CITY OF LONDON CORPORATION PENSION FUND
INVESTMENT STRATEGY STATEMENT

1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and publish a statement of their investment strategy, taking into account guidance issued from time to time by the Secretary of State.

The City of London Corporation is the administering authority of the City of London Pension Fund (the 'Fund') and it has a duty to invest any fund monies that are not needed immediately to pay benefits from the Fund. The purpose of this Investment Strategy Statement (the 'ISS') is to document the principles, policies and beliefs by which the Corporation manages the Fund's investment assets.

The ISS as has links with two other key strategic documents, namely:

- The Funding Strategy Statement (the 'FSS'), which sets out the main aims of the Fund and explains how employers' contribution rates are set to achieve those aims.
- The Governance Compliance Statement which sets out the structure of delegations of responsibilities for the Fund.

Both statements are incorporated into the Pension Fund Annual Report.

In formulating this statement the Corporation has consulted with, and received advice from, the Fund's investment consultant, Mercer (the 'Investment Consultant'). The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy.

This statement was approved by the Financial Investment Board on XXXX 2020

2. Scope

Regulation 7(2) states that the following matters must be addressed within the ISS:

(a) a requirement to invest fund money in a wide variety of investments;

(b) the authority's assessment of the suitability of particular investments and types of investments;

(c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;

(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

These requirements are dealt with in turn below, following an overview of the Fund's governance arrangements and the links between the ISS and the Funding Strategy Statement.

3. Governance

The City of London Corporation's Court of Common Council and Finance Committee have delegated the investment management responsibility of the Fund to the Investment Committee which in turn has charged the detailed investment arrangements to the Financial Investment Board (hereafter, the "Board"). The main areas of investment responsibility include:

- determination of strategic asset allocation;
- determination of portfolio structure; and
- on-going monitoring and evaluation of the investment arrangements.

The Board is made up of between 12-14 Members of the Investment Committee, comprising elected Members.

The Board is empowered to co-opt people with relevant expertise or experience, including non-Members of the Court of Common Council, to assist in its deliberations.

There is provision within Standing Orders to enable the Chairman of the Financial Investment Board to report on and speak on their activities and responsibilities in the Court of Common Council and to ensure that any decisions are taken without undue delay.

Members of the Board recognise that they have a duty to safeguard, above all else, the financial interests of the Fund's beneficiaries. Beneficiaries, in this context, are considered to be the Fund's members and employers together with local taxpayers.

The Fund, in preparing and reviewing its Investment Strategy Statement, will consult with interested stakeholders including, but not limited to employers, investment managers, the Local Pensions Board, advisers to the Fund and other parties that it deems appropriate to consult with.

4. Link to the Funding Strategy Statement

The FSS aims to establish a clear and transparent strategy that will identify how participating employers' pension liabilities are best met going forward. To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Thus the main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the in this document.

5. Investment Objectives

The Fund's primary long term investment objective is to achieve and maintain a funding level at or close to 100% of the Fund's estimated liabilities; and in conjunction with the funding strategy, to minimise the cost and variability of cost to employers.

6. Regulation 7(2)(a) - Investment of fund money in a wide variety of investments

The administering authority is exposed to significant risks in discharging its duties. In particular, the Board is conscious of the risk of failing to provide sufficient investment returns to achieve the targeted funding level and the risk of failing to maintain stable employer contributions by producing excessive volatility in investment returns.

The Board recognises that diversification is essential to managing portfolio risks and makes use of a full range of investment opportunities. Assets are invested across different asset classes and distinct investment management styles are combined with the aim of securing sufficient and stable returns and reducing volatility. The Board will also make use of illiquid investments (such as property, private equity and infrastructure), recognising that investors are rewarded over the long term (i.e. there is a liquidity premium).

The Board regards its choice of strategic asset allocation as the decision that has most influence on the likelihood of achieving the investment objective. The Board reviews its strategic asset allocation via periodic investment strategy reviews. In order to ensure that its asset allocation policy remains appropriate, reviews will normally take place every three years. However, if there is a significant change in capital markets, in the circumstances of the Fund or in governing legislation, then an earlier review may be conducted.

