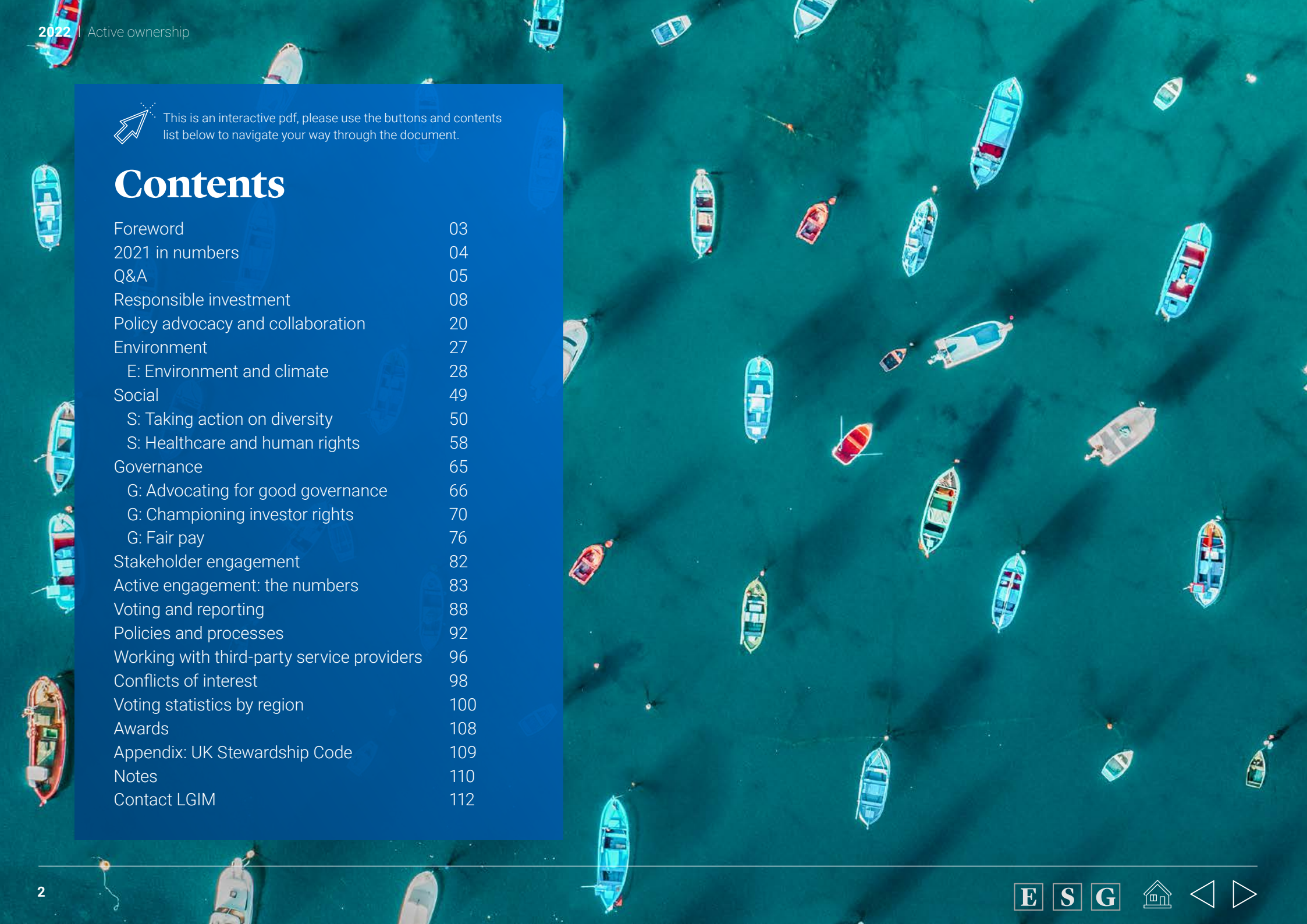
Active ownership: 2021

Global engagement to deliver positive change

Active ownership means striving to create sustainable value for our clients. This report details how we achieved this in 2021.

LGIM



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April 2022

Foreword

Meaningful action on behalf of our clients

Over the course of 2021, the pandemic continued to highlight critical environmental, social and governance (ESG) challenges. But other issues were also at the forefront of our thinking, not least the danger of a climate catastrophe and the risks posed by geopolitical crises.

Indeed, the recent conflict in Ukraine underscores the need for investors to take a stand, alongside governments and companies. Russia's invasion of Ukraine contravened almost every ESG metric. That's why we reduced our clients' exposure to Russian securities wherever possible.

This is not a matter of putting principle before profit. It is putting responsibility before reticence, sustainability before silence.

In this document, our 11th annual Active Ownership report, we outline the decisive action we took across a broad range of ESG issues – from healthcare, to income inequality, to climate change.

The report is our second response to requirements under the UK Stewardship Code. It provides what we believe to be a full and fair representation of our stewardship activities and outcomes, complementing our quarterly ESG reports.

> **"I'm immensely proud of LGIM's achievements as a responsible investor, which I believe demonstrate real leadership on behalf of our clients."**

Raising standards

I'm immensely proud of LGIM's achievements as a responsible investor, which I believe demonstrate real leadership on behalf of our clients.

Over the coming pages, you'll see how we exercised voting rights across our entire book and engaged with companies, policymakers and other stakeholders to deliver positive change; for example, our new commitment to tackle deforestation.

You'll also read about where we were successful in raising standards at individual companies and across markets – and where more work needs to be done.

Our Active Ownership report rightly shines a spotlight on the activity of our Investment Stewardship and Investments teams. But the desire to improve ESG outcomes is deeply held across our entire business, regardless of function: our very purpose at LGIM is to create a better future through responsible investing.

In my own role, I've been privileged to demonstrate our commitment to this mission, through my co-chairing of the COP26 Business Leaders Group, membership of the CEO Principals Group of the Glasgow Financial Alliance for Net Zero and involvement in other forums on sustainability issues. That urgent collaboration with our industry peers continues apace.

This work would not be possible without the dedication and passion shown by those whose achievements are documented in the report.

Indeed, looking back on a challenging but also highly productive year, I'm grateful to everyone at LGIM for helping us to take meaningful action on the issues that matter most to our clients, our employees and our communities.

Michelle Scrimgeour
CEO, Legal & General Investment Management, and co-chair of the COP26 Business Leaders Group

2021 in numbers

70%
The amount of AUM we aim to be **aligned to net zero** by 2030

571
The number of **companies** with which our Investment Stewardship team **engaged**

£290bn[1]
The amount of **assets we manage** in responsible investment strategies

28
The number of **new** responsible **investment strategies** we launched

180,200[2]
The number of **resolutions worldwide** on which we voted

Note: This document reports on LGIM's stewardship activities during 2021. Unless otherwise stated, all information, data and graphical depictions provided that are not referenced are based on LGIM internal data as at 31 December 2021.

1. LGIM, as at 31 December 2021. AUM in responsible investment strategies represents only the AUM from funds or client mandates that feature a deliberate and positive expression of ESG criteria, in the fund documentation for pooled fund structures or in a client's Investment Management Agreement
2. Across all assets under management. Voting data on P101-107 represents voting instructions for our main FTSE pooled index funds.

The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

Q&A

We discuss the key themes from last year and plans for 2022 with:

Sonja Laud
Chief Investment Officer

Michael Marks
Head of Responsible Investment Integration

Kurt Morriesen
Head of Investment Stewardship

Amelia Tan
Head of Responsible Investing Strategy

What was the highlight of 2021?

Sonja: There were actually quite a few, as last year LGIM continued to address ESG challenges while enhancing our framework for responsible investing. All this, of course, at a time of accelerating change across the investment landscape in long-term themes like the energy transition.

That said, I'd certainly mention the establishment of our Climate Solutions team, which rebuilt and fully internalised our LGIM Destination@Risk climate model. This powers a number of our climate-related solutions for our clients.

Also noteworthy was the work we undertook to further embed the consideration of ESG risks – and opportunities – in our investment platforms across public and private markets, active and index strategies. This was spearheaded by our global research and engagement groups, or the 'GREGs', but touched all of our capabilities, from Multi-Asset to ETFs and Solutions.

Michael: For much of last year, I led the Investment Stewardship team, in addition to my other responsibilities. It was a real pleasure working with them so closely.

As Sonja says, there were plenty of other highlights during an incredibly busy and productive year for LGIM as a responsible investor. With regard to the Investment Stewardship team, completing our first annual review under our renewed Climate Impact Pledge was an important event. This meant that we pushed even more companies on behalf of our clients, across even more sectors, to take decisive action.

What were the other key achievements?

Sonja: What you could call LGIM's human capital – we continued to invest in ESG talent across our Investment Stewardship, Investments, Real Assets and Distribution teams.

Another area to highlight is ESG leadership. Michelle was co-chair of the COP26 Business Leaders Group and has been heavily involved in cross-industry forums on broader ESG issues.

And one more thing: we held our inaugural Sustainability Summit for clients – attended by around 350 on the day and featuring speakers including Dr Jane Goodall DBE.

Michael: We released our first interim net-zero target and are currently working with clients to deliver on this ambition. We also strengthened our coal exclusion policy, updated our climate change policy and launched a new biodiversity policy – as well as making a clear commitment on deforestation.

Meanwhile, we launched a global partnership with Lewis Pugh, the endurance swimmer and environmental campaigner, to highlight the urgent need for climate action in the run-up to COP26.

We also rolled out a suite of proprietary education tools under LGIM's ESG Academy, some of which will become an integral part of every new joiner's onboarding.

What are your priorities for 2022?

Kurt: First, I'm keen to build on the outstanding legacy of the Investment Stewardship team. I was aware of the scope of the team's activity before I joined LGIM in January, but only since then have I fully seen its depth – as well as the dedication of the team members.

So, we'll continue to engage with companies – and hold them to account – on the most critical ESG issues, while striving to raise overall market standards. Collaboration with our clients, peers, policymakers and other stakeholders will be critical to this mission.

I believe stewardship is all about measurable outcomes. This also will be an area of focus for the team, across the S and G in ESG, in addition to the E, as we work with our partners all over LGIM.

Amelia: I also joined LGIM recently and am thrilled to be part of an investment team that cares so much about ESG.

Over the coming months and beyond – I'll be looking to enhance our ability to demonstrate how portfolios reflect our ESG views. This will involve showing how the fantastic engagement and research undertaken by our GREGs is baked into capital-allocation decisions. And in addition, evidencing the real-world outcomes of our responsible investment products, which I see as a force for good in a world facing so many sustainability challenges.

At the same time, I'll be focused on helping to meet increasing client demand for net zero-aligned portfolios to tackle the threat of climate change, leveraging our award-winning LGIM Destination@Risk model.[3]

3. Past performance is not a guide to the future
The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

Responsible investment

- We demonstrate our responsible investment beliefs across asset classes and fund-management styles
- In 2021, we launched 28 responsible investment strategies and, as at year-end, managed £290 billion of assets in responsible investment strategies[4]

These are our core investment beliefs:

Responsibility

We have a responsibility to many stakeholders. When we allocate capital, we conduct extensive research into potential environmental and societal outcomes

Financial materiality

We believe ESG factors are financially material. Responsible investing is essential to mitigate risks, unearth opportunities and strengthen long-term returns

Positive outcomes

We strive to effect positive change in the companies and assets in which we invest, and for society as a whole

Responsible investing is at the very heart of our business. As one of the UK's largest investors, we seek to use our scale and influence to tackle a wide variety of ESG issues that we believe impact the value of our clients' investments.

4. AUM in responsible investment strategies represents only the AUM from funds or client mandates that feature a deliberate and positive expression of ESG criteria, in the fund documentation for pooled fund structures or in a client's Investment Management Agreement

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To embed these beliefs in our strategies across both public and private assets, we have established a fully integrated framework for responsible investing. Our approach is built on the concept of active ownership.

Through our engagement with companies, we seek to effect positive change in the businesses in which we invest and for society as a whole, in line with Legal & General Group's (L&G) vision of inclusive capitalism. In doing so, we are aiming to fulfil our purpose at LGIM: to create a better future through responsible investing.

Our approach is founded on **three steps** to deliver real, positive change through active ownership:

For more information on our approach, please read our sustainability policy.

1. Identify

- Through rigorous research, identify key ESG issues
- Integrate consideration of these into our investment processes, strategies and solutions

2. Engage

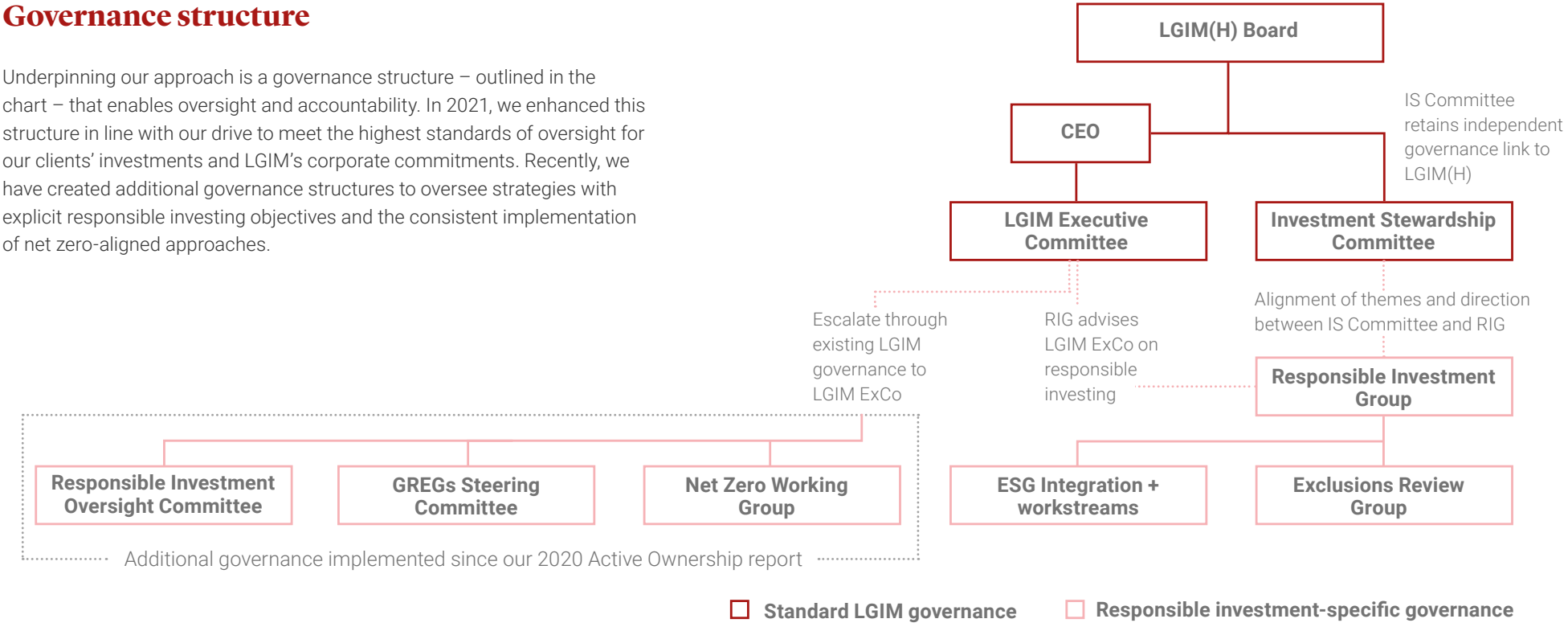
- Actively engage with investee companies on ESG issues
- Work with policymakers, regulators, industry peers and our stakeholders as we seek to raise overall market standards

3. Escalate

- When necessary, we will vote against and even divest from companies
- Withhold investment from companies that fail to meet our minimum standards

Governance structure

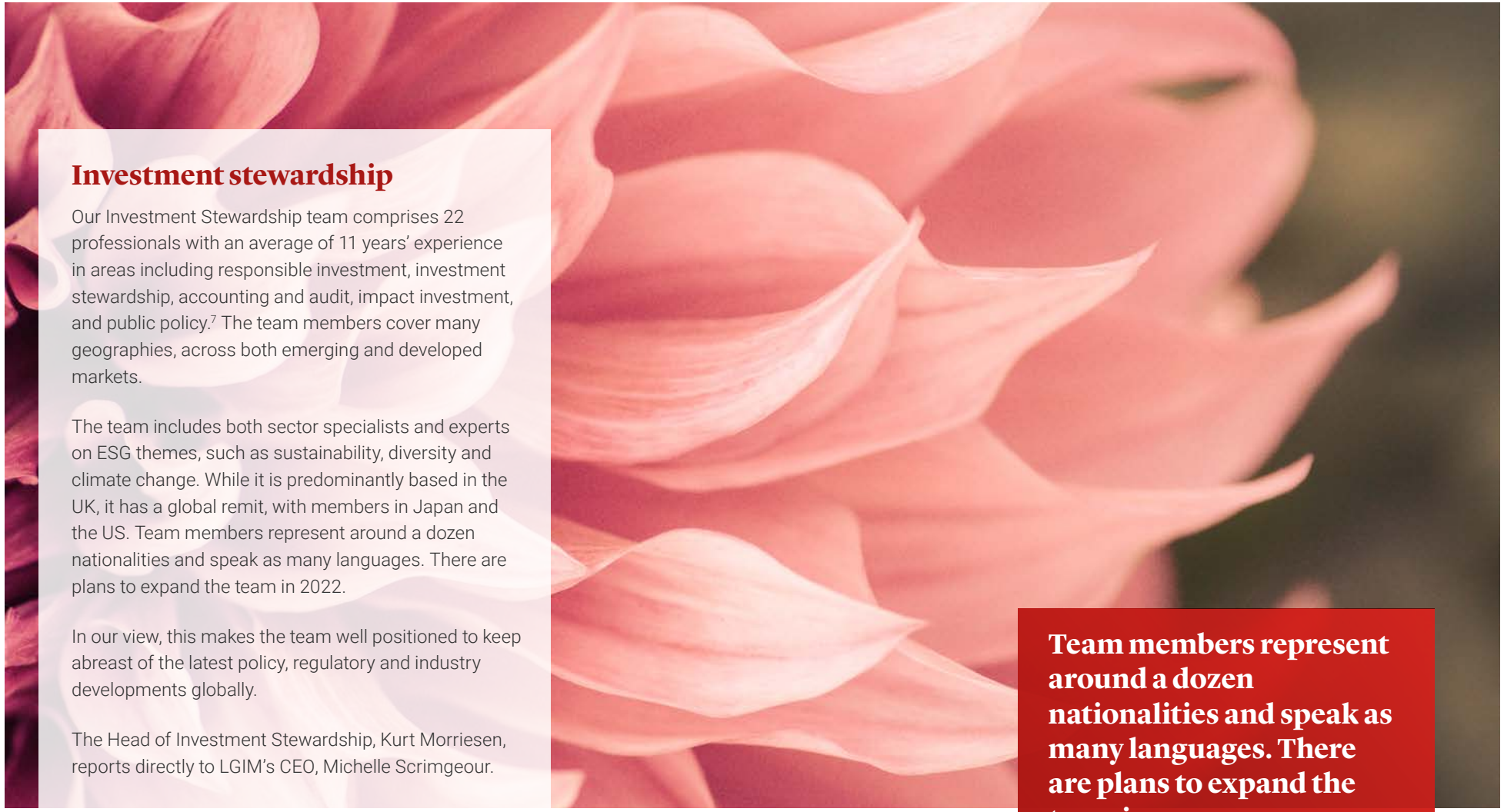
Underpinning our approach is a governance structure – outlined in the chart – that enables oversight and accountability. In 2021, we enhanced this structure in line with our drive to meet the highest standards of oversight for our clients' investments and LGIM's corporate commitments. Recently, we have created additional governance structures to oversee strategies with explicit responsible investing objectives and the consistent implementation of net zero-aligned approaches.



Resourcing and key functions

There are 48 LGIM employees with roles dedicated to ESG activity.[5] This covers leadership positions to implement our responsible investing strategy across our Investment Stewardship, Investments, Distribution and Product teams, as well as our research and engagement groups that span both public and private assets.

In addition, there are a further 62 colleagues whose roles involve a substantial contribution to our responsible investing capabilities and whose objectives reflect this, although they also have other responsibilities beyond ESG integration.[6]



Investment stewardship

Our Investment Stewardship team comprises 22 professionals with an average of 11 years' experience in areas including responsible investment, investment stewardship, accounting and audit, impact investment, and public policy.[7] The team members cover many geographies, across both emerging and developed markets.

The team includes both sector specialists and experts on ESG themes, such as sustainability, diversity and climate change. While it is predominantly based in the UK, it has a global remit, with members in Japan and the US. Team members represent around a dozen nationalities and speak as many languages. There are plans to expand the team in 2022.

In our view, this makes the team well positioned to keep abreast of the latest policy, regulatory and industry developments globally.

The Head of Investment Stewardship, Kurt Morriesen, reports directly to LGIM's CEO, Michelle Scrimgeour.

Team members represent around a dozen nationalities and speak as many languages. There are plans to expand the team in 2022.

Our Investment Stewardship team focuses on client outcomes and broader societal and environmental impacts in its engagements with companies and policymakers.

Active engagement

Our Investment Stewardship team focuses on client outcomes and broader societal and environmental impacts in its engagements with companies and policymakers. This spans consideration of systemic risks and macro developments through to company specific issues, implemented using the following six step approach:

As part of this process, the team also participates in our global research and engagement groups. For more detail on how the team prioritises engagement, please see our policy.

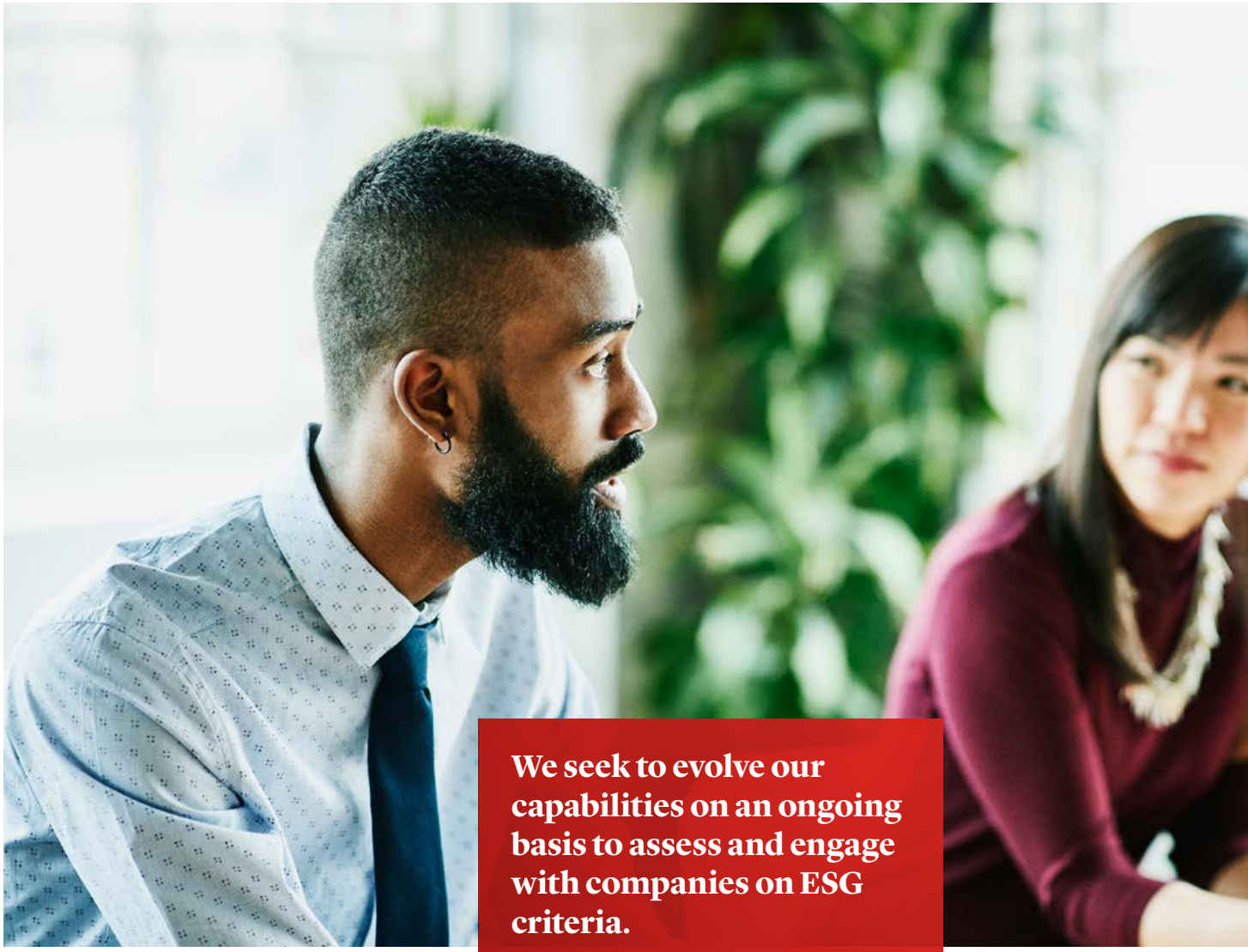
Global research and engagement groups

In the face of looming challenges such as climate change, ageing populations and technological disruption, we believe a different approach to managing capital is required – where responsible investing considerations are placed alongside the traditional metrics of risk and return.

As a result, at LGIM, we seek to evolve our capabilities on an ongoing basis to assess and engage with companies on ESG criteria. This activity is also crucial to determine those that will survive and thrive amid an acceleration in long-term investment themes or 'mega-trends', such as the energy transition.

During 2021, our GREGs of some 75 participants continued to devote significant time and resource to tackling emerging ESG issues across a range of sectors, from both sides of the capital structure. In doing so, they form a crucial input for portfolio management and the evolution of engagement topics, which we believe helps us to deliver more sustainable returns for our clients.

