



## **PUBLIC TRANSPARENCY REPORT**

**2024**

### **Legal & General Investment Management (Holdings)**

Generated 25-11-2024

# About this report

PRI reporting is the largest global reporting project on responsible investment. It was developed with investors, for investors.

PRI signatories are required to report publicly on their responsible investment activities each year. In turn, they receive a number of outputs, including a public and private Transparency Report.

The public Transparency Reports, which are produced using signatories' reported information, provide accountability and support signatories to have internal discussions about their practices and to discuss these with their clients, beneficiaries, and other stakeholders.

This public Transparency Report is an export of the signatory's responses to the PRI Reporting Framework during the 2024 reporting period. It includes the signatory's responses to core indicators, as well as responses to plus indicators that the signatory has agreed to make public.

In response to signatory feedback, the PRI has not summarised signatories' responses – the information in this document is presented exactly as it was reported.

For each of the indicators in this document, all options selected by the signatory are presented, including links and qualitative responses. In some indicators, all applicable options are included for additional context.

## Disclaimers

### Legal Context

PRI recognises that the laws and regulations to which signatories are subject differ by jurisdiction. We do not seek or require any signatory to take an action that is not in compliance with applicable laws. All signatory responses should therefore be understood to be subject to and informed by the legal and regulatory context in which the signatory operates.

### Responsible investment definitions

Within the PRI Reporting Framework Glossary, we provide definitions for key terms to guide reporting on responsible investment practices in the Reporting Framework. These definitions may differ from those used or proposed by other authorities and regulatory bodies due to evolving industry perspectives and changing legislative landscapes. Users of this report should be aware of these variations, as they may impact interpretations of the information provided.

### Data accuracy

This document presents information reported directly by signatories in the 2024 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented. The PRI has taken reasonable action to ensure that data submitted by signatories in the reporting tool is reflected in their official PRI reports accurately. However, it is possible that small data inaccuracies and/or gaps remain, and the PRI shall not be responsible or liable for such inaccuracies and gaps.

# Table of Contents

Module	Page
SENIOR LEADERSHIP STATEMENT (SLS)	4
ORGANISATIONAL OVERVIEW (OO)	8
POLICY, GOVERNANCE AND STRATEGY (PGS)	25
LISTED EQUITY (LE)	70
FIXED INCOME (FI)	81
REAL ESTATE (RE)	94
SUSTAINABILITY OUTCOMES (SO)	109
CONFIDENCE-BUILDING MEASURES (CBM)	161

# SENIOR LEADERSHIP STATEMENT (SLS)

## SENIOR LEADERSHIP STATEMENT

### SENIOR LEADERSHIP STATEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1	CORE	N/A	N/A	PUBLIC	Senior Leadership Statement	GENERAL

#### Section 1. Our commitment

- Why does your organisation engage in responsible investment?
- What is your organisation's overall approach to responsible investment, and what major responsible investment commitment(s) have you made?

Our purpose at LGIM is to create a better future through responsible investing. Our stewardship activities apply across all the assets we manage. We integrate responsible investment considerations across asset classes and management styles (active and index); we aim to benefit the widest set of stakeholders through an end-to-end integrated responsible investment process and an independent investment stewardship function. All of our investment professionals are empowered to enact positive change.

As a 'universal owner', we believe:

- Responsible investing is essential to improving long-term returns, unearthing potential opportunities and mitigating risks by fostering sustainable markets and economies.
- We have a responsibility to many stakeholders.

When we allocate capital, we conduct extensive research into potential environmental and societal outcomes.

- ESG factors are financially material, and patience is required - the time horizons of ESG outcomes and investment returns may differ.

- Engagement with consequences is the best way to deliver long-term, systemic change.

We see responsible investing as the incorporation of ESG considerations into investment decisions, alongside engagement with companies, regulators and policymakers, to generate sustainable outcomes.

In 2019 we established an integrated approach across public and private assets, based on investment stewardship with consequences and collaborative active research across asset classes undertaken by our Global Research and Engagement Groups ('GREGs'). These activities enable LGIM to conduct corporate engagement to drive positive change, and to deliver ESG-integrated solutions to clients. We seek to bring about broad-based positive change by unifying our research and engagement efforts across asset classes. The early identification of potential risks that threaten the sustainability of returns and capturing the investment opportunities that present better products, sustainable margins, improving societies and returns is central to our investment philosophy.

The LGIM Investment Stewardship team's purpose is to protect clients' assets by raising market ESG standards and best practice.

We believe effective stewardship involves working with companies, regulators, policymakers, peers and other global stakeholders to tackle systemic issues, material risks and opportunities. The team operates independently from (but, through the GREGs, in collaboration with) our portfolio managers.

Our global stewardship themes reflect systemic sustainability issues affecting global markets and companies in which our clients are invested, and where we believe we can have an impact. Within these themes, we use our proprietary LGIM ESG scores to identify companies with which we plan to engage – this data-driven approach helps identify "leading laggards" for direct engagement.

Our GREGs bring together LGIM's sector expertise across both credit and equities, private markets and investment stewardship, to identify challenges and opportunities that will determine the resilience of sectors and companies. The output strengthens and enhances LGIM's engagement activities, enabling us to set targets at a company level with one voice, whilst supporting and guiding investment decisions.

L&G Group has pledged to align its business with the 1.5°C temperature goal of the Paris Agreement, with the commitments outlined in the latest Climate and Nature report (TCFD), as well as becoming an early adopter of TNFD.

As part of our Net Zero Asset Manager Initiative (NZAMI) commitment, and in partnership with our clients, LGIM has set an interim net-zero aligned AUM target of 70% by 2030.

For this interim target LGIM has excluded Government securities and Derivative assets due to lack of clear industry methodologies to account for these asset classes. The public report published by NZAMI outlines both this 70% figure and a 38% target figure for LGIM, which would be our target including derivatives and government securities. We have set this target using a top-down approach, whereby we forecast the proportion of clients by region and client type that we expect to have adopted net-zero strategies by 2030.

We have published a net-zero carbon roadmap for our real estate equity portfolio setting out our target, strategy, and timeline of milestones to be implemented in the short, medium, and longer term.

The roadmap is available on our website.

LGIM is a signatory of the COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios. We have recently published our Human Rights Policy, which emphasises our commitments on human rights as a global investor and outlines our specific expectations of investee companies.

## Section 2. Annual overview

- Discuss your organisation's progress during the reporting year on the responsible investment issue you consider most relevant or material to your organisation or its assets.
- Reflect on your performance with respect to your organisation's responsible investment objectives and targets during the reporting year. Details might include, for example, outlining your single most important achievement or describing your general progress on topics such as the following (where applicable):
  - refinement of ESG analysis and incorporation
  - stewardship activities with investees and/or with policymakers
  - collaborative engagements
  - attainment of responsible investment certifications and/or awards

Having significantly expanded LGIM's Climate Impact Pledge at the end of 2022, in 2023 we conducted our largest written campaign, targeting companies in the 'quantitative' stream. We have written to over 2,800 companies, to:

- Outline our commitment to helping them transition to a low-carbon world
- Point to our CIP ratings website, showing our 'traffic light' assessments
- Call on them to take action and improve areas flagged as red in our assessment
- Explain our approach to climate voting
- Highlight our expectation of Scope 1 and 2 emissions disclosure

We believe this will help raise market standards for climate strategies and disclosure, and improve climate data availability and accuracy across our holdings.

Our Climate Impact Pledge is a targeted engagement campaign, begun in 2016, incorporating quantitative assessment across c.5,000 companies, and in-depth, qualitative assessment and engagement with c.100 'dial mover' companies. It is an example of our stewardship activities with investees. Potential exclusions apply to over £176bn of LGIM assets (as at 31.12.2023). In our 2023-24 cycle, we divested from two further companies (TJX and Glencore) for failing to meet our expectations, and we highlighted a number of companies for the improvements they have made. We identified c.490 companies for voting sanctions due to lagging our minimum climate change standards. The increase in this number this year reflects our new 'baseline' expectations for oil & gas (related to methane emissions disclosures), mining and utilities (relating to thermal coal), and that we now expect Japanese companies to meet at least 3 of our minimum standards (rather than just 1, as in previous years). Drawing on some 80 data points, leveraging LGIM's proprietary climate modelling and third-party data, our quantitative company assessments are built on five pillars, aligned to the TCFD recommendations. These assessments are expressed as scores, published on our website, enabling companies identify areas for improvement. By linking our votes to data points aligned with our principles-based approach, we aim to exert our influence more consistently and widely across markets.

In 2023, in addition to introducing the new 'baseline' expectations mentioned above for heavy-emitting sectors, we reviewed our net-zero guides, used for qualitative engagement with our 'dial mover' companies, strengthening our expectations across 20 climate-critical sectors to reflect the latest climate science and industry standards. We now expect all companies to calculate and disclose Scope 1 and 2 emissions, and we expect banks to restrict financing related to unabated thermal coal, new oil & gas fields, and commodity-driven deforestation.

LGIM works with over 50 collaborative initiatives across environmental, social and governance topics, from our membership of the CA100+, to the Asian Corporate Governance Association and the ShareAction Healthy Markets Initiative.

For an example of stewardship with policymakers & collaborations, we have selected diversity in Japan.

We were invited to a dialogue with c.90 members of the Japan Association of Corporate Directors (JACD), a group of CEOs and board directors committed to enhancing corporate governance in Japan. We firmly believe in the value of collaborative engagements with regulators, enabling us to tackle systemic issues at the policy level. Through our memberships of ACGA and the ICGN, we have continued to hold discussions on diversity with the FSA, Tokyo Stock Exchange (TSE), and the Japan Cabinet Office.

Discussions have included advocating for faster progress and higher levels of board gender diversity, including a tighter definition of 'executive' in government policies. It was confirmed during our engagement with the FSA that our discussions and views in the open letter we helped draft, and co-signed in late 2022, fed into the government's diversity policies at Japanese companies. In June 2023, the Gender Equality Bureau of the Cabinet Office announced the draft of the 2023 Main Policy for Women's Empowerment and Joint Gender Participation. The following month, the TSE announced new listing rules on diversity which included numerical targets for the ratio of female executives at Prime Market-listed companies.

We were pleased to see the commonality between the recommendations of our joint letter and the government's latest updates proposed in December 2023. These proposals encompass new interim targets aimed at achieving the 30% female representation goal by 2030. They also introduce targets related to remote working arrangements to provide flexible working styles, to help individuals with childcare and other responsibilities to stay engaged in the workplace.

Industry awards received in 2023 include:

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

### Section 3. Next steps

- What specific steps has your organisation outlined to advance your commitment to responsible investment in the next two years?

LGIM remains committed to addressing the systemic risks and opportunities inherent in our clients' portfolios, and this drives our focus. We maintain our attention on the expectations of a diverse global client base and drive forward with ever more urgency to raise standards across our six key engagement themes of climate, nature, people, health, governance and digitisation. We continue to create innovative investment solutions that direct capital to investments that support the critical changes we need to see.

As investors in the real economy, we continue to identify how we can help to address the climate challenge and biodiversity loss through investment opportunities and solutions such as debt-for-nature swaps and generating nature-positive outcomes across the assets we manage and operate within our private market portfolios.

Industry engagement and development of industry standards is another focus for us in 2024.

We continue to play a leading role in driving and shaping best practice and standards on key sustainability themes through active engagement in industry-led initiatives across different asset classes such as the UK Net Zero Carbon Building Standard. We believe nature is a core and strategic risk-management issue alongside climate. However, identifying, assessing and managing nature-related issues require more context-specific consideration than the approaches taken to address climate. While data will of course be key, we believe the combination of our GREGs' top-down structural analysis and bottom-up fundamental understanding gives us a strong platform to address these contextual intricacies.

Working with clients as they evolve their specific responsible investment objectives, we will continue to provide them with investment solutions to meet these goals, from climate-aligned portfolios, to other thematic and ESG-orientated strategies; having launched our Climate Action Strategy in 2023, we will continue to explore opportunities for product innovation alongside our clients.

Our Climate Action Strategy builds upon the LGIM Destination@Risk model and research capability, and the Investment team working in partnership with our Investment Stewardship function to harness engagement to drive positive climate impact and seek to unlock long-term shareholder value. Each investee company within the strategy is subject to a bespoke and detailed active engagement process with clearly identified objectives and time-bound expectations.

More broadly, we will continue to evolve how we report, to enable our clients assessment of how their investment strategies are meeting their specific responsible investment objectives.

#### Section 4. Endorsement

**'The Senior Leadership Statement has been prepared and/or reviewed by the undersigned and reflects our organisation-wide commitment and approach to responsible investment'.**

Name

Michael Marks

Position

Head of Investment Stewardship and Responsible Investment Integration

Organisation's Name

Legal & General Investment Management (Holdings)

A

**'This endorsement applies only to the Senior Leadership Statement and should not be considered an endorsement of the information reported by the above-mentioned organisation in the various modules of the Reporting Framework. The Senior Leadership Statement serves as a general overview of the above-mentioned organisation's responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such. Further, it is not a substitute for the skill, judgement and experience of any third parties, their management, employees, advisors and/or clients when making investment and other business decisions'.**

B

# ORGANISATIONAL OVERVIEW (OO)

## ORGANISATIONAL INFORMATION

### REPORTING YEAR

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 1	CORE	N/A	N/A	PUBLIC	Reporting year	GENERAL

What is the year-end date of the 12-month period you have chosen to report for PRI reporting purposes?

	Date	Month	Year
Year-end date of the 12-month period for PRI reporting purposes:	31	12	2023

## SUBSIDIARY INFORMATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 2	CORE	N/A	OO 2.1	PUBLIC	Subsidiary information	GENERAL

Does your organisation have subsidiaries?

- (A) Yes
- (B) No



# ASSETS UNDER MANAGEMENT

## ALL ASSET CLASSES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 4	CORE	OO 3	N/A	PUBLIC	All asset classes	GENERAL

What are your total assets under management (AUM) at the end of the reporting year, as indicated in [OO 1]?

USD

(A) AUM of your organisation, including subsidiaries, and excluding the AUM subject to execution, advisory, custody, or research advisory only

US\$ 1,475,710,743,153.00

(B) AUM of subsidiaries that are PRI signatories in their own right and excluded from this submission, as indicated in [OO 2.2]

US\$ 0.00

(C) AUM subject to execution, advisory, custody, or research advisory only

US\$ 0.00

## ASSET BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5	CORE	OO 3	Multiple indicators	PUBLIC	Asset breakdown	GENERAL

Provide a percentage breakdown of your total AUM at the end of the reporting year as indicated in [OO 1].

	(1) Percentage of Internally managed AUM	(2) Percentage of Externally managed AUM
(A) Listed equity	>10-50%	0%
(B) Fixed income	>10-50%	0%
(C) Private equity	0%	0%
(D) Real estate	>0-10%	0%
(E) Infrastructure	>0-10%	0%
(F) Hedge funds	0%	0%
(G) Forestry	0%	0%
(H) Farmland	0%	0%
(I) Other	>10-50%	0%
(J) Off-balance sheet	0%	0%

**(I) Other - (1) Percentage of Internally managed AUM - Specify:**

Commodities, multi asset and overlays

## ASSET BREAKDOWN: INTERNALLY MANAGED LISTED EQUITY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 LE	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Internally managed listed equity	GENERAL

**Provide a further breakdown of your internally managed listed equity AUM.**

(A) Passive equity >75%

(B) Active – quantitative 0%

(C) Active – fundamental >0-10%

(D) Other strategies 0%

## ASSET BREAKDOWN: INTERNALLY MANAGED FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 FI	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Internally managed fixed income	GENERAL

**Provide a further breakdown of your internally managed fixed income AUM.**

(A) Passive – SSA >10-50%

(B) Passive – corporate >0-10%

(C) Active – SSA >0-10%

(D) Active – corporate >50-75%

(E) Securitised 0%

(F) Private debt >0-10%

## ASSET BREAKDOWN: INTERNALLY MANAGED REAL ESTATE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 RE	CORE	OO 5	N/A	PUBLIC	Asset breakdown: Internally managed real estate	GENERAL

**Provide a further breakdown of your internally managed real estate AUM.**

(A) Retail >10-50%

(B) Office >10-50%

(C) Industrial >10-50%

(D) Residential >10-50%

(E) Hotel >0-10%

(F) Lodging, leisure and recreation >0-10%

(G) Education >0-10%

(H) Technology or science >0-10%

(I) Healthcare >0-10%

(J) Mixed use >0-10%

(K) Other >0-10%

**(K) Other - Specify:**

Parking and self-storage

## ASSET BREAKDOWN: INTERNALLY MANAGED INFRASTRUCTURE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 INF	CORE	OO 5	N/A	PUBLIC	Asset breakdown: Internally managed infrastructure	GENERAL

**Provide a further breakdown of your internally managed infrastructure AUM.**

(A) Data infrastructure 0%

(B) Diversified 0%

(C) Energy and water resources 0%

(D) Environmental services 0%

(E) Network utilities 0%

(F) Power generation (excl.  
renewables) 0%

(G) Renewable power >75%

(H) Social infrastructure 0%

(I) Transport 0%

(J) Other 0%

## GEOGRAPHICAL BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 7	CORE	Multiple, see guidance	N/A	PUBLIC	Geographical breakdown	GENERAL

How much of your AUM in each asset class is invested in emerging markets and developing economies?

### AUM in Emerging Markets and Developing Economies

(A) Listed equity	(2) >0 to 10%
(B) Fixed income – SSA	(2) >0 to 10%
(C) Fixed income – corporate	(2) >0 to 10%
(E) Fixed income – private debt	(1) 0%
(G) Real estate	(1) 0%
(H) Infrastructure	(1) 0%

## STEWARDSHIP

### STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 8	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship	GENERAL

Does your organisation conduct stewardship activities, excluding (proxy) voting, for any of your assets?

	(1) Listed equity - active	(2) Listed equity - passive	(3) Fixed income - active	(4) Fixed income - passive
(A) Yes, through internal staff	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Yes, through service providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(C) Yes, through external managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(D) We do not conduct stewardship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	<b>(6) Real estate</b>	<b>(7) Infrastructure</b>	<b>(11) Other</b>	
(A) Yes, through internal staff	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
(B) Yes, through service providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(C) Yes, through external managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(D) We do not conduct stewardship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

## STEWARDSHIP: (PROXY) VOTING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship: (Proxy) voting	GENERAL

Does your organisation conduct (proxy) voting activities for any of your listed equity holdings?

	(1) Listed equity - active	(2) Listed equity - passive
(A) Yes, through internal staff	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Yes, through service providers	<input type="checkbox"/>	<input type="checkbox"/>
(C) Yes, through external managers	<input type="checkbox"/>	<input type="checkbox"/>
(D) We do not conduct (proxy) voting	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9.1	CORE	OO 9	PGS 10.1, PGS 31	PUBLIC	Stewardship: (Proxy) voting	GENERAL

For each asset class, on what percentage of your listed equity holdings do you have the discretion to vote?

Percentage of your listed equity holdings over which you have the discretion to vote

(A) Listed equity – active (11) >90 to <100%

(B) Listed equity - passive (9) >70 to 80%

## ESG INCORPORATION

### INTERNALLY MANAGED ASSETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 11	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Internally managed assets	1

For each internally managed asset class, does your organisation incorporate ESG factors, to some extent, into your investment decisions?

(1) Yes, we incorporate ESG factors into our investment decisions

(2) No, we do not incorporate ESG factors into our investment decisions

(A) Listed equity - passive

(C) Listed equity - active - fundamental

(E) Fixed income - SSA

(F) Fixed income - corporate

(H) Fixed income - private debt

(J) Real estate

(K) Infrastructure



(V) Other: Commodities, multi asset and overlays



## ESG IN OTHER ASSET CLASSES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 15	CORE	OO 11, OO 12–14	N/A	PUBLIC	ESG in other asset classes	1

**Describe how your organisation incorporates ESG factors into the following asset classes.**

Internally managed  
(C) Other

In our Multi Asset strategies we integrate ESG factors into our strategic and tactical asset allocation frameworks, to inform decision-making on all financially-material aspects. In addition, we assess how third-party managers embed ESG considerations at the firm and product level.

In our derivative overlay strategies, the primary incorporation of ESG is through engagement with counterparties.

## ESG STRATEGIES

### LISTED EQUITY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17 LE	CORE	OO 11	OO 17.1 LE, LE 12	PUBLIC	Listed equity	1

**Which ESG incorporation approach and/or combination of approaches does your organisation apply to your internally managed active listed equity?**

**Percentage out of total internally managed active listed equity**

(A) Screening alone	0%
(B) Thematic alone	0%
(C) Integration alone	0%
(D) Screening and integration	>50-75%
(E) Thematic and integration	0%
(F) Screening and thematic	0%

(G) All three approaches combined >10-50%

(H) None 0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17.1 LE	CORE	OO 17 LE	LE 9	PUBLIC	Listed equity	1

**What type of screening does your organisation use for your internally managed active listed equity assets where a screening approach is applied?**

**Percentage coverage out of your total listed equity assets where a screening approach is applied**

(A) Positive/best-in-class screening only 0%

(B) Negative screening only >75%

(C) A combination of screening approaches 0%

## FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17 FI	CORE	OO 5.3 FI, OO 11	Multiple, see guidance	PUBLIC	Fixed income	1

**Which ESG incorporation approach and/or combination of approaches does your organisation apply to your internally managed active fixed income?**

**(1) Fixed income - SSA**

**(2) Fixed income - corporate**

(A) Screening alone 0%

0%

(B) Thematic alone 0%

0%

(C) Integration alone 0%

0%

(D) Screening and integration >75%

>75%

(E) Thematic and integration	0%	0%
(F) Screening and thematic	0%	0%
(G) All three approaches combined	>0-10%	>0-10%
(H) None	0%	0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17.1 FI	CORE	OO 17 FI	N/A	PUBLIC	Fixed income	1

**What type of screening does your organisation use for your internally managed active fixed income where a screening approach is applied?**

	(1) Fixed income - SSA	(2) Fixed income - corporate
(A) Positive/best-in-class screening only	0%	0%
(B) Negative screening only	>75%	>75%
(C) A combination of screening approaches	0%	0%

## ESG/SUSTAINABILITY FUNDS AND PRODUCTS

### LABELLING AND MARKETING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18	CORE	OO 11–14	OO 18.1	PUBLIC	Labelling and marketing	1

**Do you explicitly market any of your products and/or funds as ESG and/or sustainable?**

(A) Yes, we market products and/or funds as ESG and/or sustainable

Provide the percentage of AUM that your ESG and/or sustainability-marketed products or funds represent:

>10-50%

- (B) No, we do not offer products or funds explicitly marketed as ESG and/or sustainable
- (C) Not applicable; we do not offer products or funds

**Additional information: (Voluntary)**

LGIM requires that the portfolio or client mandate includes a deliberate and positive ESG expression which must be directly referenced in the legal documentation for the investment vehicle or client mandate. The minimum level for a positive and deliberate ESG outcome in LGIM's framework is an Exclusionary approach; ethical, norms-based, Negative / exclusionary screening and Positive / best-in class screening.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18.1	CORE	OO 18	OO 18.2	PUBLIC	Labelling and marketing	1

**Do any of your ESG and/or sustainability-marketed products and/or funds hold formal ESG and/or RI certification(s) or label(s) awarded by a third party?**

**(A) Yes, our ESG and/or sustainability-marketed products and/or funds hold formal labels or certifications**

Provide the percentage of AUM that your labelled and/or certified products and/or funds represent:

>0-10%

(B) No, our ESG and/or sustainability-marketed products and/or funds do not hold formal labels or certifications

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18.2	CORE	OO 18.1	N/A	PUBLIC	Labelling and marketing	1

**Which ESG/RI certifications or labels do you hold?**

- (A) Commodity type label (e.g. BCI)
- (B) GRESB**
- (C) Austrian Ecolabel (UZ49)
- (D) B Corporation
- (E) BREEAM**
- (F) CBI Climate Bonds Standard
- (G) DDV-Nachhaltigkeitskodex-ESG-Strategie
- (H) DDV-Nachhaltigkeitskodex-ESG-Impact
- (I) EU Ecolabel
- (J) EU Green Bond Standard
- (K) Febelfin label (Belgium)**
- (L) Finansol
- (M) FNG-Siegel Ecolabel (Germany, Austria and Switzerland)**
- (N) Greenfin label (France)
- (O) Grüner Pfandbrief
- (P) ICMA Green Bond Principles
- (Q) ICMA Social Bonds Principles
- (R) ICMA Sustainability Bonds Principles
- (S) ICMA Sustainability-linked Bonds Principles
- (T) Kein Verstoß gegen Atomwaffensperrvertrag
- (U) Le label ISR (French government SRI label)
- (V) Luxflag Climate Finance
- (W) Luxflag Environment
- (X) Luxflag ESG
- (Y) Luxflag Green Bond
- (Z) Luxflag Microfinance
- (AA) Luxflag Sustainable Insurance Products
- (AB) National stewardship code
- (AC) Nordic Swan Ecolabel

- (AD) Other SRI label based on EUROSIF SRI Transparency Code (e.g. Novethic)
- (AE) People's Bank of China green bond guidelines
- (AF) RIAA (Australia)
- (AG) Towards Sustainability label (Belgium)
- (AH) Other

## PASSIVE INVESTMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 19	CORE	OO 5.3 FI, OO 11	LE 8, FI 10	PUBLIC	Passive investments	1

What percentage of your total internally managed passive listed equity and/or fixed income passive AUM utilise an ESG index or benchmark?

Percentage of AUM that utilise an ESG index or benchmark

(A) Listed equity - passive >10-50%

(B) Fixed income - passive >10-50%

## THEMATIC BONDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 20	CORE	OO 17 FI	FI 15, FI 17	PUBLIC	Thematic bonds	1

What percentage of your total environmental and/or social thematic bonds are labelled by the issuers in accordance with industry-recognised standards?

Percentage of your total environmental and/or social thematic bonds labelled by the issuers

(A) Green or climate bonds 0%

(B) Social bonds 0%

(C) Sustainability bonds 0%

(D) Sustainability-linked bonds 0%

(E) SDG or SDG-linked bonds 0%

(F) Other >75%

(G) Bonds not labelled by the issuer 0%

**(F) Other - Specify:**

LGIM's approach to fixed income investing is agnostic of environmental and social labels and is focused on the material issues that affect the underlying issuer rather than bond labels assigned.

## SUMMARY OF REPORTING REQUIREMENTS

### SUMMARY OF REPORTING REQUIREMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 21	CORE	Multiple indicators	Multiple indicators	PUBLIC	Summary of reporting requirements	GENERAL

The following table shows which modules are mandatory or voluntary to report on in the separate PRI asset class modules. Where a module is voluntary, indicate if you wish to report on it.

Applicable modules	(1) Mandatory to report (pre-filled based on previous responses)	(2.1) Voluntary to report. Yes, I want to opt-in to reporting on the module	(2.2) Voluntary to report. No, I want to opt-out of reporting on the module
Policy, Governance and Strategy	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Confidence Building Measures	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(A) Listed equity – passive	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(C) Listed equity – active – fundamental	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(E) Fixed income – SSA	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(F) Fixed income – corporate	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(H) Fixed income – private debt	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(J) Real estate	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(K) Infrastructure	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

## OTHER ASSET BREAKDOWNS

### REAL ESTATE: BUILDING TYPE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 24	CORE	OO 21	RE 1, RE 9 - 10	PUBLIC	Real estate: Building type	GENERAL

What is the building type of your physical real estate assets?

- (A) Standing investments
- (B) New construction
- (C) Major renovation

### REAL ESTATE: OWNERSHIP LEVEL

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 25	CORE	OO 21	N/A	PUBLIC	Real estate: Ownership level	GENERAL

What is the percentage breakdown of your physical real estate assets by the level of ownership?

- (A) A majority stake (more than 50%)
  - Select from the list:
    - (1) >0 to 10%
    - (2) >10 to 50%
    - (3) >50 to 75%
    - (4) >75%
- (B) A significant minority stake (between 10–50%)
- (C) A limited minority stake (less than 10%)

### REAL ESTATE: MANAGEMENT TYPE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 26	CORE	OO 21	RE 1, RE 6–8, RE 13	PUBLIC	Real estate: Management type	GENERAL

Who manages your physical real estate assets?

- (A) Direct management by our organisation
- (B) Third-party property managers that our organisation appoints
- (C) Other investors or their third-party property managers
- (D) Tenant(s) with operational control

## SUBMISSION INFORMATION

### REPORT DISCLOSURE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 32	CORE	OO 3, OO 31	N/A	PUBLIC	Report disclosure	GENERAL

How would you like to disclose the detailed percentage figures you reported throughout the Reporting Framework?

