Active ownership means using our scale and influence to bring about real, positive change to create sustainable investor value. Our Annual Governance Report explains how we achieved this in 2017.
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Welcome to our 7th annual Corporate Governance Report, where we outline our work in 2017 to encourage positive change in the companies and markets in which we invest – ultimately advancing our clients’ interests on environmental, social and governance (ESG) issues globally.

You will see that the year passed in a flurry of activity from the wide range of topics covered, the case studies outlining where we took action and the statistics that detail our voting records.

During 370 company meetings, the top topics we discussed were board composition, remuneration, climate change, succession-planning and transparency. These discussions reflected not only input from industry peers, policymakers and regulators, but also comments from our clients, who are asking us about an increasingly wide range of areas.

Due to the media spotlight on failures in corporate stewardship, it can seem as though many companies are not doing a good job in ESG-related matters. In fact, the vast majority of companies are making significant progress – we simply believe there is more to be done. The same is true of asset managers: we, too, need to intensify our efforts to help deliver long-term value for clients by actively engaging with companies.

We have also continued to work closely with colleagues across LGIM, drawing strength from their experience in research and analysis, while we help to enrich their investment processes. Indeed, LGIM is launching funds inspired by demand from clients for products that will enable them to pursue their ESG goals with even greater ease.

None of this would have been possible without the hard work and dedication of the Corporate Governance team, for which I am incredibly grateful. As our approach evolves, we have increased the size of the team to rise to new challenges while still meeting our existing objectives. The team is motivated, diverse, talented and keeps me on my toes. I have no doubts as to our ability to continue to adapt and succeed on each front.

I hope you find the report and the examples it contains both informative and stimulating. As ever, we welcome any feedback you may have.

Sacha Sadan
Director of Corporate Governance
Legal & General Investment Management (LGIM)
Our approach

As one of the largest asset managers in the world, we believe we have a responsibility not just to our clients, but to society as a whole.

This is why we are active owners, and seek to use our size and influence to bring about real, positive change in companies by raising standards across entire markets and sectors.

The world is changing, with huge shifts in energy, technology and demographics reshaping the investment landscape. To protect and enhance our clients’ assets, we seek to ensure that the companies in which we invest are robust, and that their boards and management are equipped to deliver long-term growth. Companies that create sustainable value understand that their environmental impact, labour standards and governance structures are significant drivers of that performance, in our view.

We are continually evolving our approach and the products we offer. Following the successful launch of our Future World fund in late 2016, we will be extending the concept with the launch of further funds in the coming months, reinforcing our commitment to long-term responsible investment. Within LGIM’s existing offering, the corporate governance team has been working with colleagues across the business to strengthen the integration of ESG factors.

Moreover, as we continue to strive to be good stewards of our investments, we talk to hundreds of companies every year about the issues that matter most to our clients. Either through our own direct engagement, or via collaborative work with other investors and regulators, we focused our efforts during 2017 on the following areas:
Climate change

Climate change carries financial risks, so protecting our clients’ investments – including the pension savings of millions of people – and protecting the planet go hand-in-hand. Following the launch of our Climate Impact Pledge, we are holding some of the world’s largest companies to account on how they are preparing for a low-carbon future. Following our engagement behind the scenes, we will publish rankings of the leaders and laggards in corporate action on climate.

Diversity and income inequality

Helping individuals improve their economic circumstances and reducing income inequality can make societies more resilient. This is why we have been promoting diversity and working to curb excessive executive pay. As shareholders, we will vote against companies whenever we feel their efforts on these fronts are lacklustre.

Governance and culture

Good governance is critical to thwarting complacency in companies. From the appointment of executives through to conduct in mergers and acquisitions, we challenge company boards to show they are delivering value for shareholders. We work to ensure investor rights are protected, encouraging companies and other investors to uphold codes of practice and improve their culture.

Raising our voice

If we deem progress on these and related areas to have been insufficient, we will use our power as shareholders to vote against companies or their board of directors. Our scale means our voice is heard – which is also why we do not remain silent on the issues that matter. We aim to minimise abstentions globally on our voting activities, so our clients can be sure we are always working on their behalf.
What were the highlights of 2017 for the team?
The level of engagement by owners of the assets we oversee continued to grow. These clients ask us more and more about an increasingly broad range of topics, which helps us to enhance our approach and put emerging issues on the radar.

A key moment was towards the end of the year, when we held a roundtable for external stakeholders. It was attended not only by clients but also by thought leaders on governance from industry and government – and certainly not just by people who agree with everything we do. Our 2018 policies have evolved from that wide-ranging discussion.

But we are definitely not resting on our laurels – we are building on our work in 2017 to help launch new products explicitly linked to our objectives and naming companies under our Climate Impact Pledge.

Who can make the greatest contribution towards tackling the challenges of climate change?
Asset owners – even before policymakers and companies. We have thousands of clients, each of whom owns assets that will play an important role in the transition to a low-carbon world.

People, including some of the biggest pension schemes in the world, who own many tens of billions of assets, want to know: what should we do? These are the people who can help make a huge difference over the coming decades. They are already reallocating their capital at a rate that will influence business decisions.

Gender diversity on company boards – and the lack thereof – was in the spotlight for much of the year. Do you expect positive momentum on this issue to build in 2018?
We do indeed. This is an area of great importance to us – we have seen how a lack of diversity of thought can create problems for long-term returns in many sectors. And with companies facing significant changes in technology and society, they need to be challenged before making big investment decisions. Boards made up of just men, from the same socioeconomic backgrounds, cannot be the best forum to discuss matters such as the design of an internet distribution model.

There has been some momentum towards greater diversity, but not enough. We have tightened our voting policy to demonstrate our intention to keep pushing this agenda hard: in 2017 we voted against many more directors than in the previous year because of a lack of diversity on their boards.
There were a number of prominent examples of poor corporate stewardship in 2017. Are shareholders likely this year to step up efforts to improve board effectiveness?

I think asset managers stepped up their efforts on this issue in 2017 more than ever. You’re never going to be able to stop all poor practices – so as an industry, we’re going to have to continue intensifying our work in 2018.

Despite the high-profile failures, there have also been encouraging cases of companies listening to shareholders. Investor engagement on the appointment of a new chairman by Rio Tinto – the second largest mining company on the planet – is a good example of quiet pressure bearing fruit.

Are there any other key trends you would like to highlight?

The protection of shareholders’ rights across the globe is a big concern for us. On the one hand, we are quite rightly being asked questions about what we are doing on behalf of our clients.

On the other hand, certain companies, regulators, governments and exchanges are taking away some of the rights that shareholders have – including voting rights, in the case of Snap Inc. We have noticed troubling attempts to lower the quality of listing rules, as the Hong Kong Stock Exchange is considering, and weakening the power of annual general meetings, in certain companies’ quest for ‘virtual only’ AGMs.

We are responding to consultations, pushing regulators and indices, and trying to improve governance codes around the world to protect our clients’ valuable rights. In early 2018, we have been involved in the reform of the UK Stewardship Code, suggesting ways to strengthen disclosures from its signatories, as well as assurance and oversight. We will continue to work on these issues throughout the year.
Top five themes discussed in meetings in 2017:

- Board composition
- Climate change
- Nominations and succession planning
- Executive pay
- Transparency
Climate change

Climate change carries long-term financial risks, so protecting our clients’ investments and protecting the planet go hand-in-hand.

As the second hottest year on record\(^1\), 2017 has given us reasons for both concern and optimism.

In the US alone, weather and climate disasters cost an unprecedented US$306 billion\(^2\). At the same time, the cost of clean technology continues to drop at a much faster rate than was previously anticipated: it is now cheaper to build new wind farms than to run existing coal plants in parts of the US\(^3\). Despite US President Donald Trump’s promises to revive the coal sector, this industry – whose detrimental impact on the environment has long been recognised – appears to now have entered terminal decline\(^4\).

Last year was also significant as the moment when the rise of electric vehicles (EVs) was widely recognised as unstoppable. Over 60 new EV models have been announced\(^5\), and some of the world’s largest automakers have outlined their plans to go all-electric.

When even the CEO of a large oil company says the next car he buys will be an EV, we know we are in the midst of a revolution that will change the face of the industry.

The global and political will to tackle climate change and improve air quality also seems to be strengthening. From the UK to India and China, governments around the world are planning to ban the sale of petrol vehicles well before the middle of this century. Fears that the US withdrawal from the Paris Agreement on climate change would trigger a domino effect have been dispelled, as global investments in clean energy actually grew in 2017\(^6\).

We see the management of climate change as a fundamental part of our fiduciary duty to clients. This is why we have implemented the Climate Impact Pledge.

The pledge represents our commitment to put pressure on some of the world’s largest companies, so their business strategies are more resilient in the face of climate change. This is a problem that affects all sectors, which is why we discussed climate change in a third of the company meetings we held in 2017. While we always aim for constructive dialogue, if we see insufficient progress we will vote against companies or, where we can, divest.

As we manage more than US$1 trillion of assets on behalf of our clients, our voice carries weight. We also know our impact can be magnified through collaboration, so we continue to work with investors, governments and regulators to speed up the transition towards a low-carbon future.

2. NOAA, https://www.ncdc.noaa.gov/billions/
4. LGIM, Peak coal: in terminal decline?
Climate Impact Pledge

If you have personal investments and pensions, you are likely to be invested in companies that contribute to climate change. For example, out of every £1 paid in dividends by FTSE 100 companies, around 20p comes exclusively from two large energy companies. Companies such as these must adapt their businesses for a low-carbon future or risk destroying shareholder value.