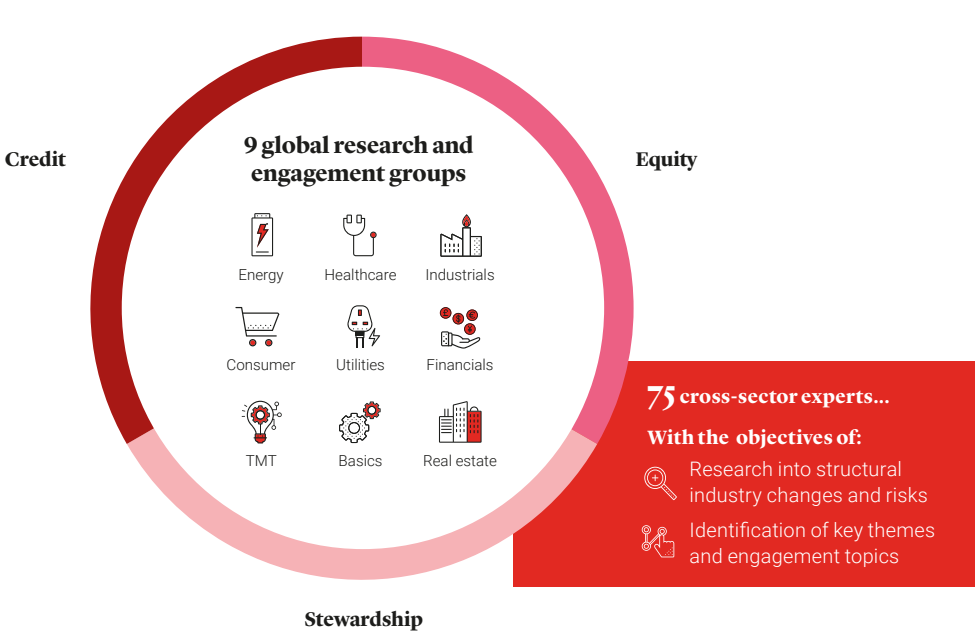
This pooling of talent creates a positive feedback loop between LGIM's investment teams and investment stewardship activities, further boosting ESG integration across our index, active and real assets strategies.

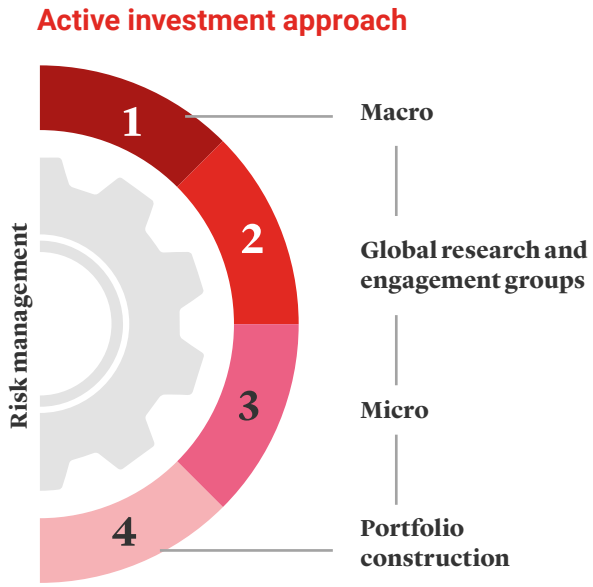


We seek to evolve our capabilities on an ongoing basis to assess and engage with companies on ESG criteria.

Themes covered by the GREGs last year included the race to net zero; the obesity crisis and its impact on healthcare and consumer industries; and banks' social responsibilities. This report highlights output from engagements on a number of these topics.

Within our active strategies, the GREGs enable us to connect top-down macro and thematic views with bottom-up micro analysis of corporate and sector fundamentals, unearthing opportunities for long-term, sustainable returns.





For illustrative purposes only

Looking ahead, we expect to communicate even more of the output of our GREGs, as we build on the progress made during the past two years since their creation.

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ESG training and incentivisation

As part of our overall approach to ESG integration, we seek to ensure that responsible investing forms part of the culture across LGIM and is reflected in everyday business conduct.

The ESG Academy

In 2021, we expanded the LGIM ESG Academy in partnership with the United Nation's (UN) Principles for Responsible Investment (PRI), with the aim of providing education to all employees on how their job relates to and interacts with our purpose and activities as a responsible investor.

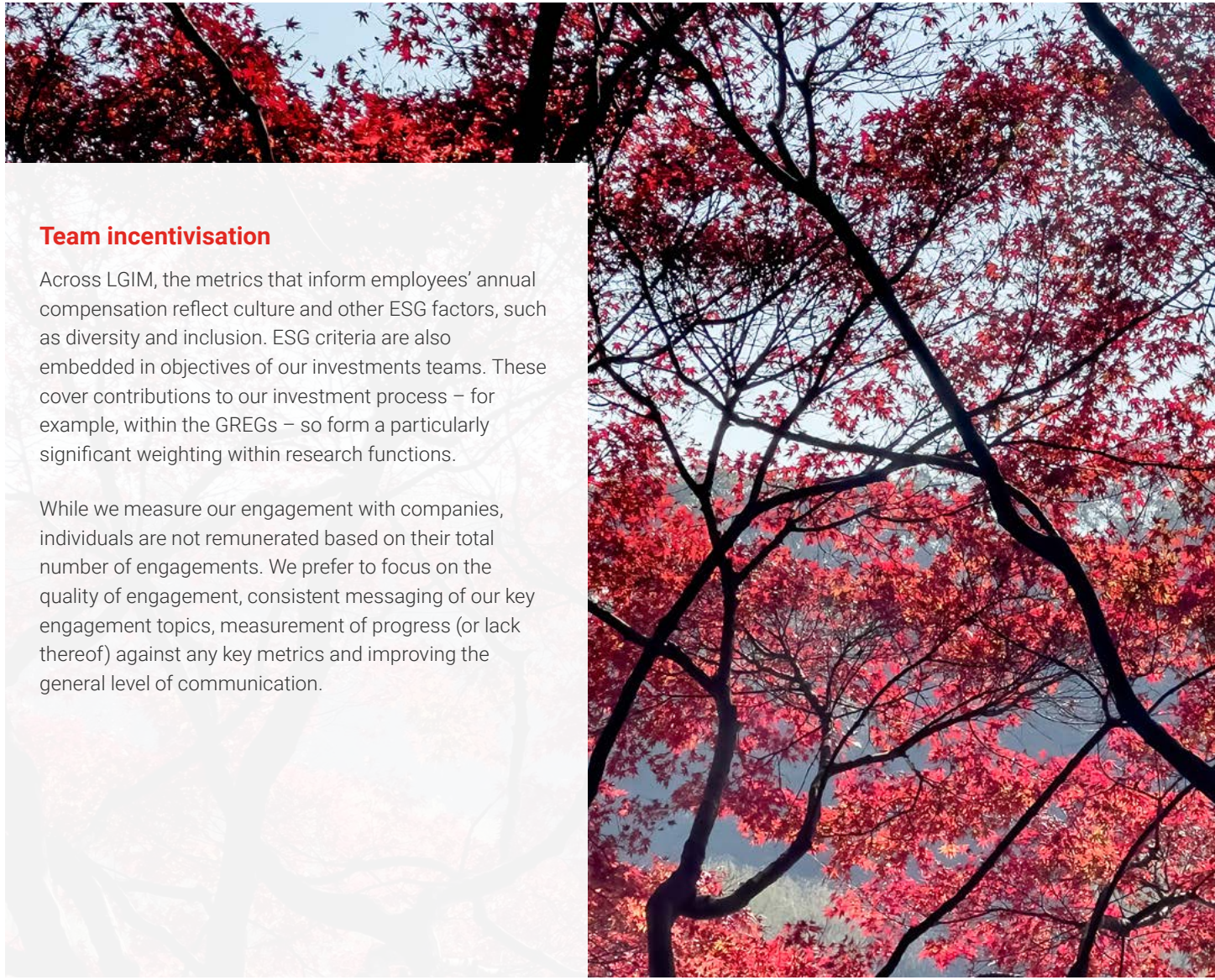
Located on LGIM's internal personal development platform, the academy consists of a wide range of learning modules and training videos delivered by internal and external subject-matter experts. For those interested in further exploring such themes, the PRI Academy and the CFA Institute's ESG Investing courses form part of LGIM's professional development programmes.

At the same time, our Investment Stewardship team forms a core part of our apprentice and graduate programmes, helping those new to LGIM to learn about our approach first-hand.

Team incentivisation

Across LGIM, the metrics that inform employees' annual compensation reflect culture and other ESG factors, such as diversity and inclusion. ESG criteria are also embedded in objectives of our investments teams. These cover contributions to our investment process – for example, within the GREGs – so form a particularly significant weighting within research functions.

While we measure our engagement with companies, individuals are not remunerated based on their total number of engagements. We prefer to focus on the quality of engagement, consistent messaging of our key engagement topics, measurement of progress (or lack thereof) against any key metrics and improving the general level of communication.



Responsible investment strategies

In addition to the active ownership that underpins all our investment processes and portfolios,[8] detailed above, we have developed capabilities and solutions to help our clients target ESG outcomes across asset classes in addition to financial goals.

Since the launch of our first Future World fund in 2017, we have designed strategies with ESG objectives in mind. In 2021, we launched 28 strategies that target explicit ESG goals, helping our clients and customers to express conviction in sustainability themes. Across our Real Assets portfolio, new fund-level strategies have included setting ambitious carbon-intensity targets and other enhanced ESG criteria.

As well as unveiling new funds, we also updated – and are continuing to update – existing responsible investing strategies to ensure they meet the evolving objectives of our clients.

Tangible outcomes

While investment strategies reflect a spectrum of ESG objectives, we believe the focus is shifting towards more explicit and tangible outcomes. These include incorporating reductions in carbon-emissions intensity or an increased allocation to 'green opportunities' and targeted objectives related to clean water, healthcare breakthroughs and clean energy.

To help our clients better understand ESG risks and opportunities and as we continue to advance our capabilities in this space, we are focused on developing tools to deliver strategies aligned to client outcomes with forward-looking ESG metrics.

For example, we established a Climate Solutions team to focus on LGIM Destination@Risk, our proprietary climate model. This is used to link a company's or government's emissions and decarbonisation targets to an implied temperature increase, thus enabling us to assess alignment with net-zero outcomes.

8. LGIM's Investment Stewardship team votes on, and engages with, companies held across our entire book

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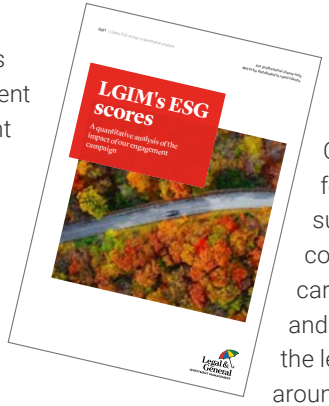
Our Active ESG View tool informs fund managers on the ESG credentials of issuers by combining our proprietary GREGs inputs with multiple external research inputs. In 2021, this included building out our approach to assessments of the UN's Sustainable Development Goals (SDGs) contributions of companies, by analysing revenue streams and business practices; and of sovereigns, by analysing factors such as human rights and gender equality. This enables positive and negative alignments to the SDGs to be incorporated into fund objectives and portfolio construction.

This shift towards explicit and forward-looking ESG objectives is also relevant to our Index strategies. In 2021, we enhanced our LGIM ESG scores with a new temperature alignment metric and have seen significant client interest and flows for strategies targeting decarbonising climate outcomes.



All active portfolios

Focusing on **ESG** as **financial risk**

Integration of ESG risks at the **sector** and **issuer** level

+

UN SDG-aligned portfolios

Focusing on **impact** using the **UN SDG** framework

Exclusion of **negatively aligned** corporates

More overall **positive alignment**

+

Climate-aligned portfolios

Decarbonisation objective based on our proprietary **LGIM Destination@Risk** model

Better temperature alignment than benchmark and **long-term improvement** objective

Our publicly available ESG scores, used for index fund construction and to support our engagements, capture companies' carbon emissions intensity, carbon reserve intensity (from fossil fuels) and exposure to 'green' revenues,[9] as well as the levels of transparency and certification around carbon and ESG data.

In 2022, we plan further enhancements to Active ESG View, LGIM's ESG scores, and our LGIM Destination@Risk, which we also intend to integrate even more deeply across our investment capabilities.

9. Revenues of public companies engaged in the transition to the green economy

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Examples of responsible investment approaches across LGIM's key asset classes:

Active

Proprietary UN SDG assessment to target positively contributing companies and exclude those harming the goals

Index

Evolution from ESG score-tilted indices to those with explicit objectives, such as a carbon-reduction pathway

Multi-Asset

Dynamic strategies integrate ESG considerations both in asset allocation decisions and the underlying building-block components

Solutions

Buy and Maintain strategies which use our LGIM Destination@ Risk implied temperature tool to align clients' targeted net-zero outcomes

Real Assets

Net-zero carbon roadmap applicable to all real estate equity fund strategies, supplemented by new funds with more explicit ESG objectives

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Policy advocacy and collaboration

- In 2021, we engaged with policymakers around the world on more than 30 topics, covering markets in the UK, Europe, Australia, Japan and the US
- We continued to work with peers, industry groups, NGOs, academia and civil society to drive change through collaboration

Working with policymakers

As a long-term investor, we share a responsibility to ensure that global markets operate efficiently to protect the integrity of the market and address systemic risks, foster sustainable and resilient economic growth, and aim to protect the value of our clients' assets.

Part of how LGIM acts on these responsibilities is by engaging in global policy dialogue on the key issues that fall into **four strategic areas**:

1 Sustainable and green finance

2 Environment

3 Social

4 Governance

2021 could be described as a 'great acceleration' for sustainability policy and regulation. Political leaders and policymakers significantly scaled up their ambitions and activity. It felt as if the world suddenly woke up to the hard truth that tackling global sustainability challenges will require policymakers to implement significant policy reforms.

The UN's PRI database on sustainable finance regulation noted that by the third quarter of 2021, there were already 159 pieces of new or revised sustainable finance policy – more than for the whole of 2020.[10] We can also look at what was achieved at COP26 in Glasgow: 81 countries, (technically 74 'parties') representing 73.8% of global emissions, communicated net-zero targets.[11] In addition, 105 countries signed up to the Global Methane Pledge to reduce methane emission by at least 30% from 2020 levels by 2030.[12]

Although this is positive and we strongly support the direction of travel, rapidly implemented policy can bring challenges from harmonisation across global markets to alignment across the investment chain. Policymakers need to consider how they implement the necessary policies that can credibly deliver political commitments. It is therefore important that LGIM works with policymakers to help create policies that are ambitious, robust and appropriate.

Here are several examples of topics that LGIM has identified as systemic risks, and where we have engaged in policy dialogue:

Transparency

To be able to allocate capital efficiently, investors need the market to accurately price in material ESG risks and opportunities. To achieve this, we need access to high-quality ESG data that is relevant, comparable, consistent and verifiable. The lack of transparency in the current system is not acceptable and has the potential to slow the transition to net zero.

In 2021, LGIM has engaged on improving ESG transparency across the investment chain and in markets in the UK, EU, US and Japan. LGIM is also conscious of the risks of a lack of harmonisation between markets and has been highlighting this across its policy engagements. We are very supportive of the launch of the IFRS (International Financial Reporting Standards) International Sustainability Standards Board in November 2021.

Looking at climate-related disclosures more closely, over the course of 2021, LGIM, along with L&G Group engaged with the US Securities and Exchange Commission (SEC), the UK Department for Business, Energy and Industrial Strategy (BEIS), and the UK Financial Conduct Authority (FCA). During these engagements, LGIM's requests for action included the implementation of:

- Mandatory reporting across public and private markets
- Regulation that affects reporting across the investment chain
- Regulation that is inclusive of all 11 recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD), not just the four pillars
- Steps to ensure that regulators understand the need for global consistency

We are very supportive of UK government action to implement impactful TCFD-related requirements across the investment chain.

In April 2021, LGIM also wrote to the UK government to go a step further to help achieve net zero by expanding reporting requirements on disclosing transition plans. We are pleased to see the UK government has committed to this in the release by the Treasury of the Roadmap for Sustainable Investing.

Agriculture

The agriculture sector is responsible for approximately 12% of global greenhouse gas (GHG) emissions,[13] and emission reduction has plateaued over the past 10 years.[14] This represents a systemic environmental risk. While efforts to decarbonise the energy sector typically garner most attention, the transition to net zero will require reform across all sectors of the economy.

Policymakers have a key role to play in making progress in agriculture. One tool available to them is reforming their significant agricultural subsidy programmes to help align the land sector with the Paris Agreement. To give an idea of the scale of these programmes, the 20 largest agriculture-producing countries paid more than $620 billion annually to the agricultural sector between 2015 and 2017.[15]

In Europe, agricultural subsidies constitute a third of the EU's total budget and are pivotal in determining how land across Europe is used and which commodities are produced.[16] Reforming the Common Agricultural Policy (CAP) is therefore essential for climate mitigation, negative emissions, and long-term environmental resilience in terms of climate adaptation, biodiversity improvements and food security.

LGIM has co-authored a paper with policy experts from Chatham House on how the European Commission can align the CAP with the Green Deal and EU climate law.

To help achieve this alignment, we brought together an alliance of policy experts, business groups and investors (representing €2 trillion of assets under management) who have publicly supported our recommendations to the EU. We will continue to engage and seek to influence agricultural subsidy reform across key markets.

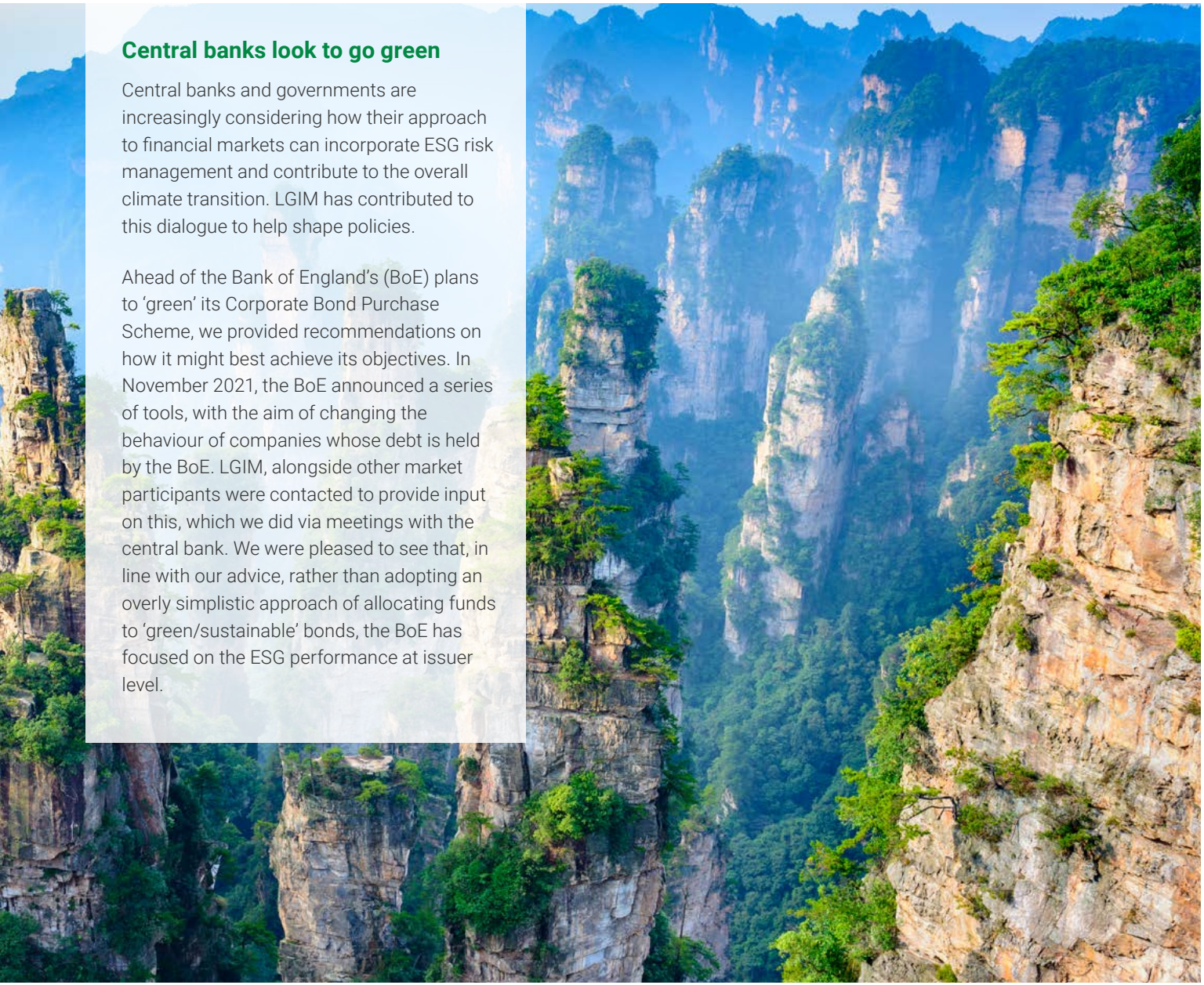
Given the systemic risk that agriculture poses, we wrote to the European Commission with serious concerns regarding the tabled proposals for how activity in this sector would be treated in the EU's taxonomy for sustainable activities. It is crucial that the EU taxonomy, and taxonomies being developed in other markets, must be robust and use scientific and evidence-based criteria. Our intervention has contributed to the delay by the EU on how to approach the agriculture sector. We plan to pick this up in other markets. See also the LGIM blog on the EU's sustainable finance taxonomy.

LGIM joined the collaborative engagement with the FAIRR (Farm Animal Investment Risk & Return) initiative titled 'Where is the Beef'. The investor statement urges all G20 nations to enact ambitious policies and publicly disclose effective targets for GHG reductions in the agriculture sector within or alongside their National Determined Contribution (NDCs) commitments at COP26. The statement has received strong support from former UN secretary general Ban Ki-Moon.

Central banks look to go green

Central banks and governments are increasingly considering how their approach to financial markets can incorporate ESG risk management and contribute to the overall climate transition. LGIM has contributed to this dialogue to help shape policies.

Ahead of the Bank of England's (BoE) plans to 'green' its Corporate Bond Purchase Scheme, we provided recommendations on how it might best achieve its objectives. In November 2021, the BoE announced a series of tools, with the aim of changing the behaviour of companies whose debt is held by the BoE. LGIM, alongside other market participants were contacted to provide input on this, which we did via meetings with the central bank. We were pleased to see that, in line with our advice, rather than adopting an overly simplistic approach of allocating funds to 'green/sustainable' bonds, the BoE has focused on the ESG performance at issuer level.

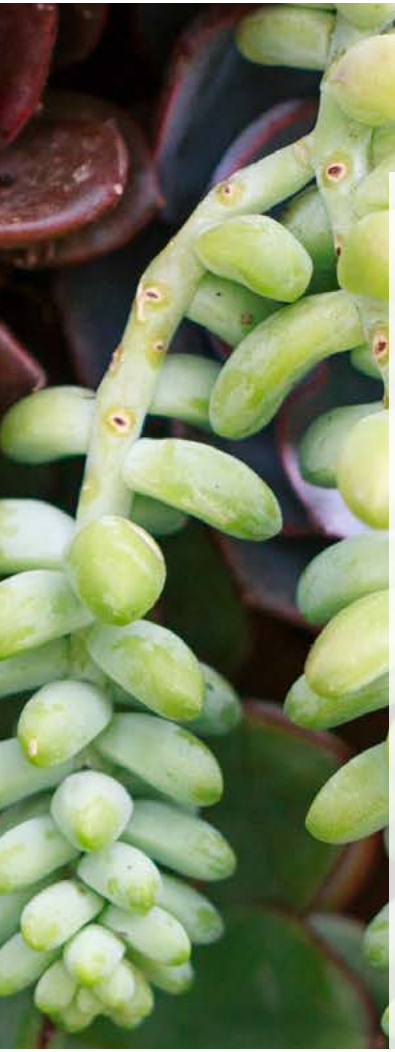


Green gilts

In 2021, the UK government announced its first green gilt issuance, incorporating feedback from 2020's 'Green+ Gilt' proposal, where we had participated in a collaborative engagement to encourage the integration of social impact. In 2021, we also contributed to the Investment Association's position paper on green gilts, where we asked for an audit committee with representation from the government and investors to review the use of proceeds and their impact. We continue to believe that greater engagement will encourage greater discipline and accountability in the market.

Collaborating with peers

We believe in collaboration and regularly working with peers, industry groups, NGOs, academia and civil society. We look forward to continuing our engagement with the broad range of third parties we work alongside.



LGIM is a member or supporter of multiple associations and initiatives working on ESG themes, including:

- 30% Club
- Alliance for Financing a Just Transition (London School of Economics)
- Asia Research & Engagement (ARE)
- Asian Corporate Governance Association (ACGA) – in 2021 LGIM took on the deputy chair role of the ACGA's Japan Working Group, a sub-group of ACGA institutional investor members
- Better Building Partnership (BBP)
- British Council of Offices ESG committee
- British Property Federation
- Climate Action 100+
- Coalition for Climate Resilient Investment (CCRI)
- Corporate Governance Forum
- Council of Institutional Investors (CII)
- European Association for Investors in Non-Listed Real Estate Vehicles (INREV)
- Glasgow Financial Alliance for Net Zero
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Finance Institute – Coalition for the Energy Efficiency of Buildings
- Institutional Investors Group on Climate Change (IIGCC)
- International Corporate Governance Network (ICGN)
- Investment Association
- Investor Forum
- Japan Climate Leaders' Partnership (JCLP)
- Japan Stewardship Initiative (JSI)
- Japan TCFD Consortium
- Net Zero Asset Managers Initiative
- One Planet Asset Managers Initiative
- SASB Standards Investor Advisory Group (IAG)
- Sustainability Reporting Standard for Social Housing
- Transitions Pathway Initiative (TPI)
- UK Green Building Council (UKGBC)
- United Nations Principles for Responsible Investment (UN PRI)

In 2021, LGIM Real Assets formed part of an industry-led working group to develop a more transparent set of ESG disclosures for borrowers in the infrastructure debt sector. The working group consisted of LGIM Real Assets, Aviva Investors, Macquarie Asset Management, Allianz Global Investors, IFM Investors, abrdn and BlackRock.

The twin aims of the group were to:

- Create a consistent set of ESG best practice requirements for borrowers when reporting to lenders
- Facilitate lenders' compliance with increasing ESG disclosure regulations (such as Sustainable Finance Disclosure Regulation (SFDR) and TCFD)

The document was published on the Global Infrastructure Investor Association (GIIA) website for consultation.

Environmental | Social | Governance

ESG: Environment and climate

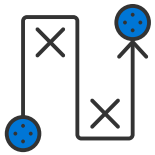
- In 2021, we continued to hold directors to account for their management of climate risk, and took action against over 100 companies under our Climate Impact Pledge
- We published our biodiversity policy. This commits us to addressing biodiversity loss by working with policymakers and developing our capacity to assess biodiversity risks and opportunities

Our Climate Impact Pledge

In 2020 we substantially broadened our dedicated climate engagement programme, the Climate Impact Pledge, with the goal of accelerating progress towards net-zero greenhouse gas (GHG) emissions globally.

