

Active ownership: 2023

Engagement that matters

Active ownership means striving to create sustainable value for our clients. Our annual report details how we achieved this in 2023.



Working on behalf of our clients, we undertook a vast array of engagement activities in 2023. We have a duty as a responsible investor to consider how best to use our influence on behalf of our clients and our shared purpose knits together the many strands of our work – creating a better future through responsible investing.

Michelle Scrimgeour
CEO, Legal & General
Investment Management



2023 in numbers



£378.1bn¹

The amount of **assets** we manage in responsible investment strategies



17

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



148,794²

The number of **resolutions worldwide** on which we voted



3,713

The number of shareholder-proposed resolutions we voted on globally



2,050³

The number of companies our Investment Stewardship team engaged with



3

The number of LGIM co-filed shareholder proposals that were voted on during the 2023 AGM season

Note: This document reports on LGIM's stewardship activities during 2023. Unless otherwise stated, all information, data and graphical depictions provided that are not referenced are based on LGIM internal data as at 31 December 2023.

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.

1. As at 31 December 2023. 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. LGIM's total AUM (on the basis of client direct investments and excluding any double count from fund of fund holdings, and including the value of securities and derivatives positions) at this date was £1.159 trillion, meaning responsible investment strategies represented approximately 33% of the total.
2. Across all assets under management. Voting data in the Voting statistics by region section represents all votes cast by LGIM in each fund in line with our Corporate Governance & Responsible Investment Policy in the 12-month period to 31 December 2023..
3. For a breakdown of engagement topics and figures, please see page 5 of this report.

We believe...

...engagement with consequences is the best way to deliver long-term, systemic change on a global scale.

At the start of 2023, we finalised our six 'super themes' for engagement. Here's a summary of our activity within those themes:

1. Climate

- Under our [Climate Impact Pledge](#), some 300 companies were identified by our quantitative assessment for voting sanctions due to not meeting our minimum standards
- In 2022/23, we almost doubled the number of companies we engage with directly under the Pledge to over 100; these are companies we believe can be 'dial-movers' on climate action in their sectors, given their size and potential to galvanise action

2. Nature

- In 2023, we updated our [Deforestation Policy](#) and engaged with over 160 companies on the topic; this was the first year we applied specific deforestation vote sanctions
- During the year, we were involved in multiple engagements with the UK's key water companies, their major shareholders and industry regulators

3. People

- In 2023, we completed our expanded engagement campaign on ethnic diversity, and continued to engage with large-cap UK and US companies on gender diversity of their executive leadership teams
- We started a focused engagement campaign on the living wage with a clear escalation strategy to encourage 15 global food retailers to reduce income inequality within their operations and supply chains
- In December 2023, we published our first [Human Rights Policy](#)





4. Health

- Almost 20% of shareholders at McDonald's* supported our co-filed resolution on antimicrobial resistance (AMR)
- During 2023, we intensified our collaborative engagements on nutrition with multinational Nestlé*

5. Governance

- In 2023, we applied 265 votes against US companies with dual-class share structures
- As debate over UK pay competitiveness gathered pace, we clarified our stance on [UK](#) and [US](#) pay in our Regional Executive Remuneration Policies; globally in 2023 we opposed 52% (2022: 56%) of all management-proposed pay-related proposals in 2023, due to the companies not meeting our minimum standards for fair and appropriate long-term performance-based pay.

6. Digitisation

- In 2023, [we published our expectations](#) of companies on artificial intelligence (AI). Our focus is on the governance aspects of AI, particularly how companies manage risks and opportunities, and improve transparency
- We engaged with the four largest US tech firms (Alphabet*, Apple*, Meta* and Microsoft*) that are building AI systems as products

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

2023 Investment Stewardship team engagement



2,500
number of
engagements



364
Meetings/calls

Most frequently discussed topic
Climate change



2,136
Written



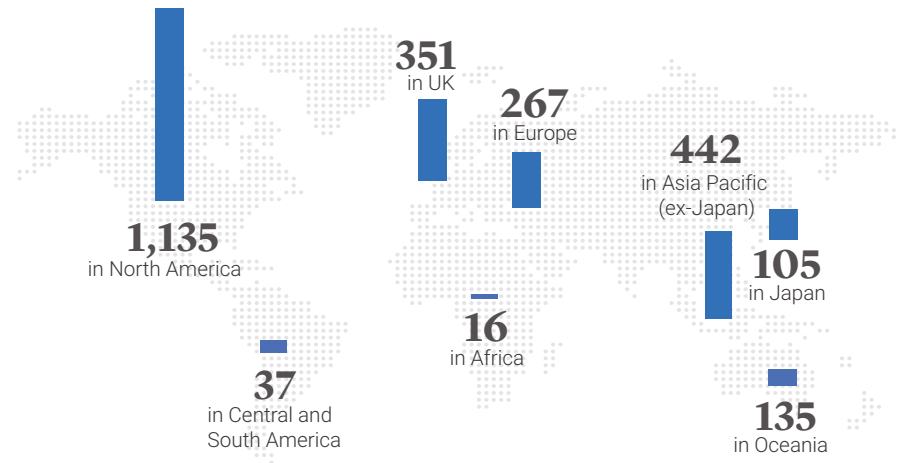


Breaking down the engagement numbers

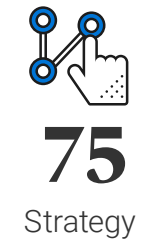
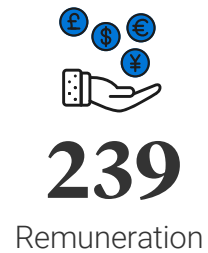
Breakdown of engagement by themes*



Regional breakdown of engagements



Top five engagement topics*



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

Awards

Achieving industry and peer approval

We always aim to produce industry-leading work (see awards on this page in recognition of our successes), but we are not complacent about our achievements. External validation and oversight keep us on our toes and propels us forward to keep improving.



