

Q1 2022

ESG Impact Report

Global engagement
that aims to deliver
positive change

Foreword

Russia's invasion of Ukraine during the first quarter of 2022 has shocked the world. Our thoughts are with the Ukrainian people and all those affected by the conflict.

From an investment stewardship perspective, we are engaging with the companies impacted – as we would in the event of any situation that has a material impact, whether manmade or natural. We are discussing a broad range of issues which include, for example, the treatment of employees, management of supply chains and adherence to sanctions and due diligence. Regarding voting, we will continue to operate in line with global sanctions, and will be looking to work with regulators globally to understand their longer-term approach to the exercise of voting rights at affected companies.

This is a sensitive and complicated topic; the asset management industry needs to strike an appropriate balance for our investors and for the countries and companies in which we invest. We have been working hard to ensure we're engaging with all of our stakeholders in many different ways, and keeping our clients informed through our [blogs](#), webinars and [podcasts](#).

We believe stewardship encompasses all aspects of E, S and G and that none of these areas is static. Our focus five years ago was very different to where it is today. And this evolution will continue. As we move forward, through our research and our dialogue with companies, peers and policymakers, we aim to help LGIM achieve its purpose of creating a better future through responsible investing.

Kurt Morriesen
Head of Investment Stewardship



We believe stewardship encompasses all aspects of the E, the S and the G – and that none of these areas is static.

Our mission

We aim to use our influence to ensure:



1. Companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking



2. Markets and regulators create an environment in which good management of ESG factors is valued and supported

In doing so, we seek to fulfil LGIM's purpose: to create a better future through responsible investing.

Our focus

Holding boards to account

To be successful, companies need to have people at the helm who are well-equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks while seeking to benefit from emerging opportunities. We aim to safeguard and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that can deliver long-term success.

Promoting market resilience

As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. In doing so, we believe companies should become more resilient to change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change.



Action and impact

In preparation for the 2022 proxy voting season, which will gather pace in the second quarter, we have been focusing on areas where we are raising our expectations of companies and strengthening our voting policies. We would also draw readers' attention to the shareholder resolutions noted in the "Governance" section of this edition, and to emphasise their importance as a tactical strategy for escalating engagement with companies.



Environmental | Social | Governance

ESG: Environment

Say on Climate: our expectations of companies' climate transition plans

In 2022, we are setting out our criteria for supporting management-proposed climate transition plans. We want to encourage companies to put forward credible and ambitious plans, and to avoid submitting half-baked proposals to a vote.

Climate change is one of the defining issues of our time, and we believe it is a financially material risk for companies, and that it is unrestrained by sector or geographical borders. Having strengthened our Climate Impact Pledge to expand its reach to around 1,000 companies and to raise our expectations of what we believe companies should be aiming for, last year we publicly called on companies to propose a 'Say on Climate' vote. We voted against several high-profile proposals in the 2021 AGM season where we believed that the plans proposed were not sufficiently robust or credibly aligned with net zero. This year, we have reinforced and clarified what we expect from companies.

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



Climate transition plans 2022: our expectations

Communicating our expectations to companies and explaining how we will apply our voting policy are crucial to both the effectiveness and credibility of our stewardship engagement. We aim to be as clear as possible, and we expect all climate transition plans to include the following:

- A public commitment to net zero by 2050;
- Disclosure of short-term (up to 2025), medium-term (2026-2035) and long-term (2036-2050) targets covering scope 1 and 2 emissions and material scope 3 emissions;
- Disclosure of current scope 1, 2 and material scope 3 emissions;
- Credible targets that are aligned to a 1.5°C trajectory. Gaining approval and verification by SBTi (or other external independent parties as they develop) can help demonstrate the credibility and accountability of plans.

Raising the bar

From 2023, we will increase the pressure on companies that fail to put suitably ambitious and credible transition plans to a shareholder vote by filing shareholder resolutions. This action is likely to be in conjunction with [Climate Action 100+](#), an investor-led initiative that aims to ensure the world's largest corporate greenhouse-gas emitters take necessary action on climate change.

Turning up the heat: adapting to a warmer world

Many of our readers will have seen the recently released IPCC (Intergovernmental Panel on Climate Change) report, [Climate Change 2022: Impacts, Adaptation and Vulnerability](#), which we have summarised on our [blog](#). In addition to taking action to reduce greenhouse gas emissions, we believe that both action and investment are required to adapt to a warmer world: from everyday living to buildings, infrastructure and energy, current financial flows remain insufficient to overcome the scale of global adjustment required to mitigate these risks.

As stewards of our clients' assets, we have long asked investee companies to assess not only transition risks, but also how they and their supply chains stand to be affected by the physical impacts from climate change. Through our [Climate Impact Pledge](#), we hold companies to account on both disclosure and action, while analysing climate risks in our own portfolios; our [Destination@Risk toolkit](#) allows us to quantify the impacts of chronic physical risk from changes in labour productivity on our asset valuations. By acting on these risks, we believe investors can help encourage the climate resilience of portfolio companies, as well as channelling investment towards adaptation solutions.

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Companies are increasingly being challenged and held to account for their own policies and programmes to tackle deforestation.

Brazil: protecting the Amazon

The destructive impact of deforestation has become increasingly prominent over recent years – tragic forest fires, particularly on the East Coast of the US and in Australia have focused attention on the devastating environmental impacts of the loss of forests.

When it comes to commodity-driven deforestation, we know this must end if we are to tackle the dual threat of climate change and biodiversity loss. Companies are increasingly being challenged and held to account for their own policies and programmes to tackle deforestation in direct operations and supply chains, and through financing and investment.

1. [Environment will launch new edition of the Guardians of the Biome program - ISTOÉ DINHEIRO - Pledge Times](#)
[Ethnic diversity on boards: results and reflections on our campaign so far \(gimblog.com\)](#) All data in this section as at 17 March 2022.

But deforestation is not just a company issue: national policymakers have a significant role to play through the development and enforcement of appropriate regulation. As part of our ongoing work as a member of the [Investors Policy Dialogue on Deforestation](#), we recently joined a meeting with the Brazilian Environment Ministry where we received an update on current and upcoming projects and plans to tackle deforestation in Brazil. We were encouraged to hear of the launch of a special environmental task force, ‘Guardians of the Biome’, with 10 physical bases within the Amazon basin, where 1,200 agents and officials will work in partnership with the state government.¹ Targeting illegal logging and other types of environmental crime linked to deforestation, this taskforce will be coordinated by the Ministries of Environment, Justice and Public Security. In addition to the current satellite images that are being used to monitor suppression of vegetation and deforestation, the ministry will be launching a monitoring system and will work on developing deforestation datasets.