This is why we have implemented LGIM’s Climate Impact Pledge. The pledge focuses on some of the world’s largest companies, market leaders in sectors crucial to the success – or failure – of addressing climate change. The burning of oil, gas and coal in our cars, planes and power plants is the largest source of global carbon emissions. Other lines of business, such as agriculture or food retail, will also play a significant role in amplifying climate change, through deforestation or food waste. Finally, we look at the financial sector. Capital is the lifeblood that sustains all companies, so the investments made today by banks, insurers and pension funds will define the world in which we will retire – and that in which our children will live.

We analyse and rank companies according to the robustness of their strategies, their governance and their transparency. We ask: do companies recognise the risks posed by climate change? And if they do, is this recognition consistent with their lobbying activities? Are they well-placed to take advantage of any business opportunities that stem from climate change? Investors want to know that companies have a credible plan – as well as management capable of delivering it – to deal with changes that can take place quite suddenly. Coal companies, for example, lost over 75% of their value in the last six years.

7. LGIM op-ed, https://www.ft.com/content/ff65b760-f07b-11e7-b220-857e26d1aca4
8. As measured by the performance of the Stowe Global Coal Index
Climate Impact Pledge criteria

**Assessment criteria**
- Statement re: climate and energy impact
- Transparency
- Board / governance structure
- Strategy of resilience and innovation
- Reputation
- Public policy

**How are we engaging?**
Following our initial analysis, we have been engaging constructively with companies, suggesting necessary and feasible improvements. If, after one year, we are unsatisfied with the progress made, some of the companies that fail to meet our minimum standards will be removed from any fund within the Future World range. In LGIM funds where we are unable contractually to divest, we will vote against the chair of the board of these companies.

This approach means that our pledge has a direct impact on all of the assets that LGIM manages globally. Both the leaders and the laggards in our rankings will be announced publicly in 2018 – stay tuned!
In 2017, we held 108 meetings discussing climate change

We have been pleased to see most of the companies covered by the pledge have responded to our requests.

**What is the issue?** The company consistently failed to demonstrate concrete support for the Paris Agreement on climate change or to report on its portfolio resilience in a scenario whereby global warming rises above 2°C.

**Why is it an issue?** Climate change is a financial risk. As much as two-thirds of known oil and gas resources cannot be burned if the world is to avoid global warming beyond 2°C – above which, temperatures become increasingly dangerous – the international target of the Paris Agreement. This has significant implications for the strategies of energy companies. As a long-term investor, we are looking for more transparency from ExxonMobil to understand how the company is mitigating the risks posed by climate change, as well as capturing the opportunities for long-term success.

**What did LGIM do?** Over the last three years, we have had increasingly in-depth conversations on climate change with the company. At ExxonMobil’s 2017 annual general meeting (AGM), a shareholder resolution was introduced calling for increased disclosure on climate change risks. Ahead of the AGM, we declared publicly that we would be voting in favour of the resolution in an attempt to raise the profile of the issue and motivate other investors to support the move.

**What was the outcome?** At the AGM, the proposal for the company to report on impacts of climate change policies passed, gaining a record 62% support from shareholders. In late December, ExxonMobil announced it would make a public report on the impacts of climate change on its business.
Given LGIM’s history of active ownership, it is important to note that the Climate Impact Pledge was merely the formalisation of our work in this area, not the starting point. LGIM has received praise for its integration of climate-risk analysis, coming in second globally in the Asset Owners Disclosure Project (AODP) ranking of asset managers’ climate strategies.¹⁻⁹

Support for climate change resolutions in 2017 from the 10 largest asset managers

As a significant shareholder in companies across the world, LGIM has also been a consistent supporter of climate change resolutions. In 2017, the world’s 10 largest fund managers supported, on average, just over 21% of climate-related proposals in the US. By comparison, LGIM voted in favour of 95% of such resolutions.¹⁰

Sources:
10. Sources: Ceres, FundVotes, ISS. Note: Top 10 asset managers shown in random order
Regardless of whether they are held within active or index funds, we use all the shares we own to send a clear message to companies about the issues that affect our clients’ interests. Our voting records and policies are publicly available on our website.

In 2018 we plan to take this approach to the next level. As part of our Climate Impact Pledge, we will not just vote in favour of worthwhile resolutions, we will also vote against the chairs of companies that still fail to take action on climate change. This is consistent with the approach we have been taking on other high-profile issues such as executive pay.

Collaboration and policy
Solving a global challenge like climate change requires collaboration between investors, companies and policymakers. We continue to add our weight in support of notable initiatives.

Pressing for action
LGIM and over 200 other global investors have announced a plan to step up efforts on climate change. Launched during French President Emmanuel Macron’s One Planet Summit, the Climate Action 100+ coalition will involve major shareholders putting pressure on the world’s most polluting companies, to reduce their emissions and increase their transparency on climate change risks.

We have joined the coalition as a longstanding member of the Institutional Investor Group on Climate Change (IIGCC), a network playing a pivotal role in shaping the climate and energy agenda in the UK and Europe. Representatives from LGIM sit on the board of the IIGCC, and participate in the organisation’s policy and solutions working groups.

Shining a light on climate risk
In the same year that the Paris Agreement was adopted, just 25% of companies put any metrics in their sustainability reports11. Without such information, investors cannot distinguish between climate leaders and laggards. To improve market data on climate change, the Financial Stability Board, which monitors risk in G20 economies, has set up the Taskforce on Climate-related Financial Disclosures (TCFD). The taskforce has established clear guidelines for reporting on climate risk, and LGIM has been supportive of its efforts. Our parent company, Legal & General, will now report in line with TCFD recommendations; we are asking our investee companies to do the same.

Working with governments
The UK government has appointed LGIM’s CEO, Mark Zinkula, and Head of Sustainability and Responsible Investment Strategy, Meryam Omi, to its Green Finance Taskforce. The taskforce brings together industry leaders to “accelerate the growth of green finance, and help us deliver the investment required to meet the UK’s carbon reduction targets12.” Undoubtedly, there is tremendous potential in this area. As we have found in some of our own investments, a single fund can achieve the equivalent of taking 20,000 cars off the road every year by reducing its exposure to high-carbon investments.

Government ambition on climate change is key to maintaining investor confidence. This is why LGIM, alongside 300 other institutional investors, wrote to the governments of the G20 nations twice in 2017. Together, we asked global leaders to continue their support for the Paris Agreement, remove fossil fuel subsidies and introduce policies that accelerate clean investment.

LGIM is the largest asset manager in the world that has carried out all three of the below actions.

- Publicly supported the TCFD recommendations when they were released\(^\text{13}\)
- Urged G20 governments to maintain momentum on climate change\(^\text{14}\)
- Joined the Climate Action 100+ coalition to put pressure on the world’s biggest polluters\(^\text{15}\)

Increasingly, investors are integrating ESG factors into their investments. Indeed, from 2014 to 2016, responsible investment assets worldwide rose by more than 25\%\(^\text{16}\).

As this number continues to grow, so will opportunities for collaboration. By joining forces investors can make progress on multiple ESG fronts, as shown in the case study overleaf.

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15. http://www.climateaction100.org/
16. GSIA, Global Sustainable Investment Review 2016
What’s the issue? JBS, the world’s largest meat processing company by revenue, has been plagued by a series of scandals. These include bribery of politicians, health concerns over tainted meat, revelations of slave labour and unsustainable supply chains.

Why is it an issue? With senior executives (including its former CEO) now under arrest on corruption charges, the company has suffered losses in its stock price, credit rating and reputation. Shareholders are not the only ones affected. It was also revealed that the company purchased cattle raised by slave workers on illegally deforested land. This is a pressing problem, given more than 13,000 workers in Brazil have been freed from modern-day slavery on cattle farms since 1995\(^1\). Deforestation is also responsible for nearly 20% of global carbon emissions, more than the entire global transportation system\(^2\).

What did LGIM do? Given our concerns over board independence, we opposed the election of five directors at the company’s AGM in April 2017. LGIM also put its weight behind a coalition of investors with a combined US$4 trillion in assets under management, writing to the company’s management to express our concerns and request significant improvements to the governance of the company and other ESG factors. Moreover, as cattle-raising is the main driver of tropical deforestation in Brazil, we focused in particular on the lack of expertise in sustainability on the board. As part of our proposed solutions, we asked for a clear link between ESG performance and the long-term compensation of the company’s executives.

What was the outcome? The investor coalition is awaiting the response from company leadership and we will continue to vote as appropriate in order to press for change.

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2. https://www.forestry.gov.uk/forestry/nfd-7m8mm
The shareholder voice

Voting is the central mechanism by which shareholders exercise their ownership rights.

LGIM has been working to protect the essential standards that allow the voice of shareholders to be heard.

When investors buy equity in a company, they are taking a risk. If the company fails, they could lose everything they have invested. Therefore, shareholders are considered ‘owners’ of companies and given a portion of profits, compensating them for the risk they take. Through the vote issued with each share purchased, shareholders are also given a voice.

Risk versus control

The right to vote enables shareholders to bring about change and hold management to account if they are concerned that a company’s leadership is not acting in their interests. Historically, voting power was determined in proportion to the amount of capital at risk. For every share purchased, the shareholder would be eligible for one vote. The reason for this is clear: the greater amount of capital you have at risk, the greater your voice ought to be on the management of that capital. In other words, there should be an equal balance of risk and control.

