BAILLIE GIFFORD

Governance Review

2013/14

BG Environmental, Social and Governance Policy

2014

Introduction

Baillie Gifford recognises that owning a company's shares on behalf of clients confers certain rights and responsibilities.

As active managers, a key part of our investment strategy is to assess the quality of company management, in particular management attitudes to shareholders. When combined with financial information, non-financial business information can provide a valuable insight into the overall quality of management. Given that significant environmental, social and governance (ESG) issues play out over the medium to longer term, and that our clients are invested for the longer term, it is important that we consider companies' approaches to ESG issues on a case by case basis.

Approach

Baillie Gifford's investment philosophy is to add value through active management by making long-term investments in well-researched and well-managed, high quality businesses that enjoy sustainable, competitive advantages in their marketplace.

Corporate governance, environmental and social factors can be integral to the long-term sustainability of businesses regardless of where they are listed or the countries in which they operate.

Our investment approach aims to add value for our clients through the use of proprietary, fundamental research, building up an in-depth knowledge of individual companies in order to develop a view on their prospects. As part of this investment process, we endeavour to identify financial and non-financial issues within companies that we believe could have a material impact on shareholder value.

As responsible owners, and on behalf of our clients, we continue to monitor the companies in which we invest, and vote at company meetings on a global basis. We engage with those that are significant holdings, have experienced poor ESG performance, have a lack of disclosure, or are operating in high-impact sectors such as oil, gas, mining, infrastructure, or in politically-sensitive regions.

Our approach to the social and environmental aspects of share ownership is based on engagement and dialogue. Using in-house and external research, we identify key issues relating to our clients' shareholdings, and discuss them with the companies concerned. In this way, we encourage companies to monitor and address the material social and environmental risks and opportunities facing their businesses. We believe that this process can contribute to the long-term value of our clients' investments.

The Corporate Governance Team analyses all companies in which we are invested at least once a year. We have divided the investment universe on a geographical basis to facilitate regional expertise in governance, as well as ESG trends and issues. We engage with the right companies on the right issues, thereby concentrating our efforts where they can be most effective. Companies whose ESG performance or disclosure is not appropriate are identified as engagement priorities. We then undertake further analysis making use of all publicly available company documents, previous research pieces published on the Baillie Gifford Research Library, and analysis from ESG research providers and various brokers.

Engagement Themes

The ESG issues on which we focus vary between geographic region, industry sector and between companies. They are dependent on the emphasis of a company's core business activities.

Key ESG issues

The following list is neither exhaustive nor exclusive, but is representative of our expectations of companies on specific ESG issues.

Governance

- Board diversity
- Board-level responsibility for significant ESG issues
- Appropriate systems for assessment of risks and opportunities
- Formal policies and systems for implementation and subsequent monitoring of effectiveness
- Dialogues with stakeholders and disclosure of the above in publicly available reports
- Incorporation of relevant ESG issues into long-term executive compensation
- Appropriate relationships with regulators
- Consideration of minority shareholders

Corporate Disclosure and Engagement

Currently, levels of disclosure vary between sectors and between countries. Baillie Gifford endeavours to engage with all the companies in which it is invested on corporate governance, environmental and social issues where disclosure is either limited or not aligned with best practice. Best practice is specific to the sector and the country where the company is incorporated or listed. These differences are taken into consideration when analysing and engaging with a company.

Issues which are material to investors should be set out succinctly in the annual report. Disclosure should contain a policy element, description of company-wide implementation plans, indication of recent performance, and targets against which future performance will be evaluated.

In accordance with the ABI's (Association of British Insurers) revised Guidelines on Responsible Investment Disclosure, Baillie Gifford believes that ESG risks should be reported in the context of the whole range of risks and opportunities faced by the company. We also take the view that the ESG-related reporting should contain an outlook, and that it should describe action being taken to reduce risks. We also fully endorse the International Corporate Governance Network's (ICGN) Statement and Guidance on Non-financial Business Reporting.

As signatories to both the UK Stewardship Code and the UN Principles for Responsible Investment (UNPRI), we support effective dialogue between investors and companies on governance and strategic issues, particularly where this enhances and protects our clients' long-term returns. Details of our engagement policy and our compliance with the UK Stewardship Code can be found on our website (www.bailliegifford.com).

Evaluating the Effectiveness of our Intervention

When engaging with companies on ESG, we set clear objectives. Our underlying aim is to develop a good understanding of a company's policies, systems and performance. Where we believe these do not meet an appropriate standard and are not in our clients' best interests, we encourage improvements.

We monitor companies' progress and follow up on any meetings we have with them when we believe this to be necessary. We actively consider whether the objectives we set at the time of our meeting with the company have been met.

Industry Groups

We build and maintain strong connections with other shareholders in order to increase the influence we can bring to bear on our clients' behalf. We do this through formal and informal means. In 2007, we became a signatory to the UNPRI, a set of principles which encourage the incorporation of ESG issues into mainstream investment decision making and ownership practices. Having analysed and engaged with companies on ESG issues for a number of years, we saw becoming a signatory as a natural progression towards greater transparency and accountability to our clients on ESG issues.

Less formally, we often meet and network with ESG peers and, when appropriate, arrange joint meetings with company representatives.

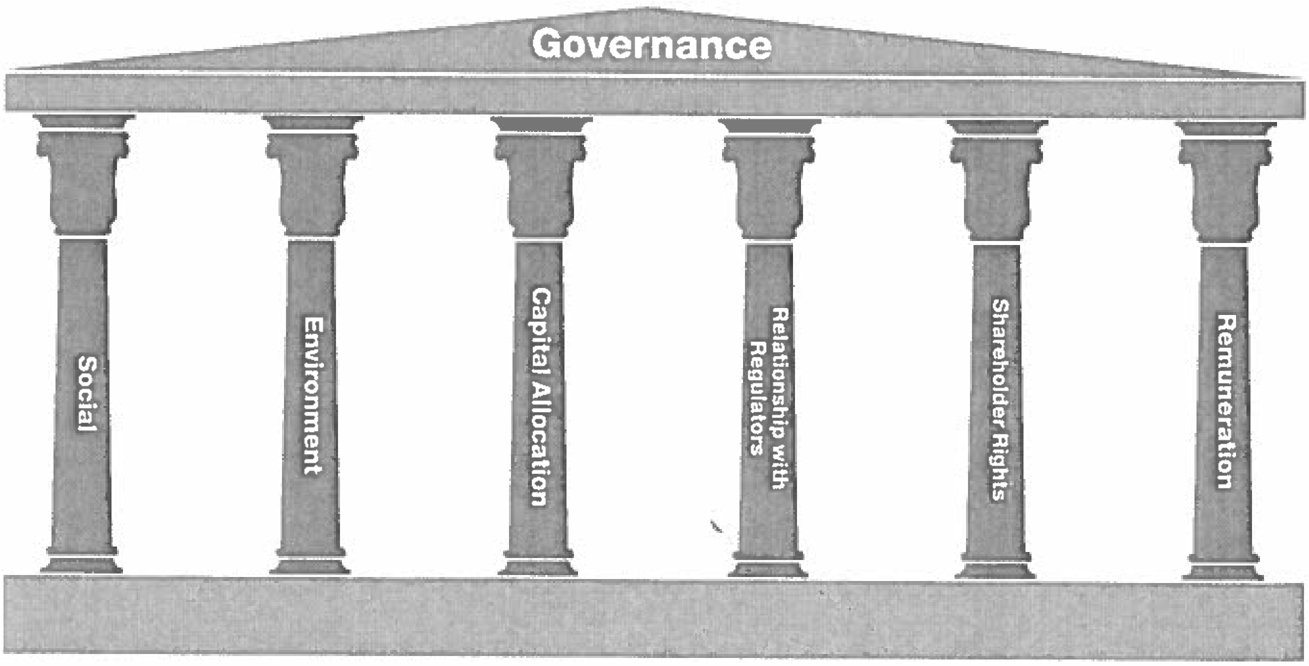
In addition, we provide input into UKSIF, the UK Sustainable Investment and Finance association, and therefore the UK's ESG agenda. As members of the Asian Corporate Governance Association (ACGA) we are active in contributing to corporate governance reforms in Asian markets. Baillie Gifford has also been a signatory to the Carbon Disclosure Project (CDP) since its inception in 2000. It provides a secretariat for the world's largest institutional investor collaboration on the business implications of climate change. We are also members of the Extractive Industries Transparency Initiative.

