investment managers are signatories of **PRI**

19 out of 21
of our funds managed by signatories of TCFD[i]

1 As of 31st December 2022
2 In terms of the consolidated London CIV pool Listed Equity and Corporate Fixed Income Exposure, as per 31.12.22. Figures are based on Direct + First Tier Indirect emissions data from S&P Global Trucost.

Our statement of culture and values, developed in 2020, has clients and a sustainable future at its heart. Collaboration is at the core of our business.

Working together to secure a sustainable future: Our values help us collaborate with our clients to achieve our vision to be the best-in-class asset pool delivering value for Client Funds and ultimately for all stakeholders, through long -term sustainable investment strategies.

Message from our Chair

Welcome to our Responsible Investment and Stewardship Outcomes Report for the year to 31 December 2022.

2022 has been a transformative year for London CIV as we continue to make great strides towards our Responsible Investment objectives. We are delighted in 2022 to have been approved again as an asset owner signatory of the Stewardship Code. In 2022, we have continued to improve the quality of our case studies to demonstrate the stewardship work we have done throughout the year. Most notably, we have added our own direct engagement and work beyond what our investment manager and EOS have conducted on our behalf. As active owners, we believe that stewardship is a powerful tool for achieving our Net Zero ambition, mitigating risk, maximizing returns, and driving positive social and environmental impact. We recognise that divestment alone would leave us with no voice or opportunity to encourage responsible corporate behaviour or add value for our clients.

This year's stewardship and engagement report showcases our ongoing efforts to promote responsible investment practices and provide sustainable investment opportunities for our Client Funds. We remain committed to our policy and governance framework, which underpins our stewardship and engagement work.

At London CIV, we are proud to be leading the way towards a more sustainable future, and we look forward to continuing our journey with you.

Mike Craston, Chair of London CIV

Approved May 2023

Letter from our CEO

I am delighted to present our third Stewardship Outcomes Report, my first as CEO of London CIV. I am proud to share with you the progress we have made over the past year.

The year 2022 continued to emphasise the importance of environmental, social, and governance (ESG) considerations and active stewardship. The impact of climate change continued to make headlines, with more countries and corporations pledging to achieve net-zero emissions.

In addition, the 15th Conference of the Parties (COP 15) on biodiversity framework highlighted the urgent need to protect our planet's precious ecosystems. Furthermore, the Russia-Ukraine war underlined the geopolitical risks that can have far-reaching implications for not only investment portfolios but for human rights.

In 2022, we have published our first Voting guidelines which set out our expectations for our portfolio companies. We have also launched the Climate Analytics Service to help our clients understand the carbon footprint of their portfolio and how they could achieve their own Net Zero ambition. Furthermore, we have taken the decision to make this available on a no cost basis, demonstrating our belief in the value and the impact that this service can have.

In this year's report, we have added more case study examples from not only our investment managers and Hermes EOS, but also from our team here at London CIV. We believe that these additional examples will help showcase our commitment to responsible investment and the positive impact that our investments have on society.

As active asset owners, we understand that our investments have a significant impact on the environment and society. Therefore, we have identified key stewardship priority themes that we believe are essential to addressing these issues. Our key stewardship priority themes are climate change, diversity and inclusion, tax and cost transparency, and we have intensified biodiversity as a theme. We recognise that these are complex issues that require collaboration and action from all stakeholders. That is why we are committed to working closely with our partners and stakeholders to address these challenges and achieve meaningful outcomes.

I would like to take this opportunity to thank our Client Funds, our staff, investment managers, and partners for their hard work and dedication to responsible investment. We could not have achieved these outcomes without their contributions.

Thank you for your ongoing support of London CIV.

Dean Bowden, CEO, London CIV

> "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."

Our Responsible Investment Milestones

2015

- Authorised and regulated by the FCA

2018

- Joined UN PRI
- London CIV's LCIV Global Bond Fund goes tobacco-free
- London CIV's first RI Policy is approved by the Board

2019

- LCIV Infrastructure Fund Launches with a focus on renewable energy
- The ESG review Report is presented to the Board and six priority areas for action are agreed

2020

- London CIV launch the LCIV Sustainable Equity Exclusion Fund managed by RBC Global Asset Management
- London CIV submits its first UN PRI report
- Responsible Investment Reference Group (RIRG) established
- London CIV appoints Jacqueline Jackson as Head of Responsible Investment
- London CIV joins Pensions for Purpose
- Signatory to the TCFD
- London CIV joins ClimateAction100+
- RI Team expands with new hire, Gustave Loriot
- London CIV develops climate change risk analytics capabilities with S&P Global
- The London Fund is launched

2021

- The Renewable Infrastructure Fund is launched
- London CIV builds on its stewardship capabilities with Hermes EOS
- RI Team expands with new hire, Alison Lee
- London CIV set short and long-term net zero targets
- Voting consolidation and engagement expansion with Hermes EOS
- London CIV joins Investors for Human Rights
- London CIV becomes a member of Asset Owner Diversity Charter Working Group
- London CIV launches LCIV Passive Equity Progressive Paris Aligned ("PEPPA") Fund

2022

- RI Policy is updated
- Publishes first Voting Guideline
- London CIV Climate Analytics service launched
- London CIV signs Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation

Introduction

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 goal is to help our clients with meeting their pension commitments, 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.

Working together to create a sustainable future

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

Figure 1: People, Planet, Principles of Governance and Prosperity as defined by the World Economic Forum and how this relates to London CIV

Environmental, social, and governance: Stakeholder capitalism: aligning value creation with protection of values to achieve prosperity.

People

"An ambition to end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality in a healthy environment"

What it means for London CIV: recognising that assets are dependent on human capital and can positively or negatively impact society.

Planet

"An ambition to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations."

What it means for London CIV: environmental degradation poses critical financial and economic risks to long-term investment returns.

Principles of Governance

"The definition of governance evolves as organisations are increasingly expected to define and embed their purpose at the centre of their business. But principles of agency, accountability, and stewardship are vital."

What it means for London CIV: companies and assets which are well managed are poised for better returns due to better resource management, improved employee productivity and better reputation.

Prosperity

"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."

What it means for London CIV: 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.

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.

Our Beliefs help us define how we create value for Client Funds in the context of future uncertainty, risk and opportunity. They also help us make practical decisions about the suitability of investment strategies, selection and monitoring of investment managers and pooled funds, performance objectives and the integration of best practice in sustainable investment and active ownership. Recognising how important all stakeholders are in translating beliefs into practice, we have worked together to develop the Investment Beliefs and ensure they are aligned with our cultural values. Working with external investment managers to achieve delivery of these Beliefs is central to our role. The summary statement is on the right and a more detailed statement is available on our website.

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.**

London CIV's responsible investment strategy and policy

London CIV undertook a major review of its headline Responsible Investment Policy in early 2022. The policy is supported by more detailed Climate and Stewardship Policies. London CIV's Responsible Investment Reference Group (RIRG) provides an important sounding board for our Responsible Investment activity and the Shareholder Committee is also consulted when there are revisions to our Responsible Investment Policy including to ensure it provides the necessary framework for determining stewardship priority themes. The three current priority themes set out in the policy are: climate; human rights including diversity and inclusion; and tax and transparency. We are also including biodiversity to the framework in the Responsible Investment policy.

Our Stewardship Policy details how we integrate ESG considerations throughout the investment process and sets out a strategy and measurable objectives. We use robust data sources to measure ESG risk exposure across all investments and have detail targeted methods to approach engagement by asset class, geography and fund structure.

Figure 2: London CIV's Responsible Investment and Engagement Strategy

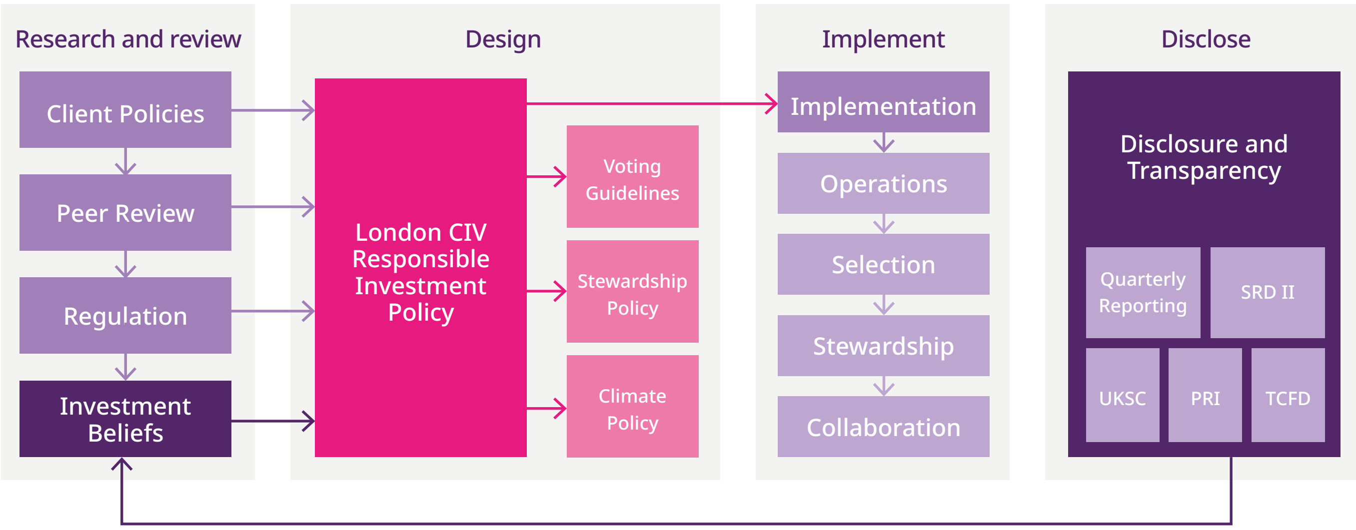


Figure 2: Source: London CIV

Policy updates and development begin with **research and review**. The Responsible Investment (RI) Team works with the Client Relations Team to understand client policies and priorities, the RI Cross Pool group to understand best practices, and the Compliance and Risk Team to advise and monitor on regulatory requirements and potential risks. Our Investment Beliefs help to contextualise this research.

London CIV has policies in place to implement guidance from the RI team into all operations. The RI Team sits in the Investment Team and supports the selection and monitoring of investments and investment managers. Collaborative initiatives also help us to drive outcomes at scale with other financial institutions and industry bodies.

We currently disclose the outcomes of our RI activities by reporting on voting, engagement and manager monitoring to clients on a quarterly basis and commit to disclosing our climate risk exposure and ESG factors at least annually. Below is the full list of our reports and regulatory disclosures and their frequencies. We also include summary information in the London CIV Annual Review which reports on London CIV as an organisation alongside the statutory financial statements.

ESG Reporting and Disclosures	Frequency
Quarterly Investment Reports[3] - ESG commentaries, voting and climate metrics at fund level	Quarterly
Stewardship Outcomes Report	Annually
TCFD Report	Annually
SRD II	Annually
UN PRI	Annually

3 Report is only available to investors of each fund

London CIV's fund range and assets under management

London CIV oversees the investment of LGPS pooled pensions assets for the 32 London Local Authority funds who are our shareholders and Client Funds. We develop and operate a variety of managed investments across a range of asset classes in both public and private markets and were established by them for this purpose. Collectively there were 707,488 beneficiaries as of March 2022 and this means that, working within our agreed policy framework we are able to maximise our voice.

Given that we manage pension assets investing for the long term and a sustainable future is a guiding theme evident throughout our vision, culture and investment belief statements. Our funds are designed, and our investment managers selected, to our long-term investment time horizon and long-term strategy. The range includes public equity, fixed income, multi-asset and private market funds.

The following chart summarises how we operate to provide a variety of funds using internal and external expertise.

LONDON CIV

Authorised Contractual Scheme (ACS)
(Public Markets)
Total £12.6bn

Exempt Unauthorised Unit Trust (EUUT)
(Private Markets)
Total £2.1bn*/ £1.1bn**

Scottish Limited Partnership (SLP)
(Private Markets)
Total £195m*/£78m**

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 Global Sustainable Equity Exclusion Fund	LCIV Passive Equity Progressive Paris Aligned Fund
AUM	**£890m**	**£2.113m**	**£557m**	**£532m**	**£1,033m**	**£574m**	**£1,238m**	**£552m**	**£516m**
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	JP MSIM	Longview	JP Morgan	RBC	RBC	State Street
No. of Investors	4	11	3	2	6	8	8	4	2

Infrastructure / **Private Market**

	Infrastructure		Private Market
Fund	LCIV Infrastructure Fund	LCIV Renewable Infrastructure Fund	The London Fund
AUM	**£399m*/£260m****	**£854m*/£264m****	**£195m*/£23m****
Launch Date	31/10/19	29/03/21	15/12/20
Manager	Stepstone (MIRA, Arcus, Equitix, Basalt, First Sentier, Capital Dynamics, Brookfield and Meridiam)	London CIV (who selected funds by BlackRock, Quinbrook, Stonepeak and Foresight)	LPPI (who selected funds byYooCapital, DREAM and GASM and Macquarie)
No. of Investors	6	13	2

Multi Asset

Fund	LCIV Global Total Return Fund	LCIV Diversified Growth Fund	LCIV Absolute Return Fund	LCIV Real Return Fund
AUM	**£215m**	**£786m**	**£1,143m**	**£174m**
Launch Date	17/06/16	15/02/16	21/06/16	16/12/16
Manager	Pyrford	Baillie Gifford	Ruffer	Newton
No. of Investors	3	8	10	2

Fixed Income / **Private Debt** / **Property**

	Fixed Income			Private Debt	Property
Fund	LCIV Global Bond Fund	LCIV MAC Fund	LCIV Alternative Credit Fund	LCIV Private Debt Fund	LCIV Real Estate Long Income Fund
AUM	**£651m**	**£1,253m**	**£364m**	**£625m*/£367m****	**£213m*/£213m****
Launch Date	30/11/18	31/05/18	31/01/22	29/03/21	11/06/20
Manager	PIMCO	CQS & PIMCO	PIMCO	London CIV (who selected funds run by Churchill and Pem-berton}	Aviva
No. of Investors	8	13	3	8	3

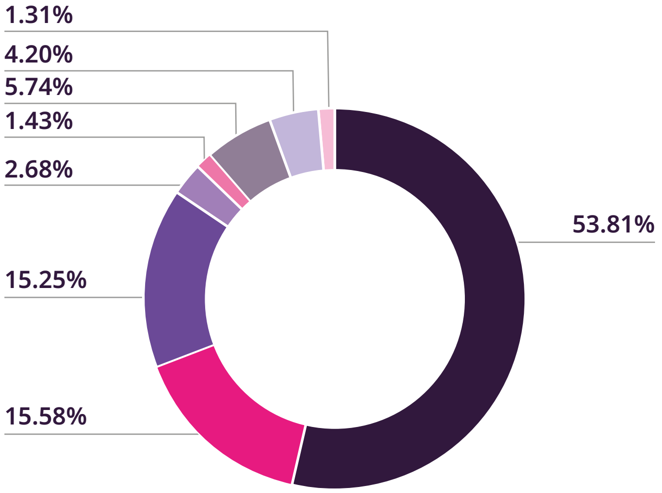
Figure 2: Source: London CIV, As of 31 December 2022 *Denotes committed amount ** Denotes drawn amount

*EUUT and SLP data as of 30 September 2022

Breakdown of our assets under management

As of 31 December 2022, the total assets deemed pooled by our Client Funds stood at £25.8 billion. Assets under management in our ACS stood at £12.6 billion and amounts drawn from our private market funds since their respective first close stood at £1 billion (committed of £2.3 billion). The value of 'pooled' passive assets was £11.9 billion, with £8.4 billion managed by Legal and General Investment Management and £3.5 billion managed by BlackRock.

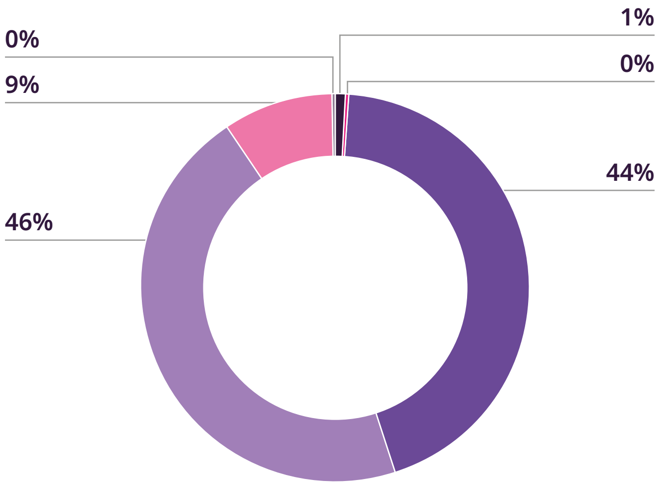
Figure 3: AUM by Asset Class



- Global Equities
- Multi Asset
- Fixed Income
- Private Market – LCIV Infrastructure Fund *
- Private Market – LCIV Real Estate Long Income Fund *
- Private Market – LCIV Renewable Infrastructure Fund *
- Private Market – LCIV Private Debt Fund *
- Private Market – The London Fund *

Figure 3: Source London CIV, as of 31 December 2022
*Total commitment

Figure 4: AUM by Region (ACS Funds)



- South America
- Australasia
- Europe
- North America
- Asia
- Others

Figure 4: Source London CIV, as of 31 December 2022

Client funds

How we evaluate our effectiveness in serving the best interests of our clients

Our clients are our shareholders, and we work collaboratively to deliver our agreed purpose which is:

> "To be the LGPS pool for London to enable the London Local Authorities to achieve their pooling requirements".

We service and communicate with our clients in four key workstreams:

- **Formal and informal governance –** through our Responsible Investment Reference Group (RIRG) and Shareholder Committee. We have used RIRG to develop our Voting Guidelines with our clients, which was successfully implemented in 2021.
- **Group engagements –** a monthly Business Update and regular meet the manager events open to all client funds to ensure a good two-way information flow.
- **Product development –** in our Seed Investor Groups (SIGs) and other forums, we engage with our clients to make sure that products are in line with their investment strategy. For example, the existing LCIV Renewable Infrastructure Fund and current activity in respect of Sterling Credit and our Sustainability range.
- **Reporting –** enhancing our reporting and provide transparency to our clients on a regular basis to promote better communications.

London CIV also conducts ad hoc client surveys and seeks feedback from clients and their advisors through regular meetings to better understand their needs. We have made progressive improvements to the quarterly investment report since the June 2020 client survey to include a quarterly climate risk analytics and stewardship commentary.

Building on our ESG review in 2019 we have gathered more information on our client funds' climate change risk management requirements. 28[4] of our clients have declared a climate emergency and some capital for Client Fund have announced net zero targets. To assist our clients understand the footprint of their portfolio and meet their future reporting obligations we have launched a Climate Analytics Service.

Diversity and inclusion is another key focus for clients with regard to the corporate governance of our investment managers and holdings in particular. Recognising the importance of this our 2022 annual client conference included Diversity, Equity and Inclusion as a key theme. Other critical engagement priorities in 2022 included cost and tax transparency and executive remuneration.

Transparency (good quality reporting and disclosure by companies in which our portfolio is invested) is another important priority for us to ensure we can undertake the analysis required to ensure our engagement is effective. In 2022, we continued our partnership with CACEIS, provider of cost and benchmarking services.

Below are the number of events held to engage with our clients collectively during the year:

Group Engagement	
Business Update (BU)	11
Independent Advisors Update	2
Investment Consultant Update	4
London CIV Annual Conference	1
Meet the Manager (MTM)	7
Seed Investment Group (SIG)	12
Shareholder General Meeting (Budget /AGM)	2

4 As of October 2021

Stewardship

As signatories of the UK Stewardship Code 2020, we support the Financial Reporting Council's definition of stewardship:

> "Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society".

London CIV's role

Our vision is to be a best-in-class asset pool that delivers value for Londoners through long-term sustainable investment strategies. We are committed to protecting the interests of our clients and members by acknowledging that climate-related risks and ESG factors are a source of financial risk and opportunity. Due to our clients' future liabilities and long-term investment strategies, we must consider the financial implications of natural resource constraints and social inequalities whilst understanding how well-equipped our portfolio companies are to manage risk. The industry influence of London CIV and our client funds means we have a responsibility to drive change. We are committed to leveraging our expertise to drive leadership.

What collaborative stewardship means to us

London CIV takes a collaborative approach to stewardship through engagement with companies, investment managers, peers and market participants. Our approach is under constant refinement and review to reflect the evolving landscape of ESG risk and opportunity. Based on detailed research and review, we first select our annual engagement themes, refine our Stewardship Policy, Climate Policy, and Voting Guidelines as required, then work with our providers and support industry initiatives collaboratively to drive outcomes.

1. **Define priorities:** Focus efforts.
2. **Implement voting and engagement:** Drive outcomes.
3. **Collaborate:** Deliver outcomes at scale.

Each stage of our approach is underpinned by **disclosure**: Transparent reporting to track outcomes at scale and appropriate governance and oversight.

How we work with Investment Managers

Our Responsible Investment Policy sets out our measures and expectations that company directors and asset investment managers will adopt to promote both stewardship and long-term decision making. Our view is that asset investment managers contribute more to the performance of the invested business through greater involvement in the companies in which they invest. Adopting such responsible investment practices proves beneficial for investors and markets alike. During the investment manager selection process, responsible investment and engagement are a core assessment category. Once a fund manager is selected, our expectations for them to integrate ESG factors into their investment strategy are written into the Investment Management Agreements. We monitor our investment managers at least quarterly to ensure they meet our expectations.

How we monitor: We are committed to a programme of continuous improvement in stewardship reporting which takes account of clients' feedback. In 2021 we took steps (described below) to improve investment manager monitoring and this has been enhanced in 2022 through the Investment Due Diligence (IDD) reports.

In 2021, we enhanced our investment manager monitoring by requesting our public market investment managers to respond to a quarterly responsible investment questionnaire. We ask our investment managers for examples of stewardship activities, how investment decisions are made based on ESG factors and update us on key responsible investment changes. An example of the questionnaire is below:

An example of the questionnaire is below:

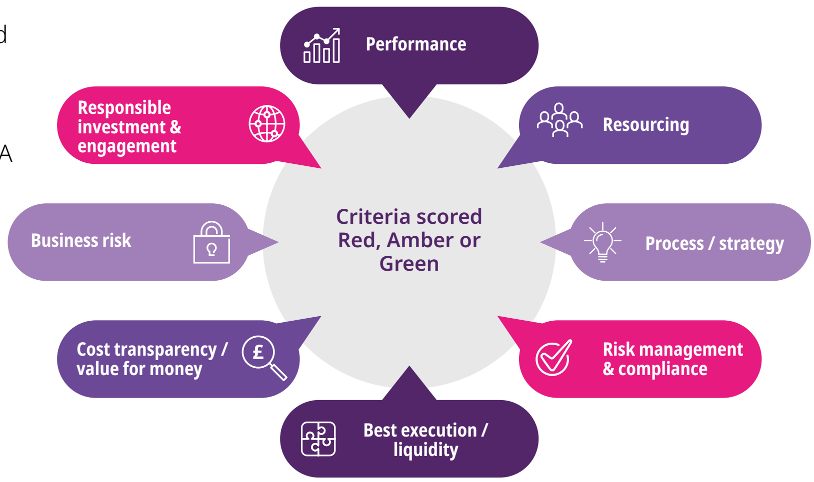
Questions:
Have there been any changes to your ESG integration process over the reporting period (e.g. additional resources, information sources)? If so, why?
What are some specific examples of how ESG factors have impacted investment decisions?
What are some specific examples of major ESG risks that you identified in the holdings or assets in the portfolio over the reporting period, and what have you done to mitigate them?
Please provide one engagement example in our fund
Please provide another engagement example in our fund
Please provide a third engagement example in our fund
Optional additional engagement example
Do you have a dedicated Responsible Investment Team in your organisation? Please highlight existing team structure and roles.
Have you changed any policies or procedures recently to address ESG risks or opportunities within your own organisation?
Do you have a Responsible Investment and Engagement Policy? If so, please share a link here:
Do you have a specific Climate Change Risk Policy? If so, please share a link here:
Do you have a Diversity Policy? If so, please share a link here:

The outcome of any changes noted in the quarterly survey are reported back to our clients in the quarterly investment report along with key stewardship activities. In 2022, we have introduced an in-depth Investment Due Diligence (IDD) which includes detailed responsible investment reviews. Every month, the Investment Panel review the RAG status of each ACS Sub-fund and investment manager to ensure any risk and breaches are addressed and concerns are reported upwards to the Executive Committee.