However, not all companies abide by the ‘one share, one vote’ principle. This means there will be companies, particularly those owned as part of an index, where we are unable to hold company managers to account in the event they spend money inappropriately or ignore long-term risks. We are concerned that rules and guidance are being introduced across many markets globally that are, in effect, weakening shareholders’ voices – not least, by removing the right to vote from ordinary investors.

What is the solution?

Index providers, stock exchanges, regulators, companies and shareholders themselves all have a role to play in ensuring corporate governance standards and shareholder rights are upheld.

As the case studies detailed in this report show, LGIM takes its responsibility as a shareholder seriously to ensure our clients rights as owners are enforced. By seeking to protect the market and ensure it functions properly, we are ultimately helping to safeguard our clients’ investments.
Case study

**Case study:** Snap Inc.
**Market cap:** US$20bn
**Sector:** Technology
**Country:** USA

**Index providers’ consultations**
In the recent listing of Snap Inc. in the US, with no voting rights for ordinary shareholders, we collaborated with other international investors and investor associations. Together we engage with index providers FTSE and MSCI to highlight the risks to our clients were the social media company to be admitted to the standard indices and benchmarks. FTSE, S&P and MSCI issued public consultations on their respective index rules in relation to voting rights.

**What was the outcome?**
As a result of these public consultations, Snap Inc. has not been included in any of the major investable indices, and LGIM did not have to buy shares in Snap Inc. through our index funds. S&P Dow Jones announced that it would prevent companies with unequal voting rights from entering its four flagship US indices, including the S&P 500. FTSE Russell announced that it would not accept companies with low or no voting rights onto its indices. And MSCI announced that it is to broaden its original consultation on the treatment of shares with no voting rights within its indices to include a discussion on the treatment of all types of unequal voting structures.

In the meantime, MSCI will temporarily treat any securities of companies exhibiting unequal voting structures as ineligible for addition to two of its major global and US indices. This treatment will apply to the potential addition of securities, as well as the early inclusion of IPOs and does not affect any current index constituents.

**Hong Kong Stock Exchange consultation**
The Hong Kong Stock Exchange (HKEX) launched a consultation regarding the development of a new listing segment called the “New Board.” The purpose of the New Board is to provide a ‘lighter approach’ to initial listing requirements. This includes allowing issuers to list with weighted voting rights, which do not align with the ‘one share, one vote’ principle.

We provided a formal written response to the HKEX consultation. In addition, through our Hong Kong office, we were able to engage directly with the HKEX regarding our concerns. As members of the Asian Corporate Governance Association (ACGA), LGIM, alongside other investors, supported the group’s submission to push back on the HKEX proposals.

We await the results of the consultation but will continue to push globally, with others, for the fundamental shareholder principles of equal voting rights.

**In 2017 in the US:**
- **124** companies went public on US exchanges.
- **101** (81%) offered ‘one share, one vote.’
- **23** (19%) had dual-class structures with unequal voting rights.
- **4** (3%) included non-voting shares in their structures.
- **6** (26%) of dual-class IPOs, will phase out their unequal voting structures with time-based sunsets.
Executive pay

Remuneration for company management has reached record levels.

We are engaging with companies to encourage them to reduce income inequality.

In the first three working days of 2018, top bosses earned as much as the median employee will earn over the entire year. We first wrote about growing income inequality in our publication Mind the Gap in 2016, when we strengthened our UK pay policy to stop supporting significant increases in executive pay.

We want companies to reward talent and success appropriately, but we worry when pay rises reflect short-term performance. In 2017, we strengthened our US policy to ensure more companies focus on pay for long-term performance and limit the number of restricted shares and options granted in remuneration packages.

Balancing the scales

In our consultation process with the UK government, we have pushed for the mandatory disclosure of the pay ratio between CEOs and employees. We were encouraged when it was announced this would be part of secondary legislation to be introduced in 2018. We have made it clear that disclosures should be based on a single, comparable figure for the remuneration of the CEO and the median employee, to provide a truer picture of the level of disparity.

We sent a letter to the remuneration committee chairs of UK companies in the FTSE 350, asking them to consider the compensation offered for the rest of the workforce and the pay ratio when reviewing pay for senior and executive management. We wanted companies to listen to their employees, by appointing a member of the committee to meet with an employee representative at least once a year.

Furthermore, we made it clear that we will not support increases in base pay for executive directors that were out of line with the workforce, unless there is a genuine rationale that we considered acceptable, such as a promotion.

Equally, we will no longer support increases in variable pay without a valid justification. We reaffirmed this tougher stance on pay increases at an event we held for non-executive directors and company secretaries in September 2016.

Increased activity

In the UK we opposed 215 resolutions, a 40% increase on the previous year. In the US, we voted against 277 remuneration resolutions in 2017, a 52% increase from 2016. Our tougher stance in the US is highlighted by the divergence in voting compared to the recommendations from the Institutional Shareholder Services (ISS), the influential and global proxy adviser.

There was evidence throughout the year that the efforts we made in 2016 may be starting to result in changes. A number of top UK companies reduced their executive pay, including Anglo American, BP, Burberry, GlaxoSmithKline, Reckitt Benckiser and the Royal Bank of Scotland. In fact, it was reported that the total pay outcome for the FTSE 100 CEOs dropped by 17% in 2016 compared to 2015. However, we have not yet seen any significant gains for the pay of the median employee, which highlights the need for more work in this area.

19. According to the High Pay Centre
21. Deloitte data
Skin in the game

In order to better align the interests of executives with those of long-term shareholders, we continued to ask companies to introduce post-exit shareholding requirements. By requiring executives to hold shares in their company for a minimum period after they leave the firm, we believe they will be incentivised to keep the long-term prospects of the company in mind. We are updating our global policies to reflect this position.

The number of companies introducing post-exit shareholdings is increasing, with four new UK companies introducing them in 2017. We will continue to track this.

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<th>Number of companies introducing post-exit shareholding</th>
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Pensions

In our letter to FTSE 350 companies, we highlighted pensions as an area where the remuneration committee could reduce inequality between executive and employee pay by lowering the pension provisions for executives and, where possible, increasing provisions for the rest of the workforce.

More than 35 companies in the UK reduced pension provisions for their executive directors in 2017. In some cases, these were for new executives, but there were also some companies that went further by reducing the pension for existing directors. The extent of the reductions varied greatly between companies, with the largest reduction coming from Capital & Counties, from 24% of salary to 10% of salary. Examples of other companies that reduced pension provisions include Barclays, Burberry, Diageo and Marks & Spencer.

In Europe (ex UK), pay practices vary widely from country to country, and not all countries have introduced a shareholder vote on pay. The following case study demonstrates how we have tackled pay issues in Europe.
Why is it an issue? In 2016, 54% of shareholders voted against the remuneration of the company’s CEO and chairman. The board’s decision to support the pay package granted to the CEO despite this high level of dissent led to public controversy in France and triggered the French state to intervene through legislation. A ‘say on pay’ law was adopted in France, introducing a binding vote for all French companies’ remuneration policy and reports.

We believe companies must take into account the views and votes of their shareholders.

What did LGIM do? We held two engagement meetings in January and May with the chairman of the remuneration committee and other company representatives to discuss the proposed amendments to the remuneration policy. These discussions were an opportunity for us to assess alignment of the proposed remuneration policy with the views of shareholders and provide direct feedback to the board.

What was the outcome? The company introduced positive changes to the remuneration structure including the simplification of the annual bonus plan and improved transparency. Our dialogue with the company helped facilitate an exchange of views and an informed assessment of the remuneration policy and report.

We supported all remuneration resolutions at the 2017 AGM. They were subsequently passed, including the binding resolution on the adoption of the remuneration policy.

Longer-term objectives

The objective of our remuneration policy is twofold. First, we want to ensure executive pay is predominantly based on long-term performance and that the executive has sufficient equity in the company to align their interest with the long-term shareholders. Second, we want to encourage companies to examine their culture and reduce the growing gap between the general workforce and the executive team.

By strengthening and enforcing our remuneration policy, and influencing government debate and the collective investor voice, we are seeking to help tackle this widening divide.
Mergers and acquisitions

Major transactions are transformative in nature by definition. We remain alert to the risks and opportunities they pose.

Over US$3 trillion of global merger and acquisition activity took place in 2017. Such large-scale transactions can act as a positive force. They can allow companies to grow, diversify and generate greater returns. Merger and acquisition (M&A) activity can encourage competition and innovation within a sector.

In addition, it can provide protection by transferring poor-performing companies into the hands of better managers. Yet research has shown M&A often does not create sustained value for shareholders.

We recognise the risks and opportunities that M&A activity can present. As a large investor we seek to engage with companies and use our influence to strengthen board decision-making on large transactions in three main ways.

1. We become actively involved in M&A decisions where we determine that there may be shareholder value at risk

We do not hesitate to intervene in such situations. Our approach is illustrated by the following example.

Case study: Unilever plc/NV (UK-Netherlands), market cap: £115bn

In February 2017, Unilever received an unsolicited bid from Kraft, offering an 18% premium to the current share price. We informed the company that we thought the bid was too low, as we believed it undervalued the long-term potential of the business for shareholders. Kraft withdrew its approach, but the bid raised important questions on the communication of Unilever’s strategy.

We met with the chairman and CEO a number of times during the year and encouraged them to articulate in more detail the benefits and opportunities from the strategy. Unilever responded quickly, and undertook a strategic, board-led review of the business. They subsequently refreshed their communication to the market, demonstrating they had taken feedback on board. As the year unfolded the share price increased to above the price offered by Kraft.