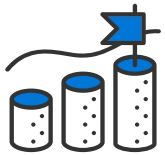
We identified approximately 1,000 companies in 15 climate-critical sectors that are responsible for more than half of GHG emissions from listed companies. Drawing on around 40 data points, leveraging LGIM's climate modelling as well as third-party data, our company assessments are focused on four key pillars in alignment with the TCFD framework:

Governance



Strategy risks and opportunities

Scenario analysis



Metrics and targets

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

In this section, we highlight our alignment with the best practice recommendations adapted from the TCFD.**

Strategy: Describe climate-related risks and opportunities over short, medium and long-term

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Risk management: Describe engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers' ability to assess climate-related risks

**For accessibility purposes, we are only providing a high-level overview of our alignment with the TCFD recommendations here. For more detailed TCFD-aligned reporting, please see LGIM's PRI report.

Legal & General Group Plc's Climate Report (prepared in line with recommendations by the TCFD) is also available here


The world is facing a looming climate emergency. To avert this dire outcome, we are taking decisive action on behalf of our clients and the society in which we live.

By linking our votes to specific data points aligned with our principles-based approach, our aim is to exert our influence more consistently and widely across markets. We also selected 58 companies[17] for in-depth engagement, combining the expertise of sector specialists from across LGIM's investment teams and our Investment Stewardship team.

These companies are influential in their sectors, but in our view are not yet leaders on climate change. We believe that they have the means to have a significant and positive effect on their sectors and value chains by embracing the net-zero transition. We announced the results of this expanded approach for the first time in June 2021 (see page 42).

Our partnership with Lewis Pugh

In 2021 we announced a global partnership with UN Patron of the Oceans and endurance swimmer, Lewis Pugh.

In September Lewis completed his swim across the mouth of the Ilulissat Icefjord in Greenland to highlight the urgent need for climate action. He is calling on all nations to cut their emissions significantly, and to protect 30% of the world's oceans by 2030.[18] An urgent mission that we at LGIM fully support.

All the photography featured in this section (up to page 39) was taken in Greenland and Iceland by the Lewis Pugh Foundation. For more information, please visit **lgim.com/lewis**

Photography credit: Olle Nordell

LEWIS PUGH FOUNDATION

We are united with Lewis in our aim to tackle the climate crisis. As one of the world's largest investment firms,[19] we are clear in our purpose: to create a better future through responsible investing. We will continue to work with Lewis in 2022 and will make further announcements in due course.

19. LGIM internal data as at 31 December 2020 and IPE 2021. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong. The AUM includes the value of securities and derivatives positions

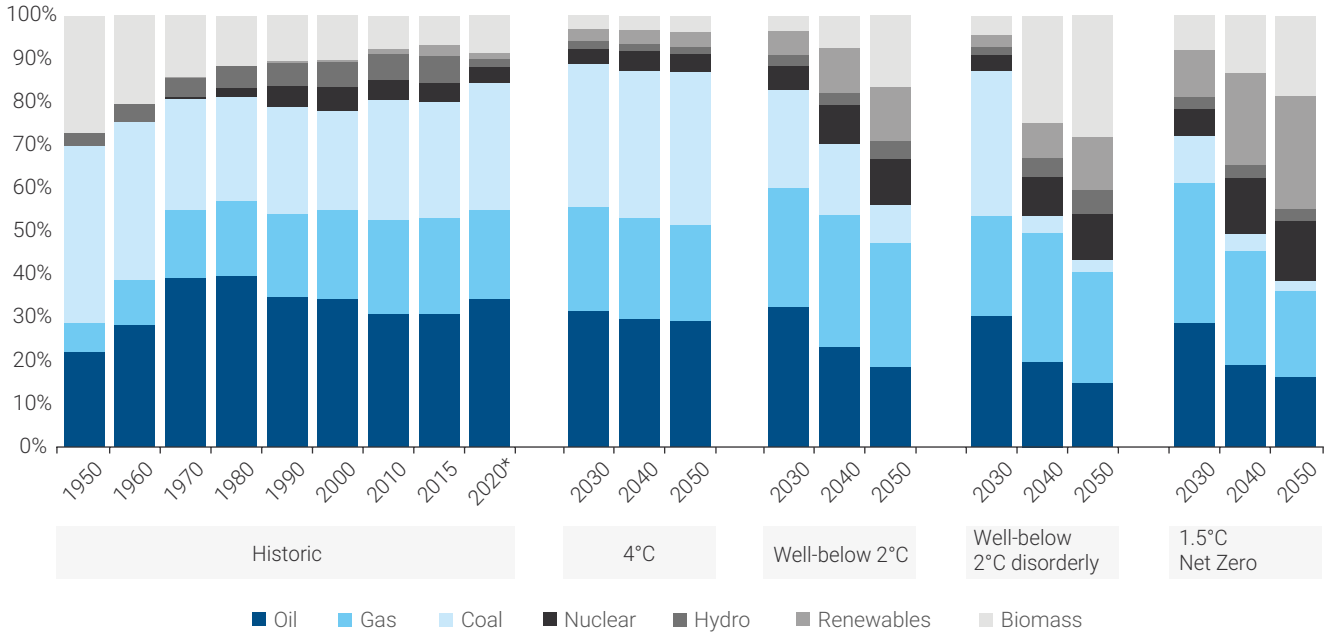
Modelling climate scenarios

We are restlessly innovative in seeking to fight the climate crisis on behalf of our clients.

In addition to targeted engagements with companies, we have also developed a toolkit, LGIM's Destination@Risk. We use this to develop our own bottom-up energy transition scenarios – called Destinations – and translate these into company-, sector- and portfolio-level implications.

Up until 2022, we assessed three main energy pathways: well-below 2°C 'orderly' and 'disorderly'; and 4°C 'inaction'. This year, we added a fourth scenario, '1.5°C net zero', which limits global warming to 1.5°C by the end of the century by targeting net-zero CO2 emissions around 2050.

Destination global primary energy mix (%)



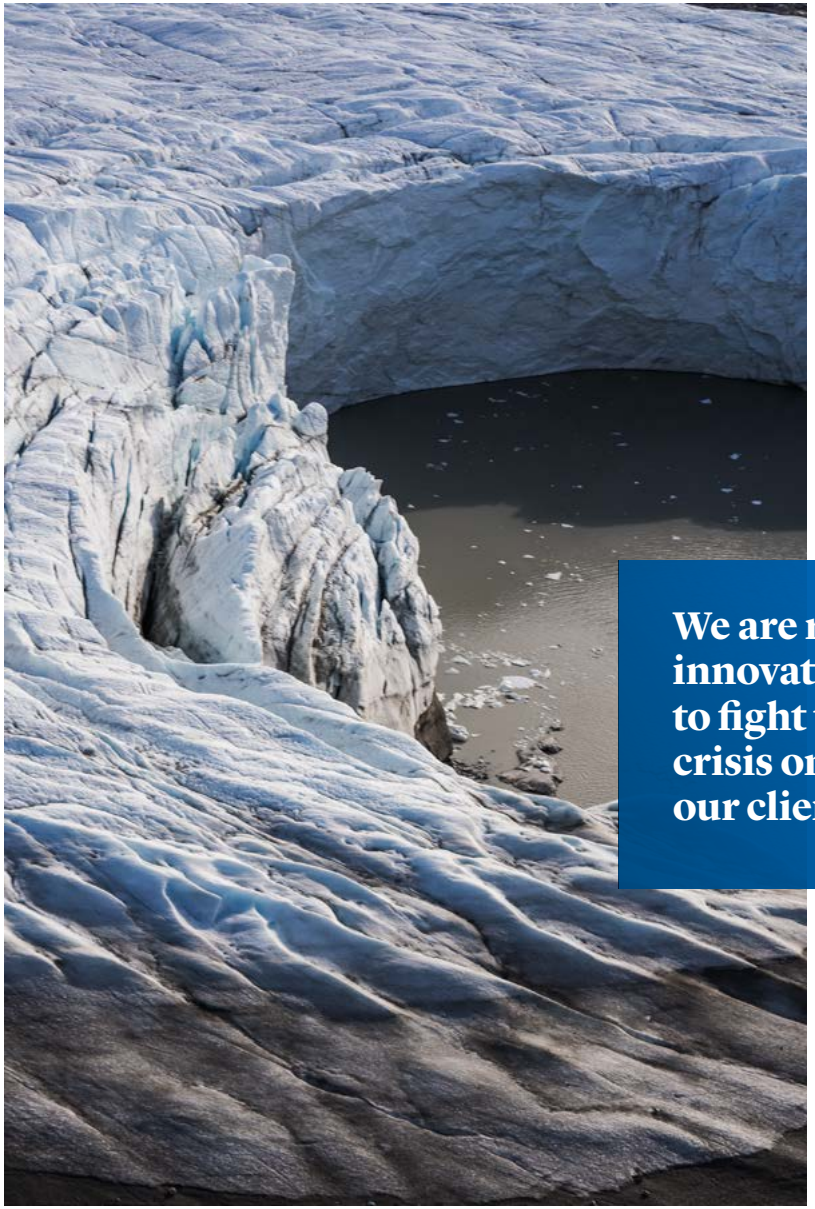
*2020 data is estimated, not actual

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Strategy: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Describe how risks and opportunities are factored into relevant products or investment strategies and describe related transition impact

Source: LGIM, as at 31 December, 2021. Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass. The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.



We are restlessly innovative in seeking to fight the climate crisis on behalf of our clients.

There are significant differences in the long-term physical risks stemming from 2°C and 1.5°C outcomes, as shown in the IPCC's special report on the former. The scientific consensus on achieving a 1.5°C outcome is clear: anthropogenic CO2 emissions (associated with human activities) must reach net zero globally around 2050, and non-CO2 emissions, especially methane (CH4), must be rapidly and significantly reduced.

Through LGIM's Destination@Risk, we use these scenarios to explore the role our organisation can play alongside policy changes and corporate engagement to mitigate climate risks and support climate opportunity. Indeed, the 1.5°C scenario is an important strategic tool in light of our commitments to a net zero economy.

Interface for investments

In 2021, we developed our modelling approach fully in-house, with improved granularity at the company level. This included new modules for companies in the oil and gas, utilities and financials sectors; the development of an approach for sovereign debt; and an improvement to scope of assets that can be modelled.

We also built an interface for LGIM's investment teams to engage with our climate solutions, including portfolio and company results.

In 2022, we will continue to evolve our modelling approach as we build in more company-specific information and allows for companies taking risk-mitigating actions, such as investing in technologies that reduce emissions.

Net-zero commitment for real estate

Throughout 2021, LGIM's Real Assets team continued to accelerate the implementation of its net-zero roadmap strategy, which was launched in December 2020 as part of our commitment to achieve net-zero carbon across our real estate equity platform by 2050.

This included a review of the roadmap's science-based targets to 2030, which will continue to drive ambitious carbon reductions over the next 5 to 10 years. The updated targets will cover the scope 1 and 2 emissions associated with the properties we operate, along with key scope 3 emissions sources.

To ensure that the assets we purchase have the right sustainability credentials, we have introduced net-zero carbon audits for all new acquisitions. This specifies best-practice standards with a robust due diligence process. We have also updated the sustainability clauses in our lease agreements in line with industry-wide developments in energy efficiency regulations and net-zero carbon.

To increase the sustainability of our existing assets, we have continued to build upon our sustainable property management framework. This included a series of net-zero carbon audits across targeted assets to identify the practical considerations and costs of transitioning them to net zero.

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TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Risk management: **Describe the organisation's processes for identifying, assessing and managing climate-related risk, and their integration into the organisation's risk management, as well as for each product or investment strategy**

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Metrics and targets: **Disclose metrics used by organisation to assess climate-related risks and opportunities, including in each product or investment strategy**


We have introduced net-zero carbon audits for all new acquisitions. This specifies best-practice standards with a robust due diligence process.

Pushing for progress

COP26

In November 2021, Glasgow hosted the 26th UN Climate Change Conference of the Parties (COP26), and LGIM had a significant presence in this milestone event in the global journey to net zero. Michelle Scrimgeour, our CEO, was co-chair of the COP26 Business Leaders Group alongside the President for COP26, Rt Hon. Alok Sharma MP. She will remain in her role as co-chair through to COP27. Michelle also gave a keynote speech on 'financing a resilient net zero'.

Glasgow Financial Alliance for Net Zero

LGIM also participated in the Glasgow Financial Alliance for Net Zero (GFANZ). GFANZ was launched in April 2021 by Mark Carney, UN Special Envoy for Climate Action and Finance and UK Prime Minister Boris Johnson's Finance Adviser for COP26, and the COP26 Private Finance Hub in partnership with the UNFCCC Climate Action Champions, the Race to Zero campaign and the COP26 Presidency. GFANZ membership is predicated on science-based commitments to net zero. All members are committed to the same overarching goal: reducing emissions across all scopes swiftly and fairly in line with the Paris Agreement, with transparent action plans and robust near-term targets. This means GFANZ firms' net-zero commitments must use science-based guidelines to reach net-zero emissions by 2050, cover all emission scopes, include 2030 interim target settings, and commit to transparent reporting and accounting in line with Race to Zero criteria.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Risk management: Describe the organisation's processes for identifying, assessing and managing climate-related risk, and their integration into the organisation's risk management, as well as for each product or investment strategy

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Strategy: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Describe how risks and opportunities are factored into relevant products or investment strategies and describe related transition impact

Net Zero Asset Managers Initiative

As a founding signatory of the Net Zero Asset Managers Initiative, we have committed to work in partnership with our clients to reach net-zero greenhouse gas emissions by 2050 or sooner across all assets under management. In line with this commitment, in November 2021 LGIM set a target for 70% of eligible AUM[20] to be managed in line with this net-zero ambition by 2030. In addition, drawing on industry best practice, we have set out LGIM's key requirements for any investment portfolio to be considered net-zero aligned. This includes setting targets, adopting a decarbonisation pathway, engaging for change, excluding misaligned companies, and growing 'green' opportunities.

Environmental Defense Fund

In April 2021, we announced our partnership with the Environmental Defense Fund (EDF), an NGO that uses its in-depth research to drive progress on tackling climate change. Through this collaboration, we have:

- Accelerated direct engagements with the largest methane emitters, encouraging them to participate in the Oil and Gas Methane Partnership (OGMP) 2.0 framework
- Taken a public position on the importance of methane through op-eds and webinars
- Held discussions with policymakers, including the submission of a public comment to the Environmental Protection Agency (EPA) on pending methane regulation

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance: Describe the board and management's role in overseeing, assessing and managing climate risks and opportunities

20. For this first interim target, LGIM has excluded government securities and derivative assets due to the lack of clear industry methodologies to account for these asset classes. As a result, the 70% target that LGIM has set to be managed in line with net zero covers eligible asset classes only. We will be reviewing our target every two years, taking into account developments across our client base and the markets in which we operate.

Risk management

We believe all companies, operating across all sectors, must adapt their business models to create a sustainable future. Transitioning to net zero is a key way of achieving this, and as investors we must understand which companies are lagging in this transition and increase our engagement with them.

Companies that are not taking meaningful action to reduce their carbon emissions and reach net zero across their value chain may represent an investment risk as technological, regulatory and consumer pressures intensify.

With this in mind, in 2021 we added a 29th metric to our proprietary LGIM ESG scores, which forms an integral part of our engagement strategy. The new metric – temperature alignment – reflects the growing availability and reliability of ESG data, together with our continuous efforts to refine our score.

Temperature alignment is a forward-looking measure of a company's carbon trajectory, designed to analyse the current and future emissions intensity from direct and indirect emissions. It helps us establish which 2050 climate scenario the company is aligned to.

Taking action on rising flood risks in the UK

Flood risk has been identified as the biggest physical climate threat to our UK-based real assets portfolios. To address this, we have enhanced our assessment of potential risks at the asset level and are embedding this into our investment and decision-making processes.

We are working with global physical climate risk specialist XDI to assess how climate change may impact our assets through more severe and more frequent flooding. The use of unique property reference numbers (UPRNs) enables analysis of assets at the individual building level.

A preliminary risk scan identified those assets needing more detailed investigation, which will factor in further asset-specific characteristics, including any existing adaptation measures. This will give us a much clearer representation of the risk profile, enabling the development of more targeted adaptation strategies.

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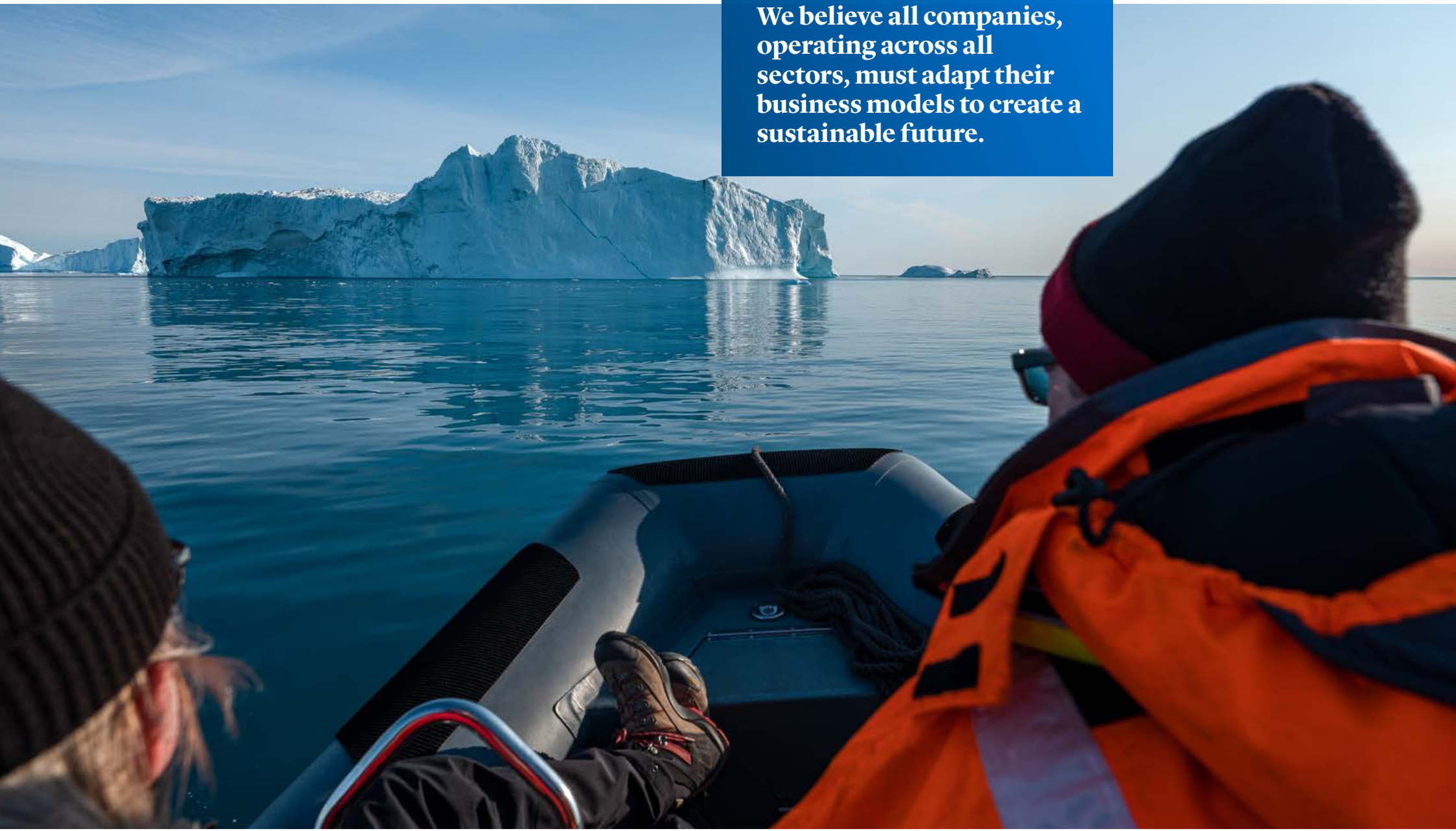
TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Risk management: **Describe the organisation's processes for identifying, assessing and managing climate-related risk, and their integration into the organisation's risk management, as well as for each product or investment strategy**

We believe all companies, operating across all sectors, must adapt their business models to create a sustainable future.



Metrics and targets: policies

LGIM's coal policy

The largest proportion of human-related greenhouse gas emissions[21] comes from burning fossil fuels for energy,[22] and around half of all energy emissions come from coal. To achieve the ambitious target set out in the Paris Agreement we must shift our methods of generating and consuming energy globally. We expect coal to be a decreasing part of the energy mix, and working in the best interests of our clients, we believe it is important to capture this transition within the portfolios that we manage.

In 2021 we strengthened our coal policy, which will lead to the exclusion of companies that generate 20% or more of their revenue from coal mining and extraction, thermal coal power generation and oil sands, from all LGIM's active funds and from index funds that apply our Future World Protection List (FWPL).

LGIM's biodiversity policy

Biodiversity loss is currently happening at a greater rate than at any other time in human history.[23] This matters to investors as biodiversity loss presents a global systemic risk, with more than half of the world's gross domestic product (GDP) – around $44 trillion – dependent on nature. The cost of failing to act is estimated to lead to a cumulative loss of $10 trillion by 2050,[24] while around one in five companies globally face significant operational risks because of collapsing ecosystems.

Against this backdrop, LGIM published its biodiversity policy in 2021. This commits us to addressing biodiversity loss by:

- Developing our capacity to assess biodiversity risks and opportunities
- Working with policymakers
- Engaging with the companies in which we invest and with wider stakeholders
- Reporting to clients

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance: Describe the board and management's role in overseeing, assessing and managing climate risks and opportunities

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

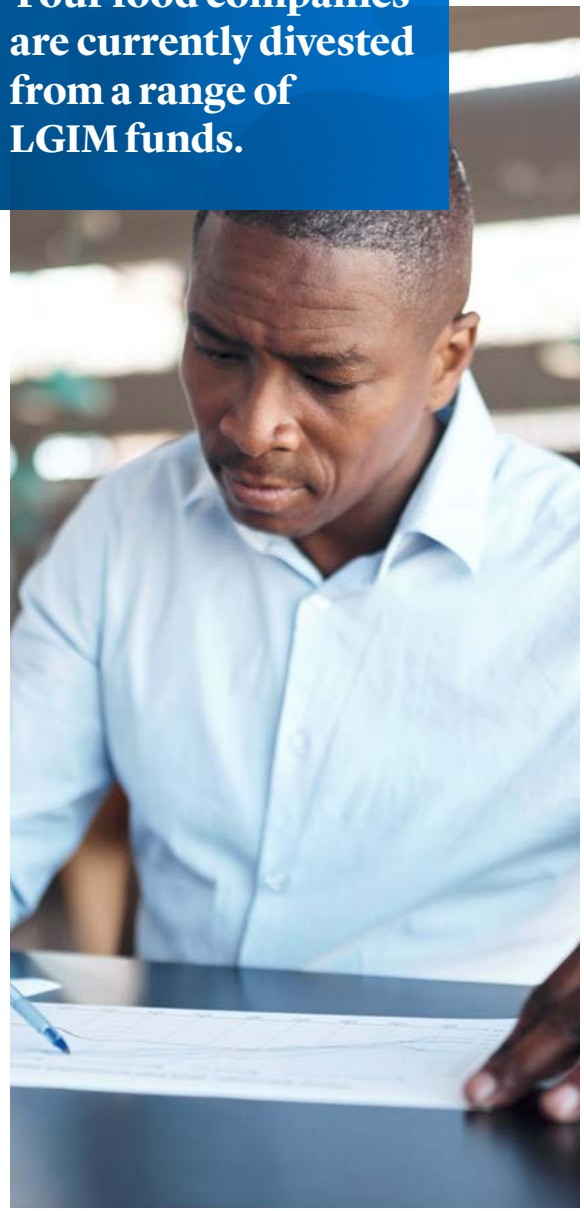
Metrics and targets: Disclose metrics used by organisation to assess climate-related risks and opportunities, including in each product or investment strategy

21. Carbon dioxide, methane, nitrous oxide and three groups of fluorinated gases

23. Average abundance of 20,811 populations representing 4,392 species monitored across the globe. The white line shows the index values and the shaded areas represent the statistical certainty surrounding the trend. WWF & ZSL, 2020

The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

Four food companies are currently divested from a range of LGIM funds.



We have become an observer member of the Taskforce on Nature-related Financial Disclosures (TNFD), which seeks to support companies and investors in identifying and accessing relevant biodiversity data.

On public policy, we are tackling this issue in multiple forums, including pushing the European Commission to align its green taxonomy with biodiversity targets and reform the Common Agricultural Policy in a way that encourages biodiversity.

Deforestation is one of the most significant drivers of biodiversity loss[25] and we have been voting, engaging and even divesting companies due to concerns in this area for many years. Examples of our engagement with policymakers are outlined below.

LGIM's stance on deforestation

At COP26, LGIM joined 30 financial institutions with a combined AUM of $8.7 trillion[26] in committing to strive to eliminate agricultural commodity-driven deforestation (with a focus on palm oil, soy, beef, pulp and paper) from our investment portfolios by 2025. This is a critical step in reversing deforestation, reducing biodiversity loss, supporting food security, and aligning agriculture with a Paris Agreement-compliant 1.5°C pathway.

We are proud to be a signatory of the Financial Sector Commitment on Eliminating Commodity-driven Deforestation. For several years LGIM has engaged with companies in key sectors and jurisdictions on this issue. We have done this by escalating our voice through voting and selective divestment, raising concerns directly with relevant governments and calling for the enforcement of regulations to halt deforestation.

We have signed letters to Brazilian embassies in numerous European countries expressing concerns around efforts to dismantle environmental protections in the Amazon and called on the Brazilian government to enforce existing regulation to halt deforestation linked to commodity supply chains. We subsequently joined investor calls with the Brazilian government's members of congress to press these points and encourage drastic reduction in deforestation rates.

Additionally, four food companies [27] are currently divested from a range of LGIM funds due to failure to implement robust deforestation policies, while we have taken action against an additional eight.

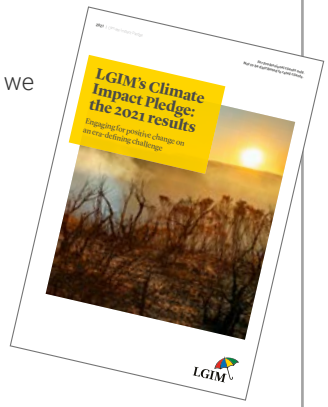
27. The four companies currently divested from a range of LGIM funds are Hormel†, Sysco†, Loblaw† and China Megniu Dairy†. † References to any security are for illustrative purposes only. For more information on LGIM's Climate Impact Pledge see here

Engagements

Climate Impact Pledge: The results

In June 2021, as we announced the results of the fourth Climate Impact Pledge engagement programme, we were encouraged to see a positive trend in scores across most regions and sectors. Europe continues to lead in our climate analysis, with Asia fast catching up.