Governance and ESG

Welcome to the 2014 Governance Review. Overall, 2013 was a good year for the Corporate Governance team and 2014 looks set to continue the development of our systems and processes to support the work we do in collaboration with the different investment teams. I rarely have a chance to articulate how I, and more broadly Baillie Gifford, think about Corporate Governance, Environmental and Social (ESG) matters, so I welcome the opportunity this review presents. What follows is high level but I hope it provides some flavour of our philosophy behind these less tangible, more long-term influences on companies' growth. The rest of the review provides more practical examples of how we approach ESG research and engagement on a day-to-day basis.

How Do I Think About It?

I believe that governance, management, people, their values, time horizons, relationships and attitudes are integral to the decisions they make; decisions that influence social and environmental performance, capital allocation, remuneration structures, relationships with external stakeholders and attitudes towards minority shareholders. Environmental and social (E&S) factors should not be considered without understanding the relevant governance structures. It may be a blunt question to ask to illustrate the point but, was the BP Macondo disaster a failure of an environmental management system or a failure of management? I would suggest management were at fault.



How Does Baillie Gifford Think About Governance?

Management are critical. There are obviously many internal and external factors that feed into the growth and success of a company, but over a five to ten year time horizon, the decisions that management make will be influential. Assessing management is not simple and we have many conversations about how we analyse, consider and measure management quality. Ultimately, actions speak louder than words, but management turnover, remuneration policies, attitude towards minority shareholders and E&S performance are helpful indicators and can prompt further research and engagement.

It is important to highlight that each investment strategy at Baillie Gifford has its own approach to how it considers or reviews ESG performance. Management quality is part of every investment decision but beyond that there are different approaches. For some there is a quarterly review, for others it's part of the weekly stock discussions, some teams take full responsibility and the Corporate Governance team is a support function, others consult us on an ad hoc basis. It certainly isn't a one-size-fits-all tick box approach (which might be easier). Separate from the investment teams requirements, the process is two-way and it is the Corporate Governance team's responsibility to highlight any ESG issue to the different strategies if we believe it's of significance to the company in question. Flexible is a word we would like to use to describe ourselves.

Finally, I try hard not to use the word integration; challenge and collaboration are how I prefer to describe the Corporate Governance team's working relationships with the different investment teams. We're working together, not trying to bolt something on to an investment team's process.

What is Changing?

I have now been at Baillie Gifford for ten years and the Corporate Governance team is unrecognisable from a decade ago, not only in its make up but also the work we do on a daily basis. Every year we do more with the investors and engage with more companies. But, we are always thinking a lot about how we work and what work we do. To help with the 'how' we are in the middle of a significant systems project that should streamline the voting process, thereby freeing up time. It will also facilitate data extraction for projects and surveys such as the UNPRI survey. The time this creates will allow us to be more proactive with our research and engagement.

And I haven't mentioned the Kay Review or the Investor Forum. There is a lot happening in the UK at the moment and this is influencing many other markets including Japan and the European Union. The ability to understand and think about governance and broader ESG factors is only going to increase in importance globally and that is a great challenge and opportunity for investors, the Clients Department and the Corporate Governance Team.

How Do Our Clients Know if We're Considering ESG Factors Appropriately?

Given that I've said we won't be adding a box for investors to tick to 'prove' we're doing this, how should clients assess our approach to thinking about corporate governance, environmental and social factors? The Baillie Gifford score or ranking resulting from the UNPRI survey, should provide some confidence, but it will be an underpin at best. I believe that actions and outputs are the main indicator. One action is the secondments we do between the investment and Corporate Governance teams – this is not a common practice in the industry. It replicates the investor rotations and is an important part of our training and team development. For further detail see an investor's perspective following three weeks spent with the Corporate Governance team (page 12).

Portfolio turnover and performance are indicators. If we hold companies on clients' behalf that routinely have run-ins with regulators, where management's asset allocation is questionable, and if these risks or corporate actions are unexpected and not incorporated into the original buy discussion, clients should challenge us. Many factors feed into buy and sell decisions; ESG criteria are one small thread and so the answer will never be straightforward, but failure to do what we say we do will show through in the traditional performance indicators that clients and consultants use every day.

I have used this before but it remains true so to quote the CEO of a large holding of Baillie Gifford clients, Atlas Copco, "There is always a better way" and "I am happy but not satisfied." It's great to be working in an area that is developing so fast, has support and where expectations are high. However, we don't have all the answers and so the work goes on. I look forward to updating you throughout the year and if this prompts any questions please speak to your client contact.

Marianne Harper Gow,
Head of Corporate Governance, 2014

ESG in Different Markets

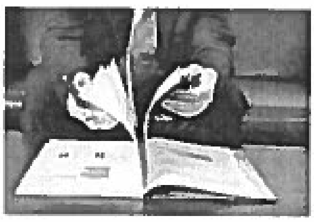
The significance of environmental, social and governance issues varies between geographies and therefore, although our research is bottom-up, it is important to have an understanding of the cultural environment in which companies operate. Management quality will always be important but the impact of other factors can vary.

UK Remuneration

In January 2014, we saw our first binding vote on companies' remuneration policies. This will be a triennial vote and is in addition to the non-binding annual vote on companies' remuneration reports and the introduction of new long-term incentive plans. In the fourth quarter of 2013 and the first quarter of 2014, we were consulted by approximately 50 companies which were keen to engage with their largest shareholders ahead of the 2014 AGMs. The purpose is to ensure they know in advance of the AGM whether anything within the policy is making institutional shareholders uncomfortable. For more details about our approach to assessing remuneration policies, please see the 2014 Corporate Governance Principles and Guidelines on our website. In summary we are looking to ensure the policies are:

1. Clear, simple, understandable and designed for the long term
2. Balanced and proportionate
3. Aligned with the long-term strategy and remuneration framework of employees throughout the organisation, and sensitive to risk
4. Clearly delivering outcomes that reflect value creation
5. Structured to avoid pay for failure

Our quarterly reports will provide an indication of how smoothly the 2014 voting season is progressing.



Social Challenges in South Africa

South Africa is known as the country of contrasts and contradictions. This applies to every social aspect of the rainbow nation, including living conditions, education services and the labour market. As part of a trip to the 2013 UNPRI conference in South Africa, we took the opportunity to explore these themes to understand the impact on the companies in which we are investing, and the potential opportunities they present. We looked at several socio-economics aspects including corruption and the role of equity distribution under the Black Economic Empowerment (BEE) regulation, the unions, employee training and incentivisation.

Corruption is not only a concern for a responsible investor; it is also an important social barometer. There is an increasingly empowered civil society acting against it. High level political scandals are in the papers every week, frequent local demonstrations are denouncing embezzlements by civil servants and national 'everyday corruption' campaigns are gaining momentum. High-level corruption is relevant for listed companies, notably because many BEE ownership deals have benefited a minority from the African National Congress (ANC), the ruling party.

Another aspect we identified as crucial in understanding the sustainability of a business model in South Africa is the ability of mining and retail companies in particular to maintain good relationship with unions. Unions play an important social role in South Africa and focus on basic salaries and the living wage rather than productivity metrics and employee share plans. Failure to address these issues can lead to social unrest, particularly in the mining sector.

On the positive side King III, the South African code of corporate governance, is a summary of the best international practices. Integrated Reporting is something that few global companies are attempting and even fewer are doing well. All South African companies are required to produce an Integrated Annual Report which helps when anlaysing a company's approach to managing broad ESG issues.