- (A) Publish as absolute numbers
- (B) Publish as ranges



# POLICY, GOVERNANCE AND STRATEGY (PGS)

## POLICY

### RESPONSIBLE INVESTMENT POLICY ELEMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 1	CORE	OO 8, OO 9	Multiple indicators	PUBLIC	Responsible investment policy elements	1, 2

Which elements are covered in your formal responsible investment policy(ies)?

- (A) Overall approach to responsible investment
- (B) Guidelines on environmental factors
- (C) Guidelines on social factors
- (D) Guidelines on governance factors
- (E) Guidelines on sustainability outcomes
- (F) Guidelines tailored to the specific asset class(es) we hold
- (G) Guidelines on exclusions
- (H) Guidelines on managing conflicts of interest related to responsible investment
- (I) Stewardship: Guidelines on engagement with investees
- (J) Stewardship: Guidelines on overall political engagement
- (K) Stewardship: Guidelines on engagement with other key stakeholders
- (L) Stewardship: Guidelines on (proxy) voting
- (M) Other responsible investment elements not listed here

Specify:

Organisation and governance structure; Adherence to responsible investment conduct codes

- (N) Our organisation does not have a formal responsible investment policy and/or our policy(ies) do not cover any responsible investment elements

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 2	CORE	PGS 1	Multiple, see guidance	PUBLIC	Responsible investment policy elements	1

Does your formal responsible investment policy(ies) include specific guidelines on systematic sustainability issues?

- (A) Specific guidelines on climate change (may be part of guidelines on environmental factors)
- (B) Specific guidelines on human rights (may be part of guidelines on social factors)
- (C) Specific guidelines on other systematic sustainability issues

Specify:

Our stewardship policies are thoroughly researched, set and fine-tuned every year. They incorporate specific market policies that allow for local nuances to align with best practices. Our policies range from minimum expectations, such as requiring financial expertise on the audit committee or having climate transition plans aligned with a 1.5°C global temperature increase, to clarifications around variable pay performance targets, links to stakeholder experiences and ESG measures, alongside existing voting stances to oppose combined chair/CEO roles and all-male boards globally. Under our Climate Impact Pledge, we set out sector-specific expectations and minimum standards which we expect companies to meet. We publish detailed expectations on corporate governance matters, across E, S and G factors. In addition to our global remuneration policy, we have regional remuneration policies for the UK and the US. All of our policies are publicly available on our website. We expect all companies in which we invest on a global scale to closely align with our principles, which set out the fundamentals of corporate governance. When developing our policies, we not only look at local market and regulatory expectations, but also broader global guidelines and principles such as those provided by the United Nations Global Compact, OECD guidelines and ILO conventions and recommendations. The extent to which we apply these policies takes into account the governance landscape of each market, allowing some leeway for those markets that are still developing their governance policies.

- (D) Our formal responsible investment policy(ies) does not include guidelines on systematic sustainability issues

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 3	CORE	PGS 1, PGS 2	N/A	PUBLIC	Responsible investment policy elements	6

### Which elements of your formal responsible investment policy(ies) are publicly available?

**(A) Overall approach to responsible investment**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/sustainability-policy-lgimh.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/sustainability-policy-lgimh.pdf)

**(B) Guidelines on environmental factors**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-global-corporate-governance-and-responsible-investment-principles.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-global-corporate-governance-and-responsible-investment-principles.pdf)

**(C) Guidelines on social factors**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-diversity-policy-2023.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-diversity-policy-2023.pdf)

**(D) Guidelines on governance factors**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-global-corporate-governance-and-responsible-investment-principles.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-global-corporate-governance-and-responsible-investment-principles.pdf)

**(E) Guidelines on sustainability outcomes**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/sustainability-policy-lgimh.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/sustainability-policy-lgimh.pdf)

**(F) Specific guidelines on climate change (may be part of guidelines on environmental factors)**

Add link:

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

**(G) Specific guidelines on human rights (may be part of guidelines on social factors)**

Add link:

[https://www.lgim.com/landg-assets/lgim/lgim-human-rights-policy-004\\_v2.0-1.pdf](https://www.lgim.com/landg-assets/lgim/lgim-human-rights-policy-004_v2.0-1.pdf)

**(H) Specific guidelines on other systematic sustainability issues**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-global-corporate-governance-and-responsible-investment-principles.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-global-corporate-governance-and-responsible-investment-principles.pdf)

**(I) Guidelines tailored to the specific asset class(es) we hold**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/sustainability-policy-lgimh.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/sustainability-policy-lgimh.pdf)

**(J) Guidelines on exclusions**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/future-world-protection-list-public-methodology.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/future-world-protection-list-public-methodology.pdf)

**(K) Guidelines on managing conflicts of interest related to responsible investment**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/conflicts-of-interest.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/conflicts-of-interest.pdf)

**(L) Stewardship: Guidelines on engagement with investees**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-engagement-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf)

**(M) Stewardship: Guidelines on overall political engagement**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/sustainability-policy-lgimh.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/sustainability-policy-lgimh.pdf)

**(N) Stewardship: Guidelines on engagement with other key stakeholders**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/sustainability-policy-lgimh.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/sustainability-policy-lgimh.pdf)

**(O) Stewardship: Guidelines on (proxy) voting**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-global-corporate-governance-and-responsible-investment-principles.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-global-corporate-governance-and-responsible-investment-principles.pdf)

**(P) Other responsible investment aspects not listed here**

Add link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/responsible-investing/active-ownership-report-2023---full-report.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/responsible-investing/active-ownership-report-2023---full-report.pdf)

- (Q) No elements of our formal responsible investment policy(ies) are publicly available

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 4	PLUS	PGS 1	N/A	PUBLIC	Responsible investment policy elements	1 – 6

**Does your formal responsible investment policy(ies) identify a link between your responsible investment activities and your fiduciary duties or equivalent obligations?**

**(A) Yes**

Elaborate:

LGIM believes the consideration of sustainability risks reflects a core part of our fiduciary role to act in the best interest of our clients. This starts with identifying key macroeconomic sustainability risks that could result from inaction in response to the world's environmental or societal challenges. We also believe opportunities arise from long-term sustainability-related structural changes that can be value-creating for investment portfolios. Our policies generally describe why these issues are relevant for our clients' portfolios. We combine an analysis of these macro drivers with sector level and issuer-level analysis to determine whether and how companies and assets are positioned in respect of the sustainability risks that are most relevant to them. LGIM's global stewardship themes are based on environmental, social and governance issues that direct most of our sustainability-oriented research and engagement. These encompass climate, nature, people, digitisation, health and governance. These themes represent high-level topics, under which further adverse impacts and areas of focus can arise, including human rights and modern slavery, the circular economy, deforestation and income inequality.

- (B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 5	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

**Which elements are covered in your organisation's policy(ies) or guidelines on stewardship?**

- (A) Overall stewardship objectives
- (B) Prioritisation of specific ESG factors to be advanced via stewardship activities
- (C) Criteria used by our organisation to prioritise the investees, policy makers, key stakeholders, or other entities on which to focus our stewardship efforts
- (D) How different stewardship tools and activities are used across the organisation
- (E) Approach to escalation in stewardship
- (F) Approach to collaboration in stewardship
- (G) Conflicts of interest related to stewardship
- (H) How stewardship efforts and results are communicated across the organisation to feed into investment decision-making and vice versa
- (I) Other
- (J) None of the above elements is captured in our policy(ies) or guidelines on stewardship

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 6	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

**Does your policy on (proxy) voting include voting principles and/or guidelines on specific ESG factors?**

- (A) Yes, it includes voting principles and/or guidelines on specific environmental factors
- (B) Yes, it includes voting principles and/or guidelines on specific social factors
- (C) Yes, it includes voting principles and/or guidelines on specific governance factors
- (D) Our policy on (proxy) voting does not include voting principles or guidelines on specific ESG factors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 7	CORE	OO 9	N/A	PUBLIC	Responsible investment policy elements	2

Does your organisation have a policy that states how (proxy) voting is addressed in your securities lending programme?

(A) We have a publicly available policy to address (proxy) voting in our securities lending programme

Add link(s):

[https://www.lgim.com/landg-assets/lgim/\\_document-library/responsible-investing/active-ownership-report-2023---full-report.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/responsible-investing/active-ownership-report-2023---full-report.pdf)

- (B) We have a policy to address (proxy) voting in our securities lending programme, but it is not publicly available
- (C) We rely on the policy of our external service provider(s)
- (D) We do not have a policy to address (proxy) voting in our securities lending programme
- (E) Not applicable; we do not have a securities lending programme

## RESPONSIBLE INVESTMENT POLICY COVERAGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 8	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy coverage	1

What percentage of your total AUM is covered by the below elements of your responsible investment policy(ies)?

### Combined AUM coverage of all policy elements

(A) Overall approach to responsible investment

(B) Guidelines on environmental factors

(C) Guidelines on social factors

(D) Guidelines on governance factors

(7) 100%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 9	CORE	PGS 2	N/A	PUBLIC	Responsible investment policy coverage	1

**What proportion of your AUM is covered by your formal policies or guidelines on climate change, human rights, or other systematic sustainability issues?**

**AUM coverage**

(A) Specific guidelines on climate change

(1) for all of our AUM

(B) Specific guidelines on human rights

(1) for all of our AUM

(C) Specific guidelines on other systematic sustainability issues

(1) for all of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10	CORE	OO 8, OO 9, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

**Per asset class, what percentage of your AUM is covered by your policy(ies) or guidelines on stewardship with investees?**

**(A) Listed equity**

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%

**(11) 100%**

**(B) Fixed income**

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%

- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

(D) Real estate

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

(E) Infrastructure

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

(I) Other

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10.1	CORE	OO 9.1, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

**What percentage of your listed equity holdings is covered by your guidelines on (proxy) voting?**

(A) Actively managed listed equity

(1) Percentage of your listed equity holdings over which you have the discretion to vote

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

(B) Passively managed listed equity

(1) Percentage of your listed equity holdings over which you have the discretion to vote

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%

- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%

(2) If your AUM coverage is below 100%, explain why: (Voluntary)

Some of our index fund clients direct their own voting policies

## GOVERNANCE

### ROLES AND RESPONSIBILITIES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11	CORE	N/A	Multiple indicators	PUBLIC	Roles and responsibilities	1

**Which senior level body(ies) or role(s) in your organisation have formal oversight over and accountability for responsible investment?**

- (A) Board members, trustees, or equivalent
- (B) Senior executive-level staff, or equivalent

Specify:

LGIM Investment Stewardship Committee: dedicated sub-committee of LGIM(H) board chaired by Independent NED; comprises all NEDs, CEO, CIO, & Head of Investment Stewardship & Responsible Investment Integration. Monitors & reviews LGIM(H)'s role as investor on corporate governance & investment stewardship matters; oversees consistent application of key policies as required to achieve LGIM's objectives & principles; has oversight of potential conflicts of interests & contentious governance issues

- (C) Investment committee, or equivalent

Specify:

We developed our approach to ESG oversight in 2023. In addition to the Responsible Investment Oversight Committee (public markets), we have added an equivalent for Real Assets portfolios, the Responsible Investment Oversight Matters Committee. The new Responsible Investment Classification Group recommends ESG fund regulatory classification to the Product Governance Committee and confirms adherence of products to our Net Zero Framework. Implementation and oversight is at executive and board level

- (D) Head of department, or equivalent

Specify department:

Michael Marks: Head of Investment Stewardship & Responsible Investment Integration is an LGIM Ltd Board Member.  
 Amelia Tan – Head of Responsible Investing Strategy for Investments  
 Shuen Chan – Head of ESG, Real Assets  
 Sonja Laud - Chief Investment Officer  
 Bill Hughes - Head of Real Assets

- (E) None of the above bodies and roles have oversight over and accountability for responsible investment



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.1	CORE	PGS 1, PGS 2, PGS 11	N/A	PUBLIC	Roles and responsibilities	1, 2

**Does your organisation's senior level body(ies) or role(s) have formal oversight over and accountability for the elements covered in your responsible investment policy(ies)?**

	(1) Board members, trustees, or equivalent	(2) Senior executive-level staff, investment committee, head of department, or equivalent
(A) Overall approach to responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Guidelines on environmental, social and/or governance factors	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Guidelines on sustainability outcomes	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Specific guidelines on climate change (may be part of guidelines on environmental factors)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Specific guidelines on human rights (may be part of guidelines on social factors)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(F) Specific guidelines on other systematic sustainability issues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(G) Guidelines tailored to the specific asset class(es) we hold	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(H) Guidelines on exclusions	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(I) Guidelines on managing conflicts of interest related to responsible investment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(J) Stewardship: Guidelines on engagement with investees	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(K) Stewardship: Guidelines on overall political engagement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(L) Stewardship: Guidelines on engagement with other key stakeholders	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(M) Stewardship: Guidelines on (proxy) voting	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(N) This role has no formal oversight over and accountability for any of the above elements covered in our responsible investment policy(ies)	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.2	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1 – 6

**Does your organisation have governance processes or structures to ensure that your overall political engagement is aligned with your commitment to the principles of PRI, including any political engagement conducted by third parties on your behalf?**

(A) Yes

Describe how you do this:

LGIM has firm-wide Sustainability Policy (providing an overview of its responsible investing approach) and Conflict of Interest Policy (providing an overview of the practical processes to identify, manage and mitigate potential conflicts of interest – these are essential in being able to engage on policy with a view to protecting clients’ assets and raising market standards). The ESG policy strategy identifies the key objectives and goals on ESG policy engagement, globally, and ensures that LGIM engages on sustainable finance in a coherent and harmonised way.

LGIM shares a responsibility as a long-term investor 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. As a major long-term investor with global coverage, LGIM engages with policymakers at an early stage to help them identify and address emerging risks, helping them to 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. Policy and regulatory engagement is a non-linear, long-term initiative.

This reflects the complex nature of policy and regulatory decision-making, the large numbers of cross-sector stakeholders, and the system’s capacity and willingness to change. Many engagements can evolve significantly over time, as the organisations, political leadership and agenda may change.

Please see below for details of the ESG governance structures:

- LGIM’s Investment Stewardship Committee has overall responsibility and oversight for the evolution and implementation of corporate governance and stewardship policies. These policies apply to all asset classes and investment strategies. LGIM’s Chief Executive Officer, Chief Investment Officer, Head of Investment Stewardship and Responsible Investment Integration and LGIM’s independent non-executive directors all sit on this group.
- The Responsible Investment Group (RIG) is a sub-group of LGIM’s Executive Committee and advises the LGIM Executive Committee in setting LGIM’s global and cross-asset strategy, principles and positioning related to responsible investing. This includes decisions on oversight and development of LGIM’s responsible investing fund range and the positioning of that range, as well as oversight of advisory groups and projects contributing to responsible investment at LGIM.
- LGIM has instituted the Responsible Investment Oversight Committee, a body to oversee the delivery of the responsible investing characteristics and commitments of all ESG portfolios.

(B) No

- (C) Not applicable, our organisation does not conduct any form of political engagement directly or through any third parties

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 12	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1

**In your organisation, which internal or external roles are responsible for implementing your approach to responsible investment?**

(A) Internal role(s)

Specify:

Responsibility for implementing responsible investment spans a breadth and depth of roles, at all levels of the business. From board-level oversight and senior staff on the Investment Stewardship Committee and Responsible Investment Group, responsibility also sits with portfolio managers and analysts, and our investment stewardship team members.

(B) External investment managers, service providers, or other external partners or suppliers

- (C) We do not have any internal or external roles with responsibility for implementing responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 13	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

**Does your organisation use responsible investment KPIs to evaluate the performance of your board members, trustees, or equivalent?**

(A) Yes, we use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent

Describe: (Voluntary)

L&G Executive Directors have 30% of their bonus determined upon meeting strategic objectives of which climate measures make up part of the strategic objectives:

2023 measures included:

- Portfolio carbon emission intensity reduction. Portfolio carbon emission intensity reduced to 56 tCO2e/ £m (2022: 62 tCO2e/£m) in line with pathway to achieve 50% reduction by end 2030 (from a YE 2019 baseline).
- Progress in delivery of operational emissions SBT. Good progress against operational emissions SBT with operational footprint reduced to 27,722 (2022: 30,062 tCO2e), in line with our science-based target (SBT) and net zero ambition.
- Increase prominence of sustainability considerations in commercial decisions. Group and LGIM continue to play an active role in industry climate forums, government lobbying and shaping of the regulatory framework for sustainability

- (B) No, we do not use responsible investment KPIs to evaluate the performance of our board members, trustees, or equivalent

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 14	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

**Does your organisation use responsible investment KPIs to evaluate the performance of your senior executive-level staff (or equivalent), and are these KPIs linked to compensation?**

(A) Yes, we use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)

Indicate whether these responsible investment KPIs are linked to compensation

(1) KPIs are linked to compensation

- (2) KPIs are not linked to compensation as these roles do not have variable compensation
- (3) KPIs are not linked to compensation even though these roles have variable compensation

Describe: (Voluntary)

LGIM's bonus pool is currently determined via a balanced scorecard of financial and non-financial objectives. Currently the non-financial measures include broad ESG measures which form part of a qualitative assessment. This could result in a downward adjustment to the bonus pool if deemed appropriate.

Currently LGIM does not have set ESG / Climate measures in a structured manner for individual bonus determination. However, individuals that have a key role in meeting ESG / Climate targets are likely to have part of their objectives linked to these targets. This is captured as part of the overall performance assessment.

From 2021 Awards onwards, the L□G PSP includes assessment of progress against long-term ESG objectives at the point of vesting. If such considerations mean that the formulaic outcome of the vesting is not considered to be justified, the Committee can amend the vesting downwards (but not increase the level of vesting).

- (B) No, we do not use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)

## EXTERNAL REPORTING AND DISCLOSURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 16	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

What elements are included in your regular reporting to clients and/or beneficiaries for the majority of your AUM?

- (A) Any changes in policies related to responsible investment
- (B) Any changes in governance or oversight related to responsible investment
- (C) Stewardship-related commitments
- (D) Progress towards stewardship-related commitments
- (E) Climate-related commitments
- (F) Progress towards climate-related commitments
- (G) Human rights-related commitments
- (H) Progress towards human rights-related commitments
- (I) Commitments to other systematic sustainability issues
- (J) Progress towards commitments on other systematic sustainability issues
- (K) We do not include any of these elements in our regular reporting to clients and/or beneficiaries for the majority of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 17	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, did your organisation publicly disclose climate-related information in line with the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations?

- (A) Yes, including all governance-related recommended disclosures
- (B) Yes, including all strategy-related recommended disclosures
- (C) Yes, including all risk management-related recommended disclosures
- (D) Yes, including all applicable metrics and targets-related recommended disclosures
- (E) None of the above

Add link(s):

<https://www.lgim.com/en-uk/adviser-wealth/responsible-investing/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 18	PLUS	N/A	N/A	PUBLIC	External reporting and disclosures	6

**During the reporting year, to which international responsible investment standards, frameworks, or regulations did your organisation report?**

**(A) Disclosures against the European Union's Sustainable Finance Disclosure Regulation (SFDR)**

Link to example of public disclosures

[https://fundcentres.lgim.com/srp/lit/7zrw90/SFDR-Product-Summary\\_LG-ESG-USD-Corporate-Bond-UCITS-ETF\\_01-01-2023.pdf](https://fundcentres.lgim.com/srp/lit/7zrw90/SFDR-Product-Summary_LG-ESG-USD-Corporate-Bond-UCITS-ETF_01-01-2023.pdf)

**(B) Disclosures against the European Union's Taxonomy**

Link to example of public disclosures

[https://fundcentres.lgim.com/srp/lit/XOZEva/Supplement\\_LG-Europe-ESG-Exclusions-Paris-Aligned-UCITS-ETF\\_27-06-2023.pdf](https://fundcentres.lgim.com/srp/lit/XOZEva/Supplement_LG-Europe-ESG-Exclusions-Paris-Aligned-UCITS-ETF_27-06-2023.pdf)

**(C) Disclosures against the CFA's ESG Disclosures Standard**

**(D) Disclosures against other international standards, frameworks or regulations**

Specify:

UK Stewardship Code

Link to example of public disclosures

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/investment-stewardship/uk-stewardship-code-summary.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/investment-stewardship/uk-stewardship-code-summary.pdf)

**(E) Disclosures against other international standards, frameworks or regulations**

Specify:

Japan Stewardship Code

Link to example of public disclosures

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/japan-stewardship-code.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/japan-stewardship-code.pdf)

**(F) Disclosures against other international standards, frameworks or regulations**

Specify:

Investor Stewardship Group Framework's stewardship principles

Link to example of public disclosures

[https://www.lgim.com/landg-assets/lgim/\\_old-document-library/capabilities/m2389-statement-adherence.pdf](https://www.lgim.com/landg-assets/lgim/_old-document-library/capabilities/m2389-statement-adherence.pdf)

**(G) Disclosures against other international standards, frameworks or regulations**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 19	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, did your organisation publicly disclose its membership in and support for trade associations, think tanks or similar bodies that conduct any form of political engagement?

(A) Yes, we publicly disclosed our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement

Add link(s):

[https://www.lgim.com/landg-assets/lgim/\\_document-library/responsible-investing/active-ownership-report-2023---full-report.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/responsible-investing/active-ownership-report-2023---full-report.pdf)

- (B) No, we did not publicly disclose our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement
- (C) Not applicable, we were not members in or supporters of any trade associations, think tanks, or similar bodies that conduct any form of political engagement during the reporting year

## STRATEGY

### CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 20	CORE	N/A	N/A	PUBLIC	Capital allocation	1

Which elements do your organisation-level exclusions cover?

- (A) Exclusions based on our organisation's values or beliefs regarding particular sectors, products or services
- (B) Exclusions based on our organisation's values or beliefs regarding particular regions or countries
- (C) Exclusions based on minimum standards of business practice aligned with international norms such as the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council sanctions or the UN Global Compact
- (D) Exclusions based on our organisation's climate change commitments
- (E) Other elements
- (F) Not applicable; our organisation does not have any organisation-level exclusions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 21	CORE	N/A	N/A	PUBLIC	Capital allocation	1

How does your responsible investment approach influence your strategic asset allocation process?

(A) We incorporate ESG factors into our assessment of expected asset class risks and returns

Select from dropdown list:

(1) for all of our AUM subject to strategic asset allocation

- (2) for a majority of our AUM subject to strategic asset allocation
- (3) for a minority of our AUM subject to strategic asset allocation

**(B) We incorporate climate change–related risks and opportunities into our assessment of expected asset class risks and returns**

Select from dropdown list:

- (1) for all of our AUM subject to strategic asset allocation**
- (2) for a majority of our AUM subject to strategic asset allocation
- (3) for a minority of our AUM subject to strategic asset allocation
- (C) We incorporate human rights–related risks and opportunities into our assessment of expected asset class risks and returns
- (D) We incorporate risks and opportunities related to other systematic sustainability issues into our assessment of expected asset class risks and returns
- (E) We do not incorporate ESG factors, climate change, human rights or other systematic sustainability issues into our assessment of expected asset class risks and returns
- (F) Not applicable; we do not have a strategic asset allocation process

## STEWARDSHIP: OVERALL STEWARDSHIP STRATEGY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 22	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

For the majority of AUM within each asset class, which of the following best describes your primary stewardship objective?

	(1) Listed equity	(2) Fixed income	(4) Real estate	(5) Infrastructure
(A) Maximise our portfolio-level risk-adjusted returns. In doing so, we seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
(B) Maximise our individual investments' risk-adjusted returns. In doing so, we do not seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 23	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**How does your organisation, or the external service providers or external managers acting on your behalf, prioritise the investees or other entities on which to focus its stewardship efforts?**

All stewardship activities are undertaken by LGIM – we do not outsource our stewardship activities. The LGIM Investment Stewardship team’s purpose is to protect clients’ assets through raising market ESG standards and best practice. We believe that real change is achieved by being an engaged and active owner. Our stewardship activity is guided by our global stewardship themes. These themes reflect systemic ESG issues affecting the global markets and companies in which our clients are invested, and where we believe we can have an impact. Within our respective themes, we use our LGIM ESG scores to identify companies with which we plan to engage – this data-driven approach to company engagement helps us identify “leading laggards” on which to concentrate our direct engagement activities. These companies are those that have been identified as influential in their sectors, where we believe that we can effect ESG improvements through engagement, and which will then have a knock-on, positive impact across the relevant sector. This supports our overall aim of improving ESG standards not just at individual companies, but across the global markets in which our clients are invested.

This means that our stewardship activity is undertaken with strategic outcomes in mind, aligning our thematic, company and public policy engagement, as well as our voting activity, in order to achieve these.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Which of the following best describes your organisation's default position, or the position of the external service providers or external managers acting on your behalf, concerning collaborative stewardship efforts?**

- (A) We recognise the value of collective action, and as a result, we prioritise collaborative stewardship efforts wherever possible
- (B) We collaborate on a case-by-case basis
- (C) Other
- (D) We do not join collaborative stewardship efforts

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24.1	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Elaborate on your organisation's default position on collaborative stewardship, or the position of the external service providers or external investment managers acting on your behalf, including any other details on your overall approach to collaboration.**

We believe in collaboration and regularly work with peers, industry groups, NGOs, academia and civil society. We look forward to continuing our engagement with the broad range of third parties we work alongside. By joining forces with collaborative organisations, we aim to broaden our reach, and strengthen our voice. LGIM is a member or supporter of multiple associations and initiatives working on ESG themes, joining our peers in organisations such as the Investment Association (IA), at which LGIM discusses corporate governance policy and pushes for collective engagement alongside other UK investment managers; and the Investor Forum (IF) of which LGIM is a founding member, which facilitates collaborative engagement with other members and ensures investors speak with one powerful voice. There are several other global organisations that we collaborate with to improve standards, including the UN PRI, ClimateAction100, Nature Action 100, Ceres, FAIRR, and the Access To Nutrition Initiative.

Additionally, we regularly collaborate with market participants when engaging on government policies and regulation. This includes through formal collaborations with organisations such as Aldersgate Group, as well as leveraging more traditional investor networks such as ICGN and the Investment Association. Finally, when one-to-one engagement does not yield results, LGIM may seek to escalate our engagement through collaborating with other institutional investors directly, or via investor networks. We have a number of escalation options at our disposal, from voting sanctions through to divestment from the securities of an unresponsive company in select funds. Examples of our collaborative engagements from 2023 can be found in our Active Ownership report.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 25	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**Rank the channels that are most important for your organisation in achieving its stewardship objectives.**

**(A) Internal resources, e.g. stewardship team, investment team, ESG team, or staff**

Select from the list:

- 1
- 4
- 5

(B) External investment managers, third-party operators and/or external property managers, if applicable

(C) External paid specialist stewardship services (e.g. engagement overlay services or, in private markets, sustainability consultants) excluding investment managers, real assets third-party operators, or external property managers

**(D) Informal or unstructured collaborations with investors or other entities**

Select from the list:

- 2
- 4
- 5

**(E) Formal collaborative engagements, e.g. PRI-coordinated collaborative engagements, Climate Action 100+, or similar**

Select from the list:

- 3
- 4
- 5

(F) We do not use any of these channels

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 27	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**How are your organisation’s stewardship activities linked to your investment decision making, and vice versa?**

LGIM’s stewardship activities and investment decision-making are conducted directly by our organisation, with a fully integrated framework for responsible investing, across both public and private assets, to strengthen long-term returns and raise market standards. This is based on stewardship with impact and collaborative, active research across asset classes. Together, these activities enable LGIM to conduct engagement that helps drive positive change and to deliver integrated solutions for clients. Our stewardship and investment teams work together, to incorporate ESG factors into our decisions and processes, from research and engagement to product development. Our Global Research and Engagement Groups, structured around 9 sectors, bring together representatives from our investment and stewardship teams, in order to unify our engagement efforts and determine the exposure of sectors and companies to ESG risks and opportunities across credit, equity and real assets.

There is a growing expectation for us as asset managers to quantify the societal or environmental consequences of our investment decisions; LGIM’s Global Research and Engagement Groups, established in 2019, strengthen and streamline our ability to demonstrate this across the capital structure. The early identification of potential risks that threaten the sustainability of returns is central to our investment philosophy. The sector groups offer a forum to truly connect the top-down, macro view with the bottom-up corporate and sector fundamentals. They offer an opportunity to debate relative value and of course build a more comprehensive picture of the financially material ESG factors impacting our investment universe.

Over the course of 2023, our Global Research and Engagement Groups continued to devote significant time and resource to tackling emerging ESG issues across a range of sectors from both sides of the capital structure.