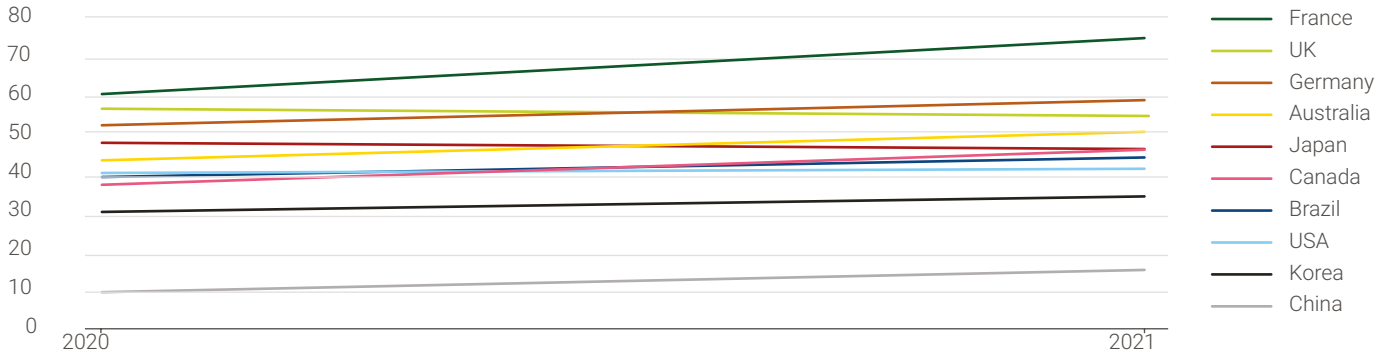
In October, we launched the fifth cycle of company meetings, continuing to target influential companies that are not yet meeting best practice in terms of emissions reduction targets, governance and climate change policies. Over 75% of companies have responded to our engagement requests so far.[28] While we are encouraged by the rapid growth in the number of companies with net-zero commitments, there is a lack of detailed transition plans.



Average ratings (out of 100) in key regions and select countries

	Europe (ex UK)	UK & Ireland	North America	Emerging markets	Japan	Asia Pacific (ex Japan)
April 2021 rating (avg.)	**61**	**61**	**43**	**27**	**46**	**44**
Change since 2020 (%)	**15%**	**5%**	**8%**	**21%**	**-3%**	**11%**

Europe continues to lead in our climate analysis, but Asia is fast catching up



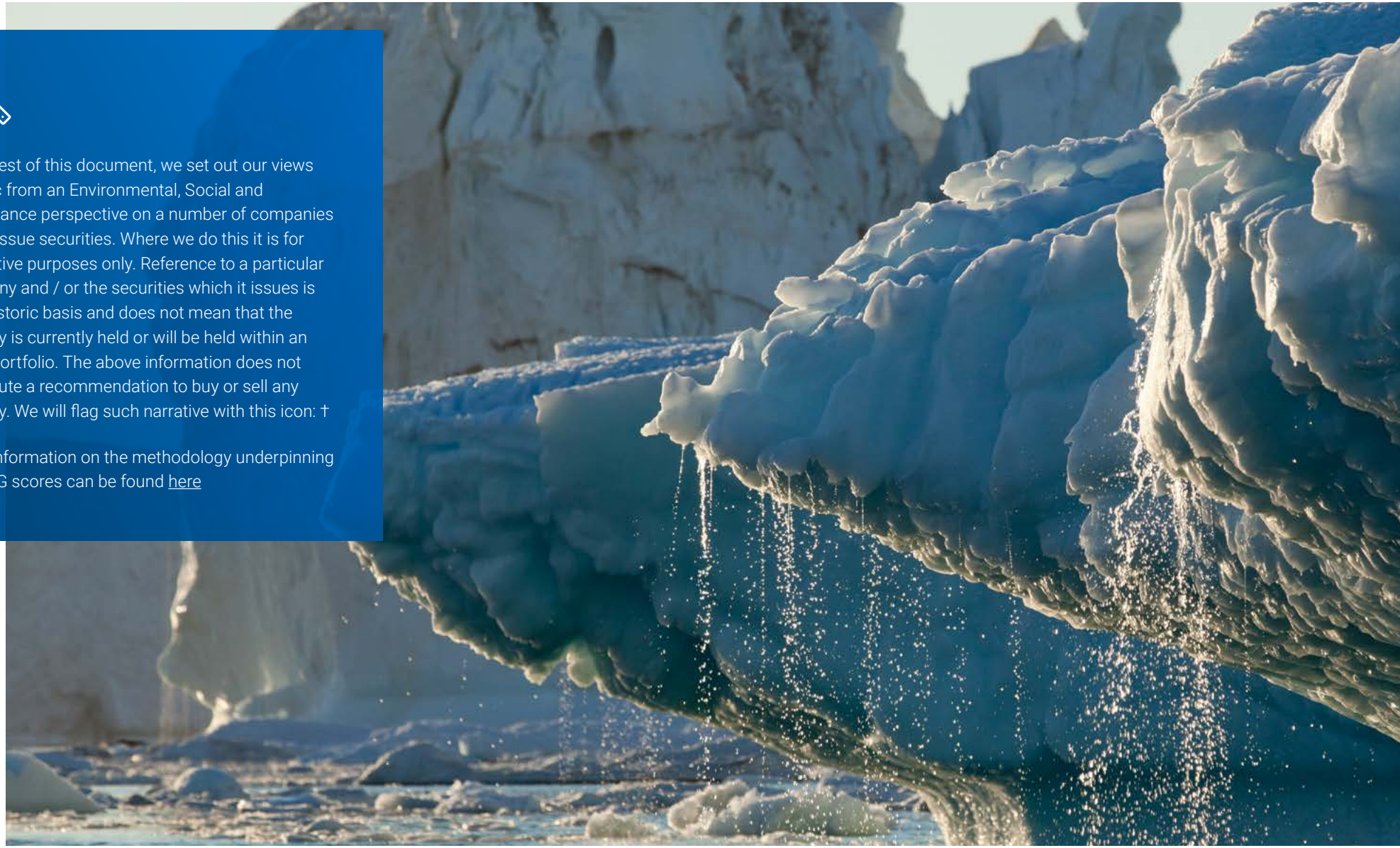
Source: LGIM as at April 2021

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Metrics and targets: Disclose metrics used by organisation to assess climate-related risks and opportunities, including in each product or investment strategy

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Risk management: Describe engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers' ability to assess climate-related risks



In the rest of this document, we set out our views historic from an Environmental, Social and Governance perspective on a number of companies which issue securities. Where we do this it is for illustrative purposes only. Reference to a particular company and / or the securities which it issues 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. We will flag such narrative with this icon: †

More information on the methodology underpinning our ESG scores can be found here

Eyes on energy providers

Due to persistent concerns about governance, climate and capital allocation, **ExxonMobil**† (ESG score: 23; -3) was removed from select LGIM strategies in 2019, and we continue to take action against the company in line with LGIM's Climate Impact Pledge.

In 2021, we opposed the re-elections of the company's Lead Independent Director and its chair/CEO, as we believe the separation of roles provides a better balance of authority and responsibility. Additionally, we supported an activist investor's proposals for an alternative slate of directors who we believe could make a positive contribution to board effectiveness and oversight. Given the importance of the vote, we took the decision to pre-declare our vote intentions on our blog. Three shareholder nominees were elected to the board.

We welcome the positive steps taken by the company since the 2021 proxy contest, in particular the commitment to achieve net-zero GHG emissions for operated assets by 2050. However, we expect to see further progress to strengthen climate targets and the level of board oversight. We will continue expressing our views through constructive engagement and taking action when necessary.

We have once again been recognised by MajorityAction in its 2022 report for holding board members to account for insufficient progress on climate-related initiatives and governance best practices at CA100+ companies during 2021.[29] We believe voting against a company is a powerful tool to express our views and concerns on key thematic issues such as climate change and diversity, as part of our 'engagement with consequences' approach.

ESG score

ExxonMobil†

LGIM ESG score 23

- 3 points

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

We engaged with BP's senior executives on six occasions in 2021 as they develop their climate transition strategy to ensure alignment with Paris goals.

Our work with the Institutional Investor Group on Climate Change (IIGCC) is a crucial part of our approach to climate engagement. IIGCC is a founding partner and steering committee member of Climate Action 100+ (CA100+), a global investor engagement initiative with 671 global investor signatories representing $65 trillion in assets[30] that aims to speak as a united voice to companies about their climate transition plans. We actively support the initiative by sitting on sub-working groups related to European engagement activities and proxy voting standards. We also co-lead several company engagement programmes, including at **BP**†* (ESG score: 27; -11) and **Fortum**†* (ESG score: 27; -11).

We engaged with BP's senior executives on six occasions in 2021 as they develop their climate transition strategy to ensure alignment with Paris goals.

Following constructive engagements with the company, we were pleased to learn about the recent strengthening of BP's climate targets, announced in a press release on 8 February 2022, together with the commitment to become a net-zero company by 2050 – an ambition we expect to be shared across the oil and gas sector as we aim to progress towards a low-carbon economy.

More broadly, our detailed research on the EU coal phase-out earlier this year reinforced our view that investors should support utility companies in seeking to dispose of difficult-to-close coal operations, but only where the disposal is to socially responsible, well-capitalised buyers, supported and closely supervised by the state. In our engagement with multinational energy provider **RWE's** senior management, for example, we have called for the company to investigate such a transfer. We think transfers like this could make the remaining transition-focused companies more investable for many of our funds and for the market more generally.

For more information, read our blog post.

BP†

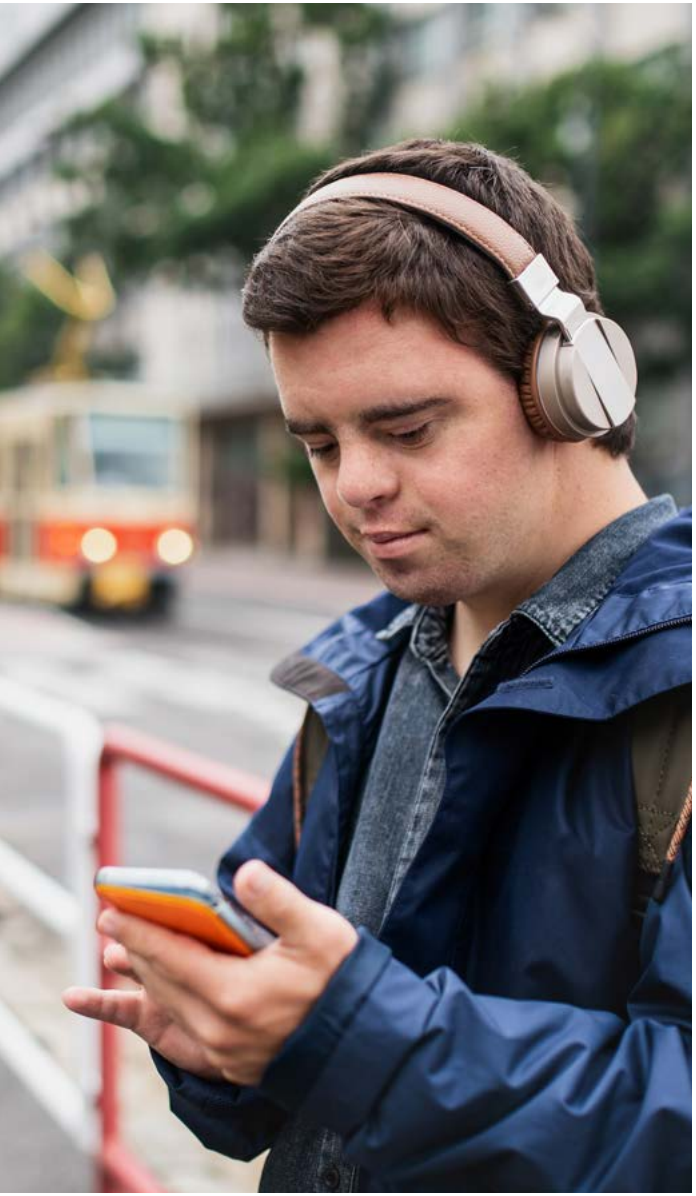
LGIM ESG score 27
- 11 points

Fortum†

LGIM ESG score 27
- 11 points

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

*Scores decline was predominantly driven by the introduction of a new indicator (temperature alignment), added in Sep 2021.



Finance for the future

We have seen a much-needed step-change in banks and other large financial institutions recognising their key role in accelerating the transition to a low-carbon economy. Initially a 'laggard' sector under our annual Climate Impact Pledge rankings, in 2021 we saw more banks signing up to the Net-Zero Banking Alliance and publishing decarbonisation commitments.

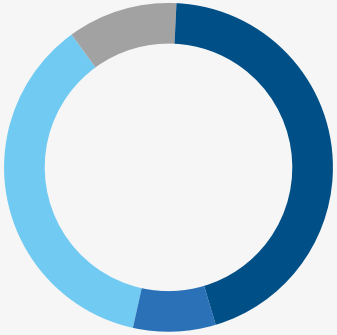
Following multi-year engagement with **JPMorgan Chase**† (ESG score: 67; +3), we have seen positive change at the bank gather pace, with a commitment to Paris alignment across the financing of a number of high-emission sectors, and the 2021 publication of their interim targets towards decarbonisation. As one of the largest global financiers across geographies – including important emerging markets – we will continue to monitor the bank's progress in this area.

In Asian markets, we have been involved in numerous collaborative engagements with other investors facilitated by the IIGCC, Asian Corporate Governance Association (ACGA), and Asia Research & Engagement (ARE) and are seeing gradual improvements to disclosures and stronger commitments.

Despite inroads made, we supported shareholder proposals on these issues, including at **Mitsubishi UFJ Financial Group (MUFG)**† (ESG score: 50; +4) in what was only the second climate-related proposal at a Japanese company. We also added **Industrial & Commercial Bank of China (ICBC)**† (ESG score: 49; -1) to our divestment list as part of 'engagement with consequences' under the 2021 Climate Impact Pledge, given the lack of thermal coal policy and scope 3 emission disclosures associated with its investments. We have seen a marked uptick in our engagement with the Chinese bank since, as well as improved disclosures.

Via our Investment Stewardship team we engaged with **42** individual banks (over 80 engagements)

Top 2021 bank engagement themes*



66 Governance Issues

12 Strategy/Others

53 Environmental Issues

16 Social Issues

*Note: an engagement can cover more than a single topic.
Source: LGIM as at 31 December 2021. 2021 Investment Stewardship engagement statistics.

Case study: Moving the dial at MUFG

We have been engaging with MUFG for many years and the bank was part of our first Climate Impact Pledge engagements starting in 2016. During 2021 we met MUFG on numerous occasions, both individually and as part of formal investor collaborations. As Japan's largest bank, it will play a key role in the climate transition and setting the standard within the sector. During this year's discussions we gained additional assurances of MUFG's continued progress, including strengthened exclusion policies. However, we continue to press on the bank's exclusion policies to go beyond project finance and take account of the wider financing activities. To keep up the pressure on the board, LGIM supported the shareholder proposal calling for greater disclosure of the plans to align the business strategy with the goals of the Paris Agreement. The resolution attracted the support of 22.7% of shareholders.

ESG score

JPMorgan Chase†

LGIM ESG score 67
+ 3 points

MUFG†

LGIM ESG score 50
+ 4 points

ICBC†

LGIM ESG score 49
- 1 point

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

Real progress for real assets

Sustainability-linked loans for social housing sector to support their transition

We have increasingly been engaging with borrowers on ESG topics at both the pre- and post-investment stages to improve disclosure and drive more positive outcomes. This is particularly pertinent in private markets, where there are challenges around data quality and consistency.

We have also worked with borrowers to develop sustainability-linked loan structures, where borrowers are incentivised to achieve specific sustainability targets. These structures have been used across several sectors including social housing transactions, where a potential discount is available if the borrower improves the energy efficiency of the portfolio in line with their target.

Better Buildings Partnership – industry collaboration, climate resilience

LGIM is an active member of and signatory to the Better Buildings Partnership (BBP) Climate Commitment, which aims to achieve net-zero carbon by 2050. Shuen Chan, our Head of ESG, Real Assets has recently joined the board of BBP and co-chairs the BBP Climate Resilience Working Group. Bill Hughes, Global Head of LGIM Real Assets, is a trustee of the UK Green Buildings Council (UKGBC), whose mission is to improve the sustainability of the built environment. Our net-zero commitment also follows the UKGBC framework.

Vizta: fostering greater collaboration between owner and occupier

To help drive occupier engagement, in 2021 we launched Vizta, our digital occupier engagement platform.

- 700 organisations have been invited to view finance and sustainability data, building documents and support tools
- In 2021, to increase air quality, we partnered with AirRated to deliver over 2 million square feet of AirScores across 16 properties
- 300 sensors monitor air quality and building performance across our UK office portfolio

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Strategy: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Describe how risks and opportunities are factored into relevant products or investment strategies and describe related transition impact

Environmental | Social | Governance

ESG: Taking action on diversity

- In 2021 we opposed the election of 370 directors globally due to concerns about board diversity[31]
- We also undertook a second round of engagement with the largest UK and US companies to drive greater ethnic diversity on their boards; 2022 will be the first year in which we vote against companies for lacking ethnic diversity on their boards

We believe diversity of thought in business – the bringing together of people of different ages, experiences, gender, ethnicity, sexual orientation, and social and economic backgrounds – is a crucial step towards building a better economy and society.

In the Northern American market our negative votes on gender diversity increased significantly in 2021 compared with 2020 (102 versus 31). This could indicate a worsening of the representation of women on boards in this market as our expectations remained consistent. In the UK, however, our negative votes in 2021 decreased from 54 last year to 40, indicating an improvement in the representation of women on boards.

We continue to use our influence on behalf of our clients globally to improve boardroom diversity. In 2021, on diversity grounds we opposed:

102 directors in North America

88 directors in emerging markets

60 directors in Japan

51 directors in Asia Pacific (ex-Japan)

40 directors in the UK

29 directors in Europe

31. Voting instructions for our main FTSE pooled index funds.

2022 will be the first year in which we vote against companies for lacking ethnic diversity on their boards.

Ethnic diversity

In 2022, we will begin voting against the board chair of UK companies and the chair of the nomination committee at US companies with no ethnic diversity on their board.

We communicated our minimum expectation for ethnic diversity on corporate boards in 2020 with an engagement campaign, focusing initially on S&P 500 and FTSE 100 companies.

As we have done for gender diversity on boards, over time we plan to extend our expectations on ethnic diversity to other regions and to smaller companies.

Read our blog post published in March 2022 on our findings so far.

Our engagement campaign followed a straightforward five-step approach:

1 

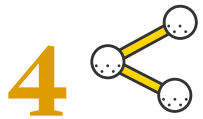
Set expectations and consequences
FTSE 100 and S&P 500 boards need to have at least one ethnically diverse member or we will take action against them in the 2022 proxy season

2 

Identify reliable data source to track board characteristics
We choose ISS-assessed ethnicity to measure board ethnicity

3 

Notify companies not meeting our expectations
In August 2020, we sent individual notices to 79 companies (35 UK and 44 US) that appeared to have no board ethnic diversity; one year later, we sent notices to 37 companies (20 UK and 17 US) that were still below our red line

4 

Share policy with industry
Over the past 18 months, we intentionally shared our views with a range of market participants (including diversity collaborations, regulators, and peer groups)

5 

Escalate when necessary
In the 2022 proxy season based on current data, we expect to vote against 7 companies (2 UK and 5 US) because of their lack of board ethnic diversity

Social equity shareholder proposals

In 2021, we continued to support many shareholder proposals seeking additional information on how companies deal with risks caused by potential ethnic, racial and civil rights discrimination, including through reporting on political lobbying, racial equity audits and human rights proposals. Beyond the moral obligations, we believe that these issues can cause productivity concerns, costs through legal fines, and serious reputational damage to the value of our investee companies.

A 2021 MajorityAction report,[32] which looked at how voting patterns of various asset managers may have influenced company actions on racial justice, ranked LGIM second on diversity-aligned voting. LGIM has provided full support for directors on boards with no ethnic diversity at only at 11% of S&P500 companies and supported the director elections at 7% of companies with only one ethnically diverse director.

While we did not yet implement a formal ethnic diversity policy in 2021, our vote practices in this area demonstrate the strength of our ESG voting policies, as well as the interrelatedness of poor board diversity and other governance concerns.

In 2021, we also supported 85 of the 90 social, workplace and political lobbying shareholder proposals[33] at investee companies globally (94%), with the vast majority of these proposed in the US.

33. Voting instructions for our main FTSE pooled index funds.

Gender diversity in Japan

In 2021, we strengthened our board diversity policy to vote against companies in the TOPIX 500 with no women on the board. This resulted in 60 votes against the company chair.[34,35] This compares with 10 in 2020, the first year in which we implemented a policy in Japan to vote against any company in the TOPIX 100 with an all-male board.[36] We are pleased to note that seven of those 10 companies appointed women directors to the board in 2021.[37]

We will continue to expand our policy to a greater number of Japanese companies and also look to require a higher threshold of board diversity over time. Starting in 2023, we plan to pre-announce our votes against any Japanese companies with an all-male board.

Further information and views on diversity in Japan, including our expectation for companies to promote diversity across all levels of the organisation, can be found in our blog posts:

- Why gender diversity in Japan's boardrooms should matter to investors (10 May 2021)
- Hi-seiki, high stakes: how we engage on gender diversity in Japan (17 May 2021)

34. Or most senior member of the board or nomination committee chair, depending on the company's board structure.
35. Source: LGIM, 2021. Votes represent voting instructions for our main FTSE pooled index funds which include approximately 500 Japanese holdings.
37. TOPIX100 companies with no women on the board as of December 2021 include: Canon†; Shin-Etsu Chemicals†; Sumitomo Realty & Development Co†; and Central Japan Railway†. † References to any security are for illustrative purposes only.

30% club work

LGIM continues to be an active member of the 30% Club Japan Investor Group. The group's second annual report is available on the 30% Club website. We also contributed to a government study (in Japanese) led by the Cabinet Office that looked into how investors were approaching gender diversity. The Cabinet Office approached us to provide feedback to this study, and to offer information on our ESG scoring tools and diversity targets.

LGIM also continues to be an active member of the 30% Club UK Investor Group, which follows a three-pillar strategy to:

Build **investor knowledge** and awareness on diversity

Engage firms on the 30% Club's targets

Drive **gender diversity** globally with our investments

During 2021, the group set up the 30% Club UK Race Equity Group to help members tackle race inequity in the UK market. The group has published an investor statement on race equity and plans to write to FTSE100 laggards of the Parker Review. The group is also working with data providers to create a comparison of available data and research on race equity to improve the quality of data disclosed.

The French 30% Club Investor Group was established in November 2020 to promote better gender diversity within the Société Botanique de France 120's executive management teams. During 2021, the group engaged with 14 of 23 companies selected, of which LGIM led an engagement with car manufacturer **Renault**† (ESG score: 50; -1). We learned that the company had set quantitative targets for women on executive committees as well as an ambitious target to close the gender pay gap.

ESG score

Renault†

LGIM ESG score 50

- 1 point

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

LGIM contributed to a government study led by the Cabinet Office that looked into how investors were approaching gender diversity.

Regulatory engagements

As a longstanding advocate for improving diversity and inclusion (D&I) across global markets, and highlighting its strong link with value creation, we welcomed UK regulators' focus on the subject in 2021.

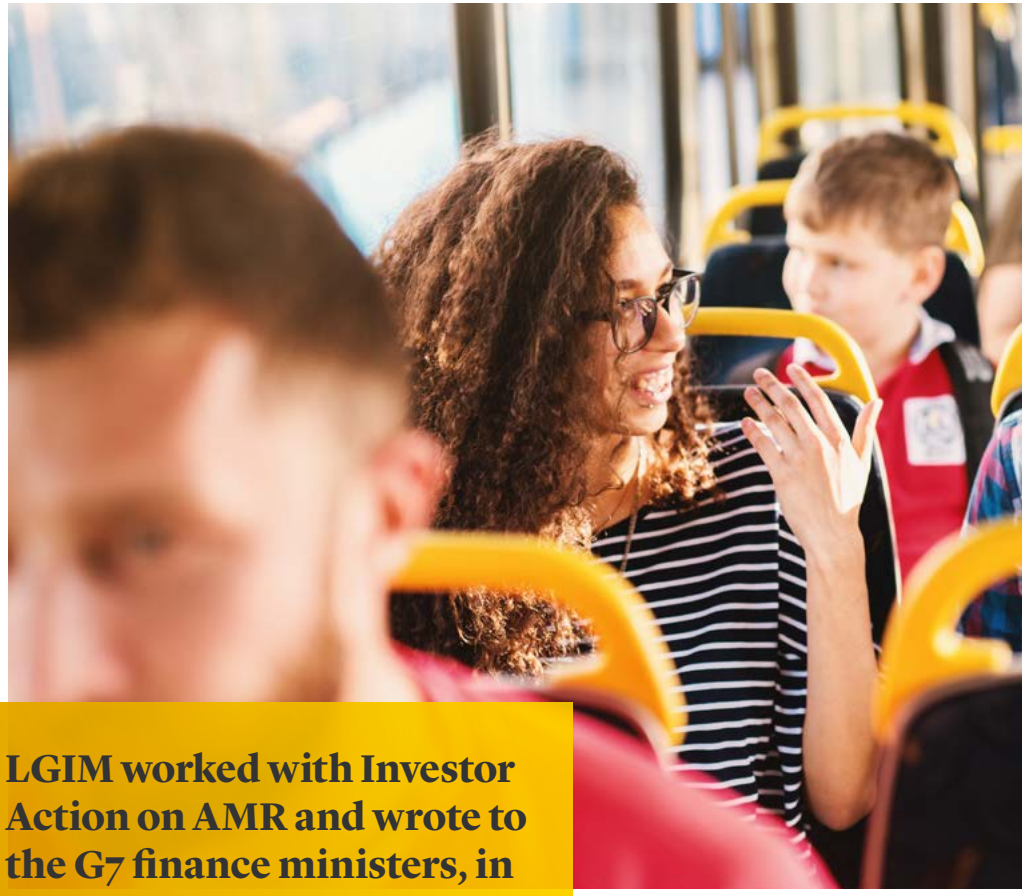
L&G Group provided formal feedback and recommendations through two recent policy papers:

- the FCA's Consultation Paper (CP21/24) on D&I on company boards and executive committees
- the joint Prudential Regulatory Authority (PRA) and FCA Discussion Paper (DP21/2) on D&I in the financial sector – working together to drive change

There are areas the government must consider more closely, but we are very supportive of this focus, and of the recommendations of the Parker and the FTSE Women Leaders reviews. We look forward to seeing more from the UK government in 2022.

