

VOTING AND ENGAGEMENT ACTIVITY

Welcome to your Quarterly Report's Engagement Activity section. Here we share company engagement reports and voting notes on particular issues that we trust you will find of interest.

Please note that these company reports are firm wide to give you a full picture of Majedie's stewardship work on behalf of all clients. However, the voting record table which follows is bespoke.

During the quarter, we worked on our submission to the Principles for Responsible Investment (PRI) for 2018 and the document is now with the PRI for assessment. We also contributed to the Financial Reporting Council's consultation on the new Stewardship Code.

We engaged with several companies over the quarter, examples of which we give below.

- We met the new Chairman of Centrica, Charles Berry, to hear his initial thoughts on the business, its strategy and the political landscape. We also discussed an update on the company's current governance and remuneration arrangements.
- After the announcement of the proposed acquisition of Goldcorp by Newmont Mining, we had a conference call with the CEO of Goldcorp, and an in-person meeting with the management team of Newmont, to understand the rationale for the deal better. After some initial concerns that Goldcorp was selling itself too cheaply, we concluded that the acquisition was in the best interests of shareholders as it would provide Goldcorp with superior operational talent, a better balance sheet, and a less-pressured development schedule for its assets, allowing for improved long-term decision making. The all-share nature of the transaction means Goldcorp shareholders will participate in these benefits after the deal closes.
- In addition to the above, we also wrote a letter to the Board of Goldcorp to express our strong opposition to the sudden increase in the Chairman's retirement package, which we felt was not deserved or justified.
- After the announcement of Barrick Gold's hostile offer for Newmont Mining, we wrote to the CEO of Barrick to express our concerns that another large acquisition, so soon after the Randgold merger, would not be in the best interests of shareholders. We advocated instead for Barrick and Newmont to combine their neighbouring Nevada assets into a Joint Venture (JV), providing them with a much lower-risk way to realise very substantial operational synergies. Shortly after, Barrick and Newmont announced that the hostile bid had been called off and a Nevada JV has been agreed. We view this as a good result.

We received several remuneration proposals during the quarter. As part of our toolkit for analysing remuneration proposals, Majedie refers to a best practice guide, the Investment Association's Principles of Remuneration.

In terms of our recent conversations with investee companies, we remain engaged on the issue of best practice with one company that is at the formulation stage of a new remuneration policy. In the case of another company's proposal, we received assurance that a missing post-employment shareholding requirement would be actively looked at by the Remuneration Committee, while another investee company was unable to explicitly commit to incorporate the requirement and, consequently, we voted against their proposed remuneration policy (please see the Chemring vote further below).

We have also been active in making the case for best practice in representations to some of our companies' Remuneration Committees where remuneration policies are still 'in-flight'. These included Tesco, after they gave us an initial indication of how their forthcoming Remuneration Report will read. Here we made the case for a gradual reduction in the contribution levels for incumbent Tesco executives to the level received by the wider workforce. The company acknowledged our view, noted its Committee was aware of the guidance, and stated it would keep the level under review ahead of its next Policy Review in 2021.

Executive pension contribution levels in relation to levels received by the wider workforce and post-employment shareholding requirements have been recurrent themes in our conversations with investee companies this quarter. On pension contribution levels, we look for proposals that state new executives will receive the same

pension contribution level as the wider workforce and commit to gradual or immediate reductions in the levels received by incumbent executives if they are out of line with the wider workforce. On post-employment shareholding requirements, we look for companies to require any departing executive to retain their company shares for two years post-employment.

What follows is a selection of the more notable voting examples from Q1 2019.

Lonmin, AGM (UK Equity Fund): We voted against approval of the Remuneration Report. We questioned whether the company should have exercised discretion in relation to executive bonus payments, given the uncertainty from the prolonged nature of the potential transaction with Sibanye-Stillwater. Given the risk that the transaction may never close, we concluded the company should have taken a more conservative approach than its Remuneration Policy allowed for. There had also been workforce strikes during the period. This was in line with ISS's recommendation.

We voted in favour of the re-election of Kennedy Burgane as a Director of the company, against the recommendation of ISS. Burgane is a member of the Audit & Risk Committee, and its composition was compliant with the 2016 UK Corporate Governance Code. However, the updated Code now states an audit & risk committee should be fully independent. Burgane was categorised as a non-independent Director, due to working for a company that is the Black Economic Empowerment Partner of Lonmin. In defending Burgane's position on the Board, a company letter to shareholders explained that another director had stood down from the Committee and the Board last year, but Lonmin did not think it appropriate to appoint a new director given the company is engaged in a potential takeover transaction. Burgane was therefore appointed to the Audit & Risk Committee as he is also categorised as a Financial Expert. The company committed to review the Committee's composition if the transaction did not complete. Given the ongoing Bryden Review of Audit, which had already highlighted the need to have financial experts on audit committees, we deemed this a reasonable if temporary compromise.

Chemring, AGM (UK Smaller Companies Fund): We voted against the Remuneration Policy of Chemring given our adherence to the Investment Association's Principles of Remuneration (November 2019). The Policy did not have a post-employment period for holding shares, whereas the Principles advise a holding period should be in place. The Remuneration Policy, if approved, would not have to be put to a binding shareholder vote for the next three years. This was in contrast to the ISS recommendation to vote in favour of the Policy.

Euromoney, AGM, (UK Equity Fund, UK Smaller Companies Fund, UK Focus Fund, UK Income Fund): We voted against the Remuneration Report, in line with the recommendation of ISS, due to a number of elements which gave us cause for concern: the uncapped profit share scheme that had been in operation for the ex-CFO, a reduced bonus target for executives and the award of a bonus to the new CFO that represented approximately 50% of maximum opportunity after only one and a half months in the job.

Turning to Euromoney's Board composition, while we favour flexibility for the composition of smaller company boards, we were concerned with the level of representation that the company's major shareholder, DMGT, had. We therefore voted against the re-election of Tim Collier as a Director, as in addition to Collier who is the CFO of DMGT, the CEO of dmg media and an individual who previously worked for DMGT's broker all held positions on the Board. Our vote was in line with the recommendation of ISS.

CareTech, AGM, (UK Smaller Companies Fund): We voted against the Remuneration Report, given the continuation of significant salary increases for the executives, an issue we had engaged on last year. ISS also recommended a vote against. Because of our remuneration concerns, we voted against the Chair of the Remuneration Committee, who ISS had also recommended a vote against, as well as the other Remuneration Committee member who was up for re-election (ISS had recommended a vote in favour, but we wished to signal the level of our concern to the Board).

SSP, AGM (UK Focus Fund): We voted against the Remuneration Report of SSP, as while the CEO had presided over strong company performance, we concluded the remuneration awarded was too high relative to peers. This was in alignment with the recommendation of ISS.

We abstained on the re-election of the Chairman, rather than against as ISS recommended, as while we recognised he had an unsatisfactory number of board roles, we concluded that it would not be in the best interests of the company to change Chairman in the same year as a new CEO appointment. The relevant Majedie Fund Manager will write to the company to advise that we will not support the Chairman's re-election next year.

Hologic, AGM, (Global Equity Fund/US Equity Fund): We agreed with ISS and voted against the compensation awarded. The CEO had received a rival job offer, which prompted the company to award a \$30.3m equity grant, a third of which was time-based rather than performance-based for vesting. Furthermore, ISS noted the TSR target was non-rigorous for some of the performance share unit grants.

Samsung Electronics, AGM (Global Equity Fund/Global Focus Fund): We voted against the election of Bahk Jae-Wan as an Outside Director and as a Member of the Audit Committee, in line with ISS's recommendation. He had not appeared to have acted in the best interests of shareholders during the time when bribery and embezzlement took place while he was a board member as an Independent Director.

Telecom Italia, AGM, (Tortoise/UK Equity Fund): We voted against Telecom Italia's Remuneration Policy, in line with the recommendation of ISS, due to three elements of the Policy in particular: the Chairman, who was classified by the company as independent, could participate in a variable bonus plan; severance payments in favour of key managers would potentially be in excess of 24 months' remuneration and the company could potentially pay discretionary bonuses, 'to reward significant performance or particularly outstanding results relating to extraordinary initiatives that cannot be classified as ordinary activities'.

We voted against the company's proposal to amend the Incentive Plan 2018, in line with ISS's recommendation, for three reasons. First, the company sought to lower the targets for one of the two performance metrics attached to the plan. Second, the performance and vesting periods were shorter than three years for some of the plan beneficiaries, including the new CEO/General Manager. Third, we concluded the award levels for the CEO/General Manager were excessive e.g. the maximum share award would correspond to more than seven times the CEO/General Manager's fixed remuneration.

We also voted against Vivendi's proposal (a shareholder proposal) to remove five directors to be replaced by their own nominees, as currently the company requires stability rather than fundamental board change. This was in line with the recommendation of ISS.

VOTING POLICY

We introduced our own customised voting policy in the second quarter of 2014. This is run in parallel with ISS's policy recommendations. The majority of areas in which our policy differs from that of ISS are within the smaller company sector, where we are a leading UK participant, and relates to capital raising with pre-emptive shareholder rights and the composition of boards; these issues are by their nature often associated with smaller companies. It is not inconceivable that we will make exceptions and vote against our own policy: as with all our voting, we proceed on a case by case basis. We review our policy annually to ensure it is consistent with current best practice. Below are the specifics of the policy. It is worth noting that we regard a smaller company as having a market capitalisation of £1.7bn or less.

Agenda Type	ISS policy	Majedie Policy
Smaller Company Board Structure	Where Non-Executive Directors (NEDs) are members of internal boards, or where members of the board sit on more than one internal committee, this is regarded as being against best practice, and therefore the recommendation is to vote against such proposals.	Give smaller companies greater flexibility in the composition of their boards for practical reasons, given personnel limitations.
Issuances with Pre-emptive Rights	Proposals of greater than 33% of Issued Share Capital are against best practice and therefore the recommendation is to vote against.	As shareholders we will be given the right to take up the issuance, and therefore will not be diluted. We therefore vote for such proposals if they protect or increase shareholder value.
Issuances without Pre-emptive Rights	Proposals of greater than 10% of Issued Share Capital are against best practice and therefore the recommendation is to vote against.	Vote in line with ISS as such issuances are potentially dilutive for shareholders. However, in a few limited cases we may support the management if they are making the issuance without pre-emptive rights in the course of a re-financing exercise.
Political Contributions	Vote for.	Vote against. We want to maintain an independent stance.

VOTING RECORD SUMMARY

Please see below a breakdown of the meetings and resolutions which pertain to your portfolio.

SUMMARY	VOTES	PERCENT
Number of meetings voted at this period	20	
Number of resolutions	202	
Where we voted in line with Management	192	95.0
Where we have not voted in line with Management	10	5.0

Source: Majedie, ISS (Institutional Shareholder Services)

The table below is a breakdown of the number of resolutions where we have either voted against Management or abstained.