In 2022, in-depth reviews of all of the London CIV ACS Sub-funds were completed, with the exception of the PEPPA Fund which was launched in December 2021. The in-depth review of PEPPA is in process now.

Our Expectations: In our monthly RAG status review of all our ACS investment managers and Sub-funds, we have set criteria of our expectations of performance across eight key categories. London CIV monitoring status is set as Normal, Enhanced and Watch List. The eight criteria are below:

Fund monitoring schematic



An example of how this functions in practice is if an investment manager has failed to adhere to a key criteria such as “Responsible Investment and Engagement” and fails a key metric for example is no longer a signatory to the FRC Stewardship Code we will take that into account in their overall monitoring status at fund level and investment management level as well as their rating for that specific category. The RAG update will be presented and communicated to the Investment Panel and London CIV will engage directly with the investment manager to understand their reasons and request action from the manager to achieve improvement.

How we work with our stewardship partner

In April 2021, London CIV selected EOS to complement our stewardship activities following a tender in line with The National Framework (the public sector procurement framework) and our due diligence process. EOS has been engaging with companies that form part of our public equity and corporate fixed income holdings. Using these services enables us to achieve a wider coverage of assets and provides access to more detailed expertise across a range of investment themes. The team’s connections, language skills and cultural understanding greater enhances the ability to create and maintain constructive relationships with company boards. As we are looking to track milestones, EOS brings continuity to our engagement plan with a focus on long term outcomes. EOS has a four-stage milestone system that allows it to track the progress of engagements, relative to the objectives set for each company. When it sets an objective, it also identifies the milestones that need to be achieved. Progress is then assessed regularly and evaluated against the original engagement proposal. Please see pg. 33 for milestones progress by EOS.

How we monitor: As of November 2021, EOS partnered with London CIV to consolidate our votes across our segregated Authorised Contractual Scheme (ACS) public market funds. London CIV’s RI team conducts monthly checks to ensure votes have been executed appropriately. The RI team is also responsible for reviewing daily voting alerts for each vote that EOS casts on its behalf. Where we believe votes have not been executed appropriately, the RI team will escalate the issue to the London CIV Investment Panel and EOS directly. London CIV’s RI team also conducts quarterly meetings with EOS to monitor their key stewardship activities. Bi-annually, London CIV attends EOS’s Client Advisory Council to engage with EOS with other clients of EOS and to provide feedbacks.

Case Study:

How we keep our stewardship partner accountable

Background: In August 2022, London CIV was notified of our stewardship provider’s sponsorship of the State Financial Officers Foundation (SFOF), a controversial non-profit associated with the US anti-ESG movement.

Engagement: London CIV became deeply concerned due to the potential conflict of interest by our stewardship provider’s association. We scheduled a call with EOS’ senior management team to understand the context and their reasoning behind such sponsorship. We were then invited to be in a group call with other LGPs pool EOS clients to discuss the next steps EOS will take.

Outcome: After the engagement by us and many of EOS’ other clients, in September 2022 EOS announced that they will no longer be renewing their sponsorship of the SFOF.

How we work with portfolio companies

London CIV engages with companies primarily through our investment managers, EOS and collectively through industry collaboration. We require UK companies to adhere to the UK Corporate Governance Code on a comply or explain basis and expect other companies to adhere to international corporate governance principles, whilst recognising local application and development.

Whilst most of our engagement takes place via collaboration, London CIV has clear guidance on what we expect from companies and what companies should expect from us so that investment managers, General Partners (GPs) and our stewardship partners can be assessed against similar standards. We have published our Voting Guidelines on our website which set out clear expectations and our thresholds for certain issues. For more information please see our voting section on pg. 25 or read our full Voting and Engagement Guidelines. In 2022, we escalated our engagement directly with companies we believe that are high material risks. Please see pg. 39 and pg. 58 for our latest escalation.

Step one:
Defining our priorities

Stewardship Priorities

London CIV remains committed to the three key stewardship themes that were identified in 2021: climate change, diversity and inclusion (including human rights), and tax and cost transparency (within the broader theme of principles of governance). These priorities were chosen due to their significant financial impact and the potential influence we can exert. In 2021, we released our first Climate Policy, outlining our expectations of our Client Funds and other stakeholders. In 2022, we published our Voting Guidelines, setting standards for our portfolio companies' climate, diversity and inclusion, and governance practices. We also partnered with CACEIS in January 2022 to provide improved cost transparency and benchmarking information.

We have included a comprehensive table of our current engagement priorities and broader ESG issues that we seek to address below. In 2021, we expanded the planet category to address deforestation and land-use change. In 2022, we intensified our focus on biodiversity risks.

Key priorities

People Categories

- Human rights
- Human capital management
- Reduced inequalities: including education
- Digitalisation: including social media, gaming
- Health and wellbeing: including infectious disease, nutrition
- Build back better: including green job creation

Planet Categories

- Climate change
- Air pollution
- Physical risk
- Water risk
- Biodiversity loss
- Plastics pollution
- Deforestation and land-use change

Principles of Governance

- Tax and cost transparency
- Diversity and inclusion
- Executive renumeration
- Technology: including cyber security
- Anti-bribery and corruption

Prosperity

- Economic returns
- Paying pensions
- No poverty

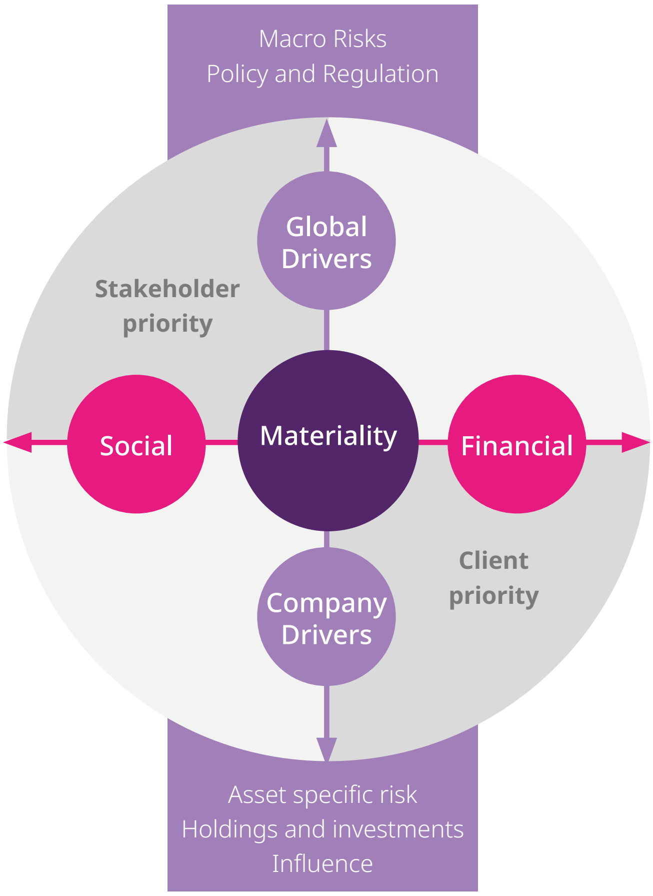
> We aim to identify market-wide and systemic risks at least annually and respond to them on an ongoing basis to promote a well-functioning financial system.

Risk identification methodology

London CIV's risk identification methodology is developed to address the complex interconnectivity of a myriad of issues prior to determining our ESG priorities. At the macro-level we are affected by top-down global risks and client priorities. From a bottom-up perspective, we recognise micro-risks to our assets and specific areas where we can have influence.

This ever-evolving system of prioritisation is nuanced by a values versus value-based approach that sees risk as greater in terms of magnitude and likelihood when financial and social materiality combine. Whilst influencing what is viewed as best practice by the industry and other stakeholders, and thus what policy and regulation will soon unfold. The next section discusses the most pressing market-wide and systemic risk that we have identified by using this methodology.

Figure 5: London CIV ESG risk identification methodology



Risk assessment process

London CIV performs monthly stress tests on ACS Sub-funds, which show a set of scenarios that have been modelled on previous world events and simulate the effects on the portfolio and benchmark values should that scenario occur again. See example below:

Sample monthly stress testing results

	Scenario	Portfolio Value Change	Benchmark Value Change	Active Value Change
Sample London CIV Portfolio 1	No Scenario			
Sample London CIV Portfolio 2	2008 Financial Crisis	-31%	-26%	-5%
Sample London CIV Portfolio 3	2010 Euro Sovereign Crisis	-11%	-10%	-2%
Sample London CIV Portfolio 4	2011 Japan Earthquake	-5%	-5%	1%
Sample London CIV Portfolio 5	9-11 2001	-23%	-20%	-3%
Sample London CIV Portfolio 6	Asian Crisis 1997	-17%	-15%	-2%
Sample London CIV Portfolio 7	LTCM Collapse	-18%	-12%	-5%
Sample London CIV Portfolio 8	Mortgage Crisis 2007	-8%	-8%	0%
Sample London CIV Portfolio 9	Russian Default 1998	-25%	-21%	-4%
Sample London CIV Portfolio 10	Sovereign Downgrade Crisis 2011	-19%	-17%	-2%
Sample London CIV Portfolio 11	WorldCom 2002	-27%	-24%	-3%

For example, if the 2008 Financial crisis reoccurs Sample London CIV Portfolio 2 will decrease by 31% and the benchmark will fall 26%, so underperforming the benchmark by 5%. Other adverse scenarios tend to see small underperformance of the portfolio versus the benchmark and a small outperformance if the Japanese earthquake or the US mortgage crisis for example were to reoccur. Overall, this analysis shows that the portfolio will follow the index reasonably but is likely to underperform in bad scenarios.

When ESG risks are identified in the monthly stress-testing, issues are reported to the Investment Panel. So far, this model has only highlighted ESG risks relating to extreme weather events. Our current system cannot model events that have not already happened. Thus, we are exploring to develop our risk systems to incorporate our own ESG risk factors in the future.

The RI Team have integrated forward-looking physical risk and transition analysis into TCFD reporting as a basis for engagement. To further improve our risk assessment and mitigation capabilities in terms of both investment risk and operational risk, London CIV appointed a dedicated Head of Investment Risk and Performance in 2020 whose role includes supporting the integration of ESG risks into stress testing as standard. The role of the additional investment analyst appointed in 2022 includes risk and performance.

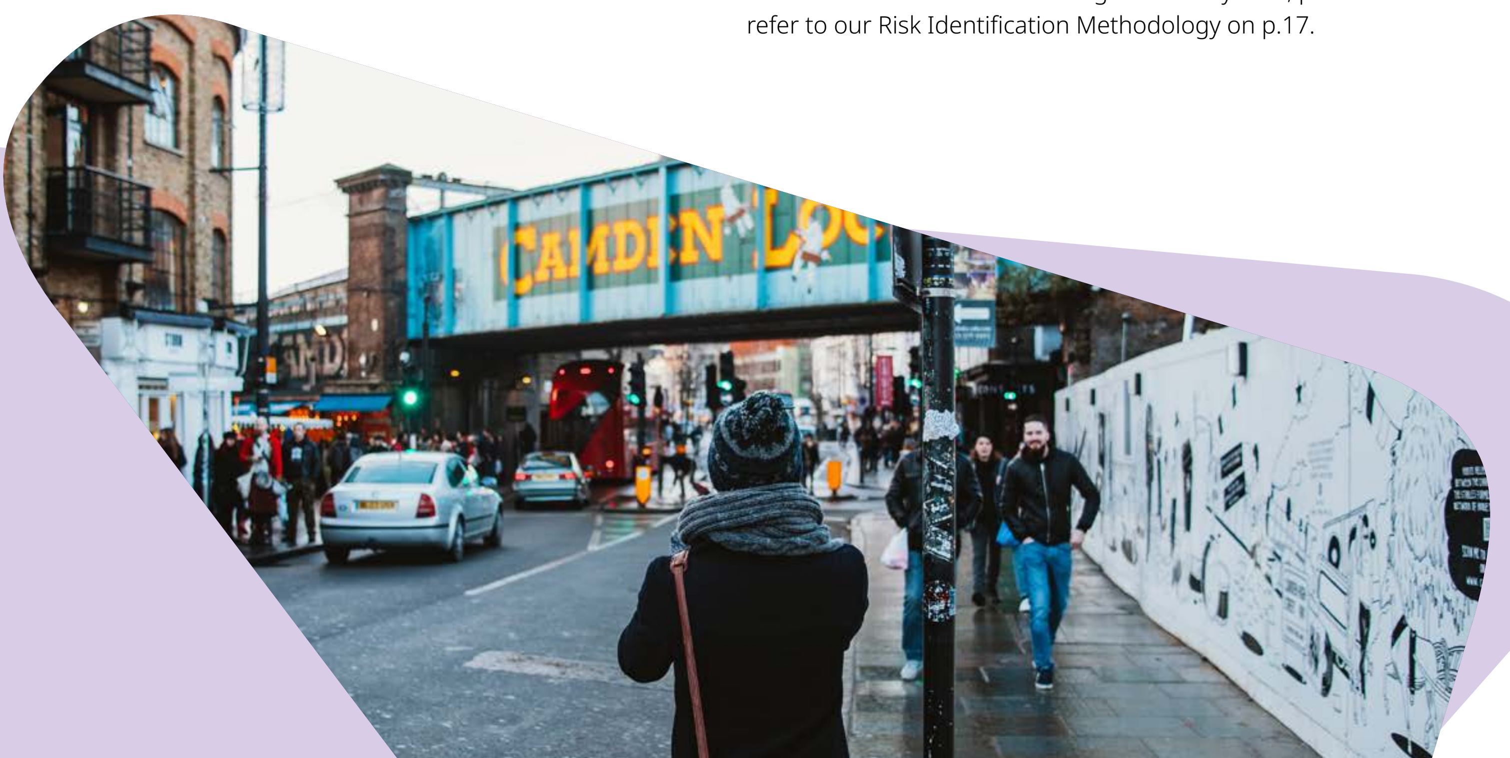
London CIV delegates the investment management function to third-party investment managers or invests in third-party managed funds. We conduct quarterly meetings and annual deep-dive reviews as part of our manager oversight. During these meetings, the Investment Team discuss the risk management of the portfolio. Every month, the Investment Panel review the RAG status of each fund and investment manager to ensure any risk and breaches are addressed escalating concerns to the Executive Committee. The next section details the key risks for London CIV in 2022 and how we have managed them.

Promoting and improving well-functioning markets

London has established itself as a prominent global hub for sustainable finance, with a significant contribution to the establishment of carbon trading, green bond underwriting, and a high concentration of responsible investment assets and expertise. In 2022, London was ranked number one in the Global Green Finance Index, which assesses the green finance offerings of 84 major financial centres worldwide. This index provides valuable insights into the development of green finance policies and opportunities in cities.

With access to the largest pool of capital, London's deep and broad markets hold a significant responsibility in creating a financial system that supports a sustainable future. As a global long-term investor and steward of capital, London CIV is committed to taking positive action, promoting collaboration, and demonstrating leadership that will have an impact not only in the UK but worldwide. We believe that incorporating ESG considerations into our investment strategy is crucial for our role as responsible investors, which can lead to improved economic performance and significant environmental and social benefits.

For more information on our approach to identifying and responding to market-wide and systemic risks and our contribution to a well-functioning financial system, please refer to our Risk Identification Methodology on p.17.



Market-wide and systemic risk

Climate change

The ecological, societal, and financial stability of every economy, country, asset type, and sector on the planet is immediately threatened by climate change. It will have significant physical and economic impacts on virtually all human activities, thereby creating numerous implications for our Client Funds and their beneficiaries. In recent history, the Earth's temperature has been rising faster than ever before, as evidenced by the increasing frequency and severity of weather events, rising sea levels, and warming marine temperatures. Agriculture and food supply, infrastructure, and water availability are already being affected, leading to increased migration and conflict. Human activities are responsible for approximately 1.0°C of global temperature increase above pre-industrial levels, with current emission patterns indicating that this could reach 1.5°C by 2040. If carbon dioxide emissions continue on their current path, the temperature is projected to increase by 3-5°C by the end of the century.

London CIV is 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. We are also committed to becoming a net zero company across operational and supply chain emissions by 2025. Alongside our main commitment, we have set interim targets for investments including a 35% carbon intensity reduction by 2025 (relative to 2020), and 60% by 2030 across the London CIV Fund range.

We plan to achieve our 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, we have calculated the impact of our passive funds included in the London CIV pool worth £13.0bn and expect to release a detailed roadmap to demonstrate a credible course of action to achieve a pathway to net zero during our reporting year 2023/24.

Climate change risk management forms an important part of London CIV's duty of care and is a strategic investment priority. 28 of our clients have declared a climate emergency and some have already set out net zero plans. Following our first comprehensive climate risk analysis, dedicated climate policy and TCFD report which was released in 2020 London CIV launched the LCIV Renewable Infrastructure Fund and the LCIV Global Alpha Growth Paris Aligned Fund and the LCIV Passive Equity Progressive Paris-Aligned Fund (PEPPA) for investment providing a wider range of climate-conscious products for its 32 clients to invest in.

We follow a collaborative approach when addressing climate change risks with our investment manager, stewardship provider, external initiatives and through policy advocacy. Please refer to Deep Dive: Climate Change section on pg. 35 for our collaborative actions.

Lessons from COP27 and COP15

The outcomes of 2022's 27th Conference of the Parties (COP27) on climate change elicited mixed opinions. On the positive side, a deal on "loss and damage" was reached, which established new funding agreements to support developing countries vulnerable to the adverse effects of climate change. However, there was disappointment as commitments were not made to curb emissions and achieve the Paris climate agreement's target of limiting warming to 1.5 to 2 degrees by 2025. The UN Biodiversity Conference (COP15) also took place in the same year. It delivered a landmark Global Biodiversity Framework that was adopted by nearly 200 countries. The framework aims to protect at least 30% of land and seas by 2030, representing a significant step forward in addressing the biodiversity crisis.

What we learnt

- Global Biodiversity Framework includes four overarching global goals for 2050 and 23 targets.
- To support the implementation of the Global Biodiversity Framework, companies must reduce their contribution to the five main drivers of biodiversity loss. Which are:
    - Land and sea use change
    - Pollution
    - Species overexploitation
    - Climate Change
    - Invasive species and disease

Our Actions:

London CIV's action

- London CIV signed the Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation
- London CIV has joined the Investors Policy Dialogue on Deforestation (IPDD) Initiative, where we will seek to use our influence to engage with public agencies and industry associations in countries on issues related to deforestation
- London CIV has joined the TNFD forum and we seek to explore reporting to the TNFD framework when it is finalised and data is available
- London CIV continues to work on the Deforestation-free Pension Working Group established by Global Canopy, SYSTEMIQ, and Make My Money Matter. The working group has produced a practical guide for pension funds to manage deforestation risks through an engagement approach
- London CIV provides our client funds with a (now) nil of charge Climate Risk Analytics Services to help our clients to understand climate risks in their portfolio and set a meaningful Net Zero ambition
- We have set an ambitious net zero target to become a net zero entity by 2040 and are committed to becoming a net zero company across operational and supply chain emissions as early as 2025.

Identification of transition and physical risk

London CIV understands the gravity of climate change and recognises that it has the potential to destabilise entire industries and financial markets. Therefore, since 2021, we have been proactively conducting climate risk analysis based on the guidelines provided by the TCFD. The risks associated with climate change are extensive and can be divided into two major categories: those related to the transition towards a lower-carbon economy and those related to the physical impacts of climate change. The TCFD guidelines clearly underscore the significance of incorporating climate scenario analysis models into risk management practices. This is crucial because the interplay between transition and physical risks can have profound implications for fund performance in the short, medium, and long term. By conducting scenario analysis, we can develop climate-resilient strategies that ensure our members' defined benefits are delivered over an extended period of time. **Please see our TCFD report for our physical risk analysis.**

Geopolitical Tension and Market Risk

The ripple effects of Russia's invasion of Ukraine and the resulting sanctions have reverberated throughout the global asset market in 2022. The complexity of assessing and mitigating geopolitical risk is compounded by the challenge of predicting events with rational analysis. However, diversification remains the best defence against such risk from an investment perspective. At London CIV, we uphold this principle and have taken steps to limit the direct impact of Russian and Ukrainian holdings on our funds in achieving their objectives over the long term and reported on those actions to our client funds and on our public website.

To ensure compliance with sanctions regimes, we conduct operational due diligence and triennial reviews to verify that investment managers have appropriate policies and controls in place. Additionally, we remain vigilant of material events and collaborate with investment managers to implement changes to sanctions regimes immediately. Our custodian and depositary provide regular updates on sanctions and alert us to potential issues.

Recognising the interlocking risks associated with Russia and Ukraine, London CIV conducted a comprehensive exposure analysis for all holdings linked to these countries. Our investment team conducted a bottom-up risk assessment while monitoring news flows and manager activities closely. By taking these measures, we can ensure that our investments remain robust and resilient, and our defined members' benefits are protected.

Our Actions:

- Contacted all our investment managers to assess our exposures and their responses to the crisis
- Contacted our custodian to ensure sanctions and breeches are tracked and updated
- Contacted EOS our voting and engagement manager to assess the broader implications of the situation on non-Russian companies which may have ties to Russia
- Contacted the depositary to guide us to keep up to date on sanctions as new announcements are made
- Reached out to Investor Alliance for Human Rights to ask for advice on human rights matters and stewardship
- Mapped out our exposures to Russian, Belarusian and Ukrainian entities and informed all our clients

> London CIV has committed to a target of Net Zero by 2040 with a corporate target of being operationally Net Zero by 2025.

Step two: Implementing Voting and Engagement

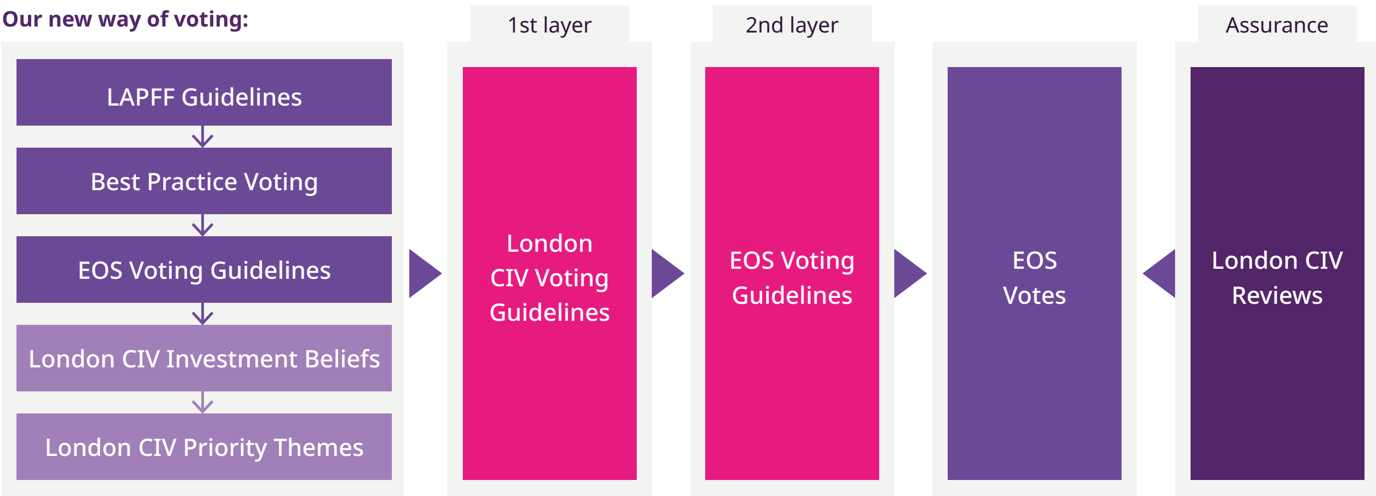
Optimising our voting procedures and using our voting rights

As stewards of capital, exercising voting rights is a vital part of our duty of care. We believe that voting on shareholder resolutions is a powerful part of our stewardship strategy as it helps communicate our views to companies. Being transparent about disclosing our voting records further supports this aim.