The Fund's appointed Investment Consultant supports the Board in deciding on its asset allocation policy through the provision of professional advice. The Board further considers the legality of all investments for compliance with the LGPS.

The Board reviewed the Fund's investment strategy in 2020 following its 2019 actuarial valuation and agreed the target asset allocation strategy set out in the table below.

Asset Class	**Position as at 31/03/2020 %**	**Strategic target %**	**Control range** %**
Equities	56	50	35 – 65 (+/- 15)
UK Equities	15	17	
Global Equities	41	33	
Multi Asset	27	30	20 – 40 (+/- 10)
Property	7*	10	5 – 15 (+/- 5)
Infrastructure	6*	5	0 – 10 (+/- 5)
Private Equity	4*	5	0 – 10 (+/- 5)
Total	**100**	**100**	

*This does not include outstanding commitments that represent approximately 2% of the total Fund value as at 31 March 2020.

**The Regulations also require the Board to set out in this document the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. The control range indicates the maximum level to be held in each asset class. The actual asset allocation will be monitored on a regular basis and any movement outside of these ranges will trigger a discussion on whether rebalancing should be carried out.

<u>Treasury Management Policy</u>

In accordance with Regulation 6, the administering authority holds a separate bank account for the exclusive use of the Pension Fund. The Pension Fund does not have a strategic asset allocation to cash, and the bank account is used to hold sufficient fund monies to manage the operational requirements of the Pension Fund. In accordance with Regulation 6(2), the account is kept by Lloyds Bank, an authorised deposit taker under the Financial Services and Markets Act 2000.

The Board monitors liquidity to ensure that sufficient cash is available at all times to meet the obligation to pay pension benefits as they fall due and to manage other operational requirements.

The Board monitors the financial standing and creditworthiness of Lloyds Bank to ensure it continues to qualify as an authorised deposit taker.

Under Regulation 5(1) the administering authority must not borrow money excepted as provided in the Regulations. Regulation 5(2) provides for very specific and limited circumstances where the Fund is permitted borrow monies.

7. Regulation 7(2)(b) - Assessment of suitability of particular investments and types of investments

The Board considers the suitability of particular investments in the context of its investment objectives and in relation to the funding strategy for the Fund's liabilities as calculated by the Fund Actuary.

When assessing suitability, the Board will assess the likely return prospects for particular investments alongside their risk characteristics and liquidity properties. Furthermore, the Board considers the contribution of particular investments towards overall portfolio performance.

In forming its views on the suitability of particular investments the Board is supported by advice from the Fund's appointed Investment Consultant. The most recent investment strategy review utilised the following expectations for annualised returns and volatility which are based on the Investment Consultant's long-term capital market assumptions at the time of the most recent actuarial valuation (31 March 2019):

Asset class	**Arithmetic mean (% p.a.)**	**Multi-year standard deviation (% p.a.)**
Fixed interest gilts (>15 years)	1.5	6.7
Index-linked gilts (>5 years)	1.6	9.7
Sterling non-gilts (all stocks)	2.8	4.2
Absolute return fixed income	4.0	7.4
Developed global equity	6.7	20.2
Conventional property	5.2	15.8
High lease value property	3.9	9.5
Multi asset funds (diversified growth funds)	5.7	11.2
Multi asset funds (multi asset credit)	5.7	10.0
Infrastructure unlisted equity	6.4	16.5
Private equity	9.1	26.5

The current strategic asset allocation target is expected to deliver an annualised return of 5.2% over the long term on a best estimates basis. The Board judges that the current asset allocation strategy is compatible with the Fund's solvency target.

The Board also considers liquidity, and the suitability of particular investments in the context of the Fund's requirement to meet pension obligations as they fall due. The Fund remains open to new members and new accruals. Contributions are received from both active members and employing authorities. Active members contribute on a tiered system. Employing authorities' contributions are determined by advice from the Fund Actuary; based on the triennial valuation. The maturity profile is such that pension payments from the Fund now exceed contribution income paid into the Fund and investment income is required to meet the annual net cash shortfall from the Fund. At some stage there may be a requirement to realise assets in order to meet pension payments and the Fund Actuary keeps this position under review. The Fund's current strategic asset allocation provides sufficient liquidity to meet pension obligations as they fall due.