This internal collaboration enables us to connect top-down macro and thematic views with the bottom-up analysis of corporate and sector fundamentals, unearthing relative-value opportunities. Our active strategies can, therefore, target the cost of capital through credit, while voting with equity to effect positive change on behalf of our clients.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 28	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

**If relevant, provide any further details on your organisation's overall stewardship strategy.**

LGIM seeks to use our scale and influence to tackle a wide variety of ESG issues that we believe could impact the value of our clients’ investments. Through active ownership, we strive to effect positive change in the companies and assets in which we invest. Our Investment Stewardship exercises voting rights on behalf of our clients, and LGIM engages with companies, policymakers and other stakeholders to deliver positive change on topics including net-zero emissions, ethnic and gender diversity, and corporate governance.

Our investment stewardship focuses on client outcomes and broader societal and environmental impacts in its engagements with companies and policymakers.

This spans consideration of systemic risks and macro developments through to company specific issues.

Our stewardship activity is guided by our global stewardship themes. These themes reflect systemic ESG issues affecting the global markets and companies in which our clients are invested, and where we believe we can have an impact. The goals for engagement within our global stewardship themes can range from increasing disclosure on key sustainability-related information, to setting universal requirements such as near-term net zero targets, to seeking specific outcomes such as reducing business activities in controversial weapons.

Our voting policies range from minimum expectations such as requiring financial expertise on the audit committee, to clarifications around variable pay performance targets, links to stakeholder experience and ESG measures, and voting to oppose combined chair/CEO roles and all-male boards. Our Corporate Governance and Responsible Investment policies (global and regional) set out our expectations of investee companies and outline our approach to voting and engagement. Our policies on climate change and biodiversity provide more detail on LGIM's approach and commitments to tackling these issues, and how this will affect our expectations of companies. All of our policies are fully compliant with Shareholder Rights Directive II and are available online. Votes are cast according to our instructions guided by LGIM custom policies and effected through an electronic voting platform.

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

Our Global Research and Engagement Groups ('GREGs') bring together the best sector expertise across LGIM to identify the challenges and opportunities that will determine the resilience of sectors and the companies within them. The output from the GREGs strengthens and streamlines LGIM's engagement activities across investments and stewardship, to enable us to collectively set goals and targets at a company level with one voice, whilst supporting and guiding our investment decisions across the capital structure.

LGIM has long been at the forefront of investment stewardship, the GREGs represent both a continuation and a significant step-up of our integration efforts between stewardship and investments, not only in terms of formalising our integration, but also regarding resources.

There are nine individual GREGs: Energy, Healthcare, Industrials, Consumer, Utilities, Financials, TMT, Basic materials and Real estate. The individual GREGs are responsible for identifying the themes which are likely to have the greatest impact on their sector in both the short and long term. Where we identify the need for progress on particular ESG issues, we use engagement as a tool to influence positive change. The GREGs bring together experts from across our entire fundamental research teams across both credit and equities, in addition to representatives from real assets and investment stewardship; they are responsible for assessing the impact at a company level and collectively undertaking engagement.

We believe a joined-up approach is more effective in raising the company and market ESG standards. However, we also use our insights through our research and engagement to identify where the market may be mispricing risks and opportunities. This can help to drive capital allocation for our investment teams and create more desirable financial outcomes for our clients.

## STEWARDSHIP: (PROXY) VOTING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 29	CORE	OO 9, PGS 1	N/A	PUBLIC	Stewardship: (Proxy) voting	2

### When you use external service providers to give recommendations, how do you ensure those recommendations are consistent with your organisation's (proxy) voting policy?

(A) Before voting is executed, we review external service providers' voting recommendations for controversial and high-profile votes

Select from the below list:

- (1) in all cases
- (2) in a majority of cases
- (3) in a minority of cases

(B) Before voting is executed, we review external service providers' voting recommendations where the application of our voting policy is unclear

Select from the below list:

- (1) in all cases
- (2) in a majority of cases
- (3) in a minority of cases
- (D) We do not review external service providers' voting recommendations
- (E) Not applicable; we do not use external service providers to give voting recommendations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 30	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**How is voting addressed in your securities lending programme?**

- (A) We recall all securities for voting on all ballot items
- (B) When a vote is deemed important according to pre-established criteria (e.g. high stake in the company), we recall all our securities for voting**

Provide details on these criteria:

Where there are no legal or practical impediments, we aim to vote with every share we hold. There is currently no stock lending undertaken by LGIM in the UK market, so all shares are available for voting. For other markets, our stock-lending policies differ, with limits on the number of shares lent per fund and per stock. Nonetheless we have always retained a number of shares in each voteable stock to be able to note our approval, or dissent, through a vote via the shareholder meeting. Moreover, we retain the right of immediate recall of our shares, should we deem this necessary or expedient. In practice, we do not typically recall lent stock for voting on routine company meetings. However, if there were a material vote – for example, a potential takeover of a company that we owned at a price that we did not believe was in the best interests of shareholders, we would recall any stock that was out on loan in order to vote with 100% of our clients' holding.

- (C) Other
- (D) We do not recall our securities for voting purposes
- (E) Not applicable; we do not have a securities lending programme

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 31	CORE	OO 9.1	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**For the majority of votes cast over which you have discretion to vote, which of the following best describes your decision making approach regarding shareholder resolutions (or that of your external service provider(s) if decision making is delegated to them)?**

- (A) We vote in favour of resolutions expected to advance progress on our stewardship priorities, including affirming a company's good practice or prior commitment**
- (B) We vote in favour of resolutions expected to advance progress on our stewardship priorities, but only if the investee company has not already publicly committed to the action(s) requested in the proposal
- (C) We vote in favour of shareholder resolutions only as an escalation measure
- (D) We vote in favour of the investee company management's recommendations by default
- (E) Not applicable; we do not vote on shareholder resolutions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 32	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**During the reporting year, how did your organisation, or your external service provider(s), pre-declare voting intentions prior to voting in annual general meetings (AGMs) or extraordinary general meetings (EGMs)?**

- (A) We pre-declared our voting intentions publicly through the PRI's vote declaration system on the Resolution Database
- (B) We pre-declared our voting intentions publicly by other means, e.g. through our website**

Add link(s) to public disclosure:

- (C) We privately communicated our voting decision to investee companies prior to the AGM/EGM
- (D) We did not privately or publicly communicate our voting intentions prior to the AGM/EGM
- (E) Not applicable; we did not cast any (proxy) votes during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 33	CORE	OO 9	PGS 33.1	PUBLIC	Stewardship: (Proxy) voting	2

**After voting has taken place, do you publicly disclose your (proxy) voting decisions or those made on your behalf by your external service provider(s), company by company and in a central source?**

(A) Yes, for all (proxy) votes

Add link(s):

<https://vds.issgovernance.com/vds/#/MjU2NQ==/>

- (B) Yes, for the majority of (proxy) votes
- (C) Yes, for a minority of (proxy) votes
- (D) No, we do not publicly report our (proxy) voting decisions company-by-company and in a central source

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 33.1	CORE	PGS 33	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**In the majority of cases, how soon after an investee's annual general meeting (AGM) or extraordinary general meeting (EGM) do you publish your voting decisions?**

- (A) Within one month of the AGM/EGM
- (B) Within three months of the AGM/EGM
- (C) Within six months of the AGM/EGM
- (D) Within one year of the AGM/EGM
- (E) More than one year after the AGM/EGM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 34	CORE	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**After voting has taken place, did your organisation, and/or the external service provider(s) acting on your behalf, communicate the rationale for your voting decisions during the reporting year?**

	(1) In cases where we abstained or voted against management recommendations	(2) In cases where we voted against an ESG-related shareholder resolution
(A) Yes, we publicly disclosed the rationale	(1) for all votes	(1) for all votes
(B) Yes, we privately communicated the rationale to the company	(3) for a minority of votes	(3) for a minority of votes
(C) We did not publicly or privately communicate the rationale, or we did not track this information	○	○
(D) Not applicable; we did not abstain or vote against management recommendations or ESG-related shareholder resolutions during the reporting year	○	○

**(A) Yes, we publicly disclosed the rationale - Add link(s):**

<https://vds.issgovernance.com/vds/#/MjU2NQ==/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 35	PLUS	OO 9	N/A	PUBLIC	Stewardship: (Proxy) voting	2

**How does your organisation ensure vote confirmation, i.e. that your votes have been cast and counted correctly?**

LGIM's custom voting policy is implemented in an automated fashion through an electronic voting platform called 'ProxyExchange' which is managed by ISS.

We undertake quarterly performance management reviews with ISS in which we discuss issues such as timeliness, the quality of their research and the application of our voting policy. During these meetings, we receive delivery statistics and discuss changes to team resources. We deliberate on specific instances where our expectations have not been met and review possible solutions to avoid future repetition.

We escalate issues to senior individuals at ISS where necessary. Once a year, we undertake a detailed due diligence meeting with ISS members across the research team, custom voting team, client managers and data teams. We also have regular meetings with ISS to discuss the implementation and evolution of our policies, as part of a review process to ensure that our decisions remain aligned to market best practices and evolving regulations. Any material changes to LGIM's custom voting policy require team agreement and are subject to challenge from LGIM's independent non-executive directors on the Investment Stewardship Committee. We regularly monitor the votes cast on our behalf to ensure they are executed fully and consistently in accordance with our policies.

In response to increased client demand for regular vote reporting, we have set up additional quality checks on short notice vote instructions and rejected votes.

Every member of the Investment Stewardship team has a responsibility to manually check a sample of votes cast each month to provide a quality control that votes have been executed as intended.

## STEWARDSHIP: ESCALATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 36	CORE	OO 8, OO 9 HF, OO 9	N/A	PUBLIC	Stewardship: Escalation	2

**For your listed equity holdings, what escalation measures did your organisation, or the external investment managers or service providers acting on your behalf, use in the past three years?**

### (1) Listed equity

(A) Joining or broadening an existing collaborative engagement or creating a new one	<input checked="" type="checkbox"/>
(B) Filing, co-filing, and/or submitting a shareholder resolution or proposal	<input checked="" type="checkbox"/>
(C) Publicly engaging the entity, e.g. signing an open letter	<input checked="" type="checkbox"/>
(D) Voting against the re-election of one or more board directors	<input checked="" type="checkbox"/>
(E) Voting against the chair of the board of directors, or equivalent, e.g. lead independent director	<input checked="" type="checkbox"/>
(F) Divesting	<input checked="" type="checkbox"/>
(G) Litigation	<input type="checkbox"/>
(H) Other	<input checked="" type="checkbox"/>



(I) In the past three years, we did not use any of the above escalation measures for our listed equity holdings

o

**(H) Other - (1) Listed equity - Specify:**

Pre-declaring our voting intentions on select resolutions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 37	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship: Escalation	2

**For your corporate fixed income assets, what escalation measures did your organisation, or the external investment managers or service providers acting on your behalf, use in the past three years?**

- (A) Joining or broadening an existing collaborative engagement or creating a new one
- (B) Publicly engaging the entity, e.g. signing an open letter
- (C) Not investing
- (D) Reducing exposure to the investee entity
- (E) Divesting
- (F) Litigation
- (G) Other
- o (H) In the past three years, we did not use any of the above escalation measures for our corporate fixed income assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 38	PLUS	Multiple, see guidance	N/A	PUBLIC	Stewardship: Escalation	2

**Describe your approach to escalation for your SSA and/or private debt fixed income assets.**

(A) SSA - Approach to escalation

We have a formal process in place for regularly identifying and incorporating ESG incidents into our investment decisions on sovereign, supranational and agency ('SSA') debt, monitoring long-term ESG trends across these assets. We engage at the pre-issuance, pre-investment, refinancing and (as applicable) default stages, including during the holding period. Whenever possible, our engagement approach with sovereign issuers on ESG engagement is done via talking to issuers when they come to markets, or during NDRs/investor updates. The engagement focus areas will depend on which considerations are important for that specific issuer.

Additionally, we engage with non-issuer stakeholders (originators and primary dealers; credit rating agencies; business associations; media; and NGOs, think tanks and academics). This enables us to express our views on the issues of concern for a particular credit.

At a country level, the quantitative assessment of our sovereign universe is supplemented by qualitative factors often used in ESG considerations. Our decision to incorporate these factors into the sovereign investment process is because we believe it enhances credit selection. credit quality and bond performance in a material way.

(B) Private debt - Approach to escalation

LGIM's private credit investments cover infrastructure, real estate, corporate and alternative debt. LGIM seeks to drive better ESG disclosure and transparency as part of its due diligence process on borrowers, by identifying ESG issues that are most material to the assets. ESG issues flagged during the due diligence process are discussed with the borrower and where appropriate, transaction structures may be amended to address ESG-related issues. Where material risks are identified, we may also ask the borrower to report to us on ESG metrics throughout the asset's lifecycle. An update on these risks will form part of the regular dialogue we have with borrowers on the risks and challenges.

Our ESG due diligence findings are summarised in the Private Credit Investment Committee ESG Overview. Decisions taken at Investment Committee on ESG matters will be recorded. Where conditional approval has been granted, the Investment and ESG teams will engage with the borrower to ensure that conditions or outstanding actions and/or documentation have been completed or attained and reviewed prior to drawdown. Any longer term ESG considerations that are deemed material over the life of the financing will be recorded and incorporated as part of the post-investment monitoring and reporting process. Ongoing monitoring after a transaction has been completed is an essential part of all our investments and escalation of ESG issues post investment will form part of the asset management processes or occur on an ad hoc basis.

## STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39	CORE	OO 8, OO 9	PGS 39.1, PGS 39.2	PUBLIC	Stewardship: Engagement with policy makers	2

**Did your organisation, or the external investment managers or service providers acting on your behalf, engage with policy makers as part of your responsible investment approach during the reporting year?**

- (A) Yes, we engaged with policy makers directly
- (B) Yes, we engaged with policy makers through the leadership of or active participation in working groups or collaborative initiatives, including via the PRI
- (C) Yes, we were members of, supported, or were in another way affiliated with third party organisations, including trade associations and non-profit organisations, that engage with policy makers, excluding the PRI
- (D) We did not engage with policy makers directly or indirectly during the reporting year beyond our membership in the PRI

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.1	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

**During the reporting year, what methods did you, or the external investment managers or service providers acting on your behalf, use to engage with policy makers as part of your responsible investment approach?**

- (A) We participated in 'sign-on' letters
- (B) We responded to policy consultations
- (C) We provided technical input via government- or regulator-backed working groups

Describe:

As an example, to support listed companies in Japan in gaining practical insights in preparation of the release of the TNFD framework, the Ministry of Environment organised a workshop on disclosure of financial information related to nature, in which LGIM participated. During the first seminar, we explained our expectations of companies regarding nature and emphasised why we believe it is financially material, highlighting business risks and opportunities, the role of nature in achieving net zero and increasing global regulation. We ended the session by sharing four recommendations for Japanese companies:

1. Leverage previous learnings from adoption of TCFD for new TNFD adoption
2. Gain board and executive management support to accelerate action on addressing nature-related issues and integrating with climate commitments
3. Form taskforces among departments to create collaborative efforts to address nature-related issues and opportunities
4. Engage in positive lobbying directly or indirectly with industry associations

**(D) We engaged policy makers on our own initiative**

Describe:

As a major long-term investor with global coverage, LGIM engages with policymakers at an early stage to help 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 effective and coherent policy, including a regulatory and legislative system that governs society, the environment and the economy.

We are focussing on climate policy engagement in Japan, where preparations for policy deliberations that determine the nation's mid-term climate and energy policies are underway. The government is also advancing its \$1 trillion Green Transformation (GX) initiative to direct investments into decarbonisation efforts, including the first issuance of the GX Economy Transition Bonds in February 2024.

We continue to advocate for Paris-aligned policies to enable Japanese businesses, once world leaders in low-carbon technologies, to remain competitive. Our blog on climate policy engagement in Japan explores this, highlighting the role that corporates play in shaping policy and raising potential questions about government's current strategy. As part of our engagement, our Head of Japan Investment Stewardship has been working on the ground, notably with the Japan Climate Leaders' Partnership. This has included meeting with members of Japan's parliament, where we shared our views as a global investor on the market's need for a greater supply of renewables.

Following these meetings, we have welcomed the government's intentions to make regulatory changes to allow development of large-scale offshore wind power beyond territorial waters and in the exclusive economic zone. We continue to advocate for a higher level of renewables in the energy mix alongside other measures such as a robust carbon pricing mechanism.

(E) Other methods

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.2	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

**During the reporting year, did your organisation publicly disclose details of your engagement with policy makers conducted as part of your responsible investment approach, including through external investment managers or service providers?**

(A) We publicly disclosed all our policy positions

**(B) We publicly disclosed details of our engagements with policy makers**

Add link(s):

[https://www.lgim.com/landg-assets/lgim/\\_document-library/responsible-investing/active-ownership-report-2023---full-report.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/responsible-investing/active-ownership-report-2023---full-report.pdf)

[https://www.lgim.com/landg-assets/lgim/\\_document-library/esg/engagement-report-q4-2023.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/esg/engagement-report-q4-2023.pdf)

[https://www.lgim.com/landg-assets/lgim/\\_document-library/esg/esg-impact-report-q3-2023.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/esg/esg-impact-report-q3-2023.pdf)

[https://www.lgim.com/landg-assets/lgim/\\_document-library/esg/esg-impact-report-q2-2023\\_final.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/esg/esg-impact-report-q2-2023_final.pdf)

(C) No, we did not publicly disclose details of our engagement with policy makers conducted as part of our responsible investment approach during the reporting year

## STEWARDSHIP: EXAMPLES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 40	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Examples	2

**Provide examples of stewardship activities that you conducted individually or collaboratively during the reporting year that contributed to desired changes in the investees, policy makers or other entities with which you interacted.**

(A) Example 1:

Title of stewardship activity:

Corporate engagement: China Mengniu Dairy

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

We believe that sustainable forestry is critical to combating climate change and preserving biodiversity, two systemic risks facing the world economy today, with significant implications for our clients' assets if left unaddressed. Companies should analyse, assess and address deforestation risks within their operations and supply chains, and pay attention to the rising expectations of corporations from investors and broader stakeholders. Our Climate Impact Pledge 'red lines' for the food sector are:

- Does the company have comprehensive zero-deforestation and no-land-conversion procurement policies?
- Does the company disclose its climate-related lobbying activities, including trade association memberships, and explain the action it will take if these are not aligned with a 1.5°C scenario?

We have been engaging with China Mengniu Dairy under our Climate Impact Pledge since 2019 and have had several detailed conversations, focusing on our minimum climate expectations, including discussions on deforestation.

Our primary concerns related to emissions disclosures and suitable targets, and the lack of a deforestation policy. In line with our Climate Impact Pledge escalation process, we continued to vote against the re-election of the board chair, and the company was placed on our divestment list (applicable to relevant funds) in 2020.

Since we began our engagement, the company has made progress on lower-impact products, and increased transparency on biodiversity. In 2022, we were pleased to see the publication of a deforestation policy and the company's commitment to achieve zero deforestation by 2030. In our June 2023 Climate Impact Pledge update, we noted that in addition to the deforestation policy, the company had also published a commitment for carbon neutrality by 2050, covering all scopes of emissions. We therefore made the decision to reinstate China Mengniu Dairy into applicable funds previously mentioned (removing it from our divestment list).

We communicated our decision to the company and have continued our engagement. While we are pleased with their progress, we have clarified that we would like them to seek approval of their net zero targets by the SBTi, and that we encourage them to report their Scope 3 emissions. We believe taking these steps and improving disclosures enables investors and the market to assess risks and opportunities related to deforestation and price these more accurately. Appropriate pricing of climate-related risks and opportunities in the market can also be an important incentive for change.

(B) Example 2:

Title of stewardship activity:

Corporate engagement: Targa Resources

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Targa Resources is a major midstream energy player with substantial gathering pipelines, natural gas processing plants, and interstate pipelines/storage assets. The company's assets are primarily in the Permian basin. As part of our engagement, we are looking for the following from the company:

1. Disclose Scope 3 emissions
2. Provide additional disclosure on monitoring efforts for methane fugitive emissions
- 3.

Demonstrate further progress on carbon intensity reductions (e.g. state-of-the-art valves and compression stations using more renewable fuels)

4. Eliminate routine flaring Engage and escalate

We regularly engage with Targa's investor relations team via virtual meetings and on occasions we have had the opportunity to meet with the CFO face-to-face, as we did in September in New York. As part of our engagement, our Investment analysts collaborated with our Investment Stewardship team on areas linked to our Climate Impact Pledge and our biodiversity expectations.

During our engagement with Targa, it became clear the company has no intention of disclosing Scope 3 emissions as they believe that it is not standard practice for US-based energy companies. On methane, the company has reduced absolute emissions by 42%, achieved a 25% reduction in 'reportable emission events', and increased methane aerial surveys to twice a year. We pushed for more real-time data on the results of these flyovers. Targa also reduced flaring intensity by 21%, but has yet to eliminate it. We believe that the company has reasonable goals relative to its US peers, and does not have global peers within dedicated energy infrastructure with whom to compare themselves.

We are asking the company to go further as an industry leader. Current goals include: reducing methane emissions intensity to 0.11% for the Processing sector by 2025, and to 0.08% for the Gathering and Boosting sector by 2025.

While the company has fallen short of our requests, we note that it has evolved to include more meaningful targets relative to its US peers. We have communicated that a more robust set of sustainability goals would open us to own more of its bonds in funds which have a higher bar on ESG for inclusion.

In addition, energy transition is a key risk consideration and certain levels of transparency or a better plan to transition would help reduce risk in our view and may offer potential performance upside relative to valuations. We will continue to monitor the company's performance against its ESG goals.

(C) Example 3:

Title of stewardship activity:

Development of a new framework to support housing associations with ESG-related CapEx requirements

- (1) Led by
- (1) Internally led
  - (2) External service provider led
  - (3) Led by an external investment manager, real assets third-party operator and/or external property manager
- (2) Primary focus of stewardship activity
- (1) Environmental factors
  - (2) Social factors
  - (3) Governance factors
- (3) Asset class(es)
- (1) Listed equity
  - (2) Fixed income
  - (3) Private equity
  - (4) Real estate
  - (5) Infrastructure
  - (6) Hedge funds
  - (7) Forestry
  - (8) Farmland
  - (9) Other
- (4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

There is an increasing requirement for housing associations to upgrade their stock to align with upcoming ESG-related regulations and targets, such as those related to fire safety standards and decarbonisation requirements.

We worked with one housing association that needed to introduce some flexibility in its loan terms to facilitate additional spending on fire safety-related upgrades. Following a review of expenses related to the necessary works and its business plan, it was agreed that these costs would not count negatively towards its covenant, allowing the improvements to be made without risking credit deterioration. The housing association used this approach to support the upgrades required, improving fire safety standards across its portfolio. We have also discussed how this approach could be used to support its ongoing decarbonisation efforts. The framework developed through this initial engagement enabled us to continue to support similar housing associations looking to achieve their ESG-related goals, while maintaining financial discipline and our credit position.

- (D) Example 4:  
Title of stewardship activity:

Collaborative corporate engagement: EMS-Chemie

- (1) Led by
- (1) Internally led
  - (2) External service provider led
  - (3) Led by an external investment manager, real assets third-party operator and/or external property manager
- (2) Primary focus of stewardship activity
- (1) Environmental factors
  - (2) Social factors
  - (3) Governance factors
- (3) Asset class(es)
- (1) Listed equity
  - (2) Fixed income
  - (3) Private equity
  - (4) Real estate
  - (5) Infrastructure
  - (6) Hedge funds
  - (7) Forestry
  - (8) Farmland
  - (9) Other
- (4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

According to the IEA, the chemicals sector is the largest industrial energy consumer and the third-largest industry sub-sector in terms of direct CO2 emissions. At LGIM, we therefore believe that the sector has a crucial role to play in the global transition to net zero. In addition to publishing our sector-specific expectations under the Climate Impact Pledge, we have also joined a collaborative initiative to engage with the largest European chemicals companies, organised by the NGO ShareAction. EMS-Chemie Holding does not meet our minimum standards on climate risk management, as set out in our net-zero guide for the chemicals sector. The company's climate-related disclosures are lacking the transparency and robustness that we believe is necessary for shareholders to obtain a sound picture of the company's climate transition plans and strategy.

We also have concerns with the scope and credibility of its net-zero commitment, as well as its medium-term targets, alignment to a 1.5°C scenario, and over-reliance on offsets. The company currently does not align executive remuneration with its medium-term emissions targets, which raises governance concerns regarding prioritisation and accountability for climate-related issues.

We have been disappointed in the company's lack of response to its shareholders' requests for dialogue on its climate strategy and disclosures. Our decision to vote against the re-election of the board chair at their August 2023 AGM and to pre-declare our vote publicly, is an escalation of our engagement and a reflection of our longstanding climate concerns at the company.

We note that the Blocher family controls, directly or indirectly, approximately 70% of the company. Minority shareholders will therefore find it more difficult to effectively apply stewardship tools at this company.

(E) Example 5:

Title of stewardship activity:

Real estate: Occupier engagement through dedicated digital platform

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Vizta, our digital occupier engagement platform, was developed to drive greater collaboration, education, and alignment with our occupiers across a range of topics, including sustainability. This includes supporting the delivery of decarbonisation strategies, by providing occupiers with detailed profiles of their energy use and direct access to support through a user-friendly interface. To further encourage sustainable practices, we recently integrated a marketplace platform, Reuse Exchange, into Vizta, at zero cost to occupiers. This enables occupiers to list and collect items that were previously designated for landfill.

At the end of 2023, Vizta had been embedded across 2,000+ leases. These occupiers now have access to integrated tools and resources, access to our sustainability insights and live chat, interactive videos, and regular thought leadership pieces. On Reuse Exchange, over 300 items have been listed, with 240 items collected (typically by charities), including double fridges, doors, and IT equipment. In 2024, we will be focusing on widening engagement and nudging positive behaviours by gamifying the experience.

## CLIMATE CHANGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41	CORE	N/A	PGS 41.1	PUBLIC	Climate change	General

### Has your organisation identified climate-related risks and opportunities affecting your investments?

**(A) Yes, within our standard planning horizon**

Specify the risks and opportunities identified and your relevant standard planning horizon:

Under our TCFD approach, short- and medium-term planning horizons are set out as three years and 10 years respectively. A summary of the climate-related risks and opportunities relevant for LGIM are as follows:

Opportunities:

- Investing in the technology and infrastructure needed to transition away from carbon emissions, such as renewable energy sources, low-carbon properties, low-carbon heating, electrification of transport and nature-based solutions
- Attract and retain clients by supporting their needs to decarbonise their investment portfolios, for example through net zero-aligned investment products and funds, and provision of data and analytical tools
- Manage funds that provide clients with access to financing opportunities in transition technologies and infrastructure
- Engage with companies and governments to encourage a fast and orderly 'just transition', which also enhances trust in our brand
- Enhance returns from investing in homes and commercial properties by enabling them to operate with net zero carbon emissions
- Increase our market differentiation through reduced embodied carbon in construction
- Protect our long-term returns by developing real assets with high levels of climate resilience

Risks:

- Investments in sectors or companies which are adversely exposed to a transitioning economy lose value or are downgraded
- Disruptive technology may affect the value of our investments
- Increased frequency or severity of extreme weather events may impact on the value of physical assets or the value of companies with high exposures to these risks
- Loss of market share should investment solutions be perceived as not meeting rapidly evolving client needs
- A breach of evolving legislative or regulatory requirements may expose us to litigation or regulatory sanction and damage our brand



- Reputational risk from not meeting our own commitments, or if activities across the group are not aligned
- High delivery costs of low-carbon solutions for residential and commercial properties may impact viability
- High delivery costs due to changing weather patterns disrupting our supply chain, leading to increased costs and material shortages
- Property values fall due to increased risk of extreme weather impacts, higher insurance costs or poor energy efficiency
- We are inherently exposed to the risk that key personnel may leave the group, with an adverse effect on performance

Our L&G Group TCFD report can be accessed at the following link, with climate-related risks and opportunities highlighted on page 8:

[https://group.legalandgeneral.com/media/bekgmh51/legal-and-general\\_2023-climate-and-nature-report.pdf](https://group.legalandgeneral.com/media/bekgmh51/legal-and-general_2023-climate-and-nature-report.pdf).

**(B) Yes, beyond our standard planning horizon**

Specify the risks and opportunities identified and your relevant standard planning horizon:

As well as the short and medium-term planning horizons identified above, our approach under TCFD includes a long-term horizon up to 2050. This strives to challenge and shape the very nature of our business as well as the overall strategy.