To enhance our stewardship capabilities, London CIV has appointed EOS to consolidate all our voting activities for our segregated listed equities funds in the second half of 2021. Furthermore, EOS also provides engagement services to our segregated public market funds (public equities and corporate fixed income). We believe by consolidating our votes, rather than outsourcing our voting activities to our investment managers, we can drive positive outcomes that are more tailored to London CIV's and our clients' priority themes. The development of our own Voting Guideline further encapsulates best industry standards, our priorities, and our clients' priorities. The Voting Guideline is reviewed and updated annually by the Responsible Investment team.

Our passive funds and pooled funds are voted by our investment manager. For the small number of votes issued in our private market funds, it is voted by London CIV.

Our new way of voting:



Our Voting Principles

We will endeavour to:

1. **Exercise our shareholder rights by always voting on contentious issues:** This includes a focus on votes for or against and the avoidance of abstention, unless in exceptional circumstances where information to cast a vote may be inadequate or a conflict of interest may be present.

2. **We aim to vote consistently on issues:** We aim to vote consistently on issues, in line with our voting policy, applying duty of care and diligence, allowing for a case-by-case assessment of individual companies and market-specific factors when necessary.

3. **Remain informed:** We aim to be knowledgeable about our investee companies, undertaking adequate due diligence to understand the complexity of their supply chains and unique business models before engaging with companies.

4. **Alignment to long-term value creation:** Our voting and engagement seeks to protect and optimise long-term value for shareholders, stakeholders and society.

5. **Uphold exemplar transparency:** We will be transparent and keep our stewardship priorities updated annually, whilst publishing our voting activity on a quarterly basis.

6. **Partner with like-minded investors and service providers:** To leverage our voting at scale.

7. **Alignment with Local Authority Pension Fund Forum ("LAPFF"):** Hermes EOS is our primary voting partner and we strive to vote in line with LAPFF recommendations where appropriate. Where there is misalignment between our votes and LAPFF's suggestions, we will provide sound reasoning and research behind our decisions to our stakeholders.

8. **We believe engagement is our most effective tool:** Leveraging the threat of divestment as a shareholder is more powerful than divestment alone.

Whilst we expect companies to:

1. **Remain accountable to their shareholders:** by holding regular board meetings, providing relevant information and being readily available for dialogue with investors and other initiatives.

2. **Align to long-term value creation:** Implementing incentive arrangements that create and protect value for their shareholders and not short-term financial goals that can detriment long-term company success, performance or natural, social, human capital.

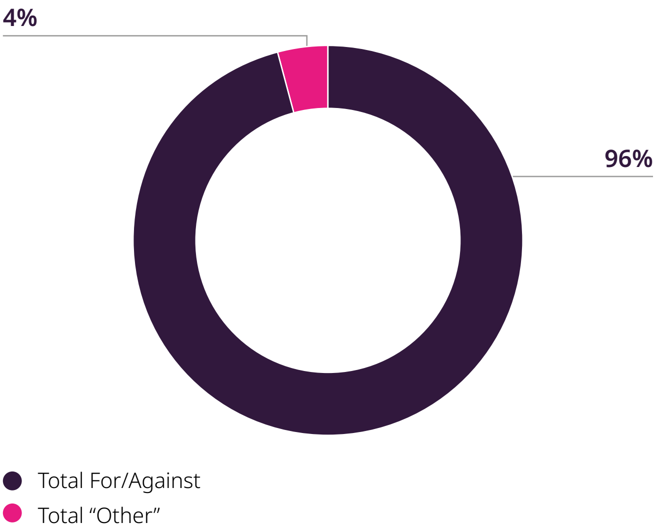
3. **Demonstrate adequate transparency:** We expect companies to disclose, in a timely and comprehensible manner, robust information on environmental, social and governance issues that could have a material impact on the company's balance sheet or society.

Voting record

Following our ESG review in 2019 London CIV decided to use the services of a voting and engagement provider and partnered with EOS to consolidate our votes in November 2021. In this year's report all segregated fund's voting activities are conducted by EOS, in some instances we may override EOS' recommendations if we believe a different vote option is more aligned with London CIV's stewardship priorities and policies.

In 2022, London CIV has enhanced the vote monitoring process by increasing our monitoring frequency from quarterly to monthly. The findings from the monthly audit are presented to the Investment Panel. We publish our voting records on a quarterly basis and investment managers are required to provide a rationale for all voting activity on a "comply or explain" basis. Our investment managers and EOS (since November 2021) voted on 23,411 proposals in 2022 compared to 10,403 proposals in 2021. This represents a 96% voting execution in 2021 compared to 95% in the previous year (Figure 6). investment managers and EOS voted against management propositions on 2,247 occasions. Director Related and Non-Salary compensation remain the areas of highest dissent (Figure 7).

Figure 6: 2022 Total Voting Execution



2021 Total Voting Execution

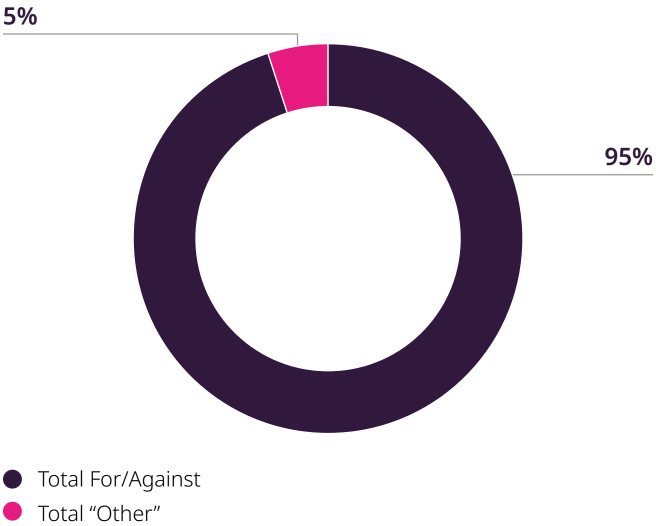
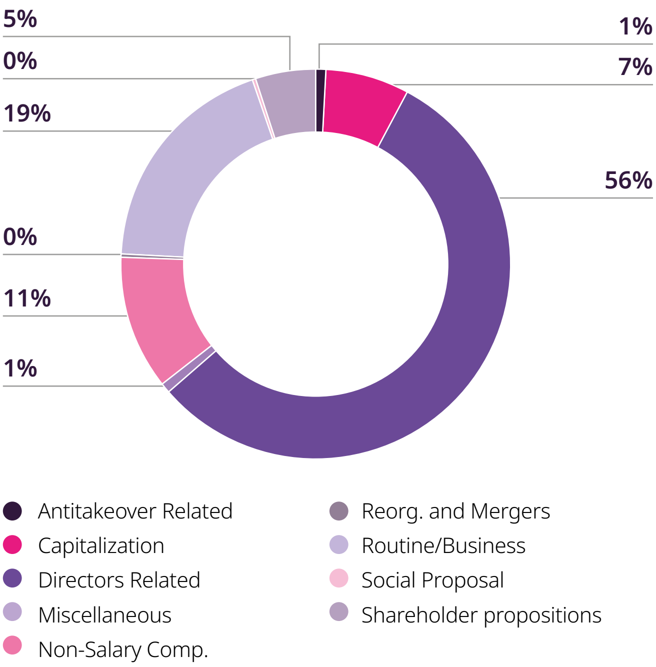


Figure 6: 2021 vs 2022 Total Voting Execution, Source: Investment managers, EOS, As of 31 December 2022

Figure 7: 2022 Proposals breakdown



2021 Proposals breakdown

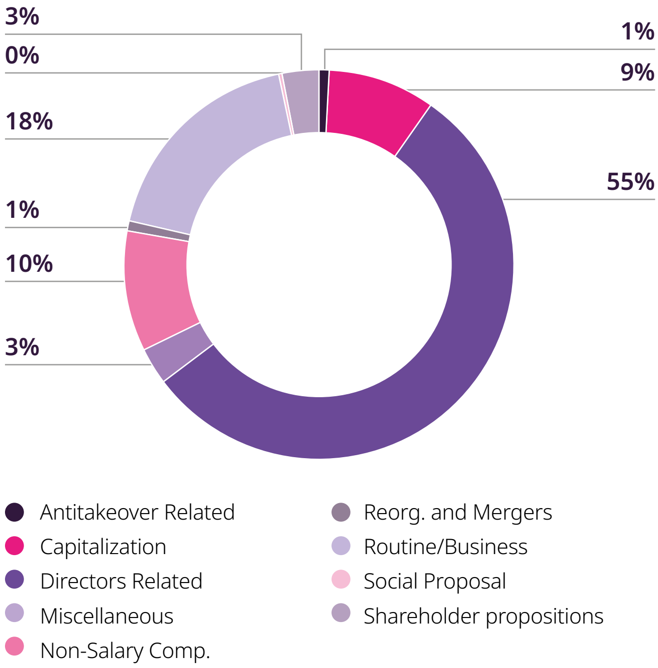
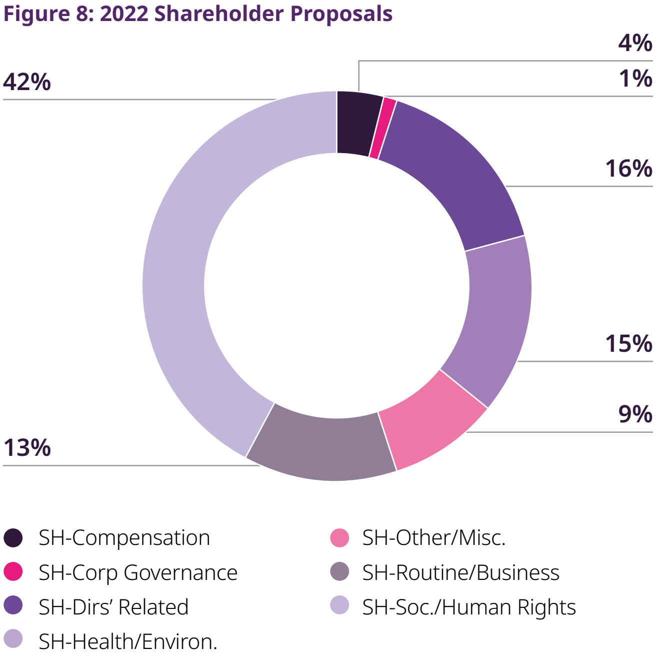


Figure 7: 2021 vs 2022 Proposal Breakdown, Source: Investment managers, EOS, As of 31 December 2022

Figure 8: 2022 Shareholder Proposals



2021 Shareholder Proposals

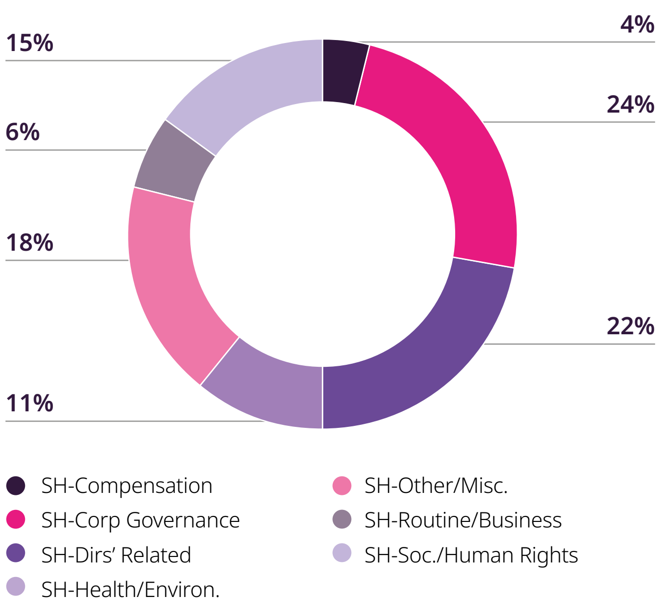


Figure 8: 2021 vs 2022 Shareholder Proposals, Source: Investment managers, EOS, As of 31 December 2022

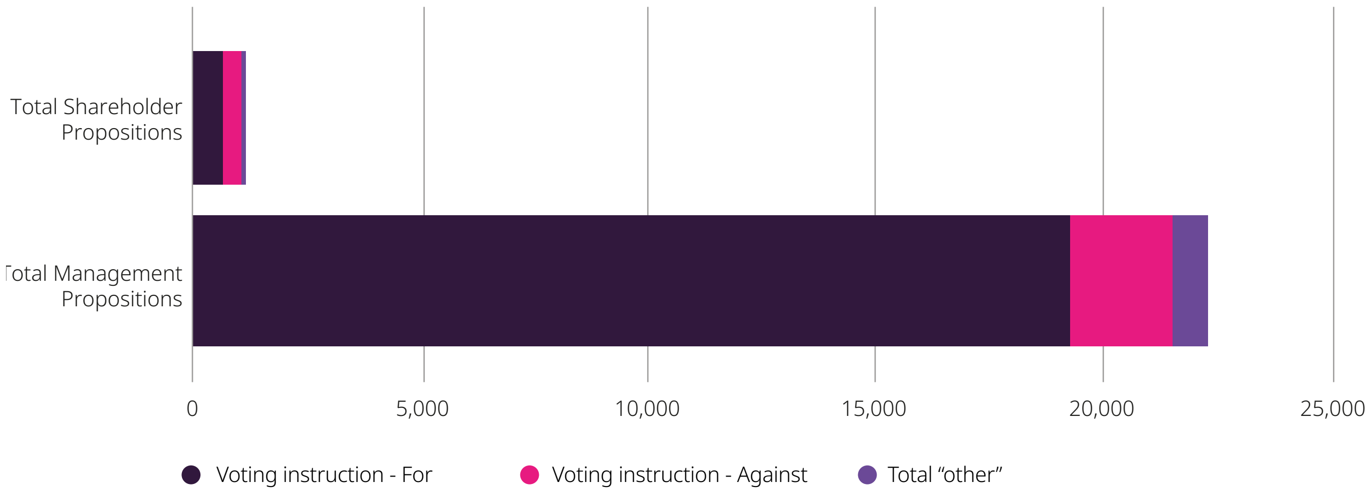
London CIV's investment managers and EOS also voted on 1,108 shareholder proposals in 2022 compared to 352 shareholder proposals in the previous year, supporting more than 59% (compared to 53% in 2021) of the proposals. Shareholder proposals may be submitted to encourage greater transparency in sustainability practices, changes in governance, or support improvements in corporate social responsibility. However, it is important to note that shareholder proposals vary in quality and are not necessarily aligned with EOS and/or London CIV's views as to changes that will be effective or appropriate. For example, we reviewed 469 shareholder proposals on the topic of Social/Human Rights. This topic includes instructions for companies to report on diversity and inclusion and assess human rights impacts. Of these 469 proposals, 66% of our voting instructions were in favour of these proposals. We have also reviewed 163 shareholder proposals on Heath and the Environment, this topic includes instructions for companies to have more robust reporting on climate change and environmental impacts, set targets for Green House Gas ("GHG") emissions in alignment with the Paris Agreement, or improve disclosure and policies on product health and safety. 61% of our voting execution was in favour of these 163 proposals. We have included some examples of how we and our investment managers utilise our votes in the following case studies available in this report:

Case Study: Apple Inc (pg. 30)

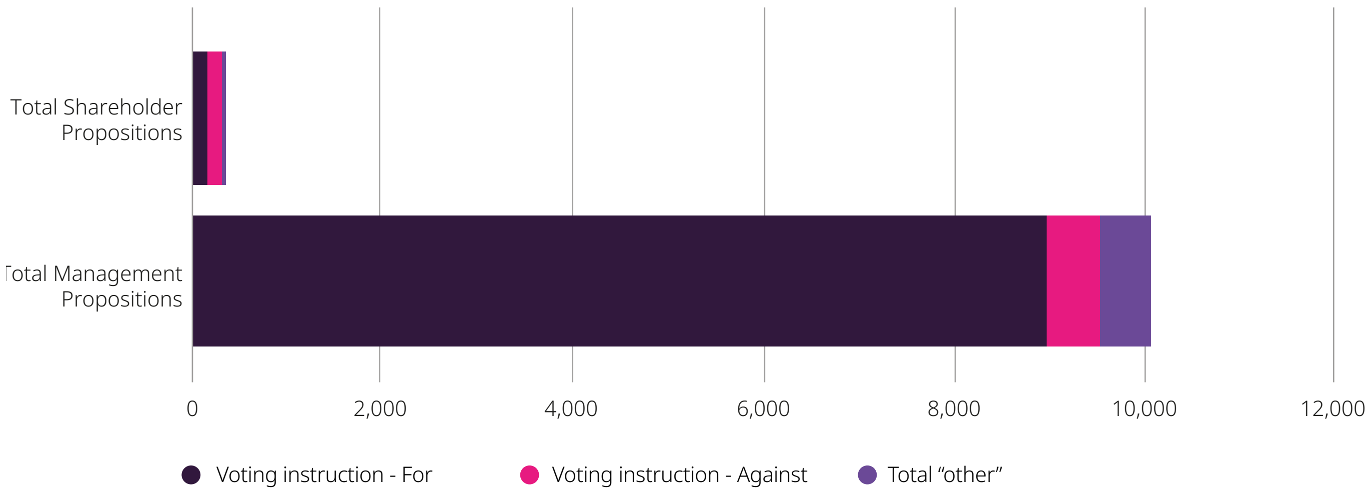
Case Study: Pfizer (pg. 45)

Case study Amazon (pg. 58)

Shareholder Proppositions vs. Management Proppositions 2022



Shareholder Proppositions vs. Management Proppositions 2021



Case Study:

Apple Inc
[Accepted shareholder proposals against management recommendation]

Background and Action: London CIV voted for five shareholder proposals related to diversity, human rights and transparency matters for Apple's 2022 AGM against management recommendations.

Outcome: Successfully, two out of the five shareholder proposals we have voted for were accepted and the other three received at least 30% from investors which demonstrates positive momentum for better ESG practices from investors.

Outcome	Proposal	Management Recommendation	LCIV Vote	% For
Rejected	Approve Revision of Transparency Reports	Against	For	31.73
Rejected	Report on Forced Labor	Against	For	33.71
Rejected	Report on Median Gender/Racial Pay Gap	Against	For	33.64
Accepted	Report on Civil Rights Audit	Against	For	53.55
Accepted	Report on Concealment Clauses	Against	For	50.03

Integrating engagement

Following effective voting, London CIV believes that a strong engagement strategy will help deliver real-world outcomes at scale and in turn, improve the performance of our funds. We have enhanced our engagement strategy during 2021 by expanding our reach to include collaboration with external initiatives and EOS. Recognising our limitations as we engage indirectly with portfolio companies, we believe we must not rely on one channel of engagement.

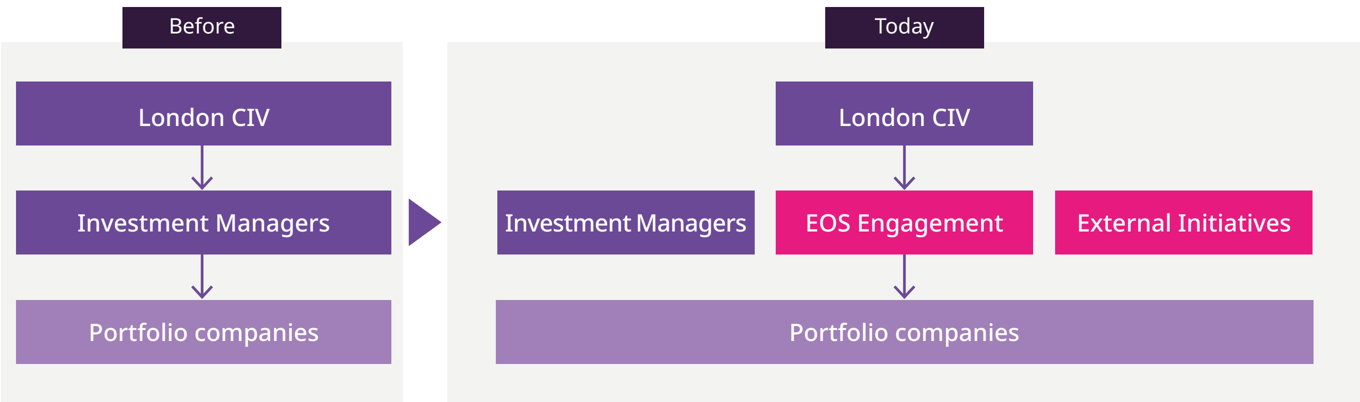
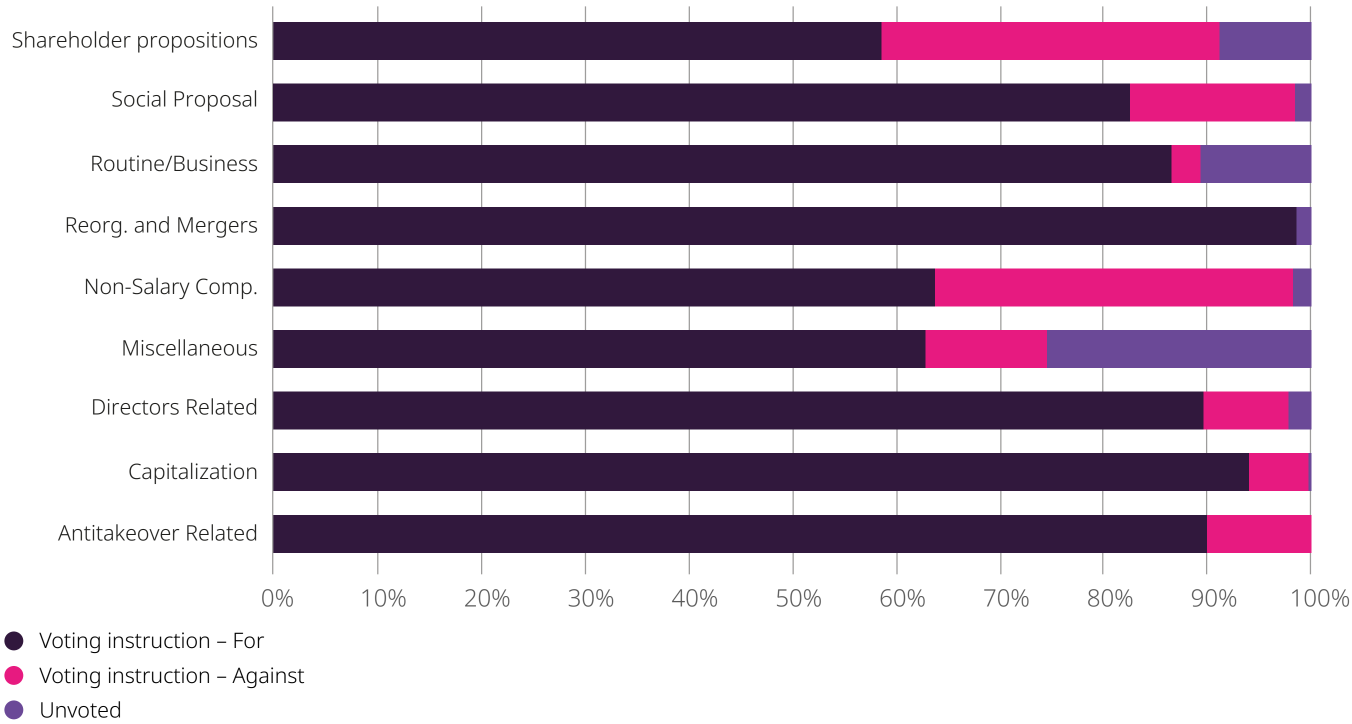