ESG: Healthcare and human rights

- We undertook a range of actions to tackle antimicrobial resistance, which we believe could be the next big threat to global health
- LGIM supported 100% of shareholder proposals to address human rights issues in 2021



LGIM worked with Investor Action on AMR and wrote to the G7 finance ministers, in response to their Statement on Actions to Support Antibiotic Development.

Healthcare

Antimicrobial resistance

The overuse of antimicrobials (including antibiotics) in human and veterinary medicine, animal agriculture and aquaculture, as well as discharges from pharmaceutical production facilities, is often associated with an uncontrolled release and disposal of antimicrobial agents. Put simply, antibiotics end up in our water systems, including our clean water, wastewater, rivers and seas.[38] This in turn potentially increases the prevalence of antibiotic-resistant bacteria and genes, leading to higher instances of difficult-to-treat infections. In response to the growing issue of antimicrobial resistance (AMR), we undertook a range of actions in 2021:

- We spoke with water utility companies to better understand whether effective monitoring systems are in place to detect antibiotic-resistant bacteria and reached out to more than 20 investee companies to have open and frank discussions with them. We were disappointed to learn that very little monitoring is currently undertaken because of a lack of regulatory pressure. We are looking into how we can influence regulations in this area.

- At the request of the President of the UN General Assembly under the umbrella of Investor Action on AMR, we joined other high-profile organisations to support the UN General Assembly's Call to Action on AMR. The aim is to enhance global coordination, accountability and governance by strengthening future pandemic preparation and tackling AMR.

- In autumn 2021, LGIM worked again with Investor Action on AMR and wrote to the G7 finance ministers, in response to their Statement on Actions to Support Antibiotic Development. The letter highlighted investors' views on AMR as a financial stability risk.

- A member of our team was on the expert committee for the 2021 AMR Benchmark methodology. The benchmark, which was launched in November 2021, evaluates 17 of the world's largest pharmaceutical companies on their progress in the fight against AMR. We participated in a panel discussion on governance and stewardship around AMR, where we discussed our engagement with water utility companies.

- During 2021, we voted on the issue of AMR. A shareholder proposal was filed at **McDonald's**† (ESG score: 62; +8) seeking a report on antibiotics and public health costs at the company. We supported the proposal as we believe the proposed study, with its particular focus on systemic implications, will inform shareholders and other stakeholders on the negative implications of sustained use of antibiotics by the company.

LGIM continues to believe that without coordinated action today, AMR may be the next global health event and the financial impact could be significant.

ESG score

McDonald's†

LGIM ESG score 62

+ 8 points

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

Access to nutrition

In February 2021, LGIM signed up to the Access to Nutrition Initiative (ATNI). ATNI aims to drive change by tracking and guiding the food industry's attempts to tackle undernutrition, obesity and diet-related chronic diseases at local and global levels.

ATNI publishes a global Access to Nutrition Index every two years, with the purpose of tracking the contribution of the world's largest food and beverage manufacturers to address these interrelated global nutrition challenges.

The companies included in the index are assessed on their commitments, practices and disclosures on governance and management; the production and distribution of healthy, affordable, accessible products; and how they influence consumer choices and behaviour.

Following the launch of ATNI's 2021 Global Index we are now actively involved in the 2021-2022 collaborative investor engagement programme that works with the 20 global food and beverages companies covered by the index. We are already seeing progress made by some of these companies.

As part of a large group of investors, LGIM presented the Investor Pledge at the Nutrition for Growth (N4G) Summit hosted by the Japanese government. This is the first time that institutional investors have been part of a multilateral nutrition summit. LGIM also participated in one of the side events to the summit, discussing our engagement work with the largest food and beverage companies under the auspices of the ATNI.

We are now actively involved in the ATNI Global Index 2021-2022 collaborative investor engagement programme.

Human Rights

Pandemic 50 engagement

In October 2020, LGIM was part of a group of nine global institutional investors who launched the Pandemic Resilience 50 Engagement, which concluded at the end of 2021. The programme initially targeted 50 global companies and sought to determine effective practices related to board oversight of business continuity and workforce treatment in response to the COVID-19 pandemic.

Given the complex impacts of the pandemic, we engaged with a variety of companies, including those with public-facing employees and those able to work remotely. We also identified companies whose business models thrived in the context of digitalisation and the pandemic, and others that lost demand for their products and services.

During this engagement, the group identified three key areas of focus to help better understand how each company was evaluating and addressing risks associated with the pandemic, including the role of the board in overseeing human capital management.

- **Board accountability** – we made companies aware that we held boards accountable for their actions – or inaction – in establishing contingency plans and taking steps to safeguard their direct and indirect employees.
- **Human capital management** – we explained the importance that investors placed on paid sick leave; fair and living wages; training and development opportunities; and respect and goals for diversity, equity and inclusion.
- **Long-term value creation and financial alignment** – we considered the efforts that boards made to provide long-term financial alignment through capital allocation decisions, capital expenditure, dividends, share repurchases and paying-down of debt. We also considered whether companies had accepted any financial relief assistance and how this might affect future executive compensation decisions.

The engagement found that all the companies had been affected by the pandemic to a varying extent. The key findings were that the pandemic forced some companies to accelerate their digitalisation programme, while others introduced temporary measures to support the continued provision of services and supplies. Some businesses experienced an increase in demand for their goods and services, while others ceased operating or needed help and support to remain a going concern.

We found that there is a need to improve transparency around human capital management to determine the effectiveness of each approach and the related risks. We also believe that there is an opportunity to shift from a compliance approach (i.e. minimum legal requirements) to a development approach, where human capital management is seen from a resource perspective.

We applaud those companies that acted swiftly and demonstrated resilience in being able to continue as a going concern today. We encourage all companies to use the lessons learned from the past two years to strengthen their business continuity contingency plans to ensure long-term sustainability and future growth.

The living wage

Pay equality and fairness has been a priority for us for several years. We ask all companies to help reduce global poverty by paying at least the living wage, or the real living wage for UK-based employees. We also ask them to ensure that their Tier 1 suppliers do the same. We are pleased that half of FTSE 100 companies and major household names in the UK are now real living wage accredited[39] including companies with which we have engaged on this topic, such as **Taylor Wimpey**† (ESG score: 70; -1)

We also want companies to take steps to ensure that suppliers are abiding by these principles. As part of our engagements with companies during the year, we continue to ask for assurance that all their employees are offered the opportunity to work a minimum of 15 hours a week, should they wish to.

We have been made aware of complaints at suppliers on poor working conditions, non-payment of wages and other abuses of human rights. We expect companies to sign up to global standards that ensure workers are treated fairly (e.g. Base Code of the Ethical Trading Initiative, UN Universal Declaration of Human Rights, International Labour Organization Declaration on Fundamental Principles and Rights at Work). They should also carry out regular due diligence investigations to ensure that suppliers are fulfilling their obligations, with immediate action to be taken where a supplier is found to have breached these codes. LGIM will vote against the company if the situation persists.

Income inequality is a material ESG theme for LGIM because we believe there is a real opportunity for companies to help employees feel more valued and lead healthier lives if they are paid fairly. These are important steps to help lift lower-paid employees out of in-work poverty. This should ultimately lead to better health, higher levels of productivity and result in a positive effect on communities.

ESG score

Taylor Wimpey†

LGIM ESG score 70

- 1 point

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

We expect companies to sign up to global standards that ensure workers are treated fairly.

Case study: Experian

Global credit bureau **Experian**† (ESG score: 69; +9) has an important role to play as a responsible business for the delivery of greater social and financial inclusion. We have engaged with the company on several occasions in 2021 and are pleased to see improvements made to its ESG strategy, encompassing new targets, greater reporting disclosure around societal and community investment, and an increasing allocation of capital aligned to transforming financial livelihoods. The latter includes the roll-out of Experian Boost, where positive data allows the consumer to improve their credit score, and Experian Go, which is hoped to enable access for more people. The company also launched the United for Financial Health project as part of its social innovation fund to help educate and drive action for those most vulnerable.

ESG score

Experian†

LGIM ESG score 69

+ 9 points

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

Environmental | Social | Governance

ESG: Advocating for good governance

- We engaged with more than 100 companies that we deem transparency laggards in 2021; if they don't improve we will vote against the chair of the board
- We continue to push for the separation of the CEO and board chair, and since 2020 we have voted against all attempts to combine the roles

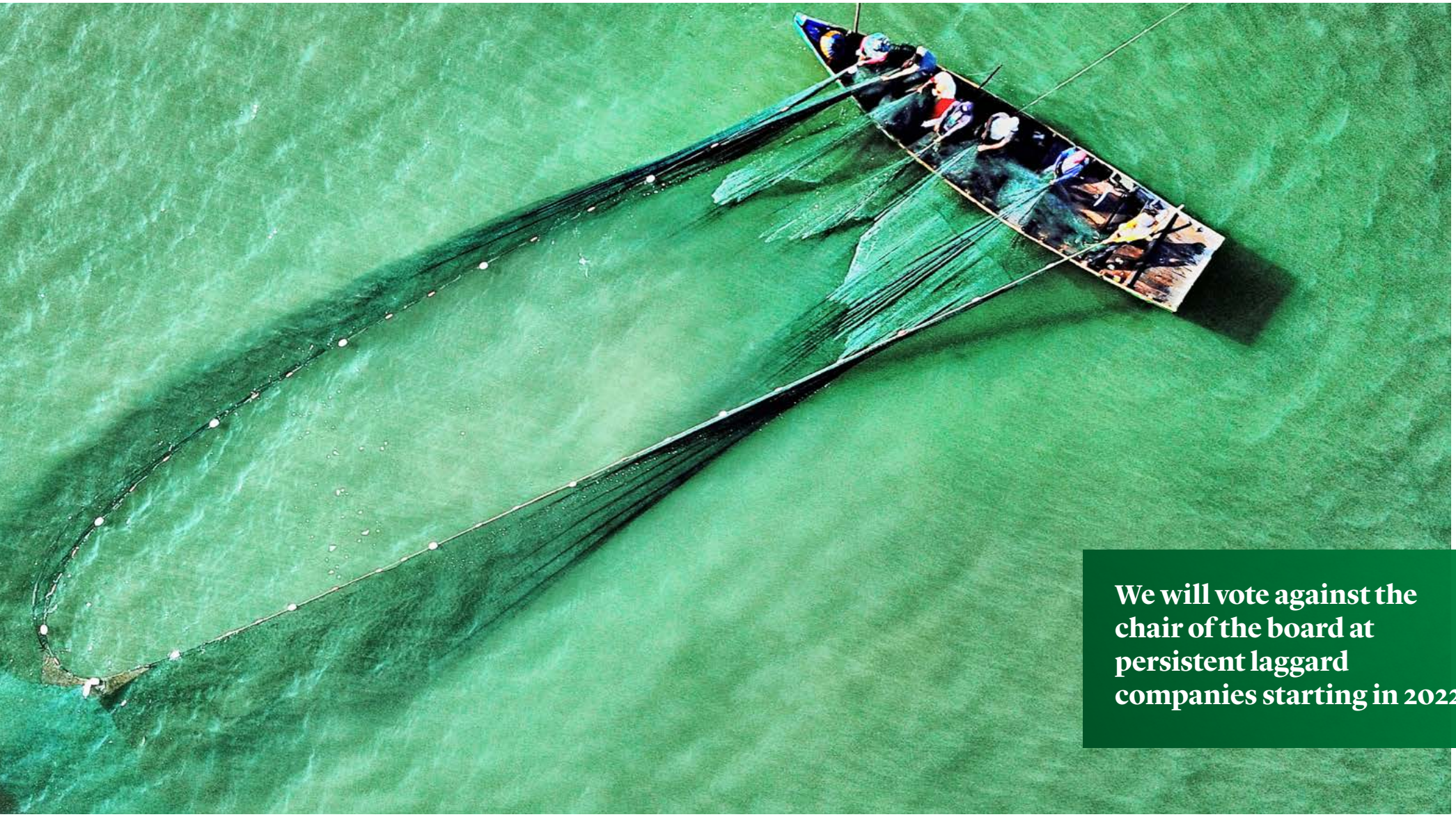
We expect companies to respect the rights of investors by adhering to the highest market standards. This includes providing high-quality disclosures and treating shareholders equally.

Back to basics: transparency

As a long-term investor, LGIM advocates for better transparency in corporate reporting, as without access to comprehensive corporate data, investors are unable to properly assess material risks and opportunities related to their investments.

The transparency pillar of our ESG scores allows us to identify companies that fall below our minimum expectations, on issues such as director and remuneration disclosures, verification of ESG reporting, GHG emissions and tax disclosures. In light of our commitment to encourage better disclosure through engagement and votes, in March 2021 we wrote to over 100 companies that were identified as laggards in our transparency assessment. We urged them to improve their disclosure in these areas, with the threat of voting against the chair of the board if no improvement is observed.

We have since expanded our target list and identified over 200 companies scoring poorly as part of our transparency assessment. In line with our escalation strategy, we will vote against the chair of the board at persistent laggard companies starting in 2022.



We will vote against the chair of the board at persistent laggard companies starting in 2022.

Independent oversight at the top

LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences.

Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we have voted against all combined board chair/CEO roles.[40] Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO, and we have reinforced our position on leadership structures across our stewardship activities, e.g. via individual corporate engagements and director conferences.

While we have seen slow progress in splitting these responsibilities in the US and other markets, notably France, we are disappointed that a few companies have taken the retrograde step of re-combining the roles.

Microsoft† (ESG score: 75; +14) recently re-combined its chair and CEO roles, having separated them for several years. While engagement with the company has been fruitful over the years, we conveyed our disappointment at this governance change. Given the company did not engage in prior shareholder consultation regarding this appointment, we also voted against the lead independent director and nomination committee chair.

In 2021, we voted against 390 director elections globally, based on our concerns on the combination of the roles of chair and CEO. In the US alone, we voted against some 240 directors for holding a combined role of chair/CEO, and supported 34 shareholder proposals to appoint an independent board chair.[41]

While progress may have slowed in recent years, we anticipate the demands of the COVID-19 pandemic and shifting societal expectations of companies will result in more boards separating the two roles in the natural course of transitions. We will continue to push for a split in the roles at the top of the board.

40. Currently excluding Japan, due to the unique features of this particular market.
41. Voting instructions for our main FTSE pooled index funds.

ESG score

Microsoft†

LGIM ESG score 75

+ 14 points

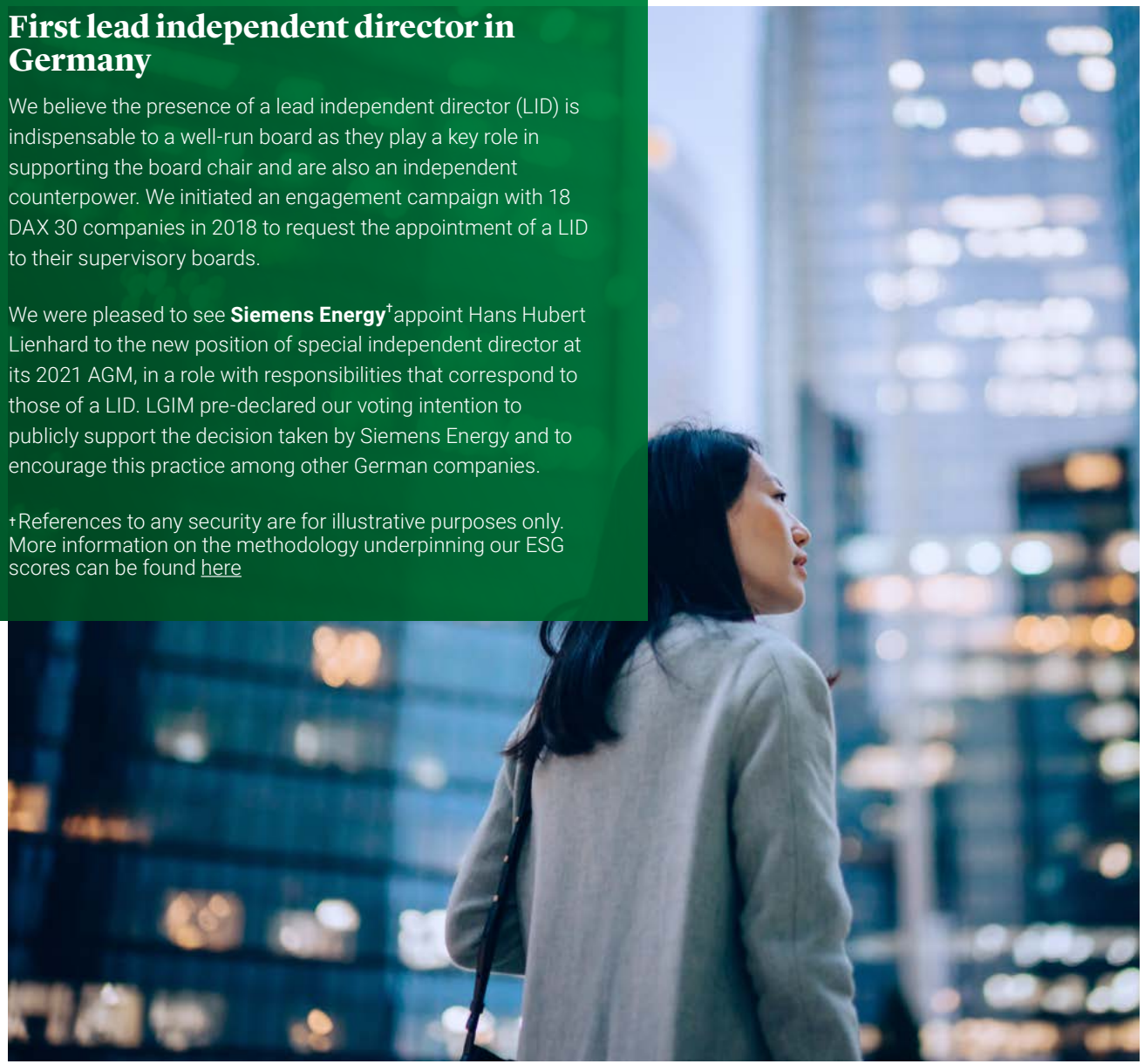
†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

First lead independent director in Germany

We believe the presence of a lead independent director (LID) is indispensable to a well-run board as they play a key role in supporting the board chair and are also an independent counterpower. We initiated an engagement campaign with 18 DAX 30 companies in 2018 to request the appointment of a LID to their supervisory boards.

We were pleased to see **Siemens Energy**† appoint Hans Hubert Lienhard to the new position of special independent director at its 2021 AGM, in a role with responsibilities that correspond to those of a LID. LGIM pre-declared our voting intention to publicly support the decision taken by Siemens Energy and to encourage this practice among other German companies.

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here



Board governance in Japan

In June 2021, the Tokyo Stock Exchange announced the second revision of Japan's Corporate Governance Code. This was accompanied by the Japan Financial Services Agency's (JFSA) revised engagement guidelines published the same day. LGIM engaged with the public consultation both directly and alongside ACGA and ICGN.

We particularly welcomed enhancements to board independence and emphasis on diversity and references to climate change (including TCFD-aligned reporting) and human rights issues as sustainability considerations.

These are issues that LGIM has advocated on for many years. Although supportive of the changes, we believe the latest board independence requirements still leave room for improvement, and further work needs to be done on the holding of shareholder meetings and cross-shareholdings.

We continue to vote against Japanese companies when independent directors account for less than a third of the board. During 2021, we voted against 163 Japanese companies, down from 224 during 2020, due to concerns over board independence.[42] Following changes introduced in the Japanese Code, we will continue to strengthen our policies and voting decisions to push Japanese companies to further improve their board structures.

42. LGIM, 2021. Votes represent voting instructions for our main FTSE pooled index funds which include approximately 500 Japanese holdings

ESG: Championing investor rights

- In 2021, we co-filed a number of shareholder resolutions to push for governance improvements and succeeded in obtaining important disclosures for investors, including at **Cardinal Health**† on lobbying, and at **Moderna**†on vaccine pricing
- We are an advocate of the principle of 'one share one vote' and continue to engage with regulators to protect shareholder rights

We believe shareholder-requisitioned resolutions are important instruments within the investor engagement and escalation toolkit, where one-to-one or collaborative engagements and long-established policy campaigns do not yield the results needed on important governance issues.

Universal ownership movement gains ground

Throughout 2021 we observed an expansion of groups (Shareholder Commons, The Investment Integration Project, Centre for the Study of Existential Risk) highlighting systemic risk through shareholder resolutions and targeted policy engagements. We believe the concept of universal ownership, which challenges alpha primacy at the cost of diversified shareholder primacy, has profound implications for stewardship efforts, and the broader measures of success for the financial industry.

We supported some of the shareholder resolutions with universal ownership themes last year (e.g. McDonald's on antimicrobial resistance) and are increasingly engaging on the topic – including with a handful of companies which converted to Public Benefit Corporations. John Hoeppner, Head of US Stewardship and Sustainable Investments at LGIM, has a seat on the board of the Shareholder Commons, guiding our work in this area.

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

The importance of independence

Given our substantial policy work on the issue of combined chair/CEOs, the obvious next step in our advocacy process was to start filing shareholder resolutions on this subject.

During the autumn of 2020 we co-filed, together with members of Investors for Opioid and Pharmaceutical Accountability (IOPA), two shareholder resolutions at **Eli Lilly**† (ESG score: 58; +9) and **Gilead Sciences**† (ESG score: 65; +2) seeking the appointment of an independent chair in view of their 2021 AGMs.

At Eli Lilly's AGM, the proposal received support from 42% of independent shareholders[43] and at Gilead Sciences† the same proposal received 35% support.[44] For Gilead Sciences, we also we also pre-declared our vote intentions before the shareholder meeting.

We are currently in the process of once again filing a proposal seeking the appointment of an independent board chair at Eli Lilly† and remain open to engagement with the company.

ESG score

Eli Lilly†

LGIM ESG score 58

+ 9 points

Gilead Sciences†

LGIM ESG score 65

+ 2 points

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

Successful shareholder action to improve disclosure

Cardinal Health

In May 2021, LGIM co-filed a shareholder resolution, together with IOPA members, asking **Cardinal Health**† (ESG score: 65; -5) to publish annually an in-depth report disclosing its direct and indirect lobbying activities and expenditures, as well as its policies and procedures governing such activities.

Following engagements with the company, the board agreed to significantly expand its political contributions and activities reporting, including its approach when a trade association of which it is a member takes a position that differs from the company's corporate view.

Given the commitments on additional disclosures, the shareholder proposal was withdrawn ahead of the vote. This is a concrete example of using a shareholder proposal as an engagement tool and demonstrates the positive impact of engagement.

ESG score

Cardinal Health†

LGIM ESG score 65

- 5 points

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

Moderna

In 2021, LGIM took the unusual step of filing a shareholder proposal at **Moderna**† (ESG score: 52; +3). We asked the company to publicly disclose how its receipt of government financial support for development and manufacture of a COVID-19 vaccine is being considered when making decisions that affect access to products, such as setting prices. The company contested the inclusion of the proposal on its 2022 AGM agenda at the SEC, as it stated that it would publish a report prior to the AGM outlining the government funding it has received and how it has set its prices for the COVID-19 vaccine in various countries.

LGIM held in-depth engagements with the company at the beginning of 2022 to ensure that Moderna provided as much public information as possible. We welcome Moderna's openness to engagement with us on the important issue of vaccine pricing and access, and positively note the board's public approval of the press statement issued by the company.

Following the publication of the company's statement, we felt sufficiently comfortable to withdraw the shareholder proposal. This is a clear example of making use of various 'escalation tools' – engagement and the filing of shareholder proposals – and achieving concrete results with real impact.

LGIM will continue to push for increased transparency and disclosure in this area, and will work with Moderna, as well as its peers, on this important issue. The withdrawal of this resolution does not preclude us from supporting related COVID-19 proposals at Moderna or at any of its peers in the future.

ESG score

Moderna†

LGIM ESG score 52

+ 3 points

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

Stance on one share, one vote

'One share, one vote' is a principle that was adopted by the New York Stock Exchange in 1940 to encourage the fair and equal treatment of all shareholders. It does so by allocating control in direct proportion to the level of economic interest and exposure to risk. If allocation of control is uneven, this raises the risk of a controlling group entrenching its positions and acting to the disadvantage of non-controlling shareholders.

LGIM is a strong advocate for policy and regulation that protects minority shareholder rights. Weakening regulation can reduce investors' ability to influence and hold directors to account at the companies that we invest in on behalf of our clients.

In 2020 and 2021, LGIM engaged with the Lord Hill review that has been looking at the UK listing regime to ensure the UK market remains attractive to both international investors and innovative growth companies looking to list. One focus area of this review was allowing dual-class share structures in the premium-listed segment. LGIM engaged at various levels to highlight that weakening the system of corporate governance in the UK would have a detrimental effect on the economy and individual savers. LGIM raised serious concerns again with FCA around their consultation on the Primary Market Effectiveness Review.

While the direction had already been set, the FCA implemented a policy that tightly restricts dual class share structures in the premium segment to a limited set of circumstances.

Given the softening of shareholder rights in this area, we will closely consider whether we wish to invest in companies that do not adhere to the basic principles. In 2021, we decided not to participate in the IPOs of **Deliveroo**† (ESG score: 50) and **The Hut Group**† (ESG score: 36) in select funds.[45]

45. In those funds where we may make such exclusions

ESG score

Deliveroo†

LGIM ESG score 50

The Hut Group†

LGIM ESG score 36

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

LGIM is a strong advocate for policy and regulation that protects minority shareholder rights.

ESG: Fair pay

- We provide clear expectations to the market and review company pay structures against transparent policy red lines
- During 2021, we continued to focus on stakeholder experience and maintained our scrutiny of those companies that have received support from government or shareholders

Executive remuneration: best practice

LGIM's guidelines on director pay and our separate Principles of Executive Pay documents for the UK and US markets are detailed and provide a clear picture of our minimum expectations on pay practices globally. These documents are updated regularly, and changes to the UK principles are discussed with various remuneration advisers to provide context to the market.

Our votes are based on a number of red lines and an overarching consideration of fair treatment of stakeholders over the period.

Over the course of 2021, we voted against 137 (23.1%) of the 593 remuneration reports proposed at UK companies and opposed the election of 80 remuneration committee members, due to our persistent concerns over their pay practices.

Globally, we opposed 42.4% of all pay-related proposals due to the companies not meeting our minimum standards for fair and appropriate long-term performance-based pay.

In 2021...

there were **593** proposals to **approve the remuneration** report at UK companies...

...we voted **against** the adoption of **137**

We **voted against** the re-election of **80** remuneration committee members.

Where our concerns are severe, or repeatedly ignored by the company, we will escalate our vote to address directors' accountability for such failures by opposing their re-election. We have done so at **Informa**† (ESG score: 72; +4), where our concerns over inappropriately structured and generous pay were not addressed over the years, and at **Cineworld**† (ESG score: 47 +6), which introduced highly geared share incentives for directors while staff were laid off or furloughed.

