CITY OF LONDON
Investment Management Company Limited

Annual Stewardship Report 2021

March 2022

City of London Investment Management Company Limited (CLIM) has been focused on responsible stewardship since the business was founded in 1991 and we hope that you find this sixth Annual Stewardship Report a further step forward in this important area of our business. The document has been expanded so that, in addition to our stewardship principles and activity, a second section contains our Statement on Corporate Governance and Proxy Voting Policy for Closed-End Funds, which was previously published separately.

We believe that combining these documents will provide better context to our stewardship activities. Our corporate governance and proxy voting policy will henceforth be revised annually and will no longer be published as a standalone document. This document has been reviewed by CLIM's portfolio managers and compliance team, including the Head of Compliance. It has been approved by CLIM's board.

CLIM is a signatory to the Principles for Responsible Investment (PRI). We recognise our obligation to meet the highest standards of corporate responsibility to our clients, employees and CLIG's shareholders, as well as our responsibility in managing our own business to care for and to protect the environment in which we operate.

Mark Dwyer
Chief Investment Officer

1. Stewardship Principles and Activity

1.1 CLIM's Purpose, Strategy and Culture

CLIM is a subsidiary of City of London Investment Group PLC (CLIG), a UK company that is listed on the London Stock Exchange. CLIM's purpose is to serve the interests of its clients, employees and CLIG shareholders by executing a business strategy focused on advising institutional investors. Our objective is to deliver superior long term total returns for clients by investing primarily in closed-end funds (CEFs) and capitalising on CEF discount volatility. CEFs often trade at a meaningful discount, or premium, to their net asset values (NAVs), depending ultimately on the relevant supply and demand factors. Since these factors are subject to the vagaries of 'market sentiment', CEFs typically exhibit persistent and significant discount volatility, with a tendency towards mean reversion. Hence, CLIM's process revolves around rigorous peer analysis of prevailing discounts compared to their historic means.

CLIM has a strong, team oriented culture and firmly rejects the cult of the individual or "star" fund manager. CLIM is risk averse with a collegiate culture that promotes robust and effective debate within the investment team. This culture is underpinned by CLIM's values of honesty, fairness and transparency to all stakeholders.

Effective stewardship is achieved by regular engagement with CEF boards and by exercising clients' voting rights to promote best practice corporate governance. CLIM's Corporate Governance and Proxy Voting Policy provides the template for this engagement. The guiding principles of this policy are to promote fully independent boards and transparency. CLIM considers the two key roles of a CEF board to be oversight of the investment manager and discount management. A CEF's discount to NAV is an important and clearly visible measure of governance effectiveness. CLIM does not support boards that take insufficient action to address a persistently wide discount to NAV.

Stewardship is the responsibility of CLIM's CIO, who participates directly in CLIM's engagement with CEF boards. The involvement of senior executives enhances the long term effectiveness of CLIM's stewardship activities. This engagement in 2021 served the best interests of our clients, with the results being most clearly evident in UK listed CEFs, via reduced investment management fees and wider adoption of performance-based conditional tender offers (CTOs). We also continue to engage with US funds on these issues, but there is limited progress to report in 2021 and our engagement is ongoing.

1.2 CLIM's Governance, Resources and Incentives

CLIM's Senior Management Team comprises four directors, including three members of the CLIG board, plus eight senior executives from a cross section of CLIM's business departments. Their average tenure at CLIM is 15 years. CLIM's 16 portfolio managers have 13 years average tenure. CLIM acknowledges the importance of a diverse workforce and maintains a policy committing to foster a culture of diversity, equity and inclusion. In 2021, all employees were given training covering "Fairness & Respect in the Workplace". Managers were provided with additional training on "Valuing Diversity for Managers." CLIM has a remote working policy to enable each employee to achieve his or her appropriate work / life balance. The gender and racial profile of CLIM employees as at 31 December 2021 is shown below.

	Female	Male	Total
Directors	0	4	4
Senior Executives	3	9	12
All Other Employees	23	37	60
TOTAL	**26**	**50**	**76**

	Caucasian	Hispanic/ Latino	Asian	African	Other	Total
Directors	3	0	1	0	0	4
Senior Executives	11	0	1	0	0	12
All Other Employees	48	1	10	0	1	60
TOTAL	**63**	**1**	**11**	**0**	**1**	**76**

CLIM's investment teams each implement stewardship for their respective strategies. A UK based governance specialist who has 36 years' investment experience oversees this process, to ensure a coordinated response where an asset is held across multiple strategies. In 2021 two members of the investment team received external stewardship training.

CLIM's research team conducts annual due diligence on the investment manager of each CEF investment. ESG issues, including climate change, are considered as part of this process, with the assistance of Sustainalytics' ESG Risk Ratings. This work is undertaken in order to understand better the sustainability performance of the underlying CEF portfolios. CLIM selects securities predominantly based on their discount to NAV but investment managers are encouraged to disclose ESG characteristics of their strategies such as carbon emissions and ESG ratings.