Figure 9: 2022 Voting instruction breakdown



2021 Voting instruction breakdown

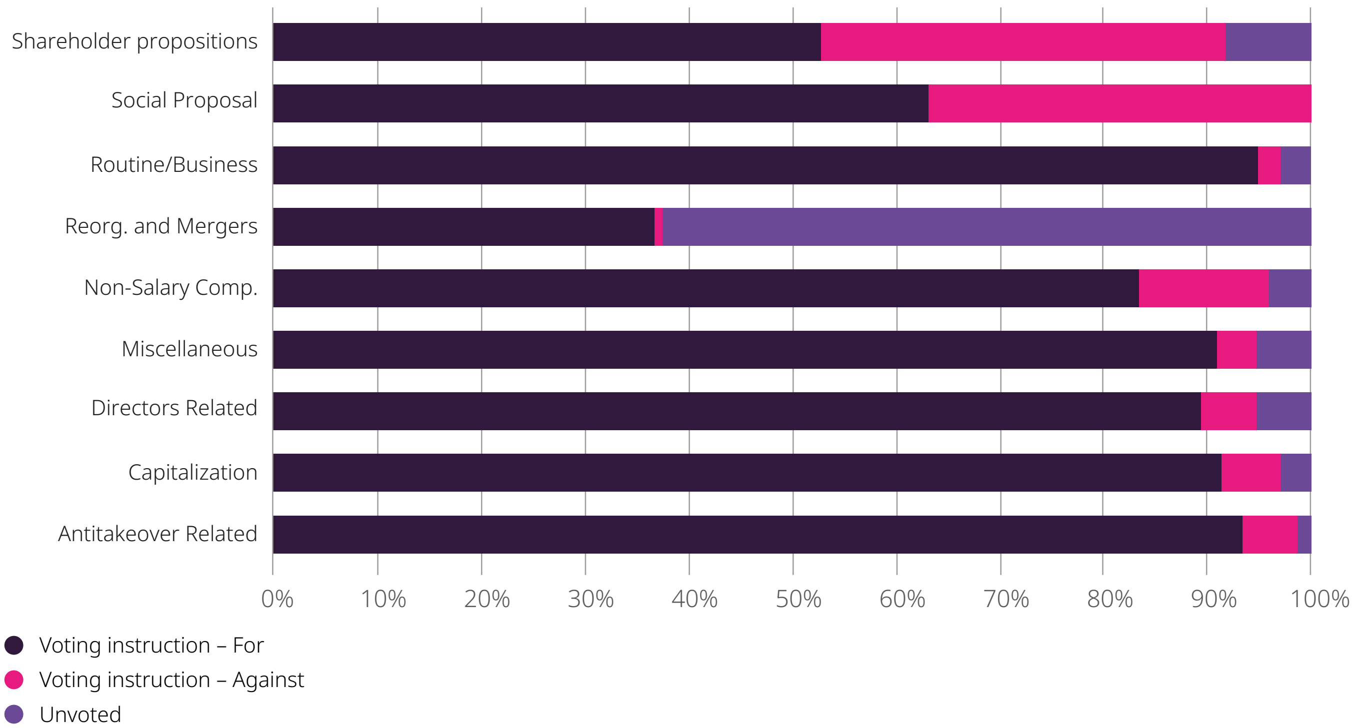
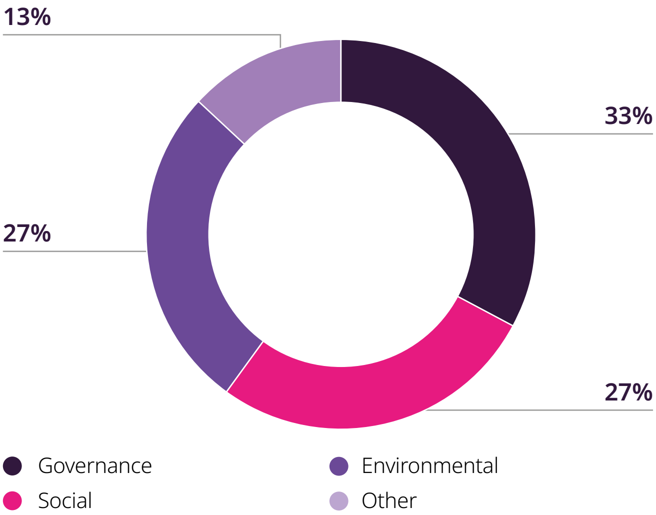


Figure 9: 2021 vs 2022 Voting Instruction, Source: Investment managers, EOS, As of 31 December 2022

Investment manager engagement breakdown

In 2022, investment managers held 1,274 engagement meetings with portfolio companies compared to 696 in the last reporting period. The significant increase in the number of meetings is due to the launch of PEPPA fund. Specific areas of interest were climate change, being discussed in 29% of the meetings (376 meetings), while concerns about diversity were raised with issuers on 162 separate occasions (13%) (Figure 11).

Figure 10: 2022 Issues discussed: ESG coverage.



2021 Issues discussed: ESG coverage.

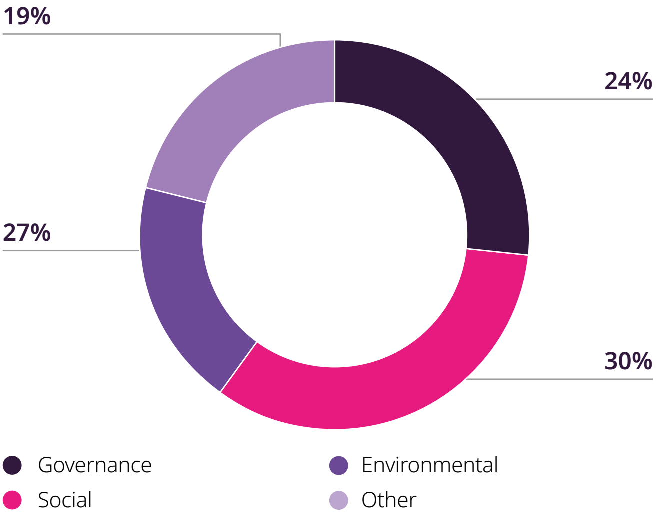
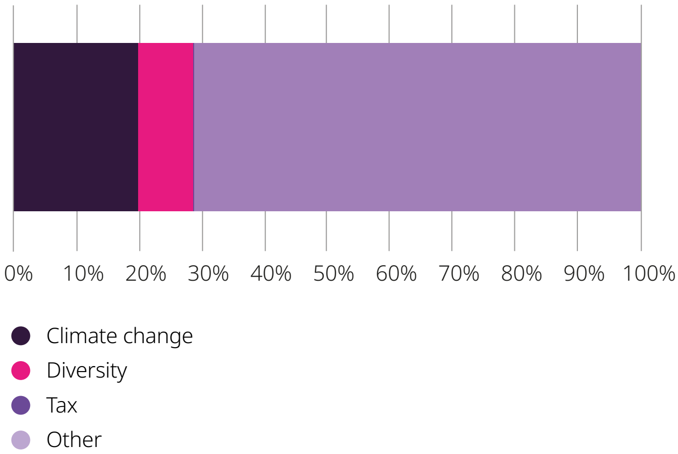


Figure 10: 2022 vs 2021 Issues Discussed, Source: Investment managers, As of 31 December 2022

Figure 11: 2022 Detailed engagement activity breakdown



2021 Detailed engagement activity breakdown

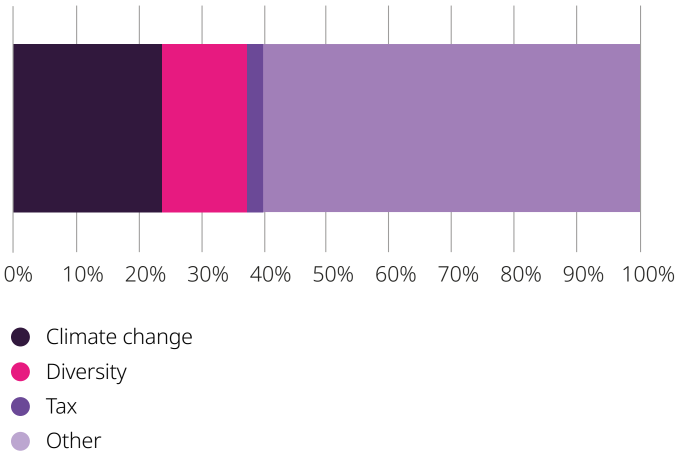


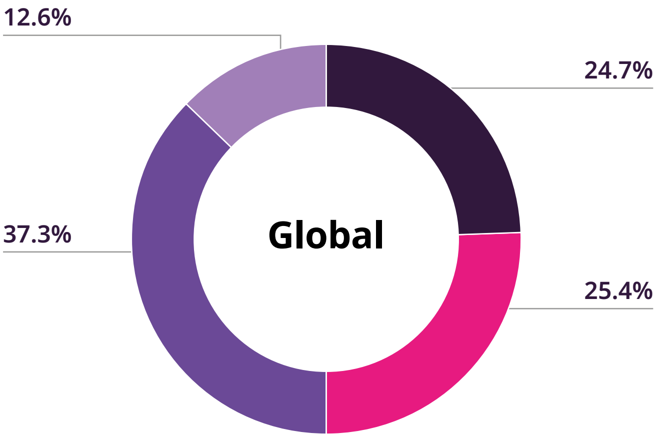
Figure 11: 2022 vs 2021 Detailed Engagement Activity Breakdown, Source: Investment managers, As of 31 December, 2022

Whilst about half of London CIV's funds are specifically sustainability focussed it is important to note that our stewardship policy applies to all funds. Those who are not already high performing in terms of ESG credentials provide us with the greatest opportunity to influence change.

EOS engagement breakdown

EOS has engaged on behalf of London CIV with 418 companies on 1,709 ESG topics which is additional to the engagement by our investment managers.

Figure 12: EOS Engagement Breakdown



We engaged with 418 companies over the last year.

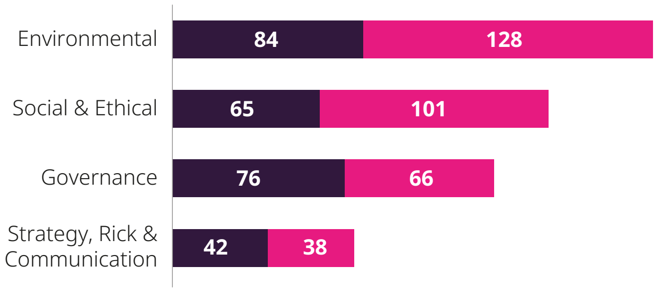
- Environmental
- Social and Ethical
- Governance
- Strategy, Risk and Communication

Figure 12: Source: EOS 2022

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.

Figure 14: Engagement progress (2022)



- No change
- Positive progress (engagement moved forward at least one milestone during the year to date)

Figure 14 Source: EOS

Engagement milestones

EOS utilises a proprietary milestone system that tracks engagement progress against their objectives set with the company. The milestones are categorised as follows:

- **Milestone 1** Concern raised with the company at the appropriate level
- **Milestone 2** The company acknowledges the issue as a serious investor concern
- **Milestone 3** Development of a credible strategy/Stretching targets set to address the concern
- **Milestone 4** Implementation of a strategy or measures to address the concern

Theme	Total Engagement Objectives	Engagement objective status (last milestone completed)			Closed engagement objectives	
		Milestone 1	Milestone 2	Milestone 3	Completed	Discontinued
Environmental	212	50	80	46	25	11
Social and ethical	166	34	61	27	31	13
Governance	142	24	48	24	29	17
Strategy, risk and communication	80	7	31	17	16	9
Total engagements	**600**	**138**	**269**	**180**	**101**	**50**

Figure 13 Milestone status of engagement, Source: EOS

Linking engagement to Sustainable Development Goals (SDGs)

London CIV supports the delivery of the UN SDGs. We believe by creating positive outcomes for society through investments and engagement as the goals recognise the role of the private sector in financing 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 impacts on society, across their value chains. EOS' engagement methodology links each engagement objectives to specific SDG target across our portfolio.

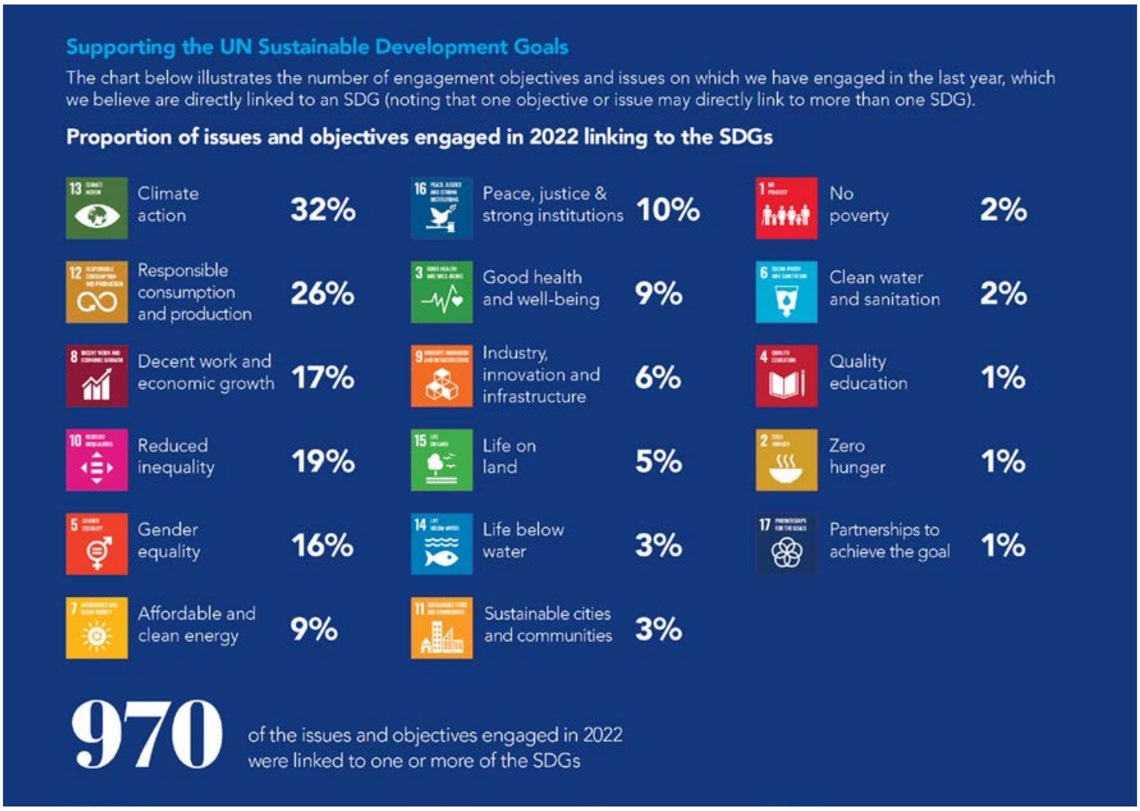


Figure 15: Milestone progress of SDG-linked engagement objectives

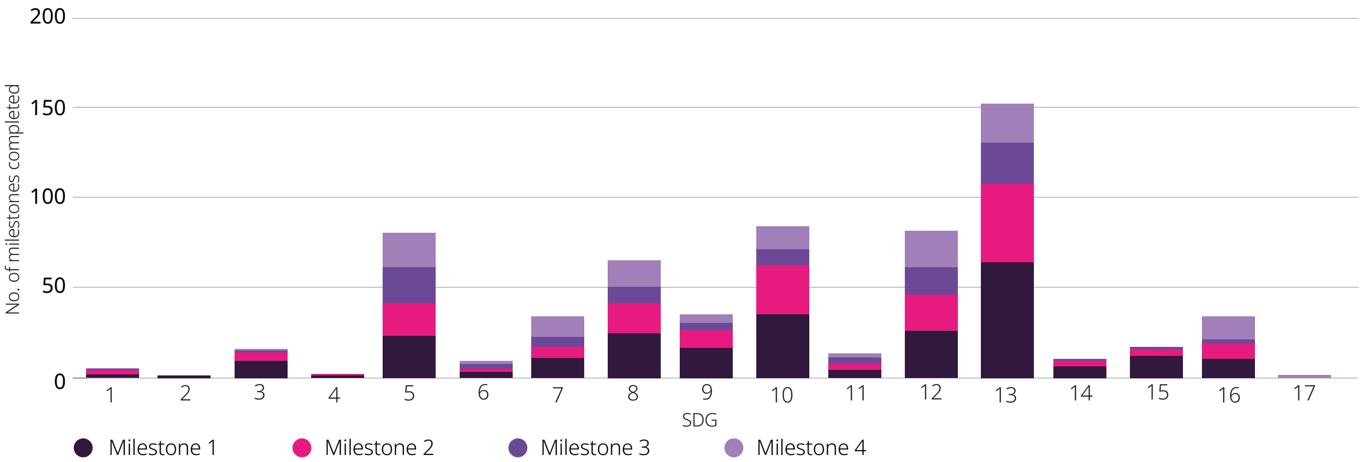


Figure 15: Source: EOS

Deep Dive: Climate Change

The Earth's temperature is now rising faster than at any time in recent history, evidenced by more numerous and volatile weather events, rising sea levels and warming marine temperatures. It is impacting agriculture and food supply, infrastructure and water availability which in turn, leads to increased migration and conflict. Climate change presents an immediate systemic risk to the ecological, societal, and financial stability of every economy, country, asset type and sector on the planet. It would have significant physical and economic impacts on most aspects of human activity and as a result, multiple implications for our clients and their pension fund beneficiaries. Addressing climate change is therefore part of our fiduciary duty and a strategic investment priority for London CIV.

We have continued with our engagement themes on climate change since 2020 and focussed on the following outcomes:

- Improving the market quality of climate-related financial disclosure
- Reducing our clients' financial risk exposure from stranded assets

Improving disclosure

Accurate and timely disclosure of climate-related financial information is central to the effective implementation of the commitments set out in the climate policy. London CIV works with investee companies to encourage better disclosure practices and improve data quality to strengthen its ability to assess climate-related risks. The chart below summarises the overall level of corporate Scope 1 emissions disclosure across London CIV funds.

The overall level of disclosure in each portfolio is assessed using the following methods:

1. **Value-of-holdings ("VOH"):** The sum of the weights of each holding within each of the three disclosure categories.
2. **Greenhouse gases ("GHG"):** The sum of each holding's share of the total apportioned Scope 1 CO_2e within each of the three disclosure categories.

Figure 16: Scope 1 Disclosure Rates

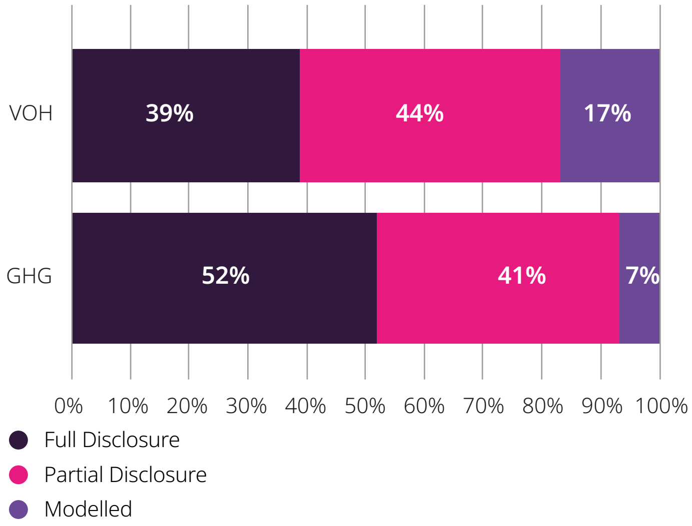


Figure 16: Scope 1 Disclosure Rates,
Source: Trucost, S&P Global

Case Study:

London CIV - helping our clients improve climate-related disclosures

Background and Action: In 2022, London CIV launched the London CIV Climate Analytics service ("the Service") at no cost for our client funds. The Service consists of a detailed report covering the carbon footprint, fossil fuel exposure and net-zero alignment (i.e. implicit portfolio temperature ^{0}C in line with the Paris Agreement) of all listed equity and corporate fixed income instruments held in an entire Pension Fund investment portfolio. Our Service provides an analysis at the bottom-up level, calculating the carbon footprint metrics against emissions scope 1, 2 and 3 which are based on specific climate data associated with the specific companies and/or issuers at fund level and in aggregate, regardless of these investments being deemed pooled or not. (Pooled in this context means invested by the client fund via the London CIV asset pool and not pooled means that the investments do not utilise the pool.) Our Service includes a presentation delivered by our specialist to explain the aggregated results and discuss the climate metrics at fund level. This exercise aims at facilitating the considerations Pension Committee members will make alongside their respective investment consultants to set targets to reduce the carbon emission of their overall investment portfolios. Our climate reports help inform how Pension Committees will set such climate target ambitions.

Progress and Outcome: In 2022 we have successfully delivered five reports to our clients with three additional reports in the pipeline. We are currently expanding the responsible investment team to add an additional analyst to build capacity in order to service our clients.

Reducing risk exposure from fossil fuels

Future emissions from fossil fuel reserves far outweigh the allowable carbon budget that will limit global warming to 2 degrees Celsius above pre-industrial levels. Industry experts refer to assets that may suffer from unanticipated or premature write-downs, devaluations or conversion to liabilities as stranded assets.

London CIV assesses exposure to such assets by showing the combined value of holdings with business activities in either fossil fuel extraction or fossil fuel energy generation industries. This helps us to identify potentially stranded assets that may become more apparent as economies move towards a low carbon economy.

For instance, London CIV measures fund-level carbon emissions embedded within company owned fossil fuel reserves which can be considered 'unburnable' if 2°C targets are to be achieved (Figure 17). Based on this analysis London CIV works to identify the companies that contribute the most to the consolidated pool apportioned embedded emissions to engage with them and understand their strategies for mitigating the exposure of their stranded assets.

Figure 17: Apportioned Future Emissions by Reserve Type

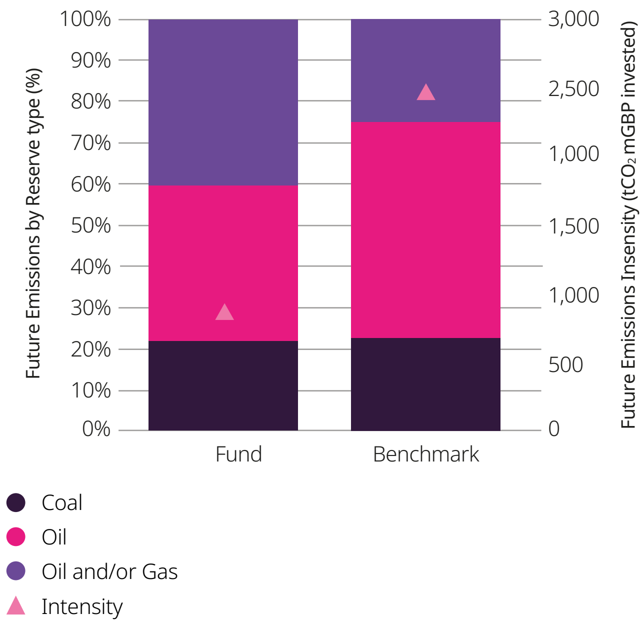


Figure 17: Apportioned Future Emissions by Reserve Type, measured against "Global Composite Benchmar", Source: London CIV analysis based on S&P Trucost Data

Case Study:

EQT Corporation (Fixed Income)

Background: The largest natural gas producer in the United States, EQT is actively working on methane emissions tracking and reduction. EQT committed to The Oil & Gas Methane Partnership 2.0, a multi-stakeholder initiative launched by UN Environment Programme and the Climate and Clean Air Coalition. Our investment manager PIMCO believes EQT is well-positioned to meet new upcoming regulations issued by the US Environmental Protection Agency.