Engagement Examples from Around the World

UK

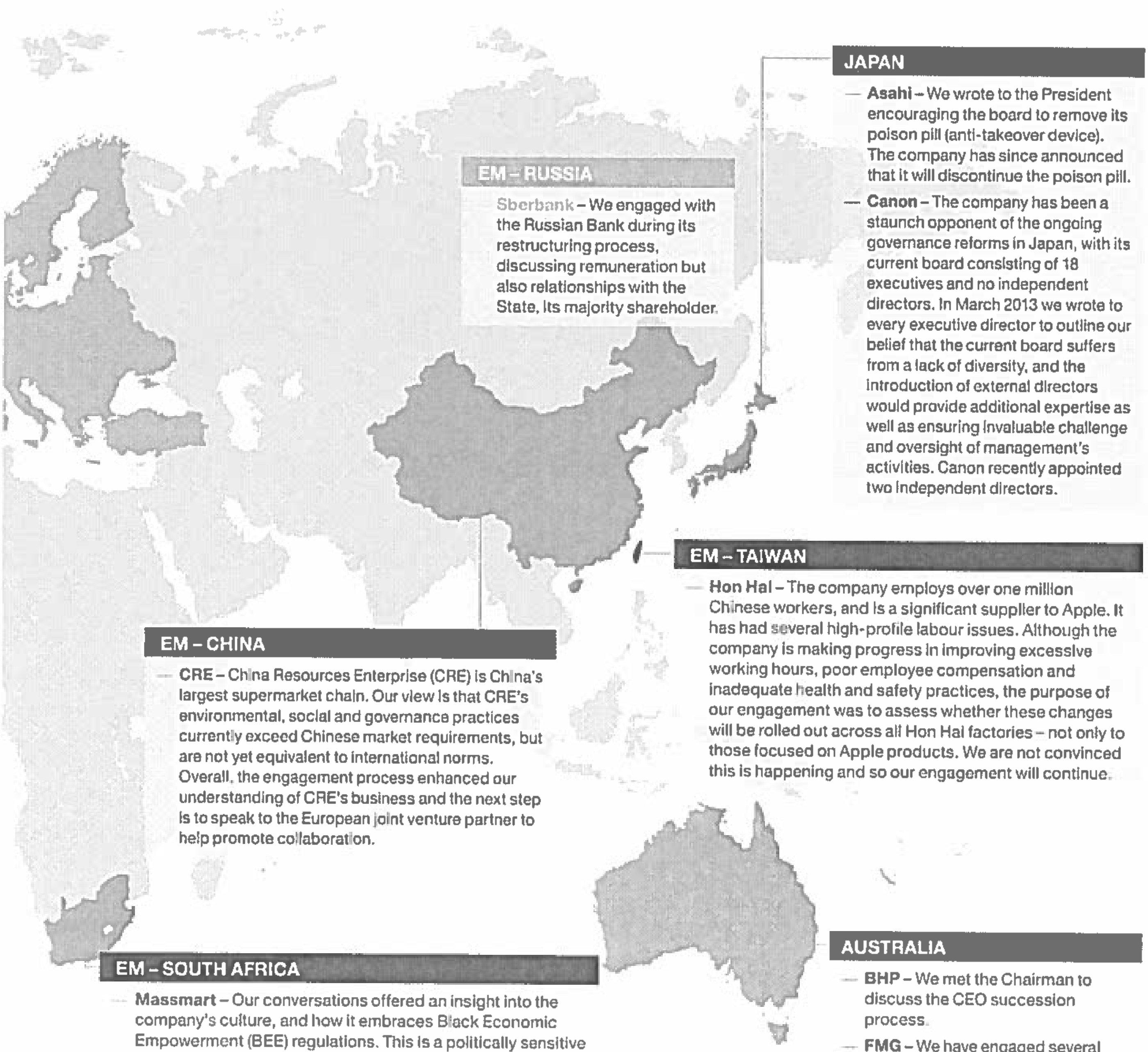
- **Standard Chartered** – We met the Standard Chartered chairman, several other board members and the company secretary in April. The challenges for board members of international companies are increasing, particularly in the banking sector.
- **Burberry** – Engagement on the remuneration policy is ongoing. Some amendments are required before we will be able to approve the 2014 policy vote.

US

- **Eldorado Gold** – A couple of years ago, we provided Eldorado Gold with a list of key Health and Safety and Environmental (H&SE) metrics. We were happy to find them partially disclosed in the 2012 Annual Report. However, although it is a good indicator that the company is considering these issues, we are yet to see the tangible implementation of group-wide H&SE standards.
- **Apache** – Although 2012 was a difficult year from an operational and share price perspective, the Compensation Committee granted additional discretionary bonus awards to the CEO and weakened the performance targets attached to the executives' equity-based compensation. We engaged with the company to outline our opposition to such actions and opposed the executives' compensation policy at the AGM.
- **O'Reilly** – From a corporate governance perspective, it is interesting because the company is transitioning from being a family-owned and managed business to one with broad-based ownership.
- **iRobot** – iRobot designs and manufactures robotics equipment for consumer, government and industrial products. The current remuneration structure is not consistent with the company's long-term strategy and does not act to align management with shareholders.

EUROPE

- **PPR Kering** – We had a discussion with Kering ahead of its AGM. Our areas of interest were the resolution to authorise the issuance of shares to service the incentive plan, and the company's progress in preparing an environmental profit and loss (P&L) account.
- **Inditex** – We had several meetings during the year discussing supply chain management. We are confident that Inditex's vertically integrated supply chain incorporates all relevant controls, audit procedures and improvement plans.
- **Atlas Copco** – The company is potentially the most sophisticated industrial company we own on behalf of clients in terms of 'sustainability' being an everyday part of what it does.
- **Ryanair** – Disclosure is not a strong point. The company received significant votes against the Annual Report and remuneration report at the 2013 AGM. Engagement is continuing.



JAPAN

- **Asahi** – We wrote to the President encouraging the board to remove its poison pill (anti-takeover device). The company has since announced that it will discontinue the poison pill.
- **Canon** – The company has been a staunch opponent of the ongoing governance reforms in Japan, with its current board consisting of 18 executives and no independent directors. In March 2013 we wrote to every executive director to outline our belief that the current board suffers from a lack of diversity, and the introduction of external directors would provide additional expertise as well as ensuring invaluable challenge and oversight of management's activities. Canon recently appointed two independent directors.

EM – RUSSIA

Sberbank – We engaged with the Russian Bank during its restructuring process, discussing remuneration but also relationships with the State, its majority shareholder.

EM – TAIWAN

- **Hon Hai** – The company employs over one million Chinese workers, and is a significant supplier to Apple. It has had several high-profile labour issues. Although the company is making progress in improving excessive working hours, poor employee compensation and inadequate health and safety practices, the purpose of our engagement was to assess whether these changes will be rolled out across all Hon Hai factories – not only to those focused on Apple products. We are not convinced this is happening and so our engagement will continue.

EM – CHINA

- **CRE** – China Resources Enterprise (CRE) is China's largest supermarket chain. Our view is that CRE's environmental, social and governance practices currently exceed Chinese market requirements, but are not yet equivalent to international norms. Overall, the engagement process enhanced our understanding of CRE's business and the next step is to speak to the European joint venture partner to help promote collaboration.

AUSTRALIA

- **BHP** – We met the Chairman to discuss the CEO succession process.
- **FMG** – We have engaged several times in the past two years with FMG, the Australian iron ore miner, to discuss disputes over land rights and relationships with aboriginal groups.

EM – SOUTH AFRICA

- **Massmart** – Our conversations offered an insight into the company's culture, and how it embraces Black Economic Empowerment (BEE) regulations. This is a politically sensitive subject with significant union involvement and impacts employee incentives, succession planning and training.
- **Naspers** – The founder and long-time CEO Mr Bekker had his tenure extended following the sudden death of the designated successor.

Lawrence Burns

How Governance Factors are Considered from an Investor Perspective:

Lawrence Burns, an Investment Manager in Baillie Gifford's EAFE Alpha Team Spent Three Weeks on Secondment

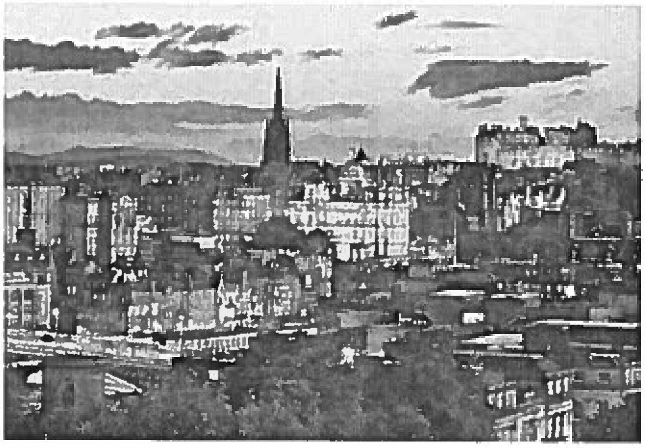
Investing with a five to ten year time horizon increases the importance of a company's governance structure, its impact on the environment and the society in which it operates. A company can gain in the short term from reduced costs stemming from lax environmental controls but in the long term there are likely to be consequences. Given the periods over which we invest, we are likely to be around to experience those consequences. A similar situation applies to governance structures. As investors, we can assess the decisions made today but effective governance structures help us have greater confidence in the decisions that will be made in the years to come.