The asset allocation strategy is implemented via external fund managers with clear performance targets aligned to the Fund's requirements. The Board believe the use of active management within the Fund will increase the likelihood that its objectives will be met. The Board has appointed multiple investment managers in order to access appropriate specialisms and achieve diversification by both asset class and style. The Board's current investment managers are set out in Appendix A.

The activities of each manager are governed through written contracts such as policy documents or Investment Management Agreements. This includes details on the portfolio performance objectives, past performance and risk limits, as well as information on permissible investments.

The Board meets five to six times per year to review and monitor the ongoing suitability of the Fund's investments in the context of performance and developments in its investment environment. Each investment mandate has a performance benchmark against which performance is measured. The Board also maintains both an asset allocation and an absolute return performance benchmark at Fund level to monitor the aggregate impact of investment performance and progress against the investment objectives. The Board also receives annual funding updates from the Fund Actuary.

8. Regulation 7(2)(c) - Approach to risk, including the ways in which risks are to be assessed and managed

The Board recognises that risk is an inherent feature of investment activity and it has identified several risks that may impact on the investment strategy and the Fund's overall funding level. Key risks are listed below alongside the measures taken to counter and mitigate those risks.

Risk	Mitigation
Asset-liability mismatch risk	A critically important risk is that assets fail to grow in line with the Fund's evolving liabilities. This risk is managed by periodic valuations of the Fund's liabilities and investment strategy reviews which include assessments of the outlook for its funding level and investment strategy. These exercises are mutually constitutive and are supported by appropriate professional advice from the Fund Actuary and the Investment Consultant.
Cash flow risk	The risk that the Fund fails to meet its pension obligations as they fall due is mitigated through the maintenance of adequate liquidity in the portfolio and the monitoring of cash flow requirements.
Active management risk	The risk that investment manager performance is inadequate is managed through establishing clear performance expectations (including allowances for tolerable deviations) against which actual performance is continually measured and monitored. Where performance deviates from expectations, the Board acts quickly to seek to understand the causes and is decisive where it lacks conviction in a manager's ability to recover adequate performance. The decision as to whether to pursue active management is evaluated separately for each asset class, with regard to the potential reward within that class for taking on active risk. Active risk is then diversified through the use of different investment managers and pooled funds.

Investment and concentration risk	The Fund is exposed to risk of being excessively concentrated within particular asset classes, sectors, regions, currency and investment styles. The Board manages this risk through a diversified asset allocation strategy. Actual allocation against the strategic target is monitored on a continual basis and rebalancing within the portfolio is undertaken where excessive concentration becomes evident.
ESG risks	The Board acknowledges that environmental, social and governance (ESG) factors pose material financial and non-financial risks to the Fund. The Board's approach to ESG factors is set out in Section 10 below.
Currency risk	The Board considers currency risk (the risk of fluctuations in foreign currency rates) as a risk which is difficult to predict. In light of this, and given that investment via pooled funds makes implementing a currency hedging programme operationally complex, the Board does not hedge its currency exposure. As a long-term investor, the Board can tolerate short term fluctuations in currency prices. Certain fund managers have been granted authority to hedge the currency risks attached to their investment portfolios when they consider this to be desirable.
Counterparty risk	The risk of a counterparty being unable to meeting contractual obligations is managed through appropriate due diligence at the selection stage and the ongoing monitoring of counterparty standing.
Custody risk	The Board carries out appropriate due diligence when selecting a global custodian and monitors the incumbent's creditworthiness. As the Fund's assets are increasingly invested through pooled vehicles this function largely resides with individual investment managers.
Inflation risk	The Fund's liabilities are impacted by changes in inflation. A significant proportion of the strategic asset allocation is therefore targeted towards asset classes which provide indirect protection against inflation (such as equities, property and infrastructure).
Transition risks	When transitioning assets, the Fund is subject to various risks including out-of-market exposure, as well as operational and trade execution risks. The Board will assess transition risks whenever it undertakes material portfolio changes and will enlist professional transition management expertise whenever necessary.