- o (C) No, we have not identified climate-related risks and/or opportunities affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41.1	CORE	PGS 41	N/A	PUBLIC	Climate change	General

**Does your organisation integrate climate-related risks and opportunities affecting your investments in its overall investment strategy, financial planning and (if relevant) products?**

**(A) Yes, our overall investment strategy, financial planning and (if relevant) products integrate climate-related risks and opportunities**

Describe how climate-related risks and opportunities have affected or are expected to affect your investment strategy, financial planning and (if relevant) products:

As part of our commitment to the Net Zero Asset Managers Initiative we have considered how to integrate climate-related risks and opportunities into our investment strategies, methodologies and products. We have developed LGIM Destination@Risk as a proprietary toolkit to assess climate-related risk for our investments. It allows us to explore a range of possible climate futures and examine their company, sector and portfolio-level financial implications as well as our investments' alignment with net-zero outcomes. Please see the following link for further details: [https://www.lgim.com/landg-assets/lgim/\\_document-library/responsible-investing/lgim-destination-at-risk-flyer.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/responsible-investing/lgim-destination-at-risk-flyer.pdf). Examples of how climate-related risks and opportunities are considered across our asset classes are detailed in the following link: [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/cro-reaching-for-net-zero-asset-classed-flyer.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/cro-reaching-for-net-zero-asset-classed-flyer.pdf). In 2023, we partnered with Swedish pension provider AP7 to launch an active investment strategy that aims to drive real-world change as well as unlock long-term shareholder value by investing in, and then engaging with, specific companies that are 'climate laggards' in their sectors.

The strategy seeks to identify companies across climate-critical sectors that are currently not, but have the potential to become successfully aligned with the Paris goals. The strategy aims to play a part in ensuring that the market as a whole, not only climate leaders, rises to the net zero transition challenge as rapidly and efficiently as possible. The engagement with portfolio companies is highly targeted, with the equal objectives of accelerating the pace of the climate transition, and maximising long-term shareholder value. The strategy follows a data-driven, fundamental and engagement-led investment approach, seeking to support the climate transition to reach net zero by 2050, leveraging insights from LGIM's Global Investment Research, tools and Investment Stewardship teams.

- o (B) No, our organisation has not yet integrated climate-related risks and opportunities into its investment strategy, financial planning and (if relevant) products

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 42	PLUS	N/A	N/A	PUBLIC	Climate change	General

**Which sectors are covered by your organisation’s strategy addressing high-emitting sectors?**

**(A) Coal**

Describe your strategy:

Our approach to high-emitting sectors is consistent with our approach under TCFD. This defines a carbon intensive sector/high emitting sector as a BICS sector that has an emissions intensity greater than or equal to one standard deviation from the mean. This currently includes Basic Materials, Utilities and Energy. Under our Future World Protection List, companies generating 20% or more of revenues from mining and extraction of thermal coal and thermal-coal-power generation, and companies generating 5% or more of revenues from oil sands extraction are excluded from relevant funds. In 2024, we updated our exclusions to encompass companies planning to develop new large-scale coal-fired power plants with capacity of at least 100 megawatts, and companies planning to develop new coal mines, extending their coal mines by applying for new permits and/or being involved in coal exploration activities.

**(B) Gas**

Describe your strategy:

Our approach to high-emitting sectors is consistent with our approach under TCFD. This defines a carbon intensive sector/high emitting sector as a BICS sector that has an emissions intensity greater than or equal to one standard deviation from the mean. This currently includes Basic Materials, Utilities and Energy.

Within LGIM’s Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

**(C) Oil**

Describe your strategy:

Our approach to high-emitting sectors is consistent with our approach under TCFD. This defines a carbon intensive sector/high emitting sector as a BICS sector that has an emissions intensity greater than or equal to one standard deviation from the mean. This currently includes Basic Materials, Utilities and Energy.

Within LGIM’s Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

**(D) Utilities**

Describe your strategy:

Our approach to high-emitting sectors is consistent with our approach under TCFD. This defines a carbon intensive sector/high emitting sector as a BICS sector that has an emissions intensity greater than or equal to one standard deviation from the mean. This currently includes Basic Materials, Utilities and Energy.

Within LGIM’s Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

**(E) Cement**

Describe your strategy:

Our approach to high-emitting sectors is consistent with our approach under TCFD. This defines a carbon intensive sector/high emitting sector as a BICS sector that has an emissions intensity greater than or equal to one standard deviation from the mean. This currently includes Basic Materials, Utilities and Energy.

Within LGIM's Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

**(F) Steel**

Describe your strategy:

Our approach to high-emitting sectors is consistent with our approach under TCFD. This defines a carbon intensive sector/high emitting sector as a BICS sector that has an emissions intensity greater than or equal to one standard deviation from the mean. This currently includes Basic Materials, Utilities and Energy.

Within LGIM's Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

**(G) Aviation**

Describe your strategy:

Within LGIM's Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

**(H) Heavy duty road**

Describe your strategy:

Within LGIM's Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

**(I) Light duty road**

Describe your strategy:

Within LGIM's Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

**(J) Shipping**

Describe your strategy:

Within LGIM's Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

**(K) Aluminium**

Describe your strategy

Our approach to high-emitting sectors is consistent with our approach under TCFD. This defines a carbon intensive sector/high emitting sector as a BICS sector that has an emissions intensity greater than or equal to one standard deviation from the mean. This currently includes Basic Materials, Utilities and Energy.

Within LGIM's Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

**(L) Agriculture, forestry, fishery**

Describe your strategy:

In late 2023 we published our Nature Framework, setting out our approach to this topic, structured across four 'sub themes' of deforestation, natural capital management, the circular economy, and water. Our Framework sets out how we will address each of these topics from both corporate and policy angles, including work with data providers and other stakeholders, building on our existing work on sustainable agriculture with FAIRR, our deforestation assessments and expectations, and metrics that we include in our ESG Score and Climate Impact Pledge score. More about our approach to nature can be found here: [https://www.lgim.com/landg-assets/lgim/lgim-nature-policy-document-final\\_v2.0-1.pdf](https://www.lgim.com/landg-assets/lgim/lgim-nature-policy-document-final_v2.0-1.pdf)

**(M) Chemicals**

Describe your strategy:

Our approach to high-emitting sectors is consistent with our approach under TCFD. This defines a carbon intensive sector/high emitting sector as a BICS sector that has an emissions intensity greater than or equal to one standard deviation from the mean. This currently includes Basic Materials, Utilities and Energy.

Within LGIM's Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

**(N) Construction and buildings**

Describe your strategy:

Within LGIM's Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

**(O) Textile and leather**

Describe your strategy:

Within LGIM's Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

**(P) Water**

Describe your strategy:

Our approach to high-emitting sectors is consistent with our approach under TCFD. This defines a carbon intensive sector/high emitting sector as a BICS sector that has an emissions intensity greater than or equal to one standard deviation from the mean. This currently includes Basic Materials, Utilities and Energy. In our Nature Framework (LGIM Nature Policy), we set out our approach to tackling the challenges of nature loss and degradation across four sub-themes: the circular economy, deforestation, natural capital management, and water. Our water policy is available on the following link: [https://www.lgim.com/landg-assets/lgim/responsible-investing/ret\\_lgim-water-policy-document.pdf](https://www.lgim.com/landg-assets/lgim/responsible-investing/ret_lgim-water-policy-document.pdf)

**(Q) Other**

Specify:

Forestry and Paper Pulp, Food, Glass, Logistics, Banks, Insurance, Mining, Tech & Telecoms

Describe your strategy:

Within LGIM's Climate Impact Pledge, we focus on climate-critical sectors, which are responsible for the most global greenhouse gas emissions from listed companies and/or vital to climate transition at scale, as well as the most carbon-intensive sectors in LGIM portfolios. We are encouraging companies within the 20 climate-critical sectors we have identified, to tackle climate change and transition to a low-carbon economy.

- (R) We do not have a strategy addressing high-emitting sectors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 43	CORE	N/A	N/A	PUBLIC	Climate change	General

**Has your organisation assessed the resilience of its investment strategy in different climate scenarios, including one in which the average temperature rise is held to below 2 degrees Celsius (preferably to 1.5 degrees Celsius) above pre-industrial levels?**

- (A) Yes, using the Inevitable Policy Response Forecast Policy Scenario (FPS) or Required Policy Scenario (RPS)
- (B) Yes, using the One Earth Climate Model scenario
- (C) Yes, using the International Energy Agency (IEA) Net Zero scenario

**(D) Yes, using other scenarios**

Specify:

LGIM has developed a number of pathways in house using our LGIM Destination@Risk toolkit. This includes three separate scenarios where temperature is held below 2 degrees Celsius and our L&G Group climate reporting in line with TCFD is consistent with this approach. The scenarios include insights with a number of the scenarios above and further detail can be found on pages 19 - 25 of our L&G Climate report at the following link: [https://group.legalandgeneral.com/media/bekgmh51/legal-and-general\\_2023-climate-and-nature-report.pdf](https://group.legalandgeneral.com/media/bekgmh51/legal-and-general_2023-climate-and-nature-report.pdf)

- (E) No, we have not assessed the resilience of our investment strategy in different climate scenarios, including one that holds temperature rise to below 2 degrees

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 44	CORE	N/A	N/A	PUBLIC	Climate change	General

**Does your organisation have a process to identify, assess, and manage the climate-related risks (potentially) affecting your investments?**

**(A) Yes, we have a process to identify and assess climate-related risks**

(1) Describe your process

Scenario analysis helps us to understand the strategic implications of possible climate pathways, including the key features of transition to a net zero economy. We use scenarios to explore the role our organisation can play, alongside policy and corporate action, in mitigating climate risk and supporting opportunity. We develop our own bottom-up scenarios of how the energy and land systems may evolve to 2050. The Paris Agreement sets out its goal as limiting global warming by 2100 to well-below 2°C, ideally 1.5°C above pre-industrial temperatures. In trying to model plausible pathways to these outcomes, we must try to capture change across the energy and land systems and make difficult trade-offs between minimising short-term policy impact and limiting the long-term physical risks from climate change.

Our LGIM Destination@Risk toolkit translates these scenarios into company, sector and portfolio-level implications.

We use two main metrics: one is climate risk, which describes the potential risk from various climate scenarios to asset valuations, and the other is temperature alignment, which assesses whether companies are contributing to the changes we require to reach global climate commitments, or whether they put them at risk. Having taken part in the Bank of England's Biennial Exploratory Scenario on climate change exercise through 2021 and 2022, testing the resilience of the current business models of the largest banks, insurers and the financial system to climate-related risks, the results of the exercise have been published here: [bit.ly/Resultsofthe2021ClimateBiennialExploratoryScenario](https://bit.ly/Resultsofthe2021ClimateBiennialExploratoryScenario)

#### Real Assets

LGIM has also conducted an initial qualitative review of the different climate transition-related risk drivers that, if unmitigated, could impact the real estate sector.

This analysis was aligned with the scenario analysis indicated above. In 2023, LGIM undertook a forward-looking physical climate modelling exercise to understand the risk exposure that our real estate equity portfolio currently faces across all climate hazards, and how this is likely to change in the future. This was conducted under two different climate warming scenarios, the Intergovernmental Panel on Climate Change (IPCC) RCP 2.6 and RCP 8.5 scenarios. The purpose of completing this analysis was to better understand the level of risk exposure present across LGIM today and in the future, and to highlight assets deemed the most at risk. Our approach also quantifies the relative financial impact of physical climate risk perils, enabling us to deepen our understanding of how climate may impact our portfolio and develop a more robust investment strategy going forward.

#### (2) Describe how this process is integrated into your overall risk management

We have integrated climate risk management into our existing risk and governance framework and have carried out a detailed assessment of how we could expect climate risk to emerge across our business model. From the investments that we hold:

##### Credit

Climate change may impact on credit risk both through movements in credit spreads (due to a similar process as those driving changes in the equity valuation described below) and through credit rating transitions as a result of changes in either actual or anticipated default rates.

##### Market

Climate change may impact on equity and property risk through asset values being exposed to a (potentially sudden) repricing to reflect transition risks to a low or carbon-neutral economy, or due to more frequent and severe weather events and longer-term shifts in climate impacting on asset values.

These may be through actual experience or a change in anticipated future experience. Climate change may also present enhanced asset returns, such as increased equity valuation for a firm enabling the transition to a low-carbon economy. Climate change may impact on other market risk exposures through movements in macroeconomic factors such as interest, inflation and foreign exchange rates.

##### Client funds

All investment objectives and risks associated with these portfolios are borne by the end investors.

These risks will include the financial risks from climate change. While the ultimate decision to choose a specific mandate or portfolio lies with our clients, one of the key ways in which we can have a positive impact is by helping clients, the owners and ultimate beneficiaries, take action on climate change. We seek to achieve this through disclosing climate metrics and an assessment of the implications of climate change on our clients' assets. This analysis helps our clients better understand the climate risks that may be held in their portfolio.

##### Real Assets

We are implementing policies and processes to identify transition and physical climate-related risks across all our real estate equity portfolios throughout the asset lifecycle.

Examples include net zero audits, which are required for all new acquisitions and are used to understand required measures to achieve net zero and to assess feasibility, costs and timeframe for completion of these measures. Flood risk has also always been embedded in our investment strategy and is a key component of our standard due diligence process of all property acquisitions.

#### (B) Yes, we have a process to manage climate-related risks

##### (1) Describe your process

Equity and Fixed Income

Subject to our clients' different mandates we have varying degrees of discretion to mitigate climate risks in portfolios, for example in an index fund, LGIM's stewardship engagement activity is the primary management tool, whereas in active investment strategies we have other levers that can be applied.

We have incorporated climate considerations and LGIM Destination@Risk climate modelling within our research analysis tool, LGIM Active ESG View such that portfolio managers can pro-actively assess individual security and portfolio level climate risk exposures in determination of portfolio trading and construction decisions.

Real Assets

To manage transition risks, we aim to buy assets which have undergone stringent sustainability assessments, including identifying BREEAM and EPC ratings and completing individual Asset Sustainability Plans (ASPs), which draws together improvement opportunities for implementation as well as a consideration of other sustainability factors.

Net zero audits are also a requirement at acquisition and are in the process of being rolled out across targeted standing assets too. These are used to identify the measures required to achieve net zero alongside feasibility, costs and timelines, with outputs of these also built into ASPs. This helps to identify alignment with our interim 2030 SBT-aligned targets. On physical climate risk, we work with a specialist agency, XDI, which helps to identify any at-risk assets to enable suitable adaptation strategies to be developed.

(2) Describe how this process is integrated into your overall risk management

We deploy a range of management actions to meet our risk management objectives, including:

- 1. established framework for climate commitments
- 2. exclusions and high carbon escalation
- 3. review our existing tolerance framework to incorporate climate considerations
- 4.

active engagement. These actions seek to manage our exposure to climate-related risks associated with our investments and operations and the risks that we do not achieve our climate-related goals and targets.

Real Assets

Our approach is embedded within our investment process at the Investment Committee level. We also use our specialist ESG data platform, provided by Deepki.

to monitor our progress against our net zero by 2050 commitment and our 2030 SBTi aligned interim targets. The platform contains key climate risk metrics and Asset Sustainability Plans (ASPs) and, using this platform, Deepki provide our quarterly analysis at asset and fund level and provide our annual reporting data.

- o (C) No, we do not have any processes to identify, assess, or manage the climate-related risks affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 45	CORE	N/A	N/A	PUBLIC	Climate change	General

During the reporting year, which of the following climate risk metrics or variables affecting your investments did your organisation use and publicly disclose?

- (A) Exposure to physical risk
  - (1) Indicate whether this metric or variable was used and disclosed, including the methodology
    - o (1) Metric or variable used
    - (2) Metric or variable used and disclosed
    - o (3) Metric or variable used and disclosed, including methodology
  - (2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable
    - [https://group.legalandgeneral.com/media/bekgmh51/legal-and-general\\_2023-climate-and-nature-report.pdf](https://group.legalandgeneral.com/media/bekgmh51/legal-and-general_2023-climate-and-nature-report.pdf)
- (B) Exposure to transition risk
  - (1) Indicate whether this metric or variable was used and disclosed, including the methodology
    - o (1) Metric or variable used

- (2) Metric or variable used and disclosed
- (3) Metric or variable used and disclosed, including methodology
- (2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

[https://group.legalandgeneral.com/media/bekgmh51/legal-and-general\\_2023-climate-and-nature-report.pdf](https://group.legalandgeneral.com/media/bekgmh51/legal-and-general_2023-climate-and-nature-report.pdf)

(C) Internal carbon price

(D) Total carbon emissions

- (1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

(3) Metric or variable used and disclosed, including methodology

- (2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

[https://group.legalandgeneral.com/media/bekgmh51/legal-and-general\\_2023-climate-and-nature-report.pdf](https://group.legalandgeneral.com/media/bekgmh51/legal-and-general_2023-climate-and-nature-report.pdf)

(E) Weighted average carbon intensity

- (1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

(3) Metric or variable used and disclosed, including methodology

- (2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

[https://group.legalandgeneral.com/media/bekgmh51/legal-and-general\\_2023-climate-and-nature-report.pdf](https://group.legalandgeneral.com/media/bekgmh51/legal-and-general_2023-climate-and-nature-report.pdf)

(F) Avoided emissions

(G) Implied Temperature Rise (ITR)

- (1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

(3) Metric or variable used and disclosed, including methodology

- (2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

[https://group.legalandgeneral.com/media/bekgmh51/legal-and-general\\_2023-climate-and-nature-report.pdf](https://group.legalandgeneral.com/media/bekgmh51/legal-and-general_2023-climate-and-nature-report.pdf)

(H) Non-ITR measure of portfolio alignment with UNFCCC Paris Agreement goals

(I) Proportion of assets or other business activities aligned with climate-related opportunities

(J) Other metrics or variables

- (K) Our organisation did not use or publicly disclose any climate risk metrics or variables affecting our investments during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 46	CORE	N/A	N/A	PUBLIC	Climate change	General

**During the reporting year, did your organisation publicly disclose its Scope 1, Scope 2, and/or Scope 3 greenhouse gas emissions?**

(A) Scope 1 emissions

- (1) Indicate whether this metric was disclosed, including the methodology

- (1) Metric disclosed

(2) Metric and methodology disclosed

- (2) Provide links to the disclosed metric and methodology, as applicable

[https://group.legalandgeneral.com/media/bekgmh51/legal-and-general\\_2023-climate-and-nature-report.pdf](https://group.legalandgeneral.com/media/bekgmh51/legal-and-general_2023-climate-and-nature-report.pdf)

(B) Scope 2 emissions

- (1) Indicate whether this metric was disclosed, including the methodology

- (1) Metric disclosed

(2) Metric and methodology disclosed

- (2) Provide links to the disclosed metric and methodology, as applicable



[https://group.legalandgeneral.com/media/bekgmh51/legal-and-general\\_2023-climate-and-nature-report.pdf](https://group.legalandgeneral.com/media/bekgmh51/legal-and-general_2023-climate-and-nature-report.pdf)

**(C) Scope 3 emissions (including financed emissions)**

(1) Indicate whether this metric was disclosed, including the methodology

o (1) Metric disclosed

**(2) Metric and methodology disclosed**

(2) Provide links to the disclosed metric and methodology, as applicable

[https://group.legalandgeneral.com/media/bekgmh51/legal-and-general\\_2023-climate-and-nature-report.pdf](https://group.legalandgeneral.com/media/bekgmh51/legal-and-general_2023-climate-and-nature-report.pdf)

o (D) Our organisation did not publicly disclose its Scope 1, Scope 2, or Scope 3 greenhouse gas emissions during the reporting year

## SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47	CORE	N/A	Multiple indicators	PUBLIC	Sustainability outcomes	1, 2

**Has your organisation identified the intended and unintended sustainability outcomes connected to its investment activities?**

**(A) Yes, we have identified one or more specific sustainability outcomes connected to our investment activities**

o (B) No, we have not yet identified the sustainability outcomes connected to any of our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.1	CORE	PGS 47	N/A	PUBLIC	Sustainability outcomes	1, 2

**Which widely recognised frameworks has your organisation used to identify the intended and unintended sustainability outcomes connected to its investment activities?**

**(A) The UN Sustainable Development Goals (SDGs) and targets**

**(B) The UNFCCC Paris Agreement**

**(C) The UN Guiding Principles on Business and Human Rights (UNGPs)**

**(D) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors**

**(E) The EU Taxonomy**

(F) Other relevant taxonomies

(G) The International Bill of Human Rights

**(H) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions**

(I) The Convention on Biological Diversity

(J) Other international framework(s)

(K) Other regional framework(s)

(L) Other sectoral/issue-specific framework(s)

o (M) Our organisation did not use any widely recognised frameworks to identify the intended and unintended sustainability outcomes connected to its investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.2	CORE	PGS 47	PGS 48	PUBLIC	Sustainability outcomes	1, 2

What are the primary methods that your organisation has used to determine the most important intended and unintended sustainability outcomes connected to its investment activities?

- (A) Identify sustainability outcomes that are closely linked to our core investment activities
- (B) Consult with key clients and/or beneficiaries to align with their priorities
- (C) Assess which actual or potential negative outcomes for people are most severe based on their scale, scope, and irremediable character
- (D) Identify sustainability outcomes that are closely linked to systematic sustainability issues
- (E) Analyse the input from different stakeholders (e.g. affected communities, civil society, trade unions or similar)
- (F) Understand the geographical relevance of specific sustainability outcome objectives
- (G) Other method
- (H) We have not yet determined the most important sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48	CORE	PGS 47.2	PGS 48.1, SO 1	PUBLIC	Sustainability outcomes	1, 2

Has your organisation taken action on any specific sustainability outcomes connected to its investment activities, including to prevent and mitigate actual and potential negative outcomes?

- (A) Yes, we have taken action on some of the specific sustainability outcomes connected to our investment activities
- (B) No, we have not yet taken action on any specific sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48.1	PLUS	PGS 48	N/A	PUBLIC	Sustainability outcomes	1, 2

Why has your organisation taken action on specific sustainability outcomes connected to its investment activities?

- (A) We believe that taking action on sustainability outcomes is relevant to our financial risks and returns over both short- and long-term horizons
- (B) We believe that taking action on sustainability outcomes, although not yet relevant to our financial risks and returns, will become so over a long-time horizon
- (C) We have been requested to do so by our clients and/or beneficiaries
- (D) We want to prepare for and respond to legal and regulatory developments that are increasingly addressing sustainability outcomes
- (E) We want to protect our reputation, particularly in the event of negative sustainability outcomes connected to investments
- (F) We want to enhance our social licence-to-operate (i.e. the trust of beneficiaries, clients, and other stakeholders)
- (G) We believe that taking action on sustainability outcomes in parallel to financial return goals has merit in its own right
- (H) Other

## HUMAN RIGHTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49	PLUS	PGS 47	PGS 49.1	PUBLIC	Human rights	1, 2

**During the reporting year, what steps did your organisation take to identify and take action on the actual and potentially negative outcomes for people connected to your investment activities?**

**(A) We assessed the human rights context of our potential and/or existing investments and projected how this could connect our organisation to negative human rights outcomes**

Explain how these activities were conducted:

We published our Human Rights Policy in 2023, setting out our commitments on human rights as a global investor and outlines our specific expectations of investee companies regarding human rights, in addition to highlighting proposed sectors and topics of focus for engagement. Our controversial weapons exclusions apply to companies involved in the production of cluster munitions, antipersonnel landmines, and biological and chemical weapons. Screening will be carried out and exclusions applied where there is evidence of non-compliance with recognised international treaties, specified in our Controversial Weapons Policy, which is publicly available on our website. Under our Future World Protection List, applied to fund as applicable by mandate, companies which have been in violation of the UNGC for 36 continuous months will be excluded. More broadly, under our Climate Impact Pledge, we emphasise the importance for companies of integrating social implications for delivering a transition to net zero. For sectors where the transition could have direct social implications, we expect companies' decarbonisation strategies to incorporate a 'just transition' perspective. Our deforestation policy was updated in 2023, and takes account of associated social and human rights impacts.

(B) We assessed whether individuals at risk or already affected might be at heightened risk of harm

(C) We consulted with individuals and groups who were at risk or already affected, their representatives and/or other relevant stakeholders such as human rights experts

(D) We took other steps to assess and manage the actual and potentially negative outcomes for people connected to our investment activities

(E) We did not identify and take action on the actual and potentially negative outcomes for people connected to any of our investment activities during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49.1	PLUS	PGS 49	N/A	PUBLIC	Human rights	1, 2

**During the reporting year, which stakeholder groups did your organisation include when identifying and taking action on the actual and potentially negative outcomes for people connected to your investment activities?**

**(A) Workers**

Sector(s) for which each stakeholder group was included

(1) Energy

(2) Materials

(3) Industrials

(4) Consumer discretionary

(5) Consumer staples

(6) Healthcare

(7) Finance

(8) Information technology

(9) Communication services

(10) Utilities

(11) Real estate

**(B) Communities**

Sector(s) for which each stakeholder group was included

- (1) Energy
- (2) Materials
- (3) Industrials
- (4) Consumer discretionary
- (5) Consumer staples
- (6) Healthcare
- (7) Finance
- (8) Information technology
- (9) Communication services
- (10) Utilities
- (11) Real estate
- (C) Customers and end-users
  - Sector(s) for which each stakeholder group was included
  - (1) Energy
  - (2) Materials
  - (3) Industrials
  - (4) Consumer discretionary
  - (5) Consumer staples
  - (6) Healthcare
  - (7) Finance
  - (8) Information technology
  - (9) Communication services
  - (10) Utilities
  - (11) Real estate
- (D) Other stakeholder groups

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49.2	PLUS	PGS 47	N/A	PUBLIC	Human rights	1, 2

**During the reporting year, what information sources did your organisation use to identify the actual and potentially negative outcomes for people connected to its investment activities?**

- (A) Corporate disclosures
 

Provide further detail on how your organisation used these information sources:

We pay close attention to corporate disclosures, particularly around AGM season, and to the shareholder resolutions being proposed, which may in some cases be an indication of problems at a company. Corporate disclosures are also a key element incorporated into LGIM's fundamental investment research and portfolio management functions.
- (B) Media reports
 

Provide further detail on how your organisation used these information sources:

As part of our regular stewardship and investment research and monitoring, we do take account of media reports from reputable sources.
- (C) Reports and other information from NGOs and human rights institutions
 

Provide further detail on how your organisation used these information sources:

As part of our regular stewardship and investment research and monitoring, we do take account such reports, relating to financially material ESG issues.
- (D) Country reports, for example, by multilateral institutions, e.g. OECD, World Bank
 

Provide further detail on how your organisation used these information sources:

As part of our regular stewardship and investment research and monitoring, we do take account such reports, relating to financially material ESG issues.
- (E) Data provider scores or benchmarks
 

Provide further detail on how your organisation used these information sources:

We track companies' adherence to our minimum ESG standards via our LGIM ESG Score, which can indicate whether there are potential red flags around social and human rights issues. Our LGIM ESG Score is a proprietary scoring mechanism, which uses data from reputable third-party providers to assess around 17,000 companies on a range of significant E, S and G factors.

**(F) Human rights violation alerts**

Provide further detail on how your organisation used these information sources:

The LGIM Future World Protection List excludes companies which have been violators of the UNGC for a continuous period of 36 months. To monitor this trigger, we use third-party data from a reputable provider.

**(G) Sell-side research**

Provide further detail on how your organisation used these information sources:

As part of our regular stewardship and investment research and monitoring, we do take account such reports.

**(H) Investor networks or other investors**

Provide further detail on how your organisation used these information sources:

LGIM is a member of several forums in which we are able to discuss industry-wide issues with our peers and to raise awareness of trends and potential problems. One such example is the Investor Forum. Additionally, we are also members of a number of peer-group collaborations: one example is Investor Action on AMR, through which we aim, alongside our industry peers, to raise awareness and galvanise global policy action on this crucial issue which, if left unmitigated, has the potential for devastating social, economic and financial damage around the world.

(I) Information provided directly by affected stakeholders or their representatives

(J) Social media analysis

(K) Other

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 50	PLUS	PGS 47	N/A	PUBLIC	Human rights	1, 2

**During the reporting year, did your organisation, directly or through influence over investees, enable access to remedy for people affected by negative human rights outcomes connected to your investment activities?**

(A) Yes, we enabled access to remedy directly for people affected by negative human rights outcomes we caused or contributed to through our investment activities

**(B) Yes, we used our influence to ensure that our investees provided access to remedies for people affected by negative human rights outcomes we were linked to through our investment activities**

Describe:

We have been engaging on income inequality and, more specifically, on the topic of living wage for a number of years individually, and collaboratively through both the ShareAction Good Work Coalition and the Platform for Living Wage Financials. We undertook 33 engagements with 22 companies on the living wage during 2023; eight of these were collaborative. In the fourth quarter of 2023, we also joined the ICCR Living Wage campaign for US workers and signed up to their investor statement, joining other investors representing a combined \$4.5 trillion, calling on US companies to take action on the living wage. Additionally, we have initiated our own LGIM-led campaign, focused on 15 large global food retailers, to encourage them to pay the living wage in their own operations and supply chains. Voting sanctions for companies within this campaign that do not meet our expectations, will be applied from 2025.

