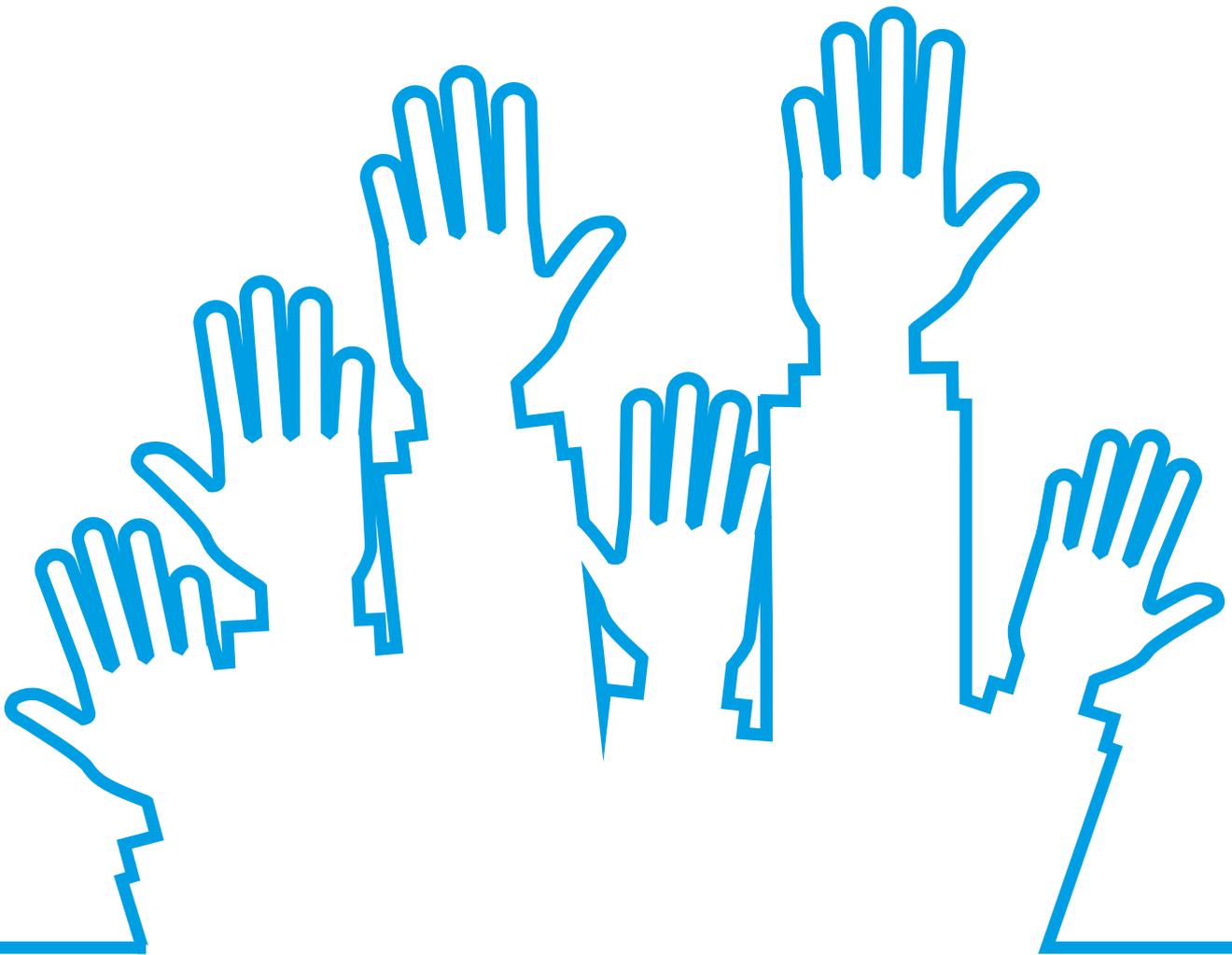


# Active ownership

Q2 2019 ESG Impact Report

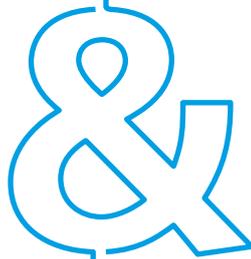


Active ownership means using our scale and influence to bring about **real, positive change to create sustainable investor value.**

# Our mission

To use our influence to ensure that:

Companies integrate **environmental, social and governance** (ESG) factors into their culture and everyday thinking.



Markets and regulators create an **environment** in which **good management** of ESG factors is valued and supported.



# Our focus

## 1 Holding boards to account

To be successful, companies need to have people at the helm who are well equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks and benefit from emerging opportunities.

We seek to protect and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

## 2 Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to prevent market behaviour that destroys long-term value creation.

At LGIM, we want to safeguard and grow our clients' assets by ensuring that companies are well positioned for sustainable growth. Our active and enhanced index mandates incorporate ESG factors in the investment process and we consider ESG factors when voting on our holdings in all strategies.

We engage directly and collaboratively with companies to highlight key challenges and opportunities, and to support strategies that can deliver long-term success.

## 3 Promoting market resilience

As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. In doing so, companies should become more resilient to change and therefore benefit the whole market.

We use our scale and influence to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. This includes working with key decision-makers such as governments and regulators, and collaborating with asset owners to bring about positive change.



# News and Developments

## TAKING ACTION TO TACKLE THE CLIMATE EMERGENCY

LGIM announced the second annual **results**<sup>1</sup> of our Climate Impact Pledge. Over 80 of the world’s largest companies have been assessed for their climate strategies, and we were pleased to report encouraging signs of progress, with the average scores improving across all sectors. Validating our constructive approach to engagement, all eight companies that were removed from the Future World fund range last year have engaged with us on our concerns.