22. https://www.ft.com/content/9f0270aa-eabf-11e7-bd17-521324c81e23
2 We promote our expectations on how boards ought to be assessing M&A transactions

Potential major transactions are always assessed by the board. It is imperative that directors have the right information and are empowered to understand the risks and benefits of the transaction. Such transactions should then be subject to a robust review and reconsideration at each stage. However, too often we see transactions take on a life of their own. With their pay dependent on the success of the deal, advisers have a reason to push for the transaction even if market circumstances change. This creates conflicts and tensions, which is why we called for a more rigorous and transparent process when boards are assessing large transactions.

• Independent directors ought to obtain separate and independent advice, with the advisers paid on a fixed fee basis

• Formal consideration should be given to cultural integration, including the impact on employees

• Shareholder support should not be conditional on approving executive pay deals

3 We engage with policymakers and regulators on M&A rules

We want to ensure that markets work effectively, with investors having sufficient time and information to consider offers. It is important that such protections balance the competing needs of companies, stakeholders and shareholders whilst not prohibiting a valid approach.

Case study: Collaborative engagement on M&A

Netherlands: During 2017 the Dutch government suggested new legislation to adopt a 12-month ‘time-out’ period for hostile takeovers. We worked collaboratively with other investors and the International Corporate Governance Network to express our concerns that the extended holding period could protect underperforming management and emphasised the importance of allowing investors time to review any transaction. The Dutch government is currently considering alternative proposals.

Japan: Many companies in Japan maintain significant equity stakes in other Japanese companies. This structure acts as a deterrent for M&A activity. We called for amendments to the Japanese Corporate Governance Code to include a provision requiring companies to improve their disclosure and explain the financial benefits of holding equity in other companies.

UK: We worked collectively with other investors through the Investment Association to send a consistent message that the scope of the government’s ability to veto any bid ought to be clearly defined. We submitted our own response to the consultation in January 2018.
An eye on the numbers

Having accurate and reliable financial information is the bedrock of investment decision-making and effective corporate governance.

The audited accounts provide independently checked information on how management has used our capital over the year to generate value. During 2017, we undertook a number of activities to improve the quality of – and trust in – corporate reporting.

**Case study: Enhanced disclosure on distributable reserves**

Over the past three years we have been promoting greater transparency on the reserves and profits used by companies to pay dividends. In the UK it is illegal for a company to use its capital to pay shareholder dividends. Unfortunately, we have seen a number of large UK companies that have done so, such as Next and Betfair.

To prevent this happening, we wrote to the FTSE 100 companies in 2014, alongside other investors, asking for greater disclosure on the companies reserves and ability to pay the dividend. During 2015 and 2016, we also worked closely with the UK Financial Reporting Council’s lab to produce guidance on best practice disclosure in this area.

**Audits**

It is critical to receive the assurance provided by an independent and high-quality audit. We continue to have concerns regarding how auditors are managing their conflicts. In 2017, we undertook a comparative exercise of the large auditors’ conflict of interest policies to identify best practice. We have used this analysis in our engagement with the audit firms. To gauge independence, we also gather data on the level of non-audit fees that the auditor collects from audited firms.

Where we identify a conflict with an auditor of a company, we will ask if that conflict can be addressed.

% of FTSE 100 companies providing enhanced disclosure on distributable profit

![Chart showing percentage of FTSE 100 companies providing enhanced disclosure on distributable profit]

Source: Financial Reporting Lab, Disclosure of dividends - policy and practice, October 2017
Case study

**Case study:** Vodafone  
**Market cap:** £55bn  
**Sector:** Telecoms  
**Country:** UK

**What is the issue?** We have been engaging on a conflict that we believe exists with the external auditors of Vodafone. Auditors should seek to maintain the highest standards of independence, and we believe that they ought to have appropriate processes to reduce the potential for real or perceived conflicts to develop over other commercial opportunities.

**Why is it an issue?** PricewaterhouseCoopers (PwC) has been the external auditor of Vodafone since 2014. After accepting the appointment as Vodafone’s auditors, PwC also accepted a role as the administrators to Phones4U. The Phones4U founder has accused Vodafone and other phone companies of colluding to pull contracts from Phones4U, leading to its collapse in 2014. In 2016, PwC informed the board of Vodafone that it may have to pursue legal action against the company in relation to Phones4U. We believe this causes a conflict between PwC and its responsibilities to both Vodafone and Phones4U.

**What did LGIM do?** During the year we engaged with PwC and the audit committee of Vodafone on this issue. This led us to vote against PwC’s re-appointment as auditor at the 2017 AGM of Vodafone. We also escalated the issue to the UK’s Financial Reporting Council, the UK’s audit regulator.

**What was the outcome?** The engagement has resulted in us reviewing all of the large audit firms’ conflicts of interest processes, in order to identify and promote current best practice.
Board diversity

We believe better diversity brings economic, as well as cultural benefits.

This is why in 2017 we voted against more board chairs than ever at UK companies on the basis of poor diversity.

The number of female board members of UK companies has gone up slightly since 2016, to 27.7% in the FTSE 100 and 22.8% in the FTSE 250. We continue to vote against the chairs of the board at FTSE 350 companies that show a lack of diversity. Having strengthened our policy, from 2018 we are voting against the chairs of the board of FTSE 350 companies if they have not already reached 25% women at board level. We will also vote against management if we notice ill-conceived or poorly implemented diversity policies.

In 2017, we started to vote for the first time against all-male boards of S&P 500 companies in the US. Our voting reflects not just board composition, but also the quality of diversity policies. We understand this is not an easy issue, but some companies still present generic ‘boilerplate’ policies that do not give any insight into how they really view diversity or what they are doing to address the issue at board, executive committee and employee levels. We consider a company’s workforce as important as its financial assets and expect that better policies and disclosures regarding diversity should be well developed.

During 2017 we voted against 37 board chairs or chairs of nomination committees of UK boards due to poor diversity, the highest number since we established this voting policy in 2015.

% Women held directorships 2016 vs 2017

Source: MSCI Women on Boards : Global Progress Report 2017

23. Source: Hampton-Alexander Review
Case studies

**30% Club Investor Group**

As part of our membership of the 30% Club Investor Group in the UK, we have committed to engage collaboratively with UK companies where board level diversity is poor and policies need to be strengthened. This collaboration strengthens our voice, and the Investor Group meets regularly. We sit as co-chair of the group in order to formulate objectives. The group has selected some target companies in the property sector and we have recently chaired a meeting with a property company along with 11 other investors, both institutional investors and asset owners. We had a constructive meeting with the chair of the company to discuss and explore the commitment to diversity both at a board and employee level. The chair assured us during the meeting that an additional female board member would be put forward for election in 2018; we will monitor progress on this matter.

**US diversity coalition**

We co-founded a coalition to engage on the issue of board diversity and refreshment at US companies. Along with US pension funds CalSTRS, OPERS and Dutch asset manager APG, we wrote to 58 US companies where board diversity and refreshment are poor, offering to meet them in order to better understand their processes and commitments to these issues.

Engagement meetings are currently underway with the CEOs and chairs of nomination committees at the companies, during which we discuss commitment, process and disclosure. We have had 27 meetings with our target companies. Eight of these companies have made changes to the make-up of the board or to their diversity policy and nomination charter documents to include a commitment to broader diversity issues. The coalition plans to publish a paper and will continue working together during 2018.
Collaboration

Collaboration with other investors is a powerful tool and one of our priorities at LGIM.

As one of the world’s largest global asset managers, we use our scale to bring about positive change. Collaborating with other investors helps us to strengthen our voice further by using our power as a group of investors to drive change and deliver a consistent message.
Case studies

**ESG in credit ratings**
LGIM is a long-time signatory to the UN-supported Principles for Responsible Investment (PRI) initiative, whose aim is to encourage investors to incorporate ESG factors into investment analysis. As a significant fixed income investor, we joined a PRI working group on the integration of ESG into credit ratings. We were pleased to see a report we helped develop as part of the working group be awarded ‘Best ESG Paper 2017’ by Savvy Investor\(^\text{24}\).

**Conflict minerals in the Democratic Republic of Congo**
Under US law, American public companies are required to avoid using minerals that fund war and human rights abuses in the Democratic Republic of Congo. Further to public concerns that the law would be suspended, LGIM, along with 127 other investors representing over US$ 4.8 trillion in assets under management, participated in an initiative to express our continued support for this law. We followed up later in the year with a second collective letter to reaffirm our support to this law during the congress budget-approval period and in reaction to a proposed amendment which aimed to prohibit the use of this law.

**Promoting essential corporate governance standards in China**
MSCI has announced that domestically listed Chinese companies (A-shares) will be included in its Emerging Market index in 2018. We took part in an event organised by the Asian Corporate Governance Association, offering us the opportunity to engage directly with various government and financial representatives in China. With increasing interest and foreign capital inflows into Chinese stocks, we are concerned with the minimal disclosures on governance and environmental and social issues, in addition to disclosures in English. This is why our key message was to set out our expectations for the corporate governance code, improved transparency in company reporting and the development of the concept of investor stewardship. We are now pursuing a number of follow-up activities before the inclusion of the A-shares in the index.

**Board independence in Japan**
In 2014, we launched a collective investor engagement to push Japanese companies to have at least one third of independent members on their board. Following our initial success, we decided in 2017 to continue our work on this topic. We launched a collaborative engagement initiative with two other UK investors and one US institutional investor, asking for strengthened board independence. Together, we wrote a letter in English and Japanese to the presidents, board chairs and independent directors of 32 companies. We also committed to coordinate use of our voting power to have a greater impact. We will continue our individual and collective engagement with Japanese companies going forward.