(C) No, we did not enable access to remedy directly, or through the use of influence over investees, for people affected by negative human rights outcomes connected to our investment activities during the reporting year

# LISTED EQUITY (LE)

## OVERALL APPROACH

### MATERIALITY ANALYSIS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 1	CORE	OO 21	N/A	PUBLIC	Materiality analysis	1

**Does your organisation have a formal investment process to identify and incorporate material ESG factors across your listed equity strategies?**

	(1) Passive equity	(3) Active - fundamental
(A) Yes, our investment process incorporates material governance factors	(1) for all of our AUM	(1) for all of our AUM
(B) Yes, our investment process incorporates material environmental and social factors	(1) for all of our AUM	(1) for all of our AUM
(C) Yes, our investment process incorporates material ESG factors beyond our organisation's average investment holding period	(1) for all of our AUM	(1) for all of our AUM
(D) No, we do not have a formal process. Our investment professionals identify material ESG factors at their discretion	○	○
(E) No, we do not have a formal or informal process to identify and incorporate material ESG factors	○	○

## MONITORING ESG TRENDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 2	CORE	OO 21	N/A	PUBLIC	Monitoring ESG trends	1

**Does your organisation have a formal process for monitoring and reviewing the implications of changing ESG trends across your listed equity strategies?**

	(1) Passive equity	(3) Active - fundamental
(A) Yes, we have a formal process that includes scenario analyses	(1) for all of our AUM	(1) for all of our AUM
(B) Yes, we have a formal process, but it does not include scenario analyses		
(C) We do not have a formal process for our listed equity strategies; our investment professionals monitor how ESG trends vary over time at their discretion	○	○
(D) We do not monitor and review the implications of changing ESG trends on our listed equity strategies	○	○

# PRE-INVESTMENT

## ESG INCORPORATION IN RESEARCH

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 3	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**How does your financial analysis and equity valuation or security rating process incorporate material ESG risks?**

**(2) Active - fundamental**

(A) We incorporate material governance-related risks into our financial analysis and equity valuation or security rating process	(1) in all cases
(B) We incorporate material environmental and social risks into our financial analysis and equity valuation or security rating process	(1) in all cases
(C) We incorporate material environmental and social risks related to companies' supply chains into our financial analysis and equity valuation or security rating process	(1) in all cases
(D) We do not incorporate material ESG risks into our financial analysis, equity valuation or security rating processes	o



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 4	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**What information do you incorporate when you assess the ESG performance of companies in your financial analysis, benchmark selection and/or portfolio construction process?**

	(1) Passive equity	(3) Active - fundamental
(A) We incorporate qualitative and/or quantitative information on current performance across a range of material ESG factors	(1) in all cases	(1) in all cases
(B) We incorporate qualitative and/or quantitative information on historical performance across a range of material ESG factors	(1) in all cases	(1) in all cases
(C) We incorporate qualitative and/or quantitative information on material ESG factors that may impact or influence future corporate revenues and/or profitability	(1) in all cases	(1) in all cases
(D) We incorporate qualitative and/or quantitative information enabling current, historical and/or future performance comparison within a selected peer group across a range of material ESG factors	(1) in all cases	(1) in all cases
(E) We do not incorporate qualitative or quantitative information on material ESG factors when assessing the ESG performance of companies in our financial analysis, equity investment or portfolio construction process	o	o

## ESG INCORPORATION IN PORTFOLIO CONSTRUCTION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 5	PLUS	OO 21	N/A	PUBLIC	ESG incorporation in portfolio construction	1

### Provide an example of how you incorporated ESG factors into your equity selection and research process during the reporting year.

Our Global Research and Engagement Groups (GREGs), which comprises Investment and Stewardship teams, start with identifying key macroeconomic sustainability risks that could result from inaction in response to the world's environmental or societal challenges. We also believe opportunities arise from long-term sustainability-related structural changes that can be value-creating for investment portfolios. We combine an analysis of these macro drivers with sector-level and issuer-level analysis to determine whether and how companies and assets are positioned in respect of the sustainability risks that are most relevant to them.

To support this process, LGIM have a proprietary research tool Active ESG View to inform portfolio managers on issuer ESG information combining our proprietary GREGs analysis with multiple external research inputs. The Active ESG View brings together granular quantitative and qualitative inputs such as the materiality of sustainability risks and opportunities in sectors, company ESG data, engagement criteria and proprietary forward-looking company analysis.

The proprietary materiality matrix to identify financially material topics for a given industry helps us to structure our research and provides a framework to prioritise engagement activity and measure outcomes. This field of work is guided by the Sustainability Accounting Standards Board (SASB) and entails analysing ESG factors that are likely to have an impact on financial or operating performance.

The sources and tools we use to identify and monitor material ESG risks and opportunities include:

- Regular company engagement - In 2023, LGIM's Investment Stewardship team held 2,500 engagements with 2,050 companies. The investment teams at LGIM regularly engage with companies, in 2023 the investment teams held 721 ESG engagements with 510 companies. Often these are joint engagements between the investment and investment stewardship teams. Information obtained assists us in monitoring ESG risks.

- LGIM Destination@Risk - We have developed LGIM Destination@Risk as a proprietary toolkit to assess climate-related risk for our investments. It allows us to explore a range of possible climate futures and examine their company, sector and portfolio-level financial implications as well as our investments' alignment with net-zero outcomes.

- Regular meetings with regulators, governments and policymakers - LGIM regularly meets with regulators, governments and policymakers to understand their agendas and the future ESG issues that may arise and impact on our investment activities and portfolios. We are currently involved in several policy advocacy projects, including researching and engaging with the European Commission regarding agricultural risk in the EU Taxonomy, in addition to responding and participating in various groups feeding into the FCA Discussion Paper on Sustainability Disclosures.

- Collaborative engagement - Regular collaboration with other shareholders and external corporate governance groups or networks allows us to assess the issues raised by others, as well as sharing any concerns we may have on specific topics or issues.

- External news, media, reports, sell-side research - External sources are reviewed and monitored to identify ESG risks of our investment approach or portfolios.

- Voting - Voting forms an important part of our process in relation to corporate governance.

Voting outcomes from annual and special general meetings are fed into the Active ESG View tool and key engagement strategies including the Climate Impact Pledge.

A fund-specific example of the incorporation of ESG factors into equity selection can be seen in the L&G Future World Global Equity Focus Fund, which is an Article 9 SFDR fund with an objective for all holdings to positively align to at least one UN SDG. One of the Fund's holdings is in Thermo Fisher. Thermo Fisher's Sustainalytics Risk Score fell to 13.04 from 13.58.

Sustainalytics measures unmanaged financially material environmental, social, and governance risks, so a lower score is better. The company's Bloomberg peer group has an average score of 17.95. Thermo Fisher introduced a target reduction in scope 1 & 2 emissions by 30% by 2030 and net zero by 2050 inclusive of scope 3, which was subsequently approved by the Science-Based Targets Initiative. They also have 26 sites now working toward zero waste. These practices and commitments align clearly to SDG 13 (Climate Action), SDG 3 (Good Health and Well-being), and SDG 12 (Responsible Consumption and Production).

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 6	CORE	OO 21	N/A	PUBLIC	ESG incorporation in portfolio construction	1

**How do material ESG factors contribute to your stock selection, portfolio construction and/or benchmark selection process?**

	(1) Passive equity	(3) Active - fundamental
(A) Material ESG factors contribute to the selection of individual assets and/or sector weightings within our portfolio construction and/or benchmark selection process	(2) for a majority of our AUM	(1) for all of our AUM
(B) Material ESG factors contribute to the portfolio weighting of individual assets within our portfolio construction and/or benchmark selection process	(2) for a majority of our AUM	(1) for all of our AUM
(C) Material ESG factors contribute to the country or region weighting of assets within our portfolio construction and/or benchmark selection process	(2) for a majority of our AUM	(1) for all of our AUM
(D) Other ways material ESG factors contribute to your portfolio construction and/or benchmark selection process		
(E) Our stock selection, portfolio construction or benchmark selection process does not include the incorporation of material ESG factors	o	o

## PASSIVE INVESTMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 7	PLUS	OO 21	N/A	PUBLIC	Passive investments	1

**Provide an example of how material ESG factors influenced weightings and tilts in the design of your passively managed funds.**

LGIM have developed a rules-based methodology by which to score companies against ESG metrics. The LGIM ESG Score aligns with how we engage with, and vote on, the companies in which we invest. In addition, the LGIM ESG score is designed to provide alignment between the way that capital is allocated within a strategy and the broader engagement programme. To facilitate this process, we publish the scores and explain the metrics on which they are based. In addition, the ESG score is used by our index teams in the creation of ESG aligned index-products.

When determining indicators to be used in the LGIM ESG Score, market-wide ESG issues that affect long-term returns were assessed. Once material risks and opportunities were identified, potential data points were assessed to see if they are available, quantifiable and reliable.

- Are companies in the investable universe reporting this information?
- Is the information in a numerical format to be included in the scores?
- Is the data reported regularly to allow for comparison amongst all the relevant companies?

The result of this analysis of over 17,000 companies led to the choice of 34 ESG data points, as at July 2023, which are used in creating the LGIM ESG score.

Our scores focus on the market-wide standards we expect all companies to meet, irrespective of sector. LGIM's ESG Scores are publicly available on our website to further reinforce these standards and make clear to investors and corporates our framework for assessment and means for improvements.

We are committed to regularly reviewing and refining our ESG scores. An important feature of the LGIM ESG score is its ability to evolve over time to ensure best practice for investors given the changing market landscape with respect to robust ESG data availability, regulatory change, and investor sentiment.

This is evident in the recent evolutions of the LGIM ESG score through the additions of the temperature alignment and biodiversity programme indicators in 2022. In 2023, the score was further updated with a number of new metrics including: water management programme, deforestation programme, value chain emissions intensity and lobbying activities.

This proprietary scoring framework is the foundation of our Future World Index funds range. The range makes use of a tilting approach to further improve the ESG credentials, giving greater weight to companies that have higher ESG scores and less weight to those with lower scores.

The scores enable us to incentivise companies to improve their ESG profile through a transparent methodology. Please see the LGIM ESG Score website for further details. <https://esgscores.lgim.com/en/uk/institutional/>.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 8	PLUS	OO 19, OO 21	N/A	PUBLIC	Passive investments	1

**How does your organisation select the ESG index(es) or benchmark(s) for your passive listed equity assets?**

- (A) We commission customised indexes**

Explain:

In recent years LGIM's index equity business has embraced product innovation having established a dedicated Index Solutions team to support index design and aid clients in achieving their changing investment objectives through new innovative index solutions. LGIM now manages over £90bn (as at December 2023) in Custom and LGIM designed index AUM across over 60 index strategies.

Our product innovation and leadership in stewardship has also allowed us to champion ESG integration with our clients, not only through active engagement and appropriate voting but also investment strategy, with LGIM now managing over £207bn (as at December 2023) in ESG integrated index equity strategies.

We take great pleasure in working with clients to better understand their specific ESG requirements and objectives and designing bespoke ESG indices to reflect these using carbon reduction targets, ESG metric improvements, decarbonisation goals, and external benchmark guidelines e.g. Paris-Aligned and Climate Transition Benchmarks.

With regards to index creation, we have established relationships with all the main index providers of choice such as MSCI, FTSE and Solactive, enabling us to have the ability to offer best in class solutions across providers. Furthermore, under this approach we can also integrate our proprietary ESG scoring framework as well as our flagship climate engagement programme the LGIM Climate Impact Pledge and other innovative features including SDG misalignment/ metric improvement.

**(B) We compare the methodology amongst the index providers available**

Explain:

LGIM identifies the most appropriate ESG-themed benchmark and provider following market research as part of its product development process. Clients investing in segregated mandates may instruct LGIM to benchmark their mandate against a specific benchmark which they have selected. This may culminate in the same benchmark administrator as per other products, but is not the only factor in the selection process.

An example of some of the technical considerations assessed are the ease of accessing the data, speed to market, operational resilience and flexibility. In addition we consider the cost and quality of the data sets being delivered/used in index construction and the quality of the support teams from the index providers. Factors that are more or less important will depend on the intended use of each benchmark, but will always have the target client's own objectives at the heart of the assessment.

**(C) We compare the costs of different options available in the market**

Explain:

LGIM has an internal team responsible for centrally managing the administration, relationships and contract negotiation with index providers. Comparing the cost profiles of various index options is always part of the consideration during the product development process.

(D) Other

## POST-INVESTMENT

### ESG RISK MANAGEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 9	CORE	OO 17.1 LE, OO 21	N/A	PUBLIC	ESG risk management	1

**What compliance processes do you have in place to ensure that your listed equity assets subject to negative exclusionary screens meet the screening criteria?**

**(A) We have internal compliance procedures that ensure all funds or portfolios that are subject to negative exclusionary screening have pre-trade checks**

(B) We have an external committee that oversees the screening implementation process for all funds or portfolios that are subject to negative exclusionary screening

**(C) We have an independent internal committee that oversees the screening implementation process for all funds or portfolios that are subject to negative exclusionary screening**

(D) We do not have compliance processes in place to ensure that we meet our stated negative exclusionary screens

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 10	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

**For the majority of your listed equity assets, do you have a formal process to identify and incorporate material ESG risks and ESG incidents into your risk management process?**

**(2) Active - fundamental**

(A) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for individual listed equity holdings

(B) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for other listed equity holdings exposed to similar risks and/or incidents

(C) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for our stewardship activities

(D) Yes, our formal process includes ad hoc reviews of quantitative and/or qualitative information on severe ESG incidents

(E) We do not have a formal process to identify and incorporate material ESG risks and ESG incidents into our risk management process; our investment professionals identify and incorporate material ESG risks and ESG incidents at their discretion

(F) We do not have a formal process to identify and incorporate material ESG risks and ESG incidents into our risk management process

o

## PERFORMANCE MONITORING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 11	PLUS	OO 21	N/A	PUBLIC	Performance monitoring	1

**Provide an example of how the incorporation of ESG factors in your listed equity valuation or portfolio construction affected the realised returns of those assets.**

Volution Group:

We consider Capital Goods companies to be key enablers of both the Energy transition and the move towards a Circular Economy, which we believe to be key factors that will drive improved environmental outcomes, higher financial returns and share price performance. With increased focus on climate change action, specifically pathways towards achieving science-based targets and recognition of the EU Taxonomy, we look at the sector to pioneer 'green' transformation. Industrials companies have performed well over the past 12 months, with the sector outperforming the UK market (measured by FTSE All Share) by c.5%. Yet the sector is truly diverse - covering a broad range of global end markets and varying customer applications, it provides a great example of the benefit of factoring in ESG analysis to equity valuation.

We say that as we have noted that Industrial companies supported by strong ESG tailwinds and sustainability trends benefit from structural growth, insulating them to a greater extent from macroeconomic pressures and cyclical risks (e.g. order book declines) suffered by peers.

One of the UK stocks we invested in due to this attractive secular growth visible when incorporating ESG factors, is ventilation supplier Volution. This business serves both residential and commercial sectors across public and private new builds and refurbishment projects. Building enough homes is a challenge faced by many countries, and within that is the equally important notion of building homes for the future that last and are fit for purpose by evolving modern standards.

For example, there is a growing understanding of the importance of ventilation for good indoor air quality and health. Most of Volution's markets are characterised by a structural undersupply of new houses and an existing ageing stock in drastic need of refurbishment. This is an important contributor to climate change as buildings are responsible for c.36% of total CO2 emissions and 40% of energy demand. 76% of the materials Volution use are from recycled sources, supporting the creation of a Circular Economy. The materials are used to manufacture and supply key technology components required for the decarbonisation of buildings. An important approach to this is preventing energy loss in heated or cooled air as it is exhausted from the building for ventilation.

To prevent the energy loss, heat recovery cells can be used in the airstream to ensure the energy is recovered. This goal to help avoid carbon emissions is supported by regulatory tailwinds, particularly the Building Regulations and the EU taxonomy. It also aligns with the UN SDG 11, in particular (Sustainable Cities and Communities), as well as others such as 3 (Good Health and Well-being) and 13 (Climate Action).

The referenced ESG tailwinds and regulatory support have enabled Volution to deliver a revenue compound annual growth rate of almost 10% over the past 5 years. This is comprised of mostly organic growth, but also the acquisition and integration of value-add businesses, as it utilises its balance sheet to consolidate its fragmented markets and purchase enabling technologies aligned to the green transition.

Owning Volution in our funds has been positive for realised returns, with the shares +23% over 1 Year versus the UK market (measured by FTSE All Share) +12% for the period ending 24/06/2024. Our outlook on Volution shares remains positive, as through regular engagement with management and after analysis of the ESG factors mentioned above, we recognise the large structural growth opportunity ahead – maintaining our view that this demand is not factored into the equity valuation.

## DISCLOSURE OF ESG SCREENS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 12	CORE	OO 17 LE, OO 21	N/A	PUBLIC	Disclosure of ESG screens	6

**For all your listed equity assets subject to ESG screens, how do you ensure that clients understand ESG screens and their implications?**

- (A) We share a list of ESG screens
- (B) We share any changes in ESG screens
- (C) We explain any implications of ESG screens, such as their deviation from a benchmark or impact on sector weightings
- (D) We do not share the above information for all our listed equity assets subject to ESG screens



# FIXED INCOME (FI)

## OVERALL APPROACH

### MATERIALITY ANALYSIS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 1	CORE	OO 21	N/A	PUBLIC	Materiality analysis	1

**Does your organisation have a formal investment process to identify and incorporate material ESG factors across your fixed income assets?**

	(1) SSA	(2) Corporate	(4) Private debt
(A) Yes, our investment process incorporates material governance factors	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(B) Yes, our investment process incorporates material environmental and social factors	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(C) Yes, our investment process incorporates material ESG factors depending on different investment time horizons	(1) for all of our AUM	(1) for all of our AUM	(2) for a majority of our AUM
(D) No, we do not have a formal process; our investment professionals identify material ESG factors at their discretion	○	○	○
(E) No, we do not have a formal or informal process to identify and incorporate material ESG factors	○	○	○

## MONITORING ESG TRENDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 2	CORE	OO 21	N/A	PUBLIC	Monitoring ESG trends	1

**Does your organisation have a formal process for monitoring and reviewing the implications of changing ESG trends across your fixed income assets?**

	(1) SSA	(2) Corporate
(A) Yes, we have a formal process that includes scenario analyses	(1) for all of our AUM	(1) for all of our AUM
(B) Yes, we have a formal process, but does it not include scenario analyses		
(C) We do not have a formal process for our fixed income assets; our investment professionals monitor how ESG trends vary over time at their discretion	○	○
(D) We do not monitor and review the implications of changing ESG trends on our fixed income assets	○	○

## PRE-INVESTMENT

### ESG INCORPORATION IN RESEARCH

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 3	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**For the majority of your fixed income investments, does your organisation incorporate material ESG factors when assessing their credit quality?**

	(1) SSA	(2) Corporate	(4) Private debt
(A) We incorporate material environmental and social factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) We incorporate material governance-related factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) We do not incorporate material ESG factors for the majority of our fixed income investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 4	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**Does your organisation have a framework that differentiates ESG risks by issuer country, region and/or sector?**

	(1) SSA	(2) Corporate	(4) Private debt
(A) Yes, we have a framework that differentiates ESG risks by country and/or region (e.g. local governance and labour practices)	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(B) Yes, we have a framework that differentiates ESG risks by sector	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(C) No, we do not have a framework that differentiates ESG risks by issuer country, region and/or sector	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(D) Not applicable; we are not able to differentiate ESG risks by issuer country, region and/or sector due to the limited universe of our issuers

o

o

o

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 5	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**How does your organisation incorporate material ESG factors when selecting private debt investments during the due diligence phase?**

**(A) We use a qualitative ESG checklist**

Select from dropdown list:

- (1) in all cases
- (2) in a majority of cases**
- (3) in a minority of cases

**(B) We assess quantitative information on material ESG factors, such as energy consumption, carbon footprint and gender diversity**

Select from dropdown list:

- (1) in all cases
- (2) in a majority of cases**
- (3) in a minority of cases

**(C) We check whether the target company has its own responsible investment policy, sustainability policy or ESG policy**

Select from dropdown list:

- (1) in all cases
- (2) in a majority of cases**
- (3) in a minority of cases

(D) We hire third-party consultants to do technical due diligence on specific material ESG factors where internal capabilities are not available

**(E) We require the review and sign-off of our ESG due diligence process by our investment committee, or the equivalent function**

Select from dropdown list:

- (1) in all cases**
- (2) in a majority of cases
- (3) in a minority of cases

**(F) We use industry-recognised responsible investment due diligence questionnaire (DDQ) templates**

Select from dropdown list:

- (1) in all cases
- (2) in a majority of cases**
- (3) in a minority of cases

(G) We use another method of incorporating material ESG factors when selecting private debt investments during the due diligence process

(H) We do not incorporate material ESG factors when selecting private debt investments during the due diligence phase

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 6	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

**How do you incorporate significant changes in material ESG factors over time into your fixed income asset valuation process?**

	(1) SSA	(2) Corporate	(3) Private debt
(A) We incorporate it into the forecast of financial metrics or other quantitative assessments	(1) for all of our AUM	(1) for all of our AUM	(2) for a majority of our AUM
(B) We make a qualitative assessment of how material ESG factors may evolve	(1) for all of our AUM	(1) for all of our AUM	(2) for a majority of our AUM
(C) We do not incorporate significant changes in material ESG factors	o	o	o

## ESG INCORPORATION IN PORTFOLIO CONSTRUCTION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 8	CORE	OO 21	N/A	PUBLIC	ESG incorporation in portfolio construction	1

**How do material ESG factors contribute to your security selection, portfolio construction and/or benchmark selection process?**

	(1) SSA	(2) Corporate
(A) Material ESG factors contribute to the selection of individual assets and/or sector weightings within our portfolio construction and/or benchmark selection process	(1) for all of our AUM	(1) for all of our AUM
(B) Material ESG factors contribute to determining the holding period of individual assets within our portfolio construction and/or benchmark selection process	(1) for all of our AUM	(1) for all of our AUM
(C) Material ESG factors contribute to the portfolio weighting of individual assets within our portfolio construction and/or benchmark selection process	(1) for all of our AUM	(1) for all of our AUM
(D) Material ESG factors contribute to the country or region weighting of assets within our portfolio construction and/or benchmark selection process	(1) for all of our AUM	(1) for all of our AUM
(E) Material ESG factors contribute to our portfolio construction and/or benchmark selection process in other ways		
(F) Our security selection, portfolio construction or benchmark selection process does not include the incorporation of material ESG factors	o	o

## PASSIVE INVESTMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 9	PLUS	OO 5.3 FI, OO 21	N/A	PUBLIC	Passive investments	1

### Provide an example of how material ESG factors influenced weightings and tilts in the design of your passively managed funds.

LGIM have developed a rules-based methodology by which to score companies against ESG metrics. The LGIM ESG Score aligns with how we engage with, and vote on, the companies in which we invest. In addition, the LGIM ESG score is designed to provide alignment between the way that capital is allocated within a strategy and the broader engagement programme. To facilitate this process, we publish the scores and explain the metrics on which they are based. In addition, the ESG score is used by our index teams in the creation of ESG aligned index-products.

When determining indicators to be used in the LGIM ESG Score, market-wide ESG issues that affect long-term returns were assessed. Once material risks and opportunities were identified, potential data points were assessed to see if they are available, quantifiable and reliable.

- Are companies in the investable universe reporting this information?
- Is the information in a numerical format to be included in the scores?
- Is the data reported regularly to allow for comparison amongst all the relevant companies?

The result of this analysis of over 17,000 companies led to the choice of 34 ESG data points, as at July 2023, which were used in the creation of the LGIM ESG score.

Our scores focus on the market-wide standards we expect all companies to meet, irrespective of sector. LGIM's ESG Scores are publicly available on our website to further reinforce these standards and make clear to investors and corporates our framework for assessment and means for improvements.

We are committed to regularly reviewing and refining our ESG scores. An important feature of the LGIM ESG score is its ability to evolve over time to ensure best practice for investors given the changing market landscape with respect to robust ESG data availability, regulatory change, and investor sentiment.

This is evident in the recent evolutions of the LGIM ESG score through the addition of the temperature alignment and biodiversity programme indicators in 2022. In 2023, the score was further updated with a number of new metrics including: water management programme, deforestation programme, value chain emissions intensity and lobbying activities.

This proprietary scoring framework is the foundation of our Future World Index funds range. The range makes use of a tilting approach to further improve the ESG credentials, giving greater weight to companies that have higher ESG scores and less weight to those with lower scores.

The scores enable us to incentivise companies to improve their ESG profile through a transparent methodology. Please see the LGIM ESG Score website for further details.

As the LGIM ESG Score is focused on company ESG profiles, LGIM has also developed the LGIM Sovereign Risk ESG Score to assess relevant metrics for sovereign issuing entities. This score incorporates environmental, social and governance considerations relevant to sovereigns alongside a geopolitical stability/risk metric. The LGIM Sovereign Risk ESG Score can be used in the same manner as described above to incorporate ESG considerations into indices by adjusting constituent weightings through scores.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 10	PLUS	OO 19, OO 21	N/A	PUBLIC	Passive investments	1

### How does your organisation select the ESG index(es) or benchmark(s) for your passive fixed income assets?

- (A) We commission customised indexes

Explain:

In recent years LGIM's index equity business has embraced product innovation having established a dedicated Index Solutions team to support index design and aid clients in achieving their changing investment objectives through new innovative index solutions. LGIM now manages over £90bn (as at December 2023) in Custom and LGIM designed index AUM across over 60 index strategies.

Our product innovation and leadership in stewardship has also allowed us to champion ESG integration with our clients, not only through active engagement and appropriate voting but also investment strategy, with LGIM now managing over £207bn (as at December 2023) in ESG integrated index equity strategies.

We take great pleasure in working with clients to better understand their specific ESG requirements and objectives and designing bespoke ESG indices to reflect these using carbon reduction targets, ESG metric improvements, decarbonisation goals, and external benchmark guidelines e.g. Paris-Aligned and Climate Transition Benchmarks.

With regards to index creation, we have established relationships with all the main index providers of choice such as MSCI, FTSE and Solactive, enabling us to have the ability to offer best in class solutions across providers. Furthermore, under this approach we can also integrate our proprietary ESG scoring framework as well as our flagship climate engagement programme the LGIM Climate Impact Pledge and other innovative features including SDG misalignment/ metric improvement.

**(B) We compare the methodology amongst the index providers available**

Explain:

LGIM identifies the most appropriate ESG-themed benchmark and provider following market research as part of its product development process. Clients investing in segregated mandates may instruct LGIM to benchmark their mandate against a specific benchmark which they have selected. This may culminate in the same benchmark administrator as per other products, but is not the only factor in the selection process.

An example of some of the technical considerations assessed are the ease of accessing the data, speed to market, operational resilience and flexibility. In addition we consider the cost and quality of the data sets being delivered/used in index construction and the quality of the support teams from the index providers. Factors that are more or less important will depend on the intended use of each benchmark, but will always have the target client's own objectives at the heart of the assessment.

**(C) We compare the costs of different options available in the market**

Explain:

LGIM has an internal team responsible for centrally managing the administration, relationships and contract negotiation with index providers. Comparing the cost profiles of various index options is always part of the consideration during the product development process.

(D) Other



# POST-INVESTMENT

## ESG RISK MANAGEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 11	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

**How are material ESG factors incorporated into your portfolio risk management process?**

	(1) SSA	(2) Corporate	(4) Private debt
(A) Investment committee members, or the equivalent function or group, can veto investment decisions based on ESG considerations	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(B) Companies, sectors, countries and/or currencies are monitored for changes in exposure to material ESG factors and any breaches of risk limits	(1) for all of our AUM	(1) for all of our AUM	(2) for a majority of our AUM
(C) Overall exposure to specific material ESG factors is measured for our portfolio construction, and sizing or hedging adjustments are made depending on the individual issuer or issue sensitivity to these factors	(1) for all of our AUM	(1) for all of our AUM	(2) for a majority of our AUM
(D) We use another method of incorporating material ESG factors into our portfolio's risk management process			
(E) We do not have a process to incorporate material ESG factors into our portfolio's risk management process	o	o	o

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 12	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

**For the majority of your fixed income assets, do you have a formal process to identify and incorporate material ESG risks and ESG incidents into your risk management process?**

	(1) SSA	(2) Corporate	(4) Private debt
(A) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for individual fixed income holdings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents, and their implications for other fixed income holdings exposed to similar risks and/or incidents	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents, and their implications for our stewardship activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(D) Yes, our formal process includes ad hoc reviews of quantitative and/or qualitative information on severe ESG incidents	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) We do not have a formal process to identify and incorporate ESG risks and ESG incidents; our investment professionals identify and incorporate ESG risks and ESG incidents at their discretion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(F) We do not have a formal process to identify and incorporate ESG risks and ESG incidents into our risk management process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## PERFORMANCE MONITORING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 13	CORE	OO 21	N/A	PUBLIC	Performance monitoring	1

During the reporting year, how did your organisation incorporate material ESG factors when monitoring private debt investments?

