



# Update on Responsible Investment & Engagement Programme

## February 2021

# PRESENTER

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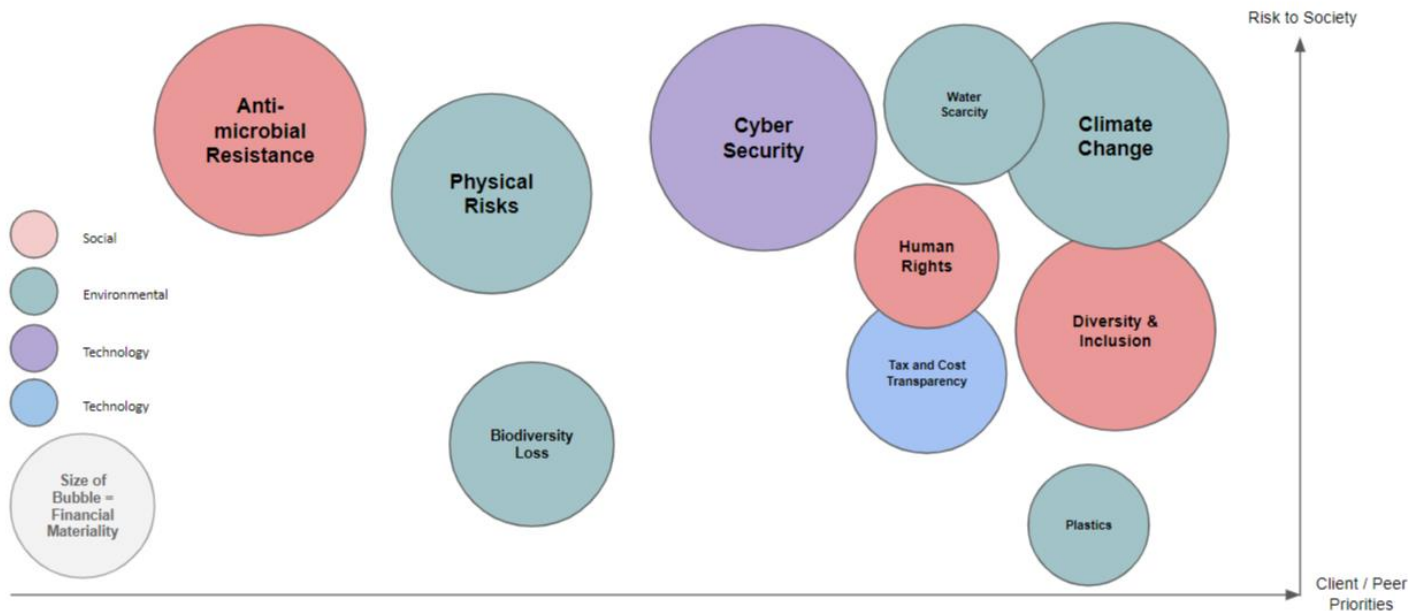
Jacqueline Jackson

Head of Responsible Investment

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# Priority Themes 2021

## Climate change and human rights emerge as 2021 priorities



### Climate transition and labor rights lead 2021 engagement themes

07-01-2021 | Insight

Tackling high-carbon funding and protecting labor rights in the post-Covid-19 world are Robeco's main engagement themes for 2021.



Carola  
van Lamoen  
Head of Sustainable Investing

#### Speed read

- Program targets banks financing high-carbon emitters
- Climate engagement stepped up to focus on 'worst of the worst'
- Program to tackle labor issues and wider supply chain human rights

Source: Fidelity International

# Responsible Investment and Engagement

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The integration of responsible investment factors supports long-term risk adjusted returns. For this reason, the London CIV would like to make responsible investment a core part of its investment process across all asset classes and investment mandates.

This policy will have three clear objectives:

1. To support the company's investment objectives,
2. To lead by example and raise the bar on responsible investment throughout the industry, and
3. To add value to clients through improved services

