



Q4 2023

Quarterly engagement report

Global engagement to
deliver positive change

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. 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. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that can deliver long-term success..

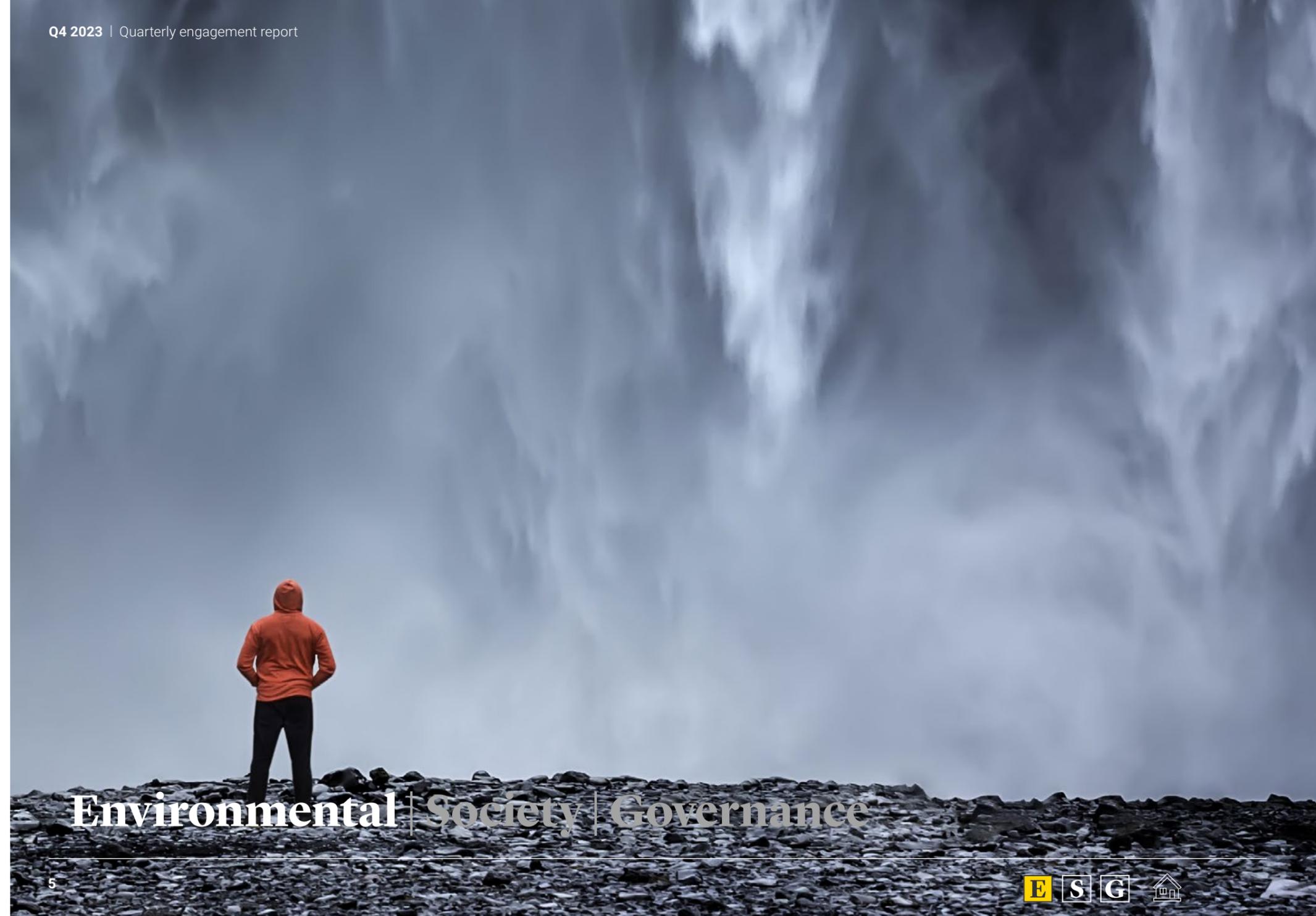
Promoting market resilience

As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. 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

This quarter, we focus on nature, discuss our continued collaboration with companies in Asia, and highlight key policy updates regarding both diversity and human rights.



Environmental | Society | Governance

ESG: Environment: Climate and Nature



Climate

Collaborations in Asia ex-Japan

Climate is one of our core global stewardship themes, and a particular focus for [our engagement with companies in the Asia ex-Japan region](#). Some 70% of energy in the Asia ex-Japan region is currently generated by fossil fuels,¹ and Asian countries are repeatedly identified as the most vulnerable to climate risks,² with 70% of the global population susceptible to sea level rises located there.

We have signed up to the [China Climate Engagement Initiative](#) ('CCEI'), which focuses on the China market and aims to facilitate the transition to a net-zero economy by bringing together large institutional investors into targeted, sophisticated dialogue with industries critical to climate change. Currently, the CCEI also focuses on four aspects: governance, goals and strategic priorities, transition pathway and disclosure in seeking to realise its aims. Specifically, CCEI has three working pillars, including company engagement, developing guidance to promote stewardship and engagements with companies in China, and research and capacity building.

Through the CCEI, LGIM is co-leading – together with a large Chinese asset manager – collaborative engagement with a global mining company headquartered in China. Being part of this engagement enables us not only to contribute our own experiences and expectations, but also to learn from our peers and from the company itself in exploring

how to transition a high-emitting industry to net zero. We believe understanding of local contexts when engaging with companies in Asia ex-Japan is pivotal to helping our investee companies appreciate the potential benefits of change, and consequently being motivated to do so; our collaborations with like-minded peers and stakeholders will be an important pillar of our Asia-ex Japan engagement approach, which we have set out in our recent [blog posts](#).

Measuring and minimising methane emissions

Since 2021, LGIM has worked in partnership with the Environmental Defense Fund ('EDF'), a US-based NGO which works with businesses to find market-based solutions to climate issues.³ LGIM's work with EDF⁴ has been focused on transferred emissions and methane emissions, which have more than 80 times the warming power of carbon dioxide over a 20-year period,⁵ making reduction crucial to achieving climate-change goals. We believe that reducing methane emissions can be a powerful and cost-effective way for oil and gas companies to make progress towards climate goals and manage regulatory and reputational scrutiny.⁶ We also believe in the importance of collaborative work on this front, working through EDF with like-minded peers to exert pressure on oil and gas companies to be more transparent about the actions they are taking to measure and reduce methane emissions.

1. https://www.spglobal.com/_assets/documents/ratings/research/101574780.pdf

2. <https://www.ipcc.ch/report/ar6/wg2/chapter/chapter-10/>

3. [About EDF+Business - EDF+Business](#)

4. [What Investors Can Do to Aid Climate Efforts, Amid COP26 Summit - Barron's \(barrons.com\)](#)

5. [Methane: A crucial opportunity in the climate fight - Environmental Defense Fund \(edf.org\)](#)

6. For more information about our partnership with EDF: [LGIM America and EDF: A new kind of climate partnership - EDF+Business](#)



As a direct result of the strong momentum gained over the past three years on methane emissions standards, the Environmental Protection Agency (EPA) published its new and strengthened rule aimed at minimising methane emissions from oil and natural gas sources.⁷ LGIM has been a strong advocate⁸ for setting robust standards aimed to tackle methane emissions more meaningfully, as can be demonstrated by a number of comment letters sent to the EPA during the comment period.

We have also witnessed the announcement by Exxon Mobil* that they are joining the Oil and Gas Methane Partnership ('OGMP') 2.0 – the flagship oil and gas reporting and mitigation programme on methane, of which many global oil and gas companies, including BP* and Shell*, are already members. We have been working closely and collaboratively with the EDF to raise awareness of the issue (through letters, meetings, public statements) and applying pressure on oil and gas companies to join the OGMP initiative since 2021 – Exxon being one such company, through our direct engagements with them under our Climate Impact Pledge. Exxon had previously demonstrated reluctance to sign up to the OGMP, with this reluctance being one of the reasons LGIM voted in favour of a shareholder resolution tabled at its 2023 AGM, requesting that the

company produce a report on methane emission disclosure reliability, which received 36.4% support from shareholders. Public and shareholder pressure, regulatory changes and Exxon's recent acquisition of OGMP member Pioneer Natural Resources^{9*} appear to have swayed the company towards greater transparency and actions in this field.