The rationale for any votes against management are disclosed on our website and at times may also be pre-declared as was the case for Informa and Cineworld.

ESG score

Informa†

LGIM ESG score 72

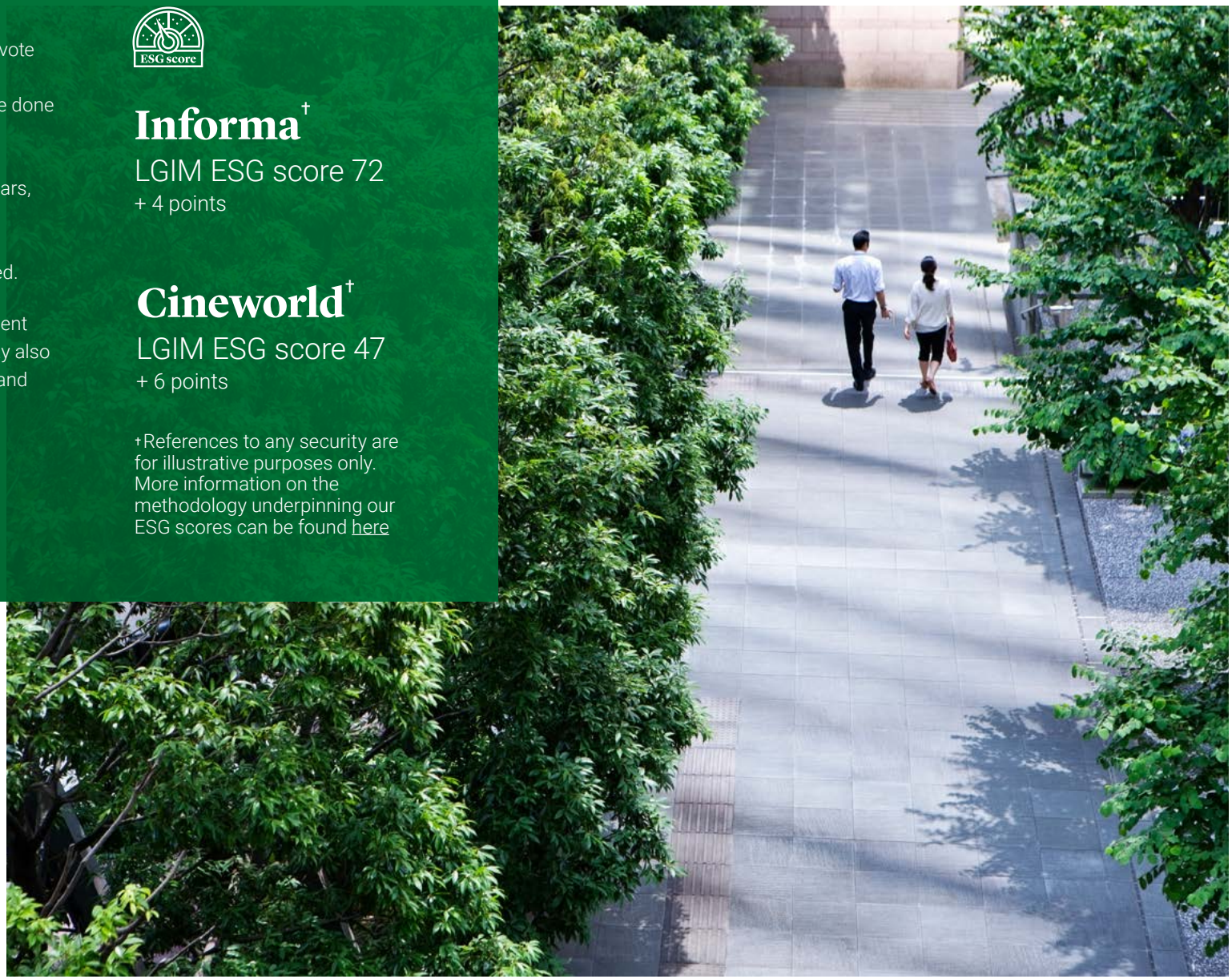
+ 4 points

Cineworld†

LGIM ESG score 47

+ 6 points

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here



Pay during a pandemic

With the COVID-19 pandemic continuing throughout 2021, we retained our focus on the stakeholder experience over the year and maintained heightened scrutiny of companies that received support from government or shareholders (via additional capital or suspended dividends) and made staff redundancies but continued to pay annual bonuses to directors.

Despite generally improved financial performance compared with 2020 for most industries, some bonus calculations resulted in overly optimistic outcomes this year, following performance thresholds having been substantially reduced during the pandemic.

In the UK, we voted against 137 remuneration report resolutions; 22 (16% of against votes) of these were due to concerns over bonus payments to directors that appeared out of line with stakeholder experience and company performance. We also voted against 35 remuneration reports (25.5%) due to significant salary increases during the year.

Sectors represented amongst our against votes generally continue to be significantly affected by COVID-19, including estate agent **Foxtons Group**†, construction material supplier **SIG**†, car manufacturer **Aston Martin**†, vehicle and machinery hire companies **Redde Northgate**† and **Speedy Hire**†, and bus operator **Stagecoach Group**†.

We maintain that the practice of insulating executives against economic downturns when the same level of protection is not offered to other stakeholders is unacceptable, and not in line with the principle of long-term aligned pay for performance.

Addressing poor pay practices in North America

Following the publication of a standalone policy document for North America in 2020, we continue to strengthen our policy in this region to improve pay practices and better align pay with long-term performance.

Last year, we voted against 43.2% (2020: 54%) of 'say on pay' management resolutions at North American companies. Many of these related to either performance conditions not being measured over a three-year period or at least 50% of long-term incentives not being linked to any performance conditions at all.

In 2021, there were 17 companies[46] in the S&P 500 that failed their say on pay vote. LGIM voted against each one of these, including at **Starbucks**† due to a substantial one-off incentive award to the CEO, **General Electric**† due to retrospective changes and discretion applied, and **Intel Corporation**† due to the level of pay and a lack of rigorous performance conditions.

† References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

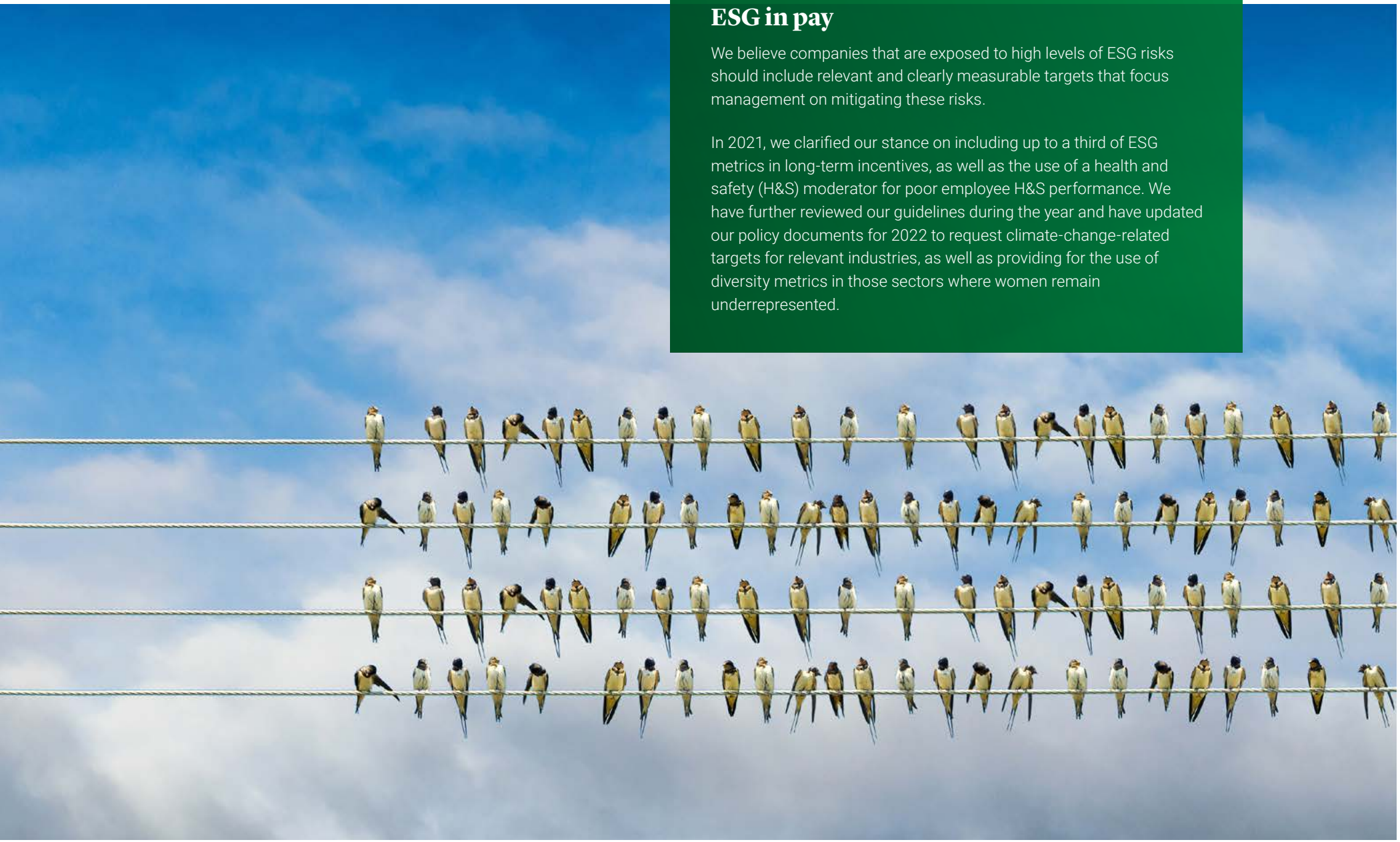
We continue to strengthen our policy to improve pay practices and better align pay with long-term performance.

46. AT&T; Biogen; General Electric; Halliburton; Howmet Aerospace; International Business Machines (IBM); Intel Corporation; Marathon Petroleum; Norwegian Cruise Line; Paycom Software; Prologis; Phillips 66; PTC; Starbucks; Skyworks Solutions; TransDigm Group; Walgreens Boots Alliance (source: Glass Lewis)

ESG in pay

We believe companies that are exposed to high levels of ESG risks should include relevant and clearly measurable targets that focus management on mitigating these risks.

In 2021, we clarified our stance on including up to a third of ESG metrics in long-term incentives, as well as the use of a health and safety (H&S) moderator for poor employee H&S performance. We have further reviewed our guidelines during the year and have updated our policy documents for 2022 to request climate-change-related targets for relevant industries, as well as providing for the use of diversity metrics in those sectors where women remain underrepresented.



LGIM's stance on consultations

LGIM has long-established guidelines on our minimum expectations of pay proposals. Our experts meet with remuneration consultants annually to discuss any changes to our policies and market developments. We also regularly meet with other investors to ensure our guidelines continue to be some of the most detailed in the market.

In addition, over the course of 2021 we were involved in 112 separate remuneration consultations, down from an exceptionally high 145 consultations undertaken in 2020 (2019: 96). These covered proposals for the AGM season, including an increased desire to use upward discretion in what would otherwise be a second year of low payouts for executives, as well as prospective changes to performance criteria.

Our experts meet with remuneration consultants annually to discuss any changes to our policies and market developments.

Changes to how we consult on pay

In November 2021, alongside the publication of our updated pay principles, we issued a letter to UK remuneration committee chairs that laid out the principal changes to our policy.

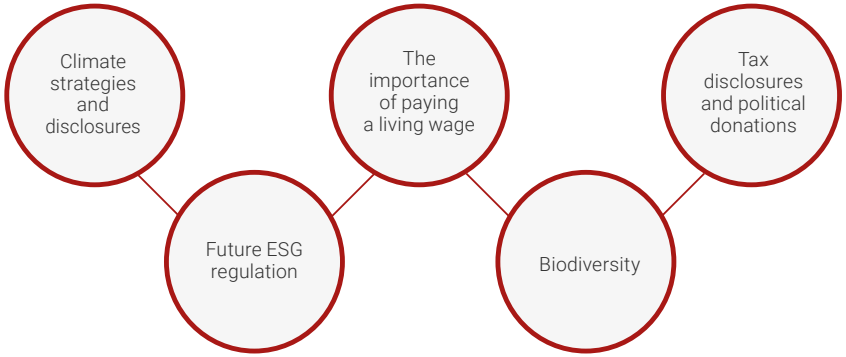
We encourage best practice adoption by making our policies transparent and public. We no longer offer individual remuneration consultations for proposals that feature pay structures discussed in our policy documents, other public resources such as our voting disclosures, and with key remuneration consultants.

We will continue to engage with companies on exceptional pay proposals and structures that fall outside the norm, we encourage companies to use these public resources, and where appropriate their own consultants, to further their understanding of how our policy may be applied to pay-related proposals on the ballot.

Stakeholder engagement and knowledge-sharing events

- Our annual event brought together almost 200 non-executive directors from across the globe
- We also hosted our inaugural Sustainability Summit, showcasing our demonstrable commitment to ESG principles

In September, we held our annual NED event attended by almost 200 non-executive directors from the UK, EU and US. We covered a range of topics including:



In June 2021, LGIM hosted its inaugural Sustainability Summit, where we announced our Climate Impact Pledge results. The virtual global event focused on every aspect of ESG, illustrating its vital importance to LGIM, while showcasing our purpose, capabilities and leadership as a responsible investor.

The event was attended by around 350 clients and other stakeholders, 22 members of the press and 11 external speakers including Nigel Topping, the UK government's expert and leader on climate change; internationally renowned environmentalist Dr Jane Goodall; and the CEOs of **Unilever**† and **BHP**†. Topics discussed include the importance of engagement, what businesses need to do to avert a climate catastrophe, and how we go beyond exclusion lists to integrate ESG criteria.

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here
The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

Active engagement: the numbers

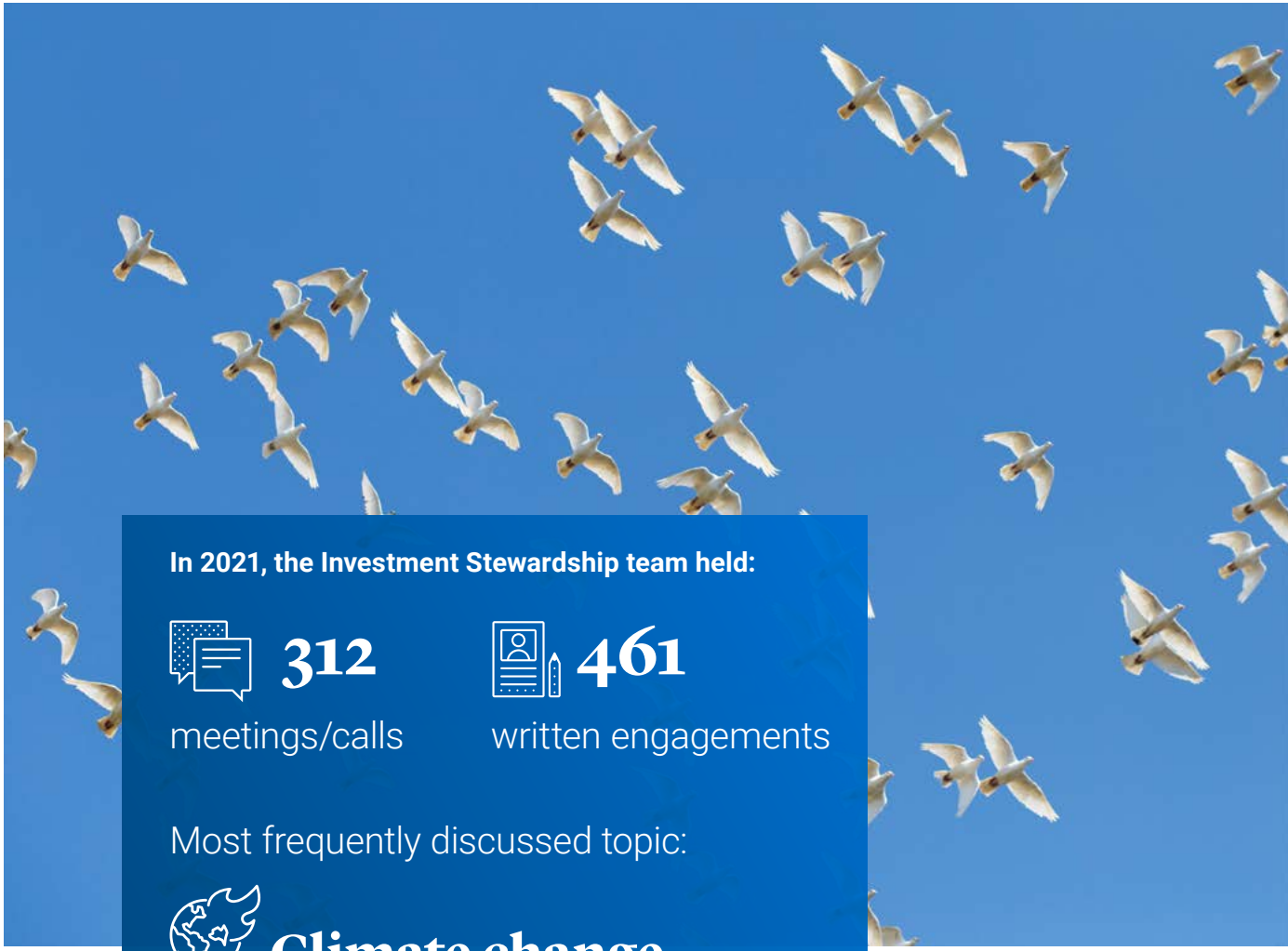
- LGIM's Investment Stewardship team held 312 meetings/calls and 461 written engagements in 2021
- Climate change was the most frequently discussed topic

Our Investment Stewardship and active investment teams engage with companies to address company-specific and market-wide risks and opportunities.

We regularly engage with both management and non-executive directors, although our initial contact is usually with board chairs. In 2021, the teams' engagements predominantly took the form of calls, video conferences and email communication due to the continuing pandemic.

These calls are normally attended by the sector lead and may include portfolio managers and active research analysts. Depending on the topic, a thematic expert may also be present, for example, on remuneration, health and human rights or climate change.

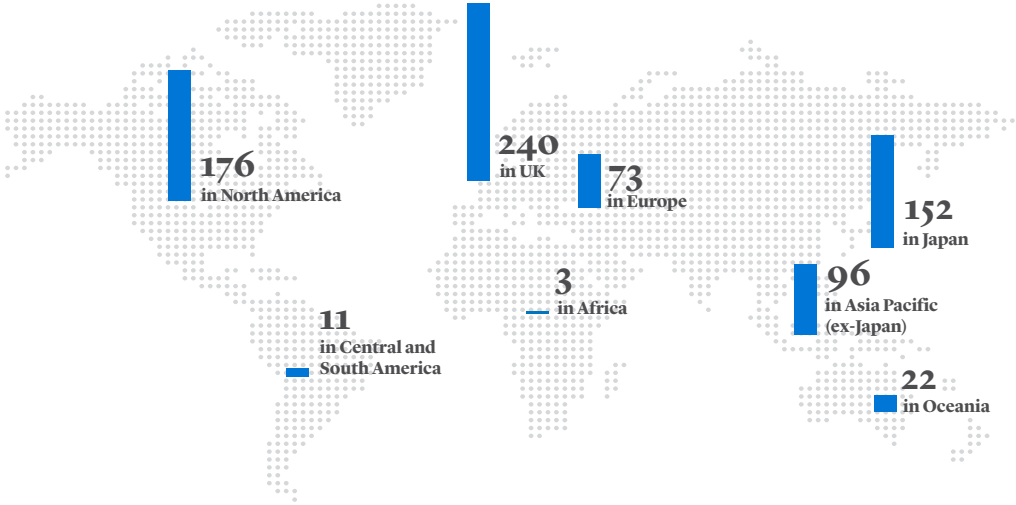
To provide transparency, we publish our quarterly ESG impact reports on our website, in addition to sending them to clients. These documents contain detailed case studies of many of the companies highlighted as examples of our engagement activity in this report.



Breaking down the engagement numbers

Breakdown of engagement by themes*

Regional breakdown of engagements



Top four engagement topics*

246
Climate change

205
Remuneration

133
LGIM ESG score

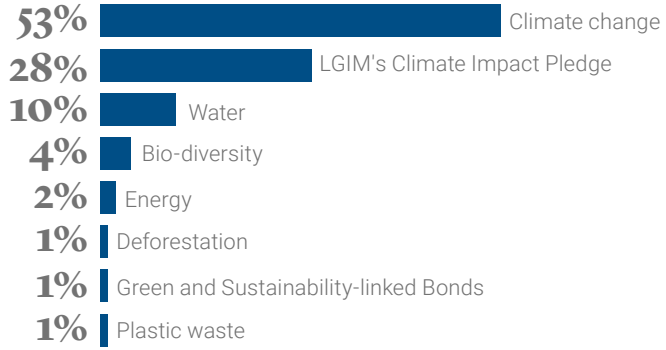
131
Company disclosure and transparency

*Note: an engagement can cover more than a single topic

Engagement themes in more detail

E

Breakdown of environmental engagement



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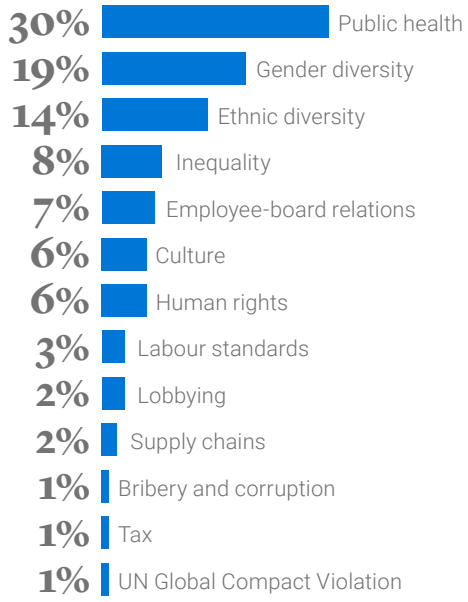
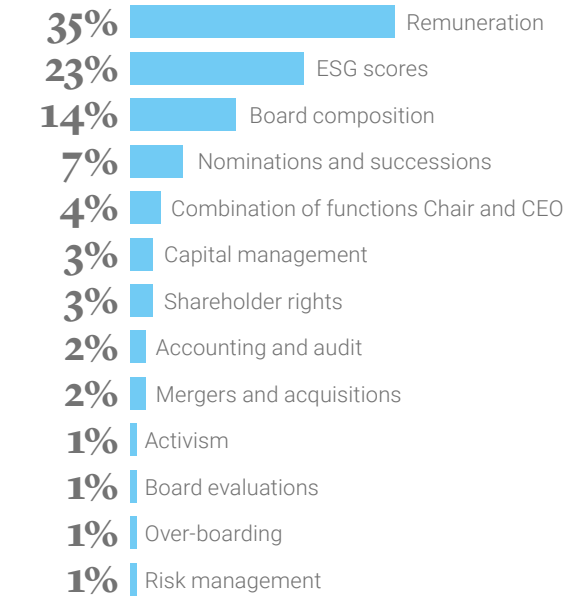
Breakdown of social engagement



