

UK STEWARDSHIP CODE – STATEMENT OF COMMITMENT

CITY OF LONDON CORPORATION

Approach to Responsible Investment and Stewardship

The City of London Corporation's Court of Common Council and Finance Committee have delegated the investment management responsibility of the City of London Pension Fund, the Bridge House Estates and the City's Cash to the Investment Committee, which in turn has charged the detailed investment arrangements to the Financial Investment Board (FIB).

The Financial Investment Board ("FIB") of the City of London Corporation (the "Corporation") believe that Environmental, Social and Corporate Governance ("ESG") issues should be taken into account on an ongoing basis and the consideration of ESG issues is integrated throughout the Corporation's approach to investing, consistent with the Corporation being a long-term responsible investor. In applying its approach to the integration of ESG issues, the FIB takes a holistic and consistent approach across the Corporation's assets.

ESG issues can have a material impact on long-term risk and return outcomes and considering these issues is consistent with the fiduciary duty of the FIB. The FIB believes that effective shareholder engagement is a key aspect of strong corporate governance and managing ESG risks, which in turn may lead to enhanced returns. The Corporation supports the UK Stewardship Code (the Code) and further detail is provided below on how the Corporation addresses each of the Code's seven underlying principles.

For full details of the Corporation's approach to Responsible Investment (RI), please see the [Corporation's Responsible Investment Policy](#).

Corporation Duties to Clients

Members of the FIB recognise that they have a duty to safeguard the Corporation's assets on behalf of both the Corporation and underlying beneficiaries.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Corporation takes its responsibilities as a shareholder seriously and has made a commitment to the informed exercise of its ownership rights.

The Corporation may invest via both segregated and pooled funds. Where assets are held on a segregated basis, the Corporation exercises all votes associated with its equity holdings where practicable. For pooled investments, the FIB expects the Corporation's underlying investment managers to exercise voting and engagement rights on its behalf. The FIB expects its investment managers to exercise all votes associated with the Corporation's equity holdings where practicable. The Corporation encourages its underlying investment managers to comply with the UK Stewardship Code and monitors the compliance of its underlying equity managers and multi-asset managers on an annual basis.

For pooled investments, the Corporation is subject to the ESG and voting policies of its underlying investment managers. The FIB considers these policies when appointing a new manager and when monitoring investment managers as well as considering whether each manager's actions and engagement activities have been appropriate and in keeping with the Corporation's approach.

In considering its stewardship activities, the Corporation monitors the activities of its investment managers with regard to the following:

- The exercise of voting rights
- The integration and management of Environmental, Social and Corporate Governance (ESG) issues
- Engagement activities and progress.

The Corporation is a long-term investor and is committed to being an active owner. It wishes to promote a policy of dialogue on responsible investment issues, both directly and through its investment managers, with company management.

The Corporation recognises that taking a collaborative approach with other investors can help to achieve wider and more effective outcomes. The Corporation is supportive of the activities and principles of the Principles for Responsible Investment (PRI), which aims to promote best practice on RI issues on a global basis and is taking steps to become a signatory to the PRI.

The Corporation regularly reviews its approach to responsible investment and the exercise of its stewardship activities.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Corporation expects its investment managers to have effective policies addressing potential conflicts of interest related to stewardship such that the managers are acting in the best interests of the Corporation and its underlying beneficiaries. The management of conflicts of interest in relation to stewardship is considered as part of the annual stewardship review. The Corporation's investment consultant independently assesses each of the Corporation's equity and multi-asset investment managers regarding the management of conflicts of interest with respect to stewardship. The assessment considers the disclosure of each manager's approach, the robustness of approach and how issues are managed when the interests of clients/beneficiaries diverge from those of the manager.

In respect of potential conflicts of interest within the Corporation, the following are undertaken to manage potential conflicts of interest:

- In accordance with the requirements of the Localism Act 2011 S.29, all elected Members are required to complete a statutory declaration (of pecuniary interests) within 28 days of taking office.
- Members also have to declare relevant pecuniary interests of spouses/partners (S.30).
- The Corporation requires that members also submit a list of other interests (non-pecuniary)

In addition, Members of the FIB are required to make declarations of interest prior to each FIB meeting.