CATEGORY	AGAINST MANAGEMENT	ABSTAIN
Board election & related proposals	3	0
Capitalisation	0	0
Miscellaneous	3	0
Remuneration	3	0
Reorganisations, mergers & anti-takeover	0	0
Routine/Business	1	0
Shareholder proposals	0	0
Total	10	0

Sources: Majedie, ISS (Institutional Shareholder Services)

VOTING RECORD DETAILS

SECURITY NAME	MEETING DATE	MEETING TYPE	MAJEDIE VOTE
AMINEX	04 Jan 2019	EGM	Voted for all
CARETECH	05 Mar 2019	AGM	Against Resolutions 2, 4, 5
CHEMRING	21 Mar 2019	AGM	Against Resolution 2
DAILY MAIL AND GENERAL TRUST	26 Mar 2019	EGM	Voted for all
EI GROUP	07 Feb 2019	AGM	Voted for all
EI GROUP	07 Feb 2019	EGM	Voted for all
ENSCO ROWAN	21 Feb 2019	EGM	Voted for all
EUROMONEY	01 Feb 2019	AGM	Against Resolutions 2, 8
GRC INTERNATIONAL	01 Mar 2019	EGM	Voted for all
KAO CORP	26 Mar 2019	AGM	Voted for all
LONMIN	25 Mar 2019	AGM	Against Resolution 2
MOTHERCARE	29 Mar 2019	EGM	Voted for all
NOVARTIS	28 Feb 2019	AGM	Against Resolution 12
RM PLC	27 Mar 2019	AGM	Voted for all
RHYTHMONE	22 Mar 2019	EGM	Voted for all
RHYTHMONE	22 Mar 2019	Court	Voted for all
ROYAL BANK OF SCOTLAND	06 Feb 2019	EGM	Voted for all
SAGE GROUP	27 Feb 2019	AGM	Voted for all
STOCK SPIRITS	14 Feb 2019	AGM	Voted for all
TELECOM ITALIA	29 Mar 2019	AGM	Against Resolutions 3, 4, 6, 7

Source: Majedie

Vote Summary Report

Reporting Period: 01/01/2019 to 02/15/2019
 Location(s): All Locations
 Institution Account(s): Investec Funds Series III - Global Dynamic

Accenture Plc

Meeting Date: 02/01/2019

Country: Ireland

Primary Security ID: G1151C101

Record Date: 12/03/2018

Meeting Type: Annual

Ticker: ACN

Shares Voted: 68,222

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Voting Policy Rec	Vote Instruction
1a	Elect Director Jaime Ardila	Mgmt	For	For	For
1b	Elect Director Herbert Hainer	Mgmt	For	For	For
1c	Elect Director Marjorie Wagner	Mgmt	For	For	For
1d	Elect Director Nancy McKinstry	Mgmt	For	For	For
1e	Elect Director David P. Rowland	Mgmt	For	For	For
1f	Elect Director Gilles C. Pelisson	Mgmt	For	For	For
1g	Elect Director Paula A. Price	Mgmt	For	For	For
1h	Elect Director Venkata (Murthy) Renduchintala	Mgmt	For	For	For
1i	Elect Director Arun Sarin	Mgmt	For	For	For
1j	Elect Director Frank K. Tang	Mgmt	For	For	For
1k	Elect Director Tracey T. Travis	Mgmt	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For
3	Approve KPMG LLP as Auditors and Authorize Board to Fix Their Remuneration	Mgmt	For	For	For
4	Authorize Issuance of Equity or Equity-Linked Securities with Preemptive Rights	Mgmt	For	For	For
5	Authorize Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Mgmt	For	For	For

Vote Summary Report

Reporting Period: 01/01/2019 to 02/15/2019

Location(s): All Locations

Institution Account(s): Investec Funds Series III - Global Dynamic

Accenture Plc

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Voting Policy Rec	Vote Instruction
6	Determine the Price Range at which Accenture Plc can Re-issue Shares that it Acquires as Treasury Stock	Mgmt	For	For	For



Vote Summary Report

Reporting Period: 01/01/2019 to 02/15/2019

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Visa, Inc.

Meeting Date: 01/29/2019

Country: USA

Primary Security ID: 92826C839

Record Date: 11/30/2018

Meeting Type: Annual

Ticker: V

Primary CUSIP: 92826C839

Primary ISIN: US92826C8394

Primary SEDOL: B2PZM04

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Lloyd A. Carney	Mgmt	For	Against
1b	Elect Director Mary B. Cranston	Mgmt	For	For
1c	Elect Director Francisco Javier Fernandez-Carbajal	Mgmt	For	For
1d	Elect Director Alfred F. Kelly, Jr.	Mgmt	For	For
1e	Elect Director John F. Lundgren	Mgmt	For	For
1f	Elect Director Robert W. Matschullat	Mgmt	For	For
1g	Elect Director Denise M. Morrison	Mgmt	For	For
1h	Elect Director Suzanne Nora Johnson	Mgmt	For	For
1i	Elect Director John A.C. Swainson	Mgmt	For	For
1j	Elect Director Maynard G. Webb, Jr.	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Ratify KPMG LLP as Auditors	Mgmt	For	For

Sally Beauty Holdings, Inc.

Meeting Date: 01/31/2019

Country: USA

Primary Security ID: 79546E104

Record Date: 12/06/2018

Meeting Type: Annual

Ticker: SBH

Primary CUSIP: 79546E104

Primary ISIN: US79546E1047

Primary SEDOL: B1GZ005

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Christian A. Brickman	Mgmt	For	For
1.2	Elect Director Marshall E. Eisenberg	Mgmt	For	For
1.3	Elect Director Diana S. Ferguson	Mgmt	For	For
1.4	Elect Director David W. Gibbs	Mgmt	For	For

Vote Summary Report

Reporting Period: 01/01/2019 to 02/15/2019

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Sally Beauty Holdings, Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.5	Elect Director Linda Heasley	Mgmt	For	For
1.6	Elect Director Joseph C. Magnacca	Mgmt	For	For
1.7	Elect Director Robert R. McMaster	Mgmt	For	For
1.8	Elect Director John A. Miller	Mgmt	For	For
1.9	Elect Director P. Kelly Mooney	Mgmt	For	For
1.10	Elect Director Susan R. Mulder	Mgmt	For	For
1.11	Elect Director Denise Paulonis	Mgmt	For	For
1.12	Elect Director Edward W. Rabin	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Approve Omnibus Stock Plan	Mgmt	For	For
4	Ratify KPMG LLP as Auditors	Mgmt	For	For

Accenture Plc

Meeting Date: 02/01/2019

Country: Ireland

Primary Security ID: G1151C101

Record Date: 12/03/2018

Meeting Type: Annual

Ticker: ACN

Primary CUSIP: G1151C101

Primary ISIN: IE00B4BNMY34

Primary SEDOL: B4BNMY3

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Jaime Ardila	Mgmt	For	For
1b	Elect Director Herbert Hainer	Mgmt	For	For
1c	Elect Director Marjorie Magner	Mgmt	For	For
1d	Elect Director Nancy McKinstry	Mgmt	For	For
1e	Elect Director David P. Rowland	Mgmt	For	For
1f	Elect Director Gilles C. Pelisson	Mgmt	For	For
1g	Elect Director Paula A. Price	Mgmt	For	For
1h	Elect Director Venkata (Murthy) Renduchintala	Mgmt	For	For
1i	Elect Director Arun Sarin	Mgmt	For	For
1j	Elect Director Frank K. Tang	Mgmt	For	For

Vote Summary Report

Reporting Period: 01/01/2019 to 02/15/2019

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Accenture Plc

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1k	Elect Director Tracey T. Travis	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Approve KPMG LLP as Auditors and Authorize Board to Fix Their Remuneration	Mgmt	For	For
4	Authorize Issuance of Equity or Equity-Linked Securities with Preemptive Rights	Mgmt	For	For
5	Authorize Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Mgmt	For	For
6	Determine the Price Range at which Accenture Plc can Re-issue Shares that it Acquires as Treasury Stock	Mgmt	For	For

Compass Group Plc

Meeting Date: 02/07/2019

Country: United Kingdom

Primary Security ID: G23296208

Record Date: 02/05/2019

Meeting Type: Annual

Ticker: CPG

Primary CUSIP: G23296208

Primary ISIN: GB00BD6K4575

Primary SEDOL: BD6K457

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Remuneration Report	Mgmt	For	For
3	Approve Final Dividend	Mgmt	For	For
4	Elect John Bryant as Director	Mgmt	For	For
5	Elect Anne-Francoise Nesmes as Director	Mgmt	For	For
6	Re-elect Dominic Blakemore as Director	Mgmt	For	For
7	Re-elect Gary Green as Director	Mgmt	For	For
8	Re-elect Carol Arrowsmith as Director	Mgmt	For	For
9	Re-elect John Bason as Director	Mgmt	For	For
10	Re-elect Stefan Bornhard as Director	Mgmt	For	For
11	Re-elect Nelson Silva as Director	Mgmt	For	For
12	Re-elect Ireena Vittal as Director	Mgmt	For	For
13	Re-elect Paul Walsh as Director	Mgmt	For	For

Vote Summary Report

Reporting Period: 01/01/2019 to 02/15/2019

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Compass Group Plc

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
14	Reappoint KPMG LLP as Auditors	Mgmt	For	For
15	Authorise the Audit Committee to Fix Remuneration of Auditors	Mgmt	For	For
16	Authorise EU Political Donations and Expenditure	Mgmt	For	For
17	Approve Payment of Full Fees Payable to Non-executive Directors	Mgmt	For	For
18	Authorise Issue of Equity with Pre-emptive Rights	Mgmt	For	For
19	Authorise Issue of Equity without Pre-emptive Rights	Mgmt	For	For
20	Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment	Mgmt	For	For
21	Authorise Market Purchase of Ordinary Shares	Mgmt	For	For
22	Authorise the Company to Call General Meeting with 14 Working Days' Notice	Mgmt	For	For

Franklin Resources, Inc.