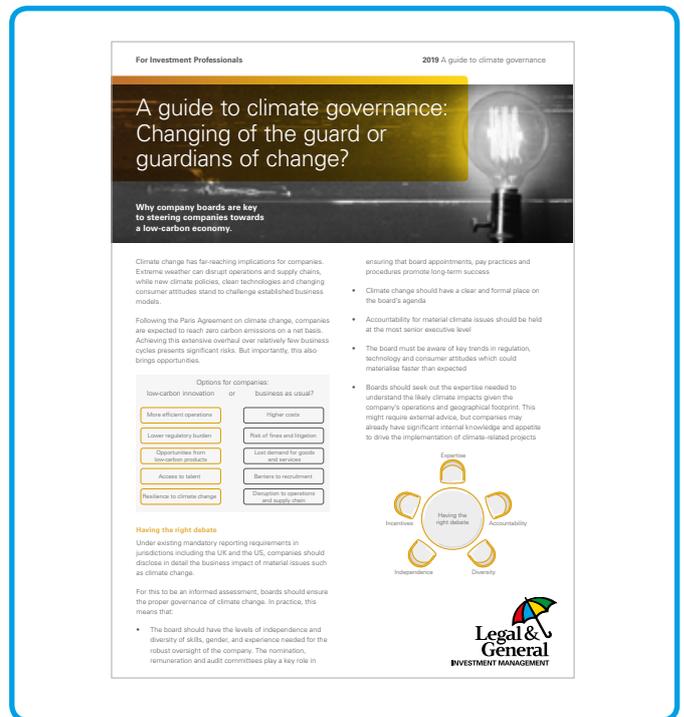
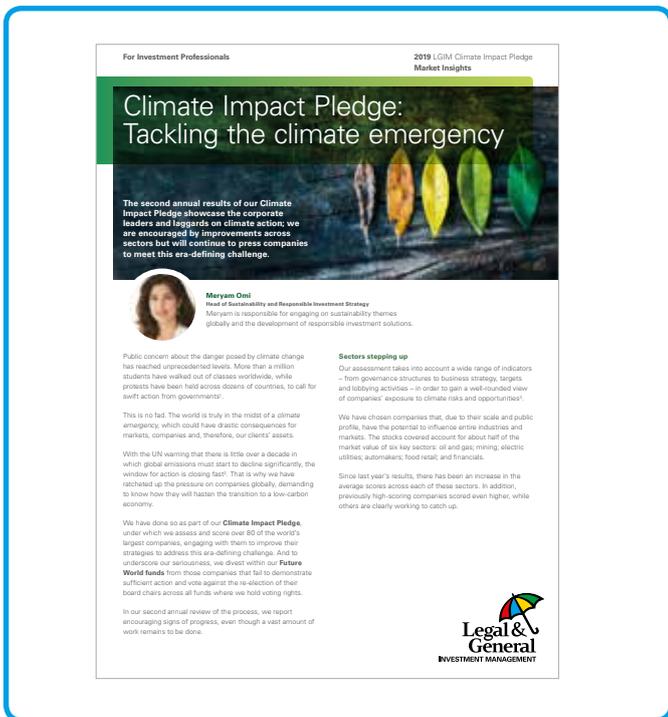
**“We’re very grateful for LGIM pushing us to do more on climate change as it’s helped us get buy-in to do more.”**

- North American food company

Two companies – **Dominion Energy** and **Occidental Petroleum** – have now made sufficient progress to be reinstated in the funds.

However, a number of companies did not meet our minimum standards, and will therefore be voted against and divested from the Future World range: **ExxonMobil, Hormel Foods, Korean Electric Power, Kroger** and **MetLife**. These names are in addition to **China Construction Bank, Rosneft Oil, Japan Post, Subaru, Loblaw** and **Sysco**, which will remain on the exclusion list. LGIM’s announcement has received significant media coverage internationally, with Forbes praising LGIM for its ‘sophisticated approach to climate change’.

Separately, LGIM has conducted a year-long **research**<sup>2</sup> project, whose modelling was based on a decarbonised scenario for the energy system that is consistent with global warming of well within two degrees, which found the potential for a ‘trillion dollar investment opportunity’ from low carbon products. As company boards will play a key role in steering companies towards the low-carbon economy, our newly published guide to climate change governance for boards is available **here**<sup>3</sup>.



- <http://www.lgim.com/uk/en/insights/our-thinking/market-insights/climate-impact-pledge-tackling-the-climate-emergency.html>
- <https://www.legalandgeneralgroup.com/media-centre/press-releases/lgim-research-into-the-energy-transition-reveals-trillion-dollar-investment-opportunity/>
- <http://www.lgim.com/files/document-library/capabilities/a-guide-to-climate-governance.pdf>

For illustrative purposes only. Reference to a particular security is on a historic basis does not constitute a recommendation to buy or sell any security.

## ENGAGING AT THE HIGHEST LEVELS TO SUPPORT CLIMATE AMBITION

Our Group Chairman and LGIM's Head of Sustainability were honoured to be invited to the Vatican by His Holiness Pope Francis for a two-day dialogue on climate change with executives from the world's largest energy companies and asset managers. The meeting resulted in a [joint statement](#)<sup>4</sup> in support of carbon pricing and climate disclosures.

Our policy engagements continue on multiple fronts. Legal & General Group's CEO [wrote](#)<sup>5</sup> to the UK Prime Minister calling for a target of net zero greenhouse gas emissions, which the UK has since enshrined into law. Ahead of the G20 summit in Japan, LGIM also joined a [coalition of investors](#)<sup>6</sup> supporting increased policy action on climate change.

## DIVERSITY IN JAPAN



The Japan Chapter of the 30% Club Investor Group has recently launched and we are now a member. Similarly to the successful UK Chapter which we chair, the Japan investor group will engage with Japanese companies to improve female representation on boards.

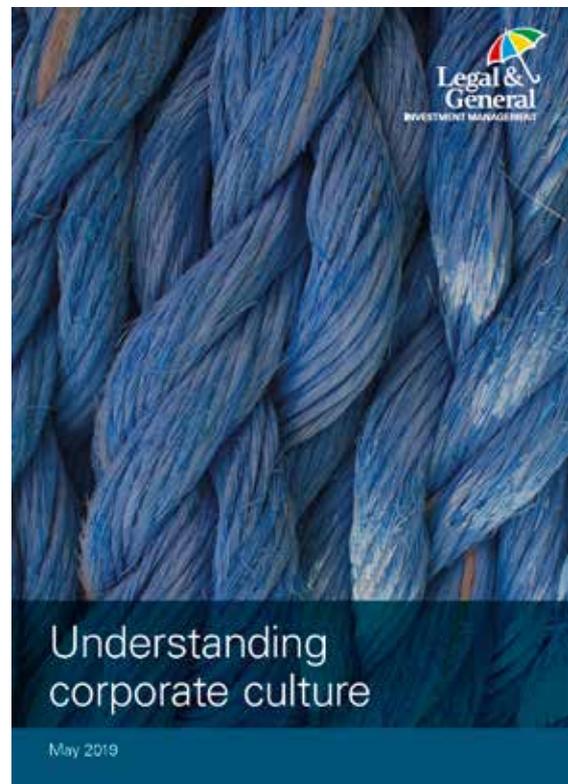
## SPOTLIGHT ON LOBBYING

We continued our work to improve transparency around corporate lobbying. We have supported a number of shareholder resolutions calling on companies to report on their lobbying payments, including at Ford Motor and General Motors. We pre-announced our voting intentions in a [post](#)<sup>7</sup> on the FutureWorld blog. In welcome news, General Motors has now publicly lobbied President Trump not to

weaken emissions standards for vehicles. Following pressure from investors including LGIM, oil major Royal Dutch Shell has now left a US oil lobby group due to differences over climate policies, while mining giant Rio Tinto has warned it will exit trade bodies that make public statements which are inconsistent with the goals of the Paris Agreement.

## UNDERSTANDING CORPORATE CULTURE

We believe a corporate culture that is genuinely inclusive can be the defining success factor of a business strategy. Given the growing interest around the topic, LGIM recently published a [guide](#)<sup>8</sup> for companies to understand corporate culture. It provides an insight into how LGIM understands culture and ways it can inform the behaviours, performance and outcomes in companies.