CLIM's bonus scheme does not target specific KPIs such as stewardship integration but it is linked to overall profitability and includes all employees. Improved ESG, particularly CEF governance, is a factor in this value chain because it results in better outcomes for client portfolios, which improves client retention and CLIM's profitability. The bonus scheme encourages employee share ownership via an option for a matched equity contribution, which vests over three years. CLIM's remuneration policy aligns the interests of all stakeholders and its success at motivating all staff is evidenced by high employee retention rates: nearly 50% of employees at the end of December 2021 had over ten years tenure with CLIM.

CLIM ensures a consistent approach to Manager due diligence by a standardised meeting agenda. Board engagement is conducted by a senior team that generally includes the CIO. CLIM believes this approach maximises the impact of its stewardship activities. This process has been effective at promoting high governance standards in the CEF sector, resulting in a steady flow of corporate actions that CEF's have undertaken to address persistently wide discounts.

1.3 Conflicts of Interest

CLIM's approach to conflicts of interest is disclosed in its Form ADV Part 2A (Item 11) at https://www.citlon.com/reg-reports/ADV_Part2.pdf. This policy sets out the principles observed by CLIM in dealing with potential or actual conflicts of interest between CLIM and its clients and between one client and another. CLIM has a fiduciary duty to clients that requires all employees to act solely for clients' benefit. CLIM maintains a register of potential conflicts. Both the policy and the register are reviewed at least annually by CLIM's Risk & Compliance Committee (RCC).

The RCC is chaired by CLIM's Head of Compliance and its members include the US Chief Compliance Officer, CLIM's Executive Directors and CLIG's Internal Counsel. All members of CLIM's compliance team are invited to attend quarterly RCC meetings. Any identified conflict that cannot be satisfactorily mitigated will be disclosed to clients.

CLIM has adopted a trade aggregation and fair allocation policy to ensure that clients are treated fairly. Employees are prohibited from purchasing for their personal account any security that is within CLIM's investable universe, excluding ETFs. CLIM's Code of Ethics requires staff to make quarterly declarations of any potential conflicts which, once identified, are added to the conflicts register.

CLIM's Code of Ethics further requires staff to avoid situations that have even the appearance of conflict, or impropriety. This policy covers gifts received in the course of business, for which pre-approval must be sought if the value is in excess of £50, or local currency equivalent. Employees are not permitted to receive certain gifts such as cash, any lodging, and rail or air travel.

Potential conflicts might arise as a result of CLIG's shareholders who are also CEF managers, in which case clients' interests would be placed first. CLIM typically exercises control over clients' proxy voting and votes according to a common policy. No such conflicts were identified in 2021.

CLIG has established an information barrier between two subsidiaries, which includes CLIM, so that both companies may continue to operate independently. A third party audit of this barrier and associated policies found no material breach for the 12-month period ended September 2021.

1.4 How CLIM Identifies and Responds to Market-Wide and Systemic Risk

Identifying market wide and systemic risk is principally the responsibility of a macro research team which comprises three economists. CLIM's macro process incorporates a rigorous top-down analysis and considers, among other factors, interest rates and currency rates in its asset allocation recommendations. The analytical framework developed to evaluate market and systemic risks arising from the COVID-19 pandemic was updated in 2021 to put increased focus on vaccination efforts, the emergence of new variants and tracking the recovery across countries. The team has also been researching the change in the global monetary regime and the potential consequences for asset markets from the withdrawal of liquidity.

A specific risk for CLIM's clients is a general widening in CEF discounts. A cardinal element of CLIM's stewardship policy is therefore to encourage each CEF board to specify the action they will take to protect their shareholders from wide discounts. This is discussed at every routine update meeting between CLIM and CEF boards; their response is an important factor when CLIM considers whether to support their re-election. An example of a CEF addressing CLIM's concerns in 2021 was a set of proposals from Aberdeen Emerging Markets that included a merger with a smaller CEF, an immediate tender, a revised investment policy with a focus on Chinese equities, a reduced IM fee and a commitment to a 5 year CTO. In CLIM's view, credible discount management policies make an important contribution to the efficient functioning of the CEF sector of listed equities.

CLIM is risk averse, especially in respect of risks that could exacerbate client loss in the event of market-wide and systemic crisis. Hence, CLIM does not engage in stock lending, trades only cash against delivery and undertakes a comprehensive semi-annual counterparty review. CLIM maintains internal limits for counterparty exposure risks. Key counterparty risk factors are monitored daily and reviewed by CLIM's CIO. During 2021, CLIM did not participate in any industry initiative that specifically concerned market wide and systemic risks.

CLIM's annual investment manager due diligence includes consideration of their approach to climate change risks. An exclusion policy is not practical in a CEF strategy and CLIM does not encourage investment managers to invest in or to divest specific assets but promotes transparency, as explained above. CLIM supports moderate long term structural gearing, but does not invest in CEFs that consistently use excessive gearing, generally considered in excess of 30%.

CLIM engages with regulators in markets where its clients are invested to promote investor rights. In 2021, two letters were sent to the chairman of the Bangladesh Securities and Exchange Commission regarding listed mutual funds. CLIM proposed first an amendment to the regulations to permit such funds to buy back their own shares and second regulatory action to require them to hold annual shareholder meetings. No progress has yet been made regarding these issues.

1.5 Reviewing Policies to Ensure Effective Stewardship

CLIM's stewardship, corporate governance and proxy voting policies are subject to annual review by a team that includes the CIO, senior fund managers, governance specialists and compliance staff. Any changes are subject to final approval by CLIM's CIO and CLIM's Compliance Department.