Meeting Date: 02/12/2019

Country: USA

Primary Security ID: 354613101

Record Date: 12/14/2018

Meeting Type: Annual

Ticker: BEN

Primary CUSIP: 354613101

Primary ISIN: US3546131018

Primary SEDOL: 2350684

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Peter K. Barker	Mgmt	For	For
1b	Elect Director Mariann Byerwalter	Mgmt	For	For
1c	Elect Director Charles E. Johnson	Mgmt	For	For
1d	Elect Director Gregory E. Johnson	Mgmt	For	For
1e	Elect Director Rupert H. Johnson, Jr.	Mgmt	For	For
1f	Elect Director Mark C. Pigott	Mgmt	For	For
1g	Elect Director Chutta Ratnathicam	Mgmt	For	For
1h	Elect Director Laura Stein	Mgmt	For	Against
1i	Elect Director Seth H. Waugh	Mgmt	For	For

Vote Summary Report

Reporting Period: 01/01/2019 to 02/15/2019

Location(s): Massachusetts Financial Services

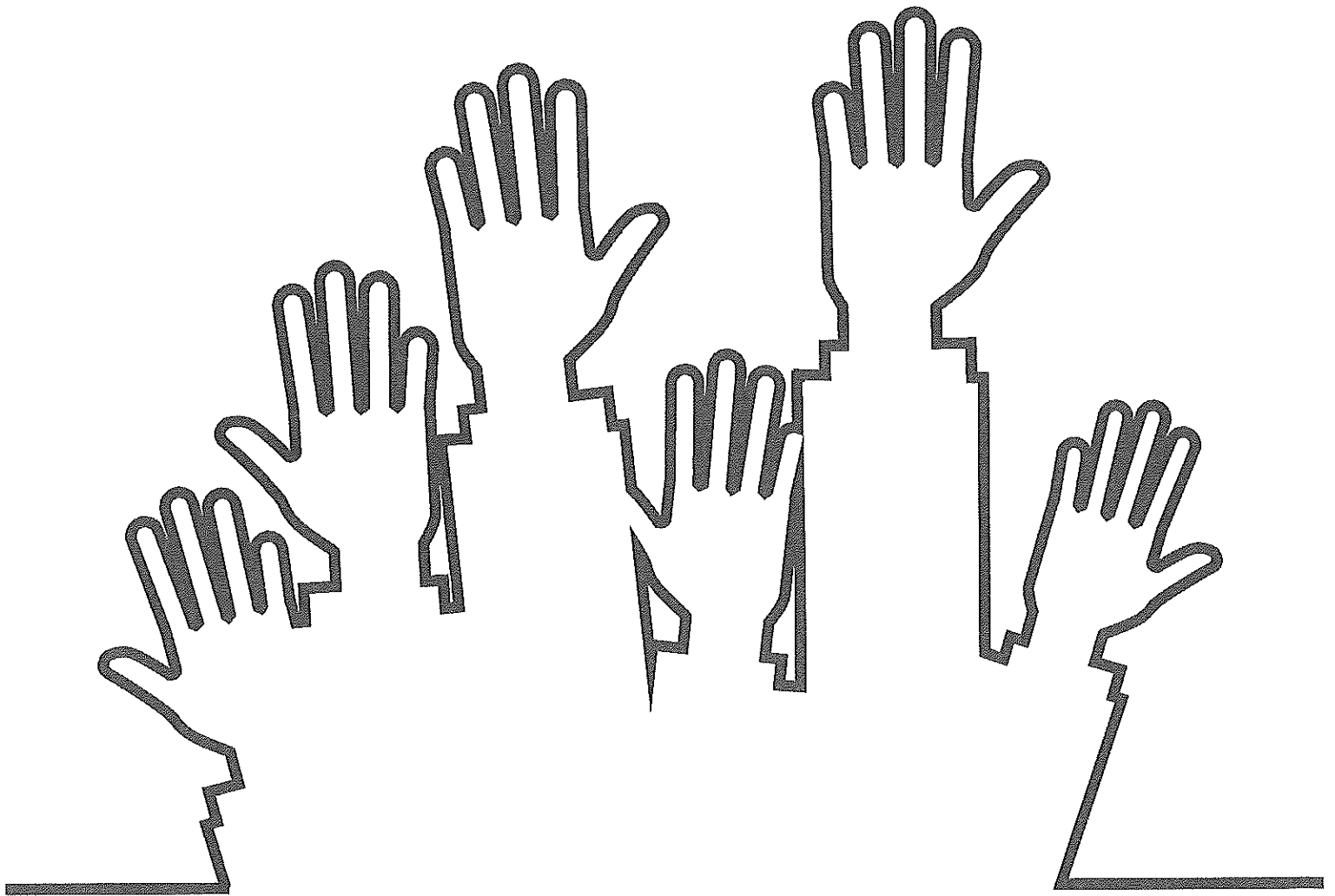
Institution Account(s): MFS Investment Fund - Global Equity Fund

Franklin Resources, Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1j	Elect Director Geoffrey Y. Yang	Mgmt	For	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
3	Ratify Existing Ownership Threshold for Shareholders to Call Special Meeting	Mgmt	For	Against
4	Institute Procedures to Prevent Investments in Companies that Contribute to Genocide or Crimes Against Humanity	SH	Against	Against

Active ownership

Q1 2019 ESG Impact Report

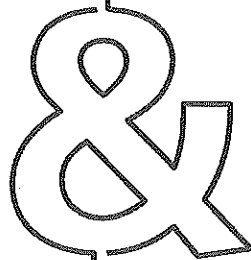


Active ownership means using our scale and influence to bring about **real, positive change** to create sustainable investor value.

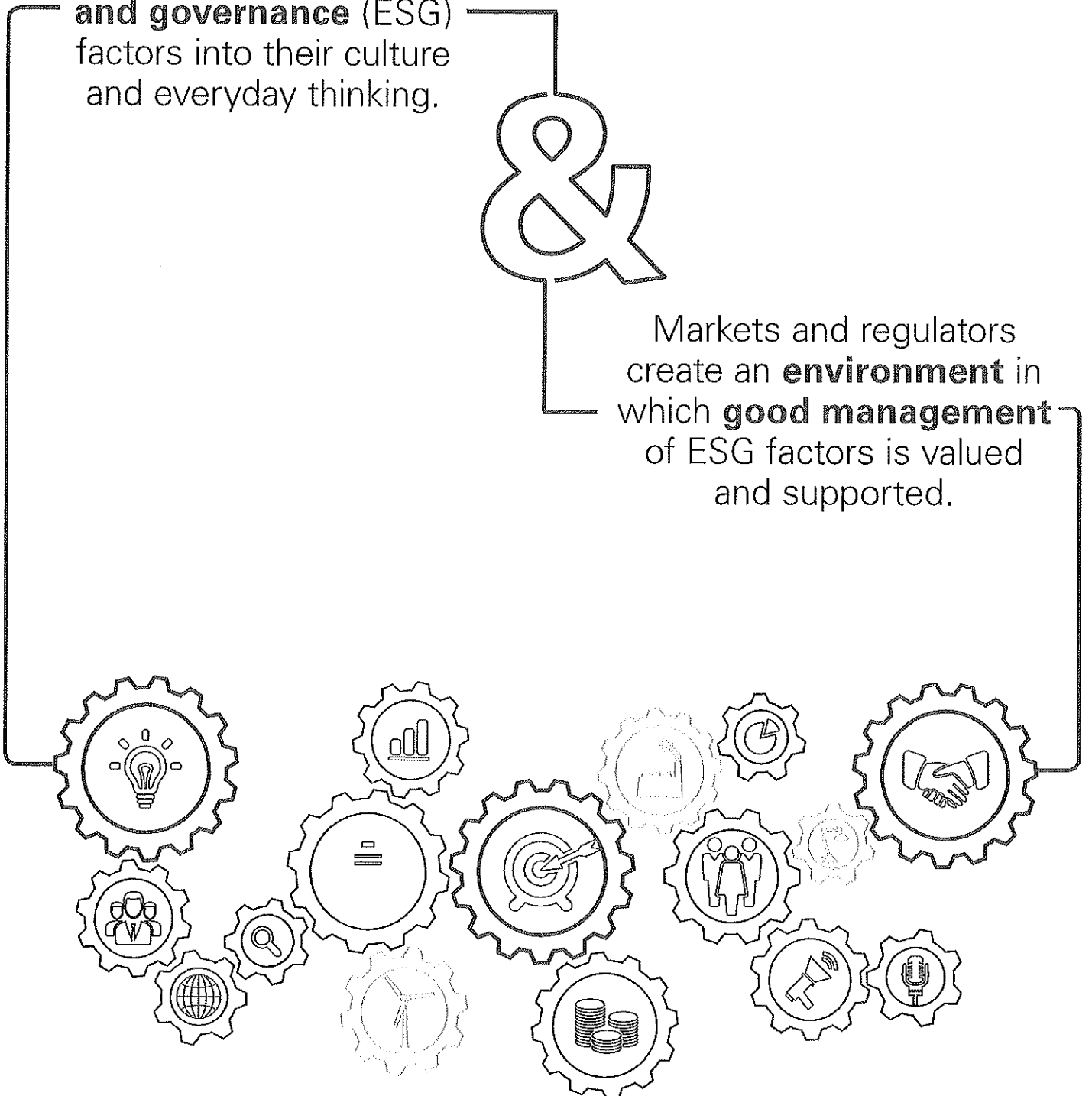
Our mission

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.

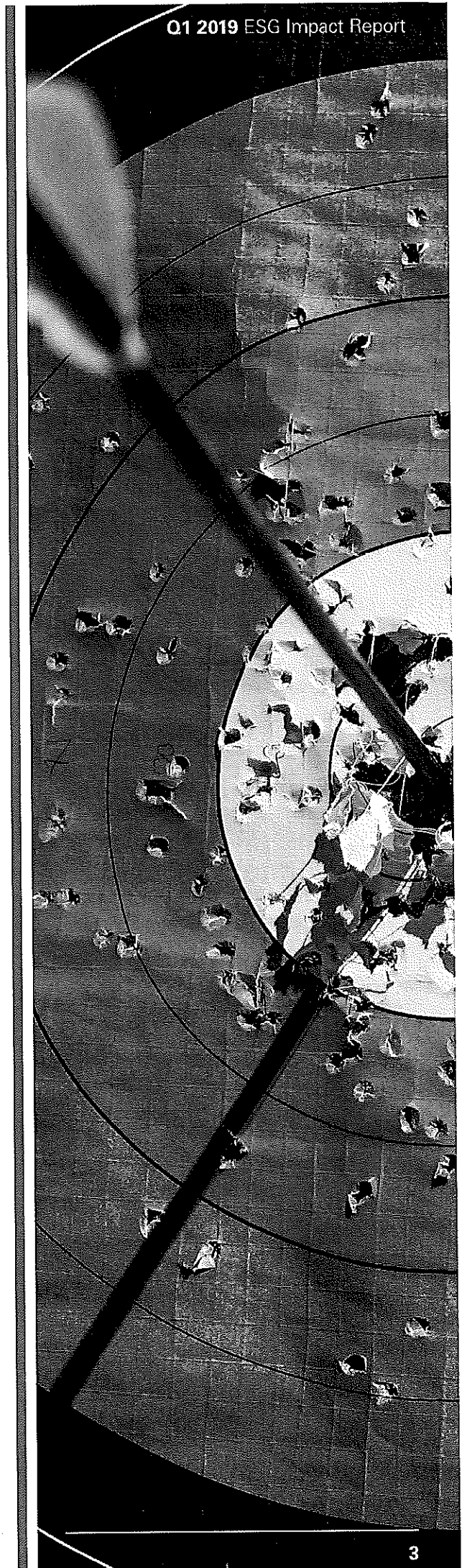
At LGIM, we want to safeguard and grow our clients' assets by ensuring that companies are well positioned for sustainable growth. Our active and enhanced index mandates incorporate ESG factors in the investment process and we consider ESG factors when voting on our holdings in all strategies.