4. <https://www.apnews.com/3460d18f3d414f65b9a70575a3080832>

5. <https://www.legalandgeneralgroup.com/media-centre/in-the-news/climate-change-legal-general-issue-letter-to-theresa-may/>

6. <https://theinvestoragenda.org/wp-content/uploads/2019/06/FINAL-at-June-24-Global-Investor-Statement-to-Governments-on-Climate-Change-26.06.19-1.pdf>

7. <https://futureworldblog.lgim.com/categories/themes/proxy-preview-lgims-stance-on-key-lobbying-climate-votes/>

8. <http://www.lgim.com/uk/en/capabilities/corporate-governance/influencing-the-debate/>

## KEEPING CLIENTS INFORMED

We are committed to helping our clients understand more about the implications of climate and ESG considerations for their portfolios.

We discussed the topic at length during the client webinar we organised with world-renowned climate economist Lord Nicholas Stern and industry experts. A recording of the webinar is available as a podcast in our [LGIMTalks series](#).<sup>9</sup>

We also recently produced two other podcasts: an ESG ‘checklist’ for pension trustees, and one on how pension boards can be more effective. The latter was also the subject of a [paper](#)<sup>10</sup> co-authored by our Director of Corporate Governance.

## 2018 ACTIVE OWNERSHIP REPORT

We **published**<sup>11</sup> our eighth annual corporate governance report which provides an overview of the team’s activity in 2018. This report outlines to our clients what LGIM is doing on their behalf in areas where action is required. Many national and international media outlets covered the publication of the report. The Evening Standard praised our efforts: ‘No one else in the UK produces anything like as comprehensive. Many do nothing. If more shareholders could muster a tenth of the engagement of LGIM, the Financial Reporting Council (FRC) would have no worry.’

2019 Client Solutions For Investment Professionals

### Board effectiveness: Lessons from companies to trustees

Sacha Sadon is Director of Corporate Governance and on the board at LGIM. Sacha has overall responsibility for corporate governance including areas including environment social governance (ESG).

Mark Johnson joined LGIM in 2017 and is responsible for LGIM's institutional client teams.

Good governance is crucial to all boards, whether they oversee a multinational corporation, a multi-billion pound pension scheme, or a national charity. There is no one-size-fits-all approach to how boards should be run but we have learned that there are plenty of ways to evolve and enhance effectiveness.

Our Corporate Governance team have met with hundreds of company boards with a single purpose in mind: to ascertain whether they are effective in the stewardship of the company.

We know that pressures from executives, stakeholders, as well as the day-to-day oversight of the company, mean the role of a non-executive board member has never been more demanding. The increase in regulation and complexity of modern defined benefit and defined contribution schemes has concurrently increased the workload of pension trustees. Through our experience with some of the most successful boards of companies around the world, we have found a number of key areas which could further improve pension boards' effectiveness.

**ENHANCING EFFECTIVENESS**

- Transparency
- Senior/Independent Director
- Skills and responsibilities
- External advice
- Diversity of thought
- Director refreshment
- Overboarding risk
- Communication
- Committees
- Mission and purpose

Legal & General INVESTMENT MANAGEMENT

Legal & General INVESTMENT MANAGEMENT

## Active ownership

Global engagement to enhance long-term value

Active ownership means working to bring about real, positive change to create sustainable value for our clients. Our annual Corporate Governance report details how we achieved this in 2018.

9. <http://www.lgim.com/uk/en/insights/podcast/>

10. <http://www.lgim.com/uk/en/insights/our-thinking/client-solutions/board-effectiveness-lessons-from-companies-to-trustees.html>

11. <http://www.lgim.com/uk/en/capabilities/corporate-governance/active-ownership/active-ownership-annual-report.html>

# UK AGM season 2019: case studies

## Case study:

BP plc

## Market cap:

£112 billion

## Sector:

Oil & Gas

**What is the issue?** As shareholders, we want to understand how companies are aligning with the global response to climate change and responding to the rapid progress of clean technology. We have been actively engaging on the topic with BP under our Climate Impact Pledge engagement framework.

**Why is it an issue?** For carbon-intensive companies such as BP plc, the shift to a low-carbon economy has profound implications.

**What did LGIM do?** LGIM and other major shareholders have put forward a shareholder proposal calling on oil major BP to explain how its strategy is consistent with the Paris Agreement on climate change.

We have been a consistent supporter of shareholder resolutions asking companies to disclose more information on climate change, but this marks the first time LGIM has put forward its own proposal.

**What was the outcome?** LGIM has worked with the board of BP to secure their support for the motion. At the company annual general meeting, the proposal was passed with overwhelming approval from BP's shareholders. 99% approved the resolution, one of the highest levels of support for a shareholder resolution. We now look forward to improved reporting and continued collaboration with the company.

**What is the issue?** LGIM has had longstanding concerns regarding Metro Bank. A year ago, we voted against the re-election of the board chairman and the approval of the remuneration report.

Issues we raised through our voting instructions include:

- A lack of independent directors on the board;
- Poor gender diversity;
- A pay structure not in line with best practice standards; and
- Failure by the company to manage conflicts of interest.

In 2019, our concerns were further compounded by the disclosure of material accounting errors within the bank's loan books.

**Why is it an issue?** The accounting errors led to a significant drop in investor confidence and sent the shares down more than 39% on the day. The lender's share price has remained under pressure and has declined over 65% so far in 2019.

**What did LGIM do?** Ahead of the 2019 AGM, LGIM took the rare step of publicly pre-announcing our intention to vote against the board chair, members of the audit committee and directors with whom we had independence concerns.

The announcement was made to highlight these issues and share our concerns with other investors.

**What was the outcome?** In response to pressure from investors including LGIM, Metro Bank has begun to address long-standing governance concerns. In May 2019, the bank announced it would sever ties with InterArch, an architecture firm owned by Metro Bank's Chairman's wife that has received over £25 million in payments since 2010.

## Case study:

Metro Bank plc

## Market cap:

£906 million

## Sector:

Banks

Metro Bank's top City investor to vote against founder Vernon Hill

Source: The Telegraph

Major Metro Bank shareholder Legal and General Investment Management reveals it will vote against chairman Vernon Hill

Source: City A.M.

# Europe AGM season 2019: case studies



**Case study:**

EssilorLuxottica

**Market cap:**

€48 billion

**Sector:**

Healthcare products

**Country:**

France

**What is the issue?** French lenses producer Essilor and Italian frame manufacturer Luxottica officially merged in October 2018. Delfin, the holding company of the Del Vecchio family and majority shareholder of Luxottica, now owns 32.7% of the share capital. Upon the merger a power-sharing agreement was drawn up whereby the Executive Chairman and major shareholder (Luxottica) and the Executive Vice-Chairman (Essilor) were both vested with equal powers, and a board composed of 16 members – eight members proposed by Essilor and eight members proposed by Delfin – was set up.