**Opposing limits on shareholders’ say on director elections in Sweden**
In Sweden, it is common for public companies to list their board directors for election in one single ‘bundled’ proposal instead of allowing shareholders to approve individual nominees to the board. We were concerned this would limit investors’ ability to effectively exercise voting rights by holding directors personally accountable. In 2017, we followed up on a multi-investor initiative of 2015, when we wrote to 40 companies listed in Sweden that were proposing bundled elections. Almost half of those companies now allow shareholders to vote on the individual board members. Given the success of our initiative, LGIM, along with other investors representing €5.8 trillion of assets under management, wrote a second letter to the companies that had yet to propose their directors for individual election by shareholders, calling for a change at their 2018 AGMs.

Integration

Integrating ESG considerations into investment processes can help mitigate risks and improve long-term financial outcomes.

From the diesel emissions scandal to the perceived exploitation of zero-hour contracts, there are many recent examples of how failures in the way companies are run can harm the environment, society and investor returns.

We believe integrating environmental, social and governance (ESG) factors into investment processes can help mitigate the risk of such episodes affecting companies held within a diversified, long-term investment portfolio. Research has shown that such an approach to investing can also improve long-term financial outcomes and lower overall portfolio volatility. In addition, it can meet our clients’ growing appetite for investments that better reflect their values.

At the simplest level, ESG is about good management. Companies with strong governance oversight are less likely to provide investors with unpleasant surprises; equally, companies that are aware of their impact on wider stakeholders are less likely to face political or regulatory pressure. Such companies are also better positioned to withstand – and even benefit from – shifts in the market environment.

What we are doing?
At LGIM, we seek to address these and other ESG considerations by embedding both top-down and bottom-up ESG analysis into our investment processes. We also have a ‘joined-up,’ firm-wide approach to engagement, voting and integration.

In terms of top-down analysis, we spend a lot of time assessing the major long-term, thematic issues causing structural shifts across industries over varying timeframes.

The three thematic groups we launched in 2017 focus on the evolving dynamics of energy, technology and demographics. Examples of the challenges that ESG can help to address include the impact of climate change on energy markets; the influence of the growing digital economy on data security and privacy; and the interplay between evolving demographics, health and fiscal imbalances. Where necessary, the groups’ findings influence portfolio weighting and construction.

In terms of bottom-up analysis, we use our in-house ESG and climate scoring tools – combined with qualitative analysis carried out by equity, credit and Corporate Governance teams – to identify how well companies are preparing for changes in the market environment and managing day-to-day ESG risks.

Finally, we engage with companies to enhance our analysis and influence change. This is necessary when our research suggests companies are not effectively preparing for evolving long-term trends or managing ESG risks and opportunities. We engage both on our own and collaboratively with other investors, and at a thematic level we align our engagement activities with the firm’s long-term investment themes.

We integrate our findings from each of these processes to inform our voting decisions.

Process in action: Connecting the dots.

After more than a century of incremental change, technological trends and consumer demands around road vehicles are converging. LGIM’s technology thematic group has been examining what this means for the automotive industry and the outlook for the ‘car of the future’. More information on their findings can be found on our website.

**Case study 1: Daimler**

Our analysis and engagement with Daimler suggested it could be subject to disruption. We have held 21 meetings over the past two years, and both our ESG and climate scoring methodology ranked the carmaker low for climate-related preparedness. We continued to engage with the company across LGIM, including via our Climate Impact Pledge. Following reassurance from management on its commitment to R&D and new technologies and given the low valuation, our equities team concluded the disruption was priced in to Daimler’s shares, but evolving future opportunities were not and positioned their portfolios accordingly.

**Case study 2: Centrica**

Energy retail is another sector that has historically been subject to incremental change. However, technology and policy – driven by the decarbonisation social agenda – have started to accelerate the pace of change in the industry. On the back of our meetings with the UK regulator and Centrica, combined with our ESG and financial analysis, we were not confident the company could keep pace with the rapidly changing UK energy retail environment. These concerns were contributing factors in the decision by our analyst to downgrade their credit recommendation.
Board effectiveness

LGIM believes an effective board is vital to a company’s long-term success.

We actively engage with and vote on a broad range of board issues, including succession planning, nominations, skillset, reviews and diversity.

LGIM’s corporate governance team discussed the issue of board composition at 45% of our engagement meetings in 2017.

Where engagement does not lead to change, we escalate our position by voting against companies.

More than half of our votes against directors in the UK were due to independence concerns.

In the North American market, 40% of our votes cast against directors were due to concerns around tenure in line with the position we took in our publication on board tenure. Directors’ additional board positions is another area of concern in the North American market and constituted 31% of our votes against directors in 2017.

Board independence remains a key issue in Japan and constituted 60% of our votes against directors in 2017.

Source: LGIM data
LGIM held a total of 13 meetings with BHP Billiton (BHP) in 2017. Following the announcement that the Board Chair would step down, succession planning was one of the key topics on our agenda.

Taking into account the size and scale of the company, we wanted to ensure the right people sit on its board. The position of chairman is crucial, as he or she exercises oversight of management and board composition, including the appointment of the company’s CEO.

We held several meetings with BHP’s senior independent director – who was leading the chairman search – to share our views and expertise on issues around board succession-planning. In June 2017, the company announced the appointment of a new chairman. We believe his business operational experience as a former CEO will benefit BHP Billiton, particularly as it faces scrutiny from activist investors. We publicly supported the appointment process.

Our engagement with Wells Fargo continued in 2017 following the bank’s 2016 cross-selling scandal. Our engagement in 2016 contributed towards the CEO-chairman, stepping down and company bylaws being amended to require separation of the CEO and chair roles. Last year, we remained focused on board composition and risk management issues. We held a total of six meetings with the company in 2017. We requested that:

- The board be refreshed and a long-term board refreshment plan be set out;
- The composition of the audit and risk committees, which are key board committees, be reviewed;
- An external board effectiveness review be conducted to help through the transition.

All of these changes were implemented by the company during the year. In addition, three more independent non-executive directors (NEDs) were appointed in January 2018, which we believe will strengthen the board.
Company education

**NED event**
We held our second annual NED Breakfast event in 2017, welcoming 75 NEDs, chairs and company secretaries of FTSE 350 companies.

The event was an opportunity for large companies to hear about our policies and views on governance topics in preparation for 2018. Topics included best practice in an M&A situation, expectations for executive pay, the stewardship role of the company secretary, our views on the current regulatory environment and the board’s responsibility to address climate change.

Following the success of our NED breakfast event, we presented on corporate governance best practice in Dublin to over 50 NEDs, company secretaries and their advisers.

**Shall we talk? LGIM’s guide to board-investor dialogue**
The global public and political scrutiny on companies and their directors, and push for greater shareholder engagement, has driven more dialogue between investors and boards. However, regional disparities remain in terms of access to the board and the quality of meetings.

We decided to address the issue by publishing an article aimed at:

- Encouraging dialogue between board directors and their investors by explaining why engagement is beneficial for board members and the company as a whole
- Setting out our expectations on engagement with companies on a global scale

This publication will be sent directly to ‘laggards’ with which we are proactively seeking to engage but where engagement is difficult.

Promoting good corporate governance and stewardship

As a significant international investor, LGIM believes that establishing global corporate governance and stewardship codes is essential to promoting healthy and efficient capital markets.

These codes provide guidance on best practice for companies and shareholders while respecting local legislation, leading to higher market standards. We have been a strong advocate for the development of these codes, which collectively aim to protect the integrity of the market over the long term.

Setting high corporate governance standards

A corporate governance code aims to help companies develop an internal framework for delivering long-term success. It is a set of best practice guidelines that companies can adopt to improve efficiency and reduce risks. While we believe a company’s directors have primary responsibility for establishing best practice, governments and regulators also play an important role in setting guidance.

Corporate governance codes need to take into account the legal framework of the jurisdiction in which they are created (e.g. company law, securities law and listing rules). Locality also determines where oversight of the code sits and who has ultimate responsibility to ensure it reflects local corporate governance standards.

Countries that have already established a corporate governance framework evolve their codes to reflect the global business environment. As a global shareholder, we have been actively involved in promoting improvements in corporate governance codes. We collaborate with regulators, outlining current gaps in legislation, examples of best practice and the emergence of new topics and themes.

Evolution of topics in corporate governance codes

<table>
<thead>
<tr>
<th>Traditional topics</th>
<th>Emerging themes/topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board composition effectiveness and leadership</td>
<td>Board diversity</td>
</tr>
<tr>
<td>Remuneration</td>
<td>Better alignment and long term remuneration</td>
</tr>
<tr>
<td>Audit and risk</td>
<td>Wider stakeholder perspective</td>
</tr>
<tr>
<td>Relations with shareholders</td>
<td></td>
</tr>
</tbody>
</table>

Accountability

Corporate governance code

Transparency
Case study

Hong Kong
In December 2017, we responded to the Hong Kong Stock Exchange’s consultation on amendments to its corporate governance code. Drawing on our experience in other markets, we suggested several areas of improvement. A key focus in our response was on the issue of board composition, given its importance in the region. We requested that the code be strengthened in regards to the assessment criteria of a director’s independence and diversity disclosure.
Promoting high-quality stewardship

Stewardship codes are a set of principles by which asset managers and owners should abide to demonstrate their commitment to the long-term success of the companies in which they invest.

At LGiM, we strive for the highest standards of stewardship. We believe high-quality, effective stewardship benefits companies, investors and the economy as a whole.