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.



Action and impact

REVISION OF CORPORATE GOVERNANCE AND RESPONSIBLE INVESTMENT POLICIES

We reviewed and updated all our voting policies to ensure they remain aligned with the evolving corporate landscape and that they continue to represent our clients' interests. We also took into account the outcomes of our external stakeholder roundtables on governance and sustainability.

Some of the changes reflect our increasing expectations on key governance topics such as:

- corporate culture;
- whistleblowing; and
- issues that a company's auditor has considered material and has brought to the attention of the audit committee/board.

We also announced that we would **strengthen our stance on pension provisions in the UK**. From 2020 LGIM will vote against any remuneration policy at a company that has not addressed the misalignment of pension provisions between executives and employees.

In addition, **from 2020 LGIM will systematically be voting against the re-election of incumbent joint chair and CEOs**. This decision was taken following many years of engagement on the topic globally and our 2018 engagement campaign with companies in Europe to encourage the separation of these roles.

Lastly, we announced our **decision to vote from 2020 against the largest 100 companies in the S&P 500 and the S&P/TSX where there is less than 25% of female representation on the board**; this will be widened to the entire S&P 500 and the S&P/TSX from 2021.

ENGAGING WITH COMPANIES EXCLUDED FROM THE FUTURE WORLD FUNDS

As mentioned in our Q4 2018 report, LGIM has built the Future World Protection List (FWPL), an exclusion list which has been specifically developed for our Future World fund range in order to reduce clients' exposure to Environmental, Social and Governance (ESG) risks.

During Q1 2019, we have written to the excluded companies to explain the Future World methodology, the reason for their exclusion from the funds, and our vote against their chair. LGIM views these letters as an opportunity to encourage companies - particularly those excluded due to violations of the United Nations Global Compact (UNGC) - to review and strengthen their governance frameworks. Ultimately, our aim is for companies' practices to improve to the point where they are reinstated into the funds.

During the first quarter, the engagement targeted 63 pure coal miners, three companies with involvement in controversial weapons, and 13 companies identified as long-standing violators of the UNGC. The Future World Protection List is updated on a six-monthly basis.

ESG, CREDIT RISK AND RATINGS

The global fixed income community is seeking ways to factor in sustainability considerations when allocating capital and managing long-term risks. As a first step, this requires ensuring that ESG factors, where material, are appropriately reflected in credit risk analysis.

We have been working for the past few years as a member of the PRI Advisory Committee on Credit Rating Agencies to promote understanding of practices, identify gaps in the consideration of ESG factors in credit risk analysis, and find ways to address these.

In January the Group published the third in a series of **reports** targeting credit practitioners and outlining proposed solutions to some of the challenges of ESG integration in credit risk analysis. It featured several case studies, including one from LGIM in which we described the process we have gone through to ensure ESG is a core component of our credit risk analysis.

ESG PODCASTS

In 2018, LGIM launched its own podcast series, **LGIMTalks**. The series invites experts from both LGIM and the wider industry to discuss the most pressing investment topics and long-term market trends impacting investments on a weekly podcast.

A recent episode features a conversation between our Head of Sustainability and Head of DC Client Solutions about the broad spectrum of responsible investment strategies available to investors today, and how we might be able to understand the many different "shades of green."

Additionally, following the release of an eye-opening UN report on climate change, two of our Sustainability Analysts joined the podcast to discuss the low-carbon transition. The conversation ranged from how the world is reaching the end of the road for coal-fired power generation, the development of new emissions-reducing technologies, and how being an active owner can help accelerate the shift to a low-carbon economy.

LISTING OF LYFT – LGIM PUSHING ON ONE-SHARE ONE-VOTE

Silicon Valley ride-hailing company Lyft was the latest to initiate an Initial Public Offering (IPO). The company created a management share class with 20 times the voting rights of the public capital share class. We find this creates a significant distortion between the capital raised, economic interests, and governance influence. Additionally, we noted the structure has no near-term sunset provisions to transition the management share class in an orderly process.

Prior to Lyft's IPO, we joined forces with 11 other institutional investors and used our collective weight, representing USD 3.2 tn of assets under management, to publicly express alarm with the proposed dual-class voting structure. A **letter** was sent to each member of Lyft's board of directors highlighting the dual-class governance risks, namely the misalignment of control and economic exposure and empirical research which shows the structure may hurt long-term shareholders.

Our involvement in this issue reflects our concern both of Lyft as a direct investment and for the precedent they set for future IPOs. For Lyft, we will continue to seek direct engagement with the board and use our limited voting rights to express the need for accountability to public shareholders. Beyond Lyft, we will use our influence with regulators, exchanges and index providers to embrace governance structures that are aligned with long term investors.

Several media outlets covered the initial story (NYTimes, FinancialTimes) which is beneficial to help raise the profile of the issue.

Investors to BP: do you want to win or lose from climate change?

We and other major shareholders want oil major BP to explain how its strategy is consistent with the Paris Agreement on climate change. **This is the first time LGIM has put forward such a shareholder proposal.**

Energy and climate change are crucial issues for investors and society. BP and Shell pay out around 20p in every £1 of dividends distributed by the UK's largest 100 companies. For their savings and pensions, people rely on the continued success of such companies. At the same time, avoiding a climate catastrophe means the world must reduce its use of fossil fuels, the leading source of planet-warming carbon emissions. We therefore want to understand what steps BP is taking to prepare for a low-carbon economy.

WHAT HAS LGIM BEEN DOING?

In 2015, LGIM supported successful shareholder **resolutions**¹ at BP and Shell, calling on the companies to improve their reporting on the risks and opportunities of climate change.

In 2017, we commissioned **research**² which showed that, although many energy companies made welcome public statements acknowledging the urgency of climate change, it was not clear how this influenced their plans

to keep exploring for new oil and gas reserves.

We acknowledge that people will continue to use fossil fuels for decades to come. Yet, as BP has **recognised**³, the world's oil and gas reserves are unlikely to be fully exploited if we are to meet the goals of the Paris Agreement on climate change – limiting global warming to well below 2°C compared to pre-industrial times, which ultimately means reaching zero net carbon emissions by around 2050.⁴

We are now calling on BP to provide more details about how it chooses to deploy the capital investors entrust to it. We want to understand how the company evaluates whether each new material capital expenditure is consistent with the Paris goals, particularly when it comes to exploring, buying or developing new oil and gas reserves.

Second, it is important to have **transparency** on what metrics and

targets the company is adopting as a result. Following the announcement made by **Shell**⁵ last year, we would like to know how BP plans to measure and reduce the carbon intensity of its energy products, not just its operations – and whether any such targets will be linked to executive pay.

LGIM has been a consistent supporter of shareholder resolutions asking companies to disclose more information on climate change. According to our data, for the past two years we have supported more such resolutions in the US than any of the world's 10 largest asset managers.⁶

This year, we have gone one step further by taking the initiative to draft and put forward a resolution, in collaboration with other leading investors. We recognise that the scale of the challenge makes such collective action more necessary than ever.

WHAT NEXT?

We would encourage all investors to support the resolution. Asset

1. <https://www.climatechangenews.com/2015/04/16/bp-adopts-climate-risk-proposal-after-shareholder-vote/>

2. <http://2degreeseperation.com/Original-report.html>

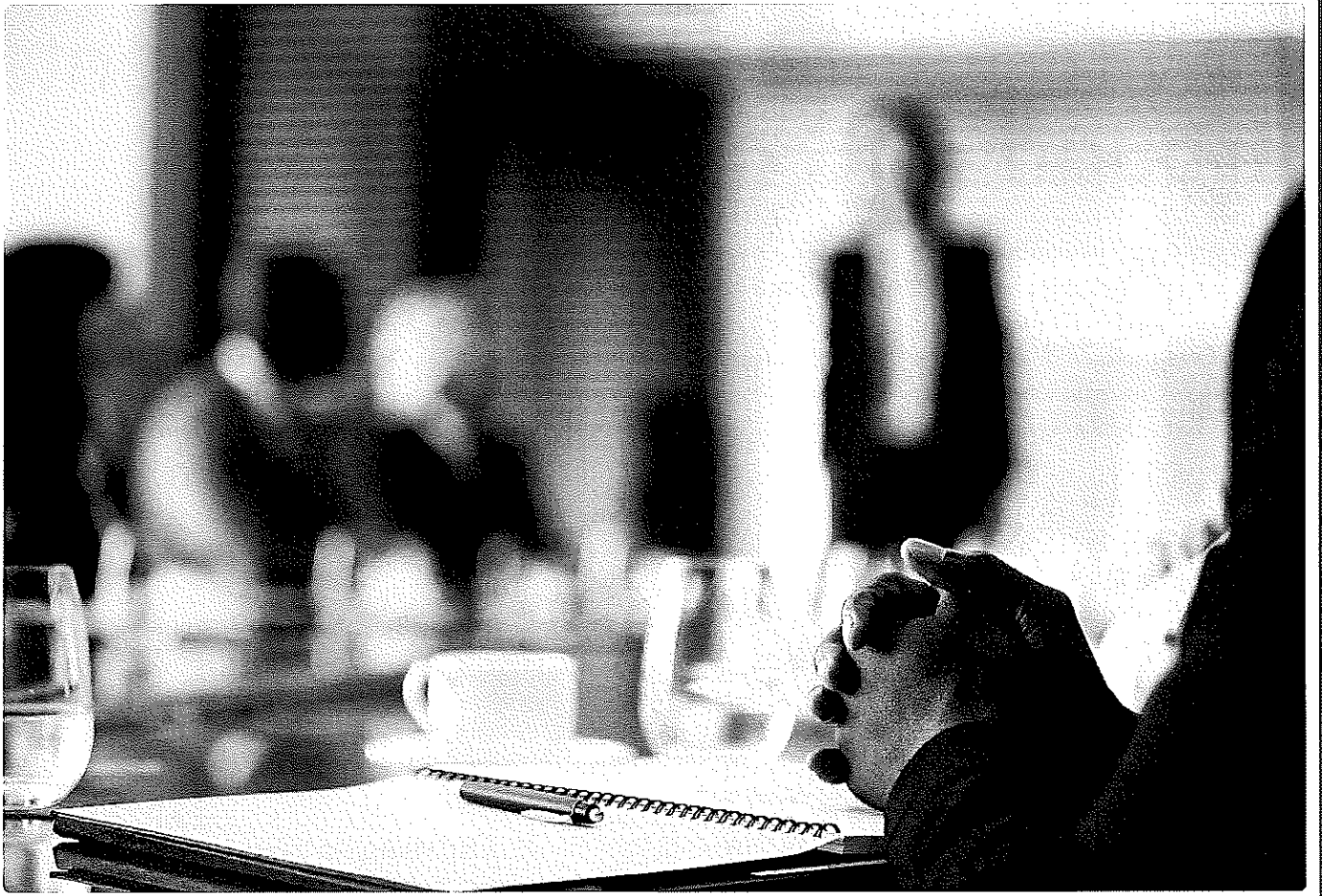
3. <https://www.theguardian.com/environment/2015/oct/13/oil-unlikely-to-ever-be-fully-exploited-because-of-climate-concerns-bp>

4. Intergovernmental Panel on Climate Change special report on global warming of 1.5°C

5. <https://www.shell.com/media/news-and-media-releases/2018/leading-investors-back-shells-climate-targets.html>

6. For 2017 data, please see our latest annual report at: <http://www.lgim.com/uk/ad/>

For 2018 data please see a recent Climate 50/50 research report at: <https://5050climate.org/news/2018-key-climate-vote-survey/>



managers and asset owners have an opportunity to demonstrate to their members, as well as to society, that they are taking action as responsible stewards of capital. This is particularly timely given recent developments around the Stewardship Code and the fiduciary duty of **trustees**.⁷

For companies in the sector, this resolution sends a strong message. In an open **letter**⁸ published earlier this year, LGIM and 60 other institutional investors made it clear that oil and gas companies must do more to support climate action. Through our own engagement as well as initiatives such as Climate Action 100+, we will be working with energy companies

towards this aim. BP is supporting this resolution and we welcome their decision to lead by example.