The process of integrating the two companies reached a roadblock at the end of March 2019 when the internal disagreement between the Executive Chairman and the Executive Vice-Chairman spilled out into the public arena.

Following concerns over the lack of progress on the integration and the deadlock at board level, two sets of shareholders – Comgest and Valoptec, the employee shareholder association – put forward a total of three director nominees for election at the May AGM. The main rationale for the appointment of these directors was to help the board break the impasse.

**Why is it an issue?** The composition of the board, whereby each ‘side’ of the merging entities are represented by an equal number of directors, encourages confrontation and to toe the ‘party line’ rather than working together for the benefit of all shareholders. A board should be sufficiently diverse and independent to lead to robust decisions being taken by the board as a whole. LGIM believes that bringing in additional independent board members with no prior relationship with any of the board directors or major shareholders will bring diversity of thought and enable the company to break the impasse.

**What did LGIM do?** LGIM engaged with multiple stakeholders. We initially reached out to the company to no avail. We then engaged extensively with the set of shareholders who were putting forward director nominees. We also spoke with all three nominees to gauge their experience and how they would interact with the other board members in this very delicate situation.

Before the AGM, LGIM felt that it was necessary to publicly announce our support for the shareholder nominated directors to ensure our vote would be heard by the board and to raise awareness to as many shareholders as possible. Our press release was taken up by multiple news outlets in UK, France, and Italy.

**What was the outcome?** Just before the AGM, the board announced that it had reached a governance agreement and that all disputes had been waived and terminated. The CEO of Essilor and the CEO of Luxottica had also been empowered to focus on the integration process and to accelerate the simplification of the company. It was confirmed that neither of these CEOs would be seeking the role of CEO of the combined entity and that the search process for a new CEO had commenced.

The shareholder-nominated directors received significant support from independent shareholders, equalling respectively 43.7% and 35% of the total votes cast. LGIM will continue to engage with the company.

**Asset managers join forces for EssilorLuxottica board shake up**

Legal & General and Fidelity International among those seeking new independent directors

Source: Financial Times

**EssilorLuxottica investor LGIM plans to back proposal to widen board to end dispute**

Source: Reuters

For illustrative purposes only. Reference to a particular security is on a historic basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

**Case study:**

Bayer AG

**Market cap:**

€56 billion

**Sector:**

Pharmaceuticals

**What is the issue?** Bayer's acquisition of Monsanto (worth €66 billion) was initially announced in 2016, and finalised in 2018. Soon afterwards Bayer, now the owner of Monsanto's glyphosate-based weedkiller RoundUp, was asked to pay millions in damages to the plaintiff in the first case in which RoundUp was linked to causing cancer. This case was later followed by two other cases in 2019 where billions in damages were awarded to the plaintiffs in these cases. Bayer is adamant that RoundUp is not carcinogenic. The company states that at the time of the merger agreement in 2016 there were only about a hundred litigation cases. This has now increased to more than 13,400 cases.

**Why is it an issue?** It is fundamental for shareholders to be fully comfortable that the decision-making processes undertaken by both the supervisory board and management board were robust in an acquisition of this size. LGIM is concerned that the boards had not fully considered the significant risks related to glyphosate litigation in the US.

From the finalisation of the acquisition in May 2018 until July 2019 the share price has fallen by approximately 45%. Bayer is now worth less than what it paid for Monsanto.

**What did LGIM do?** Previously in the year, unrelated to the litigation, LGIM had spoken to the company for our Lead Independent Director campaign and about why we consider the role important in particular in times of crisis. Prior to the AGM, and in collaboration with our active equities team, we again spoke to the company. We raised our concerns over the litigation and sought to gain a better understanding of the decision-making process around the Monsanto acquisition and the legal advice received in particular in relation to the glyphosate litigation. We encouraged the company to disclose as much information as possible regarding its decision-making process as well as what legal advice it had received during this time.

**What was the outcome?** At the 2019 AGM we decided not to support the discharge of the management board following our concerns surrounding the decision-making process at the time of the acquisition. The discharge of the management board was voted down, with 55.5% of shareholder not supporting it.

Following the AGM the company has reached out to LGIM and we have met with the CEO. In the meeting we reiterated our concerns over the decision-making process, and we also recommended:

- establishing advisory and M&A committees whose members would be appointed for their very specific expertise;
- appointing NEDs with specific expertise; and
- appointing new executives.

# North America AGM season 2019: case studies

## PUBLIC ANNOUNCEMENT OF VOTES ON CLIMATE AND LOBBYING

Traditionally the province of activist investors vying for seats on company boards, the landscape of shareholder resolutions has changed dramatically in recent years. Of **488 shareholder proposals** filed at US companies during the last proxy season, **187 were concerned with social and environmental issues**.<sup>1</sup>

At LGIM, we have been explicit that good management of ESG issues is essential for a company's long-term success, and we have a track record of using our votes to hold companies to account. **In 2018 LGIM supported more key US resolutions calling for companies to report on climate change and political lobbying than any of the world's largest 10 asset managers**.<sup>2</sup>

### The devil in the detail

ESG issues are too broad, and company circumstances too varied, for the simple filing of an ESG-related resolution to automatically receive our vote. Sometimes, we prefer to work with the company behind the scenes, rather than initiate a contest in the public arena.

However, there will be many cases where we believe such a vote is in the best interest of our clients and other investors. Some of the world's largest companies are high emitters of carbon (and also large producers of fossil fuels). As shareholders, we want companies to be successful as the world moves to a low-carbon economy. We also want to know how they are aligning themselves with global efforts to combat climate change. Similarly, if companies decide to spend investors' money on lobbying governments, we expect them to be transparent about how and why they do it.

## Climate change and lobbying in the spotlight

Climate change and lobbying have continued to be important themes during 2019's annual general meetings (AGMs). To gather investor support for more transparency on these key topics, we decided to announce our decision to vote in favour of resolutions at the following AGMs:

- **Chevron Corp.** (30 May): Resolution 5 on business plan compliant with the Paris Agreement
- **Continental Resources** (17 May): Resolution 4 on impact of measures to limit global warming
- **Duke Energy Corp.** (2 May): Resolution 5 on lobbying expenses
- **Fluor Corporation** (2 May): Resolution 4 on adopting greenhouse gas reduction targets
- **Ford Motor Company** (9 May): Resolution 6 on lobbying payments and policy and Resolution 7 on political contributions
- **General Motors Company** (4 June): Resolution 5 on lobbying payments and policy

This is in addition to our decision to co-file our first-ever shareholder resolution, calling on oil major BP to report on climate change. We encouraged other shareholders to support the resolutions. They represent an important step in promoting transparent, sustainable markets.