In order to achieve maximum impact globally, stewardship codes need to reach critical mass. As a long-term shareholder, we have been actively supporting the development of stewardship codes by collaborating with other investors in global markets.
Defining local best practice:

A widely accepted stewardship code, setting out expectations of investors, would assist in driving long-term behaviour and investment performance.

Action and collaboration:

Identify markets which would materially benefit from a good stewardship culture or where the stewardship code is weak and collaborate with investors to improve standards.

LGIM international highlights 2017

• We collaborated with US investors to develop the Investor Stewardship Group (ISG) Principles
• We are an endorser of the Principles and a representative on the governance committee to influence future developments
• Supported by asset managers representing over US$22 trillion
• We actively engaged with the Financial Services Authority to promote collaborative engagement
• We were one of the first global investors to sign the Stewardship Code when founded
• We received tier 1 status as a signatory to the Stewardship Code, meaning we have provided a good quality and transparent description in our approach to stewardship and explanation of alternative approaches where necessary
• In the 2016/17 government’s review of corporate governance reform in the UK, LGIM called for the UK Stewardship Code to be strengthened and made more accountable
Culture

Culture is increasingly recognised as having an influence on company performance.

It is an important element to consider in the context of company strategy, decision-making and electing the right people to manage businesses.

Corporate culture is a system of shared values that help to define what a company stands for; the expected behaviours and performance of its employees; and how those employees should be motivated and incentivised.

A company’s culture is manifested not only in its operations and relations with its employees, but with all stakeholders – including investors, communities, customers and suppliers – and in its impact on the broader environment. Whether openly discussed or silently understood, culture plays an enormous role in an organisation’s performance and success.

Why is it important?
Over the long term, a healthy business culture can drive a successful business strategy and sustainable value. Conversely, a flawed or damaged culture can impede strategic outcomes, erode business performance, diminish customer satisfaction and loyalty, be harmful to reputation and brand image, and discourage employee engagement.

In short, a company’s culture can make or break even the most insightful strategy or the most experienced executives.

How is it developed?
While often thought of as organically grown, successful culture needs to be established by a leadership team with the same rigour as is applied to business strategy. It cannot be set by industry regulation, as no one size fits all. Nor is it a set of static values: as the business changes, so too may the values need to change to reflect a new direction. However, transparency is important, and we want to understand how companies are measuring and attempting to change/promote their internal culture.
Over 2017, Sports Direct dominated national headlines for its perceived systematic poor treatment of workers and weak corporate governance. The chairman even failed to deliver on his promise to disclose the findings of the company’s independent review of its governance and labour practices. This not only comes down to poor processes but also poor culture, in our view.

After direct engagement failed to deliver change, we voted against the chairman’s re-election in 2014. As a result of continued poor progress in 2015, we escalated our stance by voting against all of the independent directors on the board in 2016. When change was still not forthcoming, we voted against the chairman’s re-election for the fourth consecutive year.

**Taking action on culture**

There is broad consensus that human capital management is important to a company’s bottom line. A large body of empirical research has shown skilful management of human capital is associated with better corporate performance, including better risk mitigation.

We have recently joined The Human Capital Management Coalition in the US, a global group of 25 institutional investors representing over US$2.8 trillion in assets. Jointly, we sent a petition for rulemaking to the US Securities and Exchange Commission (SEC), requesting the SEC set companies higher standards on disclosure around the management of their human capital.

In the UK, we are a member of the Workforce Disclosure Initiative alongside 79 institutional investors that want companies to provide better information on their workforce. Currently, just 3% of companies in the FTSE 100 provide substantive discussion of the composition, stability and skills of their workforce in their annual report.

Both initiatives are critical for investors to understand companies’ culture and employee engagement. Without transparency about how a company is managing its human capital, investors cannot adequately assess the sustainability of a company’s business practices, risks and prospects.
Voting and engagement
Engagement stats for 2017

Total number of meetings: 370
Total number of companies: 224

Top three sectors by number of meetings:
- Banks
- Oil and gas
- Mining

Top three sectors by number of companies:
- Banks
- Utilities
- Commercial services

Number of meetings outside the UK:
- 50% (2016: 39%)

Number of companies outside the UK:
- 53% (2016: 47%)

Top three engagement themes discussed:
- Board composition: 168 meetings
- Remuneration: 109 meetings
- Climate change:* 108 meetings

*Including Climate Pledge
## Voting and engagement

<table>
<thead>
<tr>
<th>Number of companies voted at</th>
<th>UK</th>
<th>Europe</th>
<th>US and North America</th>
<th>Japan</th>
<th>Asia Pacific</th>
<th>Emerging markets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>706</td>
<td>373</td>
<td>691</td>
<td>501</td>
<td>355</td>
<td>1002</td>
<td>3,628</td>
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<tr>
<td>Annual General Meetings (AGM)</td>
<td>628</td>
<td>262</td>
<td>656</td>
<td>496</td>
<td>305</td>
<td>677</td>
<td>3,024</td>
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<tr>
<td>Extraordinary General Meetings (EGM)</td>
<td>141</td>
<td>36</td>
<td>38</td>
<td>5</td>
<td>51</td>
<td>445</td>
<td>716</td>
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<tr>
<td>Total number of votes</td>
<td>11,227</td>
<td>6,285</td>
<td>9,216</td>
<td>6,224</td>
<td>2,498</td>
<td>10,996</td>
<td>46,446</td>
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<tr>
<td>% of resolutions</td>
<td>For</td>
<td>Against</td>
<td>Abstain</td>
<td>For</td>
<td>Against</td>
<td>Abstain</td>
<td>For</td>
</tr>
<tr>
<td></td>
<td>96</td>
<td>4</td>
<td>0</td>
<td>85</td>
<td>15</td>
<td>0</td>
<td>84</td>
</tr>
</tbody>
</table>

% of companies where we did not support at least one resolution | 36% | 62% | 77% | 79% | 39% | 59% | 59% |

LGIM voted against at least one resolution at 59% of companies during 2017, compared to 56% in 2016.

Our voting is independent, and not influenced by potential business pressures. In 2017, we voted against at least one resolution at 49 of our largest 100 clients.
Voting policies

We reviewed our voting policies during the year to ensure they remain aligned with change in the corporate landscape, while continuing to respect our clients’ investment beliefs and represent their interests. Changes made to our policies reflected our stronger stance on governance issues.

**UK policy**

- We integrated into our voting policy our Principles on Remuneration, published in September 2016, which takes a stronger line on remuneration

- We set diversity thresholds in line with our objective of achieving a minimum of 30% women on the board of FTSE 350 companies by 2020. We committed to voting against the chair of the board and/or nomination committee of FTSE 100 and FTSE 250 companies that have less than 25% and 20% women on their boards respectively.

**North America**

- We committed to voting against the chair of the nomination committee of S&P 500 companies that do not have any women on their board

- In line with our article on board refreshment and to encourage adoption of board tenure limits by companies, we committed to voting against board members when we have concerns around directors’ tenure.

**Japan**

- We committed to vote against the chairman of the board where the board comprises less than one-third of independent directors.

Our voting records and regional voting policies are publicly available on our website at:

http://documentlibrary.lgim.com/documentlibrary/library_55458.html
Stakeholder roundtable on governance

In 2017 we hosted our first roundtable discussion on our voting policies. It was an opportunity for us to understand the views of our clients and external governance experts on topics pertaining to good governance. These include virtual shareholder meetings, shareholder resolutions, voting intention disclosure, board independence, the employee voice and the protection of shareholder rights.

We organised a separate stakeholder roundtable on our sustainability policy in January 2018.

We used the outcomes from these discussions to strengthen our 2018 voting policies, in order to ensure they continue to reflect our clients’ investment beliefs and remain aligned with best practice.

Simplifying the voting chain

We acknowledge that, in giving us their mandate, our clients require us to vote with their shares on their behalf. Given the scale of our holdings, we cannot be physically present at every company shareholder meeting to cast our votes. We instead vote by proxy, using different service providers.

Having grown in size and significance in recent years, the proxy voting chain has become structurally inefficient, with too many intermediaries involved. This results in voting deadlines for institutional investors such as LGIM being set well in advance to allow the vote to go through to the company in time for the shareholder meeting. As our voting decisions are based on an independent house view, this in turn means we have less time to analyse resolutions and even change our mind. Moreover, we do not presently receive confirmation by companies that our vote has been cast, which raises transparency concerns.

In order to help the industry address various inefficiencies of the proxy chain, we took part in various initiatives using disruptive technology. Participating in pilot programmes was an opportunity for us to get direct access to, and provide feedback on, these new technologies and their development.
UK in focus

Top three votes against management:

1) Remuneration  2) Board effectiveness  3) Shareholder rights

<table>
<thead>
<tr>
<th>Proposal category</th>
<th>Total UK 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For</td>
</tr>
<tr>
<td>Anti-takeover related</td>
<td>433</td>
</tr>
<tr>
<td>Capitalisation</td>
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<tr>
<td>Directors related</td>
<td>4257</td>
</tr>
<tr>
<td>Non-salary compensation</td>
<td>1043</td>
</tr>
<tr>
<td>Reorganisations and mergers</td>
<td>89</td>
</tr>
<tr>
<td>Routine/Business</td>
<td>2641</td>
</tr>
<tr>
<td>SH-Dirs Related</td>
<td>1</td>
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<tr>
<td>SH-Health/Environment</td>
<td>2</td>
</tr>
<tr>
<td>SH-Routine/Business</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>10728</td>
</tr>
</tbody>
</table>

Total resolutions: 11227
No. AGMs: 628
No. EGMs: 141
No. of companies voted: 706
No. of companies where voted against/abstain at least one resolution: 252
% no. of companies where at least one vote against: 36%

LGIM opposed the re-election of 178 UK directors in 2017, compared to 89 in 2016.