Financial institutions are also researching the role of measuring and mitigating methane emissions as part of tackling climate change. Engagement with banks on climate change is a crucial part of our Climate Impact Pledge,¹⁰ given the role of banks in financing the climate transition. LGIM has recently been quoted by JP Morgan in their research paper, *The Methane Emissions Opportunity*,¹¹ which references our minimum expectations. Regarding methane, one of our 'red lines' under the Climate Impact Pledge for the oil and gas sector is for companies to have time-bound methane reduction/zero flaring targets. We aim to be as transparent as possible about our aims, expectations, and rankings of companies as part of our goal to drive market-level improvements in sustainability across our stewardship themes of Climate, Nature, People, Health, Governance and Digitisation.

* For illustrative purposes only. Reference to a particular security is on an 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.

7. [EPA Finalizes Rule to Eliminate Methane Leaks from Oil and Gas Sector | Sabin Center for Climate Change Law \(columbia.edu\)](#)

8. [Leading oil and gas companies and investors have rallied around EPA's new methane rules. Their ongoing support will be crucial for implementation. - EDF+Business](#)

9. [ExxonMobil seeks more M&A opportunities after \\$60bn Pioneer deal](#)

10. [Climate Impact Pledge | Climate change | LGIM Institutional](#)

11. [The Methane Emissions Opportunity \(jpmorgan.com\)](#)

TPT launch

The Transition Plan Taskforce (‘TPT’) was launched in the UK by HM Treasury, with the aim to develop a ‘gold standard’ framework for private sector climate transition plans. Despite numerous net-zero commitments in recent years, we still lack the information needed to assess credible progress towards these at scale. Filling this gap, the TPT’s disclosure framework and supporting materials will enable consistent and comparable reporting of transition plans and drive tangible progress towards net-zero commitments. For LGIM, this is critical to delivering on our own commitment, supporting clients transitioning their portfolios to net zero, and making more informed decisions about how we allocate capital.

The framework, published in November 2023, was developed in consultation with a wide group of stakeholders including business, regulators, investors, and academia. LGIM has strongly supported its development with our CEO Michelle Scrimgeour sitting on the

Steering Committee, and further LGIM representation on the Delivery Group and the Asset Manager and Asset Owner sector working groups.¹² Michael Marks, Head of Responsible Investment Integration and Investment Stewardship, also presented at the launch event hosted by the London Stock Exchange.

The TPT framework and supporting materials have been a commendable step forward in driving consistent and comparable reporting of company transition plans, both in the UK and internationally, through integration with the International Sustainability Standards Board’s (ISSB’s) global baseline. We will continue our work with the TPT and will be advocating for widespread market adoption of the framework, as well as the supporting policy and regulatory environment, as we continue to develop our longstanding engagement on climate change.



12. [People - Transition Taskforce](#)



Nature

Plugging the ‘value gap’

Nature is fundamental to the long-term health of our economic and social system. It encompasses vital aspects of all our lives, from the food we eat to the air we breathe. It is estimated that half of global gross domestic product (GDP) is highly or moderately dependent on nature and its services.¹³ Our natural world is, however, in crisis. Ecosystems are being degraded at a faster rate than ever before, with the loss of vital ecosystem services¹⁴ (upon which society and business depend) estimated to reduce annual GDP of US\$2.7 trillion by 2030.¹⁵ The negative trends ultimately undermine progress against many of the Sustainable Development Goals.¹⁶

Nature-related risks could have significant macroeconomic implications and be a source of risk to financial institutions and financial stability. Therefore, LGIM’s Investment Stewardship team has prioritised nature as one of its strategic themes. LGIM is supportive of the Kunming-Montreal Global Biodiversity Agreement’s mission of taking urgent action to halt and reverse nature loss by 2030, and the vision of living in harmony with nature by 2050.

In addition to setting out our approach to tackling nature degradation and restoration in our forthcoming Nature Framework, to be published in early 2024, we have been seeking opportunities to share our views and publicise our current thinking on both the risks and opportunities presented by this crucial topic. Over the quarter, we were pleased to author an article on [plugging the value gap for nature](#), which is the keystone of attracting investment and creating a market to protect and restore nature. Transitioning our economies where nature is valued and conserved is a complex undertaking, requiring



public and private sector commitment, collaboration and investment. We need to shift our approach to nature so that we balance and align growth within planetary boundaries. There are abundant opportunities to transform how society and capital markets can work together to protect ecosystems and restore nature by 2050.

13. <https://www.pwc.com/gx/en/issues/esg/nature-and-biodiversity/managing-nature-risks-from-understanding-to-action.html>

14. Ecosystems produce flows of benefits to people and the economy, known as ecosystem services. For example, the pollination of crops or the provision of freshwater from a river. They are the contributions of ecosystems to the benefits that are used in economic and other human activity. economic and other human activity.

15. <https://www.worldbank.org/en/news/press-release/2021/07/01/protecting-nature-could-avert-global-economic-losses-of-usd2-7-trillion-per-year>

16. <https://www.ipbes.net/global-assessment>

Significant votes

Company name	Charter Hall Group*
ISIN	AU000000CHCO
Market cap	AU\$5.84 billion ¹⁷
Sector	Diversified REITs
Issue identified	Climate change: we expect companies under our Climate Impact Pledge to meet our minimum expectations, assessed by our Climate Impact Pledge score.
Summary of the resolution	Resolution 2b: Elect David Ross as Director AGM date: 16 November 2023
How LGIM voted	FOR the resolution (i.e., in line with management recommendation)
Rationale for the vote decision	We had contacted Charter Hall Group as part of our Climate Impact Pledge engagement campaign. The company is within the quantitative stream of the campaign and is assessed using c.70 metrics under our Climate Impact Pledge Score. As the company had been identified as lagging our minimum expectations and therefore subject to a vote against at their AGM, we wrote to the company to notify them. The company responded to us, providing further information, and we also had a call with them, establishing that they do meet our minimum requirements and therefore should not be subject to a vote sanction under the Climate Impact Pledge.
Outcome	91.91% votes were in favour of this resolution.
Why is this vote 'significant'?	This vote is significant because it pertains to one of our core global stewardship themes, climate, and also demonstrates the importance of direct engagement to supplement quantitative assessments.

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17. <https://www.google.com/finance/quote/CHC:ASX?sa=X&ved=2ahUKEwj9yaCk-J2DAXUDT0EAHUJIMAVgQ3ecFegQIKRAY> as at 20/12/23



Case studies Climate: Nucor Corp* – decarbonisation

Identify and engage

Under our Climate Impact Pledge, we select c.100 'dial-mover' companies for in-depth engagement, using our qualitative framework set out in our sector-specific guides.¹⁸ 'Dial-mover' companies are chosen on their size and potential to galvanise action in their sectors, reflecting our aim of driving market-level improvements.

We were pleased to see that Nucor, one of our 'dial-mover' companies, has announced a net-zero emissions commitment with interim targets and a [published decarbonisation plan](#). Nucor is the largest steel producer in the US and among the top 20 in the world; steel is pivotal to the energy transition, being central to the auto industry and renewable energy infrastructure.¹⁹

Escalate

This is a significant step: while we recognise that corporate decisions are the product of a range of factors, our engagements under the Climate Impact Pledge are based upon our sector-specific guides and 'red lines', which include a commitment to net-zero operational emissions.²⁰ We had voted against the Chair of the company in its 2023 AGM for failing to meet this 'red line' at the time, so the announcement of the company's commitment, interim targets and plan are very welcome.

This not the first time that we have seen a commitment from the company after voting against its Chair: in 2021, we voted against the Chair for a lack of emissions reduction targets and the subsequent year, the company set them, meaning they received no sanctions from us in 2022.

Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

18. <https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/#sector-guides>.

19. [Nucor: Steel Titan Rising \(forbes.com\)](#)

20. [CIP Sector Guide – Mining \(lgim.com\)](#)



As always, the devil is in the detail, and we look forward to continuing our engagement with Nucor as part of our Climate Impact Pledge in 2024. Our next Climate Impact Pledge update will be published in June 2024, at which time we will report on voting and divestment sanctions, and any reinstatement decisions.