This article recently featured on LGIM's Future World blog. Other pieces on ESG issues are available at: <https://futureworldblog.lgim.com/categories/themes/>

1. Source: Morningstar, period covering July 2017 to June 2018

2. Source: Climate 50/50 research report

For illustrative purposes only. Reference to a particular security is on a historic basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

## AN UPDATE ON OUR DIVERSITY ENGAGEMENT

In 2016, LGIM – along with the California State Teachers’ Retirement System, Ohio Public Employees Retirement System, and Netherlands-based APG Group – began working together to **engage 58 S&P 500 companies in discussions around board diversity, evaluation and refreshment**. The total assets under management for this coalition of global investors are \$2.5 trillion.

The coalition began by sending a letter to each of the 58 US-listed companies sharing examples of good practice around disclosure on nomination committee charters and proxy statements, board refreshment processes, and milestones for change. Many of the 58 companies responded to the letter, often by proposing a discussion with an independent director.

The coalition’s immediate engagement focus – to understand the board composition, nomination, and refreshment processes – was conducted in an open discussion format. By using this format, companies experienced a comfort level that steered them to initiate conversations on barriers, challenges, and their perceived difficulties related to overall board governance. The breadth of these conversations helped the coalition to better understand company perspectives. Significantly, companies held a near-unanimous view that they want to see improvement in board diversity.

The coalition shared that investors value proxy statements with specific information on their board skillset matrices, succession planning, and refreshment – even expanding to their employee diversification efforts. **As of 1 January 2019, 44 of the 58 companies have appointed women to their boards** and many of these companies also updated their

nominating committee charters or Corporate Governance Principles to include specific best practices – by, for instance, using an external search firm to expand the pool of board candidates considered.

The work of the coalition continues, and has been joined by UK-based RPMI Railpen and Netherlands-based PGGM. The addition of these investors has allowed the coalition to **extend its discussions to 14 more US companies** with less diverse boards and a high proportion of long-tenured board members. **So far in 2019 we have sent letters to 37 companies and 7 companies have appointed a woman**. The group will continue to follow up with those companies that have not yet responded to the original letter and also to continue to engage with those companies that have not so far made any material changes.

### Success to date .....

**51 of 72 companies have appointed at least one woman to the board**

**71%**

Source chart: Ohio Public Employees Retirement System, June 2019

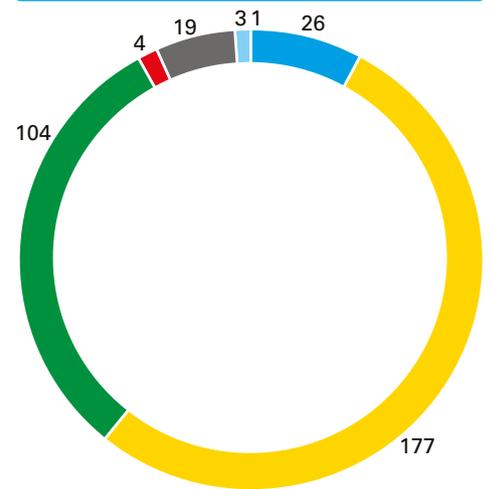
# Regional updates

## UK

### Q2 2019 VOTING SUMMARY UK

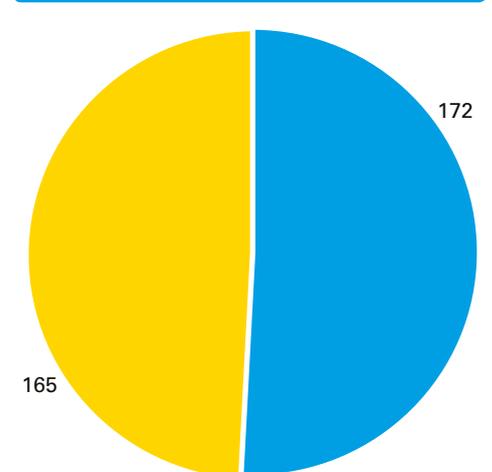
Proposal category	UK		
	For	Against	Abstain
Anti-takeover Related	234		
Capitalisation	1195	26	
Directors Related	2310	177	
Non-salary Compensation	354	104	
Reorganisation and Mergers	29	4	
Routine/Business	1393	19	
Shareholder Proposal - Compensation	1		
Shareholder Proposal - Corporate Governance			
Shareholder Proposal - Directors Related	17	3	
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment	2	1	
Shareholder Proposal - Other/Miscellaneous			
Shareholder Proposal - Routine/Business	1		
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
<b>Total</b>	<b>5536</b>	<b>334</b>	<b>0</b>
<b>Total resolutions</b>	<b>5870</b>		
No. AGMs	318		
No. EGMs	46		
No. of companies voted	337		
No. of companies where voted against management /abstained on at least one resolution	165		
% no. of companies where at least one vote against	49%		

### Votes against



- Capitalisation
- Directors Related
- Non-salary Compensation
- Reorganisation and Mergers
- Routine/Business
- Shareholder Proposal - Directors Related
- Shareholder Proposal - Health/Environment

### Number of companies voted for/against



- No. of companies supported
- No. of companies where voted against management

'LGIM voted against at least one resolution at 49% of UK companies over the quarter.'

Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

# Regional updates

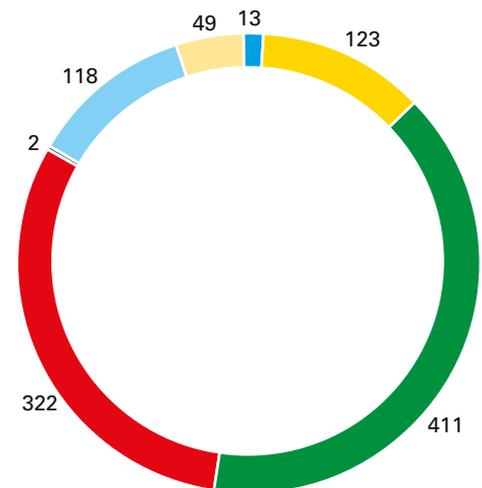
## Europe

### Q2 2019 VOTING SUMMARY EUROPE

Proposal category	EUROPE		
	For	Against	Abstain
Anti-takeover Related	10	13	
Capitalisation	615	123	
Directors related	1596	411	
Non-salary Compensation	541	322	
Reorganisations and Mergers	54	2	
Routine/Business	1407	117	1
Shareholder Proposal - Compensation	3		
Shareholder Proposal - Corporate Governance	1		
Shareholder Proposal - Directors Related	14	49	
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment	1		
Shareholder Proposal - Other/Miscellaneous	11		
Shareholder Proposal - Routine/Business	6		
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
<b>Total</b>	<b>4259</b>	<b>1037</b>	<b>1</b>
<b>Total resolutions</b>	<b>5297</b>		
No. AGMs	305		
No. EGMs	10		
No. of companies voted	309		
No. of companies where voted against management /abstained on at least one resolution	211		
% no. of companies where at least one vote against	68%		

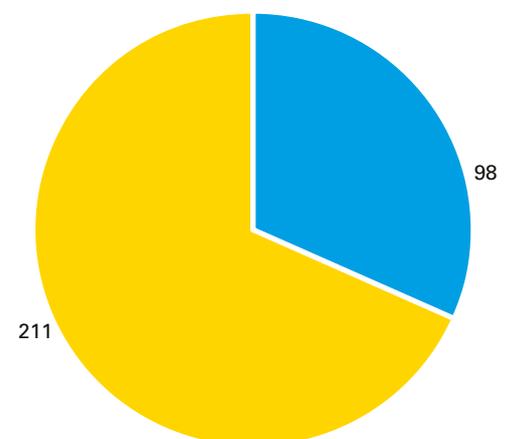
'LGIM voted against at least one resolution at 68% of European companies over the quarter.'

