

Proxy Voting Services

We acknowledge that, in giving us their mandate, our clients require us to vote their shares on their behalf. Given the scale of our holdings, we cannot be physically present at every company shareholder meeting to cast these votes. We instead vote by proxy through the Institutional Shareholder Services (ISS) voting platform 'ProxyExchange'.

All decisions are made by LGIM's Corporate Governance Team and in accordance with our relevant Corporate Governance & Responsible Investment Policy document which is reviewed annually.

Each member of the team is allocated a specific sector and/or region so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

OPERATIONAL

LGIM uses ISS's 'ProxyExchange' electronic voting platforms to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary environmental, social and governance (ESG) assessment tools.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a minimum standards custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice. In 2018, we updated our Global Principles document which sets out minimum standards for governance across all companies globally.

In addition, we have also set specific custom voting policies at an individual market level for those markets in which we adopt a stricter stance. All our custom voting policies are developed in accordance with our publicly disclosed position on ESG in our Principles document and country specific policies.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement.

LGIM has strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

RESEARCH

LGIM utilises the voting information services of ISS and receives research reports for all companies in the MSCI ACWI index. This research is used by the LGIM team to supplement knowledge and to provide details of company AGM resolutions. LGIM also feeds into the ISS client feedback period on specific ISS policy reviews on an annual basis.

DUE DILIGENCE

It is vital that the service of proxy voting services are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out our expectations, an analysis of any issues we have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

IVIS – INVESTMENT ASSOCIATION, IA

Institutional Voting Information Service provides research reports on upcoming shareholder meetings of companies in the FTSE All-Share. All research reports are colour topped to highlight whether there are governance concerns that investors such as LGIM should be aware of. Red being a breach of the UK Code on Corporate Governance; blue meaning there is nothing contentious in the resolutions being put forward for shareholder vote.

The LGIM team use these reports to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.

Important Notice

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