Proxy voting and corporate action decisions are determined by the investment team and implemented by CLIM's operations department. Proxies are voted electronically via ProxyEdge, a web-based platform.

CLIM's voting record is published monthly on its website. An internal log of engagement activities is maintained and examples are given in section 1.9 herein. This section provides a fair and balanced selection of specific engagements in 2021, describing both where progress has been made and also where CLIM has not yet achieved its objectives.

CLIM's Board is responsible for overseeing and approving its business processes, including those that are stewardship related. The Board has delegated direct oversight of certain processes to sub-committees which report to the Board. CLIM's external auditors request documents from CLIM on a sample basis, as part of their annual audit, to check that policies and processes are being followed as established. No significant finding arose from the 2021 audit.

1.6 Client Communications

CLIM had $7.2bn in assets under management (AUM) as at 31 December 2021 on behalf of over 230 clients, who are overwhelmingly US based institutions, including segregated accounts and investors in CLIM's US domiciled pooled investment vehicles. CLIM does not market to retail clients. CLIM manages assets principally to the three CEF based strategies shown in the table below. The International Equity CEF strategy is predominantly focused on non-US developed markets and the Opportunistic Value strategy is focused on global equity and fixed income markets.

Strategy*	
Emerging Market Equity CEF Strategy	67%
International Equity CEF Strategy	30%
Opportunistic Value Strategy	3%

**As at 31 December 2021*

Clients' exposure in each strategy is achieved primarily via CEFs that are listed in the UK or US (as at 31 December 2021 approximately 65% and 25% respectively of overall AUM).

Client Type*

Pension	31%
Foundation	26%
Endowment	16%
Healthcare	18%
Other	9%

**As at 31 December 2021. Client breakdown includes investors in CLIM managed US domiciled pooled investment vehicles and an Ireland UCITS fund, and segregated accounts.*

CLIM's investment time horizon is three to five years which is a typical investment cycle to meet clients' investment objectives. CLIM's standard quarterly reporting package for clients includes valuations, geographical and/or sectoral exposures, portfolio detail regarding top holdings, average discounts and comprehensive portfolio and market commentary. Detailed performance and attribution data is also provided with appropriate commentary. Reporting can be customised according to each client's requirements and CLIM responds promptly to ad hoc client requests.

CLIM determines a common approach to corporate governance and ESG issues for CEFs which applies to all clients, subject to specific exclusion requirements for certain segregated clients. It is not possible, because of the nature of CEF strategies, for CLIM to accommodate all exclusion requests. A zero carbon policy is presently such an example and clients are advised clearly where this is the case. CLIM's proxy voting responsibilities and policy are specified by the investment management agreements with both segregated clients and pooled investment vehicles.

Clients are asked for their communication preferences at the outset of their relationship with CLIM. In addition to regular written reporting, face-to-face or teleconference updates are available on request. Feedback is encouraged at these meetings on all aspects of CLIM's service. The Annual Stewardship Report is sent to all clients and is formally presented to clients that require such updates. CLIM conducts regular webinars for clients that cover investment matters, including stewardship and an opportunity to raise questions. The availability of WebEx presentation formats was extended in 2021 to include the International Equity clients and CLIM increased engagement with clients virtually using MS Teams video format. CLIM considers these client communication methods to be effective, in addition to email and phone opportunities, because they provide for multiple points of contact.

1.7 Integrating Stewardship, Including ESG Factors

CLIM prioritises governance over environmental and social issues when assessing a CEF prior to establishing a holding. Relevant governance factors are monitored closely through the holding period and can provide a catalyst for exit, for example via redemption offers or tenders at close to NAV.

Due diligence on CEF investment managers undertaken by CLIM's research team includes investment managers' processes for incorporating ESG considerations and for mitigating climate change risks. CLIM does not select securities according to their environmental and social characteristics as this is not practical within the context of a CEF investment strategy but investment managers are encouraged to be more transparent about these aspects of their portfolios. CLIM uses Sustainalytics' data to monitor ESG characteristics of the underlying CEF portfolios during the holding period and to challenge CEF investment managers directly on their ESG activities at annual due diligence meetings.

CLIM believes a CEF's discount to NAV is a key measure of governance effectiveness. The investment process therefore focuses on monitoring discounts. CLIM's approach to stewardship and investment for CEFs is a fully integrated process precisely because a wide discount over a period commensurate with client investment horizons triggers more active engagement. Our approach has been effective for UK listed securities but there are legal and regulatory barriers to more effective engagement in the US. Engagement with Asian holding companies, which tend to favour the interests of minority family shareholders, continues though it has so far also been unsuccessful. Finally, a Malaysian listed CEF responded to CLIM's overtures with legal action, which is ongoing and described further below.

CLIM also compares ESG scores for each CEF portfolio against the comparable score for its relevant benchmark. On this basis, the overall ESG risk for all CLIM portfolios as at end December 2021 was 2.8% lower than their respective benchmarks. By strategy, overall ESG risk for the EM strategy was 3.7% below benchmark and for the developed strategy it was 0.8% lower.