At the same time, winning the race against climate change requires a collective effort. As emphasised by LGIM's approach under the **Climate Impact Pledge**,⁹ companies in all sectors, from agriculture to banks, must think strategically about their role in a low-carbon economy. Beyond companies, governments have a key part to play. We are reaffirming our **call**¹⁰ for governments to show leadership through the decisive implementation of the Paris Agreement.

The sustainability of investments and of society is inescapably linked, so investors, companies, policymakers and citizens must step up. There is no other way.



This article recently featured on **LGIM's Future World blog**.

7. <https://futureworldblog.lgim.com/categories/forum/will-climate-change-get-trustees-hot-under-the-collar/>

8. <http://www.lgim.com/files/document-library/capabilities/open-letter-from-lgim-and-other-global-investors-to-the-oil-and-gas-industry-may-2018.pdf>

9. http://www.lgim.com/web_resources/lgim-thought-leadership/Files/LGIM-Climate-Impact-Pledge-The-results-so-far-Umbrella.pdf

10. <https://theinvestoragenda.org/wp-content/uploads/2019/03/190304-GISGCC.pdf>

How to future-proof investments through ESG criteria

AN ESG GUIDE FOR TRUSTEES

LGIM has just published a guide on the role of ESG information for pension fund trustees. It comes as the Legal & General Mastertrust adopts an ESG default fund.

New regulations from the Department for Work and Pensions (DWP) recognise that ESG considerations can be material to investments and should not be seen as 'to do with personal ethics, or

optional extras'. Pension fund trustees are therefore asked to review and update their policies on financially material considerations and stewardship, including on ESG issues such as climate change.

OUR FIVE-POINT ESG CHECKLIST:



1. Build knowledge on the relevant ESG issues

- "Financially material" considerations cover "environmental, social and governance considerations", including climate change
- ESG issues are not "to do with personal ethics, or optional extras" (as opposed to ethical investing, for example)

2. Define your investment beliefs and incorporate them into the Statement of Investment Principles (SIP)

- What is the scheme's governance structure?
- Review ESG policies, risks and opportunities throughout the entire investment process

3. Review strategy and asset allocation

- What is the impact on the scheme's assets and liabilities?
- What is the impact on the default and self-select investment strategies?

4. Incorporate ESG issues into the selection and monitoring of asset managers

- How are asset managers assessed on their ESG activities, including stewardship?
- Do you know what your asset managers are investing in?

5. Report publicly

- Check to see if you are reporting in line with the recommendations of the Taskforce on Climate-related Financial Disclosures
- Use this information to engage your members

The management of ESG risks is at the core of long-term investments – that is why the Legal & General Mastertrust was the first UK Mastertrust to launch a multi-asset ESG fund as the default option for members. Not only can ESG information help trustees better manage risks, but we believe it also has the potential to get members more engaged with their savings. A third of pension members would even pay more into their pension if they knew their investments were having a positive social impact, according to our recent survey¹.

Drawing on our experience, LGIM has produced a guide to help trustees navigate the recent regulatory changes that you can access by [clicking here](#).

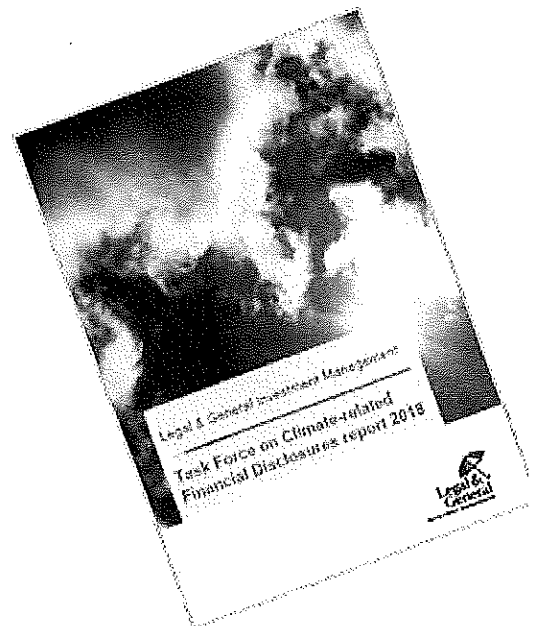
We have also released a podcast [episode](#),² a five-minute [video](#),³ and posted a [blog](#)⁴ taking clients through our ESG approach.

A CHANGING CLIMATE FOR CLIMATE CHANGE DISCLOSURE

How will electric utilities respond to a world where building new solar plants becomes cheaper than running existing coal plants? How are oil and gas refiners reacting as regulators clamp down on polluting fuels and consumers take a stance on single-use plastics? Companies must reckon with the implications of climate change: equipment and facilities are exposed to extreme weather, and entire business models are exposed to changes in technology, policy or social norms.

To be able to allocate capital to the winners of the future, markets need more – and better – climate information from companies to be public. This is why we have supported the global Task Force on Climate-related Financial Disclosures (TCFD), which has established clear guidelines for reporting. We have asked the companies we invest in to report in line with these guidelines, and called on UK, EU and international regulators to enshrine the guidelines into regulation.

In Q1 2019, both LGIM and its parent company Legal & General have prepared [reports](#) in line with TCFD guidelines. The reports are a



comprehensive overview of LGIM's approach to the management of climate risks. They also announce Legal & General's decision to divest out of thermal coal, as part of its wider strategy to align investments with the Paris Agreement on climate change.

1. More information on our survey is here: <https://www.legalandgeneralgroup.com/media-centre/press-releases/legal-general-mastertrust-first-to-launch-multi-asset-esg-default-fund/>

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

3. <http://www.lgim.com/uk/en/insights/videos-and-webinars/>

4. <https://futureworldblog.lgim.com/categories/themes/esg-checklist-for-trustees/>

How does LGIM influence South Korean conglomerates?

A key characteristic of South Korea's corporate landscape is its 'chaebol' structure; powerful family-owned conglomerates that tend to have many subsidiaries in multiple sectors.

Today, the five biggest chaebols represent half of the Korean stock index.¹ The corruption scandals involving the previous President of South Korea, Park Geun-hye - who was impeached in 2017 - shed light on the significant issues the chaebol structure can pose for the South Korean economy.

Under pressure from public opinion, new President Moon Jae-in promised to reform this conglomerate structure. Furthermore, in December 2017 South Korea introduced its first stewardship code. We believe this should help guide local shareholders on how to exercise their rights, and could potentially create more pressure on companies to take into account the views of their shareholders.

Past and recent scandals involving chaebols have illustrated the risks inherent in having a controlling family at the top of a conglomerate structure. Checks and balances must therefore be in place to ensure management is not over-powerful and is appropriately challenged. LGIM believes a suitably diverse mix of skills, experience and perspectives is essential for a board

to function and perform optimally. We find that diversity of skills, experience, gender and nationality on a board can contribute to challenging "group thinking" and ultimately lead to better business decisions. This is supported by several studies.²

Therefore, in the first quarter of 2019, **LGIM engaged with five South Korean companies with a chaebol structure to express our views on the composition of their boards.**

LGIM'S ENGAGEMENT WITH KIA MOTORS, KOREAN AIR LINES AND SAMSUNG

We held meetings with Kia Motors, Korean Air Lines and Samsung to consider recruiting directors with relevant business experience and international exposure to reflect the international reach of these businesses.

We also highlighted LGIM's stance on the issue of gender diversity, whereby we expect all companies globally to have at least one woman on their boards. Failure to do so will result in a vote against the election or re-election of the chair of the board or nomination committee chair at the next AGM.

Lastly, we asked these companies to set a strong policy on diversity to allow investors to be able to assess

the extent to which diversity is embedded in the company's strategy and its efforts and progress towards better diversity levels throughout the organisation.

We acknowledge that change will take time. When engaging with Samsung we positively noted that they had made progress on the composition of their board by appointing a woman last year and by appointing outside directors with business experience.

On 27th March 2019, over one-third of shareholders including LGIM opposed the re-election of the chair of Korean Air Lines Cho Yang-ho. We had concerns about his ability to conduct the company given his indictment for embezzlement, breach of trust, tax evasion, financial scams, and irregular payments to family members who were not employed by Korean Airlines companies since 2013. He was subsequently removed from the board. According to reports, **this is the first time that a chaebol head has been ousted by shareholders.** We noted the National Pension Service, a large South Korean public pension fund voted against his re-election.

The case study opposite further illustrates how pressure against chaebols is mounting, this time with the intervention of an activist shareholder.

1. <https://www.bloomberg.com/quicktake/republic-samsung>

2. For example, see Delivering Through Diversity (McKinsey, January 2018)

**Case study:**

Hyundai Mobis and
Hyundai Motor

Market cap:

Hyundai Mobis: KWR 20.3
trillion / USD 17.8 billion

Hyundai Motor: KWR 30.1
trillion / USD 26.4 billion

Sector: Automobile

What is the issue? In March 2018, Hyundai group announced it would undertake a restructuring to simplify its structure. In April 2018, activist investor Elliott Management revealed a US\$1 billion stake in three Hyundai group companies (Hyundai Motor, Hyundai Mobis and Kia Motors) and put together a proposal it wanted to see the Hyundai group implement. Hyundai decided to drop its own restructuring plan given the opposition of many shareholders who were concerned that the plan would reinforce the control of the Chung family over the group.

Elliott Management argued that Hyundai Mobis and Motor had underperformed due to the retention of substantial excess of capital and the board's lack of independence and accountability. They subsequently put forward shareholder resolutions at the AGMs, proposing to increase the dividend payout, establish separate compensation and governance committees, and appoint directors they deemed suitable for the role of outside director on the boards of the two companies.