ESG INVESTOR
OF THE YEAR



Recognition from third parties in 2023:

- Received a 5* ranking from the UN PRI for five modules: Policy governance and strategy, Passive equity, Real estate, Fixed income (SSA) and Fixed income (corporate)¹
- A rating from ShareAction for our approach to responsible investment²
- A+ climate stewardship score from Influence Map³
- Recognised by Majority Action for our leadership in using proxy voting to hold the directors of companies vital to the net zero transition accountable for ensuring their operations and business models are in alignment with 1.5°C-aligned pathways⁴
- Recognised by ShareAction for our proactive voting, despite being predominantly an index manager⁵
- Maintained 'Advanced' ESG Commitment score in the latest Morningstar analyst review
- ESG Identity Asset Manager Assessment

We also won the following industry awards for our efforts in responsible investing:

- Pensions Age Awards – [Sustainability Provider of the Year](#)
- City A.M. Awards – [ESG Investor of the Year](#)
- Salone dello SRI – [Corporate ESG Identity](#)
- Salone dello SRI – [ESG Asset Management](#)

Awards should not be considered a recommendation. 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.

1. PRI summary scorecard 2023, January 2024.

2. ShareAction, Point of No Returns 2023: Part I – Ranking and General Findings, February 2023.

3. InfluenceMap, Asset Managers & Climate Change 2023, August 2023.

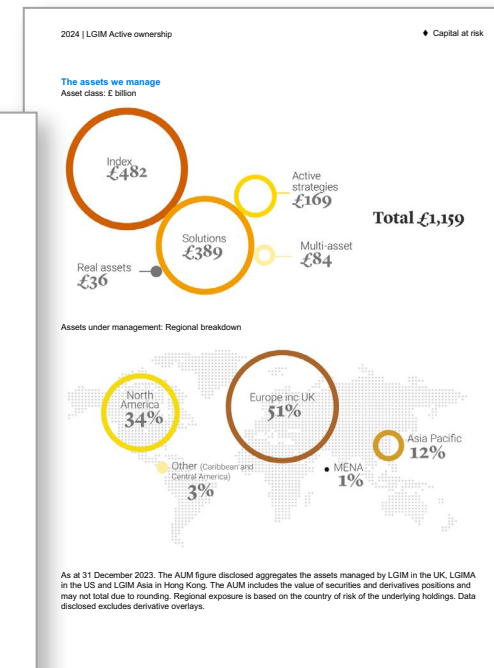
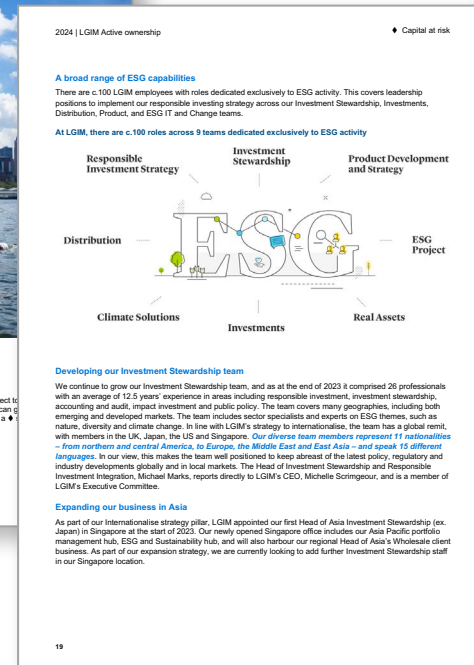
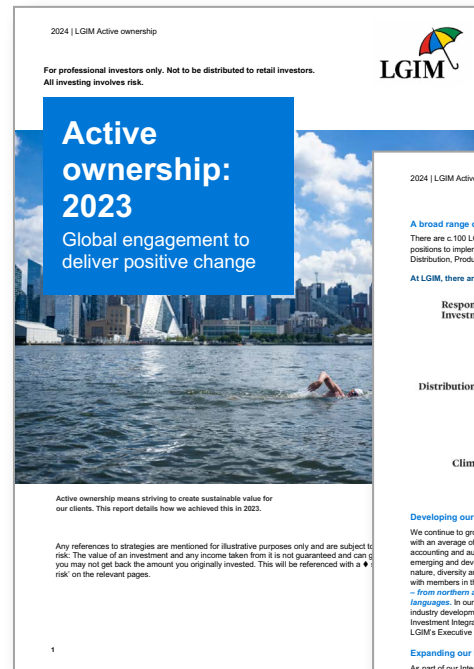
4. MajorityAction, Climate in the Boardroom, 2023.

5. ShareAction, Voting Matters 2023, 2023.

The full report

To read more about LGIM's active ownership in 2023, including many more examples of where we have helped to deliver positive change, please see the full version of this report by visiting our website: www.lgim.com/activeownership

You can also read regular updates from the Investment Stewardship team on the LGIM blog and hear interviews with them on LGIM Talks, our podcast channel.



Contact us

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



Key risk

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