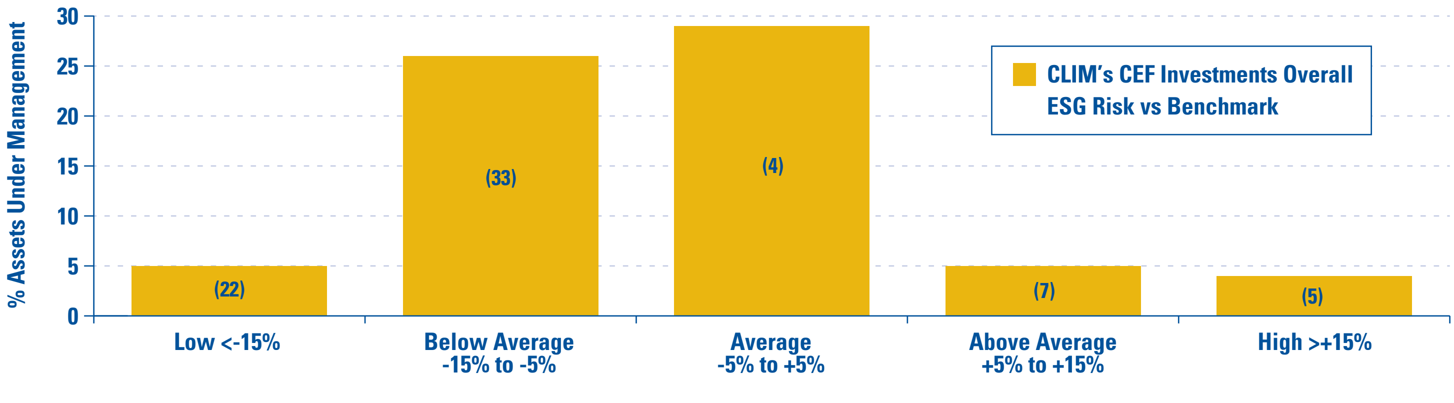
In 2021 there were 71 CEF portfolios analysed (59 in 2020), representing 70% of CLIM's AUM at the calendar year end (vs 61%). These represented 73% and 66% of the emerging and developed markets' AUM respectively. In those CEF portfolios that were analysed, Sustainalytics covers 91% of the underlying securities on a size weighted basis.

Sustainalytics does not cover unlisted companies and has limited small cap coverage. Small cap securities tend to score poorly which, in CLIM's view, often reflects their weaker disclosure and a relative lack of resource available to develop relevant policies, as opposed to poor practice. Hence, lower scores for smaller companies are not necessarily indicative of higher ESG risk. This was a significant influence in the outcome for the developed market portfolios.

The investment styles of JPMorgan and abrdn typically lead their managers to securities with relatively low ESG risks. This was a favourable factor in the outcome for the emerging markets strategy but was partially offset by the Korean holding companies, LG Corp and Samsung C&T, which are CLIM's highest risk holdings from an ESG perspective. These companies are held because of a wide discount to their respective asset values and CLIM's engagement with them continues, particularly on governance.

Figure 4 below shows the distribution of securities held in client portfolios as at end 2021 according to their overall ESG risk compared to their specific benchmark. The AUM does not sum to 100% because not all CEFs are suitable for Sustainalytics analysis.

Figure 4: CLIM's CEF Investments Overall ESG Risk vs Benchmark



Source: CLIM / Sustainalytics. AUM does not sum to 100% because not all CEFs can be analyzed by Sustainalytics.

1.8 Monitoring Service Providers

CLIM reviews the performance and fees of its service providers at least annually to ensure that they remain competitive. Market counterparties are reviewed in detail every six months, including research agreements, based on certain observable criteria from portfolio managers, traders and support staff. In 2021 CLIM undertook a comprehensive review of its custodians and administrators in response to service level concerns. The incumbent provider was retained after agreeing to a detailed improvement plan. CLIM did not otherwise identify any counterparty that fell short in terms of service provision.

1.9 Engagement

Engaging with CEF boards is an important element of CLIM's investment process and helps to fulfil our commitment to responsible stewardship. CLIM follows a consistent approach in all jurisdictions to maintain constructive relationships with boards via regular meetings. Our engagement strategy is to be patient but persistent advocates of sound corporate governance principles that we believe will help create long term value for our clients, along with all shareholders. An overriding objective is to encourage boards to take action to address a continuing and excessive discount to NAV. This role is best performed by fully independent non-executive boards. CLIM's focus is on effective measures, appropriate to clients' 5 year investment horizon.

CLIM directly engaged with 46 CEF boards in 2021, which was similar to 2020. Despite COVID restrictions, CLIM managed 7 face-to-face meetings with CEF boards in 2021, reduced from 9 in 2020. The increased prevalence of virtual meetings is likely to be a permanent fixture of our modus operandi, in view of how easily they can be arranged and conducted.

The table below shows how this engagement was conducted. More than one meeting with a specific board is counted only once; the same with emails and phone calls. Only phone calls that involved substantive discussion have been recorded. The table double counts to the extent that engagement with some boards has involved face-to-face meetings, emails or letters and phone calls but it nevertheless gives a flavour of the depth and breadth of our board engagement.