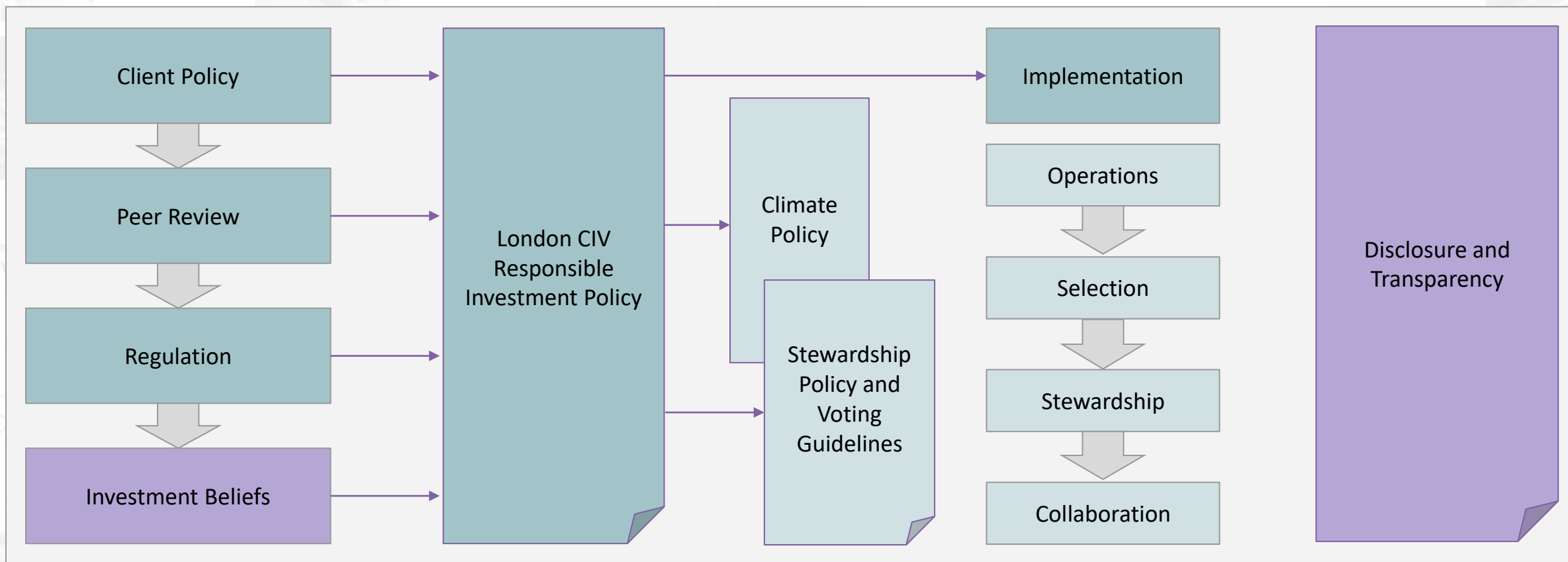
# Overview

## Research and review

## Review and Design

## Implement

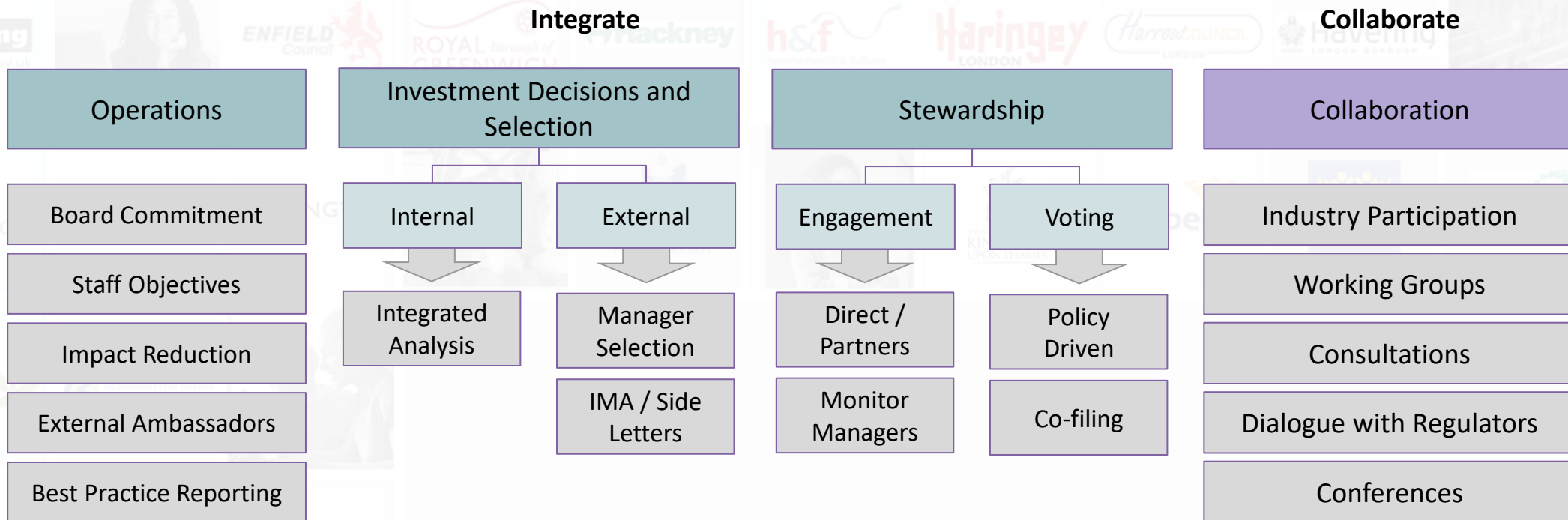
## Disclose





# Implementation

*Policies should be implemented across its own operations, investment portfolio selection and stewardship activities*



# Update on Progress

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Six priority areas:

1. **Climate Policy** supported by robust, forward-looking climate foot-printing
2. **Stewardship Policy** complemented by a dedicated voting provision
3. **Product Offering** driven by clear investment beliefs and rigorous strategy
4. **Capacity to Deliver** and move towards best practice
5. **Culture** at the London CIV, which supports the delivery of the Responsible Investment strategy
6. **Communications**, which ensure our Responsible Investment strategy and associated priorities are disclosed.

# Climate Policy



Task	Driver	Detail	Progress
Investment Beliefs	Informing investment strategy and responsible investment policies	Investment beliefs and principles	Complete
Climate Data Procurement	Regulation, industry best practice, adding client value, mitigating climate risk, supporting strategy, target setting	Climate risk analysis (in progress) in line with TCFD guidelines. Expected to be in line with industry best practice for 91% of AUM	Complete
Industry Collaboration	Supporting engagement and driving industry best practice	London CIV have joined: TCFD, UN PRI, ClimateAction100+, TPI. Net Zero recommendation made.	Nearly complete