Environmental | Social | Governance

ESG: Social

Ethnic diversity: welcome onboard!

Ahead of the 2022 proxy voting season, we reassessed the data from our ethnic diversity campaign, which we began in August 2020.² Our campaign was targeted specifically at FTSE 100 and S&P 500 companies with no ethnic diversity on their boards and our aim was to encourage them to appoint at least one ethnically diverse director by the end of 2021. In writing to these individual companies to express our views, we explained that from 2022, we will be [voting against](#) the chair of the nomination committee of those US companies, or the chair of the board of those UK companies, which fall short of our expectations on ethnic diversity. Having identified 79 companies initially, what follows is more detail on the improvements we've seen.

² [Ethnic diversity on boards: results and reflections on our campaign so far \(lgimblog.com\)](#) All data in this section as at 17 March 2022.



51 out of **79** companies appointed at least one ethnically diverse director



47% newly appointed directors were female and 53% male



Out of the 79 original companies, **15** were incorrectly listed by third-party data providers as having no ethnic diversity on their boards, which has now been corrected



65% newly appointed directors hold no other board positions; 20% hold one other, and 15% hold two or more



29% were under the age of 50, 46% were 50-60 and 25% were 60-70 years old



Out of an initial 79 companies, we expected to vote against just **7**

We believe that improving diversity in all its forms is financially material; we believe more diverse organisations make better strategic decisions, show superior growth and innovation, and exhibit lower risk. The improvement in diversity at these 51 companies is of course not the sole result of our campaign – market influence and collaboration are vital cogs in the machinery of driving change. The [Nasdaq board diversity](#) rule, which received approval in August 2021, and Institutional Shareholder Services’ (ISS’s) update of its [proxy voting policy](#) to include a position on board diversity, are both significant steps which not only demonstrate how important the issue of ethnic diversity is becoming, but also demonstrate a clear market shift. As part of our collaborative stance, we have shared our ethnic diversity policy not only with our campaign focus companies but also with peers, clients and broader diversity coalitions such as the [30% Club](#), which has also recently updated its own policies to include ethnic diversity.

This campaign also reminded us of the importance of data, both in terms of accuracy, and in terms of really understanding what we are being shown. We were meticulous in confirming the accuracy of data with companies – ethnic diversity data can be both sensitive and elusive. Nevertheless, the data we obtained from ISS was for the most part reliable; instances where it was found to be inaccurate were often down to the methodology of data collection, and the location and type of company disclosure. We are acutely aware of the key role of transparency and disclosure when it comes to stewardship and will be closely observing how data quality from our third-party sources evolves and improves.

In addition to implementing our [ethnic diversity voting policy](#), we will continue to expand our focus to include more companies and more countries; our first campaign was the tip of the ethnic diversity iceberg and, as with gender diversity, we would expect many more engagements and deeper discussions to emerge over time.

We believe that improving diversity in all its forms is financially material; we believe more diverse organisations make better strategic decisions, show superior growth and innovation, and exhibit lower risk.



Keidanren: speaking at the Japan Business Federation

At LGIM, our goal is to create a better future through responsible investing, and we take our responsibility as asset owners very seriously.

We were delighted that our CEO Michelle Scrimgeour was invited to give the keynote speech for [Keidanren](#), the Japan Business Federation, at their High-Level Symposium in January 2022. Keidanren has a membership of over 1,400 representative companies in Japan, 109 nationwide industrial associations, and regional economic organisations for the 47 prefectures. As a ‘comprehensive economic organisation’, its aims are to contribute to the sustainable development of the Japanese economy and improvement in the quality of life for Japanese society.³

Michelle’s speech on *How financial institutions can contribute to realise a sustainable society through innovation* explained our vision of inclusive capitalism and how our integrated stewardship and investment activities are designed to aim for a better society. She also referenced the teaching of *sampō yoshi*, first used by the Omi merchants of the Edo period,⁴ who believed that business should benefit society as well as the buyer and seller in any transaction. To be invited to speak at Keidanren’s symposium was a privilege, and to be able to share LGIM’s views with some of the CEOs of leading companies in Japan was a great recognition of how far we have come, and provided encouragement regarding the resonance of our stewardship aims and activities in Japan. Michelle was joined by Nigel Wilson, CEO of L&G, and the video of the speech can be viewed on our [Japan website](#).



3. Figures and summary of the Keidanren’s aims sourced from Keidanren’s [website](#) on 07 April 2022

4. 1603-1867, a period which also saw the creations of some of the best-known works of Japanese art, including Hokusai’s [The Great Wave](#).



Thematic update: AMR by the GRAM!

Antimicrobial resistance (AMR) is one of our global engagement themes: The [World Health Organisation](#) (WHO) describes AMR as one of the top 10 global public health threats facing humanity today, and as a global investor across multiple asset classes, LGIM is exposed via multiple sectors from healthcare and pharmaceuticals, to travel and leisure.

As part of our ongoing research and engagement in this field, we joined the official launch of the findings of the Global Research on Antimicrobial Resistance Findings group ('GRAM'), (Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis) which was published in [The Lancet](#) medical journal in January 2022. Collaborations with experts are a crucial part of our engagement activities: they help us build knowledge and a network of supporters, and they help us to have more in-depth and detailed conversations with companies and policymakers to identify potential areas of risk, and to formulate solutions.

AMR will continue to be an area of focus for us throughout 2022 and beyond. Like all of our global engagement themes, it is very much a long-term issue but as has become so clear with topics such as climate change, taking early action on long-term problems is vital for creating a sustainable future.

Significant vote

ISIN	US0378331005
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Company name	Apple Inc*
Market Cap	\$2.845 trillion, as at 06.04.2022. Source: Reuters
Sector	Information technology (MSCI sector)
Issue identified	Human rights and freedom of association are coming under increased scrutiny in the US, and we are increasing our engagement in this field.
Summary of the resolution	This was a shareholder resolution for a Civil Rights Audit Report.
How LGIM voted	We voted FOR the resolution (i.e., against management)
Rationale for the vote decision	A vote in favour was applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies. LGIM engaged with the company prior to the annual meeting and communicated our policies and how we were likely to vote.
Outcome	53.55% of the votes were in favour of the resolution. Apple shareholders have generally sided with management in recent past. The reversal of that trend for such a proposal indicates a shift in preferences amongst shareholders and highlights the potential impact such resolutions can have in the future. We will continue to engage with Apple* on this topic to track what changes are made in response to this resolution and the effects of such changes.
Why is this vote 'significant'?	This was a high-profile vote which has a degree of controversy such that there is high client and/or public scrutiny.