People: diversity, health, human capital management, human rights and modern slavery

Diversity

Gender and ethnic diversity: Campaign updates

We sent engagement letters to 16 large-cap UK and US companies that, according to our data, have no women on their executive leadership team.²¹ **Our expectation is for these companies to have at least one woman in their executive leadership team, increasing to 40% over time.** We know the data of this level of individuals can be challenging, as there are varying definitions of “executive leadership team”. However, we are asking companies to be clear and consistent when reporting on the make-up of this team. So far, we have had responses from seven of the companies, a 44% response rate, which is encouraging. We have also had two follow-up calls with companies to discuss the issue in more detail.

We have also started to send our engagement letters to the mid-cap companies in the UK (FTSE 250 index) and the US (Russell 1000 index) that do not meet our expectation to have at least one person from an ethnic minority background on their board. We set out this expectation in 2021 and have been engaging since then,²² to encourage companies to meet this ambition or face voting sanctions from 2025. We anticipate that we shall engage with 75 companies in total across these indices.

21. Executive leadership team for the purposes of this document refers to the level of individuals who are key decision makers, and report directly to the chief executive officer. These teams are often referred to as the Executive Committee, Senior Leadership, the C-Suite, Named Executive Officers
 22. Please see p.69 of our [Active ownership report](#)

Joining the 30% Club Investor Group Germany chapter at launch

The latest regional Investor Group chapter has launched in Germany. LGIM will be an active member of this collaborative engagement group which will engage with DAX40 and MDAX companies on their plans to reach 30% women on their management boards by 2030. You can find out more detail about the chapter [here](#).

Dialogue with the Japan Association of Corporate Directors (JACD)

We were invited to a dialogue with approximately 90 members of the JACD, a group of CEOs and corporate directors committed to enhancing corporate governance in Japan. We used the occasion to present our history of engaging on diversity issues both globally and in Japan. We also shared our responses to common pushbacks, with the aim of sparking a discussion about what could work to promote diversity on boards and across different levels of the organisation.

Diversity remains a priority for us in Japan; we have had voting policies in place on this issue in Japan since 2020. We continue to tighten our policies, but with market-specific features in mind, to ensure a company’s nomination and selection process is well thought out.

LGIM’s diversity policy

LGIM has been engaging on the topic of diversity with our investee companies since 2011, and actively voting on the issue since 2015. Our expectations continue to evolve over time as we respond to the changing landscape and progress of companies.

We have recently updated our diversity expectations and published [our policy](#) which sets out that we commit to push the companies in which we invest globally to:

- Have at least 40% of women at board and executive leadership team level
- Have at least one person of ethnic minority background on the board
- Clearly disclose diversity and inclusion policies and representation data
- Disclose their gender and ethnicity pay gap information along with actions to close any stated gap

We hope that setting out our approach and expectations clearly will help companies to understand where we seek progress and any sanctions taken due to lack of progress.



Human rights and modern slavery

Our human rights policy

Human rights has been a key focus area for LGIM for several years. We have incorporated screening of companies’ performance on human rights, labour, the environment and corruption as covered under UN Global Compact (UNGC)’s in specific LGIM funds since 2018; our proprietary Future World Protection List captures companies that are perennial violators of the UNGC. Furthermore, our Global Research and Engagement Groups (GREGs) have integrated various human rights-relevant topics when evaluating companies held in portfolios, and we have also established a framework for approaching human rights in the context of sovereigns in our investments. We will continue to review and refine our human rights due diligence approach in evaluating related risks and identifying opportunities in our portfolios. LGIM votes against the re-election of the chair or other directors of any company that is on our Future World Protection UNGC violator list for three consecutive years.

We recently have published our [human rights policy](#), which emphasises our commitments on human rights as a global investor and outlines our specific expectations of investee companies regarding human rights:

- **Policy commitment:** Demonstrate the company’s commitment to human rights through adopting and disclosing a human rights policy covering its operation and value chains, adhering to applicable voluntary or mandatory human rights frameworks
- **Board oversight:** Provide details of the board oversight of the company’s human rights commitments and actions, and whether responsibility lies with the full board or a specific committee
- **Risk identification:** Identify the salient primary and secondary human rights topics that are relevant and material to the organisation’s operations and value chains, such as a human rights due diligence
- **Remedy access:** Provide access, such as grievance mechanisms, to taking mitigating actions should human rights impacts be identified. We expect companies to demonstrate the effectiveness of the remedy mechanism in practice
- **Risk prevention and mitigation mechanism:** Implement a process to prevent, mitigate and track potential human rights risks and impacts, and disclose actions taken accordingly
- **Performance disclosure:** Regularly disclose the company’s human rights credentials and the effectiveness of their programmes

We recognise that these are not considered to be ‘minimum expectations’, as managing human rights requires continuous effort. Should companies meet all the expectations outlined above, this does not necessarily indicate that a company is ‘good’ with regards to human rights. Recognising this, our engagement with companies on human rights is not based solely on whether they have met these expectations. In 2023, we further expanded our collaborative engagement efforts on human rights. We set out the collaborative organisations and commitments related to human rights to which LGIM has signed up below to date:

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Organisations	Key human rights issues
PRI Advance	Human rights and social
Interfaith Centre on Corporate Responsibility (ICCR)	Advancing worker justice, Equitable global supply chains
Investor alliance for Human Rights	Human rights
Platform for living wage financials	Living wage

Health

Antimicrobial resistance: Can investors and civil society work together?

In October 2023, LGIM was invited, together with the Access to Medicine Foundation, to speak on a panel discussing global health challenges and whether investors and civil society can work together. The event was organised by the Geneva Graduate Institute and the Global Health Centre.

The member of the LGIM Stewardship team participating in the panel explained the work the team undertakes when it comes to health and the two of our ‘Health’ sub-themes, nutrition and antimicrobial resistance (‘AMR’). To provide the audience with a practical example, the shareholder proposal filed by LGIM at McDonald’s Corp* was outlined, illustrating the various tools that investors have at their disposal to encourage change, and how our actions can dovetail with those of other stakeholders. We believe it is important to consider the different types of influence that different company stakeholders can have, and why it is especially important that we work together on significant areas of global risk, such as AMR and nutrition.



AMR: Case studies FAIRR’s Restaurant Antibiotics Engagement collaboration

Identify and engage

We have joined FAIRR’s Restaurant Antibiotics Engagement stream, a collaborative initiative representing over US\$15 trillion in assets,²³ that aims to improve communications and disclosure between fast food restaurants and investors, focussing on the topic of antimicrobial resistance and how these companies are mitigating these risks in their supply chains. This campaign focuses on the 12 largest US fast food brands: Bloomin’ Brands Inc*, Brinker International*, Darden Restaurants*, Domino’s Pizza Inc*, McDonald’s Corporation*, Papa John’s International*, Restaurant Brands International*, Starbucks*, Texas Roadhouse*, The Cheesecake Factory*, The Wendy’s Company*, and Yum! Brands*.

The campaign is focused on the following three milestones, asking companies to:

- (i) Demonstrate sufficient rigour and scope of existing antibiotic policies
- (ii) Develop antibiotic policies to cover all key proteins
- (iii) Provide evidence of implementation through target setting and auditing

Having signed letters to the 12 companies identified by the campaign, over the quarter, we undertook our first engagement call with Restaurant Brands International*, a conglomerate owner of a number of fast food companies, including Burger King and Popeye’s Louisiana Kitchen.

²³ [Restaurant Antibiotics Engagement | FAIRR](#)
²⁴ Please see p.78 of our [Active ownership report](#)

Significant votes

Company name	Qube Holdings Limited*
ISIN	AU000000QUB5
Market cap	AU\$5.62 billion ²⁵
Sector	Industrial transportation: Transportation infrastructure
Issue identified	Gender diversity: female representation at board level. We believe a diverse mix of skills, experience and perspectives is essential for a company and its board to function and perform optimally.
Summary of the resolution	Resolution 1: Elect Jacqueline McArthur as Director AGM date: 23 November 2023
How LGIM voted	LGIM voted against Resolution 1 (i.e. against management recommendation)
Rationale for the vote decision	We voted against the Chair of the Nomination committee for lack of board diversity. We expect companies in Australia to have at least a third women on the board, and Qube Holdings only has one woman on the board..
Outcome	89.8% votes were in favour of the resolution. We expect companies to increase female participation both on the board and in leadership positions over time.
Why is this vote ‘significant’?	This vote was significant because it relates directly to one of our core stewardship themes and to our expectations of companies regarding diversity, as set out in our diversity policy LGIM’s diversity approach and expectations – policy document – categorisation

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²⁵ [Qube Holdings Ltd. QUB:ASX summary – FT.com](#) as at 19/12/23



GREGs focus: Case studies
Volkswagen*: human rights

Identify

Volkswagen is one of the largest automotive manufacturers in the world, with production facilities across multiple regions. Volkswagen has a particularly large presence in China, where it has been present since the 1980s. China comprised just under 40% of the company's global vehicle deliveries in 2022. Volkswagen opened a plant in Urumqi, Xinjiang in 2013 via one of its joint ventures (JV'). Over recent years, multinational corporations have faced allegations of using forced labour in their operations in this region. In late 2022, MSCI responded to allegations of forced labour by assigning a red controversy flag to Volkswagen.