Leadership	Driving best practice in industry, adding value for clients	<ul style="list-style-type: none"> <li>Consultations: DWP, PRI, TCFD</li> <li>Engagements: NDC Letter to UK Government</li> </ul>	Ongoing
Climate Risk Analysis (Equities and Debt)	Regulation, industry best practice, adding client value, mitigating climate risk, supporting strategy, target setting	Climate risk analysis covering 91% of London CIV existing AUM	Nearly complete
Climate Risk Analysis (Real Assets)	Demonstrating leadership, industry best practice, target setting	Opportunity to calculate in-house	Data collection underway
Climate Policy Setting	Industry best practice, adding client value, setting targets	Owing to its materiality London CIV should have a separate statement on climate change	Draft complete
Climate Target Setting	Industry best practice, adding client value, risk mitigation, societal benefits of decreased emissions	London CIV should set a short and long-term target e.g. 7% annual reduction to 2025, 2050 net zero	Recommendation underway



# Task Force on Climate Related Financial Disclosures

Figure 1

## Climate-Related Risks, Opportunities, and Financial Impact



Figure 2

## Core Elements of Recommended Climate-Related Financial Disclosures



### Governance

The organization's governance around climate-related risks and opportunities

### Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

### Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

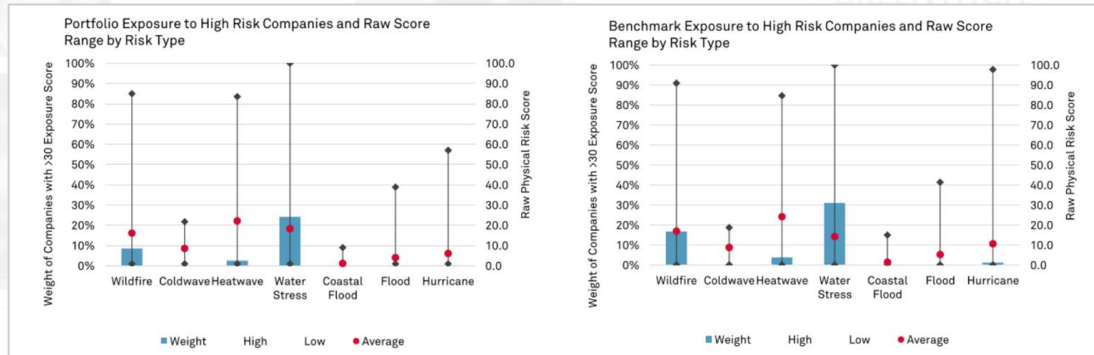
### Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Source: TCFD - <https://www.fsb-tcfd.org/about/>