(A) We used a qualitative ESG checklist

Select from dropdown list:

- (1) in all cases
- (2) in the majority of cases
- (3) in the minority of cases

(B) We assessed quantitative information on material ESG factors, such as energy consumption, carbon footprint and gender diversity

Select from dropdown list:

- (1) in all cases
- (2) in the majority of cases
- (3) in the minority of cases

(C) We hired third-party consultants to do technical assessment on specific material ESG factors where internal capabilities were not available

Select from dropdown list:

- (1) in all cases
- (2) in the majority of cases
- (3) in the minority of cases

(D) We used industry body guidelines

Select from dropdown list:

- (1) in all cases
- (2) in the majority of cases
- (3) in the minority of cases

(E) We used another method to incorporate material ESG factors into the monitoring of private debt investments

- (F) We did not incorporate material ESG factors when monitoring private debt investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 14	PLUS	OO 5.3 FI, OO 21	N/A	PUBLIC	Performance monitoring	1

Provide an example of how the incorporation of environmental and/or social factors in your fixed income valuation or portfolio construction affected the realised returns of those assets.

Thames water:

UK water companies have attracted plenty of press attention and criticism in recent months. There has been an increased focus on their environmental performance, which the UK Environment Agency described in its report covering 2021 as “the worst we have seen for years”. Lobbying groups such as Surfers Against Sewage have also had an impact with high profile campaigns tracking and highlighting pollution incidents.

We have had a cautious view on the water sector relative to other UK regulated sectors, in particular electricity networks.

Increased political focus on pollution is combined with rising investment needs, meaning that we expect a tough regulatory settlement process during 2024. We do, however, think the long-term investment need in the sector should provide some support for investors.

Within the sector, Thames Water is a historically poor performing and highly geared water company with ongoing efforts to improve performance. In addition, the company has been under pressure from inflation and the rising costs of energy, chemicals, labour and financing. At the same time, there have been growing consumer concerns over a lack of investment in infrastructure, with leakage, pollution and customer service being areas of focus. All this comes at a time of high and rising investment needs for the company, while the cost of funding is also on the way up. Higher interest rates and investment costs can be passed through to water bills under current regulations, but political scrutiny could restrict tariff uplifts.

We have had a negative LGIM analyst recommendation view on Thames Water for some time, in part due to the ongoing environmental concerns of their activities.

This has led to an underweight positioning in LGIM's active fixed income portfolios. Following the recent resignation of Thames Water's CEO which appeared to have brought these issues to a head, Thames credit spreads were marked wider off the back of the initial headlines, although they have partially retraced following news on potential nationalisation and equity support. This has led to a positive impact on portfolios' realised returns given recent company performance relative to the sector and market.

As one of the largest players in the GBP credit market, LGIM is well placed to influence Thames Water on financial and other matters. We can do so by limiting the amount we lend to the company, and feeding back our views on what needs to improve. We believe that using our influence to encourage companies like Thames Water to make changes, to deliver better for stakeholders, benefits our clients. This is because when these companies improve, making them more creditworthy, there are more opportunities for us to invest for our clients.

## THEMATIC BONDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 16	CORE	OO 17 FI, OO 21	N/A	PUBLIC	Thematic bonds	1

**What pre-determined criteria does your organisation use to identify which non-labelled thematic bonds to invest in?**

- (A) The bond's use of proceeds
- (B) The issuers' targets
- (C) The issuers' progress towards achieving their targets
- (D) The issuer profile and how it contributes to their targets
- (E) We do not use pre-determined criteria to identify which non-labelled thematic bonds to invest in
- (F) Not applicable; we do not invest in non-labelled thematic bonds

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 17	CORE	Multiple, see guidance	N/A	PUBLIC	Thematic bonds	1, 2, 6

**During the reporting year, what action did you take in the majority of cases when you felt that the proceeds of a thematic bond were not allocated appropriately or in accordance with the terms of the bond deal or prospectus?**

- (A) We engaged with the issuer
- (B) We alerted thematic bond certification agencies
- (C) We sold the security
- (D) We blacklisted the issuer
- (E) Other action
- (F) We did not take any specific actions when the proceeds of a thematic bond were not allocated according to the terms of the bond deal during the reporting year
- (G) Not applicable; in the majority of cases, the proceeds of thematic bonds were allocated according to the terms of the bond deal during the reporting year

## DISCLOSURE OF ESG SCREENS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 18	CORE	OO 17 FI, OO 21	N/A	PUBLIC	Disclosure of ESG screens	6

**For all your fixed income assets subject to ESG screens, how do you ensure that clients understand ESG screens and their implications?**

- (A) We share a list of ESG screens
- (B) We share any changes in ESG screens
- (C) We explain any implications of ESG screens, such as any deviation from a benchmark or impact on sector weightings
- (D) We do not share the above information for all our fixed income assets subject to ESG screens

# REAL ESTATE (RE)

## POLICY

### INVESTMENT GUIDELINES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 1	CORE	OO 21, OO 24, OO 26	N/A	PUBLIC	Investment guidelines	1 to 6

What real estate-specific ESG guidelines are currently covered in your organisation's responsible investment policy(ies)?

- (A) Guidelines on our ESG approach to real estate depending on use (e.g. retail and education) and geography
- (B) Guidelines on our ESG approach to new construction
- (C) Guidelines on our ESG approach to major renovations
- (D) Guidelines on our ESG approach to standing real estate investments
- (E) Guidelines on pre-investment screening
- (F) Guidelines on our approach to ESG integration into short-term or 100-day plans (or equivalent)
- (G) Guidelines on our approach to ESG integration into long-term value creation efforts
- (H) Guidelines on our approach to ESG reporting
- (I) Guidelines on our engagement approach related to third-party property managers
- (J) Guidelines on our engagement approach related to tenants
- (K) Guidelines on our engagement approach related to construction contractors
- (L) Our responsible investment policy(ies) does not cover real estate-specific ESG guidelines

## FUNDRAISING

### COMMITMENTS TO INVESTORS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 2	CORE	OO 21	N/A	PUBLIC	Commitments to investors	1, 4

For all of the funds that you closed during the reporting year, what type of formal responsible investment commitments did you make in Limited Partnership Agreements (LPAs), side letters, or other constitutive fund documents?

- (A) We incorporated responsible investment commitments in LPAs (or equivalent) as a standard default procedure
- (B) We added responsible investment commitments in LPAs (or equivalent) upon a client's request
- (C) We added responsible investment commitments in side letters upon a client's request
- (D) We did not make any formal responsible investment commitments for the relevant reporting year
- (E) Not applicable; we have not raised funds in the last five years

# PRE-INVESTMENT

## MATERIALITY ANALYSIS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 3	CORE	OO 21	RE 3.1	PUBLIC	Materiality analysis	1

During the reporting year, how did you conduct ESG materiality analysis for your potential real estate investments?

- (A) We assessed ESG materiality for each property, as each case is unique
  - Select from dropdown list:
    - (1) for all of our potential real estate investments
      - (2) for a majority of our potential real estate investments
      - (3) for a minority of our potential real estate investments
    - (B) We performed a mix of property level and property type or category level ESG materiality analysis
    - (C) We assessed ESG materiality at the property type or category level only
    - (D) We did not conduct ESG materiality analysis for our potential real estate investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 3.1	CORE	RE 3	N/A	PUBLIC	Materiality analysis	1

During the reporting year, what tools, standards and data did you use in your ESG materiality analysis of potential real estate investments?

- (A) We used GRI standards to inform our real estate ESG materiality analysis
- (B) We used SASB standards to inform our real estate ESG materiality analysis
- (C) We used the UN Sustainable Development Goals (SDGs) to inform our real estate ESG materiality analysis
- (D) We used GRESB Materiality Assessment (RC7) or similar to inform our real estate ESG materiality analysis
- (E) We used climate disclosures, such as the TCFD recommendations or other climate risk and/or exposure analysis tools, to inform our real estate ESG materiality analysis
- (F) We used the UN Guiding Principles on Business and Human Rights (UNGPs) to inform our real estate ESG materiality analysis
- (G) We used geopolitical and macro-economic considerations in our real estate ESG materiality analysis
- (H) We used green building certifications to inform our real estate ESG materiality analysis
- (I) We engaged with the existing owners and/or managers (or developers for new properties) to inform our real estate ESG materiality analysis
- (J) Other

## DUE DILIGENCE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 4	CORE	OO 21	N/A	PUBLIC	Due diligence	1

During the reporting year, how did material ESG factors influence your selection of real estate investments?

(A) Material ESG factors were used to identify risks

Select from dropdown list:

- (1) for all of our potential real estate investments
- (2) for a majority of our potential real estate investments
- (3) for a minority of our potential real estate investments

(B) Material ESG factors were discussed by the investment committee (or equivalent)

Select from dropdown list:

- (1) for all of our potential real estate investments
- (2) for a majority of our potential real estate investments
- (3) for a minority of our potential real estate investments

(C) Material ESG factors were used to identify remedial actions for our 100-day plans (or equivalent)

Select from dropdown list:

- (1) for all of our potential real estate investments
- (2) for a majority of our potential real estate investments
- (3) for a minority of our potential real estate investments

(D) Material ESG factors were used to identify opportunities for value creation

Select from dropdown list:

- (1) for all of our potential real estate investments
- (2) for a majority of our potential real estate investments
- (3) for a minority of our potential real estate investments

(E) Material ESG factors informed our decision to abandon potential investments in the due diligence phase in cases where ESG risks were considered too high to mitigate

Select from dropdown list:

- (1) for all of our potential real estate investments
- (2) for a majority of our potential real estate investments
- (3) for a minority of our potential real estate investments

(F) Material ESG factors impacted investments in terms of the price offered and/or paid

Select from dropdown list:

- (1) for all of our potential real estate investments
- (2) for a majority of our potential real estate investments
- (3) for a minority of our potential real estate investments

(G) Material ESG factors did not influence the selection of our real estate investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 5	CORE	OO 21	N/A	PUBLIC	Due diligence	1

Once material ESG factors have been identified, what processes do you use to conduct due diligence on these factors for potential real estate investments?

(A) We conduct a high-level or desktop review against an ESG checklist for initial red flags

Select from dropdown list:

- (1) for all of our potential real estate investments
- (2) for a majority of our potential real estate investments



- (3) for a minority of our potential real estate investments
- (B) We send detailed ESG questionnaires to target properties**  
Select from dropdown list:
  - (1) for all of our potential real estate investments**
  - (2) for a majority of our potential real estate investments
  - (3) for a minority of our potential real estate investments
- (C) We hire third-party consultants to do technical due diligence on specific material ESG factors**  
Select from dropdown list:
  - (1) for all of our potential real estate investments**
  - (2) for a majority of our potential real estate investments
  - (3) for a minority of our potential real estate investments
- (D) We conduct site visits**  
Select from dropdown list:
  - (1) for all of our potential real estate investments**
  - (2) for a majority of our potential real estate investments
  - (3) for a minority of our potential real estate investments
- (E) We conduct in-depth interviews with management and/or personnel
- (F) We conduct detailed external stakeholder analysis and/or engagement
- (G) We incorporate ESG due diligence findings in all of our relevant investment process documentation in the same manner as for other key due diligence, e.g. commercial, accounting and legal**  
Select from dropdown list:
  - (1) for all of our potential real estate investments**
  - (2) for a majority of our potential real estate investments
  - (3) for a minority of our potential real estate investments
- (H) Our investment committee (or an equivalent decision-making body) is ultimately responsible for ensuring all ESG due diligence is completed in the same manner as for other key due diligence, e.g. commercial, accounting and legal**  
Select from dropdown list:
  - (1) for all of our potential real estate investments**
  - (2) for a majority of our potential real estate investments
  - (3) for a minority of our potential real estate investments
- (I) Other
- (J) We do not conduct due diligence on material ESG factors for potential real estate investments

## SELECTION, APPOINTMENT AND MONITORING OF THIRD-PARTY PROPERTY MANAGERS

### SELECTION PROCESS OF THIRD-PARTY PROPERTY MANAGERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 6	CORE	OO 26	N/A	PUBLIC	Selection process of third-party property managers	1, 4

During the reporting year, how did you include material ESG factors in all of your selections of third-party property managers?

- (A) We requested information from potential third-party property managers on their overall approach to material ESG factors**
- (B) We requested track records and examples from potential third-party property managers on their management of material ESG factors**
- (C) We requested information from potential third-party property managers on their engagement process(es) with stakeholders**
- (D) We requested documentation from potential third-party property managers on their responsible procurement practices, including responsibilities, approach and incentives**

- (E) We requested the assessment of current and planned availability and aggregation of metering data from potential third-party property managers
- (F) Other
- (G) We did not include material ESG factors in our selection of third-party property managers

## APPOINTMENT PROCESS OF THIRD-PARTY PROPERTY MANAGERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 7	CORE	OO 26	N/A	PUBLIC	Appointment process of third-party property managers	1, 4

### How did you include material ESG factors when appointing your current third-party property managers?

- (A) We set dedicated ESG procedures in all relevant property management phases
  - Select from dropdown list:
    - (1) for all of our third-party property managers
    - (2) for a majority of our third-party property managers
    - (3) for a minority of our third-party property managers
- (B) We set clear ESG reporting requirements
  - Select from dropdown list:
    - (1) for all of our third-party property managers
    - (2) for a majority of our third-party property managers
    - (3) for a minority of our third-party property managers
- (C) We set clear targets on material ESG factors
  - Select from dropdown list:
    - (1) for all of our third-party property managers
    - (2) for a majority of our third-party property managers
    - (3) for a minority of our third-party property managers
- (D) We set incentives related to targets on material ESG factors
  - Select from dropdown list:
    - (1) for all of our third-party property managers
    - (2) for a majority of our third-party property managers
    - (3) for a minority of our third-party property managers
- (E) We included responsible investment clauses in property management contracts
  - Select from dropdown list:
    - (1) for all of our third-party property managers
    - (2) for a majority of our third-party property managers
    - (3) for a minority of our third-party property managers
- (F) Other
- (G) We did not include material ESG factors in the appointment of third-party property managers

## MONITORING PROCESS OF THIRD-PARTY PROPERTY MANAGERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 8	CORE	OO 26	N/A	PUBLIC	Monitoring process of third-party property managers	1, 4

### How do you include material ESG factors when monitoring current third-party property managers?

- (A) We monitor the performance of quantitative and/or qualitative targets on material environmental factors**  
Select from dropdown list:
  - (1) for all of our third-party property managers**
  - (2) for a majority of our third-party property managers
  - (3) for a minority of our third-party property managers
- (B) We monitor the performance of quantitative and/or qualitative targets on material social factors**  
Select from dropdown list:
  - (1) for all of our third-party property managers**
  - (2) for a majority of our third-party property managers
  - (3) for a minority of our third-party property managers
- (C) We monitor the performance of quantitative and/or qualitative targets on material governance factors**  
Select from dropdown list:
  - (1) for all of our third-party property managers**
  - (2) for a majority of our third-party property managers
  - (3) for a minority of our third-party property managers
- (D) We monitor progress reports on engagement with tenants**  
Select from dropdown list:
  - (1) for all of our third-party property managers**
  - (2) for a majority of our third-party property managers
  - (3) for a minority of our third-party property managers
- (E) We require formal reporting at least yearly**  
Select from dropdown list:
  - (1) for all of our third-party property managers**
  - (2) for a majority of our third-party property managers
  - (3) for a minority of our third-party property managers
- (F) We have discussions about material ESG factors with all relevant stakeholders at least yearly**  
Select from dropdown list:
  - (1) for all of our third-party property managers**
  - (2) for a majority of our third-party property managers
  - (3) for a minority of our third-party property managers
- (G) We conduct a performance review of third-party property managers against targets on material ESG factors and/or a financial incentive structure linked to material ESG factors**  
Select from dropdown list:
  - (1) for all of our third-party property managers**
  - (2) for a majority of our third-party property managers
  - (3) for a minority of our third-party property managers
- (H) We have internal or external parties conduct site visits at least yearly**  
Select from dropdown list:
  - (1) for all of our third-party property managers**
  - (2) for a majority of our third-party property managers
  - (3) for a minority of our third-party property managers
- (I) Other
- (J) We do not include material ESG factors in the monitoring of third-party property managers

# CONSTRUCTION AND DEVELOPMENT

## CONSTRUCTION REQUIREMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 9	CORE	OO 24	N/A	PUBLIC	Construction requirements	1

What ESG requirements do you currently have in place for all development projects and major renovations?

- (A) We require the management of waste by diverting materials (e.g. from construction and demolition, reusable vegetation, rocks and soil) from disposal
- (B) We require the minimisation of light and noise pollution that would affect the surrounding community
- (C) We require the performance of an environmental and social site impact assessment
- (D) We require the protection of the air quality during construction
- (E) We require the protection and restoration of the habitat and soils disturbed during construction and/or during previous development
- (F) We require the protection of surface water, groundwater and aquatic ecosystems by controlling and retaining construction pollutants
- (G) We require constant monitoring of health and safety at the construction site
- (H) We require engagement with local communities and other stakeholders during the design and/or planning process
- (I) Other
- (J) We do not have ESG requirements in place for development projects and major renovations

## MINIMUM BUILDING REQUIREMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 10	CORE	OO 24	N/A	PUBLIC	Minimum building requirements	1

What minimum building requirements do you have in place for development projects and major renovations?

- (A) We require the implementation of the latest available metering and internet of things (IoT) technology  
Select from dropdown list:
  - (1) for all development projects and major renovations
  - (2) for a majority of our development projects and major renovations
  - (3) for a minority of our development projects and major renovations
- (B) We require the building to be able to obtain a recognised green and/or healthy building certification for new buildings  
Select from dropdown list:
  - (1) for all development projects and major renovations
  - (2) for a majority of our development projects and major renovations
  - (3) for a minority of our development projects and major renovations
- (C) We require the use of certified (or labelled) sustainable building materials  
Select from dropdown list:
  - (1) for all development projects and major renovations
  - (2) for a majority of our development projects and major renovations
  - (3) for a minority of our development projects and major renovations
- (D) We require the installation of renewable energy technologies where feasible  
Select from dropdown list:
  - (1) for all development projects and major renovations

- (2) for a majority of our development projects and major renovations
- (3) for a minority of our development projects and major renovations
- (E) We require that development projects and major renovations become net-zero carbon emitters within five years of completion of the construction**  
Select from dropdown list:
  - (1) for all development projects and major renovations**
  - (2) for a majority of our development projects and major renovations
  - (3) for a minority of our development projects and major renovations
- (F) We require water conservation measures**  
Select from dropdown list:
  - (1) for all development projects and major renovations**
  - (2) for a majority of our development projects and major renovations
  - (3) for a minority of our development projects and major renovations
- (G) We require common health and well-being measures for occupants**  
Select from dropdown list:
  - (1) for all development projects and major renovations
  - (2) for a majority of our development projects and major renovations
  - (3) for a minority of our development projects and major renovations**
- (H) Other
- (I) We do not have minimum building requirements in place for development projects and major renovations

## POST-INVESTMENT

### MONITORING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 11	CORE	OO 21	RE 11.1	PUBLIC	Monitoring	1

During the reporting year, did you track one or more KPIs on material ESG factors across your real estate investments?

- (A) Yes, we tracked KPIs on environmental factors**  
Percentage of real estate assets this applies to:
  - (1) >0 to 10%
  - (2) >10 to 50%
  - (3) >50 to 75%
  - (4) >75 to 95%
  - (5) >95%**
- (B) Yes, we tracked KPIs on social factors**  
Percentage of real estate assets this applies to:
  - (1) >0 to 10%
  - (2) >10 to 50%
  - (3) >50 to 75%
  - (4) >75 to 95%
  - (5) >95%**
- (C) Yes, we tracked KPIs on governance factors**  
Percentage of real estate assets this applies to:
  - (1) >0 to 10%
  - (2) >10 to 50%
  - (3) >50 to 75%
  - (4) >75 to 95%
  - (5) >95%**
- (D) We did not track KPIs on material ESG factors across our real estate investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 11.1	PLUS	RE 11	N/A	PUBLIC	Monitoring	1

Provide examples of KPIs on material ESG factors you tracked across your real estate investments during the reporting year.

(A) ESG KPI #1

Electricity use

(B) ESG KPI #2

Gas use

(C) ESG KPI #3

Water use

(D) ESG KPI #4

Waste

(E) ESG KPI #5

Operational carbon

(F) ESG KPI #6

Social factors

(G) ESG KPI #7

Embodied carbon

(H) ESG KPI #8

Flood zones (including forward-looking assessment)

(I) ESG KPI #9

(J) ESG KPI #10

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 12	CORE	OO 21	N/A	PUBLIC	Monitoring	1

During the reporting year, what ESG building performance data did you collect for your real estate assets?

(A) Energy consumption

Select from dropdown list:

- (1) for all of our real estate assets
- (2) for a majority of our real estate assets
- (3) for a minority of our real estate assets

(B) Water consumption

Select from dropdown list:

- (1) for all of our real estate assets
- (2) for a majority of our real estate assets
- (3) for a minority of our real estate assets

(C) Waste production

Select from dropdown list:

- (1) for all of our real estate assets

- (2) for a majority of our real estate assets
- (3) for a minority of our real estate assets

(D) Other

Specify:

Air Quality Data

Select from dropdown list:

- (1) for all of our real estate assets
- (2) for a majority of our real estate assets
- (3) for a minority of our real estate assets
- (E) We did not collect ESG building performance data for our real estate assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 13	CORE	OO 21, OO 26	RE 13.1	PUBLIC	Monitoring	1, 2

**What processes do you have in place to support meeting your targets on material ESG factors for your real estate investments?**

(A) We use operational-level benchmarks to assess and analyse the performance of assets against sector performance

Select from dropdown list:

- (1) for all of our real estate assets
- (2) for a majority of our real estate assets
- (3) for a minority of our real estate assets

(B) We implement certified environmental and social management systems across our portfolio

Select from dropdown list:

- (1) for all of our real estate assets
- (2) for a majority of our real estate assets
- (3) for a minority of our real estate assets

(C) We make sufficient budget available to ensure that the systems and procedures needed are established

Select from dropdown list:

- (1) for all of our real estate assets
- (2) for a majority of our real estate assets
- (3) for a minority of our real estate assets

(D) We hire external verification services to audit performance, systems, and procedures

Select from dropdown list:

- (1) for all of our real estate assets
- (2) for a majority of our real estate assets
- (3) for a minority of our real estate assets

(E) We collaborate and engage with our third-party property managers and/or tenants to develop action plans

Select from dropdown list:

- (1) for all of our real estate assets
- (2) for a majority of our real estate assets
- (3) for a minority of our real estate assets

(F) We develop minimum health and safety standards

Select from dropdown list:

- (1) for all of our real estate assets
- (2) for a majority of our real estate assets
- (3) for a minority of our real estate assets

(G) We conduct ongoing engagement with all key stakeholders, e.g. local communities, NGOs, governments, and end-users

Select from dropdown list:

- (1) for all of our real estate assets
- (2) for a majority of our real estate assets
- (3) for a minority of our real estate assets

(H) Other

- (I) We do not have processes in place to help meet our targets on material ESG factors for our real estate investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 13.1	PLUS	RE 13	N/A	PUBLIC	Monitoring	1, 2

**Describe up to two processes you put in place during the reporting year to support meeting your targets on material ESG factors.**

(A) Process one

We put in place a new Integrated Energy Solutions programme. This is a new holistic approach towards on-site renewable energy, EV charging and microgrids. There are new and emerging drivers around on-site renewables and EV charging. This new approach will help us to meet these new demands and maximise new opportunities available for our occupiers.

(B) Process two

We developed a Net zero carbon shed modelling tool which will facilitate net zero enabled design for new and refurbishment projects of storage and industrial sheds. This is a new simplified tool which will enable project teams to rapidly assess the impact of different steps on the performance of shed properties.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 14	CORE	OO 21	N/A	PUBLIC	Monitoring	1, 2

**Post-investment, how do you manage material ESG risks and ESG opportunities to create value during the holding period?**

**(A) We develop property-specific ESG action plans based on pre-investment research, due diligence and materiality findings**

Select from dropdown list:

- (1) for all of our real estate investments**
- (2) for a majority of our real estate investments
- (3) for a minority of our real estate investments

**(B) We adjust our ESG action plans based on performance monitoring findings at least yearly**

Select from dropdown list:

- (1) for all of our real estate investments**
- (2) for a majority of our real estate investments
- (3) for a minority of our real estate investments

**(C) We, or the external advisors that we hire, support our real estate investments with specific ESG value-creation opportunities**

Select from dropdown list:

- (1) for all of our real estate investments**
- (2) for a majority of our real estate investments
- (3) for a minority of our real estate investments

(D) Other

(E) We do not manage material ESG risks and opportunities post-investment



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 16	PLUS	OO 21	N/A	PUBLIC	Monitoring	1, 2

**Describe how your ESG action plans are currently defined, implemented and monitored throughout the investment period.**

LGIM maintains Asset Sustainability Plans (ASP) for each operational asset. These detail every sustainability measure that could be applied to the Property to improve the sustainability performance over the short, medium and long-term, with budget costs, payback estimates and measures prioritised year by year. Such plans should be coordinated with annual fund strategy reports (where provided), planned maintenance plans and service charge budgets (where applicable) and should include provisions for the optimisation of all mechanical and electrical installations, together with capital cost proposals and payback estimates to upgrade Energy Performance Certificates. They also include social impact strategies, travel plans, biodiversity plans, tenant engagement and community engagement plans, where appropriate. When new assets are acquired, actions from sustainability assessments are included in the ASP. ASPs are reviewed and updated annually ahead of budgeting cycles. Individual actions are held on our ESG data platform, Deepki, and reviewed with Property Managers and Facilities Managers as part of our fund-level Quarterly Sustainability Meetings.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 17	CORE	OO 21	N/A	PUBLIC	Monitoring	1

**What proportion of your real estate assets has obtained a green or sustainable building certification?**

- (A) All of our real estate assets have obtained a green or sustainable building certification
- (B) A majority of our real estate assets have obtained a green or sustainable building certification
- (C) A minority of our real estate assets have obtained a green or sustainable building certification
- (D) None of our real estate assets have obtained a green or sustainable building certification

## STAKEHOLDER ENGAGEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 18	CORE	OO 21	N/A	PUBLIC	Stakeholder engagement	1, 2

**How does your third-party property manager(s) engage with tenants?**

- (A) They engage with real estate tenants on energy, water consumption and/or waste production  
Select from dropdown list:
  - (1) for all of our buildings or properties
  - (2) for a majority of our buildings or properties
  - (3) for a minority of our buildings or properties
- (B) They engage with real estate tenants by organising tenant events focused on increasing sustainability awareness, ESG training and guidance  
Select from dropdown list:
  - (1) for all of our buildings or properties
  - (2) for a majority of our buildings or properties
  - (3) for a minority of our buildings or properties
- (C) They engage with real estate tenants by offering green leases  
Select from dropdown list:
  - (1) for all of our buildings or properties

- (2) for a majority of our buildings or properties
- (3) for a minority of our buildings or properties
- (D) They engage with real estate tenants by identifying collaboration opportunities that support targets related to material ESG factors**  
Select from dropdown list:
  - (1) for all of our buildings or properties**
  - (2) for a majority of our buildings or properties
  - (3) for a minority of our buildings or properties
- (E) They engage with real estate tenants by offering shared financial benefits from equipment upgrades**  
Select from dropdown list:
  - (1) for all of our buildings or properties**
  - (2) for a majority of our buildings or properties
  - (3) for a minority of our buildings or properties
- (F) Other
- (G) Our third-party property manager(s) do not engage with tenants

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 19	PLUS	OO 21	N/A	PUBLIC	Stakeholder engagement	1, 2

**During the reporting year, how did you or the organisations operating on your behalf engage with the local community above and beyond what is required by relevant regulations for asset design, use and/or repurposing?**

LGIM believes that by taking a responsible investment approach, there is a compelling opportunity to drive both positive real-world outcomes and add long-term value, whilst maintaining commercial benefit. As an investor, owner, and developer of real assets, LGIM is well-positioned to deliver positive economic and social impacts. We define social impact as the intentional, additional, and attributable economic, social, and environmental benefits to communities as a result of our investment.