As part of our engagement, we are looking to:

1. Understand the nature of Volkswagen's presence in Xinjiang and how it enforces its governance practices via the JV
2. Work with the company as they identify a solution to obtain the removal of the red flag from the external agency
3. Determine long-term solutions to prevent future governance controversies relating to human rights- or labour-related practices

Engage

We have maintained a regular and continuous dialogue with the company for many years regarding strategic direction and other governance questions, e.g. following the 'Diesel-gate' scandal in 2015. Since MSCI assigned a red flag controversy in late 2022,

we increased our dialogue with the company further, and have engaged on the question of human rights and the company's presence in Urumqi with senior management including the CFO and head of treasury, as well as investor relations. Communication has taken place via multiple communication channels, including in person, conference calls and written correspondence.

Escalate

Our engagement with Volkswagen has been well received and we are happy that the company has taken the issue very seriously and acted to attempt to resolve the situation in a proactive and pragmatic manner.

Following multiple discussions with investors, Volkswagen resolved to obtain an independent audit of its JV plant in Xinjiang, which was conducted in December 2023. This audit has been conducted by a high profile and well-respected body and appears to address the main concerns around operations at the plant. The completion of the audit resulted in MSCI subsequently removing its red controversy flag. As a result of the removal of the red flag, it is now possible for a greater proportion of LGIM funds to participate in new bond issuances.

We will continue to engage with Volkswagen on the subject of human rights and other governance topics, including the long-term future of the plant in Xinjiang and retain an open dialogue with the company and its management. The Stewardship team will continue also to exercise voting rights at the company, in line with our published policies and expectations, to escalate where appropriate.

Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.



GREGs focus: Case studies
Rolls Royce*: labour relations and climate change

Identify

Rolls Royce is one of the principal engine suppliers to the global aviation industry and a strategically important company to the UK government as both a large employer and partner for decarbonising both the UK and global economy.

Rolls Royce has faced major financial challenges over recent years, and particularly following the Covid-19 pandemic. Rolls Royce hired a new CEO at the start of 2023, who entered the role with the mandate of imposing major structural changes to the business.

As part of our engagement we are looking to:

1. Understand how Rolls Royce will manage its relations with key labour stakeholders while undertaking any strategic decisions
2. Communicate to the company the importance of positioning for long-term climate trends while also addressing short-term challenges

Engage

Our relationship with the new Rolls Royce CEO predates his most recent role and this enabled us to engage with the company early on in his tenure. During this meeting we communicated our views on the importance of positioning the company for the climate transition, while also focusing on nearer-term challenges and objectives, such as returning the company to an investment-grade credit rating.

Following this initial meeting, we also engaged in person with the chair of the board of Rolls Royce to understand institutional barriers to imposing necessary structural changes. We have also had two subsequent meetings with the CEO of the company, before and after its strategy day in November 2023.

Escalate

We believe the company was receptive to our communications and our input regarding the strategic review. As a result, we have been pleased that the strategic review announced in November 2023 appears well balanced in making appropriately radical structural and cultural changes without sacrificing options for the company to remain an active participant in the carbon transition.

The strategic review was well received by the market. We anticipate remaining engaged with the company regarding implementation of the review's findings and its role in the carbon transition which will occur over the coming decades.



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Environmental | Society | Governance

ESG: Governance

Remuneration: UK and North America policy updates

Over the quarter, we published our annual updates to our UK and North America executive pay principles, setting out our minimum expectations of companies and how we will be voting on these issues in 2024.

In summary, the key updates we have made are:

- In North America, a vote against the ‘say on pay resolution’ would be applied where:
 - Companies provide a private jet as part of a benefits package to their CEO
 - At S&P 500 companies, where the CEO to median employee pay ratio exceeds 300 and yet the company’s total shareholder return (‘TSR’) versus the S&P 500 Index indicates that they have underperformed over the previous three years
- In the UK, we combined and simplified all our pay-related expectations in a single document. While we made few significant changes in our 2024 principles, we acknowledge the discussions around UK pay competitiveness and believe that our pay principles allow the necessary flexibility to facilitate effective discussion with remuneration committees in implementing appropriate and suitable pay structures:
 - We highlight that LGIM does not apply a strict policy threshold or maximum pay expectation in terms of absolute quantum
 - We have included a separate section on our expectations around hybrid schemes, which we may support in certain circumstances where justification is provided

Both our [UK](#) and [North America](#) pay policies can be found on our website.

Transparency: our annual NED Event

In November we were delighted to host our 8th Annual NED Event, which took place online. We provided insight into our engagement approach, the principles and specific thresholds which drive proxy voting decision making, and the most pressing themes on our stewardship agenda. Topics covered in our presentations included our expectations on executive pay, human rights, and our approach to considering shareholder resolutions.

Transparency about our expectations and our views is fundamental to our aim of improving environmental, social and governance standards across the global markets in which we invest on behalf of our clients. Through events such as these, we aim to reach a broad audience and to clarify what we expect of companies, and what they can do to meet our minimum expectations.

DIGITISATION: our expectations of companies

We believe artificial intelligence (AI) should drive long-term innovation, productivity and value creation. To secure these gains, we believe investors must engage with companies and policymakers on baseline expectations for governance, risk management and transparency. Digitisation is one of our six core stewardship themes and our focus is on the governance aspects of AI, particularly how companies manage risks and opportunities, and improve transparency.

We are tiering our approach between companies that make AI systems and those that use the technology. The former group will have more AI-related liabilities, so will receive more of our scrutiny. Our expectations can be summarised as follows:

Governance:

- Name a board member or committee accountable for AI risk oversight and strategy
- Provide board education of business-specific AI risks at least annually. Consider utilising external expert groups to keep up to date

Risk management

- Conduct product safety risk assessments across the business cycle, including on human rights:
 - This should include upstream and downstream considerations; for example, over data and clients
 - Companies exposed to high-risk AI systems should consider third-party assessments to supplement internal assessments
- Ensure AI systems are explainable, meaning the board and relevant business functions can describe inputs, processes and outputs:
 - Establishing baseline understanding is critical for ongoing risk assessment and broader trust building
- Identify high-risk AI systems or inputs and describe current or future mitigation efforts
- Build trust by soliciting input on high-risk AI systems from third-party groups and civil society
- Provide reasonable paths to give feedback or seek remediation if AI systems cause harm

Transparency

- Disclose governance policies and risk processes on a regular basis
- Make it clear to customers or civil society when AI systems are used in services

Initially, it will be difficult for us to assess if companies are meeting them, as disclosure is limited, and data providers are still working through the relevant metrics. These expectations will evolve over time. For more information about LGIM’s views on AI, please see our recent [CIO Outlook](#).

Significant votes

Company name	Microsoft Corporation*
ISIN	US5949181045
Market cap	US\$2.8 trillion ²⁶
Sector	Technology
Issue identified	The issue identified is company transparency regarding risks related to AI-generated misinformation and disinformation, an important topic in the realm of social media, and one which comes under the broad scope of our ‘digitisation’ stewardship theme. As one of the largest tech companies in the world, Microsoft’s approach to these issues has the potential to set the benchmark across the industry more broadly.
Summary of the resolution	Resolution 13: Report on Risks Related to AI Generated Misinformation and Disinformation AGM date: 7 December 2023
How LGIM voted	LGIM voted against this resolution (i.e. in line with management recommendation)
Rationale for the vote decision	Having engaged with the company directly to discuss its approach to the risks described in this resolution, we consider at the present time that the company is a leader in the disclosures, governance processes and mitigation steps it is taking on risks posed by its operations from generative AI. We therefore took the decision not to vote in favour of this shareholder resolution.
Outcome	21.2% of votes were in favour of the proposal. We will continue to engage with Microsoft on this issue as it evolves and as shareholder expectations evolve, too. AI will continue to be an important issue and Microsoft’s position as a leader in its industry brings with it the responsibility to take appropriate actions regarding governance, risk and transparency on this issue.
Why is this vote ‘significant’?	This vote is significant because it relates to one of our core stewardship themes, digitisation, and because it demonstrates the value of company engagement in determining how our votes should be applied on complex, new topics.