Issues such as whether employees and suppliers are well treated, or whether society as a whole benefits can be very important to the success of an investment. If this is not the case, it can be more difficult for a company to grow, and future problems may build up. Companies that treat their employees poorly will struggle to recruit and retain good people and some may even face strikes. Those that treat their suppliers badly will find them to be more helpful to their competitors. A company whose business model is bad for society at large will only see these problems magnified as it grows, and will face threats such as regulation or brand damage. Assessing governance issues, much like investment as a whole, is more of an art than a science and is best conducted on a case-by-case-basis rather than through all-encompassing rules intended for all companies and situations.

Over the years, we have increased the emphasis we place on assessing management within our research process. It is primarily through the lens of management analysis that governance issues are often researched and debated in an investment context. Here the lines can become blurred between what is an investment consideration and what is a corporate governance consideration. Often there is no distinction.

Through examining remuneration schemes, board structures and the treatment of stakeholders, we can assess the culture of management, the time horizon within which they operate and the sustainability of their business. Baillie Gifford's investment research benefits from the breadth of knowledge of the firm's Corporate Governance team, offering a further perspective and assisting in the interpretation of different factors which influence investment decisions. For example, it may help us understand how differentiated and long-term a remuneration scheme is in the context of an industry and a country, or how environmental disclosure of a company compares to its global peer group.

The issue of engagement is also important. There is an element of responsibility here, but we are also hopeful that increasing engagement can simultaneously help make companies better, further our knowledge of management and improve our relationship with them. The coming year will, as ever, be an opportunity for us to make progress in all of these areas.



Implementing the UNPRI

PRI Principle	PRI Recommendation	Baillie Gifford's Response and Progress
Principle 1	We will incorporate ESG issues into investment analysis and decision-making processes.	As long-term investors, we believe that ESG issues are important and can have an impact on financial performance. The work the Corporate Governance Team carries out for various investors and product groups has evolved as our organisation has grown and new products have developed. In some cases, we may provide a short ESG overview of companies being discussed at the weekly stock meeting. For others, we will complete a quarterly overview of the portfolio. There are also instances where governance is more of a focus than broader ESG issues. In addition, any investment manager or analyst can ask the Corporate Governance Team for a view on a company or issue. Moreover, it is the team's responsibility to highlight any significant corporate governance, social and environmental matters to the investment managers. It would be an error to overlook a material ESG matter as part of the investment analysis and decision-making process.
Principle 2	We will be active owners and incorporate ESG issues into our ownership policies and practices.	In 2013 we engaged with 181 companies. Engaging with companies and voting at company AGMs and EGMs are important responsibilities of the Corporate Governance Team. Baillie Gifford votes globally. Engagement on broader ESG issues is focused on our largest holdings, companies with limited disclosure, which operate in sensitive or high-impact sectors, those with lagging performance, those that suffer a negative incident, and those where we have significant holdings and are therefore most exposed.
Principle 3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.	This is a primary responsibility of the Corporate Governance Team. When voting or engaging with companies, a frequent initial request is for an increase in disclosure.
Principle 4	We will promote acceptance and implementation of the Principles within the investment industry.	This is probably the Principle where we are least focused in the sense that we do not actively promote it. However, we are happy to discuss all aspects with clients and interested parties.
Principle 5	We will work together to enhance our effectiveness in implementing the Principles.	As members of the Asian Corporate Governance Association, UK Sustainable Investment & Finance, ICGN and the UK Corporate Governance Forum, we form part of a significant network of Governance professionals which frequently works together on different projects to enhance effectiveness. In addition and when appropriate we collaborate with clients on projects that are of mutual interest and benefit.
Principle 6	We will each report on our activities and progress towards implementing the Principles.	Our quarterly reporting procedures, as well as this annual Governance Review, are important tools for communicating to clients and our wider stakeholder group about Baillie Gifford's approach to being a responsible long-term investment manager, and the importance we place on our stewardship activities.

As mentioned in a previous section of this report, the governance team divides its responsibilities geographically. Our primary objectives are to consider the AGM agendas of every company whose shares we own on behalf of our clients and vote in the best interests of our clients. In addition, we provide each investment team with information that is of greatest interest and relevance to them, and remain available for ad hoc projects as they arise. The engagement stories and case studies presented in the rest of the report illustrate how we think about ESG issues.

Governance Glossary

Board Diversity	Refers to boards which comprise directors drawn from a range of backgrounds, and normally relate to women, nationality, experience, knowledge and age.
Capital Allocation	It is possible to assess the effectiveness and strength of a management team by the manner in which available capital is used – buying up rivals, expanding existing businesses or returning money to investors in the form of dividend payments or share buybacks are all possible uses.
Environment Data or Disclosure	This information offers an insight into a company's approach to considering the environment in which it operates, and can be used as an indicator for operational efficiency.
ESG (environmental, social and governance)	A generic term used in reference to corporate behaviour and the likely impact of this on a company's financial performance. It covers issues such as measures adopted to minimise the company's carbon footprint. — Governance – management quality, relationships with regulators, consideration of (foreign) minority shareholders — Environment data or disclosure – can be used as an indicator for operational efficiency — Social factors translate into labour standards, community relations, control of health and safety statistics, employee turnover, preventing employee injury or death
Executive Remuneration/ Compensation	Remuneration packages for senior executives, including base salary, bonuses and stock awards, are approved by a compensation committee. Shareholders have a say in approving stock options and increasingly engage with companies on overall packages where these appear excessive.
HSE	Health, Safety and Environmental (or Environment, Health and Safety (EHS)) requirements present a series of legal, regulatory and policy requirements for companies, with the extent of the regulations varying according to the industry and country in which the company operates.
Independent Directors	The diversity of a board is enhanced by the inclusion of directors who do not work for the company, or have any financial or family connection with it.
International Labour Organisation (ILO)	ILO's eight Core Conventions are Forced Labour Convention, 1930; Freedom of Association and Protection of the Right to Organise Convention, 1949; Right to Organise and Collective Bargaining Convention, 1949; Equal Remuneration Convention, 1951; Abolition of Forced Labour Convention, 1957; Discrimination (Employment and Occupation) Convention, 1958; Minimum Age Convention, 1973; Worst Forms of Child Labour Convention, 1999.
Poison Pills	These are defensive mechanisms used to make a company's shares less attractive to a possible acquirer. They enable shareholders to purchase additional shares at less than the market value in order to make the overall acquisition price prohibitively expensive. These can protect company management and are therefore not in minority shareholders' best interests. Baillie Gifford takes a negative view of poison pills.
Stakeholders	Any person or entity that has an interest in the company including customers, suppliers, employees, regulators, licence providers, local communities, local and national governments.
UK Stewardship Code	These guidelines aim to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders.
United Nations Global Compact	Ten Principles which cover human rights, labour, the environment, and anti corruption.
United Nations Principles of Responsible Investment (UNPRI)	These principles operate on the thesis that ESG issues can have an impact on a company's financial performance. The six principles provide a framework that allows investors to assess these issues.

GMO Statement regarding ESG [Environmental, Social and Governance] Principles

As of June 2014

For more than 35 years, GMO has been a premier provider of investment management solutions to our global client base, consisting of some of the most prestigious institutional investors from the ranks of corporate and public defined benefit and defined contribution plans, foundations, endowments and sovereign wealth funds, among others. Our expertise covers a broad spectrum of capital markets, including developed and emerging equities, developed and emerging fixed income, asset allocation, forestry, agriculture and a full complement of absolute return-oriented strategies.