### Votes against and abstentions



- Antitakeover related
- Capitalisation
- Directors Related
- Non-salary Compensation
- Reorganisation and Mergers
- Routine/Business
- Shareholder Proposal - Directors related

### Number of companies voted for/against/abstentions



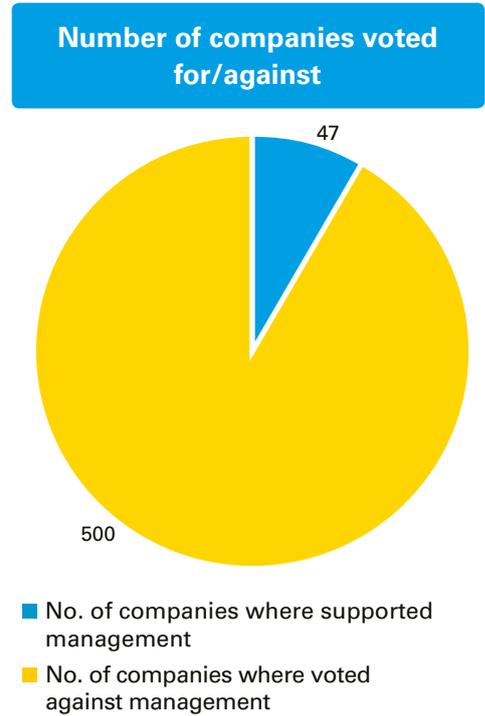
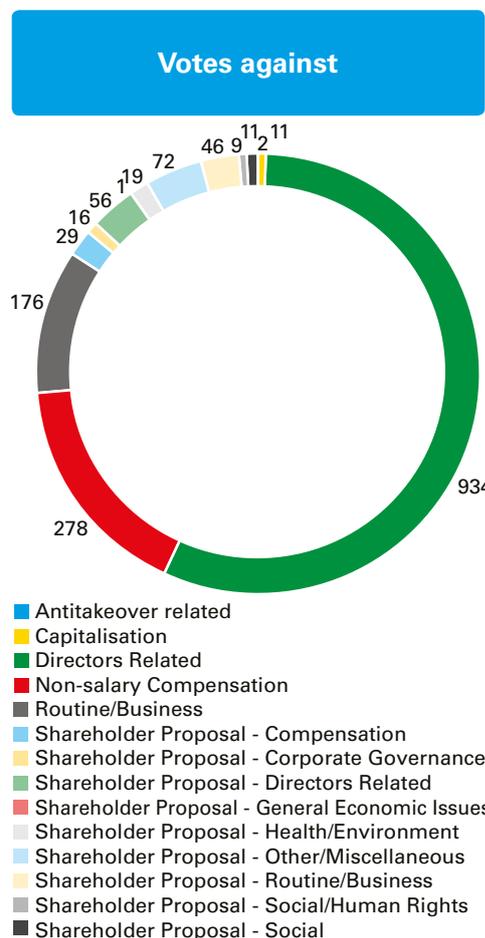
- No. of companies where supported management
- No. of companies where voted against management (includes abstentions)

# Regional updates

## North America

### Q2 2019 VOTING SUMMARY NORTH AMERICA

Proposal category	NORTH AMERICA		
	For	Against	Abstain
Anti-takeover Related	57	2	
Capitalisation	62	11	
Directors Related	4268	934	
Non-salary Compensation	376	278	
Reorganisations and Mergers	11		
Routine/Business	419	176	
Shareholder Proposal - Compensation	11	29	
Shareholder Proposal - Corporate Governance	6	16	
Shareholder Proposal - Directors Related	40	56	
Shareholder Proposal - General Economic Issues	1	1	
Shareholder Proposal - Health/Environment	7	19	
Shareholder Proposal - Other/Miscellaneous	3	72	
Shareholder Proposal - Routine/Business	4	46	
Shareholder Proposal - Social/Human Rights	2	9	
Shareholder Proposal - Social	9	11	
<b>Total</b>	<b>5276</b>	<b>1660</b>	
Total resolutions		6936	
No. AGMs		541	
No. EGMs		11	
No. of companies voted		547	
No. of companies where voted against management /abstained on at least one resolution		500	
% no. of companies where at least one vote against		91%	



**'LGIM voted against at least one resolution at 91% of North American companies over the quarter.'**

Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

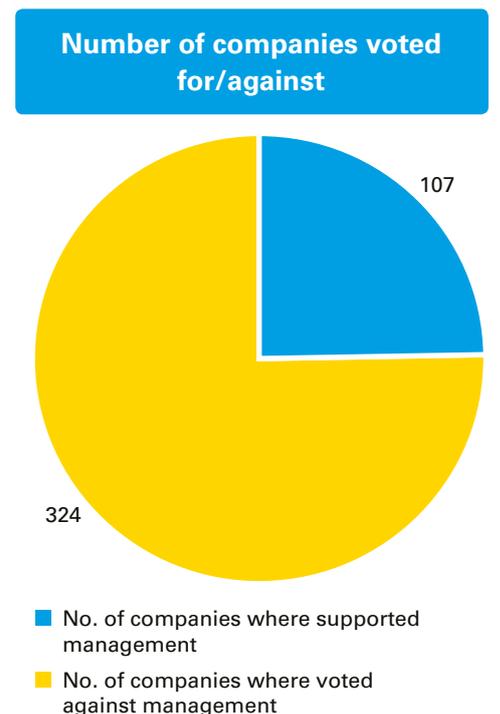
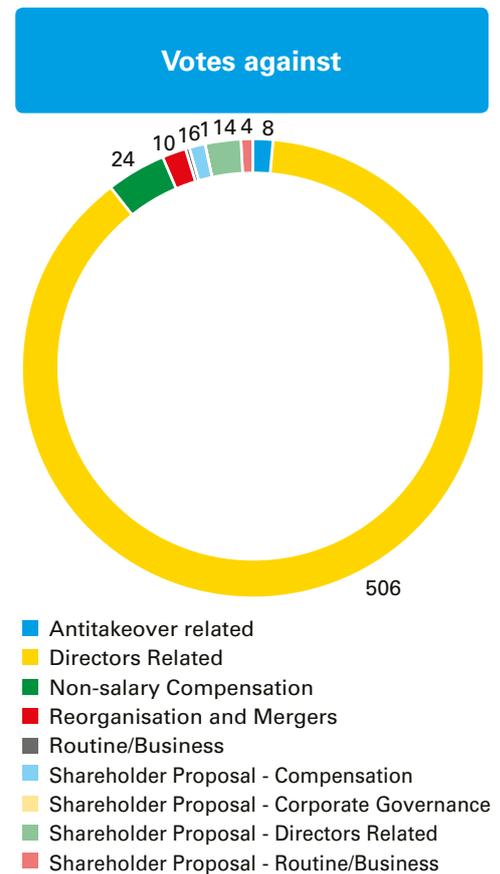
# Regional updates

