



CITY OF LONDON
Investment Management Company Limited

Policy Statement and Principles on Responsible Investment

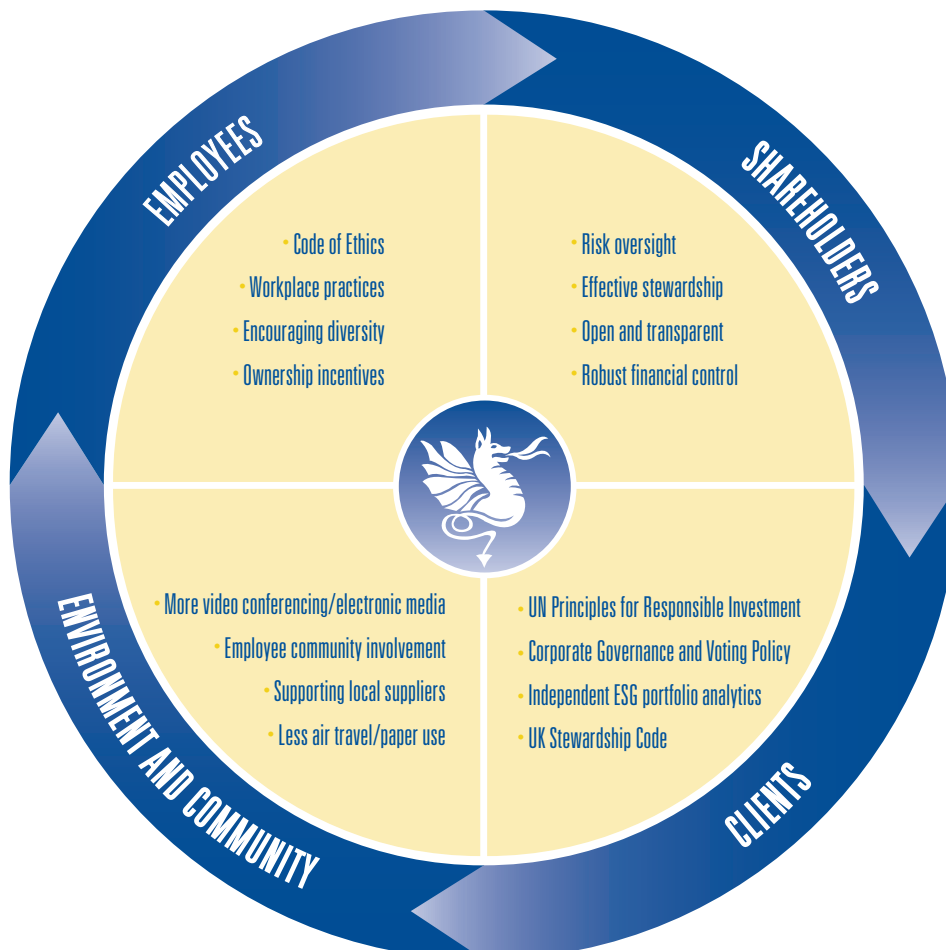
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Overview

City of London Investment Management Company Limited (CLIM) is an institutional asset manager focused on investing in listed closed-end funds (“CEFs”).

- Our overarching objective is to provide superior long term investment performance to our clients.
- CLIM is committed to responsible investment and effective stewardship as a means of achieving this objective.
- Our *Statement of Corporate Governance and Voting Policy for Closed-End Funds* was first published in 1999 and it is regularly updated.
- We promote responsible investment in CEFs both directly to managers and via their boards.
- Managers and boards are being challenged to raise the transparency of environmental, social and governance factors in their portfolios.
- CLIM is a signatory to the United Nations supported Principles for Responsible Investment (PRI).
- CLIM was an early signatory to the UK Stewardship Code published by the Financial Reporting Council.
- We recognise our obligation to meet the highest standards of corporate responsibility to our key stakeholders: clients, shareholders and employees.
- We acknowledge our responsibility in the management of our own business to care for and protect the environment in which we operate.

CLIM Principles for Responsible Investment



Clients

CLIM's investment proposition is to add value relative to our clients' benchmarks primarily by capitalizing on CEF discount volatility and secondly via active asset allocation.

a. Closed-end fund governance

Promoting best practices in the corporate governance of CEFs is an essential element of CLIM's investment process. CLIM's focus in this respect is on promoting fully independent boards and transparency. Outperformance is the key client objective and CLIM therefore believes that all CEFs should have a discount control mechanism in order that the manager's NAV performance is fully reflected in the returns that shareholders receive. CLIM monitors the governance of all companies in which it is invested and regularly meets boards as part of the investment process. A record is kept of what is discussed. CLIM will, where appropriate, also set out its position via letter to ensure that it is discussed at a full board meeting.