# Task Force on Climate Related Financial Disclosure

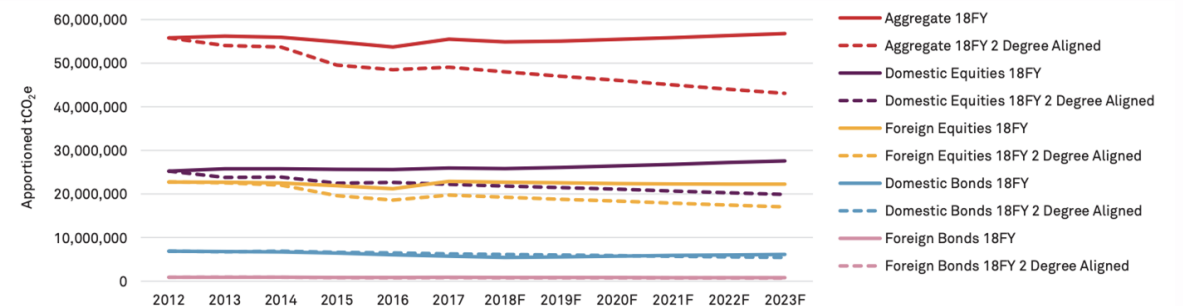
Clockwise: Portfolio exposure to high risk companies vs benchmark, portfolio and benchmark under carbon earnings at risk, portfolios versus 2 degree alignment and physical risk at the equity level.



ID	Name	Sector	Portfolio Weight	Data Quality	Physical Risk Scores 2030						Composite Score
					Drought	Flood	Heatwave	Cold wave	Hurricane	Coastal Flood	
1	ABC Power Ltd	Energy	6.41%	A	33	95	87	40	39	59	59
2	XYZ Materials GmbH	Materials	5.13%	A	14	14	99	56	99	85	61
3	Universal Products Inc	Consumer Staples	2.56%	A	7	27	18	26	77	94	42
4	Electric Corp	Energy	1.28%	B	97	94	3	39	80	1	52
5	Consumer Products Inc	Consumer Discretionary	1.28%	A	58	94	90	40	69	89	73
6	ABC Tech Limited	Information Technology	2.56%	B	19	21	12	1	95	45	32
7	GHF Industrials Ltd	Industrials	1.28%	C	31	85	65	72	66	7	54
8	Materials Corp	Materials	3.85%	A	69	33	99	23	31	79	56
9	JKL Networks Inc	Utilities	1.28%	A	72	18	18	30	66	67	45
10	Real Estate Ltd	Real Estate	2.56%	C	38	88	13	26	70	54	48

Example portfolio analysis report. High climate change scenario 2030. Physical risk scores range from 1 (low risk) to 100 (high risk). Composite physical risk scores are calculated as a sensitivity weighted average of the physical risk score for all physical risk indicators. Colour coding indicates high (red) to low (green) risk.

	Original Value Analysed (%)	Companies with Negative Earnings (%)	Final Value Analysed (%)	Final Value Analysed (mJPY)
Domestic Equities 18FY	99.59	0.62	98.97	38,027,868
TOPIX 18FY	99.49	0.54	98.90	-
Foreign Equities 18FY	99.74	3.52	96.23	39,930,127
ACWI 18FY	99.81	3.37	96.45	-
Domestic Bonds 18FY	82.75	1.76	81.30	2,790,569
Foreign Bonds 18FY	72.92	5.36	69.01	2,070,802



Source: S&P Global

# Climate Policy: client services

Our Climate Risk application will offer off-pool investors climate risk reporting capabilities which include both physical risk metrics and transition risk analysis produced in line with the TCFD recommendations.