*Case study shown for illustrative purposes only. Reference to a particular security is on a historical 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.



Amazon*: human rights and freedom of association

Over the last year, we have engaged with Amazon* five times, independently and collaboratively, to discuss the company's approach to, and policies on, human rights. The shareholder resolution that LGIM supported at the company's AGM in 2021 asked for a civil rights, equity, diversity and inclusion audit report, and gained 45% support from shareholders. Ahead of another AGM season, where we expect to see a number of shareholder proposals on Amazon's ballot relating to social issues, we engaged with the company to make some specific requests and to understand its latest progress on some key social topics.

Human rights

LGIM

Following the shareholder resolution in 2021, we asked how the company plans to improve its disclosure and transparency on civil rights, equity, diversity and inclusion.

Amazon

Amazon explained that its recently published Human Rights Impact Assessment (HRIA) fulfils this demand, which sets out the '[salient human rights risks](#)' they have identified.

LGIM

We questioned whether there would be reporting against these identified risks.

Amazon

Amazon explained it has recently published its first report on its [Commitment to Safety, Health, and Well-Being](#), and is currently working on reporting on the areas of Right to Privacy and Product Safety and Security. In mid-March 2022, the company published its [human rights commitment](#), policy and practice, including freedom of association and collective bargaining. However, it was unclear whether there will be further reporting on its other findings or indeed the process undertaken and frequency of the assessment.

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Freedom of association

One of the risks identified by the company in its HRIA is Freedom of Association. Last year, we reported that Amazon* had been accused of interfering with efforts by its workers to unionise.⁵ This activity has since been investigated and, following a decision by the US National Labor Relations Board Region (NLRB) that declared Amazon's* conduct to be inappropriate and not in line with International Labour Organisation (ILO) standards, it was deemed that a new election should be conducted on 4 February 2022 and concluded at the end of March 2022.⁶

LGIM

Notwithstanding the result of this election, we requested, in a second collaborative letter we signed in January 2022, that the company:

- Immediately adopt a global policy of neutrality;
- Should a majority of the voting employees vote for the union in Bessemer, commit to negotiate with the union in good faith; and
- Initiate dialogue with the relevant trade unions at a national and global level on how Amazon can implement its labour rights commitments.

Amazon

However, the company argued that it currently adheres to all ILO standards on freedom of association and pointed us to the disclosure referenced above.

5. [ESG impact report Q1 2021 \(lgim.com\)](#)

6. NLRB calls new election at Amazon warehouse - The Washington Post

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Gender/racial pay gap

LGIM

A report for additional information on the company's gender/racial pay gap was also requested at the 2021 AGM; we supported this, and it gained 35% support from shareholders. We asked the company about its intentions to provide this information, given the significant level of support from shareholders.

Amazon

However, the company does not believe this information provides anything that is not already provided in its workforce data breakdown and therefore has no plans to disclose this information.

LGIM

We pressed for such reporting, explaining that it is an effective way for investors to assess how a company is thinking about how to attract, retain, engage and advance more women and minorities up through the talent pipeline.

We will be engaging with the company ahead of its AGM in May 2022 on all of these issues and more, asking for improvements in practices and disclosure.

ESG: Governance

Ahead of the proxy voting season in Q2 2022, we have decided to focus on shareholder resolutions in this section of the report. Shareholder resolutions are part of our engagement strategy and as we prepare for this year's set of AGMs, we provide more detail and some recent case studies to shine a light on this area of engagement.

Why might we consider filing a shareholder resolution?

Our engagement process with companies is structured: we have a number of different 'levers' we can pull to escalate an issue – depending on the company and depending on the topic, we will use a different selection. Filing such a resolution puts pressure on a company and encourages them to discuss and resolve issues with us, and to propose and take actions, in order to avoid the topics raised being included on their AGM agenda and potentially being put to a shareholder vote.

We are approached on a regular basis by shareholder organisations about filing shareholder resolutions on a range of topics – we consider each of these requests on an individual basis, comparing the resolution demands against our own views and policies, and considering the alignment with our global themes and engagement programmes. As a consequence, we do not agree to co-file every resolution that comes our way, but where we have filed or collaborated on select proposals, we have found that they have been an effective means of escalation. This engagement demonstrates the value of working individually with companies and identifying when escalation will help achieve a result.

⁷ [About us – Sainsbury's \(sainsburys.co.uk\)](#)

⁸ [Sainsbury's lifts pay after shareholder pressure - BBC News](#)

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In the following section, we provide a set of recent examples to illustrate why we may or may not file or co-file a shareholder resolution, how it can help to escalate our engagement.

Sainsbury's*: co-filing a shareholder resolution

LGIM, together with [ShareAction](#), other asset owners and asset managers, has co-filed a shareholder resolution calling on Sainsbury's to become a [living-wage accredited](#) employer by its AGM in 2023. With over 600 supermarkets, more than 800 convenience stores, and nearly 190,000 employees, Sainsbury's is one of the largest supermarkets in the UK.⁷ Although Sainsbury's is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living-wage accredited.

LGIM decided to co-file this resolution because of Sainsbury's decision to split its London employees into 'inner' and 'outer' London, with those in 'outer' London paid less than the real living wage of £11.05 per hour ('outer' London employees were offered £10.50 per hour). Although the hourly rate differential appears small, when multiplied by the total hours worked, this would make a material impact on affected employees' ability to meet the demands of the cost-of-living crisis as inflation costs soar and the economy struggles to recover from the effects of the COVID-19 pandemic.

We are delighted to see that on 8 April, Sainsbury's announced that it would increase the wages of their 'outer' London employees to match their 'inner' London employees. Income inequality is one of our key global themes, and we will continue to engage on this topic with companies in the years ahead.

Moderna*: using a shareholder resolution to escalate our engagement

In our [Q4 2021 Impact Report](#), we summarised our ongoing engagement with Moderna, under the broader theme of fair access to COVID-19 medicines. This quarter, we are pleased to provide a further chapter to this engagement story!