Action: PIMCO engaged with the company regarding measurement-based methane reduction targets and disclosure. The investment manager also encouraged them to use direct measurements for methane emissions reporting and target setting and to adopt an absolute emissions target in addition to their intensity-based target alone. The engagement also covered their view and best practices on sustainability-linked bonds such as using methane tracking and targets as a potential key performance indicator (KPI) for the coupon trigger mechanism.

Progress and Outcome: In early 2022, EQT became the largest producer of responsibly sourced natural gas (RSG) certified under EO100TM, a distinction set by Equitable Origin, the world´s first independent environmental standards system. PIMCO considers this certification of EQT a premier approach to meeting the global challenge of reducing GHG emissions. While there is still some debate regarding the RSG certification process and its dependability, this effort by EQT indicates the company is committed to direct measurement and transparency of their methane emissions.

Case Study:

Ryanair (Listed Equity)

Background: Our investment manager Baillie Gifford engaged with Ryanair on our behalf. Global aviation accounts for c.2% of the world's greenhouse gases each year, and decarbonisation of the industry is a very difficult challenge to solve. Our investment manager's long-term investment thesis for Ryanair is that the company is becoming increasingly ambitious, and indeed leading peers, on the pathway to reducing the carbon intensity of air travel.

Action and Engagement: Baillie Gifford engagements with Ryanair have evolved over time since 2010. Our investment manager typically meet with company management 1-2 times per year and often that includes the founder and CEO and/or other senior C-suite executives. In recent years their engagement effort has increasingly focused on sustainability. Regulation and rising carbon costs are important considerations for the future of air travel and for Ryanair.

Our investment manager participated in the first ESG shareholder forum four years ago and have been impressed with the progress and dedication to sustainability that the airline has made over this time. The Sustainability team has expanded in size and remit, it conducts workforce engagement forums with pilots and cabin crew with board members, and the overall professionalism towards sustainability and shareholders has improved. Baillie Gifford also spent time over recent years discussing board composition and succession. The members are actively reviewing where there are gaps in skills on the board, and preparations have begun to replace directors who are likely to retire in the coming years. Most recently, our investment manager attended Ryanair's sustainability event at Trinity College Dublin (TCD), where they heard from senior management and business partners and learned about the company's partnership with TCD and Royal Dutch Shell to develop sustainable aviation fuel. The investment manager also spoke with representatives from Boeing and Safran, Ryanair's aircraft and engine manufacturers, about technology developments that improve fuel efficiency and noise reduction. Finally, Ryanair provided strong arguments against the potential for battery technology and hydrogen to provide scalable solutions to the aviation industry's environmental impact within the next 20 years.

Progress and Outcome: Baillie Gifford came away from the engagement with greater confidence in Ryanair's commitment to sustainability. They believe the company is an industry leader in terms of the environmental impact of its business operations and has set out an ambitious strategy to improve over time and will maintain their dialogue with management and the board in support of continued progress.

Case Study:

Royal Dutch Shell (Listed Equity), London CIV's Climate Change Escalation

Background: We used Shell as a case study last year and described our investment manager's engagement and outcomes with the company. To recap, our fund manager met with Shell to discuss their climate transition strategy. Whilst the manager welcomed Shell's announcement of their new reduction target, they believe Shell should set interim scope 3 absolute targets. London CIV believes as Asset Owners we must leverage our influence and push our portfolio companies to be more ambitious with their climate strategy. We estimated that as at 31st December 2022 Shell plc contributed 2.31% to the total carbon footprint of London CIV Funds, across scope 1, 2 and 3, with an absolute footprint of 102,422 tCO_2e and in a high 2030 carbon price scenario, we calculate that the company's profit margin would be reduced by 2.59%. Thus, it presents a significant portion of our own footprint and is a primary hotspot of risk and exposure within our portfolio.

Action and Engagement: At Shell's 2022 AGM in June, London CIV voted 'Against' to approve Shell's Energy Transition resolution due to concerns about the lack of key disclosures and misalignment with a 1.5c target. In October 2022, we wrote to Shell asking for a response if the Board intended to change course to reduce its impact on the climate. London CIV strongly believed that its recommendations would benefit Shell in the long-term. Regrettably, no response was received. Now the key concern is that it does not believe the Board has adopted a reasonable or effective strategy to manage the risks associated with climate change affecting Shell, which includes the Board's approach to compliance with the order of the Hague District Court dated 26 May 2021. We escalated our concerns by publicly supporting ClientEarth's landmark litigation against Shell's board of directors regarding their climate risk mismanagement. We published a letter support highlighting our key concerns which includes:

- Scope 3 absolute emission targets and compliance with the Dutch Order
- Proposals to off-set emissions are not realistic
- Underinvestment in renewables
- Insufficient decarbonisation and continued overinvestment in fossil fuels
- Paris-alignment
- Adverse effect on Shell's financial performance

Progress and Outcome: London CIV continues to support ClientEarth's litigation, and they have filed their claim against Shell's Board and the Board has said it will defend its position robustly. We will monitor the progress and outcomes of the litigation. London CIV is also committed to continue this engagement with Shell and engage with EOS and our investment managers.

London CIV

London, 27 January 2023

Dear ClientEarth,

ClientEarth's anticipated derivative claim against the Board of Directors of Shell plc regarding climate risk mismanagement

Over the next few years one billion lives[1] and trillions of pounds will be at risk due to a single issue: climate change.

Recognising the dual materiality of this global emergency and the associated financial opportunities associated with the green transition, London LGPS CIV Limited ('London CIV') has a fiduciary duty to its 672,000 beneficiaries[2] to understand climate risk, maximize associated opportunities and reduce its carbon footprint.

Due to our future liabilities and long-term investment strategy, we support the Paris Agreement and must consider the financial implications of global warming, encouraging emissions reductions now, rather than later. Furthermore, recognizing that funding the transition is likely to mobilise over £240tn[3] in capital by 2050, more investment in renewables would be a significant competitive advantage.

In light of this, we are writing both to express our support for your anticipated shareholder claim and to set out our shared concerns with Shell's Energy Transition Strategy in light of the Board's responsibility of managing climate change risk.

1. London CIV

London CIV, established in 2015 by London Local Authorities manages London Local Government Pension Scheme ('LGPS') assets. London CIV is one of eight UK LGPS asset pooling companies. The London Boroughs and City of London who are the 32 shareholders, are also our clients ('client funds').

...management of £48.9bn in client funds, of which £14.0bn are invested ...mes managed by London CIV ('LCIV Funds')[4] LCIV

Climate Change - Our Policy Advocacy Work

London CIV has provided responses to the following policy consultations in 2022:

- Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks
- Consultation responses to the ISSB's Exposure Drafts (Joint response with EOS)

Key message:

London CIV is a Local Government Pension Scheme (LGPS) investment management company established by London Local Authorities to manage pooled pension assets. London CIV highlighted the role that LGPS Pools play in supporting the Administrating Authorities (AA) scheme investment managers in the oversight of climate related risks and opportunities. We also identified the challenges for AA schemes such as capacity, budget, expertise and complexity with regard to the proposed requirements. Lastly, we agreed that AAs should be able to consult Pools for expert climate knowledge and advice in a constructive and not prescriptive manner.

With regard to the consultation on IFRS Foundation International Sustainability Standards Board (ISSB), we strongly support the initiative. We believe the harmonisation of standards with regulatory requirements in various jurisdictions to be critical. We also welcome the use of the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and the Sustainability Accounting Standards Board (SASB) as the foundation for the ISSB standards.

Biodiversity and deforestation

UN Biodiversity Conference (COP15) took place during the reporting year. It delivered a landmark Global Biodiversity Framework that was adopted by nearly 200 countries. The framework aims to protect at least 30% of land and seas by 2030, representing a significant step forward in addressing the biodiversity crisis. Acknowledging the urgency to protect our forests and its link to climate, biodiversity and human rights risks, London CIV has been collaborating with Global Canopy, Systemiq and Make My Money Matter since December 2021. The group has developed 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 of the Deforestation-free pensions guidance working group with the ambition to provide practical guidance and consultation for Global Canopy and partners.

Case Study:

London CIV's engagement: Deforestation-Free Pensions Guidance

Background: Since 2021, London CIV has been one of the early pension fund group members of the deforestation-free pensions guidance working group set up by Global Canopy, Systemiq and Make My Money Matter. The aim of the group was to develop a practical guidance to enable pension funds to identify, address, and eliminate deforestation, conversion, and associated human rights abuses from their investments.

Action and Engagement: London CIV provided practical guidance to the group throughout the year. We were also one of the two pension funds who presented at the launch of the guidance at the Sustainable Investment Festival in 2022. We have also signed the COP26 commitment letter on eliminating commodity-driven deforestation and encouraged other pension funds and asset Investment Managers to do so. Following the guidance, we have disclosed our exposures to companies in the Forest500 database.

Progress and Outcome: The guidance was successfully launched in 2022 and as a result of supporting the development of pension fund best practices, we have taken the following action:

- Engaged with investment managers regarding exposed companies.
- Requested and reviewed relevant investment investment managers' policies on deforestation.
- Requested Hermes EOS to escalate engagement on deforestation with exposed companies.
- Incorporated deforestation risks in our voting and engagement policies and guidelines.
- Started to engage on policy and collaborate with external groups to support an enabling environment for businesses to avoid deforestation risks and impacts.
- Begun utilising the Taskforce on Nature-related Financial Disclosures Framework (TNFD) to understand how we can apply this to our commitment against deforestation.
- Joined the Investors Policy Dialogue on Deforestation (IPDD) Initiative, where we will seek to use our influence to engage with public agencies and industry associations in countries on issues related to deforestation.

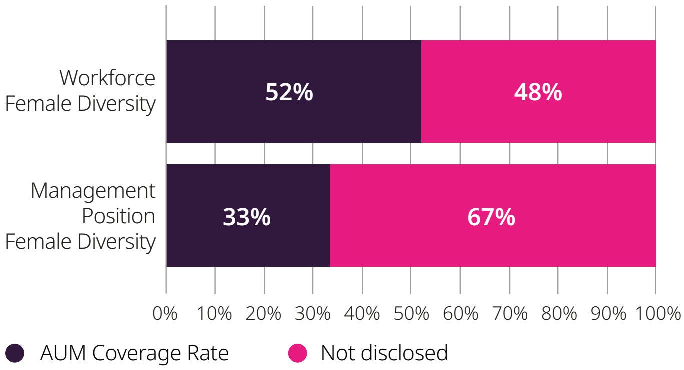
Deep Dive: Diversity and Inclusion

As more corporations carry on pledging to improve racial and gender diversity. London CIV believes better data and greater transparency is key to improve progress on racial and gender equality. This data can be used to evaluate companies on key social issues such as pay parity, employee discrimination and other diversity and inclusion policies. These risks, if not effectively managed, can lead to reputational harm, an inability to attract and retain a quality workforce and even legal action.

London CIV is committed to engage through collaboration with companies to improve disclosure across key diversity and inclusion metrics and actions to achieve equality in the workplace.

The chart below summarises the overall level of disclosure on female representation at the corporate level across the London CIV consolidated asset pool. The coverage rates were calculated as the sum of weights in each holding within each of the two disclosure categories. London CIV continues to use such results as the basis for engagement with companies.

Figure 18: Female representation Corporate disclosure (AUM)



Female representation Corporate disclosure (Holdings)

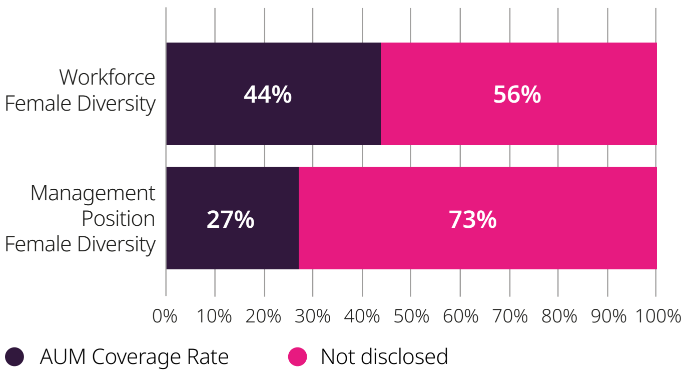


Figure 18: Source London CIV Research, 2022

Based on corporate disclosures by companies within the London CIV pool, we were able to calculate gender diversity at board level as well as workforce female diversity. The figures in the chart below indicate the weighted average female board representation at London CIV consolidated pool-level.

Figure 19: Management position female Diversity

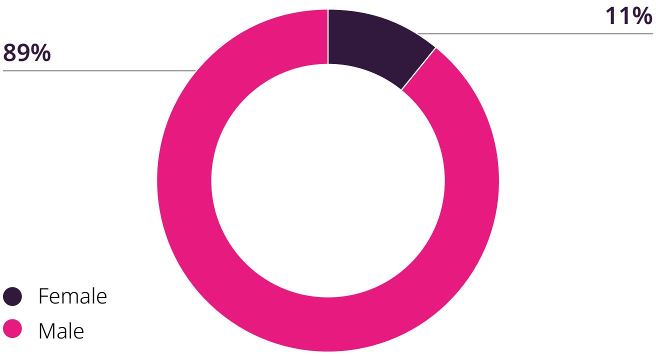


Figure 19: London CIV Research based on Bloomberg Data, 2022

Figure 20: Workforce female Diversity

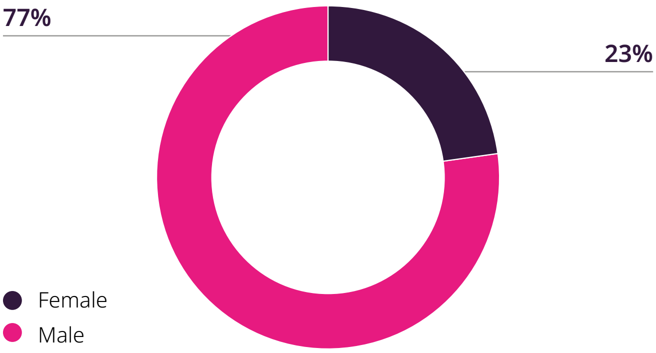


Figure 20: Workforce Female Diversity, Source: London CIV Research based on Bloomberg Data, 2022

London CIV remain concerned about progress on diversity in corporate companies and the fund management industry. Since the analysis shows only 12% representation of women across company boards across London CIV holdings and 7% of ethnic minorities in the management position.

Figure 21: Minority representation Corporate disclosure (AUM)

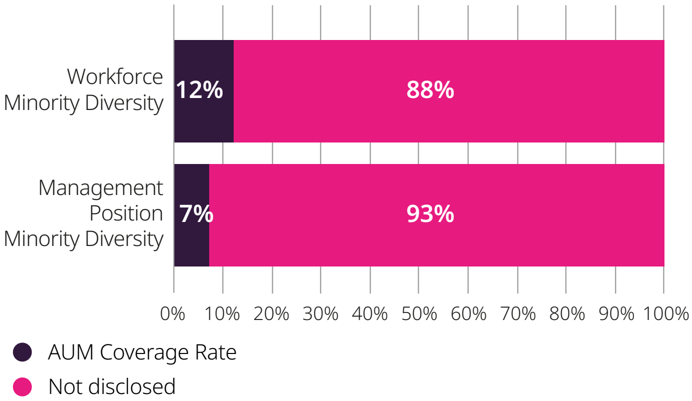
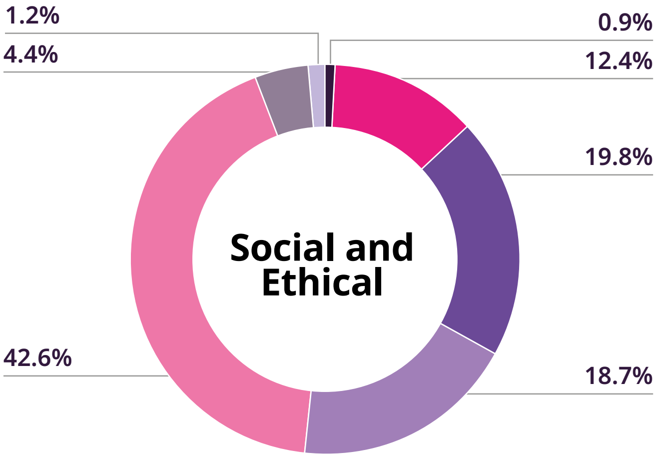


Figure 21: Minority Representation Corporate Disclosure, Source: London CIV Research based on Bloomberg Data

Regarding our engagements, 19.8% EOS' engagment which they have conducted on behalf for London CIV were on diversity. On the topic of Human Rights, which we will later discuss total to 42.6% of all Social and Ethical engagements.



Social and Ethical topics featured in 25.4% of our engagments over the last year,

- Bribery and corruption
- Conduct and Culture
- Diversity
- Human Capital Management
- Human Rights
- Labour Rights
- Tax

Case Study:

London CIV: Asset Owner Diversity Charter

Background: In 2022, London CIV have engaged with all underlying investment managers to disclose their diversity data by using the Asset Owner Diversity Charter Questionnaire. As a signatory and active working group member, we are committed to request our investment managers to send in their diversity and inclusion data on an annual basis. The questionnaire contains both qualitative and quantitative questions across five key areas.

The lack of harmonisation of metrics in D,E & I adds extra burdens for asset investment managers as their clients and stakeholders may request for their workforce data in various metrics categories. The AODC quantitative questionnaire aims to resolve this issue as we seek to provide a comprehensive template aimed specifically for investment managers with metrics that are important for asset owners and consultants.

Progress and Outcomes: The majority of investment managers have provided response to our questionnaire. However the quality of responses across investment managers varies, especially the quantitative section of the questionnaire. The level of commitment from our investment managers have been encouraging with one manager commited to use the AOCD questionnaire twice a year globally as their standard. We acknowledge that progress on collecting data requires time from our investment managers and we look forward to contiue this engagment.

asset owner diversity charter

Board	Who has responsibility and oversight for the diversity strategy and targets? If there are no targets, explain why?
Promotion	How do you ensure you operate an equal opportunity development and promotion process?
Culture	How are you fostering inclusivity? Do you undertake staff surveys, ensure polices are accessible? Is take up measured?
Recruitment	Often sighted as a barrier. How are barriers being broken and how are firms ensuring the process in inclusive and bias is removed?
Industry	How are firms improving representation and perception of the industry? How can they be involved and supporting collaborative initiatives?

Case Study:

Pfizer (Listed Equity) - EOS (London CIV Partner)

Background: Pfizer Inc. engages in the discovery, development, and manufacture of healthcare products specializes in medicines, vaccine, and consumer healthcare. It operates through the Pfizer Innovative Health and Pfizer Essential Health segments. Our Stewardship provider EOS engages with the company on our behalf.

Engagement: During a call with the company in Q2 2020, EOS encouraged Pfizer to outline a clear strategy for diversity and inclusion (D&I), particularly around gender and ethnicity, including disclosing the workforce composition at each level within the organisation and details on programmes to improve representation. EOS met with the company again in Q4 2020, at which time it acknowledged our concern and confirmed that plans were underway to publish its US Equal Employment Opportunity Commission report on workforce composition in 2021. It also highlighted its plans to outline a clear strategy to achieve its D&I goals.

Outcomes and next steps: In Q2 2021, Pfizer published workforce composition metrics and set targets for increasing workforce diversity. In response to the company's stakeholder survey on its ESG reporting, EOS suggested enhancing future reporting by providing more disclosure of performance over time, projecting future performance against targets, and by disclosing how the company assesses the effectiveness of its diversity and inclusion programmes, as well as other material ESG priorities. EOS met with the company in Q3 2021 and thanked it for its enhanced disclosure, as well as its commitment to analysing and addressing gender, racial and ethnic pay gaps across the organisation. EOS continues to engage with the company on other material ESG issues, including more detailed lobbying disclosures, executive compensation and its strategy for managing the risk of antimicrobial resistance.

Voting: In 2021, we supported 4 out of 5 shareholder proposals against management recommendation. These shareholder proposals were mainly 'social' related. We supported the Covid-19 vaccine access proposal due to concerns over commitments to fair distribution and global access. London CIV was in the minority for those who voted for the shareholder proposals.

Proposal	Description	Outcome	% For	Management Recommendation	London CIV Vote
4	Amend Proxy Access Right	Rejected	28.97	Against	For
6	Report on Feasibility of Technology Transfer to Boost Covid-19 Vaccine Production	Rejected	27.37	Against	For
7	Report on Board Oversight of Risks Related to Anticompetitive Practices	Rejected	30.44	Against	For
8	Report on Public Health Costs of Limited Sharing of Vaccine Technology	Rejected	8.7	Against	For

Deep Dive: Human Rights

Increasing visibility and urgency around many human rights issues coupled with a better understanding of our role and responsibility in shaping real-world outcomes across our investment activities has increased expectations on the protection of human rights. As institutional investors, London CIV has a responsibility to respect human rights as formalised by the UN and the Office of Enforcement and Compliance Assurance (OECA) in 2011. Human rights is one of London CIV's key engagement themes since 2021 (as detailed in our Stewardship Policy). We believe as a global institutional investor, we have a duty to safeguard human rights issues where possible. As mentioned previously, on behalf of London CIV in 2022 42.6% EOS' engagements on the theme of Social and Ethics were on Human Rights.

Our public statements:

In 2022, we have published two statements disclosing our exposures to Russia and Uyghur region:

Our public statement on exposure to Russian / Ukraine crisis

Our public statement and exposure on Uyghur region

Joining new engagement initiatives:

Advance - PRI's new collaborative stewardship initiative on human rights and social issues

In 2022, London CIV joined Advance as an endorser of the initiative. Advance is a stewardship initiative with the objective to advance human rights and positive outcomes for people through active stewardship.

Case Study:

Thermo Fisher Scientific (Listed Equity) - EOS (London CIV Partner)

Background: Our stewardship provider Hermes EOS engaged with Thermo Fisher Scientific, EOS informed us that in February 2019, Thermo Fisher Scientific faced criticism over alleged human rights abuses by selling equipment used for genetic surveillance of the Uyghur minority group in the Xinjiang region of China.

Engagement: EOS informed us that while the company decided to halt sales of the medical instrument for DNA profiling in the region, EOS urged the company to establish a policy or statement on human rights to consider this issue more broadly and to conduct a human rights impact assessment for the use of its genetic sequencing equipment. Later, EOS provided the company with examples of company human rights statements and human rights impact assessments. Though it did not directly address the specific human rights abuses EOS initially raised, EOS was encouraged to see that the company soon disclosed a human rights policy that covered freely chosen employment, child labour and freedom of association.

The company also disclosed a 2020 statement on modern slavery and human trafficking addressing supply chain due diligence, conflict minerals, and risk assessment and management. In collaboration with 13 investors, the group urged the company to create public disclosure regarding the ongoing use of in-place equipment or discussion of remedies of its prior contributions to human rights abuses. They also suggested that the company map its supply chain to identify potential links to the Xinjiang region of China, demonstrate steps to disengage noncompliant business relationships and publicly disclose efforts and progress.

Outcomes and next steps: EOS informed us that they will continue to engage with the company on enhancing its human rights policy to align with the UN Guiding Principles framework, disclosing of a comprehensive due diligence process including digital rights and facial recognition, providing access to remedy, and to infuse external human rights expertise into the board.

