

THE CITY OF LONDON INVESTMENT TRUST PLC

How we integrate Environmental, Social and Governance considerations in our investment decisions

The Board believes that integrating environmental, social and governance factors or ('ESG') into our investment decision-making and ownership practices is an important factor for delivering the investment outcomes our clients seek. ESG considerations are therefore a fully embedded component of the investment process employed by the fund manager, and the wider Janus Henderson investment teams.

Defining ESG

Environmental factors include climate change, use of natural resources, pollution, waste management, water usage and deforestation

Social factors include corporate culture, diversity, health & safety, community relations and supply chain management

Governance factors include business ethics, board composition, remuneration and shareholder rights.

Investment considerations

Sustainability of business models is crucial to the Company's investment strategy. The Company's investment philosophy is valuation driven, with a dividend yield considered the most important measure of value. As such, a considerable amount of time is spent by the fund manager identifying fundamental factors, including ESG factors which may impact profits, cash flow and dividends and ensuring that investee companies have robust policies and processes in place to manage these.

While the fund manager does not specifically exclude any company based on ESG considerations, the fund manager would seek to avoid companies where ESG risks are not sufficiently considered or managed. As we strive to understand all drivers of company performance, we also strive to understand the risks. An evaluation of ESG factors is integral to this.

Governance is a key part of fundamental factor analysis with good corporate governance supportive of long-term decision-making and investment returns. The significance of environmental and social factors can vary depending on the sector and the region in which a company operates. Nonetheless, each ESG factor, in addition to the quantitative and qualitative assessments, are important considerations when evaluating the opportunity in an equity investment.

Fundamental factors considered vary, but may include:

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| Financial Analysis | Dividend sustainability, free cash flow, operating margin, balance sheet strength, leverage, profitability, earnings growth |
| Qualitative evaluation | Competitive position, industry trends, businesses volatility, business model, barriers to entry, exposure to disruption |
| Environmental | Pollution, carbon emissions, water usage, waste management, resource use, sustainable sourcing |
| Social | Health & safety, employee relations, diversity & inclusion, employee development, data privacy, supply chain management |
| Governance | Shareholder alignment, board independence, shareholder rights, business ethics, voting structure, remuneration, board experience, accounting standards |
| Valuation | Dividend yield, free cash flow, price to earnings ratio (P/E), earnings per share (EPS), enterprise value/earnings before interest, tax, depreciation and amortisation (EV/EBITDA) and dividend cover |

Engagement & Stewardship

Stewardship is a fundamental part of our long-term, active approach to investment management. Strong ownership practices, including engagement with management and boards, can help protect and enhance long-term shareholder value. Janus Henderson supports the UK stewardship code and is a founding member of the UN Principles of Responsible Investment (UN PRI). Additionally, Janus Henderson is a supporter of a number of broader ESG initiatives such as the Access to Medicine Index which aims to improve availability of healthcare in developed and emerging markets and Climate Action 100+, an investor led initiative to engage with heavily emitting companies to reduce their greenhouse gas emissions.

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As a part of the research process portfolio managers and analysts meet frequently with company management, senior executives and boards, with Janus Henderson conducting thousands of meetings per year. These meetings typically occur prior to initiating a position and throughout the holding period. We naturally develop long-term relationships with the management of firms in which they invest. Should concerns arise over a firm's practices or performance, we seek to leverage these constructive relationships by engaging with company management or express our views through our voting on management or shareholder proposals. Escalation of our engagement activities depends upon a company's individual circumstances.

Voting

The board believes that voting at general meetings is an important aspect of corporate stewardship, and a means of signalling shareholder views on board policy, practices and performance. Responsibility for voting the rights attached to the shares held in the Company's portfolio has been delegated to the Manager, who actively votes at shareholder meetings and engages with companies as part of the voting process.

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Manager, who has an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the Manager's ESG Investment Principles, which set out the Manager's approach to corporate governance, corporate responsibility and compliance with the Stewardship Code, and are publicly available on the Manager's website at www.janushenderson.com. To retain oversight of the process, the Directors regularly receive reports on how the Manager has voted the shares held in the Company's portfolio, and they review the ESG Investment Principles at least annually.

As an active manager our preference is to engage with management and boards to resolve issues of concern rather than to vote against shareholder meeting proposals. In our experience this approach is more likely to be effective in influencing company behaviour. We therefore actively seek to engage with companies throughout the year and in the build up to the annual shareholder meeting to discuss any potentially controversial agenda items. However, where we believe proposals are not in shareholder interests or where engagement proves unsuccessful we will vote against.

The environment

As an investment company, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Janus Henderson, the Company's Manager, recognises the importance of managing its operational activities in a sustainable way and minimising any adverse impact on the environment. To this end, Janus Henderson has made the following commitments:

- maintain a carbon neutral status;
- reduce carbon use by 15% per full time employee over a three year period – starting January 2019; and
- maintain a Carbon Disclosure Project ('CDP') score of B, which is higher than the financial services sector average CDP score of C (CDP scores range from A to D, with A being the best).

Additional information

The Company's latest annual report can be found here:

<https://cdn.janushenderson.com/webdocs/CTYAnnualReport2020.pdf>

The Manager's ESG Principles are available here:

<https://www.janushenderson.com/en-gb/adviser/environmental-social-governance-principles/>

The Company's appointed investment manager

- supports the Stewardship Code: <https://www.frc.org.uk/investors/uk-stewardship-code>
- and is a signatory of the Principles for Responsible Investment: <https://www.unpri.org/>