* For illustrative purposes only. Reference to a particular security is on an 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.

²⁶ Microsoft (MSFT) - Market capitalization (companiesmarketcap.com) as at 21/12/2023



Case studies

Mediobanca*: recalling shares on a material vote

LGIM’s 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 always retain 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, where there is an upcoming material vote – for example, a potential takeover situation at unfavourable terms – we will recall stock out on loan in order to apply the full voting power towards a positive outcome in the best interest of our clients.

Identify: A material vote at Mediobanca

Mediobanca is a European investment banking boutique, specialising in financial advice, wealth management and consumer credit, offering its services through a number of subsidiaries.

At its AGM, which took place on 28 October 2023, there was a tightly contested proxy fight for director appointments to the board. At Italian AGMs, investors must vote for one ‘slate’ of directors as presented by management and/or dissident shareholders. This means that votes must be for one whole ‘slate’ of director appointments, choosing one out of the competing slates, rather than for individual directors. This is a feature particular to the Italian corporate governance system and tends to be supported by posting an alternative slate put forward by *Assogestioni* – the Italian asset manager association – to provide representation of independent investors.

* For illustrative purposes only. Reference to a particular security is on an 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.



At Mediobanca, there were three slates up for shareholder approval: the incumbent board as proposed by management, the Assogestioni slate, and a third slate by a significant dissident shareholder, *Delfin*. Dependent on who would win the majority of votes, they would be able to post a significant number of board directors to the key strategic roles on the board. An assessment of the number of voting rights held by each proponent and their likely supporters suggested that the outcome would be a close call, making every vote count.

The LGIM Stewardship team, upon internal review of the three alternatives, taking into account external sources and our Investment team’s views of the strategic direction and performance of the incumbent board, believed that if the Delfin slate were to be voted in, this would have a negative impact in terms of strategy (and value) to Mediobanca minority shareholders. We therefore wanted to ensure that LGIM would be able to vote in support of the management-proposed slate with all the shares we had voting power over.

Engage

Following information-gathering engagement calls with both Mediobanca and Assogestioni, we arranged for any Mediobanca shares under our control to be recalled from loan in time for the AGM voting deadline. This process involved opinions and input from various teams within LGIM, confirming settlement dates and voting cut-offs, in what funds the shares were held and through which custodians, and evaluating the potential earnings lost while the shares were not out on loan. We then confirm whether we were happy to recall the shares, taking these factors into account and balancing them against the potential cost of the alternative slate being voted in, and the anticipated negative impact this might have.

We recalled all loaned LGIM shares that LGIM had voting power over in time for the AGM and voted in favour of the management slate with the full voting power attached to shares under our discretion.

Outcome

It was a very close contest but the result was that 52.6% (of which just under 1% is estimated to have been LGIM’s) voted in favour of the list submitted by the board of directors, who needed 50%+1 for their slate to pass. We believe that with such tight margins on an important vote, recalling our shares here was the right action to take.

Public policy update

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, providing practical advice to policymakers and regulators on the key systemic issues.

Climate ISSB commitment

The International Sustainability Standards Board ('ISSB'), as part of the IFRS Foundation, is developing standards to create a comprehensive global baseline of sustainability disclosures, focused on the needs of investors and the financial markets.

LGIM has long been a supporter of the ISSB as we believe that consistent, comprehensive sustainability disclosures are crucial to the functioning of global capital markets. We are public about our support and over the quarter, signed the ISSB COP28 commitment to advancing a global baseline, joining over 10,000 member companies and investors, and around 400 institutions across 64 jurisdictions.²⁷ LGIM also inputted into the ISSB consultation that will help shape the workplan for the next two years, including highlighting that focus is required on nature and human capital.

Monetary Authority of Singapore transition taxonomy

LGIM welcomes the Monetary Authority of Singapore's ('MAS') development of the Transition Planning Guidelines as an important market signal on the need for climate action and transition plan. This is aligned with LGIM's commitments to the climate transition, which is reflected in our group company, Legal & General's published Climate Transition Plan.

Through our membership of the Asia Investors Group on Climate Change ('AIGCC'), LGIM was able to participate in the consultation that covers the development of the 'Guidelines on Transition Planning (Asset Managers)'. We consider consultations to be a key part of our policy dialogue, enabling us to help identify and address emerging risks, and contribute LGIM's views and experience as an asset manager to the development of a regulatory backdrop that is designed to tackle systemic market risks. Our participation in this consultation reflects our belief in the vital importance of a coherent global set of standards for transition plans and reporting, building on our work with other organisations such as the Transition Plan Taskforce in the UK, and the other leading guidance and frameworks, such as:

- GFANZ's Financial Institution Net-zero Transition Plans
- The Investor Agenda's Investor Climate Action Plans
- The Net Zero Asset Managers (NZAM) initiative
- IIGCC guidance (e.g. Net Zero Investment Framework, Net Zero Stewardship Toolkit, Working Towards a Climate Resilience Investment Framework)
- SBTi Financial Institutions Net Zero Standard (under consultation)

27. IFRS - ISSB at COP28: close to 400 organisations from 64 jurisdictions, including associations gathering over 10,000 member companies and investors, join multilateral and market authorities to commit to advance the ISSB climate global baseline

We are also in favour of the proposed guidance which, in particular, emphasises the role of engagement on stewardship that global asset managers should take with investee companies to enable effective climate change mitigation and adaptation measures in the global transition to a net-zero economy and the expected physical effects of climate change. More information about the consultation paper can be found [here](#).

Japan climate and energy policy

We are ramping up our climate policy engagement in Japan, where preparations for the next round of policy deliberations that determine the nation's mid-term climate and energy policies are underway. We continue to advocate for Paris-aligned policies that we believe provide the right backdrop to enable Japanese businesses, once world leaders in low-carbon technologies, to remain competitive.

Our engagement has included our Head of Japan Investment Stewardship's meeting with members of Japan's parliament in Tokyo, where we advocated for a greater share of renewables in the power mix and more robust carbon pricing. We also took the opportunity to speak at a PRI in Person side [event](#) on accelerating the transition through climate policy engagement and disclosures. Joining InfluenceMap and representatives from the Japan Financial Services Agency (FSA), OECD, UK TPT, and Japan Climate Leaders' Partnership (JCLP), we shared our expectations of corporations on climate policy engagement. We have also published a blog focusing on climate policy engagement in Japan [LGIM Blog: Climate policy engagement: spotlight on Japan](#).

Through our collaborations with stakeholders and engagements with policymakers, we aim to advocate for a robust climate policy backdrop that supports the delivery of a transition to a net-zero economy. We will continue our involvements with these collaborations, bringing our weight of assets that helps to strengthen our combined voice.