## 1. Data Provision

Definition of RFP requirements,  
followed by initial screening of  
20+ suppliers

2 Months

**December 2020:**  
Contract signed with  
S&P Global Trucost

## 2. TCFD Report Production

S&P Global produce a TCFD report for  
LCIV Pooled Funds

2 Months

## 3. Software construction

Iterative development process  
2-3 months

Back-end mechanics build

**March 2021:**  
LCIV TCFD Report  
Complete

**April 2021:**  
Pilot with Client

**May 2021:**  
Present to all  
clients

Final refinements

Integrate feedback

**Capacity  
assessment:**  
Potential new  
analytical hire

**Launch**

May 2021

# Stewardship

Task	Driver	Detail	Progress
<b>Investment Beliefs</b>	Informing investment strategy and responsible investment policies	Investment beliefs and principles	Complete
<b>Industry Collaboration</b>	Supporting engagement and driving industry best practice	London CIV have joined: UN PRI, Pensions for Purpose, ClimateAction100+, Say on Climate, ShareAction Healthy Markets, ShareAction Good Work, TPI and are a founding supporter of Asset Owner Diversity Charter	Ongoing
<b>Leadership</b>	Driving best practice in industry, adding value for clients	<ul style="list-style-type: none"> <li>• Consultations: PRI</li> <li>• Engagements: ShareAction Decent Work, Nutrition, MCS Microplastics,</li> </ul>	Ongoing
<b>Voting and Engagement Procurement</b>	Regulation, industry best practice, adding client value, mitigating risk, driving better practice	London CIV need an engagement partner to support the ongoing engagement, voting and reporting	Responses due back 25 <sup>th</sup> February 2021
<b>Stewardship and Voting Policy Setting</b>	Industry best practice, adding client value, delivering client requirements through engagement	This policy will set out London CIV's voting guidelines, engagement themes and material topics	Recommendations made

# CURRENT FUND OFFERING

31 December 2020

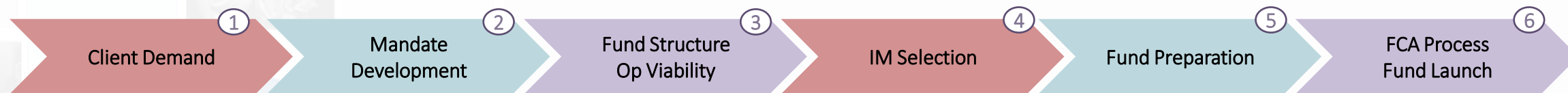
Fund (ACS)	AUM (£m)	Inception Date	Client Fund Investors
<b>Equity</b>			
LCIV Global Alpha Growth Fund	3,612	11-Apr-16	13
LCIV Global Equity Fund	696	22-May-17	3
LCIV Global Equity Focus Fund	861	17-Jul-17	5
LCIV Equity Income Fund	133	08-Nov-17	2
LCIV Sustainable Equity Fund	625	18-Apr-18	4
LCIV Sustainable Equity Exclusion Fund	385	11-Mar-20	2
LCIV Global Equity Core Fund	504	21-Aug-20	2
LCIV Emerging Market Equity Fund	498	11-Jan-18	6
<b>Fixed Income</b>			
LCIV MAC Fund	1,105	31-May-18	12
LCIV Global Bond Fund	354	30-Nov-18	3
<b>Multi Asset</b>			
LCIV Diversified Growth Fund	670	15-Feb-16	7
LCIV Real Return Fund	123	16-Dec-16	2
LCIV Global Total Return Fund	274	17-Jun-16	4
LCIV Absolute Return Fund	910	21-Jun-16	8
<b>Assets under Management in the ACS</b>	<b>10,750</b>		
<b>Fund (EUUT)</b>	<b>Commitment (£m)</b>	<b>Inception Date</b>	<b>Client Fund Investors</b>
<b>Infrastructure</b>			
LCIV Infrastructure Fund	399*	31-Oct-19	6
<b>Property</b>			
LCIV Inflation Plus Fund	107*	11-Jun-20	2
<b>Total AUM including commitments</b>	<b>11,256</b>		

Source: London CIV. Data as at 31 December 2020. (\*) Amount committed.



# Fund launch pipeline

FUND	CURRENT STAGE	EXPECTED LAUNCH DATE(S)	OVERALL RAG	EXPECTED DEMAND
London Fund	Live	Launched on 15 December 2020	On Track	£100m at first close, plus £50m from LPFA in Q1
Renewable Energy Infrastructure	Stage 4 – IM Selection	Q1 2021 (March)		£628m
Private Debt	Stage 4 – IM Selection	Q1 2021 (March)		£320m
Low Carbon Equity (Passive)	Stage 2 – Mandate Development	TBC		£550m
Sterling Credit Fund	Stage 1 - Client Demand			£320m
Paris Aligned Global Equity	Stage 3 – Fund Structure / Operational Viability	April 2021		£690m