All declarations are captured in the minutes of the meeting. Potential conflicts, based on declarations, are managed accordingly by the Chairman of the FIB.

Principle 3: Institutional investors should monitor their investee companies.

While the day-to-day responsibility for managing the Corporation's equity and multi-asset holdings is delegated to the Corporation's appointed investment managers, the Corporation recognises that it cannot delegate its stewardship obligations. The FIB monitors the Corporation's investment managers on a regular and ongoing basis, including with respect to stewardship activities.

As such, the Corporation expects its investment managers to monitor investee companies, intervene where necessary, and report back regularly on activity undertaken. This may be via written reports, phone calls or meetings with the FIB or Corporation officers.

In addition the Corporation receives an annual report from its investment consultant on the stewardship credentials of its investment managers as well as quarterly updates related to ESG integration and progress as outlined below.

The Corporation receives quarterly reports from each of its investment managers, and FIB receive a consolidated, independent quarterly report from the Corporation's investment consultant. Reporting includes assessment of performance against benchmark, as well as commentary and attribution of returns. The reporting from the investment consultant includes their assessment (by way of a rating) of the investment managers' integration of ESG factors into their investment process.

In addition, the Corporation meets with its investment managers to further monitor performance and receive updates on engagement activity and the integration of ESG into portfolio positioning.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Responsibility for day-to-day interaction with companies is delegated to the Corporation's investment managers, including the escalation of engagement activities when necessary.

The FIB monitors the escalation activities undertaken by the Corporation's investment managers through the regular reporting provided by the Corporation's managers and the independent assessment of the investment manager's approach by its investment consultant. The investment consultant considers both the disclosure of escalation guidance by the Corporation's investment managers as well as examples of such activity.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

The Corporation seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies.

The Corporation works with other like-minded investors through its participation, on behalf of the City of London Pension Fund, in the Local Authority Pension Fund Forum, as well as its participation in the London CIV.

In addition, as part of its approach to Responsible Investment, the Corporation is taking steps to become a signatory to the PRI, which will lead to increased collaboration with other institutional investors.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

The FIB expects the Corporation's underlying investment managers to exercise voting and engagement rights on its behalf. The FIB expects its investment managers to exercise all votes associated with the Corporation's equity holdings where practicable. The Corporation encourages its investment managers to publicly disclose their voting records.

Generally, the Corporation expects its investment managers to support resolutions that are consistent with the UK Corporate Governance Code and represent best practice. In overseas markets, the FIB expects its managers to take account of local best practice principles.

The FIB expects the investment managers to report on their voting activities on a regular basis and the FIB considers whether each manager's actions and engagement activities have been appropriate and in keeping with the Corporation's policy.

The policy is reviewed regularly in order to take account of regulatory developments and timely issues may be discussed at FIB meetings.

With respect to stock lending, the majority of the investments are held in pooled funds and each manager's approach to stock lending is reviewed as part of the appointment process.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

As noted above, the Corporation expects its underlying investment managers to report regularly to the FIB with respect to voting and engagement activities, including examples of company engagement, progress on engagement over time and collaborative activities. The Corporation encourages its investment managers to report publicly on their stewardship activities.

On an annual basis, the Corporation's investment advisor undertakes an independent assessment of the stewardship activities of the Corporation's equity and multi-asset investment managers, including an assessment of the reporting provided on voting and engagement activities. This assessment considers whether meaningful reporting on stewardship activities (such as voting statistics supported by clear explanations of voting and engagement activity) is provided on a regular basis as well as the overall quality and transparency of the reporting. A summary of the findings of this assessment will be reported to the FIB and investment managers may be encouraged to improve reporting as a result of the assessment.

This statement has been approved by the Financial Investment Board on 12 July 2018.

If you have any questions on this statement or the Corporation's approach to stewardship, please contact Kate Limna at kate.limna@cityoflondon.gov.uk