## Japan

### Q2 2019 VOTING SUMMARY JAPAN

Proposal category	JAPAN		
	For	Against	Abstain
Anti-takeover Related		8	
Capitalisation	3		
Directors Related	4375	506	
Non-salary Compensation	202	24	
Reorganisations and Mergers	96	10	
Routine/Business	304	1	
Shareholder Proposal - Compensation	1	6	
Shareholder Proposal - Corporate Governance	1	1	
Shareholder Proposal - Directors Related	22	14	
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment	43		
Shareholder Proposal - Other/Miscellaneous			
Shareholder Proposal - Routine/Business	18	4	
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
Total	5065	574	
Total resolutions		5639	
No. AGMs		431	
No. EGMs		1	
No. of companies voted		431	
No. of companies where voted against management /abstained on at least one resolution		324	
% no. of companies where at least one vote against		75%	

**'LGIM voted against at least one resolution at 75% of Japanese companies over the quarter.'**



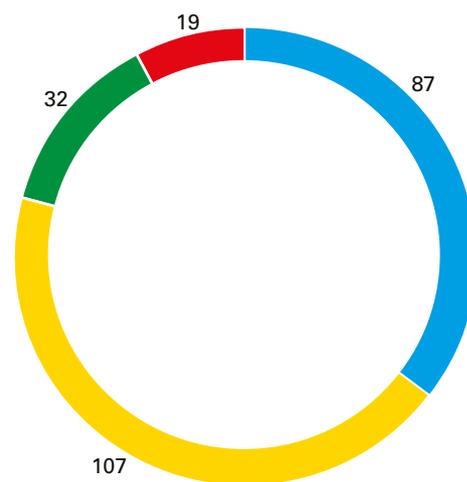
# Regional updates

## Asia Pacific

### Q2 2019 VOTING SUMMARY ASIA PACIFIC

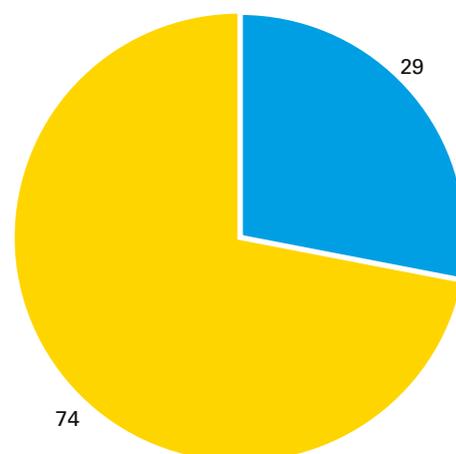
Proposal category	ASIA PACIFIC		
	For	Against	Abstain
Anti-takeover Related	2		
Capitalisation	98	87	
Directors Related	318	107	
Non-salary Compensation	30	32	
Reorganisations and Mergers	23		
Routine/Business	211	19	
Shareholder Proposal - Compensation			
Shareholder Proposal - Corporate Governance			
Shareholder Proposal - Directors Related			
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment	2		
Shareholder Proposal - Other/Miscellaneous			
Shareholder Proposal - Routine/Business	2		
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
<b>Total</b>	<b>686</b>	<b>245</b>	
Total resolutions	931		
No. AGMs	97		
No. EGMs	14		
No. of companies voted	103		
No. of companies where voted against management /abstained on at least one resolution	74		
% no. of companies where at least one vote against	72%		

### Votes against



- Capitalisation
- Directors Related
- Non-Salary Compensation
- Routine/Business

### Number of companies voted for/against



- No. of companies where supported management
- No. of companies where voted against management

**'LGIM voted against at least one resolution at 72% of Asia Pacific companies over the quarter.'**

Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

# Regional updates

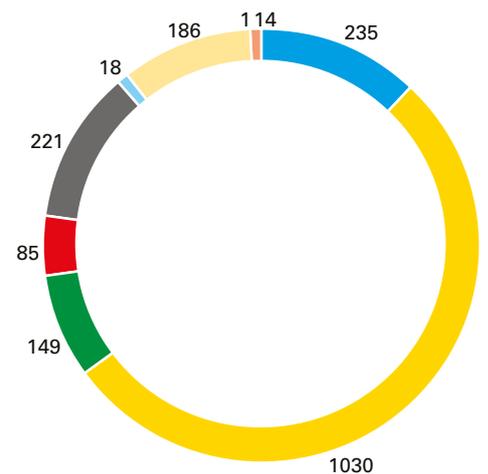
## Emerging markets

### Q2 2019 VOTING SUMMARY EMERGING MARKETS

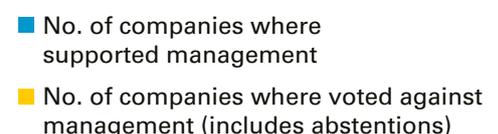
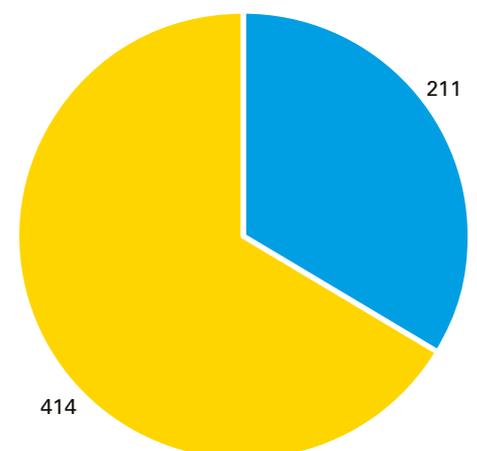
Proposal category	EMERGING MARKETS		
	For	Against	Abstain
Anti-takeover Related	3		
Capitalisation	735	235	
Directors Related	2572	901	129
Non-salary Compensation	104	149	
Reorganisations and Mergers	521	85	
Routine/Business	2701	221	
Shareholder Proposal - Compensation	15		
Shareholder Proposal - Corporate Governance		18	
Shareholder Proposal - Directors Related	38	184	2
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment	1	1	
Shareholder Proposal - Other/Miscellaneous			
Shareholder Proposal - Routine/Business	5	14	
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
<b>Total</b>	<b>6695</b>	<b>1808</b>	<b>131</b>
<b>Total resolutions</b>	<b>8634</b>		
No. AGMs	593		
No. EGMs	141		
No. of companies voted	625		
No. of companies where voted against management /abstained on at least one resolution	414		
% no. of companies where at least one vote against	66%		

'LGIM voted against at least one resolution at 66% of emerging markets companies over the quarter.'

