

CITY OF LONDON CORPORATION RESPONSIBLE INVESTMENT POLICY

The City of London Corporation (the Corporation) is committed to being a Responsible Investor and the long term steward of the assets in which it invests. It expects this approach to protect and enhance the value of the assets over the long term.

The Corporation recognises it is consistent with its fiduciary duty to manage Environmental, Social and Corporate Governance ('ESG') issues that may be financially material. This policy sets out the Corporation's approach to Responsible Investment (RI) and details the actions the Corporation, and its external providers, take on its and other stakeholders behalf, to protect the Corporation and its assets from ESG and reputational risks.

As a long-term investor, the Corporation recognises that it should manage ESG risks including climate related financial risk that can be both long-term and short-term in nature. In addition, the Corporation seeks to identify investment opportunities and managers aligned with its long-term objectives. The Corporation is a signatory of the Principles for Responsible Investment (PRI). The foundations of the Corporation's approach are its **RI Beliefs**, which are set out below:

The City of London Corporation's Responsible Investment Beliefs

- The Corporation is a long-term investor and seeks to deliver **long-term sustainable returns**. Taking a sustainable investment view is more likely to create and preserve long-term investment capital.
- The identification and management of ESG risks that may be financially material is **consistent with our fiduciary duty**.
- The Corporation seeks to **integrate ESG issues including climate related financial risk at all stages of its investment decision-making process**, from setting investment strategy to monitoring its investment managers.
- **Active ownership** helps the realisation of long-term shareholder value. The Corporation has a **duty to exercise its stewardship and active ownership responsibilities** (voting and engagement) effectively by using its influence as a long-term investor to encourage responsible investment behaviour.
- The Corporation recognises that taking a **collaborative approach** with other investors can help to achieve wider and more effective outcomes.
- The Corporation seeks to identify **sustainable investment opportunities** where aligned with its broader investment objectives.
- It is important that the Corporation be **transparent and accountable** to members and stakeholders with respect to its RI activities.
- **Engagement for change** is our starting position but this will be kept under review as the Corporation reviews progress on delivering against its targets and commitments to responsible investment and managing financial risk.
- The Corporation recognises that climate change presents a systemic and material risk with the potential to impact our holdings throughout the portfolio. The Corporation is **committed to aligning our approach with the objectives of the Paris Agreement (2015)** for a below 2 degrees world. The Corporation works with managers, partners and networks who are seeking to do the same.

Implementation

The Corporation seeks to **integrate RI across its investment decision-making process**. The Corporation adopts a flexible approach to managing the investment strategies and asset allocation of its Funds in order to ensure they are robust from a risk and return perspective.

In setting and implementing its investment strategy, the Corporation takes advice from professional investment advisors. The Corporation **expects its investment advisors to consider proactively and integrate ESG issues including climate related financial risk** when providing investment advice.

The Corporation's assets are managed by third-party investment managers responsible for the day-to-day investment decisions, including undertaking voting and engagement activities on behalf of the Corporation. The Corporation **considers the approach to ESG integration and active ownership when selecting and monitoring investment managers**.

The Corporation will be looking to actively manage a downward trajectory path on the carbon emissions of the portfolio and set interim targets. Progress against reductions, Paris alignment and PRI agreements will be regularly monitored and reported annually.

The Corporation expects its external investment advisors and investment managers, including the London Collective Investment Vehicle (London CIV), to be signatories, and demonstrate commitment, to the PRI and any disclosure requirements in the jurisdictions in which they are regulated. The Corporation expects that UK asset managers are actively preparing for TCFD disclosure ahead of regulation and encourages non-UK based managers to consider the same.

Active Ownership

The Corporation recognises that it has **responsibilities as a shareholder**, as well as rights, and is an **active owner**. The Corporation seeks to exercise its voice through engagement with its investment managers (and consequently portfolio companies) as part of its active ownership, or stewardship, duties to its beneficiaries.