The story so far: a brief recap

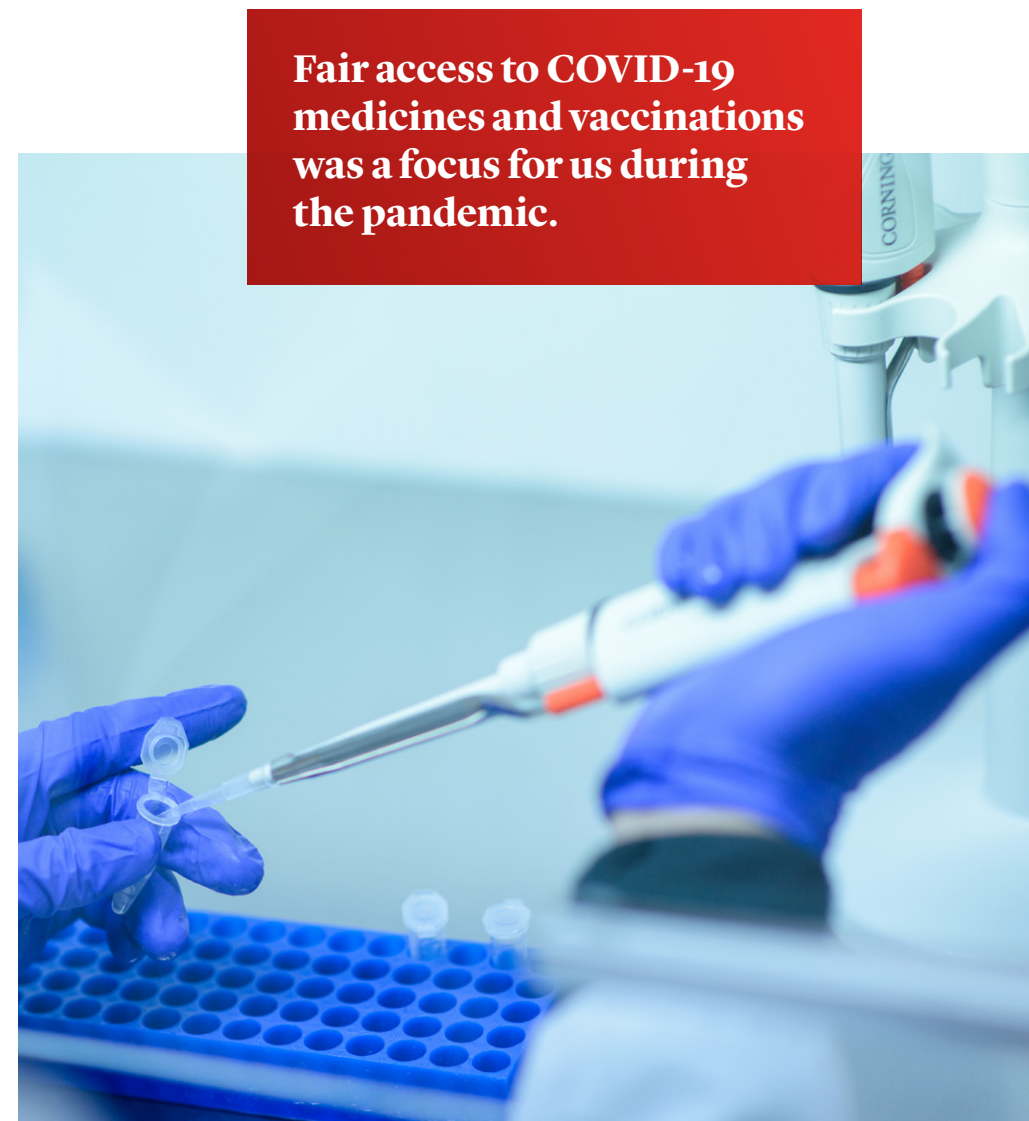
Fair access to COVID-19 medicines and vaccinations was a focus for us during the pandemic: in 2020, together with AXA Investment Management and the [Access to Medicine Foundation](#), we wrote an open letter to global pharmaceutical companies, asking them to undertake practical steps to accelerate research and development efforts and overcome potential barriers to rapid and widespread access to COVID-19 medicines and vaccines. These included sharing intellectual capital; working with governments across all levels of income, not just higher-income countries; and sharing manufacturing capacity. We also wrote individually to some of the largest pharmaceutical companies in the world to express our views.

Together with the [Interfaith Center on Corporate Responsibility](#) (ICCR), we worked on and led the filing of a shareholder resolution requesting that Moderna disclose how its receipt of government financial support for development and manufacture of COVID-19 vaccines is being considered when making decisions that affect access to such products, such as pricing.

What happened next?

Following our subsequent discussions and communications with the company, the management of Moderna agreed to meet many of our demands for greater transparency by publishing a report containing the information we had requested, prior to its forthcoming AGM. As a result, having worked with Moderna to improve their public disclosures, we were able to withdraw the shareholder proposal.

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Fair access to COVID-19 medicines and vaccinations was a focus for us during the pandemic.

Unilever*: deciding not to co-file a shareholder resolution

Nutrition is a key focus area within our overall health theme: it affects many market sectors in which our clients are invested, from the food industry to pharmaceuticals and healthcare. We are members of the [Access to Nutrition Initiative](#) (ATNI) which, via its [Global Index](#), assesses how the world's food and beverages manufacturers contribute to address malnutrition in all its forms. The Index ranks these companies with regards to governance and management; the production and distribution of healthy, affordable, accessible products; and how they influence consumer choices and behaviour.

We are also members of the [ShareAction Healthy Markets Initiative](#), which is specifically focussed on improving children's health by improving access to healthy, affordable food.

Unilever is a well-known consumer brand and market-leader across a variety of food products, operating in many countries around the world. Under ATNI's latest Global Index, Unilever's score had fallen. We co-signed a letter with other initiative members to Unilever, highlighting the areas which have been indicated for improvement, which included:

- products: the amount of revenue generated from "healthy" products and beverages, and questions over the discrepancy of this figure versus the percentage of products that Unilever states meets the highest global nutrition standards
- targets for affordability of healthy products
- applying "responsible marketing" to children under the age of 18 (not just under 12)
- transparency regarding targets to increase the volume of sales of healthy products

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In December 2021, ShareAction filed a shareholder proposal at Unilever asking first, that the company disclosure of the proportion of food and drink sales from healthier products be aligned with existing government-endorsed nutrient profiling models, and second, that the company set a strategy and targets in order to significantly increase this proportion in the longer term.

We decided against co-filing on this shareholder resolution. While agreeing with the overall purpose and aims of the resolution, we were not in complete alignment with some of the more granular details of the resolution. We met with the company several times during and after the filing of the resolution to understand its position, and to support the dialogue between ShareAction and the investor coalition filing the resolution. We were pleased with the outcome of these dialogues, which led to the withdrawal of the resolution in March 2022. We look forward to working with ShareAction, the investor coalition and Unilever on the company's commitments.

We will continue to engage and closely monitor the improvements being made here, as this is an area that affects the food and beverages sectors as a whole, that indirectly affects many different market sectors in which our clients are invested, and which is vital for long-term sustainability.