2021 Board Engagement by Market Where Listed

Market Where CEF is Listed	Boards Engaged	Face-to-Face Meetings	Phone or Virtual Meeting	Email and/ or Letter
UK	36	5	34	7
Romania	3		3	
US	3		2	1
Australia	2			2
Malaysia	1			1
South Korea	2	1	1	1
Total	**47**			

Source: CLIM. Note that the engagements do not sum horizontally if boards were engaged by multiple means

CLIM engaged principally with emerging and frontier market CEFs but we are expanding our engagement activities with developed market CEFs. The 14 developed market CEFs (vs 11 in 2020) represented in the table above, is equivalent to 30% of the total (vs 25%). Our engagement activity with developed market CEFs is likely to continue to increase, reflecting the growth in that business.

Engagement Examples

Conditional Tender Mechanisms

CLIM supports performance conditional tender offers (CTOs) which provide for a partial return of capital, typically 25%, at close to NAV in the event that NAV performance falls short of the target benchmark over a three to five-year investment cycle. A CTO aligns shareholders' interests with those of the manager and provides shareholders with a fairer deal in the event of poor performance. CTOs are now a common feature among leading UK investment trusts. Several CEFs introduced a CTO in 2021 following discussions with CLIM, including abrdn China Investment Company, Asia Dragon, Aberdeen Asia Focus and Scottish Oriental Smaller Companies. Many boards still resist CTOs and CLIM remains an enthusiastic advocate for their adoption.

The Importance of the Share Buyback

The share buyback is an essential tool for managing discounts. Its primary purpose is to address supply / demand imbalances but a further advantage is the permanent NAV enhancement that arises from buying back shares at a discount. CLIM has significant engagement with boards in relation to their share buyback programmes and opposes or abstains from supporting the re-election of directors at CEFs that make insufficient use of their buyback authority to address persistently wide discounts. An example of a successful outcome on this issue is JPMorgan Russian Securities, which bought back 6% of its outstanding shares in 2021 at a 12% average discount, enhancing NAV by 0.7%.

CLIM has also engaged with Samsung C&T and LG Corp, South Korean holding companies on this issue, so far without success. We have urged both boards to take firm action, including repurchasing shares, to address their wide discounts to NAV and these engagements are ongoing.

Mergers

Effective discount control can be more easily achieved by larger CEFs and CLIM is therefore an advocate for mergers, although they are notoriously hard to bring to fruition. Larger funds, however, are favoured by investors for their scale economies and liquidity advantages. The merger in 2021, referenced above, between Aberdeen Emerging Markets and Aberdeen New Thai to create abrdn China Investment Company Ltd was a welcome outcome from CLIM's long engagement with both boards. CLIM is a 24% shareholder in Securities Equity Capital, which announced in December 2021 that it had received an unsolicited merger proposal from the board of Odyssean Investment Trust.

Tenders and Liquidations

Periodic redemption opportunities are the ultimate test that a CEF remains relevant and is meeting its shareholders' needs. CLIM therefore supports periodic redemption offers. In 2021 India Capital Growth (IGC) announced its first biennial unconditional redemption at a 6% discount to NAV. CLIM scaled back its planned redemption when IGC acceded to CLIM's suggestion that the next redemption should be conducted at a narrower discount.

1.10 Collaborative Engagement with CEF Boards

CLIM is frequently a significant shareholder in its CEF investments. Its board engagement contributes to investment performance and is often commercially sensitive. Hence, although CLIM is willing to collaborate with fellow shareholders in the interests of effective stewardship, this is not a routine part of our engagement strategy with CEF boards. However, as an escalatory step, CLIM will consider informing other shareholders of concerns regarding CEF governance, either on a selective basis or by making correspondence public.

CLIM did not formally collaborate with any investor in 2021, though a meeting was held with Whitebox Advisors LLC to discuss LG Corp's non-core asset spin-off. CLIM had previously written to LG Corp with suggestions for unlocking shareholder value, including a possible capital restructuring. Following our meeting with Whitebox, we wrote again to LG Corp to explain our opposition to their spin-off proposal, because it did not maximise value for shareholders overall. We also arranged a meeting with ISS proxy advisors regarding this issue. In the event the spin-off was approved despite ISS, along with other proxy advisors, advising that the proposal should be opposed. We were in touch with LG Corp's IR team on the matter but our repeated requests for a meeting with the board to discuss our views have so far been declined.

1.11 Escalating Stewardship Activities

CLIM takes a consistent approach to escalating its engagement activities, irrespective of jurisdiction. Concerns are initially communicated to boards in private meetings. If there is no satisfactory response the board is sent a formal letter. In rare circumstances CLIM may send open letters but none were sent in 2021. CLIM's policy, in the event that constructive engagement does not bring results, is to oppose directors' re-election. In 2021 CLIM opposed directors' re-election at icapital.biz (ICAP), a Malaysian listed CEF, due to the board's inadequate response to poor performance, and the reappointment of ICAP's auditors, due to their excessive tenure. The board was sent a letter explaining our rationale but ICAP has declined to engage constructively. ICAP has been pursuing legal action against CLIM since 2020, claiming that our clients' shareholding is a breach of the Company's articles, which we deny. The ultimate escalatory step available to CLIM, to requisition for a shareholder meeting, was not taken in 2021.

