



# Stewardship: Conflicts of Interest



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At L&G – Asset Management Limited (L&G) we expect our business activities to be conducted honestly and with integrity. When we can’t prevent a conflict of interest, we try to identify and manage conflicts which could harm our clients’ interests.

## Conflicts of Interest Policy

This document should be read alongside our [Conflicts of Interest Policy](#) and provides further detail as to how we apply our Conflict of Interest Policy to our stewardship and engagement activities. Case studies of conflicts that have either been identified or arisen are available in our [Active Ownership](#) reports which provides further explanation of how we dealt with those risks and acted in the best interests of our clients.

## Stewardship and engagement related potential conflicts

To put into context some of the potential conflicts of interests related to stewardship and engagement activities, this document sets out examples of how such potential conflicts may arise. Recognising the potential for conflicts is the first step to mitigating or managing any potentially negative outcomes.

### L&G Group plc:

As the asset management business of a listed parent entity, we may face conflicts related to:

- Commercial and personal relationships and connections with companies and stakeholders with whom we may be engaging
- The reputational risks of disagreements between group entities

### Commercial proposition:

Our clients and prospective clients may have different views to those taken by L&G. For example:

- Clients may not support the voting and engagement policies or activities undertaken by L&G
- There may be conflicts between clients, prospective clients or the regulatory landscape on engagement priorities or views
- Many of our clients are corporate-sponsored pension schemes that are associated with the companies in which we invest

### Companies in which we invest:

We invest in thousands of entities across the world on behalf of our clients. The companies we engage with and vote on may:

- be direct competitors of L&G and L&G group entities



- have directorships, personal contacts or professional connections with L&G and L&G group entities
- be owned or controlled by us or other L&G group entities

### **Internally within investments:**

As a global asset manager, we have a wide range of investment products across different asset classes.

Conflicts may arise between such products or asset classes due to:

- Different investment strategies, objectives, and time horizons
- The divergence of interests between asset class participants, for example between equity and bond investors at the time of a debt issuance, a rights issue or a merger and acquisition scenario
- The views of internal portfolio managers or other teams within L&G may differ between each other and with the Investment Stewardship team

### **Identification of conflicts**

The early identification of potential or actual conflicts of interests is essential in order to implement effective mitigation strategies or processes which help to manage that conflict before it is realised. Potential conflict identification measures include:

- Staff training to identify and manage conflicts of interest adequately
- Bi-annual reviews to identify any new conflicts and to review controls around existing conflicts
- Regular meetings between the Investment Stewardship team and key stakeholders across the investment teams; management; and the parent company to assist in the identification of potential future conflicts.

### **Mitigation of conflicts**

There are a number of structures and processes to avoid potential conflicts, to reduce the risk of an actual conflict arising, and to mitigate the impact of such conflicts where they do arise.

Legal & General Group plc (L&G Group) equity and bonds

L&G Group shares are held externally and voted on independently. For L&G Group shares held by segregated funds, should any conflicts of interest arise, we would inform the client and seek instruction. We can purchase L&G bonds in our active fixed income portfolios up to benchmark weight. For index fixed income products, L&G bonds are held in accordance with their benchmark weight +/- tolerances.

Transparent and fair implementation of policies

Our corporate governance, stewardship, voting and conflicts of interest policies are publicly available on the website. All policies have been approved by the executive team of L&G - Asset Management td and are regularly reviewed. The transparency and governance of these policies ensures they are fairly and consistently applied, thereby assisting in the mitigation of potential conflicts.

All voting functions are centralised: this includes voting policy development, implementation process and governance, as well as proxy advisor management. Centrally managed voting processes and governance provides for a fair and consistent implementation of our policies across all the investments we manage (and are authorised for) on behalf of our clients.



## Management of conflicts

On the occasions where conflicts are identified and cannot be fully mitigated, we have clear structures in place to ensure the proper and right decision will be taken in the interests of our clients, notwithstanding any conflicts of interest.

### Independent oversight

Stewardship activity is overseen across formal committees, including our Executive Committee, as well as a specific board-level Investment Stewardship Committee..

The Investment Stewardship Committee meets quarterly and has explicit responsibility to provide oversight in relation to potential conflicts of interests and contentious corporate governance issues. The committee is chaired by an independent non-executive director of L&G – Asset Management Ltd.

The Conflicts of Interest Committee is a committee of L&G – Asset Management Ltd. Its purpose is to provide independent oversight of the firms' identification, management and disclosure of conflicts of interest and potential conflicts of interest. The committee is chaired by a non-executive director of L&G – Asset Management Ltd.

### Formal escalation process

Where conflicts are identified and are unable to be resolved, they will be escalated firstly to the Head of Responsible Investment and Stewardship, then to the Chief Investment Officer and finally to the Executive Committee. This escalation approach ensures any conflict is always managed in the long-term interests of clients.

Such escalation would be overseen by the Investment Stewardship Committee of L&G – Asset Management Ltd.



### Key Risks

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested. Past performance is not a guide to future performance.

### Important Information

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This document does not explain all of the risks involved in investing in the investment strategy and are not final. No decision to invest in the investment strategy should be made without first speaking to the Client Relationship Manager.

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