Public policy update

As a significant long-term global investor, including in sovereign debt, LGIM has a responsibility to ensure that markets operate efficiently, to protect the integrity of the market, foster sustainable and resilient economic growth, and protect the value of our clients' assets.

In this regard, LGIM engages at a macro level with policymakers and regulators across the world. LGIM focuses this policy dialogue on sustainability issues that it identifies as systemic risks, and the development of a robust international system of sustainable finance regulation. Opposite, we highlight a few examples over the past quarter.

LGIM engages at a macro level with policymakers and the regulators across world.



United Kingdom

LGIM continues to engage with stakeholders and the UK government on the development of sustainable finance regulation. Specific examples include, the development of the Sustainable Disclosure Requirements regime ([announced](#) by the Chancellor of the Exchequer last year), the UK Green Taxonomy, and the next steps for Green Finance Strategy.

LGIM is very supportive of the government's progress to date; however, we are keen to see harmonisation with other markets, namely the European Union. LGIM is also supportive of appropriate sequencing of regulation across the investment chain, particularly that the foundations for a transparent system – i.e., corporate disclosures – are both robust and first in the queue. We expect significantly more focus on UK Sustainable Finance regulation over the coming months.

LGIM has also engaged with: i) the government on strengthening support for energy efficiency measures in homes; ii) the Department for Environment, Food, & Rural Affairs (DEFRA) consultation on implementation of due diligence provisions in the Environment Act to help tackle [illegal deforestation in UK supply chains](#); and iii) stakeholders on strengthening policy on 'social' issues.

European Union

At the end of last year, LGIM and key stakeholders such as [FAIRR](#), [highlighted](#) that the proposals for the agricultural sector in the EU Taxonomy presented a serious risk for the transition to net zero and biodiversity loss. During this quarter LGIM met with an MEP to reiterate our concerns, however, this remains an issue to follow closely.

LGIM also [strongly supports](#) the recent release of the extended taxonomy report by the [Platform on Sustainable Finance](#). The report proposes the introduction of an 'amber', or transition, category, thereby providing investors with clear definitions as to what is truly, green, or what is still transitioning.

Japan

Following last year's COP26, LGIM has recently supported a [letter](#) (coordinated by the Investor Agenda) to the Prime Minister requesting that Japanese government strengthen its [Nationally Determined Contribution](#) (NDC) through setting out an actionable roadmap to phase out coal and expand investment clean energy technology.

United States

The United States continues to accelerate its focus on strengthening the regulatory environment to support ESG investing, encourage climate-related disclosures and, following the signing of the Global Methane Pledge at COP26, reduce methane emissions across the US. In this regard, LGIM and LGIMA engaged with the Environmental Protection Agency (EPA) on [controlling air pollution from the Oil and Natural Gas Industry](#). We highlighted four recommendations to the EPA: i) encouraging monitoring smaller wells below three tons per year, ii) strengthen rules to address routine flaring, iii) encourage use of zero-emitting pneumatic controllers, and iv) encouraging adoption of a reporting framework from which investors can utilise the data.

LGIM and LGIMA also engaged with the Securities Exchange Commission on the proposed rule on [Pay Versus Performance](#). The rule would amend executive compensation disclosure to compensation actually paid by a registrant related to the financial performance of that company. We were encouraged to see the proposals, and [in our feedback](#), we outlined four recommendations of how the rule could be strengthened. These were especially focused on payments i) being fair, balanced, and understandable, ii) promoting long-term decision making, iii) being accompanied by a full explanation, and iv) being in equity while employed and thereafter.

International

At an international level, LGIM has supported the [Business Call](#) and [Business Statement](#) that advocated for member states to establish a legally binding United Nations (UN) Treaty on Plastic Pollution at the UN Environment Assembly in late February. LGIM is pleased to see member support for the resolution that would create a robust treaty covering the 'full lifecycle' of plastic production, from production to disposal. LGIM will continue to engage with negotiations over the coming months.

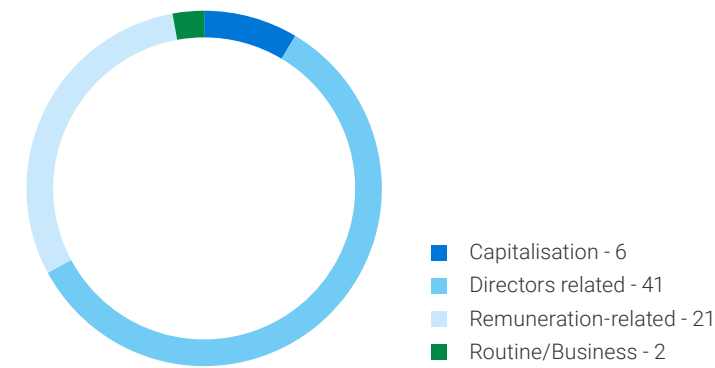
In light of Russia's invasion of Ukraine, LGIM and FAIRR have worked together to highlight the significant vulnerabilities in our interconnected food system. [In our recent blog](#), we are encouraging policymakers to reform agricultural programmes in a way that both delivers on climate change whilst delivering long-term food security. We are reiterating the importance of an often overlooked sector, and that agricultural policy is key to enabling a 'Just Transition' to net zero, minimising nature loss, and building a more robust, resilient and stable global food system.

Regional updates

UK - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	53	0	0
Capitalisation	276	6	0
Directors related	450	41	0
Remuneration related	90	21	0
Reorganisation and Mergers	23	0	0
Routine/Business	330	2	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	0	0	0
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	0	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	1222	70	0
Total resolutions		1292	
No. AGMs		75	
No. EGMs		32	
No. of companies voted		102	
No. of companies where voted against management /abstained at least one resolution		34	
% no. of companies where at least one vote against management (includes abstentions)		33%	

Votes against management



Number of companies voted for/against management



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

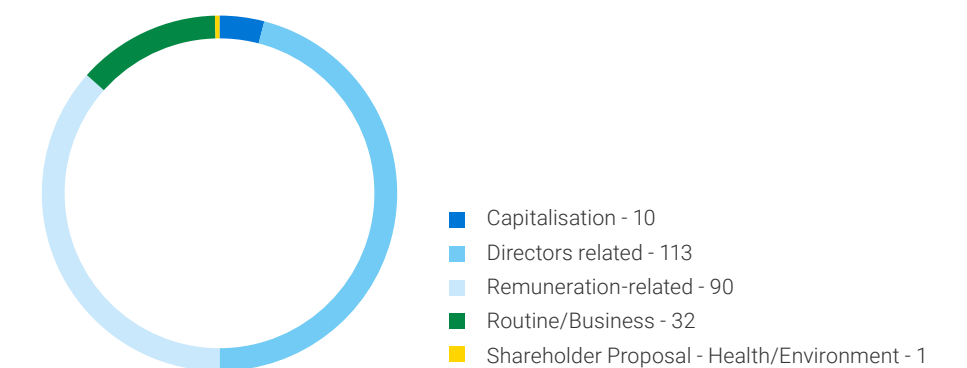
LGIM voted against at least one resolution at 33% of UK companies over the quarter.