Deep Dive: Fiscal Responsibility

We believe that companies displaying fiscal responsibility are better positioned to deliver sustainable long-term growth for investors. Corporate earnings that are reliant on tax planning rather than genuine economic activity are vulnerable to changes in tax regulation and enforcement. It is estimated that tax avoidance costs global governments USD $100-240 billion[6] globally every year. The loss in tax revenues reduces the government's ability to spend on infrastructure and essential services, which could enhance inequality. Furthermore, we believe companies that pay their fair share of tax are more aligned with global ambitions to build back better whilst supporting the UN Sustainable Development Goals (SDGs).

Compared to other sustainability factors such as climate change and health and safety, tax transparency significantly lags. According to FTSE's analysis[7], only 7% large to mid-sized companies research disclose key country-by-country breakdowns of tax payments compared to 74% for climate change metrics and 63% for health and safety data. Shockingly, only around one third of companies only 34% of companies have policy or commitment in place for tax transparency compared to 87% for climate change and 98% for health and safety.

	Tax Transparency	Climate Change	Health & Safety
Policy or commitment on the issue	34%	87%	98%
Board oversight	23%	52%	41%
Disclosure of key quantitative datapoints	7%	74%	63%

Source: FTSE Russell

Since 2021, London CIV has conducted a review of all corporate issuers within the pool in order to identify a list of companies for engagement on corporate tax responsibility. This list has been drawn up using the corporate headquarters of companies. The European Union's list of non-cooperative tax jurisdictions are described as tax havens, and it also includes jurisdictions with a 0% statutory or effective tax rate. Jurisdictions with favourable tax regimes (statutory tax rate or effective tax rate <12.5%), and jurisdictions included in Oxfam's list of corporate tax havens are also included. The full list has been provided in the Annex. Based on this classification, we estimated that 4% of corporate issuers within the London CIV pool were incorporated in tax havens. A further 21% of corporate issuers are registered in jurisdictions under review by London CIV. These results are currently used as a basis for engagement on corporate tax responsibility.

For cost transparency, London CIV has expanded our benchmarking solution with CACEIS. CACEIS provides a comprehensive view on costs by pulling cost data into a portfolio level, sub-fund level, asset class level and sub-asset class level view, with benchmarking across all these levels. Comparable benchmarking and fund level comparisons will form a key part of value for money assessments. We hope this partnership will deliver value for money assessments for our client funds.

6 https://www.oecd.org/tax/beps/
7 https://content.ftserussell.com/sites/default/files/global_trends_in_corporate_tax_disclosure_final_2.pdf

Our Actions:

- **Using our voting rights for Tax Transparency [Please see pg. 58 for case study on Amazon]**
- **Joined PRI's Tax Transparency Reference Group**
- **Engaged with our Stewardship provider to enhance tax engagements [For more detail please see pg. 58 case study on Amazon for action and outcome]**

Integration by asset class, funds and geographies

Incorporating ESG factors into the Selection, Appointment and Monitoring of external investment managers can be more challenging for funds which are: (1) Pooled (2) Multi-asset, or (3) Targeted towards frontier and emerging markets.

Pooled Funds refer to investment schemes in which assets from individual investors are aggregated for the purposes of investment. Asset owner influence in terms of (a) voting rights; (b) engagement and stewardship activities; (c) responsible investment policy requirements; (d) disclosure may be diluted for such funds compared with segregated mandates.

Moreover, London CIV recognises the challenges associated managing with ESG integration within multi-asset funds. This will depend in large part on the availability of sustainable options across different asset classes. For instance, alternative asset classes (Real Assets, Commodities, Derivatives, Fixed Income) are often regarded as more difficult to manage from an ESG perspective. London CIV is also aware that whilst there has been considerable progress in developed markets with regards to ESG integration, companies in emerging and frontier markets still lag behind their peers.

Nonetheless, London CIV understands the importance of displaying a strategic asset allocation that minimizes short-term risks through diversification. So rather than excluding asset classes and geographies which are "problematic" in terms of ESG integration, London CIV has committed to work closely with its investment managers by reviewing leading responsible investment practices and improving processes on a best-efforts basis.

Deep Dive: Fixed Income

London CIV recognises the importance of active stewardship across all asset classes, including fixed income. Bond investors possess a unique advantage as they can target companies during the fundraising phase and encourage positive sustainability commitments. This is in contrast to equities, which are issued indefinitely.

Moreover, bondholders have a financial stake in the company, which gives them the right and obligation to engage. We view engagement holistically and believe that our fixed income investment managers, along with EOS, should engage on our behalf on corporate fixed income.

Engaging on equity and credit together has several benefits. First, it allows long-term investors to collaborate and speak with a common voice to companies regarding concerns that they should prioritize. This enables shareholders and bondholders to help build a long-term sustainable business that manages ESG risks to create value for all asset classes.

Secondly, by aggregating fixed income and equity AUM together, we can gain more influence. This allows EOS to engage on our behalf on an aggregated basis, and we encourage our investment managers to engage more cohesively across the asset classes they manage. In summary, we believe that by engaging on equity and credit together, we can maximize our influence and promote sustainable investments that benefit all stakeholders.

Embracing short term differences for long term value creation

Bondholders and shareholders mostly strive for similar outcomes which is to ensure sustainable growth, stability, and long-term value creation. Ironing out the short-term differences, over time shareholder and bondholder interests will ultimately align. The table below highlights some examples of the key differences[8]:

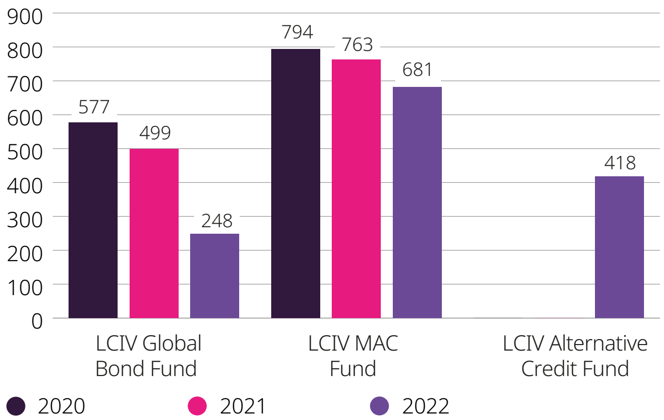
Dividend pay-out	**Short term impact** • Increase in dividends reduces cashflows available for reinvestment in the business • Decrease in dividends has a positive impact on cashflow available for bondholders Over the long run, an increased dividend pay-out reflects a strong balance sheet and signals sustainable cash generation. On the other hand, for shareholders, a decreased dividend is positive if the new level of dividend payout is compatible with long-term growth.
Share Capital	**Short term impact** • An increase in share capital will dilute existing shareholders • However, it will strengthen the capital structure which could improve credit quality Over the long term, a balanced capital structure should help deliver long-term growth for shareholders. For bondholders, the proceeds of share issues can be used to reduce debt.
Merger and Acquisition	**Short term impact** • Could potentially have a positive impact on share prices • Compromising creditworthiness by increasing debt Over the long run if re-leveraging is temporary, a successful merger or acquisition will enhance growth potential and creditworthiness. It could also improve the management team by bringing in new talent and skills

8 Hermes EOS Research

Fixed Income GHG analysis

Below charts represents tCO2e/mGBP for our fixed income funds. We have included scope 1-2-3 for our analysis.

Figure 22: Fixed Income GHG Analysis



Source: Figures are based on Scope 1-2-3 GHG emissions data from S&P Global Trucost.2022

Sovereign Credit

While governance and political factors have long been a part of sovereign credit analysis, the asset class has until recently remained largely unexamined from an ESG risk and reporting perspective due to the absence of reliable metrics and actionable intelligence. Our main exposure to sovereign credit is through our LCIV Global Bond Fund, which is managed by PIMCO.

One of the key risks for sovereign credit in 2022 was the Russia invasion of Ukraine, London CIV conducted a comprehensive exposure analysis for all holdings related to countries affected by the war. Our investment team conducted a comprehensive bottom-up risk assessment while closely monitoring news flows and manager activities. Through these measures. We used the robustness and resilience of our investments while safeguarding the defined members' benefits. In 2022, when the Russian invasion of Ukraine started, we used the below control model to manage unpredicted market wide geopolitical risk event.

Our current control – multi-layer assurance

London CIV

By harnessing all information available for our custodian, investment managers and engagement partner, London CIV is monitoring each of our exposures to track changes in prices, liquidity and restrictions on trading. We are also monitoring controls on capital flows which could impact on the ability of foreign investors to receive dividends, principals and interest payments.

Our Investment Managers

Our investment managers utilise their in-house policies and controls to manage sanctions and breaches in their portfolio. We monitor developments and collaborate with our investment managers to ensure that any changes to sanctions regimes are implemented immediately.

Our Custodian

Our custodian tracks sanctions and notifies us of any potential breaches and issues daily.

Our Depositary

Our Depositary notifies us on any new sanctions as new announcments are made.

Our Voting and Enagament Partner

EOS is assessing the broader implications of Russian actions by engaging with all non-Russian companies under their programme with material connections to Russia and informing us of appropriate voting actions.

Our Green, Social and Sustainable Bond Exposures

As of December 2022, we have 9.2% (green, social, sustainability and sustainability-linked) bonds in our LCIV Global Bond Fund compared to the Benchmark at 8.1%.

Summary Statistics - as of 31.12.22	Account	Benchmark
Number of Corporate Issuers	364	3,120
Average MSCI ESG Score (1-10; corporates only)	6.3	6.7
Average PIMCO ESG Score (0-5; corporates only)	3.2	3.2
Green Bond Exposure (% MV)	5.5	4.2
Social Bond Exposure (% MV)	1.1	1.3
Sustainable Bond Exposure (% MV)	0.6	2.0
Sustainable-linked Exposure (% MV)	2.0	0.6

Figure 22 As at 31 December 2022, Source Pimco, MSCI

Below chart indicates our green, social and sustainability bond exposure over a 3-year period in our LCIV Global Bond Fund. We are pleased to include a greater selection of these sustainable instruments into our portfolio. We believe improvements can be made to report on the use of proceeds and engagement for the green, social and sustainability bonds in our portfolio, we have challenged our investment managers to disclose more quantitative evidence of use of proceeds for these bonds. We were please to know that some of our fixed income Investment managers have been building the infrastructure needed to capture the data but unfortunately they are still only able to collect qualitative information. We were encouraged to hear that quantitative data is an area that they are looking to implement, we will continue to engage with our investment managers to gain better disclosures.

Figure 23: LCIV Global Bond Fund

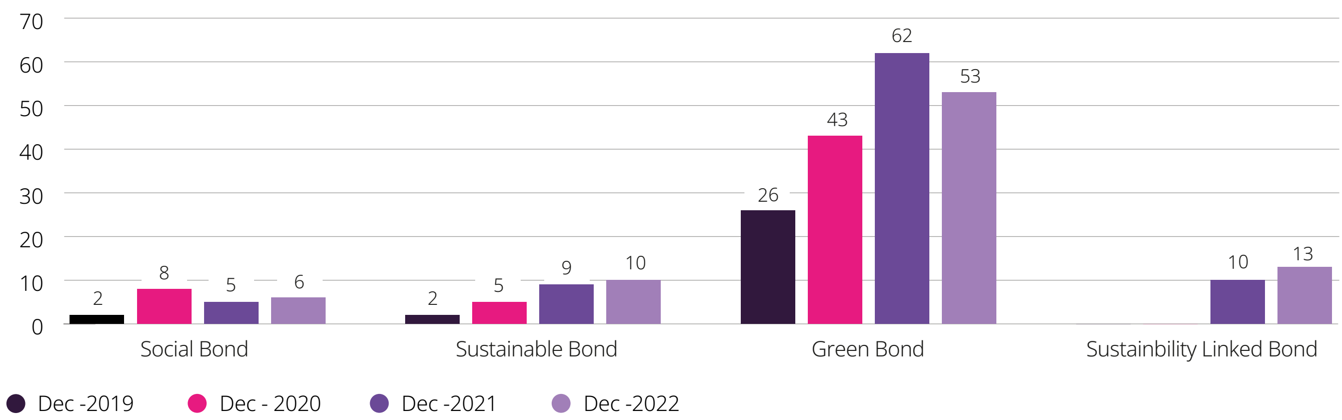


Figure 23: Source: Pimco as at 31 December 2022

Deep Dive: Private Market – Private debt

We see private markets as an attractive way to diversify our clients' investment portfolios and enhance long-term returns. Active ownership can be challenging due to the lack of disclosure and use of general partners and investment managers which provide an additional communication barrier between London CIV, our investment managers and the underlying assets.

Since 2021, we have been working on a more effective way of working with our private debt investment Managers in reporting their stewardship activities. We have requested our investment managers to complete quarterly ESG questionnaires to capture their outcomes. An example of our quarterly private debt questionnaire is below:

Category	Description	Reporting Frequency
Pre-Investment	Please describe an investment opportunity where the identification of potentially material ESG risks impact-ed the decision, for example validating the decision, reducing the amount invested or resulting in declining the investment?	Quarterly
Pre-Investment	Please describe an investment opportunity where the ESG performance of the issuer favourably impacted the investment decision, for example validating the decision or increasing the amount invested?	Quarterly
Ongoing Monitoring	Please share details of issuer compliance against ESG questionnaire across each ESG activity categories (%issuers ; %AUM). (e.g. What is the % issuers in the MDFIII with an ESG Policy).	Quarterly
Ongoing Monitoring	Please share examples of issuers who have made notable improvements in their ESG performance over the past year.	Annual
Ongoing Monitoring	Please share examples of issuers whose ESG performance has deteriorated over the past year.	Annual
ESG Margin Ratchets	What is the percentage of issuers and %AUM at MDFIII fund level who have been granted ESG margin dis-counts.	Quarterly
ESG Margin Ratchets	Please share provide some examples of issuers that have been granted ESG margin discounts.	Quarterly
Positive Attributes	What is the percentage of issuers and %AUM at MDFIII fund level with demonstrated "Positive Attributes".	Quarterly
Controversial Activities	What is the percentage of issuers and %AUM at MDFIII fund level with exposure to "Controversial activities" such as (1) Thermal Coal; (2) Oil Sands; (3) Oil and Gas; (4) Controversial Weapons.	Quarterly

Linking material risks with material incentives

In addition to the quarterly reporting criteria, London CIV has been collaborating with our private debt Investment managers to improve their ESG practices. We recognise that private debt presents unique challenges, such as limited data availability and smaller borrower enterprises. As a result, we understand that our investment managers will need to adopt an innovative ESG approach distinct from more established ESG asset classes, such as listed equities and corporate fixed income.

Our private debt manager Pemberton introduced an innovative ESG Margin Rachet which grants a margin reduction to the borrower if they successfully incorporate their 6 points ESG criteria and receives a third-part confirmation. Pemberton offers a margin reduction of 0.05% per annum for 12 months after the borrower certifies for the 6 ESG criteria.

Pemberton grants a margin reduction to the borrower if an independent third-party certifies the successful incorporation of:

1. **Group Environmental, Social and Governance policy**
2. **Net zero CO_2 emissions** for the past 12 months or **min 20% reduction in CO_2** emissions year on year
3. **Group Equality and Diversity policy**
4. Risk assessment of **human rights abuse, poor labour standards and modern slavery** in Group and its supply chains.
5. Group partaking in initiatives to improve its **local community**
6. **Group corporate code of ethics**

London CIV believes by creating incentives for borrowers to report on key ESG metrics, our investment manager is leading the way to address the lack of ESG data (especially GHG data) in private market which cannot be ignored when addressing climate change risks.

Pemberton conducts an annual survey to assess their portfolio companies' ESG progress (Figure 24). Since Pemberton has pushed for better ESG practices across their portfolio companies, they have seen the below in the reporting year:

- **67% of our investment manager's respondent borrowers report CO2 emissions or provide inputs for estimations**
- **61% of ourinvestment manager's respondent borrowers are Net Zero or Low CO2 emitters**

Figure 24: Pemberton annual ESG survey comparison (2020 vs 2021)

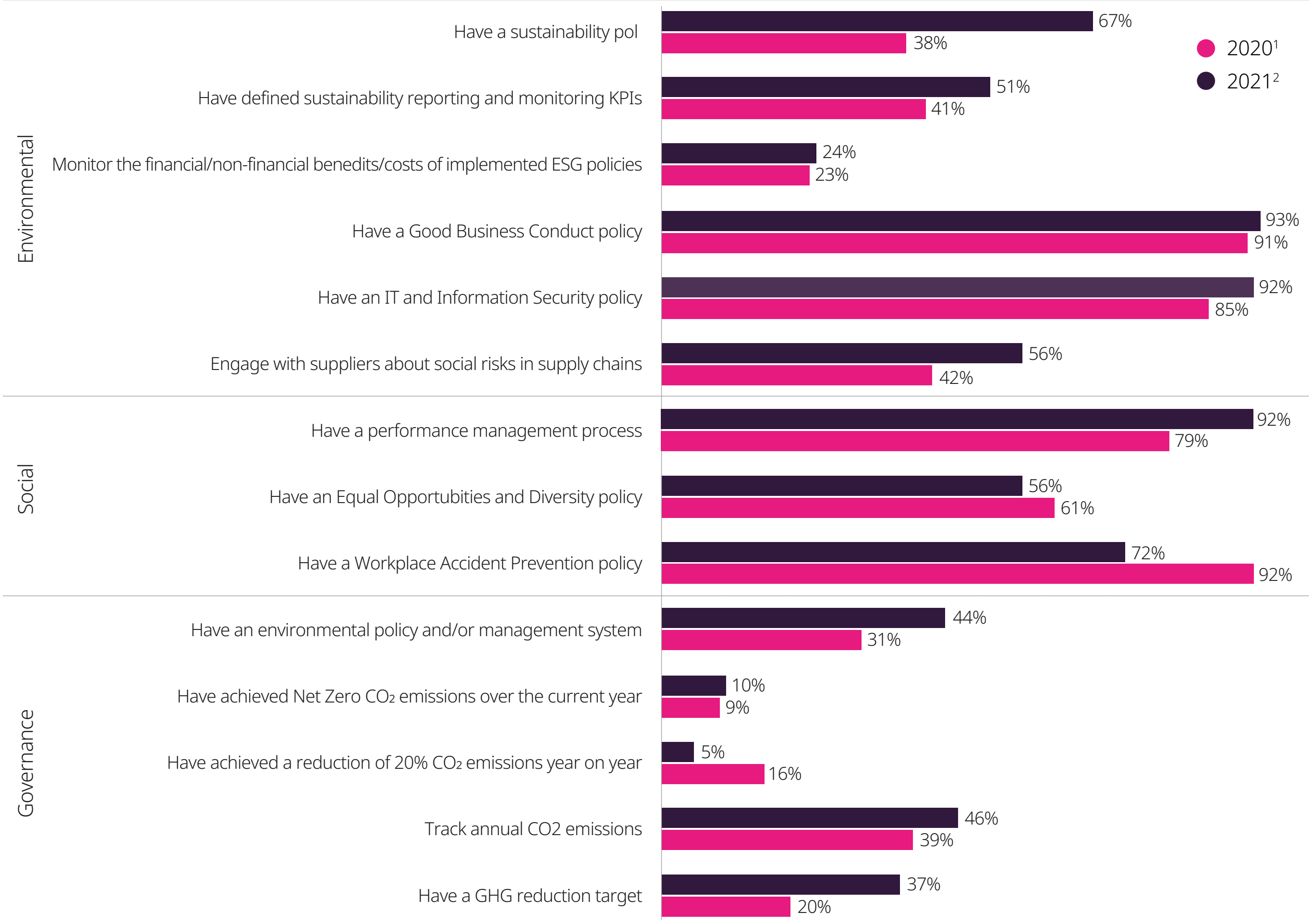


Figure 24 Source: Pemberton, 2022 (due to private market reporting period discrepancies, full 2022 data is currently not available.)

Last year, we could not provide a case study from Pemberton as they were still in the process of implementing the margin rachet. We are pleased to report that our investment manager has provided a number of case studies to demonstrate their progress for this reporting year.

1 Based on 47 borrowers across all direct lending strategies, summing to €5.597bn commitments as at 30th June 2021
2 Based on 67 borrowers across all direct lending strategies, summing to €10.275bn commitments as at 30th June 2022

Case Study:

Learning Curve Group [Private Debt]

Background: Learning Curve Group is a national training and educational specialist

Action: Our fund manager Pemberton implemented the ESG margin rachet programme to the issuer. With respect to carbon reduction, the issuer introduced measures to reduce carbon emissions over the next five years such as: cycle to work and car sharing schemes, installation of electric car charging ports at head office. Learning Curve Group has also showcased the outstanding work and achievement of apprentices from Black, Asian and Minority Ethnic (BAME) communities. On gender equality, the issuer plans to improve gender pay gap including making jobs more attractive to male applicants such as changing job titles and adverts to remove gender bias.

Outcomes: Our fund manager reported the following positive outcomes:

- Training provider of the Year at the 2021. BAME Apprenticeship Awards.
- 2021 gender pay gap study has revealed that 75% of the lowest paid and 49% of the highest paid jobs at LCG are occupied by women.
- 'Learning provider of the year' award 2022 for the second year in a row for the dedication to inclusion, equality and diversity, provided by the Multicultural Apprenticeship Awards.

Deep Dive: Real Assets and Infrastructure

London CIV works with its real assets and infrastructure investors to incorporate ESG and climate considerations into investment due diligence and decision-making. Infrastructure has an essential role to play in mitigating and adapting to climate change as well as achieving the SDGs. London CIV worked to formalise its ESG integration processes across its real assets and infrastructure investments. This included an assessment of all investment managers' responsible investment policies, the formulation of due diligence questionnaires directed to incumbent Investment Managers, and reviews of GP track records of ESG and climate assessments, leveraging SASB and GRESB where appropriate. In 2020, London CIV worked to calculate the environmental footprint of its energy infrastructure investments as well their contribution to the SDGs.

Real Assets

The Local Pensions Partnership Investments ("LPPI") and the London CIV have jointly set up "The London Fund" to help access investment opportunities in Greater London across real estate, infrastructure, and growth capital opportunities. The Fund has a secondary objective to invest in projects with sustainable outcomes that address social needs in Greater London such as job creation, area regeneration and a positive environmental impact. As of December 2022, the fund is 100% exposed to a primary commitment of £50m in DOOR16 which gives the portfolio exposure to a mix of private rental sector, student accommodation and affordable housing. These assets are held within Get Living, a Real Estate Investment Trust which has achieved a 5-star GRESB rating in 2020 and was named first among UK build-to-rent sector peers (UK Residential Multi-Family).

In mid-2020, we launched the fund now named the LCIV Real Estate Long Income ("RELI") Fund which is our first property focused fund managed by Aviva Investors. To decarbonise buildings, collaboration from both the owner and occupier is vital to ensure that improvements are implemented. A key problem in this sector is that energy performance data is rarely shared between parties, creating a significant hurdle to identifying decarbonisation projects. In response to this challenge, Aviva has been carrying out a focused occupier engagement programme to create productive relationships with tenants in the buildings in our portfolio. Through this engagement, our investment manager is gathering insights to better understand how assets perform and how to work with occupiers to meet decarbonisation targets.

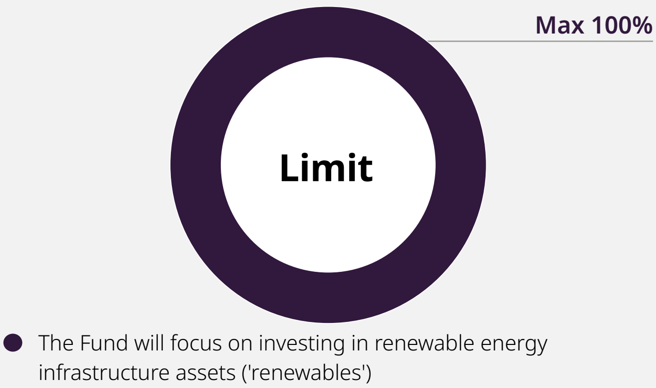
As part of this programme, Aviva engaged with tenants in our portfolio to understand their appetite for onsite interventions, such as electric vehicle charging and solar panel installation, to significantly decarbonising our portfolio over time. London CIV has been engaging with Aviva to report quantitative climate metrics within the Fund, however due to the complex nature of the Fund and ensuring consistent methodology, this has been delayed. We hope to report on this in next year's outcomes report.

