CITY OF LONDON
Investment Management Company Limited

TCFD Entity-level disclosure for CLIM

City of London Investment Management Company Limited

77 Gracechurch Street, London, EC3V 0AS

Compliance Period 1st July 2023 to 30th June 2024

23rd September 2024

Table of Contents

1. Introduction and Compliance Statement

This report is published by the City of London Investment Management Company Limited (CLIM), in line with the requirements set out in Chapter 2 of the Financial Conduct Authority's Environmental, Social and Governance sourcebook.

This is a Task Force for Climate Related Financial Disclosure (TCFD) entity level and voluntary disclosure for CLIM. CLIM does not yet meet the three-year rolling threshold (£5bn FuM) defined in ESG 1.2.2. CLIM's total funds under management (FuM) for the financial year ending of 30th June 2024 was $6.3 billion.

CLIM is authorised and regulated in the UK by the Financial Conduct Authority (FCA) and is registered as an Investment Advisor with the United States Securities and Exchange Commission (SEC). Information relating to aspects of CLIM:

- Registered in England and Wales No. 2851236. Registered Office: 77 Gracechurch Street, London, EC3V 0AS, England.
    - City of London Investment Management (Singapore) Pte Ltd (registered in Singapore No. 200709045R), registered with the Monetary Authority of Singapore and holds a Capital Markets Services Licence for Fund Management. This entity is a 100% owned subsidiary of CLIM.
- CLIM is a wholly owned subsidiary of City of London Investment Group PLC (CLIG), an established asset management group listed on the London Stock Exchange.

At CLIM, our focus is not on gathering assets, but on building products that reflect our expertise. Our original expertise was very specific to Closed-End Funds (CEFs) which offered emerging markets exposure. This has subsequently been complemented by applying our unrivalled knowledge of CEFs around the world to the creation of a Developed Markets CEF strategy, a Frontier Markets CEF strategy and an Opportunistic Value CEF strategy, using a similar investment process. Today, whilst we remain both proud and protective of our 'boutique' status, we offer a range of products which centre around our main area of expertise: Closed-End Funds.

CLIM's approach towards climate risks and opportunities is aligned with CLIG. Cross-reference is made where necessary to the Group level disclosures in CLIG's 2024 Annual Report & Accounts (CoLAR 2024) & Annual TCFD & GHG Emissions Report 2024, published on CLIG's website.

Below is the signature on behalf of the CLIM Board for approval of this report and to confirm that the disclosures comply with our obligations under TCFD regulations.

Signature: ______________________

2. Governance

Our governance framework for climate risks and opportunities is consistent with the Group level framework.

The Group's approach to overseeing climate-related risks and reporting is summarised within our Audit & Risk Committee Terms of Reference, which was revised in February 2024.

For further details, please see: https://clig.com/wp-content/uploads/2024/02/AuditRisk-Com-2-24.pdf.

3. Strategy

CLIM's strategy for the consideration of climate risks, scenarios and opportunities is defined at a Group level.

At an investment management level, CLIM's business model remains focused on exploiting discount volatility in CEFs on behalf of our clients to achieve capital growth and outperform relevant benchmark indices as necessary.

Improving CEF governance has been a key objective since our business was founded. Our business model is to implement investment strategies that exploit discount volatility in CEFs. The ESG characteristics of the underlying CEF portfolios are not the primary reason for selection.

However, we appreciate that ESG ratings require consideration, and we therefore encourage CEFs to be more explicit regarding the integration of ESG factors into their investment process. CLIM's research teams conduct annual due diligence on the investment manager of each CEF investment. ESG issues 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.

Further details regarding CLIM's Stewardship & Corporate Governance, Voting Record & Press Releases are available within the 'ESG for Clients' section of our website, as well as our Annual Stewardship Report located at: https://citlon.com/esg-clients/

Further details (for non-US persons) regarding our SFDR disclosure are detailed here:

https://citlon.com/sustainable-finance-disclosure-regulation-sfdr/

Market strategy information and metrics surrounding our CEFs are provided on our website.

4. Risk Management

As CLIM's approach to identifying, monitoring and managing climate risks is defined at the Group level, please see the 'Risk Management' section of the CoLAR 2024 & Annual TCFD & GHG Emissions Report 2024.

ESG is considered at the level of both the CEF corporate and the underlying CEF portfolio. CLIM is a large investor in CEFs and at the corporate level prioritises governance factors over underlying portfolio ESG issues when assessing a potential holding prior to purchase.

In 2023, 65 CEF portfolios were analysed (64 in 2022) using Sustainalytics data, representing 71% of CLIM's FuM at the calendar year end (vs 70%). In those CEF portfolios that were analysed, Sustainalytics covers 94% 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 resources available to develop relevant policies as opposed to poor ESG practices. Lower scores for smaller companies are not necessarily indicative of higher ESG risk. Given the fixed capital structure, CEF investment strategies generally have longer investment horizons and a majority employ active, fundamental, bottom-up processes that favour opportunities in smaller companies. Accordingly, CLIM's CEF portfolios are typically overweight smaller and mid cap securities.

Overall ESG risk for all CLIM portfolios as at end December 2023, using Sustainalytics, was 2.9% lower than their respective benchmarks. By strategy, overall ESG risk for the EM strategy was 2.2% below benchmark and for the international equity and opportunistic value strategies it was 4.1% lower. Weighted average carbon intensity in those CEF investments which made the relevant disclosures was over 40% lower than their respective benchmarks. CLIM does not set targets for these measures.

Please also refer to our Responsible Investment Statement and further detail of our own risk management approach on our website. Further information is also provided in our Annual Stewardship Report.

https://citlon.com/wp-content/uploads/2024/03/AnnualStewardshipReport3-24.pdf

4.1. Materiality

Please see the section titled 'Materiality' in CoLAR 2024 & Annual TCFD & GHG Emissions Report 2024 regarding materiality.

5. Metrics and Targets

Metrics and Targets are defined at a Group level. Please see the 'Metrics and future targets' section of the CoLAR 2024 & Annual TCFD & GHG Emissions Report 2024.

5.1. Methodology

Please see the section titled 'Targets and future actions' in CoLAR 2024 & Annual TCFD & GHG Emissions Report 2024 for a description of our approach regarding metrics and targets.

5.2. Notes on data limitations

At the end of 2023, 65 CEF portfolios were analysed (64 in 2022) using Sustainalytics data, representing 71% of CLIM's FuM at the calendar year end (vs 71%). In those CEF portfolios that were analysed, Sustainalytics covers 94% 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 resources available to develop relevant policies as opposed to poor ESG practices. Lower scores for smaller companies are not necessarily indicative of higher ESG risk.