Europe - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	1	0	0
Capitalisation	111	10	0
Directors related	481	113	30
Remuneration related	53	90	0
Reorganisation and Mergers	7	0	0
Routine/Business	413	32	4
Shareholder Proposal - Compensation	2	0	0
Shareholder Proposal - Corporate Governance	1	0	0
Shareholder Proposal - Directors Related	4	0	2
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	1	0
Shareholder Proposal - Other/Miscellaneous	2	0	0
Shareholder Proposal - Routine/Business	21	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	1096	246	36
Total resolutions		1378	
No. AGMs		69	
No. EGMs		4	
No. of companies voted		73	
No. of companies where voted against management /abstained at least one resolution		68	
% no. of companies where at least one vote against management (includes abstentions)		93%	

Votes against management



Number of companies voted for/against management



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

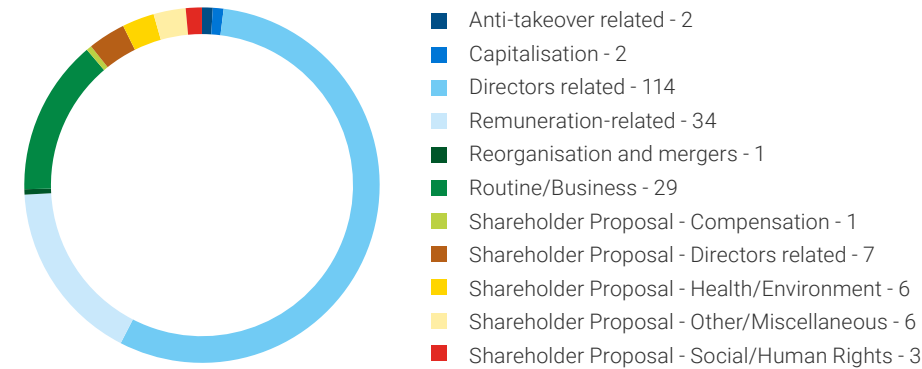
LGIM voted against at least one resolution at 93% of European companies over the quarter.



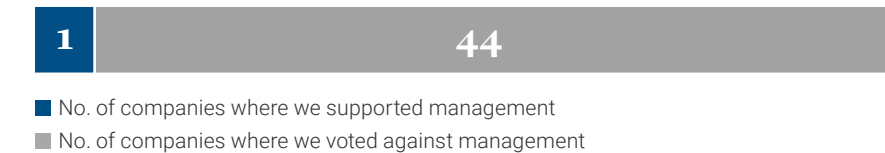
North America - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	1	2	0
Capitalisation	13	2	0
Directors related	292	114	0
Remuneration related	16	34	0
Reorganisation and Mergers	1	1	0
Routine/Business	33	29	0
Shareholder Proposal - Compensation	1	1	0
Shareholder Proposal - Corporate Governance	4	0	0
Shareholder Proposal - Directors Related	2	7	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	6	0
Shareholder Proposal - Other/Miscellaneous	2	6	0
Shareholder Proposal - Routine/Business	2	0	0
Shareholder Proposal - Social/Human Rights	0	3	0
Shareholder Proposal - Social	0	0	0
Total	367	205	0
Total resolutions		572	
No. AGMs		43	
No. EGMs		2	
No. of companies voted		45	
No. of companies where voted against management /abstained at least one resolution		44	
% no. of companies where at least one vote against management (includes abstentions)		98%	

Votes against management



Number of companies voted for/against management



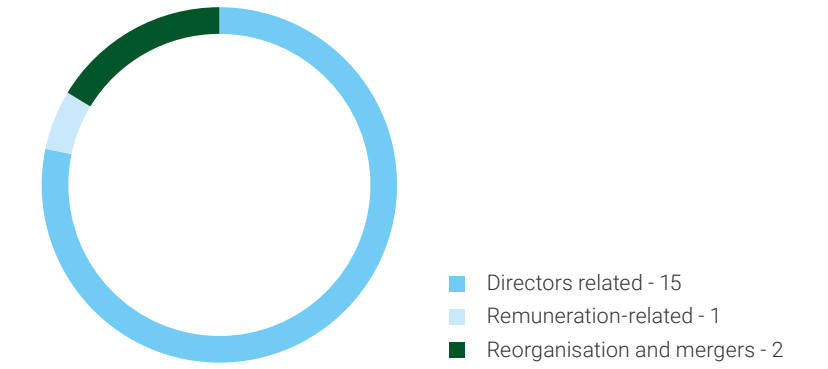
LGIM voted against at least one resolution at 98% of North American companies over the quarter.



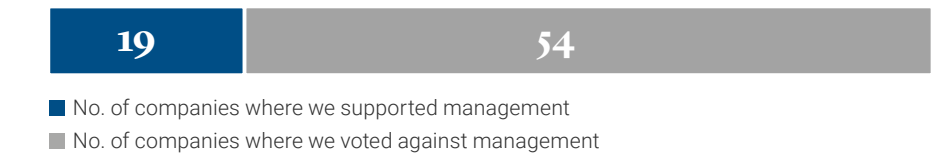
Japan - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	0	0	0
Directors related	581	72	0
Remuneration related	44	5	0
Reorganisation and Mergers	60	15	0
Routine/Business	48	0	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	1	0	1
Shareholder Proposal - Directors Related	0	0	0
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	0	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	734	92	1
Total resolutions		827	
No. AGMs		67	
No. EGMs		6	
No. of companies voted		73	
No. of companies where voted against management /abstained at least one resolution		54	
% no. of companies where at least one vote against management (includes abstentions)		74%	

Votes against management



Number of companies voted for/against management



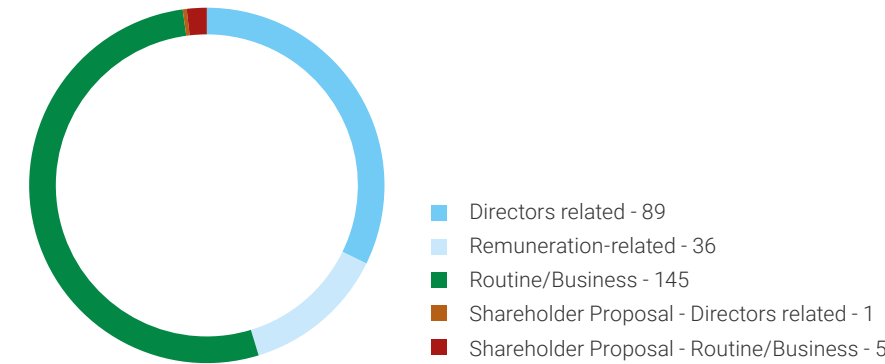
LGIM voted against at least one resolution at 74% of Japanese companies over the quarter.