Renewable Energy

Investing in renewable energy and energy efficiency allows us to both maximize our opportunities and support the low-carbon transition. Our fiduciary duty is our primary goal, but we also recognize our responsibility to our clients' beneficiaries and other stakeholders who demand a just transition. To this end, London CIV launched the LCIV Renewable Infrastructure Fund in March 2021, which invests in renewable energy infrastructure assets, including generation, transmission, and distribution assets. The Fund focuses on renewable energy sources such as wind, solar, biomass, biogas, hydroelectricity, and enablers, both in brownfield and greenfield investments. The chart below displays the current commitment by market segment since its launch:

LCIV Renewable Infrastructure Fund

Figure 25 Project Type by Commitments



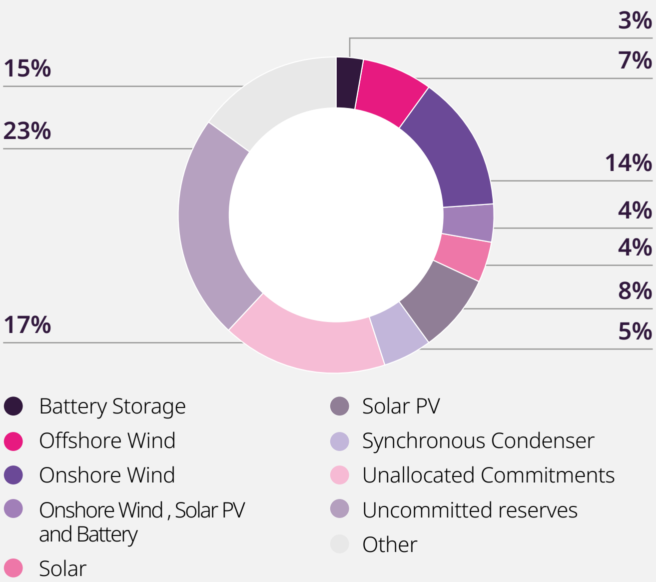
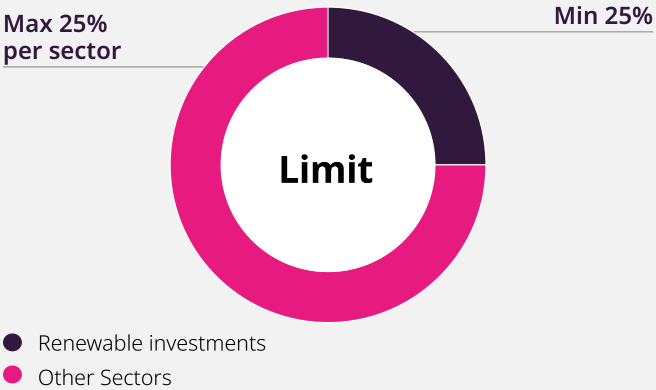


Figure 25: Source London CIV as of 31 December 2022

LCIV Infrastructure Fund

Figure 26 Sector by Commitments



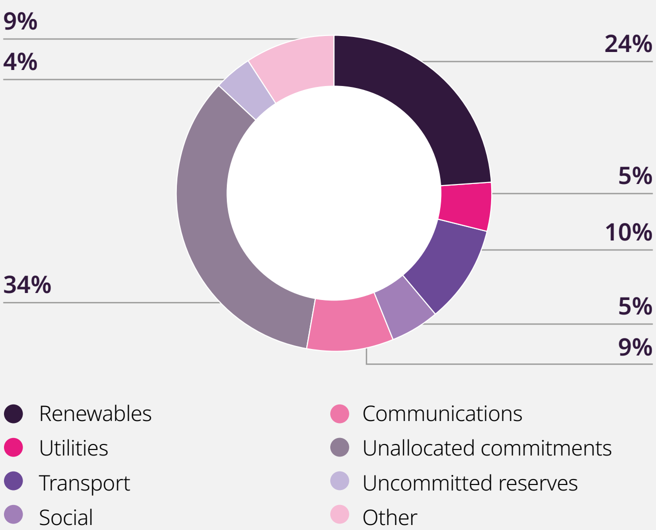


Figure 26: Source London CIV as of 31 December 2022

Case Study:

Arcus European Infrastructure Fund 2 – Momentum

Background: Contained within the LCIV Infrastructure Fund (managed by StepStone Group) is a primary investment into Arcus European Infrastructure Fund (AEIF2). AEIF2 invested into Momentum, a renewable energy and services platform, covering the lifecycle and supply chain of wind and solar projects.

Action and Engagement: The investment helps to optimise assets in the process of ageing beyond their original lifespan, and as a result aids the development of greenfield projects from a circular economy perspective. Momentum is aligned with SDG 7 (affordable and clean energy) through supporting the increase of renewable energy, in addition to providing maintenance to renewable energy sites using specialised professional management. Aiming to be aligned with SDG 9 (industry, innovation and infrastructure), Momentum is keeping to its commitment of ensuring its renewable energy infrastructure is maintained to a high standard, with in-house technicians brought in from companies such as Vestas, Enercon and NEG Micon. Ultimately, by seeking to address the long-term issue of aging renewable energy assets, Momentum can help Europe retain access to competitive and efficient forms of renewable energy, allowing European industry to lower emissions per unit of output.

Outcomes and next steps: In 2022, Momentum generated just under ~290GWh of renewable energy across its portfolio of underlying assets, the equivalent of powering ~67,000 homes across Germany, Denmark and Sweden. Momentum has grown its technical servicing division to over 20 full time professionals, certified to service up to 72 different turbine models and currently able to service over ~370 turbines. Overall, the majority of renewable energy generated by Momentum would have otherwise been decommissioned due to being over 20 years old, highlighting how the company helps to address SDGs, particularly pertaining to climate solutions, by integrating such goals into the core activities of the business

Case Study:

Arcus European Infrastructure Fund 2 – e-Fiber

Background: Contained within the LCIV Infrastructure Fund (managed by StepStone Group) is a primary investment into Arcus European Infrastructure Fund (AEIF2). AEIF2 invested into e-Fiber, a fiber to the home platform within the Netherlands, focussing on less dense areas (smaller towns and semi-rural) . As e-Fiber install and expands its network, trenches are dug along the road verge, with soil replaced after the installation.

Action and Engagement: Post installation, the soil is always reseeded with grass, however local stakeholders including public authorities, business and local organisations within West-Brabant in the Netherlands contacted e-Fiber to utilise the reseeding opportunity for the road verges to be planted with flowering herbs. The intended outcome of this was to create areas of forage habitats for pollinators. E-Fiber updated its internal policies and conditions to plant the verges with red and white clovers instead of ordinary grass, noting this could be achieving with practically no additional costs.

Outcomes and next steps: Within 2021, a food habitat ribbon of ~500km was created for pollinating insects, with another 500km scheduled for 2022. E-Fiber continues to facilitate the monitoring of pollinators, ensuring future considerations involve additional nesting options for pollinators.

Escalation

One-on-one engagement is not always effective. However, London CIV do not see selling holdings as an immediate solution, as it results in losing influence and the opportunity for future dialogue. Therefore, escalation remains a key tool in our engagement strategy, where we utilise when necessary, escalation strategies to trigger corporate reaction. These may include:

- **Voting:** instructing investment managers to vote against management on key resolutions.
- **Attending AGMs:** to trigger more dialogue with boards and executives.
- **Filing shareholder resolutions:** supporting requests to improve board accountability and ESG disclosures.
- **Divestment:** selling a holding. However, as it removes some options for future interaction such as the use of the vote, London CIV only use this as a last resort when previous persistent engagement activities were unsuccessful

Please see pg. 39 for our climate escalation for Shell in 2022.

Case Study:

Amazon Inc. [Escalation with voting and collaboration]

Background: We reported on Amazon in our 2021 Stewardship Outcomes report, including our instructions to our investment managers to vote for all 11 Shareholder proposals ranging from issues such as report on diversity data, impact on plastic packing and impact on technology on human rights. We voted against management recommendations and were in the minority for all 11 of these resolutions.

Action: In December 2021, the Missionary Oblates and Greater Manchester Pension Fund filed a shareholder proposal at Amazon calling for better tax transparency and adopting the Global Reporting Initiative Tax Standard. Amazon has since challenged this proposal. To show our support, London CIV has co-signed a statement to Chair Gensler of the Securities and Exchange Commission (SEC) in support of tax transparency and the GRI Tax Standard. We engaged with PIRC in 2022 to understand more of what we could do to escalate this engagement as tax transparency is our key stewardship theme. We also followed up with EOS to obtain their perspective on this proposal which they support and have voiced out our concerns during a Clients Advisory meeting that we believe more work could be done on tax transparency. We have also voted against management recommendations for 12 of the shareholder proposals calling for better social, governance and environmental concerns.

Outcome: Many of the shareholder proposals have reached above 40%, whilst they have not passed, we are hopeful of the positive momentum towards better ESG practices. After engagement with PIRC, London CIV has joined PRI's Tax Reference Group to enhance our engagement on the topic of tax. EOS has also recommended a FOR vote for the Tax shareholder proposal for Amazon's AGM in 2022. Furthermore, after our engagement with EOS, our stewardship provider has expanded their tax engagement and will be publishing a Responsible Tax Principles in 2023.

Examples of votes against Amazon Inc. in 2022

Category	Proposal	Management Recommendation	LCIV Votes	% For
Climate	Report on Retirement Plan Options Aligned with Company Climate Goals	Against	For	9%
Human Rights	Commission Third Party Report Assessing Company's Human Rights Due Diligence Process	Against	For	40%
Board Related	Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates	Against	For	22%
Pollution	Report on Efforts to Reduce Plastic Use	Against	For	48%
Health & Safety	Report on Worker Health and Safety Disparities	Against	For	13%
Diversity, Equity, & Inclusion	Report on Risks Associated with Use of Concealment Clauses	Against	For	25%
Miscellaneous	Publish a Tax Transparency Report	Against	For	17%
Human Rights	Report on Protecting the Rights of Freedom of Association and Collective Bargaining	Against	For	39%
Political Spending	Report on Lobbying Payments and Policy	Against	For	47%
Health & Safety	Commission a Third Party Audit on Working Conditions	Against	For	44%
Diversity, Equity, & Inclusion	Report on Median Gender/Racial Pay Gap	Against	For	29%
Human Rights	Commission Third Party Study and Report on Risks Associated with Use of Rekognition	Against	For	40%

Step three: Collaboration

How we work collaboratively

We are advocate for collaboration and believe that our voice has greater influence, is more efficient and effective when we work together with partners. Please see our partners below:

Partners	Description
Like-minded investment managers	We work with all our investment managers to manage ESG risks and harness ESG opportunities.
Hermes EOS	EOS is our chosen stewardship partner to complement our stewardship activities following a tender in line with The National Framework and our due diligence process.

We are committed to collaborating with peers and clients in a range of initiatives covering a range of ESG issues. Since our last report, we have joined four new initiatives. They are highted below:

Initiative	Description	London CIV's Role and Outcomes
Asset Owner Diversity Charter	An asset owner led 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, in all forms, across the investment industry.	London CIV have supported the initiative by contributing to the consultations with investment managers to date and development of the questionnaires. The initiative seeks to first assess the scale of the issue before setting targets.
ClimateAction100+	An investor initiative to drive corporate action on climate change. Over 400 investors with >$35 trillion in assets under management are engaging 100 systemically important emitters (accounting for two thirds of global emissions) on improving governance, curbing emissions and strengthening disclosures.	London CIV is invested in 78 corporate issuers targeted by the initiative. These issuers represented 46% of Direct and First-Tier Indirect Corporate-level emissions within the London CIV pool. To support the initiative, we have committed to engaging with PepsiCo, Rolls-Royce and Martin Marietta Materials, Inc.
Cost Transparency Initiative (CTI)	An independent group tasked by the Financial Conduct Authority in 2018 with delivering a standardised template for the disclosure of costs and charges to institutional investors.	By 2020 London CIV achieved agreement by 100% of its investment managers to disclose costs in line with CTI.
FSB's Task Force on Climate Related Financial Disclosures (TCFD)	A market-driven initiative, set up to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings.	As a signatory, London CIV will publish a climate risk analysis in line with TCFD guidelines covering listed equity, fixed income, infrastructure and sovereign debt.
LAPFF	LAPFF promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds. The Forum leads the way on issues such as executive pay, reliable accounting and a just transition to a net zero economy.	London CIV is a pool member of LAPFF and tracks LAPFF guidance on voting and engagement against our own voting where they cross over.
Marine Conservation Society: Microplastics Pollution	First State Investors and the Marine Conservation Society convene like-minded investors, to engage with the manufacturers of domestic and commercial washing machines to fit, (as standard), filters to their products to prevent plastic microfibres entering the world's precious marine ecosystems.	Successful outcomes of the engagement programme will provide a significant contribution to Sustainable Development Goal 14, "Life under Water" specifically Target 14.1, "Reduce Marine Pollution". Plastics pollution is a key priority for London CIV in 2021 and hopes its support will help to reduce marine plastic pollution.

Initiative	Description	London CIV's Role and Outcomes
Pensions for Purpose	A collaborative initiative of impact Investment Managers, pension funds, social enterprises and others involved in impact investment. Aimed at promoting understanding of impact investment.	As an affiliate of Pensions for Purpose, we participate in thought leadership discussions and publications to enhance and share our knowledge of impact investment.
ShareAction: The Good Work Coalition	An evolution of its existing Living Wage Coalition, The Good Work Coalition focusses on a broader range of international topics including: Living Wage, Insecure Work and Gender Equality for Low Paid Women.	London CIV attend workshops to discuss these challenging issues and help contribute ideas to a way forward. We expect to undertake targeted engagements based on this research in 2021.
ShareAction: Healthy Markets Coalition	A 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.	London CIV have signed up to this initiative to demonstrate support, though we have not taken an active role in shaping the initiative or leading engagement, we have included health and wellbeing as a subsidiary theme for focus in 2021.
UN backed Principles for Responsible Investment (PRI)	The PRI is the world's leading proponent of responsible investment which encourages institutional investors to commit to and promote six guiding principles including incorporating ESG issues into investment decision making, active ownership, better disclosure, collaboration and reporting on progress.	In signing the Principles, we have publicly committed to adopting and implementing them, where consistent with our fiduciary responsibilities. We encourage other investors to implement the principles and do not work with Asset Investment Managers who have not already adopted the Principles. In 2020 we achieved a median score of "A" against the modules on which we were assessed.
Investor Alliance for Human Rights	The alliance is a collective platform for responsible investment that is grounded in respect for people's fundamental rights. The initiative helps investors to navigate their responsibility to respect human rights. They utilise corporate engagements to drive positive business conducts and set human rights standards for businesses.	London CIV became a signatory and joined two working groups in discussing human rights issues in the ICT sector and the Uyghur region. Through these working groups we were able to better understand the key human rights issues when engaging with our investment managers.
Deforestation Free Pensions Working Group	This working group was established by Global Canopy, Systemiq and Make My Money Matter to develop a 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 of the Deforestation-free pensions guidance working group with the ambition to provide practical guidance and consultation for Global Canopy and partners.
UNPRI Tax Reference Group	The PRI established this working group to collaborate closely with investors and broader stakeholders on corporate tax responsibility and transparency. The lack of corporate disclosure on tax issues is a key impediment for investors that want to understand companies' positions on tax issues and assess tax risks in their portfolio.	We have been a member of the working group since 2022. The group meets regularly to discuss tax disclosures, engagements and tax escalations.

Initiative	Description	London CIV's Role and Outcomes
UNPRI Advance	The PRI has launched Advance in 2022, a new initiative focused on advancing human rights and social issues through investor stewardship. The initiative aims to drive change primarily by leveraging investors' influence with portfolio companies. The PRI will facilitate collaborative engagement between investors and companies, and support further escalation if necessary. Additionally, the PRI will assist investors in engaging with policymakers and other stakeholders to achieve the overarching objective.	London CIV became a member of Advance since 2022 to help support our key stewardship themes.
TNFD Forum	The TNFD Forum is a consultative group consisting of institutions from various disciplines across the globe. Membership is open to a diverse range of institutional types, such as corporates, financial institutions, public sector institutions (including regulators), pension funds, sovereign wealth funds, academic and research organizations, business associations, inter-governmental organizations, conservation groups, and civil society organizations.	London CIV became a member of the TNFD Form in 2022 to support our biodiversity stewardship theme and disclosures.
IPDD	The IPDD is an investor initiative created in July 2020 to tackle deforestation by engaging with public agencies and industry associations in select countries. Its aim is to promote sustainable land use and forest management, respect for human rights, and ensure long-term financial sustainability of investments in tropical forests and natural vegetation. It works with stakeholders to encourage the adoption and implementation of regulatory frameworks that protect natural assets and human rights. The TFA provides secretariat support, and the PRI supports the IPDD.	London CIV joined the IPDD to support our commitment to deforestation and its associated human rights issues.

London CIV continue to consider whether further formal partnerships are appropriate and collaborate in initiatives where issues align with our priority areas and/or where we feel we can have a positive impact. We are committed to tracking this involvement in terms of outcomes and will aim to further increase disclosure in our client and public reports and communications and in the information provided on our public website.

Awards and recognition

Gustave Loriot

Rising Star – LAPF Investment Awards

London CIV

Listed as a 'world-leading responsible, sustainable long-term investor' by the Responsible Asset Allocator Initiative (RAAI)

Pensions for Purpose

Short-listed for best Climate Change Policy Statement

Disclosure and Transparency

London CIV is committed to best practice disclosure and transparency. We take account of client and beneficiary needs and expect to communicate the activities and outcomes of stewardship and investment activities on a quarterly and annual basis.

The information in this report sets out how we have complied with the UK Stewardship Code 2020 during the 2022 calendar year and includes information on how we have implemented the ESG action plan following our review in late 2019. That action plan included putting a new framework in place and enhancing arrangements for consultation and collaboration with our client funds to maximise our influence in the market.

We have added to our staff resources and in 2021 appointed an engagement service provider to increase our capacity to engage directly with investment managers and companies on ESG issues and improve our reporting. The case studies in this report describe how much has been achieved already.

Working with clients

Whilst we report to our clients on our investment and stewardship activities at least quarterly, listening to our clients and responding to their needs is of utmost importance to our stewardship strategy. Our arrangements for ensuring that our activities are aligned to our client fund and shareholder expectations include a Responsible Investment Reference Group (RIRG) and a regular update to our Shareholder Committee.

Limitations of the data

Engagement, voting and outcomes data referred to in this report has been aggregated from the activities and reports of each of our investment managers in 2022 and EOS. As a result, the way in which we categorise themes may be inconsistent and the quality of outcomes has relied on the quality of our investment managers' own engagement policies, which vary from investment manager throughout.

Assurance

All policies, public disclosures and reports published by London CIV are required to go through a formal review and internal assurance process. This is to ensure that our policies and any internal and external communications are in line with London CIV's objectives and that what is communicated is fair, clear and accurate. RI policies and reports are drafted by the RI Team and reviewed by the Governance Team, Compliance and Risk Team and Chief Investment Officer (CIO) and approved and reviewed in line with our governance arrangements including by the Chief Executive Officer (CEO), Executive Committee (ExCo) and the Board or governance committees. Compliance and Risk undertake periodic reviews of the RI framework to ensure we are compliant with our regulatory obligations and identify and assess any risks.

Looking ahead

The information in this report sets out how we have complied with the FRC's UK Stewardship Code (UKSC) as an asset owner. The UKSC sets high expectations for how investors, and those that support them, invest and manage money on behalf of UK savers and pensioners, and how this leads to sustainable benefits for the economy, the environment and society. We have used the FRC's 12 Principles coupled with guidance from the PRI to shape our approach to active ownership. A summary of how we have addressed the 12 Principles is detailed in the Appendix. In 2022, we have continued to improve the quality of our case studies to demonstrate the stewardship work we have done throughout the year. Most notably, we have added our own direct engagement and work beyond what our fund manager and EOS have conducted on our behalf. In 2023 we expect to expand our responsible investment team to increase our capabilities.

Governance

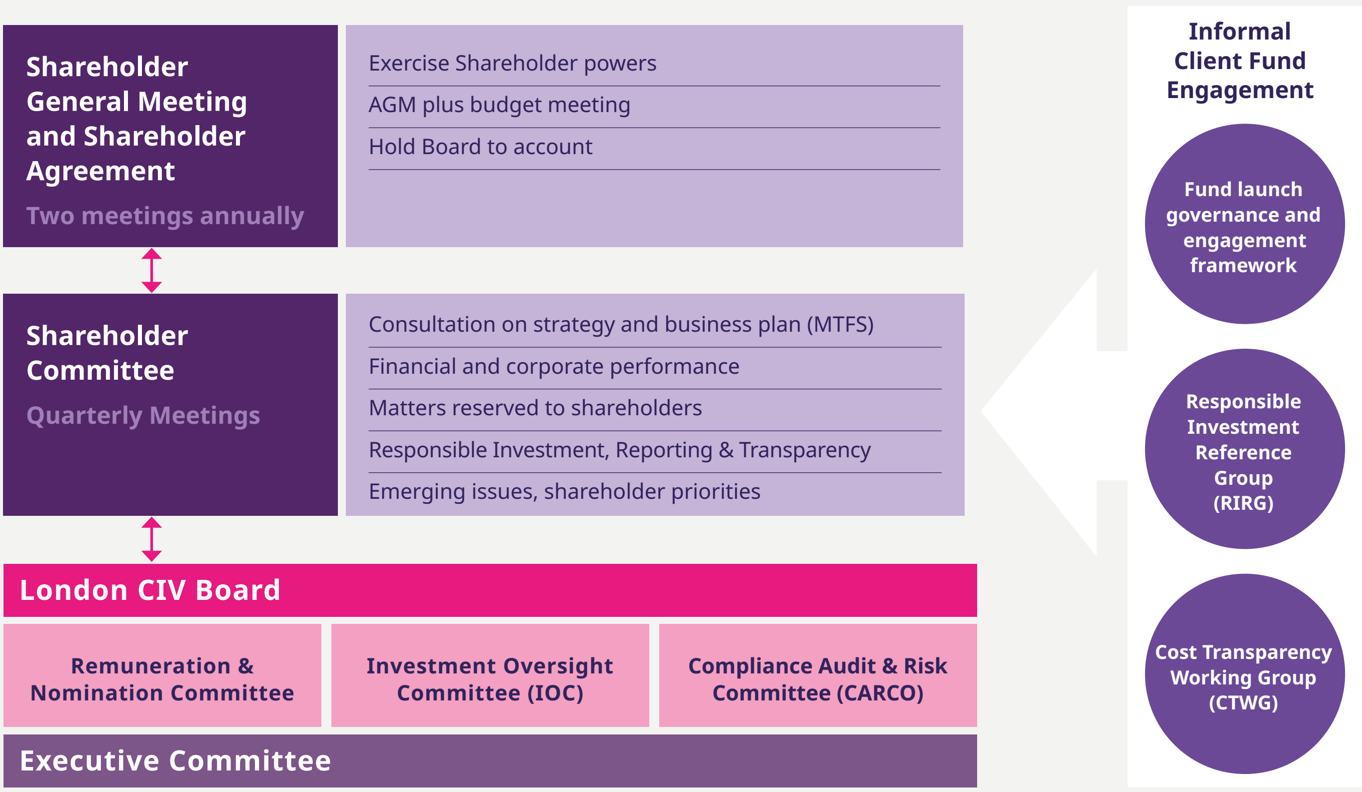
Governance structures

As signatories to the UKSC, London CIV are committed to ensuring that our committee structures, resources and incentives support best practice stewardship. The diagram below outlines our high level formal governance structure and also the arrangements for informal engagement with our 32 clients who are also our shareholders. These arrangements, which are kept under ongoing review, provide a high level of engagement on Responsible Investment and ESG matters, including the development of funds and a Responsible Investment Reference Group (RIRG). It also provides for shareholder decision-making in setting London CIV's budget and strategic objectives. This leverages the impact of the invested assets of the London Local Government Pension Scheme (LGPS) pooled funds.