29. This vote concerned a company incorporated in Bermuda, therefore the LGIM UK policy did not apply.
North America in focus

Top three votes against management:

1) Board effectiveness  
2) Remuneration  
3) Shareholder resolutions

<table>
<thead>
<tr>
<th>Proposal category</th>
<th>Total North America 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For</td>
</tr>
<tr>
<td>Anti-takeover related</td>
<td>55</td>
</tr>
<tr>
<td>Capitalisation</td>
<td>76</td>
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<tr>
<td>Directors related</td>
<td>5530</td>
</tr>
<tr>
<td>Non-salary compensation</td>
<td>1191</td>
</tr>
<tr>
<td>Reorganisations and mergers</td>
<td>26</td>
</tr>
<tr>
<td>Routine/Business</td>
<td>763</td>
</tr>
<tr>
<td>Shareholder resolutions</td>
<td>126</td>
</tr>
<tr>
<td>Total</td>
<td>7767</td>
</tr>
</tbody>
</table>

- LGIM supported 40 shareholder resolutions on proxy access rights, which represents 13% of shareholder resolutions we supported
- LGIM supported 13 shareholder resolutions on the right to call a special meeting

LGIM opposed 828 director elections in 2017 compared to 331 in 2016.
Europe in focus

Top three votes against management:

1) Board effectiveness  
2) Remuneration  
3) Routine governance issues

<table>
<thead>
<tr>
<th>Proposal category</th>
<th>Total Europe 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For</td>
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<td>Anti-takeover related</td>
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</tr>
<tr>
<td>Capitalisation</td>
<td>705</td>
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<tr>
<td>Directors related</td>
<td>2035</td>
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<tr>
<td>Non-salary compensation</td>
<td>594</td>
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<tr>
<td>Reorganisations and mergers</td>
<td>76</td>
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<tr>
<td>Routine/Business</td>
<td>1763</td>
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<tr>
<td>Shareholder resolutions</td>
<td>182</td>
</tr>
<tr>
<td>Total</td>
<td>5363</td>
</tr>
</tbody>
</table>

- 16% of the shareholder resolutions we supported aimed to enhance diversity
- 25% of the shareholder resolutions we supported aimed to establish an Environmental/Social Issue Board Committee

LGIM supported 63 shareholder resolutions in 2017, compared to 44 resolutions in 2016.
Japan in focus

Top three votes against management:
1) Board effectiveness  2) Remuneration  3) M&A

<table>
<thead>
<tr>
<th>Proposal category</th>
<th>For</th>
<th>Against</th>
<th>Abstain</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Anti-takeover related</td>
<td>0</td>
<td>22</td>
<td>0</td>
<td>22</td>
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<tr>
<td>Capitalisation</td>
<td>2</td>
<td>4</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Directors related</td>
<td>4656</td>
<td>593</td>
<td>0</td>
<td>5249</td>
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<tr>
<td>Non-salary compensation</td>
<td>228</td>
<td>51</td>
<td>0</td>
<td>279</td>
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<tr>
<td>Reorganisations and mergers</td>
<td>108</td>
<td>16</td>
<td>0</td>
<td>124</td>
</tr>
<tr>
<td>Routine/Business</td>
<td>412</td>
<td>2</td>
<td>0</td>
<td>414</td>
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<tr>
<td>Shareholder resolutions</td>
<td>113</td>
<td>17</td>
<td>0</td>
<td>130</td>
</tr>
<tr>
<td>Total</td>
<td>5519</td>
<td>705</td>
<td>0</td>
<td>6224</td>
</tr>
</tbody>
</table>

Total resolutions: 6224

No. AGMs: 496
No. EGMs: 5
No. of companies voted: 501
No. of companies where voted against/abstain at least one resolution: 395
% no. of companies where at least one vote against: 79%

LGIM voted against one resolution at 79% of Japanese companies in 2017.
Asia Pacific in focus

Top three votes against management:

1) Board effectiveness
2) Shareholder rights
3) Remuneration

<table>
<thead>
<tr>
<th>Proposal category</th>
<th>Total Asia Pacific 2017</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>For</td>
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<tr>
<td>Anti-takeover related</td>
<td>9</td>
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<tr>
<td>Capitalisation</td>
<td>147</td>
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<tr>
<td>Directors related</td>
<td>965</td>
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<tr>
<td>Non-salary compensation</td>
<td>345</td>
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<tr>
<td>Reorganisations and mergers</td>
<td>67</td>
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<tr>
<td>Routine/Business</td>
<td>598</td>
</tr>
<tr>
<td>Shareholder resolutions</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>2153</td>
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</table>

Total resolutions: 2498

No. AGMs: 305
No. EGMs: 51
No. of companies voted: 355
No. of companies where voted against/abstain at least one resolution: 137
% no. of companies where at least one vote against: 39%

Votes against and abstentions in 2017

LGIM voted against at least one resolution at 39% of Asia Pacific companies over the year.
Emerging markets in focus

Top three votes against management:
1) Board effectiveness  2) Shareholder rights  3) Other governance routine issues

<table>
<thead>
<tr>
<th>Proposal category</th>
<th>Total Emerging markets 2017</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>For</td>
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<tr>
<td>Capitalisation</td>
<td>1584</td>
</tr>
<tr>
<td>Directors related</td>
<td>2873</td>
</tr>
<tr>
<td>Non-salary compensation</td>
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<tr>
<td>Reorganisations and mergers</td>
<td>750</td>
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<tr>
<td>Routine/Business</td>
<td>3357</td>
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<tr>
<td>Shareholder resolutions</td>
<td>70</td>
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<tr>
<td>Total</td>
<td>8850</td>
</tr>
<tr>
<td>Total resolutions</td>
<td>10996</td>
</tr>
<tr>
<td>No. AGMs</td>
<td>677</td>
</tr>
<tr>
<td>No. EGMs</td>
<td>445</td>
</tr>
<tr>
<td>No. of companies voted</td>
<td>1002</td>
</tr>
<tr>
<td>No. of companies where voted against/abstain at least one resolution</td>
<td>587</td>
</tr>
<tr>
<td>% no. of companies where at least one vote against</td>
<td>59%</td>
</tr>
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</table>

Votes against and abstentions in 2017

LGIM opposed 741 director elections in 2017, compared to 589 in 2016.
In the media
Our activities continue to attract high levels of media attention.

As active owners, we engage with companies on the issues that our clients and the public care about. Consequently, the team’s work achieved wide media coverage last year, including in the Financial Times, Nikkei, Bloomberg, The Guardian, The Times, City A.M. and the London Evening Standard.
Executive pay
Paying chief executives less can sometimes help corporate performance. Recognising our ongoing campaign for fair and aligned executive pay, members of our team have featured repeatedly in the Financial Times, on BBC Radio 4 and in Financial News.

Climate change
The Financial Times ran a full article explaining the importance of our Climate Impact Pledge. This was followed by two more articles in the Financial Times and one in Wealth Manager, outlining our views on how investors can incorporate sustainability into their active and index strategies.

Cyber security
Amid a growing wave of malware attacks, we spoke to the Financial Times about the importance of managing cybersecurity as a key operational and financial risk.

Board effectiveness
Both Reuters and the Sunday Times ran articles discussing our expectations for non-executive directors. The Guardian also interviewed an expert from our team to discuss succession at the helm of some of the world’s biggest banks.

Gender diversity
It is not just who is on a company’s board that matters, sometimes it is who is not on the board, particularly if this means excluding half the world’s population. The Financial Times chronicled our efforts to appoint more women on company boards, and we spoke to Financial News about improving disclosure of workforce practices.

Raising our voice
While we always aim to have constructive engagements with companies, we are not afraid to bring our concerns into the public arena when necessary. We were alarmed by governance issues at SportsDirect and the lack of shareholder rights at Snap Inc. These topics were covered by Reuters and the Financial Times.

As the Evening Standard described our approach to active ownership, “this has to be the way for the fund-management sector to go.”
Industry consultations

We participated in consultations across the world, from the US to Japan and the UK.

Our responses emphasise the importance of high standards in listing, governance and reporting.

**Listing standards**

When companies require our money to list on the world’s stock exchanges, we want investor rights to be protected. This is why we have responded to the Financial Conduct Authority’s consultations on the process for Initial Public Offerings (IPOs). In our proposals, we requested a set of measures intended to improve the range and quality of information made available to investors before and during the IPO process.

We also expressed our reservations concerning the proposed addition of a ‘premium’ listing segment to the UK market. This segment would be for companies controlled by sovereign wealth funds. We felt that investor rights would be adversely affected by the proposal to waive current rules on the disclosure of related party transactions and the guidelines to protect minority shareholders in a premium listing.

LGIM has also noted an increase in the number of new companies coming to the market with shares that have limited or a complete absence of voting rights. This raises concerns because index investors have no choice but to invest in those companies included in the indices. A hot topic of engagement during 2017, LGIM responded to five separate consultations, from two major stock exchanges (Hong Kong and Singapore) and three major index providers (S&P Dow Jones, FTSE Russell, and MSCI). We reaffirmed our view that voting rights are a fundamental characteristic of well-functioning markets. Fair and equal treatment of shareholders means the control they have over a company should be in direct proportion to the capital they have at stake. We were pleased to see all the three index providers agree not to include companies with no voting rights onto major investable indices in the future.