We utilise a place-based impact approach to investment and asset management.

This entails, where possible, taking an asset-level view as to how it can intentionally contribute, deliver, and catalyse positive outcomes across a range of themes and priority areas in the LGIM Place-based Social Impact Framework. The purpose of the Framework, first developed in 2022, is to drive economic, social, and environmental benefits for the people and communities connected to the places we invest in. It helps us understand the different needs and context of a specific asset and best help address local needs, support greater community integration and support the local economy.

We have adopted this approach at The Dolphin Community and Shopping Destination in Poole. In partnership with the NHS, we welcomed the first outpatient assessment clinic in a shopping centre, and the first in Dorset, to help tackle long patient waiting lists.

We now know that over half of patients stay and shop within the asset following their medical appointment. So, alongside delivering positive social outcomes for the community, we're bolstering footfall and revenue for our occupiers, creating a relevant and resilient asset, and therefore, driving returns for our investors. Meanwhile, our Kingland initiative has transformed a once vacant section of the high street into an eclectic mix of independent retailers, selling a range of goods from plants to fish, coffee to restored furniture. Through our intervention, these small businesses have been given the support they need to establish and grow, contributing to an ecosystem at The Dolphin, which also includes a flexible office and co-working facility, wellbeing hub and events space. In addition, we have brought together a group of local stakeholders who represent some of the needs of the local community (Community Partnership) to co-create solutions to local issues such as anti-social behaviour, loneliness and unemployment.

Members include charities, the NHS, local education institutions and the local council. The Community Partnership has created a wellbeing hub, called Access Wellbeing, which provides a welcoming space for members of the local community to find support on the issues that matter to them. The hub has Wellbeing Coordinators who give support and advice on a wide range of topics including mental health and emotional wellbeing, social connections and activities, bereavement and grief, advice on issues such as work, money and housing and support for carers and family members. This model forms part of our long-term goal to deliver place-based social impact, creating a wellbeing hub which will engage and support residents. Pivoting The Dolphin away from a predominantly retail-led use will, we believe, uncover opportunities to generate social impact, help to secure its long-term future and provide a positive return for our investors.

Another example is The Paddock, which is an 8-acre greenspace and wildlife haven located in Tottenham where we have partnered with the charity, The Conservation Volunteers, and ecology consultants, Biora, and invested in a local nature project help meet the needs of the local community. It is located c. 10 minutes away from the Compass West Industrial Estate and offers a valuable place for the local community by offering a network of pathways and seating areas and a space for people to more generally interact with nature.

In our build-to-rent assets we have been working to identify relevant charities and local or independent businesses and introduce these to our residents to help build organic local communities and social impact delivering relationships. As of the end of 2023, we have collaborated with 74 local business and supported 38 charities.

Additionally, we are in the process of developing social impact initiatives across a range of funds in line with the Place-based Social Impact Framework. This will help us continue to deliver positive asset-specific social impact in a more structured, aligned and purposeful manner.

## EXIT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 20	CORE	OO 21	N/A	PUBLIC	Exit	4, 6

### During the reporting year, what responsible investment information was shared with potential buyers of real estate investments?

- (A) Our firm's high-level commitment to responsible investment, e.g. that we are a PRI signatory
- (B) A description of what industry and asset class standards our firm aligns with, e.g. TCFD or GRESB
- (C) Our firm's responsible investment policy (at minimum, a summary of key aspects and firm-specific approach)
- (D) Our firm's ESG risk assessment methodology (topics covered in-house and/or with external support)
- (E) **The outcome of our latest ESG risk assessment of the property(s)**  
 Select from dropdown list:
  - (1) **for all of our real estate investments**
  - (2) for a majority of our real estate investments
  - (3) for a minority of our real estate investments
- (F) **Key ESG performance data on the property(s) being sold**  
 Select from dropdown list:
  - (1) **for all of our real estate investments**
  - (2) for a majority of our real estate investments
  - (3) for a minority of our real estate investments
- (G) Other
- (H) No responsible investment information was shared with potential buyers of real estate investments during the reporting year
- (I) Not applicable; we had no sales process (or control over the sales process) during the reporting year

## DISCLOSURE OF ESG PORTFOLIO INFORMATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 21	CORE	OO 21	N/A	PUBLIC	Disclosure of ESG portfolio information	6

### During the reporting year, how did you report on your targets on material ESG factors and related data to your investors?

- (A) **We reported through a publicly disclosed sustainability report**
- (B) **We reported in aggregate through formal reporting to investors**
- (C) We reported at the property level through formal reporting to investors
- (D) We reported through a limited partners advisory committee (or equivalent)
- (E) **We reported at digital or physical events or meetings with investors**

(F) We had a process in place to ensure that serious ESG incidents were reported

(G) Other

Specify:

Fund level GRESB reporting and Fund level ESG reports

(H) We did not report our targets on material ESG factors and related data to our investors during the reporting year

# SUSTAINABILITY OUTCOMES (SO)

## SETTING TARGETS AND TRACKING PROGRESS

### SETTING TARGETS ON SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 1	PLUS	PGS 48	SO 2, SO 2.1, SO 3	PUBLIC	Setting targets on sustainability outcomes	1, 2

What specific sustainability outcomes connected to its investment activities has your organisation taken action on?

**(A) Sustainability outcome #1**

- (1) Widely recognised frameworks used to guide action on this sustainability outcome
  - (1) The UN Sustainable Development Goals (SDGs) and targets
  - (2) The UNFCCC Paris Agreement**
  - (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
  - (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
  - (5) The EU Taxonomy
  - (6) Other relevant taxonomies
  - (7) The International Bill of Human Rights
  - (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
  - (9) The Convention on Biological Diversity
  - (10) Other international, regional, sector-based or issue-specific framework(s)
- (2) Classification of sustainability outcome
  - (1) Environmental**
  - (2) Social
  - (3) Governance-related
  - (4) Other
- (3) Sustainability outcome name
 

NZAM AUM Commitment
- (4) Number of targets set for this outcome
  - (1) No target
  - (2) One target**
  - (3) Two or more targets

**(B) Sustainability outcome #2**

- (1) Widely recognised frameworks used to guide action on this sustainability outcome
  - (1) The UN Sustainable Development Goals (SDGs) and targets
  - (2) The UNFCCC Paris Agreement
  - (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
  - (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
  - (5) The EU Taxonomy
  - (6) Other relevant taxonomies
  - (7) The International Bill of Human Rights
  - (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
  - (9) The Convention on Biological Diversity
  - (10) Other international, regional, sector-based or issue-specific framework(s)**

(2) Classification of sustainability outcome

(1) Environmental

(2) Social

(3) Governance-related

(4) Other

(3) Sustainability outcome name

COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios

(4) Number of targets set for this outcome

(1) No target

(2) One target

(3) Two or more targets

(C) Sustainability outcome #3

(1) Widely recognised frameworks used to guide action on this sustainability outcome

(1) The UN Sustainable Development Goals (SDGs) and targets

(2) The UNFCCC Paris Agreement

(3) The UN Guiding Principles on Business and Human Rights (UNGPs)

(4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors

(5) The EU Taxonomy

(6) Other relevant taxonomies

(7) The International Bill of Human Rights

(8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions

(9) The Convention on Biological Diversity

(10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

(1) Environmental

(2) Social

(3) Governance-related

(4) Other

(3) Sustainability outcome name

Finance for Biodiversity Pledge

(4) Number of targets set for this outcome

(1) No target

(2) One target

(3) Two or more targets

(D) Sustainability outcome #4

(1) Widely recognised frameworks used to guide action on this sustainability outcome

(1) The UN Sustainable Development Goals (SDGs) and targets

(2) The UNFCCC Paris Agreement

(3) The UN Guiding Principles on Business and Human Rights (UNGPs)

(4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors

(5) The EU Taxonomy

(6) Other relevant taxonomies

(7) The International Bill of Human Rights

(8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions

(9) The Convention on Biological Diversity

(10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

(1) Environmental

(2) Social

(3) Governance-related

(4) Other

(3) Sustainability outcome name

UN PRI Advance

(4) Number of targets set for this outcome

- (1) No target
- (2) One target

● (3) Two or more targets

(E) Sustainability outcome #5

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets
- (2) The UNFCCC Paris Agreement
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (5) The EU Taxonomy
- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity

(10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- (1) Environmental
- (2) Social
- (3) Governance-related
- (4) Other

(3) Sustainability outcome name

Diversity

(4) Number of targets set for this outcome

- (1) No target
- (2) One target

● (3) Two or more targets

(F) Sustainability outcome #6

(1) Widely recognised frameworks used to guide action on this sustainability outcome

- (1) The UN Sustainable Development Goals (SDGs) and targets
- (2) The UNFCCC Paris Agreement
- (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (5) The EU Taxonomy
- (6) Other relevant taxonomies
- (7) The International Bill of Human Rights
- (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (9) The Convention on Biological Diversity

(10) Other international, regional, sector-based or issue-specific framework(s)

(2) Classification of sustainability outcome

- (1) Environmental
- (2) Social
- (3) Governance-related
- (4) Other

(3) Sustainability outcome name

The Living Wage

(4) Number of targets set for this outcome

- (1) No target
- (2) One target
- (3) Two or more targets

(G) Sustainability outcome #7

- (1) Widely recognised frameworks used to guide action on this sustainability outcome
- (1) The UN Sustainable Development Goals (SDGs) and targets
  - (2) The UNFCCC Paris Agreement
  - (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
  - (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
  - (5) The EU Taxonomy
  - (6) Other relevant taxonomies
  - (7) The International Bill of Human Rights
  - (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
  - (9) The Convention on Biological Diversity
  - (10) Other international, regional, sector-based or issue-specific framework(s)
- (2) Classification of sustainability outcome
- (1) Environmental
  - (2) Social
  - (3) Governance-related
  - (4) Other
- (3) Sustainability outcome name
- Antimicrobial Resistance (AMR)
- (4) Number of targets set for this outcome
- (1) No target
  - (2) One target
  - (3) Two or more targets
- (H) Sustainability outcome #8
- (1) Widely recognised frameworks used to guide action on this sustainability outcome
- (1) The UN Sustainable Development Goals (SDGs) and targets
  - (2) The UNFCCC Paris Agreement
  - (3) The UN Guiding Principles on Business and Human Rights (UNGPs)
  - (4) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
  - (5) The EU Taxonomy
  - (6) Other relevant taxonomies
  - (7) The International Bill of Human Rights
  - (8) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
  - (9) The Convention on Biological Diversity
  - (10) Other international, regional, sector-based or issue-specific framework(s)
- (2) Classification of sustainability outcome
- (1) Environmental
  - (2) Social
  - (3) Governance-related
  - (4) Other
- (3) Sustainability outcome name
- Nutrition
- (4) Number of targets set for this outcome
- (1) No target
  - (2) One target
  - (3) Two or more targets
- (I) Sustainability outcome #9
- (J) Sustainability outcome #10



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 2	PLUS	SO 1	SO 2.1, SO 4, SO 5	PUBLIC	Setting targets on sustainability outcomes	1

For each sustainability outcome, provide details of up to two of your nearest-term targets.

**(A1) Sustainability Outcome #1: Target details**

(A1) Sustainability Outcome #1:	NZAM AUM Commitment					
(1) Target name	NZAM AUM commitment					
(2) Baseline year	2019					
(3) Target to be met by	2030					
(4) Methodology	<p>As part of LGIM's commitment to the Net Zero Asset Manager's Initiative, we have set a commitment to reach net zero greenhouse gas emissions by 2050 across all assets under management, with an interim target of 70% eligible AUM to be managed in line with this target by 2030.</p> <p>Drawing on industry best practice, we have set out LGIM's key requirements for a fund or investment portfolio to be considered net-zero-aligned. Our methodology incorporates recommendations from the Paris-Aligned Investment Initiative's Net Zero Investment Framework, as well as the UN Net Zero Asset Owner Alliance and the Science-Based Targets Initiative's guidance for financial institutions. It incorporates core commonalities of these frameworks, including net-zero targets, decarbonisation pathways, targeted sector-based exclusions, engagement and allocation to green opportunities.</p> <p>For this first interim target LGIM has excluded Government securities and Derivative assets due to lack of clear industry methodologies to account for these asset classes. The public report published by NZAMI outlines both this 70% figure and a 38% target figure for LGIM, which would be our target including derivatives and government securities.</p>					
(5) Metric used (if relevant)	Key indicators will include carbon intensity reductions consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the IPCC special report on global warming of 1.5°C, and/or implied portfolio temperature alignment of 1.5°C by 2030.					
(6) Absolute or intensity-based (if relevant)	(1) Absolute					
(7) Baseline level or amount (if relevant):						

(8) Target level or amount (if relevant) As part of LGIM's commitment to the Net Zero Asset Manager's Initiative, we have set a commitment to reach net zero greenhouse gas emissions by 2050 across all assets under management, with an interim target of 70% eligible AUM to be managed in line with this target by 2030.

(9) Percentage of total AUM covered in your baseline year for target setting 38%

(10) Do you also have a longer-term target for this? (1) Yes

**(B1) Sustainability Outcome #2: Target details**

(B1) Sustainability Outcome #2: COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios

(1) Target name Eliminating ag. commodity deforestation from funds

(2) Baseline year 2021

(3) Target to be met by 2025

(4) Methodology As a signatory, we commit to use best efforts to tackle commodity driven deforestation impacts in investment portfolios by 2025, and work towards the following milestones:

By 2022: Assess exposure to deforestation risk, with a focus on 'forest-risk' agricultural commodities -- palm oil, soy, beef and leather, pulp and paper.

Establish investment policies addressing exposure to agricultural commodity-driven deforestation.

Deepen engagement of the highest risk holdings on deforestation in their supply chains

By 2023: Disclose deforestation risk and mitigation activities in portfolios, including due diligence and engagement.

By 2025: Publicly report credible progress, in alignment with peers, on the milestones to eliminate forest risk agricultural commodity-driven deforestation in the underlying holdings in our investment portfolios through successful company engagement.

(5) Metric used (if relevant)

(6) Absolute or intensity-based (if relevant)

(1) Absolute

(7) Baseline level or amount (if relevant):

(8) Target level or amount (if relevant)

(9) Percentage of total AUM covered in your baseline year for target setting 100%

(10) Do you also have a longer-term target for this?

(2) No

**(C1) Sustainability Outcome #3: Target details**

(C1) Sustainability Outcome #3: Finance for Biodiversity Pledge

(1) Target name Finance for Biodiversity Pledge

(2) Baseline year

(3) Target to be met by 2024

(4) Methodology

As a signatory to the Pledge, by 2024 at the latest we commit to:

- collaborating and knowledge sharing
- engaging with companies
- assessing impact
- setting targets
- reporting publicly

(5) Metric used (if relevant)

(6) Absolute or intensity-based (if relevant)

(1) Absolute

(7) Baseline level or amount (if relevant):

(8) Target level or amount (if relevant)

(9) Percentage of total AUM covered in your baseline year for target setting 100%

(10) Do you also have a longer-term target for this? (2) No

**(D1) Sustainability Outcome #4: Target details**

(D1) Sustainability Outcome #4: UN PRI Advance

(1) Target name UN PRI Advance: Policy

(2) Baseline year

(3) Target to be met by

(4) Methodology Publicly endorse the investor statement for the Initiative; Engage with at least one focus company during each year and where possible, for the full duration of the Initiative; Provide annual high-level reports back to the PRI Executive on their level of participation and progress of the engagement; Attend PRI-organised Initiative meetings where reasonable.

(5) Metric used (if relevant) Advance Initiative participants (both lead and collaborating investors) are required to have a policy commitment to respect human rights; we published our Human Rights Policy in 2023.

(6) Absolute or intensity-based (if relevant)

(7) Baseline level or amount (if relevant):

(8) Target level or amount (if relevant)

(9) Percentage of total AUM covered in your baseline year for target setting 100%

(10) Do you also have a longer-term target for this? (2) No

## (D2) Sustainability Outcome #4: Target details

(D2) Sustainability Outcome #4:	UN PRI Advance
(1) Target name	UN PRI Advance: due diligence process
(2) Baseline year	
(3) Target to be met by	
(4) Methodology	Publicly endorse the investor statement for the Initiative; Engage with at least one focus company during each year and where possible, for the full duration of the Initiative; Provide annual high-level reports back to the PRI Executive on their level of participation and progress of the engagement; Attend PRI-organised Initiative meetings where reasonable.
(5) Metric used (if relevant)	Advance Initiative participants (both lead and collaborating investors) are required to have a human rights due diligence process.
(6) Absolute or intensity-based (if relevant)	
(7) Baseline level or amount (if relevant):	
(8) Target level or amount (if relevant)	
(9) Percentage of total AUM covered in your baseline year for target setting	100%
(10) Do you also have a longer-term target for this?	(2) No

## (E1) Sustainability Outcome #5: Target details

(E1) Sustainability Outcome #5:	Diversity
(1) Target name	Gender diversity
(2) Baseline year	
(3) Target to be met by	
(4) Methodology	Assessment using third-party data and direct engagement.

(5) Metric used (if relevant)	Number of women on company boards
(6) Absolute or intensity-based (if relevant)	
(7) Baseline level or amount (if relevant):	
(8) Target level or amount (if relevant)	Expectation for global companies to reach a minimum of 30% women on the board since 2010. Asking UK and US large cap companies for at least one woman at executive committee level.
(9) Percentage of total AUM covered in your baseline year for target setting	
(10) Do you also have a longer-term target for this?	(2) No

**(E2) Sustainability Outcome #5: Target details**

(E2) Sustainability Outcome #5:	Diversity
(1) Target name	Ethnic diversity
(2) Baseline year	
(3) Target to be met by	
(4) Methodology	Assessment using third-party data and direct engagement
(5) Metric used (if relevant)	Number of people of ethnic diversity at board level.
(6) Absolute or intensity-based (if relevant)	
(7) Baseline level or amount (if relevant):	
(8) Target level or amount (if relevant)	At least one person of ethnic diversity on UK FTSE100 and FTSE250 boards and (by 2025) US S&P500 and Russell 1000 boards.
(9) Percentage of total AUM covered in your baseline year for target setting	

(10) Do you also have a longer-term target for this?

(2) No

---

**(F1) Sustainability Outcome #6: Target details**

---

(F1) Sustainability Outcome #6: The Living Wage

---

(1) Target name The Living Wage

---

(2) Baseline year

---

(3) Target to be met by 2025

---

(4) Methodology Third-party data assessment and company engagement.

---

(5) Metric used (if relevant) Whether a company discloses their living wage strategy by 2025.

---

(6) Absolute or intensity-based (if relevant)

---

(7) Baseline level or amount (if relevant):

---

(8) Target level or amount (if relevant)

---

(9) Percentage of total AUM covered in your baseline year for target setting

---

(10) Do you also have a longer-term target for this?

(2) No

---

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 2.1	PLUS	SO 1, SO 2	N/A	PUBLIC	Setting targets on sustainability outcomes	1

For each sustainability outcome, provide details of up to two of your long-term targets.

	(1) Target name	(2) Long-term target to be met by	(3) Long-term target level or amount (if relevant)
(A1) Sustainability Outcome #1: NZAM AUM Commitment	NZAM AUM commitment	2050	Net zero emissions by 2050 or sooner across all assets under management ('AUM')

## FOCUS: SETTING NET-ZERO TARGETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 3	PLUS	SO 1	Multiple, see guidance	PUBLIC	Focus: Setting net-zero targets	General

If relevant to your organisation, you can opt-in to provide further details on your net-zero targets.

- (A) Yes, we would like to provide further details on our organisation's asset class-specific net-zero targets
- (B) Yes, we would like to provide further details on our organisation's net-zero targets for high-emitting sectors
- (C) Yes, we would like to provide further details on our organisation's mandate or fund-specific net-zero targets
- (D) No, we would not like to provide further details on our organisation's asset class, high-emitting sectors or mandate or fund-specific net-zero targets
- (E) No, our organisation does not have any asset class, high-emitting sectors or mandate or fund-specific net-zero targets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
NZAM 1	PLUS	NZAM, SO 3	SO 3.1, SO 3.2	PUBLIC	Focus: Setting net-zero targets	General

Select the relevant asset class breakdown for your organisation to report on your net-zero targets.

- (A) PRI's standard asset class breakdown
- (B) Asset class breakdown as per the NZAOA's Target Setting Protocol



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 3.1	PLUS	SO 3	N/A	PUBLIC	Focus: Setting net-zero targets	General

**Provide details of your nearest-term net zero targets per asset class.**

(A) PRI asset class breakdown

**Listed equity**

**Target details**

**(A) PRI asset class breakdown: Listed equity**

(1) Baseline year 2019

(2) Target to be met by 2030

(3) Emissions included in target (1) Scope 1  
(2) Scope 2  
(3) Scope 3

(4) Methodology

It is important to note that there is considerable variation in approaches as to how asset managers have interpreted net zero guidance and established their net zero AUM targets. While this is particularly so between active and passive managers, even in large passive houses, the level of ambition in targets and stringency of approach varies noticeably. The latest NZAMI update report shows an average of 39% AUM target.

We have taken an ambitious but honest and prudent approach, aiming to be fully transparent in how we are approaching aligning assets to net zero and what we can credibly label as net zero assets.

LGIM's AUM target may therefore appear lower than some of our peers because we have taken a more stringent and what we believe to be a more credible approach to defining net zero alignment, and because we are assuming that sovereigns and derivatives cannot be considered net-zero aligned until a consistent methodology is agreed. We would also note that, among our competitors, the use of the definition "SBT or equivalent" as equal to "net zero aligned" is far less stringent than LGIM's definition.

Drawing on industry best practice, we have set out LGIM's key requirements for a fund or investment portfolio to be considered net-zero-aligned.

Our methodology incorporates recommendations from the Paris-Aligned Investment Initiative's Net Zero Investment Framework, as well as the UN Net Zero Asset Owner Alliance and the Science-Based Targets Initiative's guidance for financial institutions. It incorporates core commonalities of these frameworks, including net-zero targets, decarbonisation pathways, targeted sector-based exclusions, engagement and allocation to green opportunities.

Key indicators will include carbon intensity reductions consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the IPCC special report on global warming of 1.5°C, and/or implied portfolio temperature alignment of 1.5°C by 2030.

(5) Metric used

(9) Other

(6) Baseline amount

(7) Current amount (if different from baseline amount)

(8) Targeted reduction with respect to baseline 50%

(9) Percentage of total AUM covered in your baseline year for target setting 38%

(10) If coverage is below 100% for this asset class, explain why

For this first interim target, LGIM has excluded government securities and derivative assets due to the lack of clear industry methodologies to account for these asset classes. As a result, the 70% target that LGIM has set to be managed in line with net zero covers eligible asset classes only.

**Fixed income**

#### Target details

#### (A) PRI asset class breakdown: Fixed income

(1) Baseline year 2019

(2) Target to be met by 2030

(3) Emissions included in target

(1) Scope 1  
(2) Scope 2  
(3) Scope 3

(4) Methodology

It is important to note that there is considerable variation in approaches as to how asset managers have interpreted net zero guidance and established their net zero AUM targets. While this is particularly so between active and passive managers, even in large passive houses, the level of ambition in targets and stringency of approach varies noticeably. The latest NZAMI update report shows an average of 39% AUM target.

We have taken an ambitious but honest and prudent approach, aiming to be fully transparent in how we are approaching aligning assets to net zero and what we can credibly label as net zero assets. LGIM's AUM target may therefore appear lower than some of our peers because we have taken a more stringent and what we believe to be a more credible approach to defining net zero alignment, and because we are assuming that sovereigns and derivatives cannot be considered net-zero aligned until a consistent methodology is agreed. We would also note that, among our competitors, the use of the definition "SBT or equivalent" as equal to "net zero aligned" is far less stringent than LGIM's definition.

Drawing on industry best practice, we have set out LGIM's key requirements for a fund or investment portfolio to be considered net-zero-aligned. Our methodology incorporates recommendations from the Paris-Aligned Investment Initiative's Net Zero Investment Framework, as well as the UN Net Zero Asset Owner Alliance and the Science-Based Targets Initiative's guidance for financial institutions. It incorporates core commonalities of these frameworks, including net-zero targets, decarbonisation pathways, targeted sector-based exclusions, engagement and allocation to green opportunities.

Key indicators will include carbon intensity reductions consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the IPCC special report on global warming of 1.5°C, and/or implied portfolio temperature alignment of 1.5°C by 2030.

(5) Metric used

(9) Other

(6) Baseline amount

(7) Current amount (if different from baseline amount)

(8) Targeted reduction with respect to baseline 50%

(9) Percentage of total AUM covered in your baseline year for target setting 38%

(10) If coverage is below 100% for this asset class, explain why

For this first interim target, LGIM has excluded government securities and derivative assets due to the lack of clear industry methodologies to account for these asset classes. As a result, the 70% target that LGIM has set to be managed in line with net zero covers eligible asset classes only.

- Private equity
- Real estate

**Target details**

**(A) PRI asset class breakdown: Real estate**

(1) Baseline year 2019

(2) Target to be met by 2030

(3) Emissions included in target

- (1) Scope 1
- (2) Scope 2
- (3) Scope 3

(4) Methodology

Across our real estate equity assets, we have set an SBTi validated target to 2030 support our trajectory to net zero, which commits us to reduce the operational energy and carbon of our landlord-controlled areas through a 42% reduction in absolute operational carbon emissions (scope 1 & 2). As part of the process, we have set a further “SBT-aligned” target across scope 3 emissions associated with occupier energy use, where we have committed to reducing our downstream leased asset GHG emissions by 55% per square metre by 2030 from a 2019 base year. Both targets are aligned with 1.5°C ‘Paris’ pathways. Note, the responses below refer to the scope 1 & 2 target.

(5) Metric used

(9) Other

(6) Baseline amount

23, 857 tCO2e

(7) Current amount (if different from baseline amount)

13,100 tCO2e

(8) Targeted reduction with respect to baseline

42%

(9) Percentage of total AUM covered in your baseline year for target setting

100%

(10) If coverage is below 100% for this asset class, explain why

- Infrastructure
- Hedge funds
- Forestry
- Farmland
- Other

## TRACKING PROGRESS AGAINST TARGETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 4	PLUS	SO 2	SO 4.1	PUBLIC	Tracking progress against targets	1

**Does your organisation track progress against your nearest-term sustainability outcomes targets?**

**(A1) Sustainability outcome #1:**

(A1) Sustainability outcome #1: NZAM AUM Commitment

Target name: NZAM AUM commitment

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(B1) Sustainability outcome #2:**

(B1) Sustainability outcome #2: COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios

Target name: Eliminating ag. commodity deforestation from funds

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(C1) Sustainability outcome #3:**

(C1) Sustainability outcome #3: Finance for Biodiversity Pledge

Target name: Finance for Biodiversity Pledge

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(D1) Sustainability outcome #4:**

(D1) Sustainability outcome #4: UN PRI Advance

Target name: UN PRI Advance: Policy

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(D2) Sustainability outcome #4:**

(D2) Sustainability outcome #4: UN PRI Advance

Target name: UN PRI Advance: due diligence process

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(E1) Sustainability outcome #5:**

(E1) Sustainability outcome #5: Diversity

Target name: Gender diversity

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(E2) Sustainability outcome #5:**

(E2) Sustainability outcome #5: Diversity

Target name: Ethnic diversity

Does your organisation track progress against your nearest-term sustainability outcome targets? (1) Yes

**(F1) Sustainability outcome #6:**

(F1) Sustainability outcome #6: The Living Wage

Target name: The Living Wage

Does your organisation track progress against your nearest-term sustainability outcome targets?

(1) Yes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 4.1	PLUS	SO 4	N/A	PUBLIC	Tracking progress against targets	1

**During the reporting year, what qualitative or quantitative progress did your organisation achieve against your nearest-term sustainability outcome targets?**

**(A1) Sustainability Outcome #1: Target details**

(A1) Sustainability Outcome #1:	NZAM AUM Commitment
(1) Target name	NZAM AUM commitment
(2) Target to be met by	2030
(3) Metric used (if relevant)	Key indicators will include carbon intensity reductions consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the IPCC special report on global warming of 1.5°C, and/or implied portfolio temperature alignment of 1.5°C by 2030.
(4) Current level or amount (if relevant)	
(5) Other qualitative or quantitative progress	To work towards our Net Zero target, LGIM has been working with clients to develop new funds that are aligned to our Net Zero framework and evolve funds in our existing range. In 2023, we continued to expand our Net Zero fund range. In the active fixed income space, we launched the L&G Net Zero Short Dated Global Corporate Bond Fund (February 2023). In the solutions space, we added two additional Net Zero aligned Buy and Maintain funds. Additionally, we updated and enhanced our flagship Future World index fund range to align with our internal Net Zero Framework.
(6) Methodology for tracking progress	Drawing on industry best practice, we have set out LGIM's key requirements for a fund or investment portfolio to be considered net-zero-aligned. Our methodology incorporates recommendations from the Paris-Aligned Investment Initiative's Net Zero Investment Framework, as well as the UN Net Zero Asset Owner Alliance and the Science-Based Targets Initiative's guidance for financial institutions. It incorporates core commonalities of these frameworks, including net-zero targets, decarbonisation pathways, targeted sector-based exclusions, engagement and allocation to green opportunities.