CLIM always votes at shareholder meetings unless, exceptionally, consciously abstaining. CLIM does not use the services of proxy advisors but votes according to its published *Statement on Corporate Governance and Voting Policy for Closed-End Funds*.

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b. Portfolio ESG characteristics

CLIM's influence over specific stock selection in each underlying CEF is extremely limited and encouraging managers to buy or sell specific stocks is not therefore part of CLIM's investment process. Outperforming their specific benchmarks is the proper responsibility of each closed-end fund investment manager and CLIM's fiduciary responsibility is to focus on adding value as previously described. CLIM does, however, undertake due diligence to understand each manager's investment philosophy and values consistency of principle and execution. CLIM's due diligence includes an assessment of the extent to which ESG factors are integrated into a manager's research and investment processes.

CLIM does believe that businesses which adhere to best practice in respect of ESG issues will ultimately earn superior returns. CLIM therefore encourages CEF investment managers to be more transparent regarding the ESG characteristics of their portfolios. Improved disclosure should be a natural aspiration for most CEF investment managers, who are themselves also signatories to the PRI.

CLIM exercises influence to improve transparency as a significant investor in CEFs via its engagement with CEF boards and investment managers. An ESG assessment of the relevant CEF portfolio forms the basis for engagement on responsible investment. CLIM's approach is to measure at least annually the ESG characteristics of its clients' CEF investments. This is done via a portfolio analytics report that compares the portfolio characteristics against those of its relevant benchmark, using a framework provided by a leading independent ESG research specialist. CEFs are not screened in or out based only on these evaluations but the information is used to help validate portfolios against each manager's stated investment philosophy.

Shareholders

CLIM seeks open and transparent communications with its shareholders, to whom it pays the major part of its post-tax profits in dividends. CLIM is trusted with its shareholders' money as well as its clients' and therefore executes its strategy within the confines of comprehensive risk controls and an emphasis on minimising costs. CLIM's Board reviews the effectiveness of internal controls annually. The Board has also established a Risk and Compliance Committee to oversee the firm's risk and compliance frameworks, which meets monthly.

Employees

a. Employee welfare

CLIM strives for best practice to create a workplace free of harassment and bullying, where all employees are treated with dignity and respect. CLIM values diversity and the core values of its management approach are respect for, and complete tolerance of, all colleagues with regard to ethnicity, gender, religion, sexual orientation, physical ability or age.

b. Whistleblowing

CLIM's whistleblowing policy allows employees to raise, in confidence, any matters of impropriety, in order that suitable action is taken.

c. Ownership

All permanent staff participate in share ownership arrangements that encourage employee retention and minimise turnover.

d. Ethics

All employees are required to act in accordance with CLIM's Code of Ethics (the Code), which sets out minimum standards of conduct to ensure that employees act ethically when dealing with various stakeholders. The Code also seeks to ensure that all actual and potential conflicts of interest are identified, mitigated and monitored.

Environment and Community

CLIM seeks to minimise the direct environmental impact from its activities as an investment manager. Initiatives include maximum use of video conferencing facilities to limit inter-office air travel by employees, increased use of electronic media across the firm in place of paper reports and an energy efficient lighting project.

CLIM complies with the regulations applicable to UK listed companies to disclose its greenhouse gas emissions and is committed to make an absolute reduction in its intensity ratio of tonnes of CO₂e per FTE.

As a matter of policy, CLIM does not donate to any client related charity, event or activity, or to any political party or candidate. Employees are encouraged to participate in community support efforts across a wide spectrum of causes that encompass both monetary and non-monetary efforts.

*We welcome your comments and questions about this
Policy Statement and Principles on Responsible Investment.*



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Information/Queries

London Office

77 Gracechurch Street
London EC3V 0AS
United Kingdom
Phone: 011 44 20 7711 0771
Fax: 011 44 20 7711 0772
E-Mail: info@citlon.co.uk

Philadelphia Office

The Barn, 1125 Airport Road
Coatesville, PA 19320
United States
Phone: 610 380 2110
Fax: 610 380 2116
E-Mail: info@citlon.com

Seattle Office

Plaza Center
10900 NE 8th Street, Suite 1519
Bellevue, WA 98004
United States
Phone: 610 380 2110

Singapore Office

20 Collyer Quay
10-04 Tung Centre
Singapore 049319
Phone: 011 65 6236 9136
Fax: 011 65 6532 3997

Dubai Office

Unit 2, 2nd Floor
The Gate Village Building 1
Dubai International Financial Centre
P.O. Box 506695, Dubai, United Arab Emirates
Phone: 011 971 4 423 1780
Fax: 011 971 4 437 0510

Website

www.citlon.co.uk

Important Notice

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