In terms of delivering on our objectives to clients, GMO's various investment teams utilize a number of approaches in seeking to identify attractively-valued assets. We were one of the early innovators in quantitative investing and continue to use systematic disciplines today. In addition, we have a deep pool of talented fundamental investment professionals in our ranks.

GMO's primary objective is to deliver the best risk-adjusted returns for each of the strategies that the firm offers. In executing on that objective we remain focused on delivering superior investment results, always mindful of the fiduciary duty we have to each of our clients.

GMO recognizes that views vary among investors as to the importance and relevance of ESG factors to their investment strategies and we presently manage several client accounts that incorporate ESG-related factors, such as social screens. In such cases, our clients have established separately managed portfolios (subject to our asset-level requirements which may vary for each strategy) and we adhere to the clearly proscribed guidelines and/or objective screening criteria provided by our clients. At this time, GMO is able to provide limited assistance in the design and ongoing maintenance of such screens. Clients should make their own assessment of the potential impact ESG screening could have on risk-adjusted returns.

In what follows, we describe in more detail the extent to which our investment processes are consistent with key ESG-related principles.

Do we consider ESG issues in our investment analysis and decision-making processes?

Delivering the best risk-adjusted returns is our primary objective. We do not incorporate ESG issues as a secondary objective and our current research shows that incorporating ESG factors into our investment processes could not be relied upon to consistently produce excess returns or reduce risk for our clients.

For example, the investment processes for the strategies managed by our Global Equity team rely on our evaluation of companies' published financial information, securities' prices, equity and bond markets, and the overall economy. In order to provide as broad an opportunity set as possible, we try not to constrain the universes to which we apply our stock selection disciplines and thus generally do not incorporate ESG or other potentially restrictive screens. ESG continues to be an area of research for the Global Equity team but currently is applied on a portfolio-by-portfolio basis and not embedded in the core of our investment philosophy or process.

In the rare instances where the Global Equity team formally incorporates ESG considerations into a strategy's investment process, the primary impetus for doing so is a belief that ESG considerations will not negatively impact return prospects. For example, the investment universe for GMO's Resources strategy has an unusually large proportion of firms with poor ESG histories. Our research in this narrow universe suggested that screening these companies out would not have a material impact on returns.

Within our core investment processes, there are certain measures of profitability we do evaluate that may correlate with good governance and a sustainable business. For example, many of the equity strategies managed by our Global Equity team incorporate an evaluation of a company's "quality," defined by GMO as high and stable levels of profitability and relatively low levels of debt. While not an explicit objective of our quality factor, we have observed over time that there is a correlation between companies that rank high on our quality measure and those that rank high on social and governance criteria. This relationship could, of course, change at any time.

In our fundamental equity strategies managed by the International Active team, we do often consider issues that have ESG elements in the normal course of evaluating a company's valuation level and future prospects. ESG elements will be included where we have come to the conclusion that such ESG considerations have a significant impact on the expected return or risk of an investment. It is generally the International Active team's belief that good corporate governance, over time, will affect a firm's valuation positively and we would assign a lower value to a firm with sub-standard corporate governance, everything else being equal. Beyond this, the team considers social and environmental issues from a risk management perspective and screens companies regarding potentially significant reputational risk issues (including but not limited to social or environmental issues) and will tend to penalize those companies relative to their industry peers in its analysis.

Our Fixed Income strategy mix contains both traditional (Core Plus, and Global) and specialty (Emerging Debt and asset-backed securities) strategies. None of GMO's Fixed Income strategy universes has been narrowed based on ESG-related principles, and none of those investment processes has been designed with such principles in mind. Given that the universes from which we select securities and our value-added processes generally relate to sovereign, quasi-sovereign, and asset-backed debt markets, it is unlikely that we will explicitly factor environmental, social or governance factors into our fixed income strategies.

To what extent will we be active owners and incorporate ESG issues into our ownership policies and practices?

As long-term investors, we seek to defend the interests of our clients not only at the time of initial purchase of securities, but also over the full period these securities are held in the portfolios. Therefore, GMO votes on the equity investments it manages in pooled funds and separately managed accounts unless – in the case of separately managed accounts – clients direct otherwise.

In our pooled funds and where separate account clients have delegated proxy voting to us, GMO has engaged Institutional Shareholder Services (ISS) to act as its proxy voting agent. ISS undertakes research, makes voting recommendations and ensures votes are submitted in a timely manner. In the majority of cases, GMO acts in accordance with those recommendations. Full details of GMO's voting policy, including default positions on matters of corporate governance, are set out in the document entitled "Proxy Voting Policies and Procedures" as of June 25, 2014. A copy of GMO's Proxy Voting Policy is available upon request or may be found on the SEC's website, www.sec.gov, as part of GMO Trust's registration statement. Proxy voting reports are also available upon request. As with the fundamental analysis performed by our International Active investment team, we may incorporate a variety of factors (which may include ESG issues if we determine they are relevant) when deciding to vote proxies in a particular manner.

To what extent will GMO seek appropriate disclosure on ESG issues by the entities in which we invest?

As described in our proxy voting policy, we have been supportive of initiatives that lead firms to disclose all aspects that could materially impact the value of a firm, including – where we consider it relevant – ESG issues. For example, we generally vote in favor of independent board directors if the majority of the current board members are not independent. In terms of our fundamental research, where applicable, our portfolio managers will similarly push/probe firms to disclose all aspects that could materially impact the value of a firm, including – where we consider it relevant – ESG issues.

Why hasn't GMO signed the UN Principles for Responsible Investing (UN PRI)?

GMO has carefully reviewed the UNPRI and determined not to sign the Principles at this stage. The main rationale for this decision is that we believe that certain of the principles would conflict with and/or distract GMO from its primary objective of delivering the best risk-adjusted returns to each of its clients. While ESG issues, as such, are not formally part of our investment objectives, certain elements of our security analysis and investment processes may be consistent with managing ESG issues (as described above).

GMO Renewable Resources has separately signed up to UN PRI

GMO Renewable Resources, LLC (GMORR), a majority-owned joint venture of GMO LLC, has separately become a signatory of the UN PRI. GMORR is a separately registered investment adviser specializing in direct forestry, farmland and other land-related investments and from its beginning has believed that, in light of its focus on forestry, agriculture and other land-related investments, careful consideration of environmental, social and governance issues is critical to minimizing risk and maximizing returns to its investors. Consequently, ESG principals are integral to the team's investment process as GMORR strives to operate responsibly and sustainably in all aspects of its business.