1.12 Proxy Voting

CLIM does not use proxy advisers but votes at each shareholder meeting according to its published policy, which is set out below. The policy is based on an understanding of CEF directors effectively as fiduciaries on behalf of their shareholders. CLIM therefore believes that all directors should be independent of the investment manager, that they should be appropriately qualified and that their tenure should not exceed 9 years. A further key element of CLIM's policy is that all CEFs should have a discount control mechanism.

CLIM aims to vote every proxy, though this is not always practicable. For example, certain Latin American jurisdictions restrict the voting rights of foreign shareholders, or voting in other instances may be uneconomic because of the associated costs. Investors in CLIM's pooled investment vehicles may not direct voting. Our standard investment management agreement provides for CLIM to exercise voting rights though, in rare instances, segregated clients can retain this responsibility.

Although CLIM does not engage in stock lending, segregated clients may have their own stock lending programs and, in this event, CLIM does not normally recall lent stock for voting. CLIM monitors clients' voting rights via ProxyEdge, which is updated daily by their custodians. In 2021 over 95% of clients' holdings were voted.

In 2021 CLIM voted at 363 shareholder meetings (2020: 351 meetings) in 37 separate domiciles (2020: 32). Under normal circumstances, CLIM votes at a general shareholders' meeting in accordance with our published policy. The full record of how we voted at each meeting in 2021 is published in the ESG section of our website at the following link: https://www.citlon.co.uk/esg-clients.php. Further information regarding the background of any meeting may be disclosed to clients upon request.

The table below shows the votes by CEF domicile, which is often different to the market of listing. For example, several London listed securities are domiciled in Guernsey and the Cayman Islands.

Meetings Voted by CEF Domicile in 2021 and 2020

	2021		2020			2021		2020	
	#	%	#	%		#	%	#	%
United States	125	34.4	130	37.0	Isle of Man	3	0.8	3	0.9
United Kingdom	76	20.9	86	24.5	Jersey	3	0.8	3	0.9
Guernsey	23	6.3	20	5.7	Belgium	2	0.6		
Romania	17	4.7	18	5.1	Bermuda	2	0.6	3	0.9
Australia	14	3.9	10	2.8	Germany	2	0.6	1	0.3
Brazil	9	2.5	13	3.7	Korea	2	0.6	2	0.6
Mexico	9	2.5	2	0.6	Luxembourg	2	0.6	11	3.1
Cayman	7	1.9	7	2.0	Netherlands	2	0.6		
China	6	1.7	3	0.9	Spain	2	0.6		
Ireland	6	1.7	3	0.9	Thailand	2	0.6	1	0.3
Singapore	6	1.7	1	0.3	Bangladesh	1	0.3		
South Africa	6	1.7	5	1.4	Canada	1	0.3	3	0.9
France	5	1.4	5	1.4	Chile	1	0.3		
Indonesia	5	1.4	1	0.3	Cook Is. (NZ)	1	0.3	1	0.3
Hong Kong	4	1.1	4	1.1	Kenya	1	0.3		
Japan	4	1.1	2	0.6	Lithuania	1	0.3	2	0.6
Malaysia	4	1.1	2	0.6	Sweden	1	0.3	1	0.3
Philippines	4	1.1	5	1.4	U.A.E.	1	0.3	1	0.3
India	3	0.8							

The increased voting activity in 2020 reflects growth in CLIM's business. The US and UK remain the most important jurisdictions for CLIM's CEF investments. Notwithstanding COVID related restrictions, it is often not possible for us to attend shareholder meetings in person, although prior to the pandemic we attended a significant portion of meetings held in London. In normal circumstances, we prioritise attending meetings with contentious agendas or when we disagree with management recommendations on any agenda items.

In total these 363 meetings involved voting on 2,978 resolutions. The following table shows how these votes were cast in 2021, as well as the previous two years.

CLIM's Voting Record 2019 - 2021

	Resolutions Voted 2021		Resolutions Voted 2020		Resolutions Voted 2019	
	Number	%	Number	%	Number	%
For	2,433	82	2,333	83	1,985	78
Against	126	4	109	4	101	4
Abstain / Withhold	395	13	359	13	452	18
Total	**2,978**	**100**	**2,805**	**100**	**2,538**	**100**

The share of votes against management in 2021 remained stable at 4%. The most common reason for CLIM to vote against is a lack of director independence, generally due to excessive tenure, or less frequently, a connection with the investment manager. CLIM's policy is to oppose continuation resolutions where insufficient action has been taken to address a persistently wide discount to NAV.

CLIM sometimes decides to abstain from specific resolutions at shareholder meetings. Abstentions were also unchanged in 2021 at 13% of resolutions. The US accounts for approximately 90% of abstentions, reflecting the prevalence of plurality voting, where there is no option to vote 'against'. In these instances, CLIM withholds its votes. Many US boards have now adopted the majority standard in response to CLIM's representations and we continue to encourage all US CEFs that still use plurality voting to follow suit. Abstentions in other jurisdictions are mostly where CLIM has abstained in respect of directors' re-election as an interim step, pending continuing engagement.

2. CLIM's Corporate Governance and Proxy Voting Policy

2.1 The Board

- **The Chairman**

The responsibilities of the Chairman, who should not be a director of another fund with the same Manager, include directors' appraisals, board succession planning, and overseeing the regular assessment of the Manager, ideally via a Management Engagement Committee (MEC).