Nature

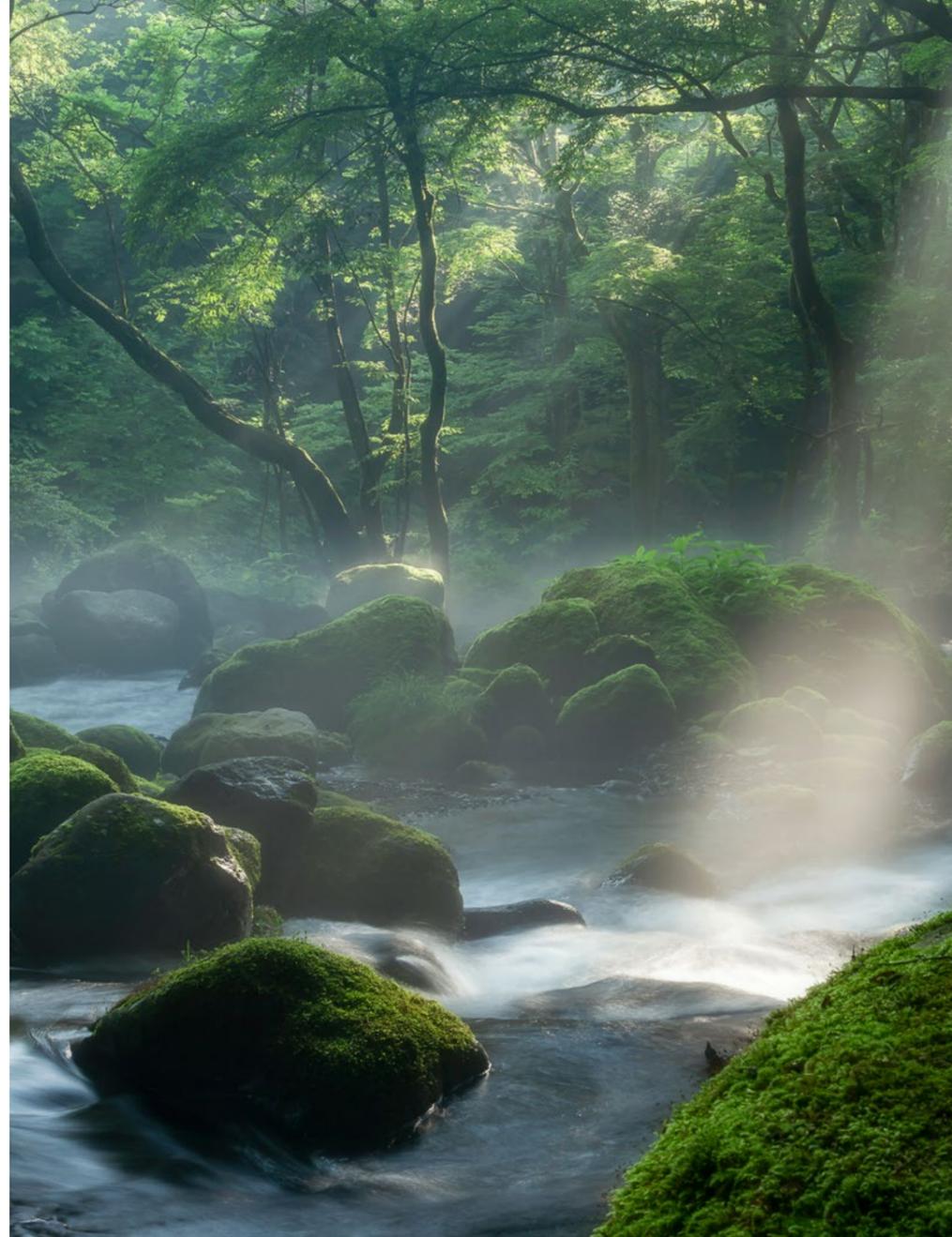
Global roadmap for sustainable agriculture

Agriculture is closely linked to a number of LGIM’s strategic global themes and plays a particularly important role within nature. Nature can both positively and negatively impact the agricultural system. For example, the collapse of ecosystem services such as wild pollinators could reduce the productivity of agricultural productivity. Agricultural practices can also contribute negatively to the degradation of nature, for example through pesticide, fertiliser and chemical use and pollution; habitat loss and degradation; degradation of soil health; and extraction of freshwater. If managed well, agriculture can also have a positive impact on nature, for instance protecting ecosystems, mitigating flood risks, filtering water, and carbon sequestration.

As a member of the [FAIRR initiative](#), a collaborative investor network focusing on ESG risks and opportunities caused by intensive animal production, LGIM co-led the movement to call on global leaders to develop a comprehensive science-based roadmap for sustainable agriculture and land use to limit global warming to 1.5°C, while ensuring the protection and restoration of nature and our ecosystems. The initiative recommended that the United Nations Food and Agriculture Organisation (FAO) lead and coordinate the multilateral system to urgently develop the roadmap. At COP27, the UN FAO announced its commitment to publish a roadmap for agricultural and food systems by COP28 in November 2023.¹¹ It is anticipated that the UN FAO’s roadmap will set out clear targets and deliverables to protect the planet while developing sustainable food systems.

At COP28, we were pleased to see the publication by the UN FAO of phase one of the Global Roadmap for Sustainable Agriculture, setting out its vision, proposed actions and milestones across the areas of livestock, healthy diets, fisheries and aquaculture, soil and water, forest and wetlands, food loss and waste, crops, and clean energy. The plan can be read in full, here: [FAO COP 28 – Roadmap](#).

Our collaborations with initiative such as FAIRR will continue to be an important focus of our work within our ‘nature’ theme, and the success demonstrated by this collaborative initiative so far, shown by the steps taken by the UN FAO, demonstrates the global impact that co-ordinated collaborative engagement can have on tackling systemic market risks.



People

Diversity: consultations and responses

There have been a number of recent consultations on social topics and diversity:

- The US SEC has yet to issue a final ruling and continues to seek comment related to disclosures about diversity of board members and nominees. In November 2023, LGIM America sent a letter to the SEC, aligned with recommendations from the 30% coalition, reiterating our stance and outlining our expectations of global companies as referenced in our [diversity policy](#).
- The Taskforce for Social Factors, a UK organisation which aims to support pension scheme trustees and the wider pensions industry in the consideration of social risks and opportunities, released a guide for consultation²⁸ with the UK pensions industry, which includes more than 30 recommendations about how social factors can be better incorporated into investment decisions.
- The Financial Reporting Council, alongside the Prudential Regulation Authority (PRA), are consulting on proposals to introduce a new regulatory framework on diversity and inclusion in the financial sector.²⁹

The Stewardship team fed into the broader LGIM response on both of these latter consultations; responding to consultations is one method of our policy engagement, through which we engage with policymakers at an early stage, to help them identify and address emerging risks, so they can take transformative steps to tackle systemic market issues and accelerate progress against complex global sustainability challenges. Our policy dialogue aims to produce real tangible change by designing, implementing, and monitoring an effective and coherent policy, including a regulatory and legislative system that governs society, the environment and the economy.

28. [Guide \(taskforceonsocialfactors.co.uk\)](#)

29. [CP23/20: Diversity and inclusion in the financial sector – working together to drive change | FCA](#)

30. [Welcome to ICGN](#)

31. [Q3 ESG Impact Report \(lgim.com\)](#)



Diversity in Japan: working with the International Corporate Governance Network

The International Corporate Governance Network (‘ICGN’) brings together investors of nearly US\$80 trillion to advocate for the highest standards of corporate governance and stewardship around the world.³⁰

Through our membership of the ICGN, we joined a number of meetings over the quarter with regulators in Japan, to express our views on a range of policy measures. This included meeting with the Ministry of Economy, Trade and Industry (‘METI’), and the Cabinet Office, to discuss corporate governance and diversity issues.

Topics that we discussed with METI included its plans to enhance the corporate governance of companies, and whether, following the introduction of a special law allowing virtual-only shareholder meetings, they will implement measures to ensure that such meeting are fair to minority shareholders. In our meeting with the Cabinet Office, one topic on which we sought clarification was around the government and stock exchange gender diversity targets set for female representation, and the scope of the application of these targets.

Regular readers will have seen our recent updates on our campaign work in Japan, including in our [Q3 2023 report](#), where we reported on other engagements with regulators and summarised a number of key themes from the Japan AGM season.³¹ Our collaborative policy work is a crucial counterpart to our company engagement and voting, as it enables us to contribute to the creation of a policy backdrop designed to support positive developments in social, governance and environmental areas of systemic risk and opportunity.



Diversity: Singapore Exchange Regulation

LGIM joined a discussion of the Advisory Body for the Singapore Exchange Regulation and the Council for Board Diversity study on diversity disclosures of SGX listed companies. Our role was to provide inputs on the quality of disclosures expected from SGX listed issuers. We gave our insights and views at the meeting, to help shape development on the topic of board diversity in Singapore. Following this meeting, the Advisory Body issued a report on the state of board diversity disclosures of SGX listed issuers, which can be found [here](#).