**Corporate governance reform**

We continued our work to raise the bar on corporate governance around the world. In Japan, we supported the development of the Corporate Governance Code. Our proposals aim to strengthen board effectiveness and independence, promote capital efficiency and encourage investor stewardship.

In the UK, we participated in the Corporate Governance Reform inquiry, calling for increased disclosure on the pay ratios between CEOs and the average employee. We also pushed for better information from companies on how their directors are considering other stakeholders, such as employees, suppliers, and the impact on communities and the environment. The government has now proposed two mandatory changes to corporate reporting along these lines.

Similarly, we responded to the review of the Hong Kong Corporate Governance Code. We called for increased transparency with regard to party committee activities from Chinese state-owned companies listed in Hong Kong. We also suggested practical ways to improve board composition and activities, such as appointing a lead independent director and putting in place external board effectiveness reviews.
Climate change
LGIM responded to the consultation organised by the Taskforce on Climate-related Financial Disclosures (TCFD, see page 14). We gave our views on how asset owners like pension funds and asset managers like LGIM can provide more transparency on the topic of climate change.

As part of its engagement with the Green Finance Taskforce, LGIM also asked the UK Government to provide a legal framework around green investment opportunities.

Reporting
The efficiency of markets is determined by the quality of information available, which is why better reporting matters for investors.

LGIM responded to consultations organised by the Financial Reporting Council. We suggested ways to improve reporting on risk and viability (for the Financial Reporting Lab). We also suggested ways to strengthen disclosure of director duties in the strategic report, and called on the FRC to promote the TCFD guidelines.

Proxy advisers
Proxy advisers carry significant influence in the market, as their voting recommendations influence the outcomes of shareholder votes. We have participated in two consultations on best practice principles for proxy advisers, including one by major provider ISS. In our responses, we suggested that proxy advisers could improve some of their default policies. For example, they could oppose discretionary (‘exceptional’) pay increases in the US, a measure that increasingly resonates with investors.

Public presentations

Public events allow us to present our views to a broader audience, from students to MPs.

During 2017 the team presented at 28 public events, on topics ranging from gender diversity and climate change to the role of independent directors.

We also explained our approach to activist shareholders and hostile takeovers during the 13D Monitor investor summit in New York.

We were invited twice to the UK parliament, to discuss the review of the UK Corporate Governance code and the importance of responsible tax. Best practices in corporate governance were the main topic of events organised by FTI Consulting in Dublin and Zygos in London.

We presented our work on climate change at the OECD Green Investment Financing Forum in Paris, the United Nations’ PRI in Person conference in Berlin (the world’s largest sustainable investment event), the Greater Manchester Pension Fund Stewardship Day, and Bank of America Merrill Lynch’s annual energy conference in London.

We discussed the development of green finance at Nasdaq in Stockholm, and the Financial Times’s Investing for Good Europe conference in London. The Carbon Disclosure Project also invited us to explain what institutional investors can do to prevent deforestation along the supply chain.

We also presented on gender diversity at the Women in Governance events organised by Blackrock and ISS.

We made the case for active ownership to students and academics, in conferences at Said Business School in Oxford, the London Business School and Imperial College London.
Awards
We were thrilled to see our work recognised by peers and clients, winning several awards for innovation in ESG.

For the third consecutive year, LGIM’s Corporate Governance team received the 2017 ICSA award for Best Investor Engagement. This award rewards the investor who, in the judgment of FTSE 350 company secretaries, conducted the most constructive engagement during the year. This award recognises LGIM for demonstrating a high standard of stewardship engagement in the market.

LGIM’s Corporate Governance team received the “2017 ESG Manager of the Year” award from Global Investor Group in July. This award recognises our innovative approach to environmental, social and governance issues through the launch of the L&G Future World Fund and our demonstrable commitment to ESG.

The Corporate Governance team received the “2017 Pensions and Investment Provider Award for Socially Responsible Investment.” Organised by Pensions Expert and FT Live, these awards aim to reward providers of products and services to UK workplace pension schemes for their excellence.
Awards (continued)

We were ranked as a “Leader” by the Asset Owners Disclosure Project for the management of climate risk within our portfolios. We are one of only two asset managers worldwide classified under this category, the highest possible.

Meryam Omi, the Head of Sustainability and Responsible Investment Strategy at LGIM, was commended by Responsible Investor for “outstanding individual contribution demonstrating innovation and industry leadership” in socially responsible investment.

The Future World Fund also won the Innovation Award at the Irish Pensions Awards, for the “development of a product that demonstrates the power of forward thinking.”

We were recognised at the Pensions Insight DC Awards with an award in the DC Innovation category for the development of the Future World Fund.
The Corporate Governance team

LGIM’s Corporate Governance and Responsible Investment team is led by the Director of Corporate Governance, Sacha Sadan.

LGIM is distinct in how its Corporate Governance and Responsible Investment team is structured and supported.

The team of 11 professionals, with an average investment experience of 13 years, is led by the Director of Corporate Governance, Sacha Sadan.

The Director of Corporate Governance reports directly to LGIM’s CEO. This structure, as well as the ability to engage with two independent non-executive directors of LGIM’s board, ensures that conflicts of interest are managed appropriately.

The team is independent from all fund management professionals and can therefore operate within Chinese walls to receive relevant sensitive information. However, fluid communication is maintained with fund managers in order to enhance ESG and financial dialogue with the companies in which LGIM invests.
Team biographies

**Angeli**
Angeli is a Corporate Governance Manager with responsibility for LGIM’s voting and engagement on ESG issues within certain sectors of the UK, Europe and Brazil. She is responsible for developing LGIM’s policies in these regions and specialises in executive remuneration. Angeli represents LGIM at the IA Remuneration Committee. She lives with her son and three adorable (but mischievous) miniature dachshunds in Surrey. All things tech, fast cars and executive pay usually get her pulse racing, although not all in a good way.

**Catherine**
Catherine joined LGIM in 2015, in a new role created to help drive forward ESG integration into mainstream fund research and to strengthen sustainability engagements. Prior to this, Catherine spent four years working with governments in Africa and Asia on the sustainable policy, planning and management of the extractives sector, and five years in sell-side equity research. A keen linguist and sportsperson, she bemuses her colleagues with a love of Capoeira and British Military Fitness.

**Clare**
Clare is Head of Corporate Governance North America and has overall responsibility for LGIM’s ESG engagement, voting activities and policy setting in the North American region. Clare also leads the governance team’s work on improving gender diversity on corporate boards. She sits on L&G Group’s Diversity and Inclusion Committee which works towards creating an inclusive and diverse culture. Clare is a qualified photographer and enjoys visiting exhibitions. She also loves to travel, run and bake, although perhaps not all at the same time.

**David**
David is focused on LGIM’s UK and European corporate governance activity including voting, engagement and client reporting. He also monitors public policy, responding to government / industry consultations in order to position LGIM as thought leaders. A disciplined athlete, he devotes many hours a week to boxing and weightlifting.

**Iancu**
Iancu joined LGIM in 2017 as a Sustainability Analyst. He brings an understanding of climate change to our company engagements and a passion for clear reasoning to our communications. He has worked for a leading environmental think-tank as well as the Cabinet Office, and has degrees in philosophy and public policy. An enthusiastic guitar player, he takes advantage of London’s music and art scene, though he will not be touring in 2018.
Jeannette
Jeannette is a Corporate Governance Manager with responsibility for LGIM’s voting and engagement within certain sectors in the UK and Europe. Jeannette has over 14 years’ experience in corporate governance, having previously worked for one of the UK’s largest pension schemes. When she is not reading corporate governance reports, she can be found digging in the garden and having laid her own garden patio and spent the previous summers landscaping, is now planning new ways to humanely remove the slugs.

Marion
Marion is a Corporate Governance Analyst involved with LGIM’s engagement and voting activities across Europe and the UK. After gaining one law degree in Lille, she hopped the Channel to gain an English one as well. Marion loves the expat life and when not training for a 10K run, she likes to visit the markets, museums and restaurants of London at the weekends.

Maxine
Maxine has amassed over 30 years’ experience as an assistant to directors as well as an Events and Office Manager within the financial services industry. Her organisational skills as a parent cross into her work life and vice versa. Maxine’s outside interests include sports and, in a previous role, she qualified as a football referee in the course of setting up the company football team.

Meryam
Meryam is responsible for engaging on sustainability themes globally and development of responsible investment product solutions. Meryam has over 13 years’ investment experience in asset management companies, starting her career as a business proposal writer for fixed income funds, eventually creating a dream job. She describes almost everything using food references and has an unbridled passion for linking the ‘big picture’ to spreadsheets.

Sacha
With over twenty years’ experience in Financial Services, Sacha Sadan is a true Londoner - born within the sound of the Bow Bells, he now lives south of the river. He makes good use of the city, regularly going to gigs and the theatre, as well as being a long standing West Ham season ticket holder. He’s travelled to every continent apart from Antarctica, but has never learned to drive.

Yasmine
Yasmine is a member of the Sustainability and Responsible Investment team, helping to integrate ESG into LGIM’s investment processes. Prior to joining LGIM, she worked with a communications consultancy that specialised in sustainable finance and development NGOs, and completed an internship with UN Habitat in Colombia. She lives in Hackney and when not in the office, you’re likely to find her at one of London’s many food markets.
CONTACT US

For further information on anything you have read in this report or to provide feedback, please contact us at corporategovernance@lgim.com. Please visit our website www.lgim.com/corporategovernance where you will also find more information including frequently asked questions.

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