The Executive Committee supports the Chief Executive in his leadership of London CIV and includes the Chief Investment Officer who is responsible for the investment functional within which the Responsible Investment team is based. An Investment Panel formed of the Heads of Desk in the investment function, and attended by key staff in other teams such as Compliance and Risk meets monthly and is part of the management level assurance arrangements for London CIV's investment activity.

London CIV committee structure

Formal Governance



Stewardship responsibilities and incentives at London CIV

> Our governance and policy framework is designed to provide a robust foundation for our collaboration with our shareholder client funds -making make sure our stewardship and engagement activity has the maximum impact and delivers a sustainable future for London Local Authority pension funds and their beneficiaries.
>
> **Mike Craston, London CIV Board Chair**

The London CIV Board approves and is collectively accountable for London CIV's overall strategy and governance and approves its Statement of Investment Beliefs and Responsible Investment Policy including its Stewardship Priorities. The Board approves London CIV's Annual Budget and Objectives in the context of a Medium-Term plan, this includes Responsible Investment/ESG objectives, including London CIV's Net Zero ambition.

The Executive Team, led by the Chief Executive Officer, is responsible for the day-to-day management of London CIV development and delivery of London CIV's overall strategy and active ownership strategy whilst ensuring the whole organisation supports London CIV's own operations in at least meeting or exceeding best practice standards.

The Investment Oversight Committee (IOC) oversees the implementation of London CIV's investment strategy on behalf of the board including its approach to active ownership and engagement. The Responsible Investment Reference Group (RIRG) is a small key informal body comprised of London CIV staff and elected members and officers from client funds, chaired by Cllr Rob Chapman of LB Hackney. It provides a sounding board in developing priorities and policies and for engaging client funds.

There is a Board Responsible Investment Champion who is a NED. The Chair of the Board, Mike Craston is the current Responsible Investment Champion. and the CEO and Chair are expected to ensure an effective line of communication between client fund/shareholders and NEDs, including through attendance at RIRG.

The Chief Investment Officer (CIO) is responsible for managing the integration of ESG considerations into portfolio construction, implementation and overall investment decision making.

We now have a dedicated ESG team of three staff together with an outsourced Voting and Engagement service. Operational accountability on a day-to-day basis is held by the Head of Responsible Investment (HRI) who reports to the CIO and is supported by two Responsible Investment Managers, one of whom is focused on overseeing stewardship and engagement and the other on climate activity. The Investment Team work closely with Investment Managers to ensure that London CIV's Stewardship Policy and Voting Guidelines are integrated in their engagement activities.

The integration and implementation of responsible investment is explicit in the roles of all members of the investment and client services teams and in the culture and values statement that underpins the work of the whole staff team. However, London CIV does not have financial bonus structure as part of its remuneration package so it is not built into an incentives package.

This report has been approved on behalf of the Board by the Chair of the Board and Chair of IOC and signed by the CEO following review by members of the Board and ExCo. It is informed by ongoing reporting throughout the year to the Board, IOC, Shareholder Committee, RIRG and also the monthly Business Updates to client funds.

Managing Conflicts of Interest

London CIV is required by the Financial Conduct Authority to maintain and operate effective organisational arrangements to ensure all reasonable steps are taken to prevent conflicts of interest from adversely affecting the interest of clients and their beneficiaries.

Our **Conflict of Interest Policy** describes the circumstances that could give rise to a conflict of interest and the principles to be followed in order to identify, avoid, manage, or in the event the other routes are not possible, to disclose clearly to our Clients any conflicts should they arise.

Conflicts of Interest in Practice

We may vote or engage with companies in which our clients have commercial relationships. These activities will be guided by Stewardship Policy and Voting Guidelines reviewed annually. We have shared voting and engagement reports quarterly with clients via the client portal.

In undertaking these activities, the following conflicts may arise:

- We may engage with or vote the shares of a company which has a strong commercial relationship, including as a service provider, with London CIV and/or our clients
- We may engage with or vote shares of a company where staff own securities or have a personal relationship with senior staff members in a company
- We may engage or vote shares of a company where client representatives work on the Board of the organisation
- We may engage with a government or government body which is the sponsor or associate of the sponsor of one of our clients
- We may vote on a corporate transaction, the outcome of which would benefit one client more than another
- We may otherwise act on behalf of clients who have differing interests in the outcome of our activities

London CIV maintains policies and procedures that mitigate perceived or potential conflicts. Examples of how we reduce the risk of conflicts occurring include:

- Ensuring all staff report any foreseen potential conflict of interest from voting or engagement to their line manager
- Any potential conflicts arising over our approach to voting or engagement are escalated to the CIO if required
- Split voting in exceptional circumstances in the event of a potential conflict

Case Study:

Example of how we managed conflict of interest

As conflict of interest does not occur frequently at London CIV, we have included last year's case study in this section as an example.

We have Non-Executive Directors (NEDs) who are members of the London CIV Board who also work for investment managers, so there is a potential conflict of interest. We manage this through an Outside Business Register with procedures which manage the involvement of individual NEDs if there is a conflict of interest when it comes to specific decisions, including provision for declaring interests at Board and Committee meetings.

London CIV places the interests of our Clients and their beneficiaries first at all times and demands that when acting on our behalf, our suppliers do the same and publicly disclose their Conflict of Interest Policies. The Conflict of Interest Policy by our current Stewardship and Engagement provider can be viewed **here**.

Appendix A

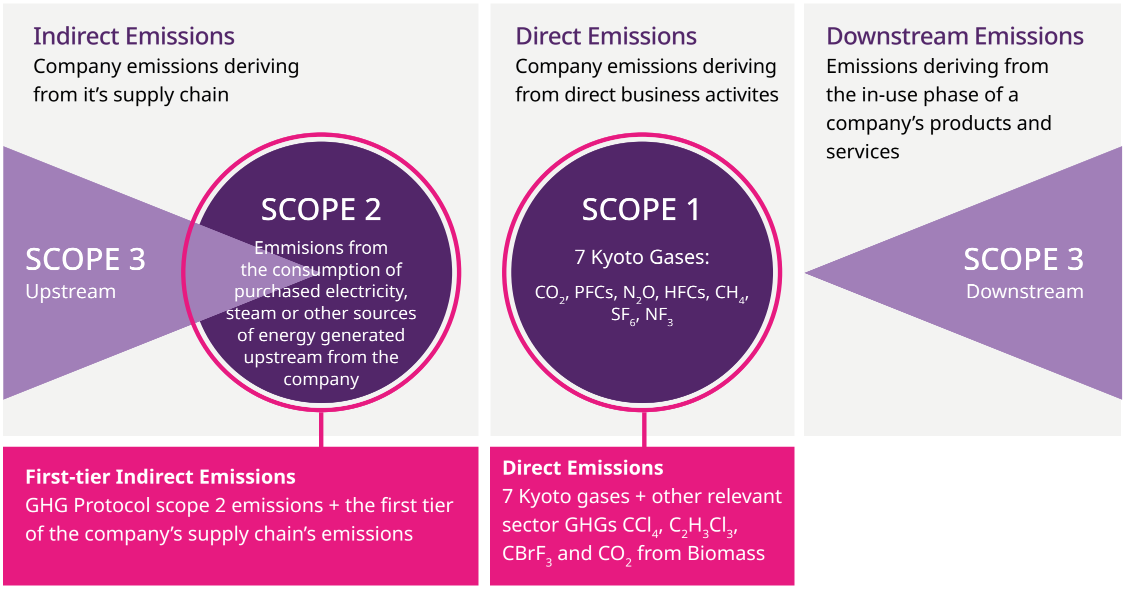
Description	Detail
Principle 1	
Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	The following sections provide the framework of how London CIV creates long term value for our clients and deliver sustainable benefits: • "Chair and CEO statements Policy Framework" • "Investment Beliefs" • "London CIV's Responsible Investment Strategy and Policy" • "Client Funds" (This includes how we assess our effectiveness in serving the best interests of our clients) The subsequent sections in this report explain how we make this tangible.
Principle 2	
Signatories governance, resources and incentives support stewardship.	The following sections demonstrate our governance, resources and incentives to support stewardship: • "Governance" section • Throughout the report we illustrated how the governance and policy framework and resources support stewardship London CIV's governance arrangements are designed to support the implementation of our strategy. Changes were made during 2020 to ensure our Stewardship objectives are explicit in the Terms of Reference of our committees. The RIRG was established to improve client consultation and promote best practice. An Executive-level ESG Action Group was also formed to oversee the implementation of the six-point action plan. Both complement our Seed Investment Groups, which involve clients in fund development. The London CIV Board approves and is collectively accountable for London CIV's strategy and governance, including its approach to active ownership. The Investment Oversight Committee oversees the implementation of our investment strategy on behalf of the Board. The Executive Team, led by the Chief Executive Officer, is responsible for day-to-day organisational management whilst the Chief Investment Officer is accountable for integrating ESG considerations throughout the design, selection and management of our investment decisions. The Head of Responsible Investment leads an RI team of three with 19 years of collective experience across climate change risk and positive impact analysis covering all sectors and asset classes. External providers support the team with services such as ESG analytics, voting and engagement The integration of ESG is explicit in the roles of all staff and in the culture and values statement that underpins our work. It is not part of a financial incentives structure as London CIV does not currently have a bonus structure within its remuneration package.

Description	Detail
Principle 3	
Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	Conflict of interests is considered in the following section: “Managing Conflicts of Interest” This year we have included an example of how we manage such conflict.
Principle 4	
Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system	How we identify and respond to market-wide and systemic risks to promote a well-functioning financial system is located across the “Step One: Defining Our Priorities” chapter. Throughout the report, we have included examples on how we collaborate with stakeholders to manage the system risks we have identified.
Principle 5	
Signatories review their policies, assure their processes and assess the effectiveness of their activities	The policies section sets out how we are reviewed our high level belief statements. Our policy framework makes ongoing improvements n collaboration with our client shareholders
Principle 6	
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them	London CIV’s 32 LGPS clients are long term investors and committed to responsible investment. Consultation takes place via surveys and committee meetings provide opportunities to ensure client views are reflected. Their priorities are considered in the development of all policies and are at the forefront of our manager monitoring and company engagement. This is described in the Client Funds section of the report. The “Disclosure and Transparency” section sets out how we report and the steps we have taken to improve reporting. The Responsible Investment Strategy and Policy section provides the frequencies of our ESG reporting and disclosures. We have provided additional “Deep Dive” reports this year to assist understanding and summary information on key deliverables at the beginning of this report and throughout the year on our website and monthly client briefings.
Principle 7	
Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	London CIV engage on ESG issues across four pillars: People, Planet, Principles of governance and Prosperity. Themes are then prioritised using global risks, client priorities, asset specific risk and exposure. We have added more case studies this year about how we work with companies, investment managers and implement engagement by theme and asset class.

Description	Detail
Principle 8	
Signatories monitor and hold to account investment managers and/or service providers	We describe how we hold investment managers and service providers to account in "Our collaborative approach to stewardship" section and in improvements made this year especially in our fixed income disclosures.
Principle 9	
Signatories engage with issuers to maintain or enhance the value of assets.	We have enhanced our engagement capability this year with the appointment of a service provider and will publish our Voting and Engagement Guidance. Our Stewardship Policy provides the framework for manager engagement to monitor that they are undertaking monitoring as we expect. This is described in "London CIV's Responsible Investment Strategy and Policy" section
Principle 10	
Signatories, where necessary, participate in collaborative engagement to influence issuers	Our collaborations are set out in p/X and we keep these under review in collaboration with clients through our RIRG. We participate in co-signatory engagements. These are described throughout the report. Our case studies describe the impact of these collaborations.
Principle 11	
Signatories, where necessary escalate stewardship activities to influence issuers	Our Stewardship Policy explains the expectations we have set for investment managers that escalate stewardship activities on our behalf. Case studies across the report and more specifically in the "Escalation" section illustrate how we have exercised those rights including in collaboration with others.
Principle 12	
Signatories, where necessary escalate stewardship activities to influence issuers	We have described how we actively exercise our rights in the case studies and facts and figures summary at the beginning of the report and in **Case study Shell Plc (pg. 39)** **Case study Amazon (pg. 58) illustrate the impact of our activity.**

Appendix B: Definitions

<table>
<tr><td>Antitakeover Related</td><td>Typically include proposals to adopt or remove anti-takeover provisions like poison pills or supermajority voting requirements.</td></tr>
<tr><td>Capitalization</td><td>Typically include proposals to add additional shares to the charter or affect stock splits.</td></tr>
<tr><td>Directors Related</td><td>Typically include proposals to elect directors or change the board composition.</td></tr>
<tr><td>Emissions:</td><td>



- **Direct (Scope 1)** = CO_2e emissions based on the Kyoto Protocol greenhouse gases generated by direct company operations.
- **Direct (Other)** = Additional direct emissions, including those from CCl4, C2H3Cl3, CBrF3, and CO2 from Biomass.
- **Purchased Electricity (Scope 2)** = CO_2e emissions generated by purchased electricity, heat or steam.
- **Non-Electricity First Tier Supply Chain (Scope 3)** = CO_2e emissions generated by companies providing goods and services in the first tier of the supply chain.
- **Other Supply Chain (Scope 3)** = CO_2e emissions generated by companies providing goods and services in the second to final tier of the supply chain.
- **Downstream (Scope 3)** = CO_2e emissions generated by the distribution, processing and use of the goods and services provided by a company.

</td></tr>
<tr><td>Miscellaneous</td><td>Typically include proposals to that are atypical or one-off requests.</td></tr>
<tr><td>Non-Salary Comp</td><td>Typically include proposals to adopt or amend equity plans; say-on-pay.</td></tr>
<tr><td>Preferred/ Bondholder</td><td>Typically include proposals to amend aspects of a preferred share class or bond covenant.</td></tr>
</table>

Reorg. and Mergers	Typically include proposals to merger with or acquire another company.
Routine/Business	Typically include proposals to approve the annual report or prior meeting minutes.
SH-Compensation	Typically include shareholder proposals to affect some aspect of executive pay.
SH-Corp Governance	Typically include shareholder proposals to change some aspect of the company's governance profile, like classified board structure.
SH-Dirs' Related	Typically include shareholder proposals to committee or board structure, like adopting a new board committee.
SH-Health/ Environ.	Typically include shareholder proposals to enhance disclosure around an environmental or health issue.
SH-Other/misc.	Typically include shareholder proposals on one-off issues.
SH-Routine/ Business	Typically include shareholder proposals to separating the chair/CEO position.
SH-Soc./Human Rights	Typically include shareholder proposals to enhance disclosure on human rights issues.
Social Proposal	Typically include shareholder proposals to address worker or supply chain issues.

Appendix B: Definitions

Tax Havens

Country	Alpha-2 code	Tax Rate	EU List	STR/EATR	LCIV Classification
Anguilla	AI	0 tax rate jurisdictions (STR or EATR = 0%)	Listed 22/02/21	STR 0%	Tax haven
Vanuatu	VU	0 tax rate jurisdictions (STR or EATR = 0%)	Listed 22/02/21	STR 0%	Tax haven
Bahamas	BS	0 tax rate jurisdictions (STR or EATR = 0%)	Not listed	STR 0%	Tax haven
Bahrain	BH	0 tax rate jurisdictions (STR or EATR = 0%)	Not listed	STR 0%	Tax haven
Bermuda	BM	0 tax rate jurisdictions (STR or EATR = 0%)	Not listed	STR 0%	Tax haven
British Virgin Islands	VG	0 tax rate jurisdictions (STR or EATR = 0%)	Not listed	STR & EATR 0%	Tax haven
Cayman Islands	KY	0 tax rate jurisdictions (STR or EATR = 0%)	Not listed	STR & EATR 0%	Tax haven
Guernsey	GG	0 tax rate jurisdictions (STR or EATR = 0%)	Not listed	STR & EATR 0%	Tax haven
Isle of Man	IM	0 tax rate jurisdictions (STR or EATR = 0%)	Not listed	STR & EATR 0%	Tax haven
Jersey	JE	0 tax rate jurisdictions (STR or EATR = 0%)	Not listed	STR & EATR 0%	Tax haven
Marshall Islands	MH	0 tax rate jurisdictions (STR or EATR = 0%)	Not listed	STR 0%	Tax haven
Turks and Caicos Islands	TC	0 tax rate jurisdictions (STR or EATR = 0%)	Not listed	STR & EATR 0%	Tax haven
United Arab Emirates	AE	0 tax rate jurisdictions (STR or EATR = 0%)	Not listed	STR 0%	Tax haven
Barbados	BB	Low tax rate jurisdictions (STR or EATR <12.5%)	Listed 06/10/20	STR 5.5%	Under review
Andorra	AD	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 10%, EATR 8.9%	Under review
Bosnia and Herzegovina	BA	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 10%	Under review
Bulgaria	BG	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 10%, EATR 9.2%	Under review
Cyprus	CY	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 12.5 %, EATR 10.4%	Under review
Gibraltar	GI	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 10%	Under review
Hungary	HU	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 9%, EATR 10%	Under review
Ireland	IE	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 12.5%, EATR 12%	Under review
Kosovo	XK	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 10%	Under review
Kyrgyzstan	KG	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 10%	Under review
Liechtenstein	LI	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 12.5%, EATR 10.1%	Under review
Macau	MO	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 12 %, 11.5% EATR	Under review
Montenegro	ME	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 9%	Under review
Moldova	MD	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 12%	Under review
North Macedonia	MK	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 10%	Under review
Paraguay	PY	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 10%	Under review
Qatar	QA	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 10%	Under review
Timor-Leste	TL	Low tax rate jurisdictions (STR or EATR <12.5%)	Not listed	STR 10%	Under review

Tax Havens

Country	Alpha-2 code	Tax Rate	EU List	STR/EATR	LCIV Classification
American Samoa	AS	Phantom foreign direct investment	Listed 22/02/21	NA	Tax haven
Fiji	FJ	EU List	Listed 22/02/21	NA	Tax haven
Guam	GU	EU List	Listed 22/02/21	NA	Tax haven
Palau	PW	EU List	Listed 22/02/21	NA	Tax haven
Panama	PA	EU List	Listed 22/02/21	NA	Tax haven
Samoa	WS	EU List	Listed 22/02/21	NA	Tax haven
Seychelles	SC	EU List	Listed 22/02/21	NA	Tax haven
Trinidad and Tobago	TT	EU List	Listed 22/02/21	NA	Tax haven
US Virgin Islands	VI	EU List	Listed 22/02/21	NA	Tax haven
Oman	OM	Oxfam 05/10/2020	Listed 18/02/20	NA	Under review
UK	GB	Oxfam 05/10/2020	Not listed	NA	Under review
Netherlands	NL	Phantom foreign direct investment	Not listed	NA	Under review
Malta	MT	Phantom foreign direct investment	Not listed	NA	Under review
Luxembourg	LU	Phantom foreign direct investment	Not listed	NA	Under review
Hong Kong	HK	Phantom foreign direct investment	Not listed	NA	Under review
Singapore	SG	Phantom foreign direct investment	Not listed	NA	Under review
Switzerland	CH	Phantom foreign direct investment	Not listed	NA	Under review
Mauritius	MU	Phantom foreign direct investment	Not listed	NA	Under review
Dominica	DM	EU List	Listed 22/02/21	NA	Tax haven

Appendix C: Use of data providers

London CIV utilises a variety of data sources to inform our stewardship activities. We recognise that ESG data is a developing discipline and we consistently encourage improved disclosure from our investments. In addition to our asset Investment Managers' and London CIV's own analysis of ESG exposure within our portfolio, we use third party proprietary and public data sources. At present these include:

Provider	Description	Website
Trucost, part of S&P Global	Trucost, part of S&P Global, assesses risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors. Data includes carbon emissions for scope 1, 2 and 3 emissions including coal power generation, fossil fuel reserves, physical risk, transition risk and broader environmental factors. London CIV use its data sets to inform our environmental portfolio risk analysis.	trucost.com
EcoInvent	The ecoinvent database is an LCI database, providing documented process data for thousands of products, including renewable energy assets. London CIV uses its database to model the embedded emissions of its infrastructure investments as part of its wider climate risk analysis.	ecoinvent.org

A lack of standardisation and transparency across ESG data means that analysis can be subject to inconsistencies. To ensure the quality of our data outputs we assess the Quality Control (QC) procedures for any new datasets we use and maintain our own QC checks by way of internal assurance. Owing to the complex and nuanced nature of ESG data, analysis is always reported alongside qualitative insights. We use data where possible in our everyday monitoring and report on insights in our quarterly reports to support the stewardship activities and oversight of our clients. As ESG data evolves, we review our provision and aim to increase the information available to us on an annual basis. Whilst our focus has been largely on climate risk to date, we seek to increase our analysis on other material ESG factors in order to work effectively with our Investment Managers on a broader spectrum of investment risks.

Appendix D: Meet the team

Jacqueline Amy Jackson
Head of Responsible Investment

Jacqueline Amy Jackson joined London CIV in June 2020 to support its commitment to sustainable finance. She leads a team of three responsible for developing and implementing strategies designed to identify and mitigate financial risks arising from environmental and socioeconomic issues.

Over the last thirteen years she has advised institutional investors, corporations and governments on how to interpret exposure and impact associated with natural resource constraints to help inform resilience and identify the transformative solutions of tomorrow.

Prior to joining London CIV, Jacqueline worked in creative advertising, founded an ecommerce website and worked in business development for Trucost and S&P Global. She is an award-winning artist who works with marginalised groups of society and underrepresented artists to increase awareness of global issues and drive change.

Jacqueline read Fine Art at The University of Oxford achieving a double 1st in 2008 and returned in 2019 to study Sustainable Finance. She has delivered training at the Institute for Sustainability Leadership at The University of Cambridge, sat on the Board of Waterlow Residents, is a Trustee of charity, Wave of Peace and an ambassador of The Diversity Project.

Gustave Loriot
Responsible Investment Manager – Climate Risk

Gustave Loriot joined London CIV in November 2020 as a Responsible Investment Manager specialising in climate risk analytics. Having previously worked as a Senior ESG Data Specialist for a large financial services organisation, he brings a wealth of expertise to the Investment Team, leading the Pool's work on ESG risk analysis.

Gustave studied the interactions between finance, economics and the environment at the London School of Economics, where he holds a BSc in Environmental Policy with Economics, and at Imperial College, where he obtained an MSc in Climate Change Management and Finance.

Alison Lee
Responsible Investment Manager – Active Ownership

Alison Lee joined London CIV in April 2021 as a Responsible Investment Manager specializing in Stewardship and Engagement. Prior to joining London CIV, she was an ESG Associate and executed ESG integration across private credit, private equity, venture capital and impact funds for ADM Capital and ADM Capital Foundation ('ADM') in Hong Kong and London. She developed ADM's proprietary ESG metrics and was deeply involved in ADM's role in the Tropical Landscape Finance Facility's financing of a sustainable rubber plantation in Indonesia.

Prior to ADM, she was an Equity Research Associate at CLSA covering Hong Kong discretionary consumer and China education equities. She has an MSc from the University of Manchester in Industrial Relations and Human Resources and a BA (Hons) from The University of Strathclyde in International Business.

Appendix E: EOS regional principles

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

London CIV

Getting in touch with the team

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

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