G

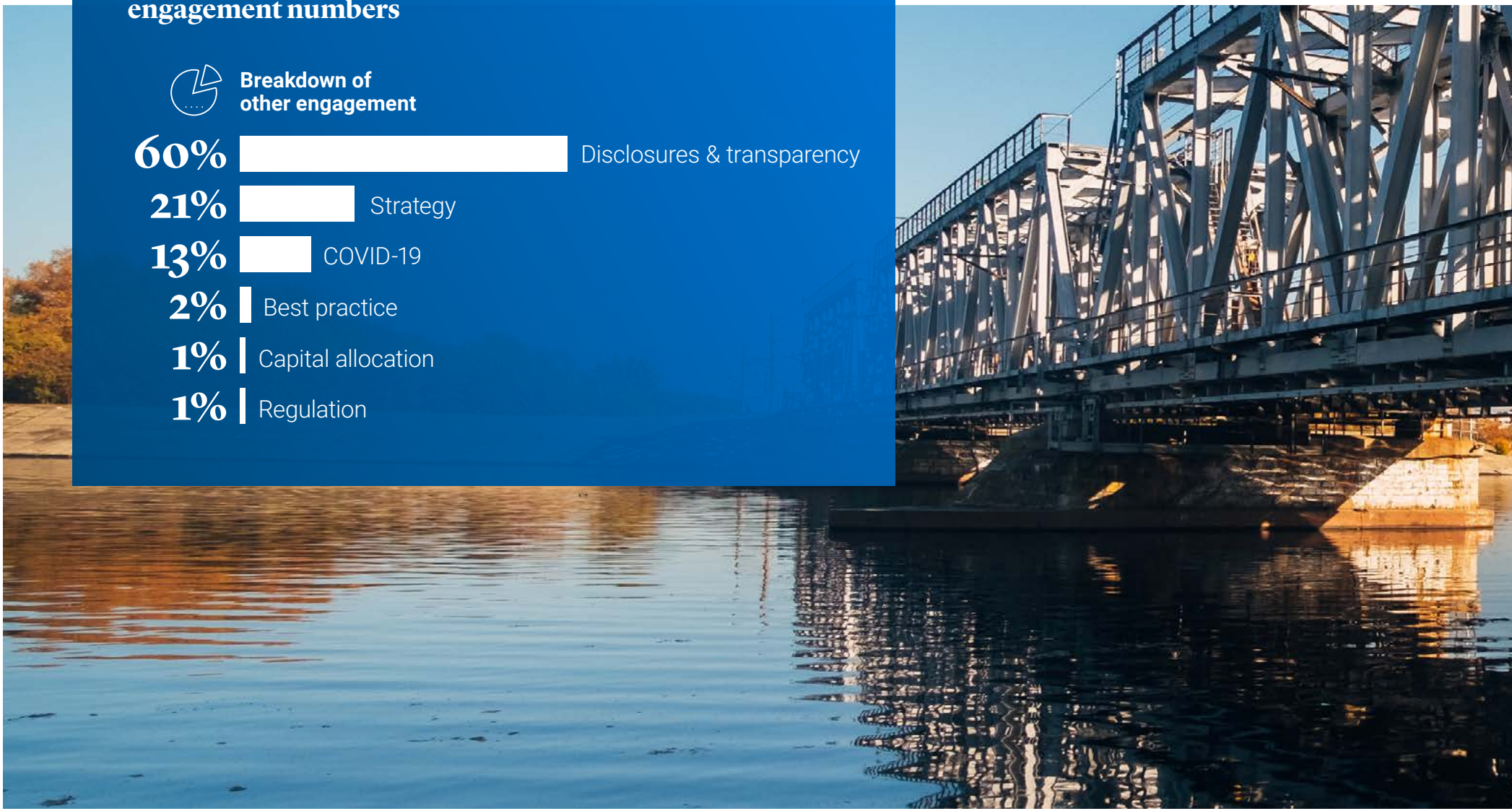
Breakdown of governance engagement

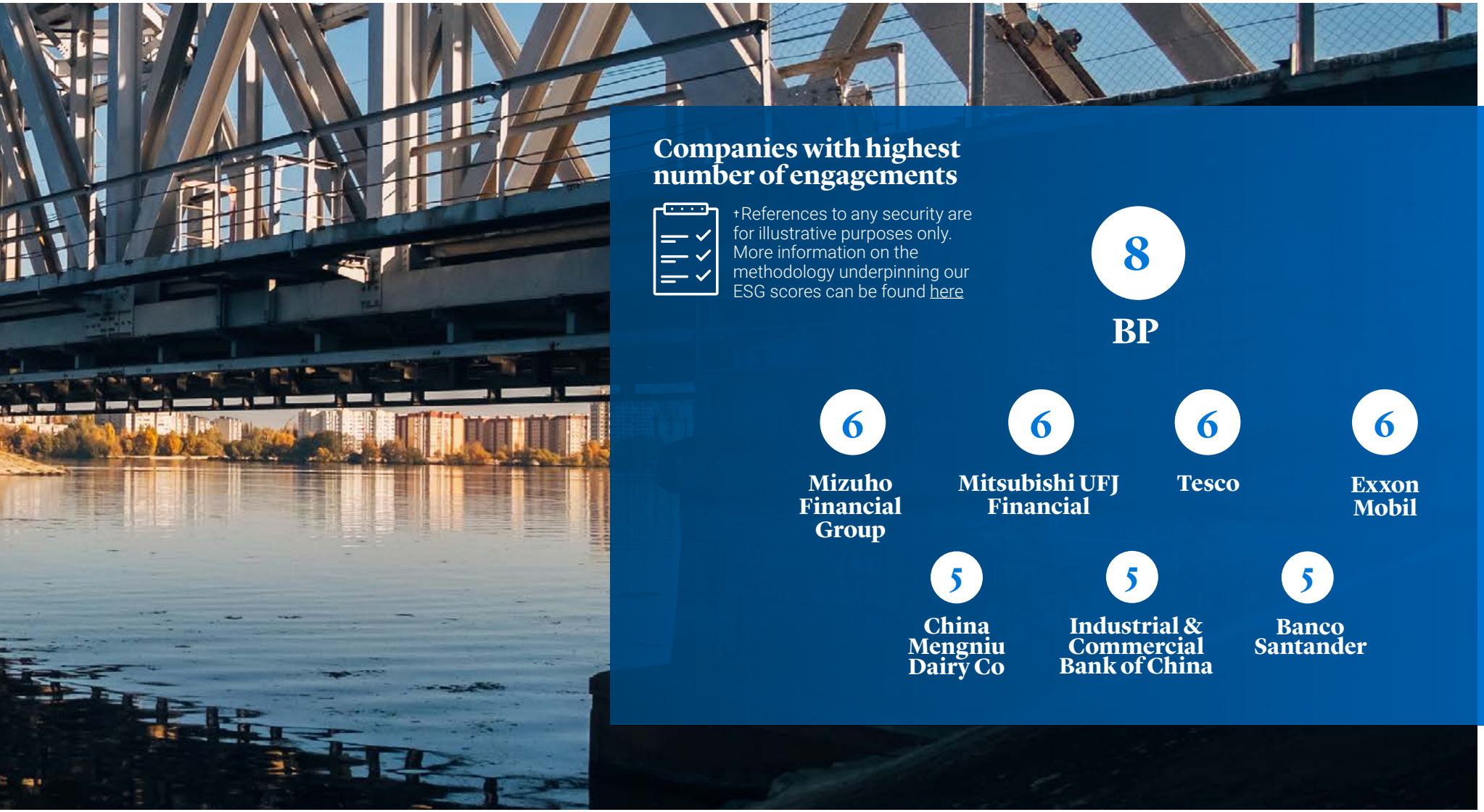


Breakdown of other engagement numbers

Breakdown of other engagement

60%	Disclosures & transparency
21%	Strategy
13%	COVID-19
2%	Best practice
1%	Capital allocation
1%	Regulation





Companies with highest number of engagements

†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

8 BP

6 Mizuho Financial Group

6 Mitsubishi UFJ Financial

6 Tesco

6 Exxon Mobil

5 China Mengniu Dairy Co

5 Industrial & Commercial Bank of China

5 Banco Santander

Voting and reporting

- In 2021, LGIM cast over 180,200 votes[47] at over 15,400 meetings
- In 2021, LGIM began pre-declaring voting intentions in a centralised, transparent and easily-accessible format

Voting is a fundamental tool used by investors to signal support for, or concern with, management actions to promote good corporate governance in the marketplace. The Investment Stewardship team exercises LGIM's voting rights globally, holding directors and companies to account.

The majority of our clients' shares are held through pooled funds. As such, LGIM votes with one voice on all shares for which it has authority to do so. We vote in developed and emerging market countries,[48] covering the FTSE All-World Index.[49]

We aim to keep abstentions to a minimum. The disclosures provided below are in line with our execution of these obligations across these pooled funds. We use proxy advisory firm Institutional Shareholder Services' (ISS) ProxyExchange voting platform to vote electronically and to ensure, in markets where we have unimpeded voting rights, that no votes remain unexercised.

LGIM's historic vote decisions, including rationale for any votes against management can be found on our website.

47. Across all assets under management. Voting data on P101-107 represents voting instructions for our main FTSE pooled index funds
48. In 2021 we enabled voting in the following additional markets: Bahamas, Bahrain, Bangladesh, Estonia, Faroe Islands, Kazakhstan, Kenya, Marshall Islands, Morocco, Nigeria, Puerto Rico, Sri Lanka, Vietnam
49. LGIM currently only provides client voting within one pooled fund for a small selection of clients, which is a legacy process that is no longer offered to any existing or new clients. LGIM is working with other industry participants in seeking to help improve voting processes and will keep market developments in this area under review

Vote transparency

We believe that transparency of our voting activity is critical for investee companies, clients and other interested parties to be able to hold us to account. As such, we provide historic vote decisions and rationales on our vote disclosure webpage, which aims to:

- Provide daily updates of our vote instructions and disclosures of all votes[50] with a lag of just one day following the shareholder meeting
- Disclose vote rationales for all votes against management
- Include historic vote data from 1 January 2017

We have also further refined our approach to provide detailed information to our clients on significant votes on a quarterly basis, to allow them to hold us to account over our stewardship of their assets. Client reporting is provided consistent with the Pensions & Lifetime Savings Association (PLSA) guidance and the EU Shareholder Rights Directive II.

LGIM historically implemented an annual independent assurance assessment of its stewardship and voting processes in line with the AAF 01/06 framework. However, since the Insitute of Chartered Accountants in England and Wales (ICAEW) removed the relevant requirements from its auditing and assurance standards there is no longer an external framework against which to undertake this assurance assessment. In the interim, we have strengthened our internal review processes in response to client requirements, to ensure that our stewardship processes and disclosures remain balanced and complete. We also continue to work alongside our internal auditors to develop a suitable framework and standards against which an independent assessment could again be completed in the future.

50. Excludes all funds not voting in line with the LGIM vote policy and that are subject to their own voting instructions

Pre-declaring our vote intentions

2021 was the first year in which LGIM reported vote intentions in a centralised and transparent format in advance of a company's AGM. These voting intentions – via our blog posts – highlight the companies and resolutions we believe require additional scrutiny by the market, and cover a range of ESG topics. We decided to pre-declare for a number of reasons, including as part of our escalation strategy, where we consider the vote to be contentious, or as part of a specific engagement programme.

Our policy on share lending

Where there are no legal or practical impediments, we aim to vote with every share we hold. There is currently no stock lending undertaken by LGIM in the UK market, so all shares are available for voting.

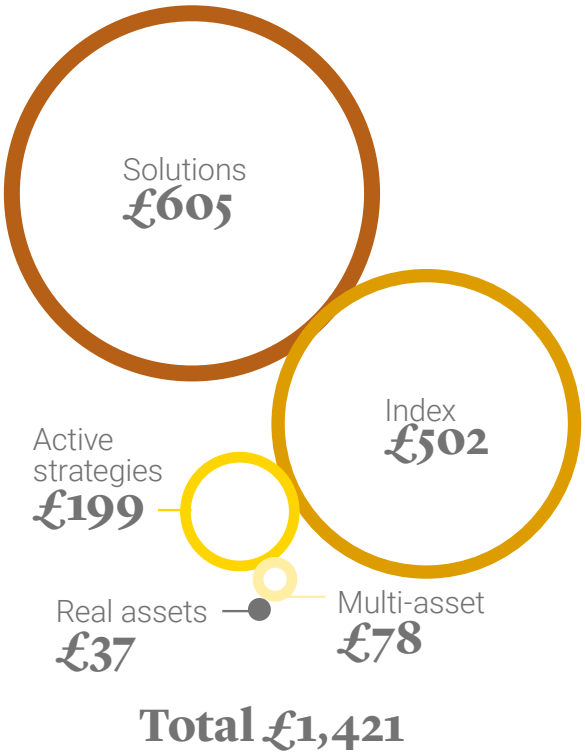
For other markets, our stock-lending policies differ, with limits on the number of shares lent per fund and per stock. Nonetheless we have always retained a number of shares in each voteable stock to be able to note our approval, or dissent, through a vote via the shareholder meeting. Moreover, we retain the right of immediate recall of our shares, should we deem this necessary or expedient.

In practice, we do not typically recall lent stock for voting on routine company meetings. However, if there were a material vote – for example, a potential takeover of a company that we owned at a price which we did not believe was in the best interests of shareholders, we would recall any stock that was out on loan in order to vote with 100% of our holding.

The assets we manage

£ billion

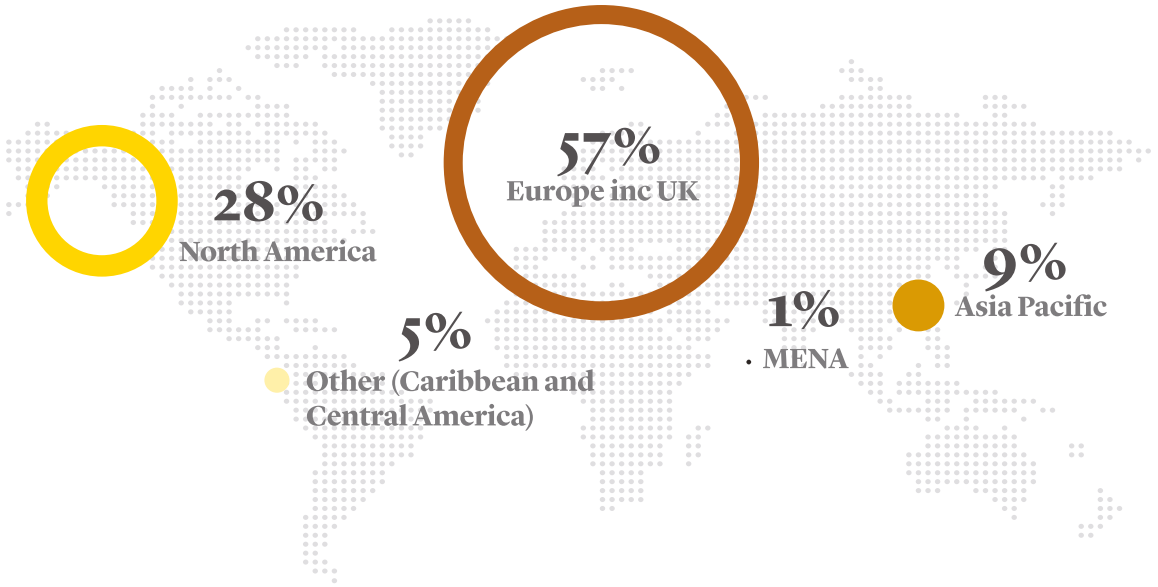
Asset class*



Total £1,421

Assets under management:

Regional breakdown**



* Source: LGIM internal data as at 31 December 2021. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong. The AUM includes the value of securities and derivatives positions and may not total due to rounding.

**LGIM internal source, data as at 31 Dec 2021. Regional exposure is based on the country of risk of the underlying holdings. Data disclosed excludes derivative overlays.

The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

Policies and processes

- We continued to assess our internal and external voting policies to make sure our approach is consistent and transparent
- We use client feedback loops to inform our policy development

Ongoing scrutiny of, and improvements to, our voting processes are key to meeting our goals as a long-term, responsible investor.

LGIM's voting decisions are guided by policies that are painstakingly researched, set and fine-tuned every year. They incorporate specific market policies that allow for local nuances to align with best practice.

Our voting policies range from minimum expectations such as requiring financial expertise on the audit committee, to clarifications around variable pay performance targets, links to stakeholder experience and ESG measures, alongside existing voting stances to oppose combined chair/CEO roles[51] and all-male boards globally.

As part of an annual process, this year we updated our global policies to require well-governed company boards to comprise at least 30% female representation. Our UK and US policies take this one step further, additionally calling for gender representation on the executive committee and requiring the board to include at least one person from an ethnic minority background. We will be voting on this during the forthcoming 2022 voting season.

In our UK policy, we expanded the section on ESG and pay, to help those companies that are looking to introduce an ESG metric into their executive compensation. The shareholding requirement section of the UK policy was simplified by removing all aspirational targets and any disincentive for companies setting meaningful and high shareholding guidelines because of concerns of having to set equally high post-exit shareholding requirements.

It is essential that our votes are based on accurate, reliable data. This means championing the cause of transparency in our own processes and within investee companies' reporting.

LGIM's Global Corporate Governance and Responsible Investment Policy sets out our expectations of investee companies and outlines our approach to voting and engagement. All of our policies are fully compliant with Shareholder Rights Directive II and available on our Investment Stewardship website.

In updating our policies, feedback on specific topics is sought from internal subject matter experts and the Investment Stewardship team more broadly. We also consider the views of external stakeholders.

51. Currently excluding Japan, due to the unique features of this particular market.

LGIM's internal custom voting policy

Votes are cast according to our instructions guided by LGIM custom policies and effected through an electronic voting platform called 'ProxyExchange' which is managed by Institutional Shareholder Services (ISS).

We do not automatically follow recommendations of proxy advisers and have put in place a 'custom' voting policy with specific voting instructions. These instructions apply to all markets globally, with minimum best practice standards that we believe all companies should observe, irrespective of local regulation or practice.

In addition, we have also set specific custom voting policies at an individual market level for those markets in which we adopt a stricter stance. All our custom voting policies are developed in accordance with our publicly disclosed position on ESG criteria in our guidelines documents and country-specific policies.

We retain the ability in all markets to override any vote decisions that are based on our custom voting policy. This may happen when a company has provided additional insight that allows us to apply a qualitative overlay to our assessment.

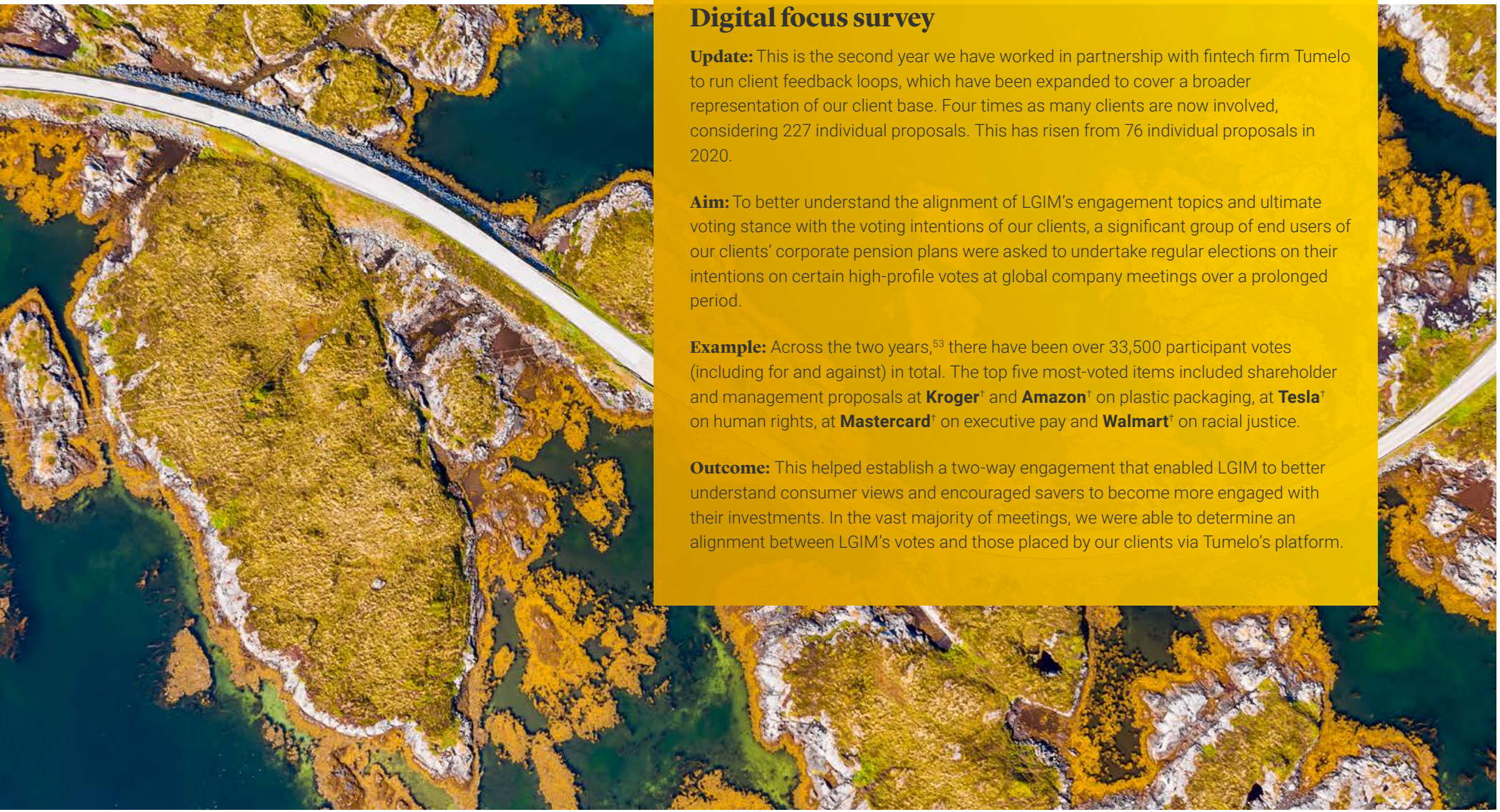
52. In main pooled FTSE index funds

Our analysis shows that, globally, our voting stance differed from ISS recommendations in around 9% of votes last year.[52] When our stance differs, the majority of LGIM votes cast are usually against management – particularly around issues of audit, independence, remuneration and on the level of support provided for shareholder proposals.

Share position data is updated based on the settled positions provided by custodians. Only eligible share positions are reflected against expected upcoming voting events across the portfolio of companies held within ProxyExchange. Any additional trading that takes place on receipt of the electronic ballot is updated per trade settlement based on the holdings update by the custodian.

How we take client views into account

To ensure that our voting decisions are aligned with the wishes of our clients, we undertake regular consultation meetings with the ultimate owners of the assets we manage. These are important opportunities to provide our clients with assurance and knowledge, as well as to receive direct feedback on their experience and expectations. We will continue to review these client responses to determine the level of overlap between our policies and the expectations of clients in developing future engagement topics and voting policies.



Digital focus survey

Update: This is the second year we have worked in partnership with fintech firm Tumelo to run client feedback loops, which have been expanded to cover a broader representation of our client base. Four times as many clients are now involved, considering 227 individual proposals. This has risen from 76 individual proposals in 2020.

Aim: To better understand the alignment of LGIM's engagement topics and ultimate voting stance with the voting intentions of our clients, a significant group of end users of our clients' corporate pension plans were asked to undertake regular elections on their intentions on certain high-profile votes at global company meetings over a prolonged period.

Example: Across the two years,[53] there have been over 33,500 participant votes (including for and against) in total. The top five most-voted items included shareholder and management proposals at **Kroger**† and **Amazon**† on plastic packaging, at **Tesla**† on human rights, at **Mastercard**† on executive pay and **Walmart**† on racial justice.

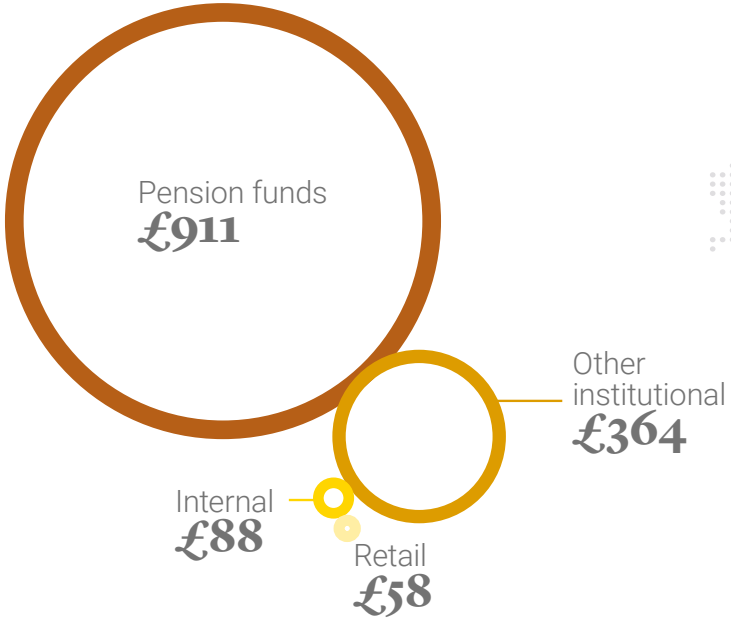
Outcome: This helped establish a two-way engagement that enabled LGIM to better understand consumer views and encouraged savers to become more engaged with their investments. In the vast majority of meetings, we were able to determine an alignment between LGIM's votes and those placed by our clients via Tumelo's platform.

53. Since launching the platform in June 2020 as a pilot up to January 2022

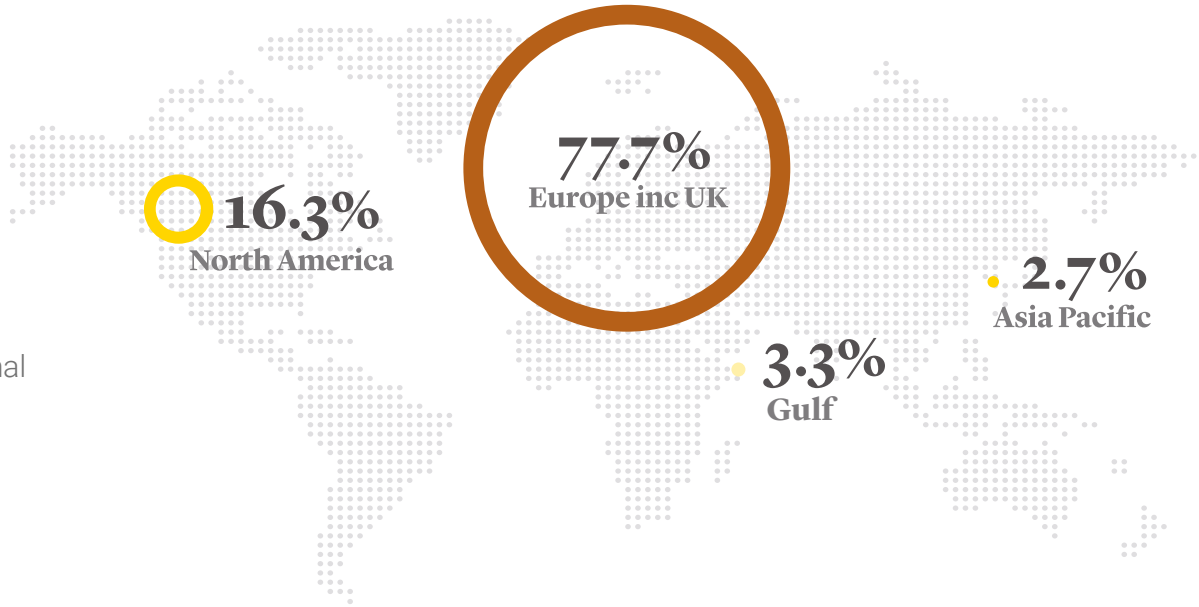
†References to any security are for illustrative purposes only. More information on the methodology underpinning our ESG scores can be found here

Our clients

£ billion
Client type



Client domicile:
Regional breakdown



Total: £1,421

LGIM internal data as at 31 December 2021. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong. The AUM includes the value of securities and derivatives.

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Working with third-party service providers

- Third-party research adds additional insight, bolstering our own research
- We continuously monitor the quality of third-party research to ensure it meets our requirements and offers value for money

In parallel to applying our custom voting policy, we use the voting information services of Institutional Shareholder Services (ISS) and receive research reports for all companies in the MSCI ACWI index.

We also receive research reports on UK companies in the FTSE All-Share index from IVIS, the research team of the UK Investment Association, and have access to voting research from proxy adviser Glass Lewis.

We use this analysis to augment our own research and proprietary ESG assessment tools, as well as data from providers including Refinitiv Eikon, Sustainalytics and BoardEx. We regularly review the quality and timeliness of services offered by our data providers, to ensure that the quality of the data on which we base our voting decisions remains high and offers value for money.[54]

54. This is done through quarterly due diligence meetings with ISS and annually for other providers.

We undertake quarterly due diligence meetings with ISS in which we discuss issues such as timeliness and quality of their research and the application of our voting policy. During these meetings, we receive delivery statistics and discuss changes to team resources. We deliberate specific instances where our expectations have not been met and possible solutions to avoid future repetition. We also monitor the votes cast on our behalf to ensure they are executed fully and consistently in accordance with our policies. In response to increased client demand for regular vote reporting, we have set up additional quality checks on short notice vote instructions and rejected votes.

We also have regular meetings with ISS to discuss the implementation and evolution of our policies, as part of a review process to ensure that our decisions remain aligned to market best practice and evolving regulation. Any material changes to LGIM's custom voting policy requires team agreement and are reviewed by LGIM's independent non-executive directors on the Investment Stewardship Committee.

For further information on how we use proxy advisory services, please see our policy.