- **Independence**

CEF directors are fiduciaries with a responsibility to act in the best interests of their shareholders. It therefore follows that CEF directors should be 100% independent of the Manager and CLIM will not support the election of directors with a perceived connection to the Manager.

Board nominees should be selected by a committee of independent, non-executive directors, assisted by a specialist search firm. CLIM will normally oppose individuals who

- are employed by the Manager or have been within the previous 5 years;
- have a financial link to the Manager within the previous 5 years;
- represent a shareholder, or a concert party of shareholders, with a significant holding in the Fund;
- serve on multiple boards of funds with the same Manager; and
- have cross-directorships with executives of the Manager.

- **Experience and Tenure**

Due consideration should be given to board diversity. Requisite experience and understanding of CEFs is as relevant as knowledge of the country or region in which the Fund invests. CLIM will generally not support directors who hold more than five board positions.

Directors should not start a new term in office if they have been retired from active employment for more than 5 years. Directors should submit for annual re-election and their tenure should not normally exceed nine years.

Directors should submit for re-election individually by a simple majority. CLIM does not normally support boards of US CEFs which employ the 'plurality' voting standard.

- **Board Remuneration**

Director remuneration should be sufficient to attract high quality individuals and should not be paid on a per-meeting basis.

- **Safe Custody**

Boards 'contract out' the physical safeguarding of securities to recognized global custodians. Boards should ensure that adequate steps are taken to recognize and control exposure to counter-party risks as part of the safeguarding process.

- **Control and Supervision**

The board is ultimately responsible for the adequacy of procedures to ensure proper control and supervision of ancillary service providers. Consideration should be given to outsourcing administration and secretarial services, which are often provided by the Manager. Service contracts should periodically be put out to tender to ensure providers remain competitive.

2.2 Manager Oversight

- **Tenure**

Notice periods for Managers should not exceed 3 months, unless within five years from a CEF's launch. Following an initial period from launch, shareholders should be offered regular opportunities to approve the Manager via a continuation vote.

- **Investment Management Fees**

Fees should be competitive with market norms for comparable institutional mandates. Shareholders should share in the scale economies as a fund grows, via a tiered fee structure. Fees should be calculated on the basis of net assets, though it is also acceptable to use the lower of market capitalisation or net assets.

CLIM does not generally support performance fees. However, consideration may be given to symmetrical performance incentives, which provide for both downward and upward adjustment to the base fee. Fees should not be levied on cash, where such balances are substantial and have been held for periods longer than referenced in the Prospectus.

IM fees should include research and marketing expenses incurred by the Manager.

- **Investment Policy and Benchmark Index**

The investment policy and objective should be subject to annual board review to ensure that it continues to meet shareholders' needs. Performance should be measured against a total return benchmark, based on an index that is investable, measurable and appropriate to the investment policy. Where applicable, boards should disclose the limit on out of benchmark exposure, including unlisted investments. CLIM discourages excessive leverage. In the interests of balance sheet flexibility, gearing should not be financed by long-term debt.

- **Performance Review**

Performance should be reviewed by the MEC primarily against the benchmark and excluding NAV accretion resulting from capital management. The MEC must satisfy itself that illiquid and infrequently or subjectively valued investments are fairly valued and should disclose the valuation methodology. The board should indicate a proposed course of action in response to underperformance.

Performance that is behind benchmark over a three to five year investment cycle should trigger a tender offer so that shareholders can realise part or all of their holding at close to NAV. Management arrangements should be reviewed in instances of underperformance over longer time periods.

- **Cross Shareholdings**

Investment into another Fund under the control of the same Manager should be limited to 5% of a Fund's voting equity and such investment should not incur double fees.

- **Launch of New Funds**

The board should be kept apprised of the Manager's plans to launch new funds. A Manager should not launch a new CEF if their existing funds with comparable mandates trade at a discount. The board should ensure that the existing CEF benefits from any improved terms introduced in newly-launched funds.

2.3 Discount Control

- **A Fair Price**

Funds launch at NAV which is therefore the implied fair price. It is in shareholders' interests that a fund does not subsequently trade at a persistently wide discount. CLIM opposes directors' re-election where, in CLIM's opinion, prospectus commitments in respect of discount control are not met.

- **Policy Responsibility**

The board is responsible for developing and implementing a credible discount control policy. All CEFs should have a discount control mechanism. CEFs deemed too small for conventional discount control measures should seek merger partners, or otherwise offer their shareholders redemption at NAV.

- **Capital Management**

CEFs should not issue shares, including treasury shares, at a discount to NAV. In the event that a premium develops, consideration should be given to issuing shares to prevent an excessive premium developing.

The share buyback is an essential discount control tool and provides shareholders with liquidity. Boards should clarify their policy for buying back shares to the maximum extent possible. Funds should repurchase their own shares in favour of re-investment when the discount is unacceptably wide. Treasury shares should be cancelled within 12 months from purchase.

- **Continuation Votes**

It is good practice for CEFs to offer shareholders regular continuation votes, as is common in the UK. Continuation votes should normally be accompanied by a commitment to an event such as a CTO as part of the ongoing discount management process.

