

**NORTHUMBERLAND COUNTY COUNCIL PENSION FUND  
Pension Fund Panel Meeting 24 February 2017**

---

From: **Sparshott, James** <[James.Sparshott@lgim.com](mailto:James.Sparshott@lgim.com)>  
Date: 6 February 2017 at 09:38  
Subject: RE: Summary of L&G's share voting policy and approach to ESG  
To: Clare Gorman <[clare.gorman@northumberland.gov.uk](mailto:clare.gorman@northumberland.gov.uk)>  
Cc: "Taylor, Guinevere" <[Guinevere.Taylor@lgim.com](mailto:Guinevere.Taylor@lgim.com)>, "Lubbock, Richard" <[Richard.Lubbock@lgim.com](mailto:Richard.Lubbock@lgim.com)>

Hi Clare

Here is a summary of our voting policy and approach to ESG, which is available in our 2015 Annual Report (attached). We review our policies annually.

**Voting and engagement**

Ongoing dialogue with companies is a fundamental aspect of LGIM's responsible investment commitment and we undertake this both independently and collaboratively with other investors. We believe that voting and engagement are closely linked and complementary. Engagement gives us the opportunity to learn about the company's strategy, operations, financial and external challenges and opportunities, all of which are essential for us to exercise our duty effectively. Importantly, ongoing dialogue with companies means that we can express our concerns before votes are cast, which allows an exchange of constructive ideas between us and the company and can often result in change.

As one of the largest asset managers globally, we have a responsibility to exercise client voting rights and influence change efficiently and effectively. LGIM votes in all developed markets and the main emerging market countries. Voting is a significant part of our daily activity where we exercise the rights of shareholders to hold board members to account for the successes and failures of their businesses. Our voting policies can be found on our website. These policies are continually evolving and reviewed regularly to reflect the changing corporate landscapes.

**Managing conflicts**

A distinction of LGIM is how the Corporate Governance team is structured and supported. Sacha Sadan, Director of Corporate Governance, is a member of the LGIM Board. He reports directly into the CEO and the Corporate Governance Committee which includes two non-executive directors. This structure minimises potential conflicts of interest, ensuring the team can act to achieve the best outcome for all our clients.

**Integrating into the investment process**

ESG factors are increasingly recognised as playing a role in determining asset prices. We therefore integrate our work with the active equity and fixed income teams in order to supplement their fundamental analysis. This means that we identify sector-specific risks and opportunities, and focus our attention on the material impact of ESG on a company's bottom line and creditworthiness. While the team is independent of active fund managers, ongoing communication is maintained to share knowledge and information. Our approach, which combines financial analysis and ESG, is continually evolving in line with best practice; we continue to formalise our processes and improve how we communicate and report our work to internal and external stakeholders.

Also, our public statement on the application of the seven principles of the UK Stewardship Code would be relevant as it sets out our approach to incorporating ESG.

[http://www.lgim.com/library/capabilities/UK\\_Stewardship\\_Code.pdf](http://www.lgim.com/library/capabilities/UK_Stewardship_Code.pdf)

Best

**James Sparshott****Head of Local Authorities**

Legal & General Investment Management  
One Coleman Street, London, EC2R 5AA  
Tel: 020 3124 3135

Mob: 07881 628 361

[www.lgim.com](http://www.lgim.com)