Regional updates

Global - Q4 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (Total)	9041	3224	209	72%	26%	2%
Director Election	3071	972	207	72%	23%	5%
Director Related	624	451	0	58%	42%	0%
Routine Business	735	143	0	84%	16%	0%
Compensation	980	863	0	53%	47%	0%
Miscellaneous	95	29	0	77%	23%	0%
Company Articles	543	237	0	70%	30%	0%
Non-Routine Business	420	58	0	88%	12%	0%
Capitalization	1052	154	0	87%	13%	0%
Audit Related	629	82	2	88%	11%	0%
Strategic Transactions	693	105	0	87%	13%	0%
Social	24	4	0	86%	14%	0%
No Research	16	109	0	9%	64%	0%
Takeover Related	139	13	0	91%	9%	0%
Mutual Funds	18	1	0	95%	5%	0%
Environmental	0	3	0	0%	100%	0%
E&S Blended	2	0	0	100%	0%	0%

Global - Q4 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	340	99	0	77%	23%	0%
Director Election	184	49	0	79%	21%	0%
Audit Related	69	1	0	99%	1%	0%
Director Related	6	11	0	35%	65%	0%
Miscellaneous	50	14	0	78%	22%	0%
Company Articles	7	4	0	64%	36%	0%
Social	8	4	0	67%	33%	0%
E&S Blended	0	4	0	0%	100%	0%
Environmental	6	2	0	75%	25%	0%
Capitalization	2	0	0	100%	0%	0%
Non-Routine Business	3	3	0	50%	50%	0%
Compensation	3	7	0	30%	70%	0%
Corporate Governance	2	0	0	100%	0%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	9381	76%
Against	3323	78%
Abstain	209	72%

Number of	Values
Resolutions	12960
AGM Resolutions	6980
EGM Resolutions	5973
AGMs	741
EGMs	1417
Meetings	2162

Number of companies where LGIM voted:	Values
In Total	1807
For in all resolutions	676
Against or Abstain in at least one resolution	1131

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.



 UK - Q4 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (Total)	1361	88	0	92%	6%	0%
Routine Business	161	5	0	97%	3%	0%
Compensation	133	21	0	86%	14%	0%
Director Election	497	31	0	94%	6%	0%
Audit Related	165	0	0	100%	0%	0%
Capitalization	284	26	0	92%	8%	0%
Takeover Related	59	0	0	100%	0%	0%
Company Articles	5	0	0	100%	0%	0%
Mutual Funds	14	1	0	93%	7%	0%
Strategic Transactions	21	3	0	88%	12%	0%
Social	14	0	0	100%	0%	0%
Non-Routine Business	4	1	0	80%	20%	0%
No Research	1	0	0	4%	0%	0%
Director Related	2	0	0	100%	0%	0%
Miscellaneous	1	0	0	100%	0%	0%

 UK - Q4 2023 voting summary

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1361	94%
Against	88	92%
Abstain	0	0%

Number of	Values
Resolutions	1473
AGM Resolutions	1405
EGM Resolutions	67
AGMs	89
EGMs	38
Meetings	128

Number of companies where LGIM voted:	Values
In Total	117
For in all resolutions	70
Against or Abstain in at least one resolution	47

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.



Europe ex UK - Q4 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	757	147	5	83%	16%	1%
Miscellaneous	27	2	0	93%	7%	0%
Strategic Transactions	36	1	0	97%	3%	0%
Routine Business	200	11	0	95%	5%	0%
Director Related	65	10	0	87%	13%	0%
Director Election	139	39	4	76%	21%	2%
Capitalization	83	20	0	81%	19%	0%
Compensation	58	50	0	54%	46%	0%
Audit Related	91	3	1	96%	3%	1%
Company Articles	36	4	0	90%	10%	0%
Social	1	1	0	50%	50%	0%
Non-Routine Business	10	0	0	100%	0%	0%
Takeover Related	3	6	0	33%	67%	0%
Mutual Funds	1	0	0	100%	0%	0%

Europe ex UK - Q4 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	17	22	0	44%	56%	0%
Company Articles	1	3	0	25%	75%	0%
Miscellaneous	11	11	0	50%	50%	0%
Director Election	1	3	0	25%	75%	0%
Audit Related	2	1	0	67%	33%	0%
Non-Routine Business	1	1	0	50%	50%	0%
Director Related	1	1	0	50%	50%	0%
Compensation	0	2	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	774	85%
Against	169	82%
Abstain	5	100%

Number of	Values
Resolutions	948
AGM Resolutions	575
EGM Resolutions	367
AGMs	71
EGMs	80
Meetings	154

Number of companies where LGIM voted:	Values
In Total	139
For in all resolutions	79
Against or Abstain in at least one resolution	60

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.



 North America - Q4 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	1141	677	1	63%	37%	0%
Director Election	740	391	0	65%	35%	0%
Audit Related	130	48	1	72%	27%	1%
Routine Business	12	4	0	75%	25%	0%
Compensation	112	218	0	34%	66%	0%
Director Related	17	0	0	100%	0%	0%
Miscellaneous	3	0	0	100%	0%	0%
Takeover Related	42	7	0	86%	14%	0%
Strategic Transactions	37	1	0	95%	3%	0%
Capitalization	35	7	0	83%	17%	0%
Company Articles	6	1	0	86%	14%	0%
Mutual Funds	3	0	0	100%	0%	0%
Non-Routine Business	1	0	0	100%	0%	0%
No Research	3	0	0	100%	0%	0%

 North America - Q4 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	18	14	0	56%	44%	0%
Social	8	4	0	67%	33%	0%
E&S Blended	0	4	0	0%	100%	0%
Environmental	2	2	0	50%	50%	0%
Company Articles	1	0	0	100%	0%	0%
Corporate Governance	2	0	0	100%	0%	0%
Director Related	2	0	0	100%	0%	0%
Compensation	2	2	0	50%	50%	0%
Miscellaneous	0	1	0	0%	100%	0%
Non-Routine Business	1	1	0	50%	50%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1159	60%
Against	691	62%
Abstain	1	100%

Number of	Values
Resolutions	1854
AGM Resolutions	1708
EGM Resolutions	146
AGMs	183
EGMs	58
Meetings	241

Number of companies where LGIM voted:	Values
In Total	239
For in all resolutions	28
Against or Abstain in at least one resolution	211

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.



● Japan - Q4 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	455	92	0	83%	17%	0%
Director Election	323	69	0	82%	18%	0%
Director Related	52	8	0	87%	13%	0%
Routine Business	30	0	0	100%	0%	0%
Compensation	19	7	0	73%	27%	0%
Company Articles	25	5	0	83%	17%	0%
Capitalization	1	0	0	100%	0%	0%
Strategic Transactions	2	3	0	40%	60%	0%
Audit Related	3	0	0	100%	0%	0%

● Japan - Q4 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	0	8	0	0%	100%	0%
Director Election	0	7	0	0%	100%	0%
Non-Routine Business	0	1	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	455	84%
Against	100	82%
Abstain	0	0%

Number of	Values
Resolutions	555
AGM Resolutions	445
EGM Resolutions	110
AGMs	47
EGMs	20
Meetings	67

Number of companies where LGIM voted:	Values
In Total	67
For in all resolutions	12
Against or Abstain in at least one resolution	55

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.



Asia Pacific ex Japan - Q4 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	3186	1483	2	68%	32%	0%
Director Election	971	313	2	76%	24%	0%
Compensation	411	422	0	49%	51%	0%
Director Related	239	350	0	41%	59%	0%
Routine Business	154	79	0	66%	34%	0%
Company Articles	260	144	0	64%	36%	0%
Audit Related	170	6	0	97%	3%	0%
Strategic Transactions	383	80	0	83%	17%	0%
Non-Routine Business	116	35	0	77%	23%	0%
Capitalization	421	36	0	92%	8%	0%
Miscellaneous	25	14	0	64%	36%	0%
Social	1	2	0	33%	67%	0%
Takeover Related	35	0	0	100%	0%	0%
Environmental	0	2	0	0%	100%	0%

Asia Pacific ex Japan - Q4 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	216	47	0	82%	18%	0%
Director Election	130	35	0	79%	21%	0%
Audit Related	47	0	0	100%	0%	0%
Director Related	3	6	0	33%	67%	0%
Miscellaneous	26	2	0	93%	7%	0%
Company Articles	5	1	0	83%	17%	0%
Environmental	4	0	0	100%	0%	0%
Compensation	1	3	0	25%	75%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	3402	70%
Against	1530	71%
Abstain	2	50%

Number of	Values
Resolutions	4943
AGM Resolutions	1552
EGM Resolutions	3391
AGMs	253
EGMs	854
Meetings	1107

Number of companies where LGIM voted:	Values
In Total	915
For in all resolutions	352
Against or Abstain in at least one resolution	563

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.