Conflicts of interest

- Our conflicts of interest policy exists to safeguard the best interest of our clients
- The structure of our Investment Stewardship team naturally mitigates potential for conflicts of interest

In our approach to responsible investing in general, and voting and engagement in particular, we aim to act in a manner consistent with the best interests of all our clients. As a result, our Investment Stewardship team has a conflicts of interest policy which covers, among other things, the following areas:

LGIM's listed parent company: reputational conflicts, commercial relationships, seeking to influence corporate governance activities

LGIM clients: corporate sponsored pension schemes are associated with portfolio companies, conflicts between client resource allocation

Internal conflicts: differing investment strategies and interests between asset classes, listed group products and significant investments, differing views between portfolio managers and the Investment Stewardship team

Portfolio companies: commercially and price-sensitive information, direct competitors, common cross-directorships, personal contacts and connections

The Investment Stewardship team structure mitigates potential internal conflicts. Importantly, the team does not share line management reporting lines with any of the LGIM investment desks, including the active equity or active fixed income teams.

In addition, the LGIM board has delegated responsibility for oversight of conflicts of interest to its Investment Stewardship Committee and a separate Conflicts of Interest Committee that includes five independent non-executive directors.

Strong, principle-based voting policies provide additional safeguards in the management of potential conflicts of interest. Changes to policy-driven vote decisions are discussed in regular team meetings and decided as part of an internal controls process.[55]

To ensure independent voting on in-house interests, all voting rights associated with L&G Group shares, LGIM owned trusts and funds are delegated to third parties.

LGIM provides annual training to all employees, to identify and deal with potential conflicts of interest, and undertakes an annual review to ensure the completeness of the conflicts register and to review controls around existing conflicts.

55. These are discussed as and when necessary, and also in weekly vote meetings.

Case Study: American International Group (AIG)

American International Group (AIG)† (ESG score: 58; -6) is a global insurance company, providing property casualty insurance, life insurance, retirement solutions and other financial services to customers in approximately 80 countries and jurisdictions.

What was the issue?

LGIM was set to vote against the chair of the board as an escalation of our climate engagements under the Climate Impact Pledge, as well as divest AIG from a range of sustainability-focused funds. The reason for the decision was twofold

- No thermal coal policy had been put in place
- There was no disclosure of scope 3 emissions associated with investments

Why was this an issue?

Both our active and index funds are invested in shares and bonds of AIG, with the active strategy teams having existing relationships and holdings in the company. Our parent company, L&G Group, has commercial relationships with AIG and the decision by LGIM to vote against the chair and publicly announce its voting and divestment intention had the potential to raise internal concern.

Resolution

Over the course of the year, within appropriate timeframes, and through discussion on the GREGs, our colleagues in the Active Strategies team were made aware of our concerns with the company's progress.

Our Climate Impact Pledge report has its own rigorous governance structures in place to ensure that decision-making is not influenced by factors external to the assessment framework. Individuals with potential conflicts are not included in the review process.

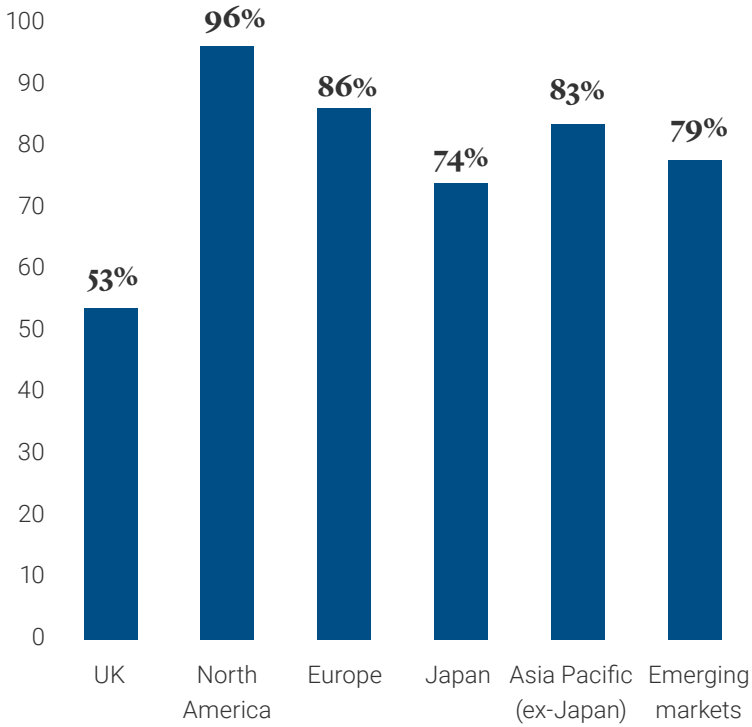
But once our Pledge report was published, the Investment Stewardship team met with L&G Group and their counterparts in AIG to explain the assessment framework and escalation process under the Pledge. This approach helps improve understanding across all stakeholders and reduces the potential for conflicts to arise.

Voting statistics by region

Global

Proposal category	Total for	Total against	Total abstentions	Total
Antitakeover related	511	18	0	529
Capitalisation	7656	948	0	8604
Directors related	23673	5379	694	29746
Non-Salary compensation	2976	2193	2	5171
Reorganisation and mergers	3680	1068	0	4748
Routine/Business	15044	1413	9	16466
Shareholder Proposal - Compensation	32	42	0	74
Shareholder Proposal - Corporate governance	111	41	0	152
Shareholder Proposal - Directors related	1149	305	16	1470
Shareholder Proposal - General economic issues	2	2	0	4
Shareholder Proposal - Health/Environment	70	55	0	125
Shareholder Proposal - Other/Miscellaneous	12	76	0	88
Shareholder Proposal - Routine/Business	221	125	0	346
Shareholder Proposal - Social/Human rights	0	9	0	9
Shareholder Proposal - Social	14	5	0	19
Total resolutions	**55151**	**11679**	**721**	**67551**
No. AGMs				3985
No. EGMs				1370
No. of companies voted on				4120
No. of companies where voted against management/abstained on at least one resolution				3218
% of companies where at least one vote against management (includes abstentions)				78%

Proportion of companies with at least one vote against (including abstentions)

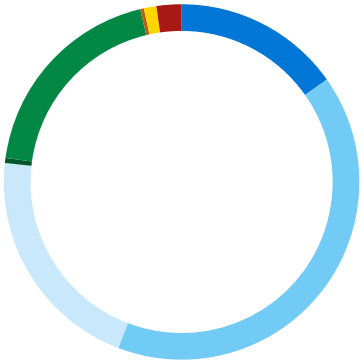


Source for all data: LGIM as at 31 December, 2021. The votes on this page and in the pages that follow represent voting instructions for our main FTSE pooled index funds. For the US: withhold votes counted as against.

Asia Pacific excluding Japan

Proposal category	Total for	Total against	Total abstentions
Antitakeover related	12	0	0
Capitalisation	200	134	0
Directors related	1079	357	5
Non-Salary compensation	335	184	0
Reorganisation and mergers	76	4	0
Routine/Business	609	168	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate governance	0	0	0
Shareholder Proposal - Directors related	21	3	0
Shareholder Proposal - General economic issues	0	0	0
Shareholder Proposal - Health/Environment	12	10	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	8	20	0
Shareholder Proposal - Social/Human rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	2352	880	5
Total resolutions	3237		
No. AGMs	382		
No. EGMs	62		
No. of companies voted on	390		
No. of companies where voted against management/abstained on at least one resolution	324		
% of companies where at least one vote against management (includes abstentions)	83%		

Votes against management in 2021 (including abstentions)



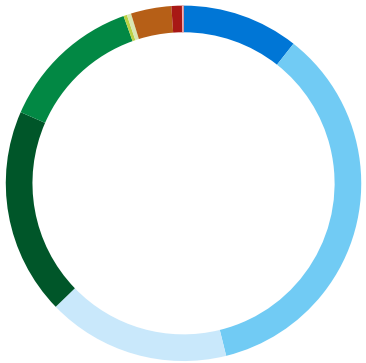
- Antitakeover related - 0
- Capitalisation - 134
- Directors related - 362
- Non-Salary compensation - 184
- Reorganisation and mergers - 4
- Routine/Business - 168
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate governance - 0
- Shareholder Proposal - Directors related - 3
- Shareholder Proposal - General economic issues - 0
- Shareholder Proposal - Health/Environment - 10
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 20
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

We opposed 324 companies in the Asia Pacific (ex-Japan) region in 2021 compared to 316 in 2020.

Emerging markets

Proposal category	Total for	Total against	Total abstentions
Antitakeover related	2	1	0
Capitalisation	4331	573	0
Directors related	6651	1920	623
Non-Salary compensation	348	899	0
Reorganisation and mergers	3284	1015	0
Routine/Business	8669	701	0
Shareholder Proposal - Compensation	21	17	0
Shareholder Proposal - Corporate governance	89	21	0
Shareholder Proposal - Directors related	993	199	15
Shareholder Proposal - General economic issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	182	59	0
Shareholder Proposal - Social/Human rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	24570	5405	638
Total resolutions	30613		
No. AGMs	1471		
No. EGMs	1009		
No. of companies voted on	1551		
No. of companies where voted against management/abstained on at least one resolution	1218		
% of companies where at least one vote against management (includes abstentions)	79%		

Votes against management in 2021 (including abstentions)



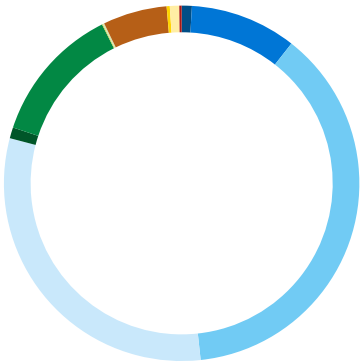
- Antitakeover related - 1
- Capitalisation - 573
- Directors related - 2543
- Non-Salary compensation - 899
- Reorganisation and mergers - 1015
- Routine/Business - 701
- Shareholder Proposal - Compensation - 17
- Shareholder Proposal - Corporate governance -21
- Shareholder Proposal - Directors related -199
- Shareholder Proposal - General economic issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 59
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

We opposed 1218 companies in emerging markets in 2021, compared to 1039 in 2020.

Europe

Proposal category	Total for	Total against	Total abstentions
Antitakeover related	5	9	0
Capitalisation	852	102	0
Directors related	2927	674	61
Non-Salary compensation	854	480	2
Reorganisation and mergers	76	4	0
Routine/Business	2346	183	9
Shareholder Proposal - Compensation	2	1	0
Shareholder Proposal - Corporate governance	4	0	0
Shareholder Proposal - Directors related	29	33	1
Shareholder Proposal - General economic issues	0	0	0
Shareholder Proposal - Health/Environment	7	4	0
Shareholder Proposal - Other/Miscellaneous	3	1	0
Shareholder Proposal - Routine/Business	12	4	0
Shareholder Proposal - Social/Human rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	7117	1495	73
Total resolutions	8685		
No. AGMs	416		
No. EGMs	71		
No. of companies voted on	421		
No. of companies where voted against management/abstained on at least one resolution	364		
% of companies where at least one vote against management (includes abstentions)	86%		

Votes against management in 2021 (including abstentions)



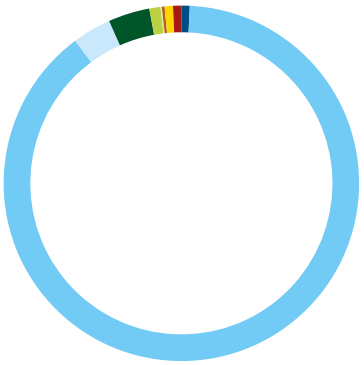
- Antitakeover related - 9
- Capitalisation - 102
- Directors related - 735
- Non-Salary compensation - 482
- Reorganisation and mergers - 4
- Routine/Business - 192
- Shareholder Proposal - Compensation - 1
- Shareholder Proposal - Corporate governance - 0
- Shareholder Proposal - Directors related - 33
- Shareholder Proposal - General economic issues - 0
- Shareholder Proposal - Health/Environment - 4
- Shareholder Proposal - Other/Miscellaneous - 1
- Shareholder Proposal - Routine/Business - 4
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

We opposed 364 companies in Europe in 2021, compared to 317 in 2020.

Japan

Proposal category	Total for	Total against	Total abstentions
Antitakeover related	1	6	0
Capitalisation	2	0	0
Directors related	4366	708	0
Non-Salary compensation	259	28	0
Reorganisation and mergers	101	30	0
Routine/Business	335	0	0
Shareholder Proposal - Compensation	1	8	0
Shareholder Proposal - Corporate governance	1	1	0
Shareholder Proposal - Directors related	23	2	0
Shareholder Proposal - General economic issues	0	0	0
Shareholder Proposal - Health/Environment	38	6	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	17	6	0
Shareholder Proposal - Social/Human rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	5144	795	0
Total resolutions	5939		
No. AGMs	487		
No. EGMs	19		
No. of companies voted on	503		
No. of companies where voted against management/abstained on at least one resolution	371		
% of companies where at least one vote against management (includes abstentions)	74%		

Votes against management in 2021 (including abstentions)

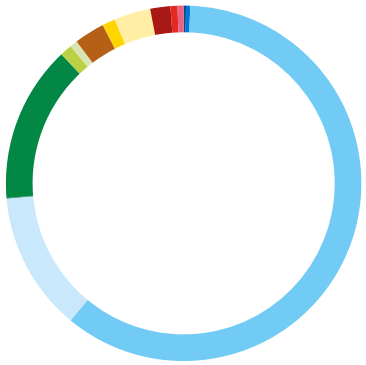


We opposed 371 companies in Japan in 2021, compared to 354 in 2020.

North America

Proposal category	Total for	Total against	Total abstentions
Antitakeover related	75	2	0
Capitalisation	76	9	0
Directors related	4564	1417	5
Non-Salary compensation	496	322	0
Reorganisation and mergers	30	1	0
Routine/Business	392	321	0
Shareholder Proposal - Compensation	7	16	0
Shareholder Proposal - Corporate governance	17	19	0
Shareholder Proposal - Directors related	81	68	0
Shareholder Proposal - General economic issues	2	2	0
Shareholder Proposal - Health/Environment	9	34	0
Shareholder Proposal - Other/Miscellaneous	7	75	0
Shareholder Proposal - Routine/Business	2	35	0
Shareholder Proposal - Social/Human rights	0	9	0
Shareholder Proposal - Social	14	5	0
Total	5772	2335	5
Total resolutions	8112		
No. AGMs	630		
No. EGMs	31		
No. of companies voted on	637		
No. of companies where voted against management/abstained on at least one resolution	613		
% of companies where at least one vote against management (includes abstentions)	96%		

Votes against management in 2021 (including abstentions)



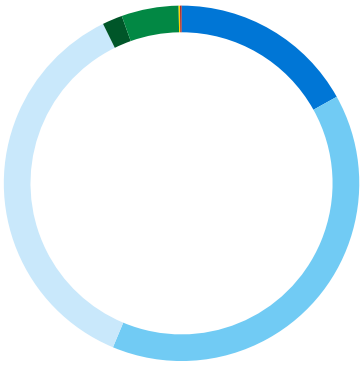
- Antitakeover related - 2
- Capitalisation - 9
- Directors related - 1422
- Non-Salary compensation - 322
- Reorganisation and mergers - 1
- Routine/Business - 321
- Shareholder Proposal - Compensation - 16
- Shareholder Proposal - Corporate governance - 19
- Shareholder Proposal - Directors related - 68
- Shareholder Proposal - General economic issues - 2
- Shareholder Proposal - Health/Environment - 34
- Shareholder Proposal - Other/Miscellaneous - 75
- Shareholder Proposal - Routine/Business - 35
- Shareholder Proposal - Social/Human Rights - 9
- Shareholder Proposal - Social - 5

We opposed 613 companies in North America in 2021, compared to 629 in 2020.

UK

Proposal category	Total for	Total against	Total abstentions
Antitakeover related	416	0	0
Capitalisation	2195	130	0
Directors related	4086	303	0
Non-Salary compensation	684	280	0
Reorganisation and mergers	113	14	0
Routine/Business	2693	40	0
Shareholder Proposal - Compensation	1	0	0
Shareholder Proposal - Corporate governance	0	0	0
Shareholder Proposal - Directors related	2	0	0
Shareholder Proposal - General economic issues	0	0	0
Shareholder Proposal - Health/Environment	4	1	0
Shareholder Proposal - Other/Miscellaneous	2	0	0
Shareholder Proposal - Routine/Business	0	1	0
Shareholder Proposal - Social/Human rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	10196	769	0
Total resolutions	10965		
No. AGMs	599		
No. EGMs	178		
No. of companies voted on	618		
No. of companies where voted against management/abstained on at least one resolution	328		
% of companies where at least one vote against management (includes abstentions)	53%		

Votes against management in 2021 (including abstentions)



- Antitakeover related - 0
- Capitalisation - 130
- Directors related - 303
- Non-Salary compensation - 280
- Reorganisation and mergers - 14
- Routine/Business - 40
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate governance - 0
- Shareholder Proposal - Directors related - 0
- Shareholder Proposal - General economic issues - 0
- Shareholder Proposal - Health/Environment - 1
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 1
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

We opposed 328 companies in the UK in 2021, compared to 351 in 2020.

Awards

Achieving industry and peer approval

We always aim to produce industry-leading work, but we are not complacent about our achievements. External validation and oversight keep us on our toes and propels us forward to keep improving.

We participated in industry-wide assessments of our engagement and stewardship processes and were proud to have been nominated by industry bodies like the ICGN, ICSA and UN PRI for our:

- Engagement activities disclosure
- Market-wide involvement in lobbying activities
- Strong implementation of ESG and corporate governance matters into our stewardship activities.

In 2021, LGIM won the 'best in class' award at the 2021 ICGN Global Stewardship Awards for our Investment Stewardship team's stewardship policies, practices, and reporting, and was awarded the 'Best Multi-Asset Group/ Fund for ESG' in 2021 by Professional Adviser.

The Financial Reporting Council also recognised us as a successful signatory to the UK Stewardship Code for our high standards of stewardship. LGIM also won 'Investment House of the Year ' at the Risk Awards in relation to our LGIM Destination@Risk climate model.[56]

LGIM won the 'best in class' award at the 2021 ICGN Global Stewardship Awards

56. Past performance is not a guide to the future. The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

Appendix - UK Stewardship Code Index

This report should be read in its entirety to obtain the fullest picture of our active ownership activities during 2021. For examples of our work during the year, please see our E, S and G sections in this report and detailed case studies on the report's landing page.

In addition, the table below provides links to the sections that demonstrate how LGIM applies the 12 Principles of the 2020 UK Stewardship Code. We consider that LGIM has fully applied each of the principles in its investment stewardship activities during 2021.

	Stewardship code principles	Section within document	Most relevant pages
Principle 1	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society	Foreword | Responsible investment | Responsible investment strategies | Awards	3; 8-19; 108
Principle 2	Signatories' governance, resources and incentives support stewardship	Responsible investment | Policies and processes | Conflicts of interest | Voting and reporting | Third-party service providers	8-19; 88-99
Principle 3	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first	Conflicts of interest	98-99
Principle 4	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system	Foreword | Policy advocacy and collaboration | E S G Case studies	3; 20-26; 28-81
Principle 5	Signatories review their policies, assure their processes and assess the effectiveness of their activities	Foreword | Stakeholder engagement | Voting and reporting | Policies and processes	3; 82; 88-90; 92-94
Principle 6	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them	Foreword | Responsible investment strategies | Voting and reporting | Policies and processes	3; 17-19; 83-95
Principle 7	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities	Responsible investment | Responsible investment strategies | Environment | One share one vote | Policies and processes	8-19; 74; 83-87; 92-93; 96-97
Principle 8	Signatories monitor and hold to account managers and/or service providers	Third-party service providers	96-97
Principle 9	Signatories engage with issuers to maintain or enhance the value of assets	Responsible investment | Policy advocacy and collaboration | Active engagement | E S G Case studies	8-19; 20-26; 28-81; 83-87
Principle 10	Signatories, where necessary, participate in collaborative engagement to influence issuers	Foreword | Policy advocacy and collaboration | E S G Case studies	3; 20-26; 30; 36-37; 41-48; 56-61; 70-73
Principle 11	Signatories, where necessary, escalate stewardship activities to influence issuers	Responsible investment | Voting statistics | E S G Case studies	8-9; 13; 28-81; 101-107
Principle 12	Signatories actively exercise their rights and responsibilities	Responsible investment | Active engagement | Voting and reporting | Policies and processes | Voting statistics | E S G Case studies	8-19; 28-81; 83-93; 101-107

Notes

1. LGIM, as at 31 December 2021. 1. AUM in responsible investment strategies represents only the AUM from funds or client mandates that feature a deliberate and positive expression of ESG criteria, in the fund documentation for pooled fund structures or in a client's Investment Management Agreement
2. Across all assets under management. Voting data on P101-107 represents voting instructions for our main FTSE pooled index funds
3. Past performance is not a guide to the future
4. AUM in responsible investment strategies represents only the AUM from funds or client mandates that feature a deliberate and positive expression of ESG criteria, in the fund documentation for pooled fund structures or in a client's Investment Management Agreement.
5. LGIM, as at March 2022
6. LGIM, as at March 2022
7. LGIM, as at March 2022
8. LGIM's Investment Stewardship team votes on, and engages with, companies held across our entire book
9. Revenues of public companies engaged in the transition to the green economy
10. UN, Q3 2021
11. World Resources Institute, November 2021
12. Global Methane Pledge, November 2021
13. Climate Watch, 'Agriculture Climate Change Data' (accessed March 2021) Agriculture Climate Change Data | Climate Watch (climatewatchdata.org/sectors/agriculture)
14. European Environment Agency, March 2020 National action across all sectors needed to reach greenhouse gas Effort Sharing targets — European Environment Agency (eea.europa.eu)
15. OECD, 2019
16. European Parliament, 'The Common Agricultural Policy in figures', (accessed March 2021) The Common Agricultural Policy in figures | Fact Sheets on the European Union | European Parliament (europa.eu)
17. Companies were selected by first applying our Climate Impact Pledge scores to 15 'climate critical' sectors within the MSCI ACWI index and identifying those with the lowest scores relative to their market cap size. From this group, companies were selected following consultation by climate and sector experts in our Investment Stewardship and Active investment teams.
18. https://lewispugh.com/
19. LGIM internal data as at 31 December 2021 and IPE 2021. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong. The AUM includes the value of securities and derivatives positions.
20. For this first interim target, LGIM has excluded government securities and derivative assets due to the lack of clear industry methodologies to account for these asset classes. As a result, the 70% target that LGIM has set to be managed in line with net zero covers eligible asset classes only. We will be reviewing our target every two years, taking into account developments across our client base and the markets in which we operate.
21. Carbon dioxide, methane, nitrous oxide and three groups of fluorinated gases
22. IEA, https://www.iea.org/reports/global-energy-co2-status-report-2019/emissions
23. Average abundance of 20,811 populations representing 4,392 species monitored across the globe. The white line shows the index values and the shaded areas represent the statistical certainty surrounding the trend. WWF & ZSL, 2020
24. World Economic Forum, 2020
25. European Parliament, 'Biodiversity loss: what is causing it and why is it a concern?' June 2021 Biodiversity loss: what is causing it and why is it a concern? | News | European Parliament (europa.eu)
26. Race to Zero, November 2021 DFF-Commitment-Letter-.pdf (unfccc.int)
27. The four companies currently divested from a range of LGIM funds are Hormel*, Sysco*, Loblaw* and China Megniu Dairy*. For more information on LGIM's Climate Impact Pledge see: https://www.lgim.com/landg-assets/lgim/_document-library/responsible-investing/climate-impact-pledge-brochure-uk-eu-2021.pdf
28. LGIM, 15 February 2022

29. MajorityAction, 2022
30. Climate Action 100+, www.climateaction100.org/about
31. Voting instructions for our main FTSE pooled index funds.
32. Majority Action, 'Equity in the 2021 Board Room', 2021
33. Voting instructions for our main FTSE pooled index funds.
34. Or most senior member of the board or nomination committee chair, depending on the company's board structure
35. Source: LGIM, 2021. Votes represent voting instructions for our main FTSE pooled index funds which include approximately 500 Japanese holdings.
36. Source: LGIM, 2020. We would have voted against 11 companies, but one company had no directors up for election in 2020.
37. TOPIX100 companies with no women on the board as of December 2021 include: Canon*; Shin-Etsu Chemicals*; Sumitomo Realty & Development Co*); and Central Japan Railway*
38. Food and Agriculture Organization of the United Nations, 'Water pollution from agriculture: a global review', 2017 http://www.iwmi.cgiar.org/Publications/wle/fao/water-pollution-from-agriculture-a-global-review.pdf
39. Living Wage Foundation, November 2021 https://www.livingwage.org.uk/news/real-living-wage-increases-%C2%A39.90-uk-and-%C2%A311.05-london-cost-living-rises
40. Currently excluding Japan, due to the unique features of this particular market.
41. Voting instructions for our main FTSE pooled index funds
42. Source: LGIM, 2021. Votes represent voting instructions for our main FTSE pooled index funds which include approximately 500 Japanese holdings.
43. Eli Lilly, May 2021, 36dd70cf-8b74-4c13-a723-04e1ccbc1ba2 (lilly.com)
44. Gilead Sciences, May 2021, 0cde6567-abdb-41d2-a604-8a987c6892f3 (gilead.com)
45. In those funds where we may make such exclusions.
46. AT&T; Biogen; General Electric; Halliburton; Howmet Aerospace; International Business Machines (IBM); Intel Corporation; Marathon Petroleum; Norwegian Cruise Line; Paycom Software; Prologis; Phillips 66; PTC; Starbucks; Skyworks Solutions; TransDigm Group; Walgreens Boots Alliance (source: Glass Lewis)
47. Across all assets under management. Voing data on P101- 107 represents voting instructions for our main FTSE pooled funds
48. In 2021 we enabled voting in the following additional markets: Bahamas, Bahrain, Bangladesh, Estonia, Faroe Islands, Kazakhstan, Kenya, Marshall Islands, Morocco, Nigeria, Puerto Rico, Sri Lanka, Vietnam
49. LGIM currently only provides client voting within one pooled fund for a small selection of clients, which is a legacy process that is no longer offered to any existing or new clients. LGIM is working with other industry participants in seeking to help improve voting processes and will keep market developments in this area under review
50. Excludes all funds not voting in line with the LGIM vote policy and that are subject to their own voting instructions
51. Currently excluding Japan, due to the unique features of this particular market.
52. In main pooled FTSE index funds
53. Since launching the platform in June 2020 as a pilot up to January 2022
54. This is done through quarterly due diligence meetings with ISS and annually for other providers.
55. These are discussed as and when necessary, and also in weekly vote meetings.
56. Past performance is not a guide to the future

Contact us

For further information about LGIM, please visit lgim.com or contact your usual LGIM representative

Key risk

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

Reference to a particular security is for illustrative purposes only, 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.

Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

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