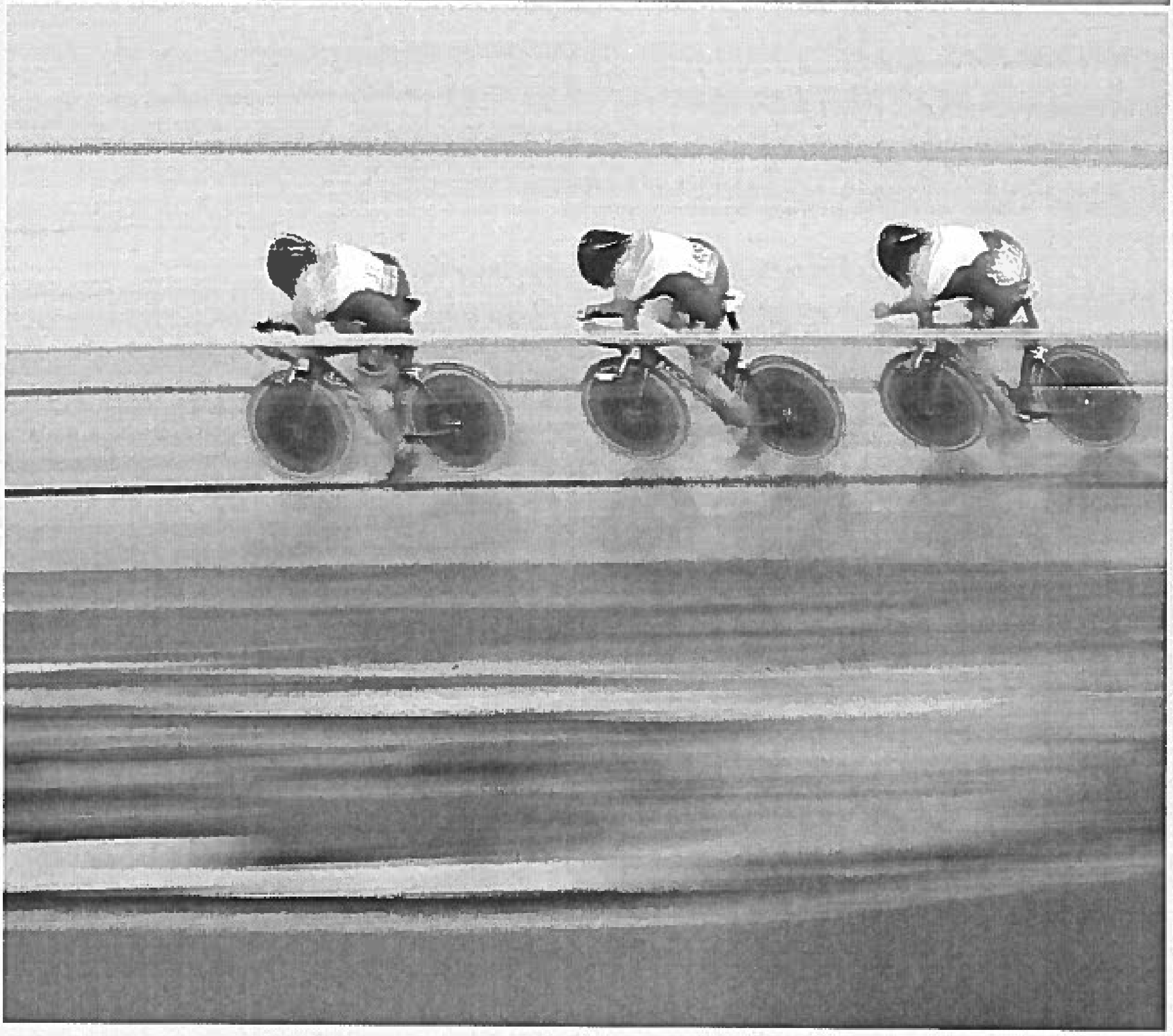
GMORR typically invests in regions where land ownership rights are well developed. GMORR strives to make choices that improve the long-term sustainability of their activities including (1) enhancing and promoting environmental sustainability; (2) respecting land, resources and human rights; (3) social sustainability, including maintaining consistent safety standards; and (4) good governance, including close supervision of financial and operating activities. In addition to being a signatory of the UN PRI, GMORR typically seeks certification for its timberland assets under a national or international standard except in (1) situations where it does not have full control and in (2) Greenfield projects which do not yet have cash flow to support the costs of certification. GMORR is also exploring the development of metrics and monitoring processes to measure factors that contribute to sustainability on agricultural properties.

Summary

In conclusion, our primary mission as an investment management firm is to deliver the best risk-adjusted returns for our clients. As described more fully above, there are certainly instances where ESG-related factors are considered, but only to the extent that we believe they lead to better risk-adjusted returns for our clients.

Sharing our views.

Positive impacts of active ownership



Legal & General
INVESTMENT MANAGEMENT

Welcome to our third annual Corporate Governance (CG) report. Following feedback from our clients we have altered the format and content. There is a new section entitled 'Where Are They Now?', looking at past years' engagements and how the companies have subsequently performed positively. It shows a small sample, but illustrates why CG is important as demonstrated by some of these companies whose share prices have increased anywhere between 100 to 1,000%.

Much has happened in the world of CG and the team has been extremely busy on a variety of topics. Financial significance is the key to our CG engagements. As a team we are integrated in all aspects of ESG (Environment, Social, Governance) and feel this comprehensive approach is beneficial. In short, we focus on all relevant factors that may help improve companies and markets.

In 2013 we continued collaborating with other investors. Auditor mandates is one example where we worked with other investors in trying to improve the market. To the Investor Group's satisfaction, at the end of 2013 the EU legislator agreed on mandatory rotation of auditors and maximum non-audit fees. The market itself has already been moving in this direction with many companies changing their auditors - some for the first time in decades.

In Professor Kay's Review of UK Equity Markets he recommended the creation of an independent Investor Forum. LGIM is helping to make this a reality and I have been asked to chair the working group aiming for the Investor Forum's implementation to be completed by mid 2014. It will be made up of asset owners and overseas investors with a focus on improving long-term equity returns and the relationship between owners and companies. We believe it will make a meaningful contribution to investor collaboration.

Most of our work continues to be done behind the scenes. Our aim is to improve the index as a whole and the performance of the individual companies we invest in. Our focus is on maximising value for our clients, not generating publicity. We focus on a number of completed engagements in this review, giving you a flavour of the depth of our activities. In addition, we continue to drive our ESG activities overseas with positive momentum in markets such as Japan and Indonesia.

One area we are placing increasing emphasis on is embedding material ESG issues into our fixed income portfolios. We have built a proprietary database ranking companies in each sector based on key risks to their performance. More details can be found within the report and this remains a key focus for 2014.

Sacha Sadan
Director of Corporate Governance

In the UK, we continued our Voting Policy of not abstaining and globally we minimised abstentions as well. Individual company meetings increased to 480 (425 in 2012) and 30% of them covered E&S matters. This is a significant increase and is due to our higher overseas profile and more companies wanting to engage.

Finally, a brief mention on remuneration. We continue to work hard on pay policies and the team was deeply involved in the new UK pay legislation. LGIM helped make it both workable and aligned with long-term owners. Sadly, however there isn't a silver bullet to fix some misalignment of returns and we need to keep engaging with companies to fully understand their business models and individual circumstances.

We hope you enjoy the report and please feel free to send us your comments.

Sacha Sadan
Director, Corporate Governance

Views from 2013

The Corporate Governance landscape is evolving rapidly. Once seen as almost exclusively focused on executive pay and perceived as a box-ticking exercise, today it deals with an increasingly wide range of corporate activities.

As we continue to report annually on our activities in more detail, we highlight some significant areas of focus from last year.

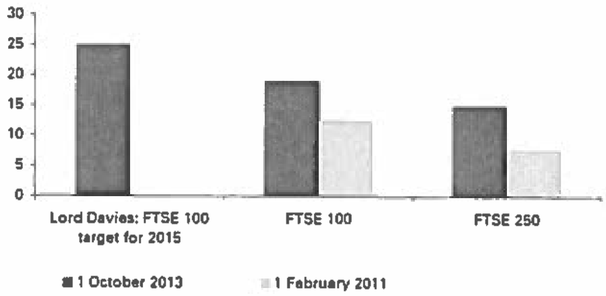
BOARD DIVERSITY

During 2013, the diversity of company boards in terms of gender, age, skills and experience continued to be at the forefront of our discussions with companies. We consider this issue as part of the discussion of board effectiveness, which we believe is directly correlated to the success of a company.

This year the discussion has moved on from convincing companies that this is an important business issue to working with many different parts of the chain to improve the status quo. The increase in board diversity is not just the responsibility of companies but also of asset owners, investors, headhunters and the government.

At a company level, we continued to address the gender diversity issue. Supported by other investors, we led an engagement focus at several FTSE 250 companies and the remaining FTSE 100 companies that have no females at board level. These engagements resulted in several companies tackling the issue head-on and appointing appropriate, well-qualified women to their boards. Companies are continuing to make the change but progress is slow. We have therefore strengthened our voting policy on diversity this year, stating that by 2015, if a FTSE 100 company does not have female representation on its board, has not put in place aspirational targets or made proper disclosure on initiatives surrounding this issue, we will vote against the Chairman of the board and/or the Chairman of the Nomination Committee. We believe this is a powerful way to instigate further change, which may in time extend beyond FTSE 100 companies.

Figure 1. Women on UK boards improving trend



Source: Professional Boards Forum BoardWatch

We believe a differentiating factor in how a company progresses on this important issue is the commitment from the CEO. We have therefore engaged on the importance of all forms of diversity with CEOs as well as Chairmen, ensuring that the issue is embedded into company culture, rather than seen as a box ticking exercise.

We continued to look at the pipeline of female talent and encouraged companies to think of new ways of nurturing their ability; from establishing a board shadowing programme, and taking on new board members without previous experience, to serving on outside boards as non-executive directors. We also engage with headhunters in order to understand how they interact with their clients on this issue and have suggested the Voluntary Code of Conduct be strengthened.