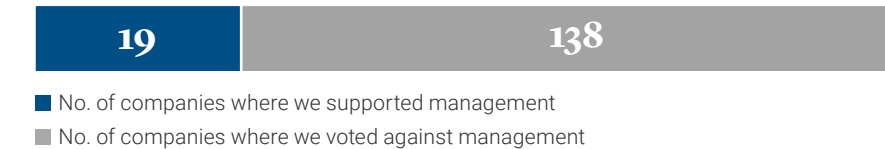
Asia Pacific - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	8	0	0
Directors related	406	89	0
Remuneration related	150	36	0
Reorganisation and Mergers	23	0	0
Routine/Business	249	145	1
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	7	1	0
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	4	5	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	847	276	1
Total resolutions		1124	
No. AGMs		147	
No. EGMs		19	
No. of companies voted		157	
No. of companies where voted against management /abstained at least one resolution		138	
% no. of companies where at least one vote against management (includes abstentions)		88%	

Votes against management



Number of companies voted for/against management

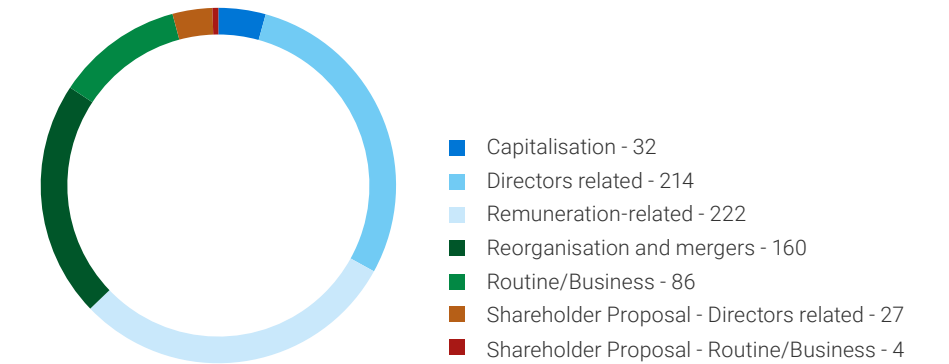


LGIM voted against at least one resolution at 88% of Asia Pacific companies over the quarter.

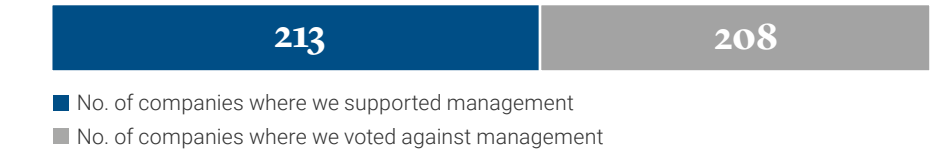
Emerging markets - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	497	32	0
Directors related	741	214	178
Remuneration related	70	222	0
Reorganisation and Mergers	397	160	0
Routine/Business	639	86	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	4	0	0
Shareholder Proposal - Directors Related	144	27	11
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	11	4	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	2503	745	189
Total resolutions		3437	
No. AGMs		106	
No. EGMs		346	
No. of companies voted		421	
No. of companies where voted against management /abstained at least one resolution		208	
% no. of companies where at least one vote against management (includes abstentions)		49%	

Votes against management



Number of companies voted for/against management

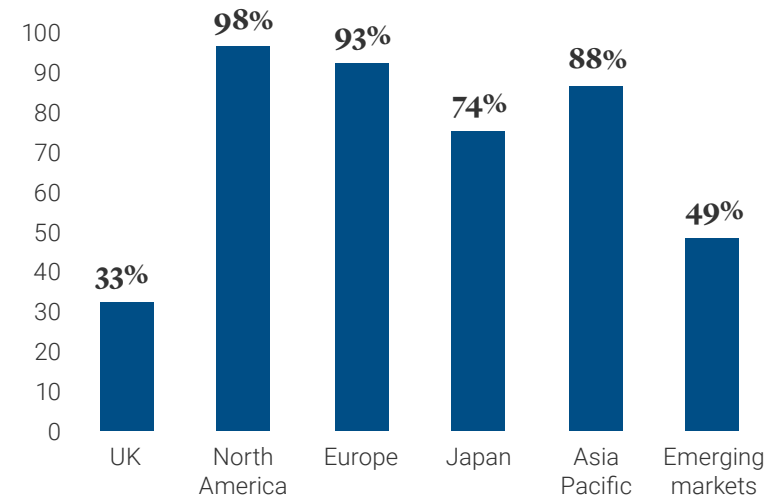


LGIM voted against at least one resolution at 49% of emerging market companies over the quarter.

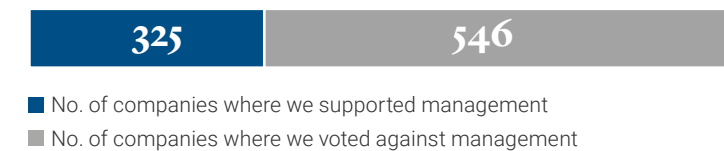
Global - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions	Total
Anti-takeover related	55	2	0	57
Capitalisation	905	50	0	955
Directors related	2951	643	208	3802
Remuneration related	423	408	0	831
Reorganisation and Mergers	511	176	0	687
Routine/Business	1712	294	5	2011
Shareholder Proposal - Compensation	3	1	0	4
Shareholder Proposal - Corporate Governance	10	0	1	11
Shareholder Proposal - Directors Related	157	35	13	205
Shareholder Proposal - General Economic Issues	0	0	0	0
Shareholder Proposal - Health/Environment	0	7	0	7
Shareholder Proposal - Other/Miscellaneous	4	6	0	10
Shareholder Proposal - Routine/Business	38	9	0	47
Shareholder Proposal - Social/Human Rights	0	3	0	3
Shareholder Proposal - Social	0	0	0	0
Total	6769	1634	227	8630
Total resolutions				8630
No. AGMs				507
No. EGMs				409
No. of companies voted				871
No. of companies where voted against management /abstained at least one resolution				546
% no. of companies where at least one vote against management (includes abstentions)				63%