The Board is aware that these, investment-related, risks are not the only risks that may impact on the funding level and stability of employer contributions. There are significant demographic and regulatory risks that could impact on the size and profile of the Fund's liabilities, which are set out in more detail in the Funding Strategy Statement.

The Board maintains a key risk register to maintain oversight of the most significant risk it faces and to identify emerging key risks. The risk register is reviewed at least twice per year and more frequently if there is a material change in the risk environment between reviews.

The identification and management of risks is supported by the provision of professional advice from the Investment Consultant.

9. Regulation 7(2)(d) - Approach to Pooling Investments, including the use of collective investment vehicles and shared service

Under the Government’s pooling agenda, administering authorities must pool their assets in order to deliver benefits of scale and collaboration including reduced investment costs and other superior investment outcomes.

The City of London Corporation, along with 31 other London local authorities, is part of the London Collective Investment Vehicle (CIV). The London CIV is operational and has created a platform of sub-funds which span several asset classes. The London CIV is still in the process of developing its sub-fund offering to meet the needs of member Funds.

The London CIV is an FCA Regulated fund manager that represents the pooled investments of 32 London Local Authority Pension Funds (including the City of London Corporation Pension Fund) who are the sole shareholders. Executive operations are carried out by the LCIV Company Board which has a duty to act in the best interests of the shareholders. The Chairman of the City of London Corporation’s Financial Investment Board is a member of the Shareholder Committee which is responsible for scrutinising the actions of the Board amongst other matters. The London CIV also holds a twice-yearly AGM (open to all 32 members) where shareholders can exercise their shareholder powers, review the annual budget and hold the LCIV Company Board to account.

As at 31 March 2020, circa 17% of the Fund’s assets were invested via the London CIV. The Board will look to transition more assets as and when appropriate to do so and once the relevant investment strategies are available to meet the Fund’s asset allocation and investment strategy needs.

The Fund has investments in infrastructure, private equity and property valued as at 31/03/2020 at £62m, £38m and £80m, respectively (excluding outstanding commitments). The cost of exiting these strategies early is prohibitive and would have a negative financial impact on the Fund. These investments will be held as legacy assets until such time as they mature and proceeds are re-invested through pooling, (assuming that the London CIV has appropriate strategies available at that time), or until the Board changes its asset allocation and makes a decision to disinvest. The Board will continue to review the appropriateness of holding these assets outside of the pool at regular investment strategy reviews.

10. Regulation 7(2)(e) - Policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

The Board has an overriding fiduciary duty to maximise investment returns for the benefit of the Fund’s beneficiaries. The Board seeks to deliver long-term sustainable returns and recognises that it is consistent with its fiduciary duty to manage environmental, social and corporate governance (‘ESG’) issues that may be financial material.

Consequently the Board has a developed a Responsible Investment Policy, which can be found at Appendix B.

The Board is committed to being a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term.

The Board requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all Fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

The Fund expects its investment managers (and specifically the London CIV through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund, including ESG factors.

Effective monitoring and identification of these issues can enable engagement with investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The Board recognises that taking a collaborative approach with other investors can help to achieve wider and more effective outcomes. The Corporation is a signatory to the Principles for Responsible Investment and is a member of the Local Authority Pension Fund Forum. In this way it joins with other investors in the LGPS and beyond to magnify its voice and maximise the influence of investors as asset owners. The Board through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests.

The Board seeks to identify sustainable investment opportunities where aligned with its broader investment objectives.

In making investment decisions, the Board seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills.

11. Regulation 7(2)(f) - Policy on the exercise of the rights (including voting rights) attaching to investments

The Board recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promote corporate responsibility in the underlying companies in which its investments reside. The Board recognises that ultimately this approach protects the financial interests of the Fund and its beneficiaries. The Board has a commitment to actively exercise the ownership rights attached to its investments. This reflects the Board's conviction that responsible asset owners should maintain oversight of the companies in which they ultimately invest, recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

The Board 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 Board aims to exercise its voting rights in all markets and its investment managers are required to vote at all company meetings where practicable.