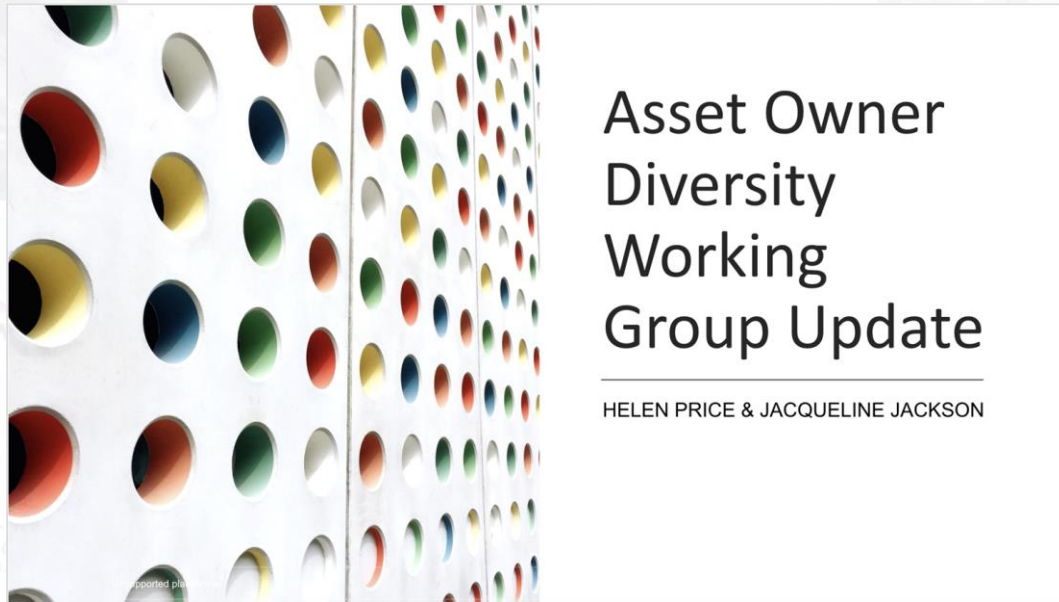


# Recommended Priorities



# Working With Other Pools

Asset Owner Diversity Working Group - Microplastics Engagement - Good Work Investor Coalition – Healthy Markets Coalition



## ShareAction»

- Living Wage
- Insecure Work
- Gender Equality For Low Paid
- Women
- Healthy Markets



# Capacity and Culture

Task	Driver	Detail	Progress
<b>Setting up responsible investment team</b>	Capacity to deliver responsible investment at London CIV	Head of Responsible Investment and Responsible Investment Manager, further analyst required	Good progress at current stage
<b>Culture and governance</b>	Capacity to deliver responsible investment at London CIV in a robust way	ESG ambassador in place, RIRG ongoing, RI partnering with governance to detail processes and reporting strategy	Ongoing
<b>Website</b>	Better communications for beneficiaries and clients, improved transparency, leadership	Responsible investment documents and documentation draft completed	Underway
<b>Training</b>	Better ESG knowledge and integration throughout the business	Cross pool training discussion underway to benefit clients, CISI responsible investment training for London CIV staff recommendation made	Underway

# Reporting

Task	Driver	Detail	Progress
UKSC	Regulation, transparency, better engagement	The UK Stewardship Code disclosure must be completed at year end	Review complete, outcomes report in draft
SRD II	Regulation, transparency	The SRD II disclosure must be completed at year end each year	Review complete, outcomes report in draft
PRI	Transparency, industry best practice, risk mitigation	The PRI transparency report is due annually on March 2021, new rules have complicated the process	Review complete, draft underway
Climate risk reporting	Risk mitigation, client value and transparency	The PRI now mandate climate reporting in line with TCFD. LCIV intend to publish its first TCFD report in the next 4 months.	Procurement complete, TCFD report in draft
Stewardship and outcomes report	Client communications, industry best practice, track progress	Stewardship and outcomes should be reported quarterly	Procurement in progress
Quarterly reporting	Adding client value, best practice, transparency	Better engagement and voting data will be delivered and disclosed on a quarterly basis, design complete, data collection templates in design	Minor adjustments made, review complete, templates in design
Responsible Investment & Engagement: annual reporting	Client communications, beneficiary communications, industry best practice, track progress	An RI&E summary report should be shared annually with the annual report or within annual report	Review complete



# Q&A



# Disclaimer

## Important information

London CIV Fourth Floor,  
22 Lavington Street SE1 0NZ

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