Why is it an issue? The composition of the board and, in particular, its lack of diversity of background, experience, international exposure, and gender was a concern for LGIM. Boards that lack diversity may offer weaker corporate governance due to groupthink. We believe a robust board that is sufficiently diverse to challenge management decisions is more likely to generate a resilient and sustainable business strategy.

LGIM's actions: LGIM has been actively engaging with Hyundai Motor on climate change and a two-degree transition as part of our Climate Impact Pledge. We also noted the composition of the board and risks associated with a chaebol structure. During our engagement, we encouraged the board to consider broadening the skills and experience of its directors, and also consider the appointment of a female director. LGIM had also noted the excess of capital and had previously engaged with Hyundai Motor separately on this topic. Following the announcement of the filing of the shareholder resolutions by the activist shareholder, the corporate governance team - in collaboration with our active equities team - engaged with the Chief Financial Officer of Hyundai Mobis. We also discussed the proposed resolutions put forward at both AGMs directly with the activist shareholder.

Outcome: We decided to support all the resolutions put forward by Elliott Management at the AGM of Hyundai Motor.

With regards to Hyundai Mobis, we noted the risk of a potential conflict of interest in respect of one proposed nominee, given his role at another company. We therefore decided not to support his election to the board of directors. We supported all other resolutions put forward by the activist. The shareholder resolutions were defeated at both companies' AGMs on 22 March. However, the two companies decided to broaden the skillset of their boards through the appointment of new outside directors. The management also supported the introduction of separate board committees, including a remuneration committee. Following the vote, the CEO confirmed that the voice of dissenting shareholders will be taken into account by the company.

Activist pressure may also be having an effect on Korean companies more broadly, as it was recently reported³ that KOSPI index members boosted their shareholder returns in 2018 to their greatest level since 2007. LGIM will keep pushing for progress as part of our Climate Impact Pledge engagement as well.

3. <https://www.bloomberg.com/news/articles/2019-03-06/korea-traders-can-thank-activism-for-newfound-corporate-largesse>

Working to enshrine gender diversity in Japan

Since 2011, LGIM has been engaging with companies globally on the benefits of having gender-diverse boards and leadership teams. LGIM initially brought the diversity agenda to the attention of board members through corporate engagement in the UK and in the US. Building on our experience, this quarter we have launched engagement stream focused on gender diversity in Japanese companies.

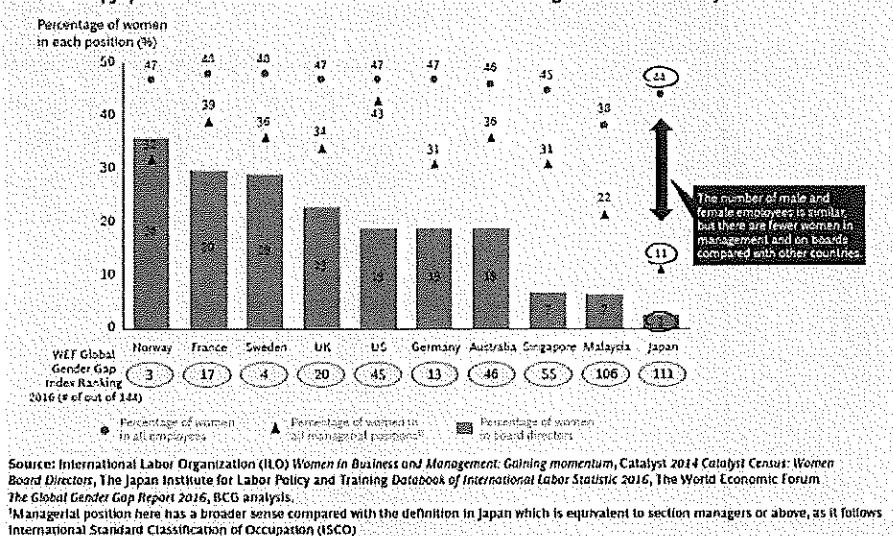
WHAT IS THE ISSUE?

A recent study¹ found that whilst male and female representation among employees in Japan is similar to other developed countries, Japanese companies fall behind when it comes to promoting the gender-diversity agenda. This means there are fewer women at management, executive committee and board levels.

WHY GENDER DIVERSITY MATTERS

LGIM places significant emphasis on the composition of the board and leadership teams of the companies we hold, to ensure they are equipped to deliver long-term growth. We believe that groups with a diverse set of views and perspectives can deliver better decisions. A growing body of empirical research shows correlation between more diverse organisations and superior performance. These studies find diverse organisations demonstrate superior growth, innovation, and lower risk profiles. Also, according to recent research², eliminating the gender gap could improve economic efficiency and add \$28 trillion to global GDP.

EXHIBIT 2 | Japan is Far Behind When it Comes to Promoting Gender Diversity



Source: The Boston Consulting Group, Achieving Corporate Gender Diversity – Even in Japan

LGIM'S ENGAGEMENT

We therefore wrote an engagement letter to the boards of 19 of the biggest Japanese companies who have no women on their board and at executive committee level.

In the letter, we set out the following expectations to boards:

- At least one woman on the board
- A policy outlining how they will increase female representation at board, executive and management levels with clear aspirational targets

- Public disclosure of the proportion of women at board, executive, management and employee levels

Globally, our aspiration is to have female directors accounting for at least 30% of board and executive committee membership. However, we acknowledge that change in Japan, as well as globally, will take time. LGIM is currently holding engagement meetings with these companies to push for further progress.

1. Source: The Boston Consulting Group, Achieving Corporate Gender Diversity – Even in Japan

2. https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Employment%20and%20Growth/How%20advancing%20womens%20equality%20can%20add%2012%20trillion%20to%20global%20growth/MGI%20Power%20of%20parity_Executive%20summary_September%202015.ashx

Public policy engagement

Our responses to consultations this quarter

SUSTAINABLE FINANCE - PUBLIC POLICY AND LEGISLATIVE PROPOSALS

Sustainable Finance has been rising up the policy agenda over the last couple of years. The first quarter of 2019 brought evidence of the impact these discussions are having, as financial regulators in both the European Union and the UK began a series of industry consultations on their proposals to deliver a more sustainable financial system.

Within the **eight consultations** that LGIM responded to, three underlying objectives stood out.

- 1 Firstly, to ensure financial market participants develop robust approaches to the management of financially material ESG considerations, including climate change.¹
- 2 Secondly, to improve consistent reporting and disclosure of ESG factors by investee companies, as well as the transparency of ESG practices by different actors across the investment chain.
- 3 And thirdly, to increase flows of

capital into sustainable economic activities - with an initial focus on green finance - as policy makers recognise the urgency of delivering a lower-carbon future and the financial implications of not doing so.

LGIM was fully supportive of these underlying objectives and provided feedback on how they may be implemented. We believe that the systematic integration of ESG risks and opportunities into investors' decision making is still lacking. In order for investors to identify and measure risk and impact, we require better and more consistent reporting from investee companies. More also needs to be done to channel capital into the solutions and opportunities of a lower-carbon future; common frameworks of definition and increased transparency from investors around what their products contain are good starting points.

These issues are already right at the top of LGIM's agenda and we will continue to develop our internal policies and practices, as well as our external communication, to ensure that we stay ahead of - and indeed lead on - this important policy agenda.

FINANCIAL CONDUCT AUTHORITY (FCA) SHAREHOLDER RIGHTS DIRECTIVE II

This consultation released by the FCA examines the transposition of EU Directives on shareholder voting and engagement to the UK regulatory framework. LGIM believes it is important that the regulatory framework supports and promotes effective stewardship and long-term investment decisions. The right balance needs to be struck between hard regulation and self-regulation to foster good consistent stewardship behaviour.

Our response focused on the definitions, need for clarity, and proportionate disclosure requirements given its overlap with the Stewardship Code review (see below).

UK STEWARDSHIP CODE REVIEW

The UK Stewardship Code plays an important part in underpinning and promoting good stewardship behaviours in the UK market by asset managers and asset owners. Since the inception of the Stewardship Code in 2010, LGIM has been an active supporter and signatory. Responding to its review is therefore important in ensuring that the Code reflects market-leading principles and the changing practices of participants.

¹ A wide lexicon is used across the different consultations, with the EU employing the term 'sustainability risks' among others. The FCA and PRA consultations focus on managing the financial risks from climate change, with the FCA also referring to ESG more broadly.

LGIM is broadly supportive of the new draft which has a wider focus on stewardship beyond UK equities to different global asset classes and which emphasises the connection between wealth creation in companies and value for beneficiaries.

However, LGIM believes the current draft can be further improved by strengthening the detail and guidance on the Outcome and Activities report. This report is essential to ensuring that excellence in stewardship is demonstrated by signatories across the investment chain. The Financial Reporting Council (FRC) should ensure that reporting under the Outcome and Activities Report is sufficiently robust and signatories understand that this report will be used as a key tool to assess a firm's stewardship capabilities by stakeholders and regulators. In addition, for asset managers this report should be signed off by the independent non-executive director who can attest to its statements.

2019 GERMAN CORPORATE GOVERNANCE CODE

We submitted a detailed response in which we expressed our support to the proposed amendments made by the Regierungskommission Deutscher Corporate Governance Kodex and believes the proposed version of the Code will contribute to building solid foundations for corporate governance in Germany.

In particular, we welcome:

- The introduction of independence indicators applicable to shareholder representatives on the supervisory board;
- The limitation of supervisory board members' tenure from five to three years. Going forward, LGIM will expect this rule to evolve to a one-year term in alignment with best practice;
- The rule on the number of additional mandates supervisory board members can undertake;
- The introduction of additional recommendations on remuneration.

However, LGIM believes the Code could benefit further from aligning with market best practice. We suggested the following additional improvements:

- Clarify expectations on company explanations;
- Strengthen board composition requirements. In line with our engagement campaign on the role of the Lead Independent Director (LID), we asked that the Code recommends the appointment of a LID on the supervisory board;
- Further align remuneration with best practice;
- Facilitate better board/investor dialogue.