- The Corporation **aims to exercise its voting rights in all markets** and its investment managers are required to vote at all company meetings or give the Corporation notice when is not practical to do so. A record of voting should be made available on request.
- The Corporation supports **the UK Stewardship Code** (Code) and expects its investment managers to comply with the Code. Non UK managers will be expected to sign up to an equivalent Code in their country of origin. The Corporation has outlined its approach to stewardship, including voting and engagement, in its **UK Stewardship Code - Statement of Commitment**. It remains a signatory to the UK Stewardship Code 2012 until the first list of signatories to the new Code is published in 2021. The Corporation fully intends to achieve compliance with the new Code and is aiming to publish its first Annual Stewardship Report in 2022.
- The Corporation delegates voting and engagement to its investment managers and **monitors how its investment managers undertake voting and engagement activities** in comparison to relevant codes of practice. The Corporation expects its investment managers to implement appropriate escalation procedures for its stewardship activities.
- The Corporation expects fund managers to be **engaging with holdings to build credible pathways** to either adapt or actively drive their transition to a low carbon economy and to disclose climate related risks in line with latest best practice guidelines, such as those of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD).

Collaboration

The Corporation recognises that **collaboration with other investors is a powerful tool to influence** the behaviour of companies, policy makers and other industry stakeholders. The Corporation seeks to work with and support the initiatives of other bodies with similar goals, including via its investment managers and investment advisor. For example, the City of London Corporation Pension Fund is an active member of the Local Authority Pension Fund Forum (LAPFF) and the Pension and Lifetime Savings Association (PLSA). As a member fund of the London CIV, the City of London Corporation Pension Fund also collaborates within the pool to influence responsible investments.

Reporting and Stakeholder Engagement

The Corporation recognises that **transparency and disclosure** is an important aspect of being a responsible investor. The Corporation expects transparency and disclosure from its investment managers, including reporting on engagement progress and success on climate related financial risk.

Our Commitment

We acknowledge that the Corporation's approach to RI will need to continually evolve, both due to the changing landscape with respect to responsible investment as well as broader industry developments. We are committed to making ongoing improvements to the Corporation's approach and the processes that underpin the delivery of this policy to ensure it remains relevant.

Approved by the Financial Investment Board on 9 February 2021.

Glossary

ESG - Environmental, social and corporate governance issues

RI - Responsible Investment – This refers to the incorporation of environmental, social and corporate governance considerations into investment processes, as these are absent in much traditional financial analysis. RI was very focused on company level analysis, but climate change and sustainability challenges increasingly require a more strategic, forward looking, portfolio view. There are 4 levers that an investor can use in its responsible investment approach: integration, stewardship, thematic investment and exclusions.

PRI - Principles for Responsible Investment – The PRI was formed by the UK in 2006 and has two main goals; to understand the investment implications of environmental, social and corporate governance (ESG) issues; and to support signatories in integrating these issues into investment and ownership decisions. The PRI believes that an economically efficient, sustainable global financial system is a necessity for long-term value creation. The PRI will work to achieve this sustainable global financial system by: encouraging adoption of the Principles, collaborating on their implementation, fostering good governance, integrity and accountability and addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

Stewardship and Active Ownership – The principle that shareholders should not be passive in their role as providers of capital and should take an active approach to using the voting rights attached to their shares and engaging with the companies they invest in (where appropriate) to encourage best practise and maximise shareholder value. For pooled fund clients, good stewardship and active ownership can be demonstrated through the review and ongoing monitoring of the pooled fund managers' activities in the areas of voting and engagement and the managers demonstrating the potential value of their actions.

UK Stewardship Code – Introduced for institutional investors in 2010, the UK Stewardship Code aims to incentivise investors to seek increased accountability from company boards and encourage them to seek on-going dialogue with their investors. The Stewardship Code has seven Principles and it is a mandatory requirement of the Financial Conduct Authority (FCA) that UK authorised asset managers disclose their compliance with the Code or explain otherwise through a public 'Statement of Commitment'.

Paris Aligned Investments – Investments with a business model that is adequately prepared for and/or actively contributing to the transition to a low carbon economy necessary to meet the goals of the Paris Climate Agreement (2015).