> **"The Local Authority Pension Fund Forum (LAPFF) endorsed our efforts to promote diversity amongst FTSE 100 companies and issued a press release stating that our stance is a clear signal to the boardrooms of corporate Britain that change must be accelerated."**

Finally, we are also committed to helping change internally at Legal & General Group plc. Clare Payn, our International Corporate Governance Manager, presented to senior HR directors on LGIM's activities on this issue and is a member of the Equality, Diversity & Inclusion Committee and the Female Talent Forum sub-committee. Both of these groups are working on understanding where the problems lie and on nurturing and improving our own pipeline and female talent. This well-established commitment to the issue is evident in the public presentations that we have been involved with in the investor community, both in the UK and the US over the last year.

We remain committed to diversity as a key issue relating to board effectiveness and foresee our discussions with companies becoming more fruitful as it is increasingly recognised as a key governance issue impacting performance.

Views from 2013

UK LISTING RULES

As a long-term investor it is our philosophy to improve the performance of all the companies in which we invest. Therefore, the integrity of the UK market should be strengthened in order for it to maintain its long-term attractiveness and its ability to compete in the international marketplace.

We continued to push for changes to the Listing Rules that protect minority shareholders in premium listed companies. The measures that we have advocated include a formal requirement for a relationship agreement to be in place between a controlling shareholder and the company, stronger independent representation on the board of directors and voting rights which are fair and equal to all shareholders.

In November 2013, the Financial Conduct Authority (FCA) announced a package with a range of provisions that matched our view on how the Listing Rules could be improved, which we welcomed. For example, the FCA intends to place a requirement on the interaction of a premium listed company and a controlling shareholder via a 'mandatory agreement'. In addition, the FCA intends to provide additional voting power to minority shareholders when electing independent directors to the board and where a company wishes to cancel its premium listing.

The FCA announced that the full and final package of measures will be implemented by mid 2014.

AUDITORS

Over the past two years, LGIM has collaborated with other European investors to improve the process of auditors undertaking due diligence on company accounts. There have been a number of concerns with the weaknesses in the application of accounting standards. LGIM has pushed for reforms, such as improved transparency, mandatory rotation of auditors every 15 years, and limiting non-audit fees to 50% of audit fees. We believe these measures will realign the accountability of auditors to shareholders, enhance reporting requirements and improve the efficiency of the audit market.

LGIM continued to engage with regulators and shareholders to push the agenda. We engaged with the Competition Commission in the UK and expressed our views prior to the release of their recommendations. We also met Michel Barnier, the European Commissioner, in Brussels to discuss auditor independence and regulation.

Towards the end of the year, regulators in the UK and EU updated the market on their findings following consultation in 2012 and announced a number of measures they believed will tackle the issue. This included measures to strengthen accountability of the external auditor to the Audit Committee on the scope of audit work conducted, mandatory tendering at least every 20 years and the prohibition of 'Big 4' only clauses in loan agreements and a potential limit on non-audit fees.

> **" We welcome these changes in terms of mandatory rotation of audit firm and payment of non-audit fees. "**

We will continue to push for changes in our engagement with companies. This has already made an impact with a number of FTSE firms announcing their intentions to change auditors.

CYBER SECURITY

One of the emerging threats to companies globally is the issue of cyber security. We define cyber security as the protection of information, assets and key business technological innovation. These issues are essential for the day-to-day operations of a company as well as for the creation of future shareholder value. Cyber attacks are a reality for many large organisations today – the UK government highlights these as threats equal to natural hazards or terrorist incidents.

Over the course of the year, we engaged with a number of companies to discuss how this financial and operational issue is dealt with by the board.

Working alongside the UK government and the investment community, we will continue to raise awareness within boards. In our view, this issue cannot be delegated to an IT team. We believe that boards should be looking at this problem strategically, and taking steps to implement the necessary infrastructure for protecting information assets and intellectual property.

CORPORATE GOVERNANCE IN INDONESIA

In September 2013, we submitted a letter to the Indonesian Financial Authority (OJK) highlighting our concerns with the proxy voting structure and the challenges we, as foreign investors, face when exercising our voting rights responsibly. We suggested a number of improvements to the proxy voting framework in order to make it more investor friendly. Our proposals included sending meeting agendas in a timely manner, greater detail and transparency on proposals including director elections and providing better access to proxy voting documents.

The OJK took on board our comments and those of other investors. In February 2014, the OJK produced the 'Indonesia Corporate Governance Roadmap' towards

Views from 2013

better governance of issuers and public companies: http://www.ojk.go.id/en/press-release-ojk-launches-the-indonesian-corporate-governance-roadmap

We welcome this document as it can be used as guidance for companies to establish best practice principles. Furthermore, the OJK has formed a Corporate Governance Task Force to develop the roadmap and enhance the corporate governance framework to protect shareholder rights. We look forward to engaging with the Task Force during 2014 to ensure that real progress is made.

UK BANKING SECTOR

The UK banking sector is beset with the challenges of improving capital strength and operating efficiency while dealing with claims from PPI, LIBOR, swaps and other regulatory fines. We held 33 meetings in the sector (after 45 in 2012) to discuss how boards were dealing with these issues, focusing on risk and audit practices. HSBC has announced that it will change its auditors to PwC after more than 20 years. The Competition Commission, the FRC and EU regulators have highlighted the importance of audit quality and made proposals on auditor rotation. Barclays responded to the Salz review recommendations for a comprehensive change of culture at the bank. It has established the Transform Programme to drive the change and it also raised further equity capital.

INVESTOR FORUM

Following Professor Kay's review of the effectiveness of the UK equity markets in 2012, we were recognised as an important long-term investor and selected to be part of a 'Collective Engagement Working Group' in April 2013. This group was tasked with taking forward Professor Kay's recommendation to identify how investors can work together better in engaging with companies, fostering trust and building constructive relationships.

In December 2013, the Collective Engagement Working Group announced the implementation of the 'Investor Forum' to promote shared commitment to long-term strategies and sustainable wealth creation among asset owners, asset managers and companies. The Forum's aim is to encourage collaborative engagement amongst investors, in particular overseas shareholders. The implementation team is led by our Director of Corporate Governance who will establish the Forum's governance structures to ensure that it becomes fully operational by mid-2014.

The report of the Collective Working Group can be found at: http://www.investmentfunds.org.uk/assets/files/press/2013/20131203-cewginvestorforum.pdf&sa=U&ei=0Zc5U-PtDdSShQfTjoCABQ&ved=0CB4QFjAA&usg=AFQjCNGdH8H6TW5v5pyZivrFfDnN1rPTvA

BOARD EFFECTIVENESS

Board evaluations are a standard agenda item for FTSE 350 company boards, since the UK Corporate Governance Code recommended that companies undertake an externally facilitated board review every three years. During the year we engaged with several of the established practitioners in the field and the FRC to understand how reviews are conducted and how, as large shareholders, we can help improve the current system. It was discussed regularly at company meetings, which gave us a more rounded picture of companies' experiences.

> **"We believe board effectiveness reviews can be a powerful way of improving boards."**

As long-term investors, we want to be reassured that boards are equipped for their future challenges and have the requisite skills and experiences to create value. Moreover, the fresh eyes of an evaluator with experience of many boards and common problems can aid a Chair in their quest for continuous improvement.

However, 'external' assessors are at times conflicted, an example being where additional professional services are offered. The variation in evaluative methods – where some evaluations rely on questionnaires, others on observation – means that a more consistent approach is necessary. We believe there is scope for a Code of Conduct to be set up to ensure that a minimum standard of review is upheld and that potential conflicts of interest are managed appropriately. We were consulted on a proposed code that was released in January 2014 and should enter a public consultation phase by Institute of Chartered Secretaries and Administrators (ICSA). We will be making a submission to this.

Additionally, we are pushing companies to improve disclosure on reviews in annual reports so we can move away from 'boiler plate' descriptions that offer little insight into recommendations or actions taken. As large shareholders, we want to know the action points companies are taking following reviews, as well as being engaged in the solutions.

Views from 2013

ESG INTEGRATION

Integration of ESG considerations, as part of the fundamental analysis, is gaining ground in the management of fixed income. As one of the largest European fixed income managers, with assets under management of £157bn[1], we increasingly get asked by our clients about how ESG is researched and reflected in the management of credit funds.