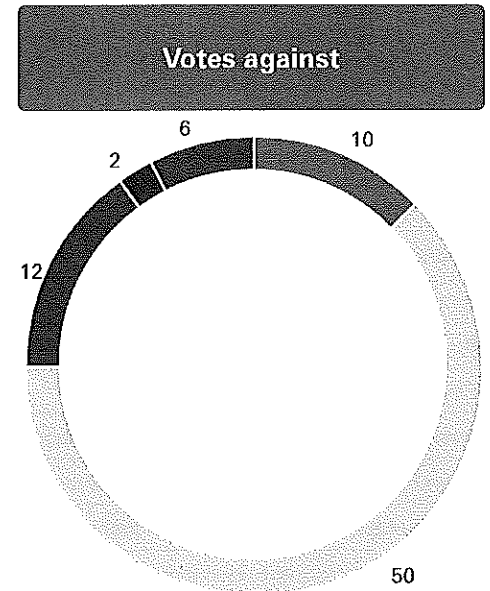
Regional updates

UK

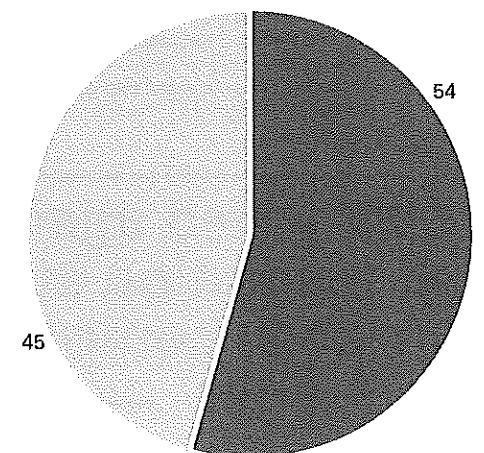
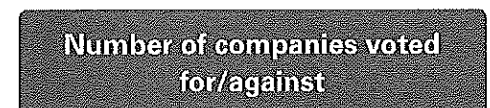
Q1 2019 VOTING SUMMARY UK

Proposal category	UK		
	For	Against	Abstain
Anti-takeover Related	56		
Capitalisation	275	10	
Directors Related	461	50	
Non-salary Compensation	99	12	
Reorganisation and Mergers	10	2	
Routine/Business	328	6	
Shareholder Proposal - Compensation			
Shareholder Proposal - Corporate Governance			
Shareholder Proposal - Directors Related	6		
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment			
Shareholder Proposal - Other/Miscellaneous			
Shareholder Proposal - Routine/Business			
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
Total	1235	80	0
Total resolutions	1315		
No. AGMs	79		
No. EGMs	26		
No. of companies voted	99		
No. of companies where voted against management /abstained on at least one resolution	45		
% no. of companies where at least one vote against	45%		

'LGIM voted against at least one resolution at 45% of UK companies over the quarter.'



- Capitalisation
- Directors Related
- Non-salary Compensation
- Reorganisation and Mergers
- Routine/Business



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

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

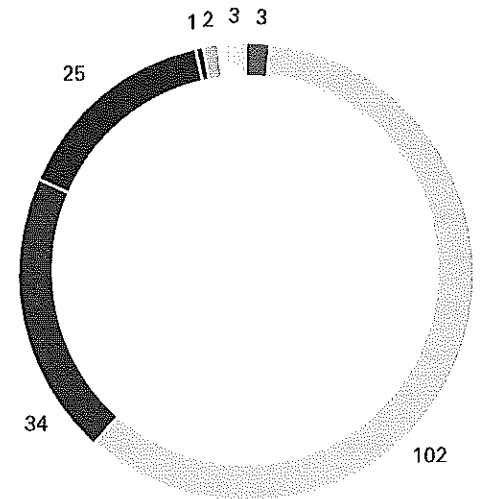
Regional updates

Europe

Q1 2019 VOTING SUMMARY EUROPE

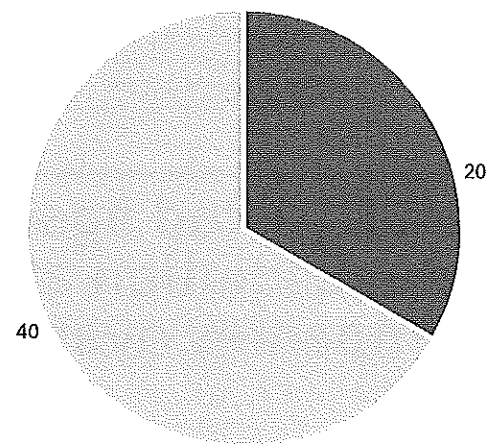
Proposal category	EUROPE		
	For	Against	Abstain
Anti-takeover Related			
Capitalisation	78	3	
Directors related	444	63	39
Non-salary Compensation	69	34	
Reorganisations and Mergers	2		
Routine/Business	319	22	3
Shareholder Proposal - Compensation	3		
Shareholder Proposal - Corporate Governance	6	1	
Shareholder Proposal - Directors Related	5	2	
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment	6		
Shareholder Proposal - Other/Miscellaneous	2		
Shareholder Proposal - Routine/Business	9	3	
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
Total	943	128	42
Total resolutions	1113		
No. AGMs	59		
No. EGMs	1		
No. of companies voted	60		
No. of companies where voted against management /abstained on at least one resolution	40		
% no. of companies where at least one vote against	67%		

Votes against and abstentions



- Capitalisation
- Directors Related
- Non-salary Compensation
- Routine/Business
- Shareholder Proposal - Corp Governance
- Shareholder Proposal - Directors related
- Shareholder Proposal - Routine/Business

Number of companies voted for/against/abstentions



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

'LGIM voted against at least one resolution at 67% of European companies over the quarter.'

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

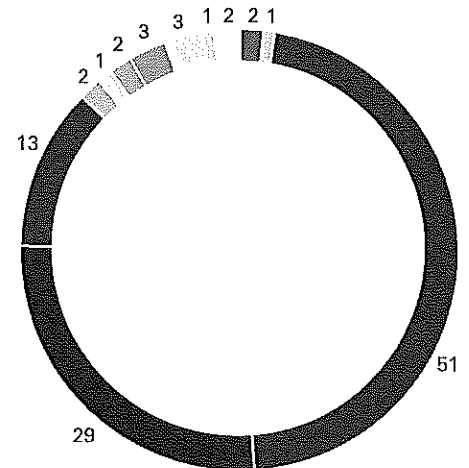
Regional updates

North America

Q1 2019 VOTING SUMMARY NORTH AMERICA

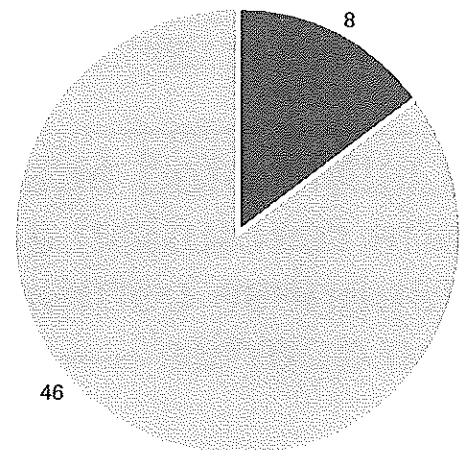
Proposal category	NORTH AMERICA		
	For	Against	Abstain
Anti-takeover Related	6	2	
Capitalisation	9	1	
Directors Related	410	51	
Non-salary Compensation	31	29	
Reorganisations and Mergers	3		
Routine/Business	60	13	
Shareholder Proposal - Compensation	3	2	
Shareholder Proposal - Corporate Governance		1	
Shareholder Proposal - Directors Related	6	2	
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment		3	
Shareholder Proposal - Other/Miscellaneous		3	
Shareholder Proposal - Routine/Business		1	
Shareholder Proposal - Social/Human Rights	1	2	
Shareholder Proposal - Social			
Total	529	110	
Total resolutions	639		
No. AGMs	50		
No. EGMs	4		
No. of companies voted	54		
No. of companies where voted against management /abstained on at least one resolution	46		
% no. of companies where at least one vote against	85%		

Votes against



- Antitakeover related
- Capitalisation
- Directors Related
- Non-salary Compensation
- Routine/Business
- Shareholder Proposal - Compensation
- Shareholder Proposal - Corporate Governance
- Shareholder Proposal - Directors Related
- Shareholder Proposal - Health/Environment
- Shareholder Proposal - Other/Miscellaneous
- Shareholder Proposal - Routine/Business
- Shareholder Proposal - Social/Human Rights

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 85% of North American companies over the quarter.'

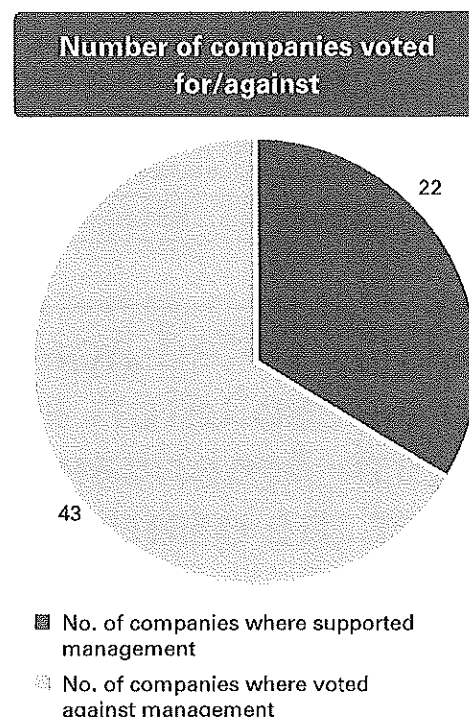
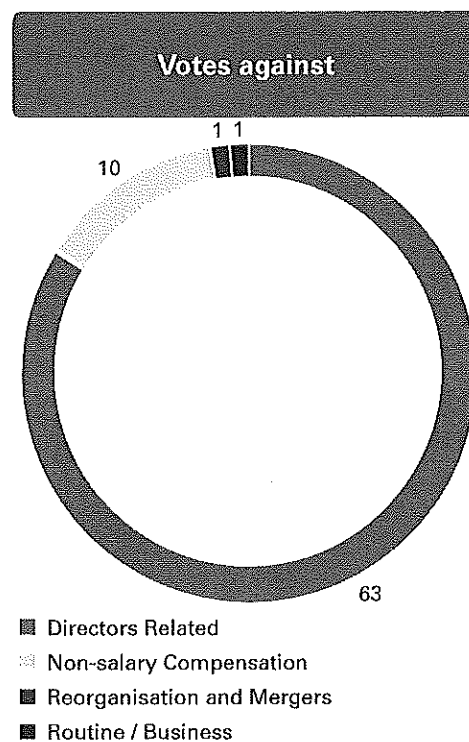
Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

Regional updates

Japan

Q1 2019 VOTING SUMMARY JAPAN

Proposal category	JAPAN		
	For	Against	Abstain
Anti-takeover Related			
Capitalisation			
Directors Related	534	63	
Non-salary Compensation	36	10	
Reorganisations and Mergers	17	1	
Routine/Business	46	1	
Shareholder Proposal - Compensation			
Shareholder Proposal - Corporate Governance			
Shareholder Proposal - Directors Related	1		
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment			
Shareholder Proposal - Other/Miscellaneous			
Shareholder Proposal - Routine/Business			
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
Total	634	75	
Total resolutions	709		
No. AGMs	62		
No. EGMs	3		
No. of companies voted	65		
No. of companies where voted against management /abstained on at least one resolution	43		
% no. of companies where at least one vote against	66%		