The Board expects its investment managers (including the London CIV) to comply with the UK Stewardship Code (2020) and it monitors this compliance on an annual basis. Non-UK managers will be expected to sign up to an equivalent code in their country of origin.

The Board 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.

Any investments made by the Fund through the London CIV are covered by the voting policy of the London CIV. Voting is delegated to the external managers and monitored on a quarterly basis. The London CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

Appendix A

Investment Managers

As at 31 March 2020, the Fund assets were invested in portfolios managed by the external investment managers shown in the table below. They are benchmarked against the indicated indices.

Investment Manager	Asset Class	Comparator Index
Artemis Investment Management Ltd	UK equities	FTSE All Share
Lindsell Train Ltd	UK equities	FTSE All Share
Majedie Asset Management Ltd	UK equities	FTSE All Share
C Worldwide Asset Managers	Global equities	MSCI AC World
Natixis International Funds (Harris Associates)	Global equities	MSCI World
Veritas Asset Management	Global equities	MSCI World
London CIV (Baillie Gifford)*	Global equities	MSCI AC World
Pyrford International	Multi-asset	CPI +4%
Ruffer LLP	Multi-asset	CPI +4%
London CIV (CQS)*	Multi-asset credit	3 Month LIBOR+4%
IFM Global Infrastructure (UK) LP	Infrastructure	CPI +4%
DIF Infrastructure IV Cooperatief UA	Infrastructure	CPI + 4%
Aviva Investors Global Services Limited (Lime Property Fund)	Property	Gilts + 1.5%
M&G Investment Management Limited (Secured Property Income Fund)	Property	RPI + 3%
M&G Investment Management Limited (UK Residential Fund)	Property	+6%
Ares Special Situations Fund IV	Private equity	Broad public equities index
Coller International Partners VII	Private equity	Broad public equities index
Crestview Partners III LP	Private equity	Broad public equities index
Exponent Private Equity Partners III, LP	Private equity	Broad public equities index
Frontier Fund IV	Private equity	Broad public equities index
Environmental Technologies Fund Managers LLP	Private equity	Broad public equities index
New Mountain Capital LLC	Private equity	Broad public equities index
NCM Management (UK) Ltd	Private equity	Broad public equities index
SL Investments Private Equity Ltd	Private equity	Broad public equities index
YFM Equity Partners	Private equity	Broad public equities index
Warburg Pincus PE XII	Private equity	Broad public equities index

*The Pension Fund is invested in two funds available on the London CIV pooling platform: the LCIV Global Alpha Growth Fund, currently invested with Baillie Gifford, and the LCIV MAC Fund, currently invested with CQS.

The table below shows the actual asset allocation versus the strategic target as at 31 March 2020.

Asset class	Current position		Strategic target
	%	%	%
UK equities		15	17
Artemis	8		
Lindsell Train	4		
Majedie	3		
Global equities		41	33
C WorldWide	12		
Harris	7		
London CIV (Baillie Gifford)	11		
Veritas	11		
Multi asset		27	30
London CIV (CQS)	6		
Pyrford	12		
Ruffer	9		
Property*		7	10
Aviva	3		
M&G SPIF	3		
M&G UK Residential	1		
Infrastructure		6	5
IFM	4		
DIF	2*		
Private equity	4*	4	5
Total		**100**	**100**

*This does not include outstanding commitments that represent approximately 2% of the total Fund value as at 31 March 2020.

Appendix B

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 that can be both long-term and short-term in nature. In addition, the Corporation seeks to identify investment opportunities aligned with its long-term objectives. The Corporation is supportive of the Principles for Responsible Investment (PRI) and is taking steps to become a signatory. 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 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.

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 **encourages its investment advisors to proactively consider and integrate ESG issues** 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 ESG integration and active ownership when selecting and monitoring investment managers**.

The Corporation expects its external investment advisors and investment managers, including the London Collective Investment Vehicle (CIV), to be signatories, and demonstrate commitment, to the PRI.

Active Ownership (Voting and Engagement)

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 where practicable.
- 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.
- 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.

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).

Reporting and Stakeholder Engagement

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

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 ESG issues 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 22 March 2018.

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'.