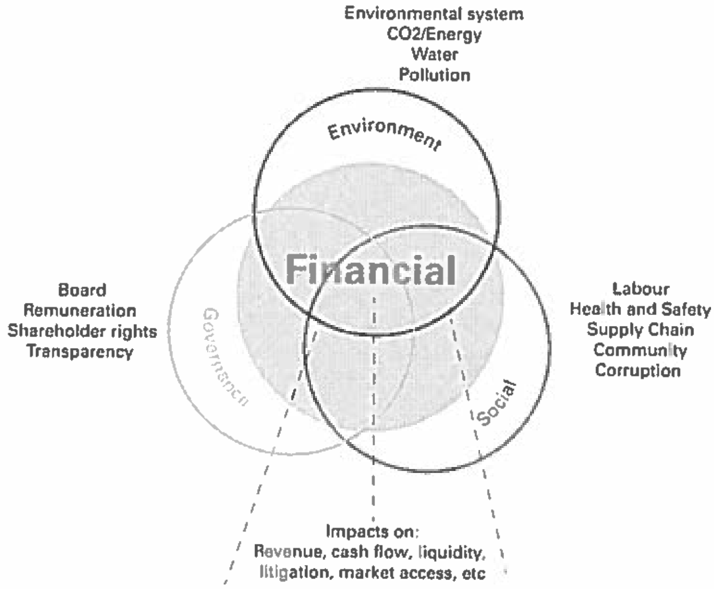
Heightened public awareness of the scarcity of natural resources, climatic changes and the social impact of economic activities has fundamentally changed the operating parameters for many debt issuers. Failure to comply with ESG standards can pose serious risks to a borrower's operating performance, financial flexibility and regulatory and legal exposure. The ultimate motivation for debt holders to incorporate ESG is the protection and enhancement of investment returns. This is based on the view that organisations which excel with respect to their ESG credentials will also be more likely to demonstrate superior operating and financial performance. Conversely, if laxity on ESG matters is embedded in an organisation's culture it is also more at risk of lagging its peers in the marketplace.

In response to client demands, we have formalised our risk assessment of ESG of companies by developing a proprietary scoring tool. The framework has been developed together with our high yield credit team who have been assessing such risks in their analysis for some time. An example of the scores given to a corporate issuer, compared to its industry peer, is given below:

Company A

	Company rating	Peer group rating		
ESG Overall Score	6.7	4.0		
Environmental	7.7	3.4	Environmental system	10
			CO2 / Energy	6
			Water	3
			Pollution	9
Social	7.2	4.6	Labour	7
			Health and Safety	6
			Supply chain	5
			Community	8
			Corruption	10
Governance	5.1	4.0	Board	10
			Shareholder rights	3
			Remuneration	3
			Transparency	6
			LGIM's votes	0
Controversies	High			
Country risk	3.6			

Demonstration of ESG impacting financials of a debt issuer



Source: LGIM

Each of the environment, social and governance categories is broken down into relevant subcategories. In turn, each of these subcategories is weighted according to their potential to impact company performance. The overall score for a company's environmental, social and governance performance is an aggregation of the weighted scores of each subcategory.

This quantitative measure is intended to score all asset classes, including investment grade credit and equities. This score supplements the fundamental assessment of corporate issuers. Naturally, the impact of ESG is dependent on the type of corporate issuer, its industry sector, its geographical footprint and the type of instrument and the intended holding period. As such, the integration of ESG criteria in the investment process is based on consolidated views of their relevance at country and sector level, with the judgement of its implications left to the analysts and portfolio managers.

We have completed the scoring of issuers in three key sectors during 2013 and intend to extend it out to all sectors, while building in-house expertise on ESG risks on each sector during 2014.

[1]As at 31 December 2013

Sharing our views

We recognise that working with others can be a powerful tool which can quickly influence change. There are various ways of collaborating including group meetings, joining associations and co-signing letters.

COLLABORATIVE ENGAGEMENT

Working with other investors can help to produce better results for our clients. Our combined assets carry even greater weight with companies and this means we can achieve significant change. It also helps us to generate the best solution by combining our knowledge and experience. We participated in a number of multi-investor meetings with companies including Glencore/Xstrata, RSA Insurance, Prudential, National Grid and Vedanta Resources. Such meetings provide an excellent opportunity for us to learn about the companies and also align our views with other shareholders.

Furthermore, we also collaborated on regulatory-related issues to improve market practice and shareholder rights. For example, during the year under review, there were a number of cases where investment banks waived share lock-up agreements. This included the Lloyds placing in St James's Place shares. We collaborated with other investors seeking better regulation and tightening of policy. This included sending a letter to the FCA regarding better disclosure and regulatory guidance on the terms and conditions of such agreements.

We also had dialogue with non-government organisations (NGO) and think tanks in the industry to share knowledge and to understand other approaches to various topics. We find it a valuable exercise that can bring mutual benefits by keeping our channels of communication open.

NETWORK MEMBERSHIPS

Collective work is an extremely effective method of engagement, but one that requires an enormous amount of resources and organisation. In order to facilitate this process, we are members of industry wide associations and networks. Below are a few examples of our activities during the year. A full list and further details on each are outlined on our website at:

http://www.lgim.com/uk/en/capabilities/corporate-governance/associations/

Association of British Insurers (ABI)

Following on from the Kay Review, the ABI released a report on the role and value of public equity markets and the way they operate. As members of the ABI, we contributed to the study, offering our views on the IPO market, listing rules, capital raisings and how they can be made more efficient.

Furthermore, we also contributed to another report on improving Corporate Governance and Shareholder Engagement. The report highlighted how investors exercised their stewardship responsibilities by describing how they undertake their voting and engagement activities. This paper also highlighted the crucial role of Non-Executive Directors on how boards operate and are governed.

Asian Corporate Governance Association (ACGA)

We attended the ACGA delegation in Tokyo to meet key associations, such as Keidanren, FSA and Ministry of Economy, Trade and Industry, to discuss corporate governance reforms in Japan. We noted a positive trend of both regulators recognising the importance of independent voice on company boards and companies demonstrating its benefit similarly.

www.lgim.com/library/knowledge/thought-leadership/esg-spotlight/ESG_Spotlight_Japan_MAR_13.pdf

International Corporate Governance Network (ICGN)

LGIM was on the panel at the ICGN conference in Milan where the issue of long-termism and the value of engagement was debated. We also spoke at the International Corporate Governance Network conference in New York, where we discussed different approaches to improving diversity on boards.

Sharing our views

Business in the Community (BITC)

BUSINESS IN THE COMMUNITY

We have been working with BITC to develop a new framework to measure the value of long-term responsible business and investor engagement, which has also received recognition from the Prince of Wales. Furthermore, we presented at the Guildhall with the Lord Mayor of London on our findings. Please see link below for a copy of the research published: http://www.bitc.org.uk/system/files/conscious_capital.pdf&sa=U&ei=HJk5U83UG4qjhgeIsYCwBA&ved=0CCYQFjAA&usg=AFQjCNGxXOmku7IsUVq5M9kNRCo8xOQgmw

Council of Institutional Investors (CII)

Council of Institutional Investors
The Voice of Corporate Governance

LGIM attended the Council of Institutional Investors conference in Washington DC in April, where we met with US investors as well as investee companies including Goldman Sachs, Microsoft and Chesapeake.

Institutional Investors Group on Climate Change (IIGCC)

IIGCC
Institutional Investors Group on Climate Change

We attended the United Nations Framework Convention on Climate Change conference in Poland, with a series of meetings with Polish policymakers, organised by IIGCC. The objective of the meetings were to reiterate our support for clean energy, convey investors' concerns over risks related to the energy infrastructure investment environment in Poland and highlight the need for ambitious carbon emission reduction targets within the EU. Meetings were held with senior MPs of the leading party in the coalition government including the Deputy Director of Energy Department in the Ministry of Economy and the Director of Mining Department. Both meetings concluded that Poland will remain closely integrated with future commitments towards clean energy. In addition, a meeting was also held with the second largest opposition party. This meeting highlighted that Poland could push for more ambitious renewable targets and that the current long-term energy plan is not sufficiently forceful to encourage long-term foreign investments.