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

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

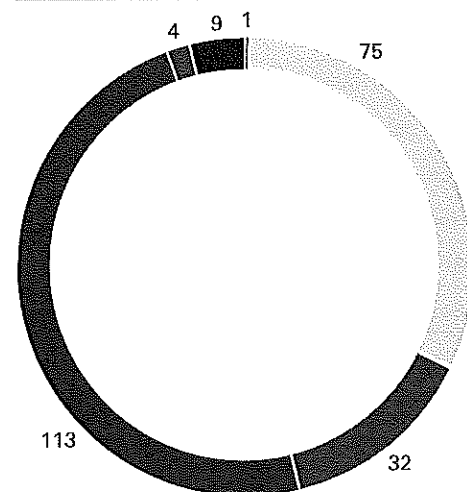
Regional updates

Asia Pacific

Q1 2019 VOTING SUMMARY ASIA PACIFIC

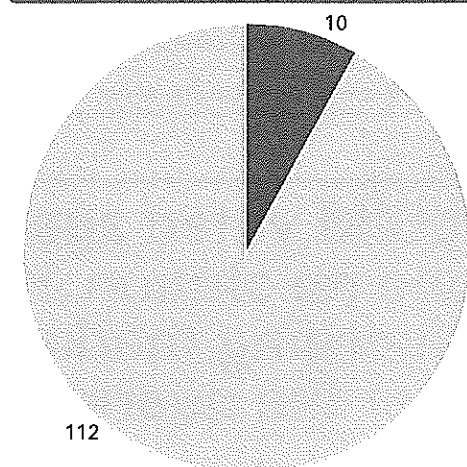
Proposal category	ASIA PACIFIC		
	For	Against	Abstain
Anti-takeover Related	2	1	
Capitalisation	288	73	2
Directors Related	111	32	
Non-salary Compensation	5		
Reorganisations and Mergers	313	111	2
Routine/Business			
Shareholder Proposal - Compensation			
Shareholder Proposal - Corporate Governance			
Shareholder Proposal - Directors Related	1	4	
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment			
Shareholder Proposal - Other/Miscellaneous			
Shareholder Proposal - Routine/Business	1	9	
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
Total	721	230	4
Total resolutions	955		
No. AGMs	120		
No. EGMs	5		
No. of companies voted	122		
No. of companies where voted against management /abstained on at least one resolution	112		
% no. of companies where at least one vote against	92%		

Votes against and abstentions



- Antitakeover Related
- Capitalisation
- Directors Related
- Reorganisation and Mergers
- Shareholder Proposal - Directors Related
- Shareholder Proposal - Routine/Business

Number of companies voted for/against/abstentions



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

'LGIM voted against at least one resolution at 92% 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

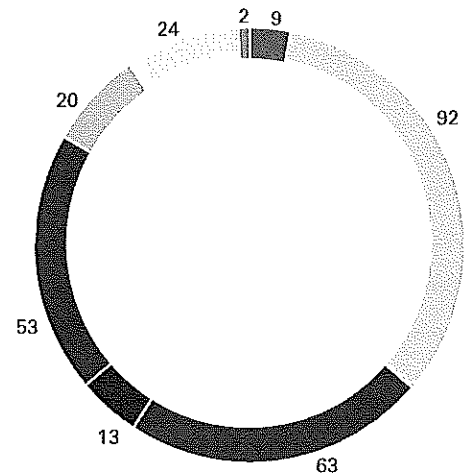
Regional updates

Emerging markets

Q1 2019 VOTING SUMMARY EMERGING MARKETS

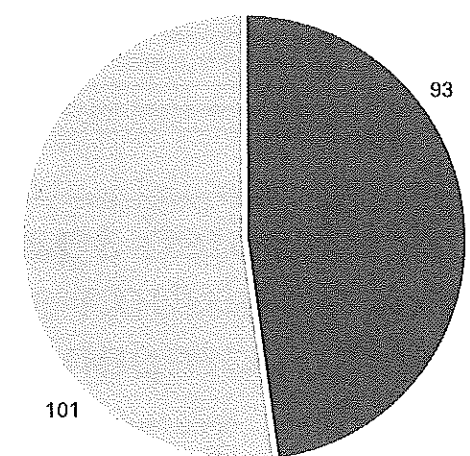
Proposal category	EMERGING MARKETS		
	For	Against	Abstain
Anti-takeover Related			
Capitalisation	205	9	
Directors Related	464	81	11
Non-salary Compensation	41	63	
Reorganisations and Mergers	85	13	
Routine/Business	455	53	
Shareholder Proposal - Compensation	1		
Shareholder Proposal - Corporate Governance		20	
Shareholder Proposal - Directors Related	6	24	
Shareholder Proposal - General Economic Issues			
Shareholder Proposal - Health/Environment			
Shareholder Proposal - Other/Miscellaneous			
Shareholder Proposal - Routine/Business	2	2	
Shareholder Proposal - Social/Human Rights			
Shareholder Proposal - Social			
Total	1259	265	11
Total resolutions	1535		
No. AGMs	74		
No. EGMs	128		
No. of companies voted	194		
No. of companies where voted against management /abstained on at least one resolution	101		
% no. of companies where at least one vote against	52%		

Votes against and abstentions



- Capitalisation
- Directors Related
- Non-salary Compensation
- Reorganisations and Mergers
- Routine/Business
- Shareholder Proposal - Corporate Governance
- Shareholder Proposal - Directors Related
- Shareholder Proposal - Routine/Business

Number of companies voted for/against/abstentions



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

'LGIM voted against at least one resolution at 52% of emerging markets companies over the quarter.'

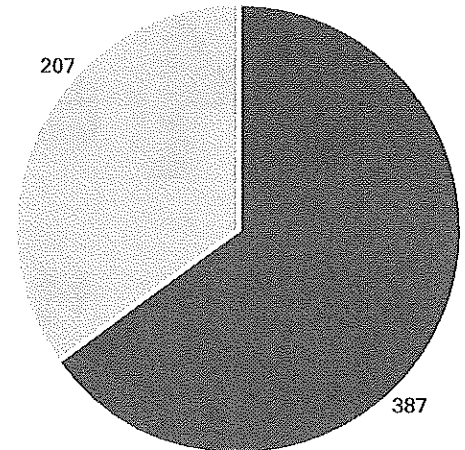
Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

Global Voting summary

VOTING TOTALS

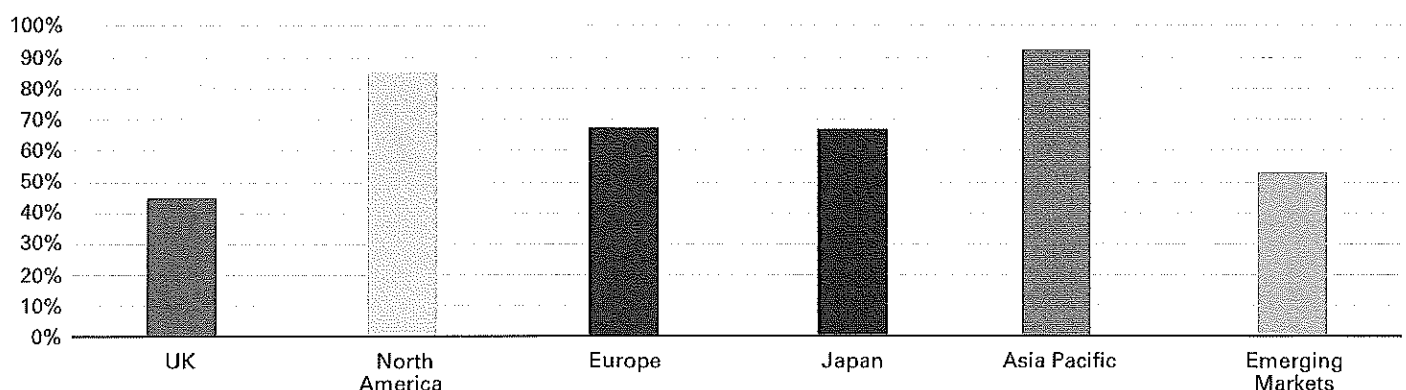
Proposal category	For	Against	Abstain	Total
Anti-takeover Related	64	3	0	67
Capitalisation	855	96	2	953
Directors Related	2424	340	50	2814
Non-salary Compensation	281	148	0	429
Reorganisations and Mergers	430	127	2	559
Routine/Business	1208	95	3	1306
Shareholder Proposal - Compensation	7	2	0	9
Shareholder Proposal - Corporate Governance	6	22	0	28
Shareholder Proposal - Directors Related	25	32	0	57
Shareholder Proposal - General Economic Issues	0	0	0	0
Shareholder Proposal - Health/Environment	6	3	0	9
Shareholder Proposal - Other/Miscellaneous	2	3	0	5
Shareholder Proposal - Routine/Business	12	15	0	27
Shareholder Proposal - Social/Human Rights	1	2	0	3
Shareholder Proposal - Social	0	0	0	0
Total resolutions	5321	888	57	6266
No. AGMs	444			
No. EGMs	167			
No. of companies voted	594			
No. of companies where voted against management /abstained on at least one resolution	387			
% no. of companies where at least one vote against	65%			

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

190

204

total engagements during the quarter
Including:

100

engagement meetings

79

engagement letters sent under LGIM's Future World Protection List initiative

19

engagement letters sent under LGIM's campaign on diversity in Japan

Number of engagements on environmental topics:

98

Number of engagements on social topics:

64

Number of engagements on governance topics:

76

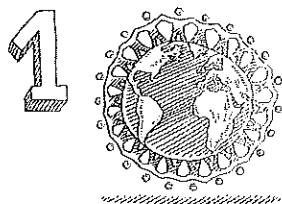
Number of engagements on other topics (e.g. financial and strategy):

39

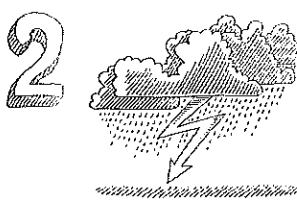
% of engagements on environmental and social topics:

77%

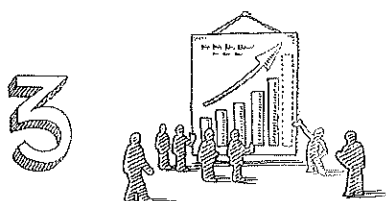
Top five engagement topics:



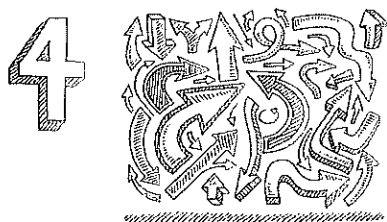
Future World Protection List



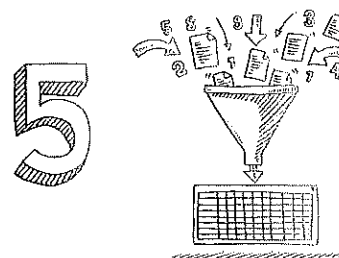
Climate Change



Board composition



Diversity



Strategy

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. Please visit our website www.lgim.com/corporategovernance where you will also find more information including frequently asked questions.

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