Rest of World - Q4 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	2141	737	201	69%	24%	7%
Non-Routine Business	289	22	0	93%	7%	0%
Director Election	401	129	201	55%	18%	27%
Director Related	249	83	0	75%	25%	0%
Compensation	247	145	0	63%	37%	0%
Routine Business	178	44	0	80%	20%	0%
Capitalization	228	65	0	78%	22%	0%
Company Articles	211	83	0	72%	28%	0%
Audit Related	70	25	0	74%	26%	0%
No Research	5	109	0	4%	87%	0%
Miscellaneous	39	13	0	75%	25%	0%
Strategic Transactions	214	17	0	93%	7%	0%
Social	8	1	0	89%	11%	0%
Environmental	0	1	0	0%	100%	0%
E&S Blended	2	0	0	100%	0%	0%

Rest of World - Q4 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder	89	8	0	92%	8%	0%
Miscellaneous	13	0	0	100%	0%	0%
Director Election	53	4	0	93%	7%	0%
Audit Related	20	0	0	100%	0%	0%
Capitalization	2	0	0	100%	0%	0%
Director Related	0	4	0	0%	100%	0%
Non-Routine Business	1	0	0	100%	0%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	2230	82%
Against	745	84%
Abstain	201	83%

Number of	Values
Resolutions	3187
AGM Resolutions	1295
EGM Resolutions	1892
AGMs	98
EGMs	367
Meetings	465

Number of companies where LGIM voted:	Values
In Total	330
For in all resolutions	135
Against or Abstain in at least one resolution	195

Voting data shown is "For" and "Against" the resolution. Please note that for shareholder resolutions, a vote "For" the resolution is a vote against management. We aim to keep abstentions to a minimum. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally, where possible. Source: LGIM, as at 31.12.2023.

Global engagement summary

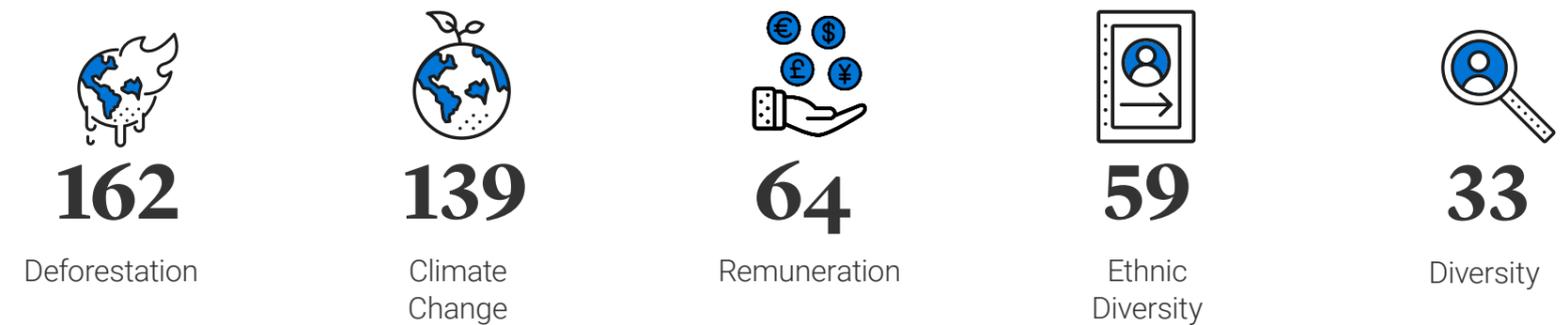


Breaking down the engagement numbers - Q4 2023

Breakdown of engagement by themes

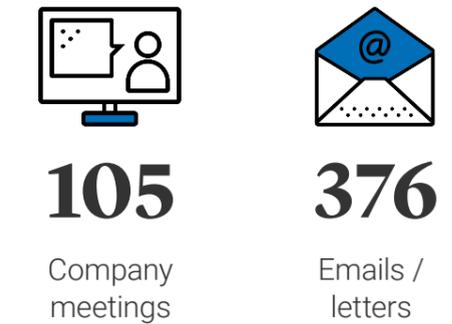


Top five engagement topics*

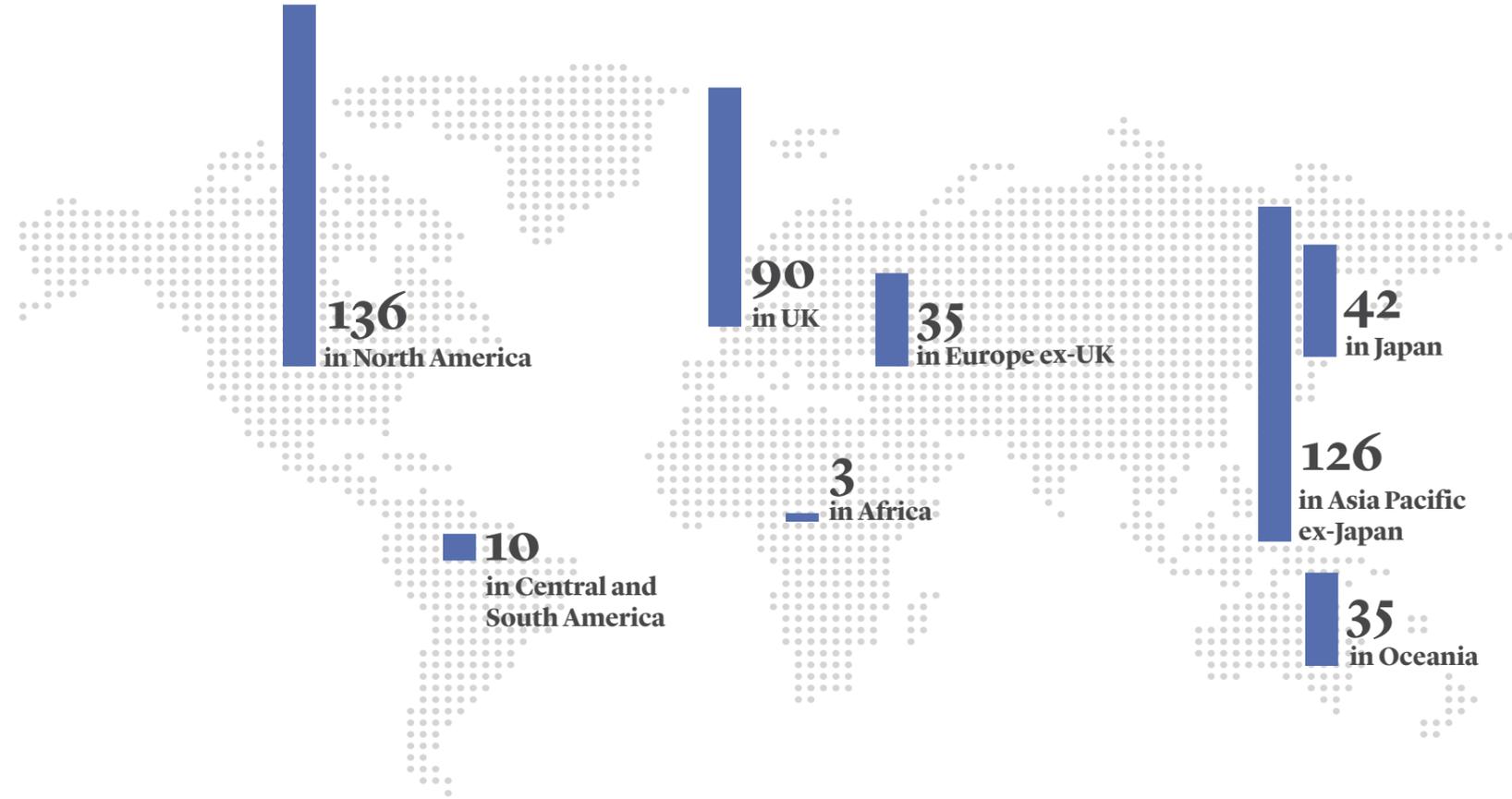


*Note: an engagement can cover more than a single topic

Engagement type



Regional breakdown of engagements



Contact us

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



* *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.

Key Risks

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.

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