- **Tender Offers**

Tender offers at close to NAV are a fair and effective means of removing persistent stock overhangs which adversely affect the discount. Underperformance over a three to five year investment cycle should also be addressed by a partial tender offer at close to NAV. CTOs in these circumstances provide a fairer deal for long-term investors.

2.4 Shareholder Communication

- **Contact with the Board**

The Chairman should be readily accessible as a conduit for shareholder engagement, if necessary facilitated by the Manager. To the extent permitted, boards should consult shareholders when considering, for example, changes to the Manager, benchmark, investment guidelines, and discount control measures.

- **Shareholder Meetings**

Agendas should be circulated well in advance, allowing for potential delay in the distribution of materials by custodians. The text of the resolutions should be accompanied by the board's recommendation, including a rationale.

Meeting agendas should be strictly followed. To the extent possible, CLIM does not permit its proxy to be used to approve motions raised under 'Any Other Business', when shareholders are not given sufficient time to make considered judgments.

The Manager should recuse itself from voting shares when there is a clear conflict of interest. Voting rights of shareholders who have not voted, for example in UK savings schemes, should not be exercised unless they are cast pro-rata to the overall result.

The meeting outcome should be announced promptly, including the number of votes cast 'For', 'Against' and 'Abstentions' (where applicable). Resolutions that have been approved should be implemented as soon as is practicable.

- **Portfolio Transparency**

Transparency helps to reduce the discount and full portfolios should be disclosed annually at a minimum. Monthly factsheets should be available on the CEF's website and should disclose at least the top ten holdings and their weights, exposure to illiquid investments and exposure to securities outside the benchmark index. Bond funds should disclose their effective duration versus benchmark and the weighted average life of the portfolio. Private investments should include valuation dates in their disclosures.

Derivative positions should be disclosed, including counterparty information in respect of OTC derivatives. Information on gearing should include the term of each facility, interest rates and fees, and relevant covenants. The Manager should also disclose future commitments or contingent liabilities.

- **Environmental, Social and Governance**

Managers should explain how ESG factors are considered in their investment process, including measures taken to mitigate climate change risks. CLIM encourages comprehensive disclosure of portfolio ESG characteristics, such as carbon intensity and ESG ratings.

- **Funds in Liquidation**

CEFs proposing liquidation should publish an expected schedule of asset realisations and return of capital prior to the shareholder vote. The NAV should be published when the CEF enters liquidation and updated at least quarterly along with amendments to the distribution timetable.

- **Dividend and Capital Gains Distribution Policies**

Distribution policies should be fully disclosed including frequency and factors that will be considered to determine any distribution. Shareholders should always be given the option to receive distributions in cash.

- **General Communication**

Shareholders should automatically receive annual and interim reports and copies of other major announcements directly. These should also be immediately available on the CEF's website.

The repurchase and issuance of shares should be disclosed promptly, including the number of shares and the price. Performance commentaries should identify separately the NAV accretion arising from such capital management.

The rationale for proposals that require shareholders' approval should be disclosed ahead of the proxy mailing.

- **Non-Public Information**

CLIM is generally willing to be made 'inside' for a short period in order that a board can confirm sufficient shareholder support for a specific proposal.

- **NAV Releases**

NAVs for CEFs with portfolios of listed assets should be published daily and as soon as possible following the relevant cut-off time, no later than the market open on the following day. Adequate procedures and controls are required to ensure the accuracy of the published NAV. Fair value pricing (FVP) procedures should be fully disclosed and, when invoked, a non-FVP NAV should be published alongside the official NAV.

2.5 Voting

- **Voting Rights**

Every share of stock issued by a CEF should have equal voting rights with every other voting stock. CLIM opposes any action by a CEF to disenfranchise, or otherwise restrict the voting rights of, certain shareholders. CLIM is opposed to US CEFs opting-in to control share statutes.

- **The Voting Process**

CLIM does not use proxy advisers. Each proxy is reviewed by the relevant investment team which decides how to vote, including whether to abstain, in accordance with this published policy. Votes are submitted via a secure, web-based proxy voting service. Boards are usually given notice of CLIM's intention to vote against their recommendation, along with an explanation.

- **Non CEF Securities**

CLIM invests in holding companies and REITS and determines how to vote these securities by applying the same principles as for CEFs, where they are relevant. CLIM's voting decisions for holding companies and REITs are otherwise guided by the UK Corporate Governance Code and the best interests of its clients.

- **Conflicts of Interest**

CLIM will generally vote in accordance with this Statement on Corporate Governance and Proxy Voting Policy for Closed-End Funds. In the unlikely event of a material conflict of interest, CLIM's Compliance Department would determine how to vote in clients' collective best interests, excluding any client that may have a potential conflict. The potential conflict may be disclosed to clients and direction sought regarding how the proxy should be voted. CLIM may engage an independent third-party to recommend how the proxy should be voted.

CLIM may establish informational barriers between the person(s) involved in the potential conflict and the person(s) making the voting decision in order to insulate the potential conflict from the decision-maker.

CLIM uses available resources to determine whether a potential conflict may exist, and a potential conflict will be deemed to exist only if one or more of CLIM's Investment Management Team actually knew, or reasonably should have known, of the potential conflict.

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