% of companies with at least one vote against (includes abstentions)



Number of companies voted for/against management



Global engagement summary



In Q1 2022, the Investment Stewardship team held

158



engagements

with

126



companies

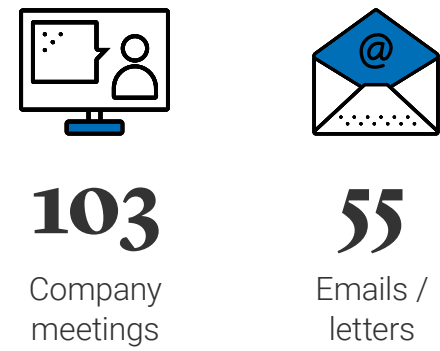
(vs. 273 engagements with 233 companies last quarter)

Breaking down the engagement numbers - Q1 2022

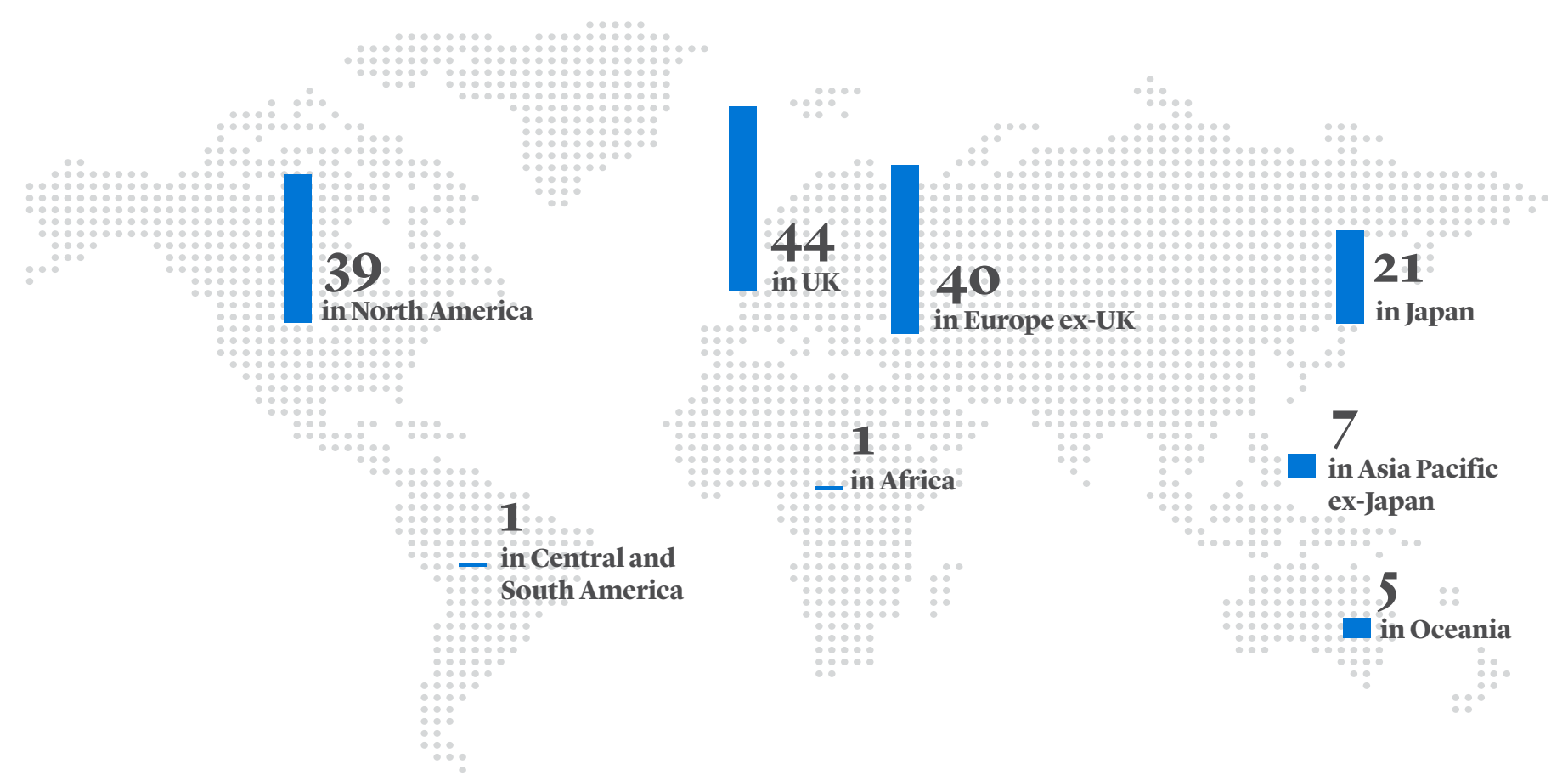
Breakdown of engagement by themes



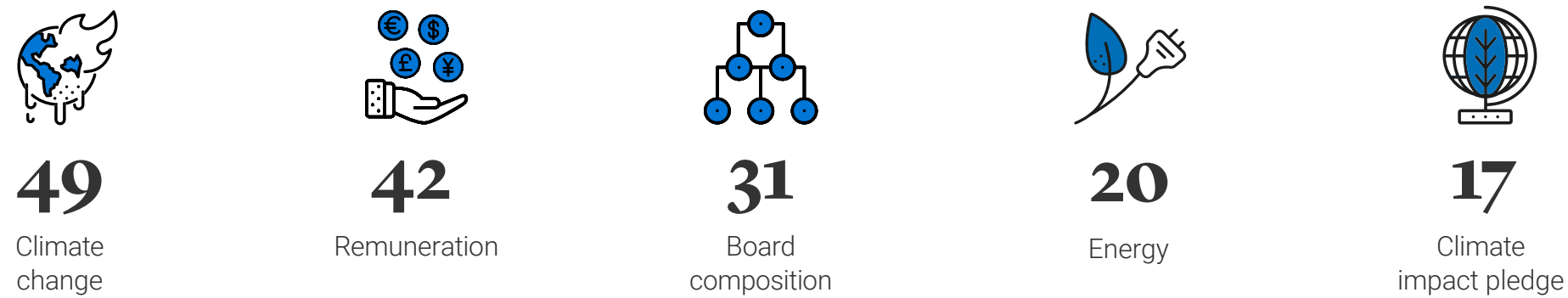
Engagement type



Regional breakdown of engagements



Top five engagement topics*



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

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