### Votes against and abstentions



### Number of companies voted for/against/abstentions



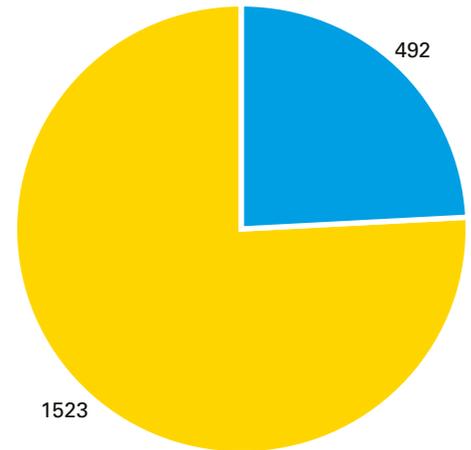
Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

# Global Voting summary

## VOTING TOTALS

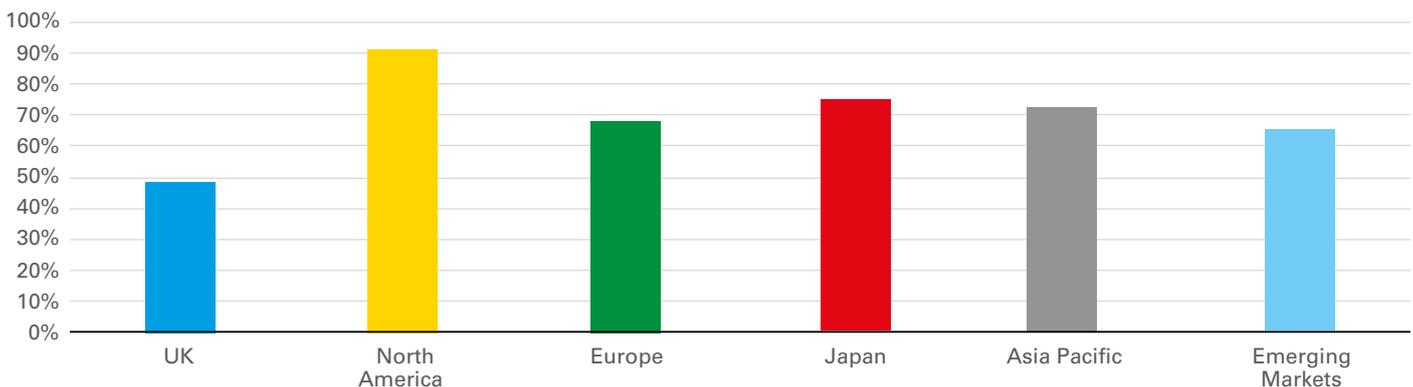
Proposal category	For	Against	Abstain	Total
Anti-takeover Related	306	23	0	329
Capitalisation	2708	482	0	3190
Directors Related	15439	3036	129	18604
Non-salary Compensation	1607	909	0	2516
Reorganisations and Mergers	734	101	0	835
Routine/Business	6435	553	1	6989
Shareholder Proposal - Compensation	31	35	0	66
Shareholder Proposal - Corporate Governance	8	35	0	43
Shareholder Proposal - Directors Related	131	306	2	439
Shareholder Proposal - General Economic Issues	1	1	0	2
Shareholder Proposal - Health/Environment	56	21	0	77
Shareholder Proposal - Other/Miscellaneous	14	72	0	86
Shareholder Proposal - Routine/Business	36	64	0	100
Shareholder Proposal - Social/Human Rights	2	9	0	11
Shareholder Proposal - Social	9	11	0	20
<b>Total resolutions</b>	<b>27517</b>	<b>5658</b>	<b>132</b>	<b>33307</b>
No. AGMs	2285			
No. EGMs	223			
No. of companies voted	2352			
No. of companies where voted against management /abstained on at least one resolution	1688			
% no. of companies where at least one vote against	72%			

Number of companies voted for/against/abstentions



- No. of companies where supported management
- No. of companies where voted against management (includes abstention)

% of companies with at least one vote against (includes abstentions)



# Global Engagement Summary

Number of companies engaged with

96

110

total engagements during the quarter  
Including:

65

engagement meetings

45

engagement emails  
Including:

25

engagement emails to companies stating our views on their executive pay packages

Number of engagements on environmental topics:

31

Number of engagements on social topics:

33

Number of engagements on governance topics:

85

Number of engagements on other topics (e.g. financial and strategy):

21

Number of engagements on ESG (e.g. Future World Protection List):

2

% of engagements on environmental and social topics:

53%

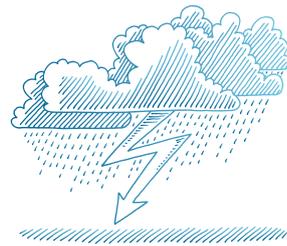
# Top five engagement topics:

1



Remuneration

2



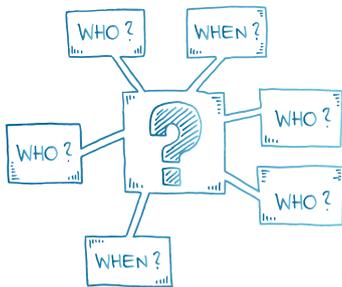
Climate Change

3



Board composition

4



Nominations/Succession

5



Diversity

## CONTACT US FOR MORE INFORMATION

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

---

### Important Notice

The information presented in this document (the "Information") is for information purposes only. The Information is provided "as is" and "as available" and is used at the recipient's own risk. Under no circumstances should the Information be construed as: (i) legal or investment advice; (ii) an endorsement or recommendation to investment in a financial product or service; or (iii) an offer to sell, or a solicitation of an offer to purchase, any securities or other financial instruments.

Unless otherwise stated, the source of all information is Legal & General Investment Management Ltd.

LGIM, its associates, subsidiaries and group undertakings (collectively, "Legal & General") makes no representation or warranty, express or implied, in connection with the Information and, in particular, regarding its completeness, accuracy, adequacy, suitability or reliability.

To the extent permitted by law, Legal & General shall have no liability to any recipient of this document for any costs, losses, liabilities or expenses arising in any manner out of or in connection with the Information. Without limiting the generality of the foregoing, and to the extent permitted by law, Legal & General shall not be liable for any loss whether direct, indirect, incidental, special or consequential howsoever caused and on any theory of liability, whether in contract or tort (including negligence) or otherwise, even if Legal & General had been advised of the possibility of such loss.

LGIM reserves the right to update this document and any Information contained herein. No assurance can be given to the recipient that this document is the latest version and that Information herein is complete, accurate or up to date.

All rights not expressly granted to the recipient herein are reserved by Legal & General.

Issued by Legal & General Investment Management Ltd. Registered in England No.02091894. Registered office: One Coleman Street, London, EC2R 5AA. Authorised and regulated by the Financial Conduct Authority.

M1953 GM

---