## (B1) Sustainability Outcome #2: Target details

(B1) Sustainability Outcome #2:	COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios
(1) Target name	Eliminating ag. commodity deforestation from funds
(2) Target to be met by	2025
(3) Metric used (if relevant)	
(4) Current level or amount (if relevant)	
(5) Other qualitative or quantitative progress	<p>We updated our Deforestation Policy in 2023 to reflect the progress we made over the year on the milestones set out under our commitment to tackle commodity driven deforestation impacts in investment portfolios by 2025.<sup>56</sup> We have strengthened our expectations of companies; broadened the scope; and increased the depth of our assessments and engagement despite continuing limitations in data availability. We also integrated social aspects of commodity-driven deforestation and consideration of human rights, including indigenous people and land rights into our assessment.</p> <p>Our refreshed policy notes the Accountability Framework and the Deforestation Free Finance guidance. We have steadily evolved our approach to assessing and engaging on deforestation risk, most recently with a new risk assessment tool. We also refreshed our assessment of deforestation policies and programmes, with resulting voting implications.</p> <p>In 2023, we increased our minimum expectations in this area. We now expect all companies in 'deforestation-critical' sectors, to have both a deforestation policy and programme. Companies not meeting this, subject to data availability, will be identified for vote sanctions (normally a vote against the chair) at AGMs in 2024.</p> <p>In 2022, we initiated our dedicated deforestation campaign with consequences. 2023 was the first year in which we applied a specific vote sanction to companies in deforestation-critical sectors that did not have a deforestation policy or programme in place. Having written to over 300 companies to inform them of our expectations and approach, in 2023 we applied a negative vote at over 100 companies. Continuing this engagement campaign, in the second half of 2023 we identified 168 companies for engagement.</p> <p>These were categorised as:</p> <ul style="list-style-type: none"><li>• Companies that newly failed to meet our minimum standard, as set out in our updated deforestation policy, of having a zero-deforestation policy and related programme in place</li><li>• Companies that persistently failed to meet this minimum standard</li><li>• Companies that met our deforestation minimum standards but did not have a human rights policy in place</li></ul> <p>Communications with these companies set out our expectations of them under our Deforestation Policy, as well as potential voting implications if these were not met, and pointed to actions and best practice examples that could improve their performance in this area.</p>



We will continue to apply vote sanctions set out as part of this campaign, and to engage with companies in deforestation-critical sectors on our expectations. We will proactively consider and vote on shareholder resolutions on deforestation-related issues.

(6) Methodology for tracking progress

We will continue to monitor our exposure and the impact of our campaigns, using the data available to us, and qualitative assessment.

**(C1) Sustainability Outcome #3: Target details**

(C1) Sustainability Outcome #3:

Finance for Biodiversity Pledge

(1) Target name

Finance for Biodiversity Pledge

(2) Target to be met by

2024

(3) Metric used (if relevant)

(4) Current level or amount (if relevant)

(5) Other qualitative or quantitative progress

Engagement on the integration and disclosure of nature-related risks, impacts and dependencies is a fundamental aspect of our approach to nature. We are supportive of – and a ‘forum member’ of – the Taskforce for Nature-related Financial Disclosures (TNFD).

We view the TNFD as instrumental in supporting the assessment and disclosure of standardised, consistent, location-specific and reliable reporting of nature-related risks and opportunities. TNFD aims to address the complex and pressing need to incorporate nature into financial and business decision-making, and to support a shift in global financial flows away from nature-negative and toward nature-positive outcomes by increasing transparency.

Collaboration on the creation of the TNFD framework has involved input from academia, civil society, governments and over 1,000 market participants, including LGIM. As referenced in our 2022 Active Ownership report, at COP15 in Montreal the Global Biodiversity Framework (GBF) was finally agreed. The agreement aims to accelerate action to address nature change and introduced key 2030 and 2050 commitments. Given its importance for nature, three members of our Investment Stewardship team participated in this conference. Within the GBF, Target 15 is a transformative element: it commits signatories to implementing legal, policy and regulatory measures to strengthen how all businesses monitor, manage and disclose nature-related risk, impacts and dependencies. Parties at COP15 could not agree on making this a mandatory target.

However, LGIM – and several others within the Business for Nature “Make it Mandatory” campaign – believe this would be key to changing our relationship with nature and meeting the GBF commitments. Implementation of mandatory regulation must therefore be carried out at a national level. Japan’s government is one of the parties that recognises this. To support listed companies in Japan in gaining practical insights in preparation of the release of the TNFD framework, the Ministry of Environment organised a workshop on disclosure of financial information related to nature, in which LGIM participated.

During the first seminar, we explained our expectations of companies regarding nature and emphasised why we believe it is financially material, highlighting business risks and opportunities, the role of nature in achieving net zero and increasing global regulation. We ended the session by sharing our recommendations for Japanese companies.

September 2023 brought the much-anticipated release of the final version of the TNFD framework, which has been formally endorsed by the G7 and G20. Given the rising expectations of governments, institutional investors and wider stakeholders, we are supportive of TNFD, which will be integrated eventually through the International Financial Reporting Standards' International Sustainability Standards Board (IFRS ISSB). We believe this will become a market-leading framework and standard for nature-related disclosures and we will continue to push for regulators to mandate reporting in their respective markets.

(6) Methodology for tracking progress	We will continue to monitor our exposure and the impact of our campaigns, using the data available to us, and qualitative assessment.
---------------------------------------	---

**(D1) Sustainability Outcome #4: Target details**

(D1) Sustainability Outcome #4:	UN PRI Advance
---------------------------------	----------------

(1) Target name	UN PRI Advance: Policy
-----------------	------------------------

(2) Target to be met by	2024
-------------------------	------

(3) Metric used (if relevant)	Advance Initiative participants (both lead and collaborating investors) are required to have a policy commitment to respect human rights
-------------------------------	--

(4) Current level or amount (if relevant)	
---	--

(5) Other qualitative or quantitative progress	We published our Human Rights policy on our website in 2023, setting out our approach to tackling human rights issues as a global investor. It is available here: <a href="https://www.lgim.com/landg-assets/lgim/lgim-human-rights-policy-004_v2.0-1.pdf">https://www.lgim.com/landg-assets/lgim/lgim-human-rights-policy-004_v2.0-1.pdf</a>
--	---

(6) Methodology for tracking progress	
---------------------------------------	--

**(D2) Sustainability Outcome #4: Target details**

(D2) Sustainability Outcome #4:	UN PRI Advance
---------------------------------	----------------

(1) Target name	UN PRI Advance: due diligence process
-----------------	---------------------------------------

(2) Target to be met by	
-------------------------	--

(3) Metric used (if relevant)	Advance Initiative participants (both lead and collaborating investors) are required to have a human rights due diligence process.
(4) Current level or amount (if relevant)	
(5) Other qualitative or quantitative progress	Human rights due diligence process: Using information from a reputable third-party data provider, LGIM monitors the companies in which we invest for UNGC violations. Perennial violators are placed on our Future World Protection List and excluded from relevant LGIM funds.
(6) Methodology for tracking progress	

**(E1) Sustainability Outcome #5: Target details**

(E1) Sustainability Outcome #5:	Diversity
(1) Target name	Gender diversity
(2) Target to be met by	
(3) Metric used (if relevant)	Number of women on company boards
(4) Current level or amount (if relevant)	
(5) Other qualitative or quantitative progress	We engaged with 70 companies on the topic of gender diversity in 2023, and voted against directors at 1,970 companies lagging our expectations on gender diversity at board (and, in UK and US large-cap companies) executive committee level.
(6) Methodology for tracking progress	Third-party data assessment and engagement

**(E2) Sustainability Outcome #5: Target details**

(E2) Sustainability Outcome #5:	Diversity
(1) Target name	Ethnic diversity
(2) Target to be met by	2024
(3) Metric used (if relevant)	Number of people of ethnic diversity at board level.
(4) Current level or amount (if relevant)	

(5) Other qualitative or quantitative progress	We engaged with 156 companies on ethnic diversity in 2023, and voted against 3 large-cap UK and US firms for not meeting our minimum expectation of one ethnically diverse board member.
(6) Methodology for tracking progress	Third-party data assessment and engagement
<b>(F1) Sustainability Outcome #6: Target details</b>	
(F1) Sustainability Outcome #6:	The Living Wage
(1) Target name	The Living Wage
(2) Target to be met by	2025
(3) Metric used (if relevant)	Whether a company discloses their living wage strategy by 2025.
(4) Current level or amount (if relevant)	
(5) Other qualitative or quantitative progress	We have been engaging on income inequality and, more specifically, on the topic of living wage for a number of years individually, and collaboratively through both the ShareAction Good Work Coalition and the Platform for Living Wage Financials. We undertook 33 engagements with 22 companies on the living wage during 2023; eight of these were collaborative. In the fourth quarter of 2023, we also joined the ICCR Living Wage campaign for US workers and signed up to their investor statement, joining other investors representing a combined \$4.5 trillion, calling on US companies to take action on the living wage.
(6) Methodology for tracking progress	Third-party data assessment and engagement.

## INDIVIDUAL AND COLLABORATIVE INVESTOR ACTION ON OUTCOMES

### LEVERS USED TO TAKE ACTION ON SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 5	PLUS	SO 2	Multiple	PUBLIC	Levers used to take action on sustainability outcomes	1, 2, 5

During the reporting year, which of the following levers did your organisation use to take action on sustainability outcomes, including to prevent and mitigate actual and potential negative outcomes?

- (A) Stewardship with investees, including engagement, (proxy) voting, and direct influence with privately held assets  
Select from drop down list:

- (1) Individually
- (2) With other investors or stakeholders
- (B) Stewardship: engagement with external investment managers
- (C) Stewardship: engagement with policy makers
  - Select from drop down list:
    - (1) Individually
    - (2) With other investors or stakeholders
- (D) Stewardship: engagement with other key stakeholders
  - Select from drop down list:
    - (1) Individually
    - (2) With other investors or stakeholders
- (E) Capital allocation
  - (F) Our organisation did not use any of the above levers to take action on sustainability outcomes during the reporting year

## CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 6	PLUS	SO 5	N/A	PUBLIC	Capital allocation	1

During the reporting year, how did your organisation use capital allocation to take action on sustainability outcomes, including to prevent and mitigate actual and potential negative outcomes?

### (A) Across all sustainability outcomes

(1) Capital allocation activities used

(5) Other

(2) Explain through an example

The LGIM ESG score combines an environmental score, a social score and a governance score, with adjustments made for a company's overall levels of transparency with regards to ESG issues. Our analysis of over 17,000 companies has led to the choice of 34 ESG data points which are used to create the LGIM ESG score. The scores are used in a range of equity and fixed income index funds at LGIM, including LGIM's Future World Index range. The indices are alternatively weighted to give greater weight to companies that have higher ESG scores and less weight to those with lower scores.

In addition to this capital allocation aspect, from a stewardship perspective, the LGIM ESG scores help drive the engagement process that we undertake with investee companies to improve their ESG performance. The LGIM ESG scores are aligned with LGIM's voting policy and principles. This means that for companies with poor ESG scores, we are more likely to vote against them at their Annual General Meetings (AGMs).

### (B) Sustainability Outcome #1:

(B) Sustainability Outcome #1:

NZAM AUM Commitment

(1) Capital allocation activities used

(4) Divestment from assets or sectors

(2) Explain through an example

Under our Climate Impact Pledge, we may divest from companies (within certain funds) with whom we engage directly and which, following engagement, have not made sufficient progress versus our minimum expectations for their sector. Companies that do make progress may be reinstated into the relevant funds (having previously been excluded). Our exclusions cover £176bn assets under management (as at 31.12.2023) and in our 2024 update, we added two companies to our divestment list, taking the total to 16. The Climate Impact Pledge covers 53% of total corporate securities by value (assets where we have carbon data) that LGIM invests in on behalf of our clients. These companies cover 86% of the total carbon emissions attributable to LGIM's corporate debt and equity holdings.

---

**(C) Sustainability Outcome #2:**

(C) Sustainability Outcome #2:

COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios

(1) Capital allocation activities used

(4) Divestment from assets or sectors

(2) Explain through an example

Under our Climate Impact Pledge, we may divest from companies (within certain funds) with whom we engage directly and which, following engagement, have not made sufficient progress versus our minimum expectations for their sector. Companies that do make progress may be reinstated into the relevant funds (having previously been excluded). In our 2024 update, we added TJX to our divestment list (applied to certain LGIM funds). We remain concerned that TJX does not have a zero deforestation policy in place and has not shown a clear intention to analyse its potential exposure to commodity-driven deforestation. TJX does not provide comprehensive disclosure of material Scope 3 emissions (particularly category 1: purchased goods and services). Its net-zero target and decarbonisation efforts are limited to reducing operational emissions, leaving value chain emissions unaddressed. There is also a lack of disclosure from the company on monitoring of trade associations and their alignment with a Paris trajectory to net zero.

---

**(D) Sustainability Outcome #3:**

(D) Sustainability Outcome #3:

Finance for Biodiversity Pledge

(1) Capital allocation activities used

(4) Divestment from assets or sectors

(2) Explain through an example

Food producer Loblaw remains on our Climate Impact Pledge divestment list. It does not publicly disclose a comprehensive zero-deforestation policy covering all material commodities. Nevertheless, we have observed some improvements through engagement:  
Loblaw has set comprehensive 1.5°C aligned medium-term science-based targets certified by SBTi for Scope 1 and 2, and an engagement target for Scope 3. It also has a net-zero target in place covering all scopes. It has substantially improved its climate disclosure over the years by participating in CDP Climate and Forest questionnaires and most recently publishing a net-zero action plan outlining actions focused on key aspects of its carbon footprint. It is actively incentivising the adoption of regenerative agriculture and low carbon farming practices through its work with the Canadian Alliance for Net-Zero Agri-food (CANZA).

**(E) Sustainability Outcome #4:**

(E) Sustainability Outcome #4: UN PRI Advance

(1) Capital allocation activities used

(4) Divestment from assets or sectors

(2) Explain through an example

Using information from a reputable third-party data provider, LGIM monitors the companies in which we invest for UNGC violations. Perennial violators are placed on our Future World Protection List and excluded from relevant LGIM funds.

**(F) Sustainability Outcome #5:**

(F) Sustainability Outcome #5: Diversity

(1) Capital allocation activities used

(2) Explain through an example

N/A

**(G) Sustainability Outcome #6:**

(G) Sustainability Outcome #6: The Living Wage

(1) Capital allocation activities used

(2) Explain through an example

N/A

**(H) Sustainability Outcome #7:**

(H) Sustainability Outcome #7: Antimicrobial Resistance (AMR)

(1) Capital allocation activities used

(2) Explain through an example

N/A

**(I) Sustainability Outcome #8:**

(I) Sustainability Outcome #8: Nutrition

(1) Capital allocation activities used

(2) Explain through an example N/A

## STEWARDSHIP WITH INVESTEES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 8	PLUS	SO 5	N/A	PUBLIC	Stewardship with investees	2

**During the reporting year, how did your organisation use stewardship with investees to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

### (A) Across all sustainability outcomes

(1) Describe your approach

The LGIM Investment Stewardship team's purpose is to protect clients' assets through raising market ESG standards and best practice. We believe that real change is achieved by being an engaged and active owner. We are active proponents of the benefits of the global stewardship codes in improving the quality of stewardship and ownership across the markets in which we invest.

We actively monitor investee companies in order to ensure that they act in the best interest of shareholders and create long-term value for our clients. Our stewardship activity is guided by our global stewardship themes. These themes reflect systemic ESG issues affecting the global markets and companies in which our clients are invested, and where we believe we can have an impact. Within our respective themes, we use our LGIM ESG scores to identify companies with which we plan to engage – this data-driven approach to company engagement helps us identify “leading laggards” on which to concentrate our direct engagement activities. These companies are those that have been identified as influential in their sectors, where we believe that we can affect ESG improvements through engagement, and which will then have a knock-on, positive impact across the relevant sector. This supports our overall aim of improving ESG standards not just at individual companies, but across the global markets in which our clients are invested. This means that our stewardship activity is undertaken with strategic outcomes in mind, aligning our thematic, company and public policy engagement, as well as our voting activity, in order to achieve these.

(2) Stewardship tools or activities used

(1) Engagement  
 (2) (Proxy) voting at shareholder meetings  
 (3) Filing of shareholder resolutions or proposals

(3) Example

In 2023, we had 2,500 engagements with 2,050 companies, and voted on 148,794 individual resolutions at 11,173 companies. We co-filed three shareholder resolutions taking place at 2023 AGMs (at Exxon Mobil, Glencore and McDonald's).



## (B) Sustainability Outcome #1:

(B) Sustainability Outcome #1:

NZAM AUM Commitment

(1) Describe your approach

As one of the world's largest diversified mining companies, with strong exposure to metals needed to decarbonise the global economy, we believe Glencore has a key role to play in the energy transition. Nevertheless, the company's exposure to thermal coal is material and, given the need to rapidly phase out coal to meet the company's own 1.5°C target, we have expressed our concerns about the lack of disclosure on how the company's net-zero commitments align with its thermal coal production outlook.

(2) Stewardship tools or activities used

- (1) Engagement
- (2) (Proxy) voting at shareholder meetings
- (3) Filing of shareholder resolutions or proposals

(3) Example

Although we welcome the commitments made by Glencore to prioritise investments in metals that support the energy transition and to strengthen its interim emissions reduction targets, our concerns over its thermal coal exposure and future plans led us to vote against the company's climate transition plan at its AGM, held in April 2022. In total, in the previous four years we have held 15 engagements with Glencore, primarily focused on climate change, board composition and pay, as well as their supply chain. Having pledged in 2022 to increase pressure on companies that fail to put suitably ambitious and credible transition plans to a shareholder vote, we acted on this commitment by co-filing a shareholder resolution at Glencore's 2023 AGM, requesting that the company disclose how its thermal coal production is aligned with the Paris Agreement objective of limiting the increase in global temperature to 1.5°C. We believe that assessment and evaluation of climate-related risks and their financial materiality is critical for long-term investors, and that a shareholder resolution can be a powerful way to escalate our engagement with individual companies.

In what we see as a strong sign of support, the most influential proxy advisers, ISS and Glass Lewis, recommended shareholders to vote in favour of the proposal. The resolution received 29.2% support from shareholders, which is significant for a shareholder proposal, and we are pleased that the company has published its intention to continue to engage with shareholders and improve understanding on this matter. Our aim of collaborating with like-minded investors on this proposal was to seek more disclosure – that can only be achieved through direct action by the company. We have since met separately with their CEO and CFO, chairman and lead independent director to discuss the response to our proposal, as well as corporate governance and community relations. Additionally, in light of the planned acquisition of Teck's metallurgical coal assets, we discussed in detail the strategic rationale of the transaction and the safeguards the combined entity would put in place to ensure these assets are managed responsibly with stringent commitments on emissions targets, water management and transparency.

### (C) Sustainability Outcome #2:

(C) Sustainability Outcome #2: COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios

(1) Describe your approach We have steadily evolved our approach to assessing and engaging on deforestation risk, most recently with a new risk assessment tool. We also refreshed our assessment of deforestation policies and programmes, with resulting voting implications. In 2023, we increased our minimum expectations in this area. We now expect all companies in 'deforestation-critical' sectors, 57 to have both a deforestation policy and programme. 58 Companies not meeting this, subject to data availability, will be identified for vote sanctions (normally a vote against the chair) at AGMs in 2024.

(2) Stewardship tools or activities used

(1) Engagement  
(2) (Proxy) voting at shareholder meetings

(3) Example In 2022, we initiated our dedicated deforestation campaign with consequences. 2023 was the first year in which we applied a specific vote sanction to companies in deforestation-critical sectors that did not have a deforestation policy or programme in place. Having written to over 300 companies to inform them of our expectations and approach, in 2023 we applied a negative vote at over 100 companies. Continuing this engagement campaign, in the second half of 2023 we identified 168 companies for engagement. These were categorised as: • Companies that newly failed to meet our minimum standard, as set out in our updated deforestation policy, of having a zero-deforestation policy and related programme in place • Companies that persistently failed to meet this minimum standard • Companies that met our deforestation minimum standards but did not have a human rights policy in place Communications with these companies set out our expectations of them under our Deforestation Policy, as well as potential voting implications if these were not met, and pointed to actions and best practice examples that could improve their performance in this area. We will continue to apply vote sanctions set out as part of this campaign, and to engage with companies in deforestation-critical sectors on our expectations. We will proactively consider and vote on shareholder resolutions on deforestation-related issues.

### (D) Sustainability Outcome #3:

(D) Sustainability Outcome #3: Finance for Biodiversity Pledge

(1) Describe your approach We believe that sustainable forestry is critical to combating climate change and preserving biodiversity, two systemic risks facing the world economy today, with significant implications for our clients' assets if left unaddressed. Companies should analyse, assess and address deforestation risks within their operations and supply chains, and pay attention to the rising expectations of corporations from investors and broader stakeholders. Our Climate Impact Pledge 'red lines' for the food sector are:

- Does the company have comprehensive zero-deforestation and no-land-conversion procurement policies?
- Does the company disclose its climate-related lobbying activities, including trade association memberships, and explain the action it will take if these are not aligned with a 1.5°C scenario?

(2) Stewardship tools or activities used

(1) Engagement  
(2) (Proxy) voting at shareholder meetings

(3) Example

We have been engaging with China Mengniu Dairy under our Climate Impact Pledge since 2019 and have had several detailed conversations, focusing on our minimum climate expectations, including discussions on deforestation. Our primary concerns related to emissions disclosures and suitable targets, and the lack of a deforestation policy. In line with our Climate Impact Pledge escalation process, we continued to vote against the re-election of the board chair, and the company was placed on our divestment list (applicable to relevant funds) in 2020. Since we began our engagement, the company has made progress on lower-impact products, and increased transparency on biodiversity.

In 2022, we were pleased to see the publication of a deforestation policy and the company's commitment to achieve zero deforestation by 2030. In our June 2023 Climate Impact Pledge update, we noted that in addition to the deforestation policy, the company had also published a commitment for carbon neutrality by 2050, covering all scopes of emissions. We therefore made the decision to reinstate China Mengniu Dairy into applicable funds previously mentioned (removing it from our divestment list). We communicated our decision to the company and have continued our engagement. While we are pleased with their progress, we have clarified that we would like them to seek approval of their net zero targets by the SBTi, and that we encourage them to report their Scope 3 emissions. We believe taking these steps and improving disclosures enables investors and the market to assess risks and opportunities related to deforestation and price these more accurately. Appropriate pricing of climate-related risks and opportunities in the market can also be an important incentive for change.

**(E) Sustainability Outcome #4:**

(E) Sustainability Outcome #4:

UN PRI Advance

(1) Describe your approach

Under our UN PRI Advance commitments we have joined collaborative engagements and also published our human rights policy, setting out our approach to this complex topic, which crosses over so many of our stewardship themes.

Human rights have been a key focus area for LGIM for several years. We have incorporated the screening of companies' performance on human rights, labour, the environment and corruption as covered under the UN Global Compact (UNGC) in specific LGIM funds since 2018; our proprietary Future World Protection List captures companies that are perennial violators of the UNGC. 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. Furthermore, our 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 have recently 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 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: 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

These are not 'minimum expectations' that, when met, would clearly indicate that a company is 'good' with regard to its human rights protections. Instead, we believe the management of human rights requires continuous effort. Recognising this, our engagement with companies on human rights is not based solely on whether they have met these expectations. We will continue to review and refine our human rights due diligence approach in evaluating related risks and identifying opportunities in our portfolios.

(2) Stewardship tools or activities used

(1) Engagement

(3) Example

We had our first engagement with Southern Co in June 2023, where we discussed human rights commitments, application into subsidiaries, human rights risk assessments, grievance and monitoring mechanisms in place, potential risks of forced labour in supply chains and influence on suppliers through PPAs. Also, we touched on how they are embedding human rights requirements within new suppliers onboarding and discussed health and safety, working conditions, living wage and working hours.

## (F) Sustainability Outcome #5:

(F) Sustainability Outcome #5:

Diversity

(1) Describe your approach

LGIM has been engaging with companies on the topic of diversity since 2011 and has been 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 expectations and published our Diversity Policy which reiterates our commitment to push the companies in which we invest globally to:

- Have women represent at least 40% of the board and executive leadership team
- 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

By setting out our expectations clearly, we aim to help companies understand where we seek improvement and any sanctions taken due to lack of progress.

(2) Stewardship tools or activities used

(1) Engagement  
(2) (Proxy) voting at shareholder meetings

(3) Example

We launched our engagement campaign on ethnic diversity in 2020, initially reaching out to the largest 100 companies in the UK and the largest 500 companies in the US to discuss ethnic diversity at board level. Our request was simple: that they should have ethnically diverse representation at board level by 2021, or face voting sanctions. We have now been voting against companies that don't meet these expectations since 2022.

In 2023, we voted against three companies due to a lack of board-level ethnic diversity: Caesars Entertainment, Dish Network Corp and The UNITE Group. We pre-declared the dissenting votes on our blog in order to be transparent about the application of our voting policy and increase pressure on these companies to meet our minimum expectations. We are pleased to note that Universal Health Services, which we highlighted the prior year, was not subject to a vote sanction in 2023, following the appointment of a new director to the board, meaning that they now meet our minimum expectations regarding ethnic diversity at board level.

At the end of 2022, we widened our scope for this campaign to companies within the broader FTSE 250 and Russell 1000 indices. Our expectation for the companies in these indices is identical but, in line with the UK's Parker Review, we allowed these smaller companies more time to meet our expectations by 2024. We completed our engagement campaign with these smaller companies at the end of 2023 after two years of engagement, and we continue to engage collaboratively with UK companies on this topic through the 30% Club Investor Group.

## (G) Sustainability Outcome #6:

(G) Sustainability Outcome #6:	The Living Wage
(1) Describe your approach	<p>LGIM focuses on in-work income inequality, and we include those workers within a company's direct operations and their supply chains as part of our engagement effort. We have been engaging on income inequality and, more specifically, on the topic of living wage for a number of years individually, and collaboratively through both the ShareAction Good Work Coalition and the Platform for Living Wage Financials. We undertook 33 engagements with 22 companies on the living wage during 2023; eight of these were collaborative. In the fourth quarter of 2023, we also joined the ICCR Living Wage campaign for US workers and signed up to their investor statement, joining other investors representing a combined \$4.5 trillion, calling on US companies to take action on the living wage.</p>
(2) Stewardship tools or activities used	<p>(1) Engagement (2) (Proxy) voting at shareholder meetings</p>
(3) Example	<p>In the third quarter of 2023, we expanded our corporate engagement on income inequality. We launched our inaugural engagement campaign on this topic with specific vote sanctions against the re-election of the chair, the chair/CEO or president of companies that fail to meet our minimum expectations by the time of their 2025 AGM. We are targeting the food retail sector, as we believe these companies to be generally more resilient due to the community service they provide, financially less impacted by the COVID-19 pandemic than other sectors, and with a high proportion of their workforce earning low wages. We identified 15 supermarket retailers in developed economies as targets for engagement. We have chosen these companies because of their size and influence.</p> <ul style="list-style-type: none"><li>• North America: Costco, Kroger, Target and Walmart</li><li>• UK: Sainsbury, Tesco</li><li>• Europe: Ahold Delhaize, Carrefour, Casino, Metro</li><li>• Japan: Aeon Co, Lawson, Seven &amp; I</li><li>• Australia: Coles, Woolworths</li></ul> <p>We have written to these companies setting out our expectations and the timeframe in which we expect them to be met:</p> <p>Develop a strategy to ensure all employees receive at least a living wage</p> <ul style="list-style-type: none"><li>• Define what is considered to be a 'living wage'</li><li>• Provide the following key information:</li></ul>

For their own operations:

- The organisations that have helped to determine the living wage for each geographic operation
- The current gap between pay per hour and the living wage per hour
- A timeline within which to close this living wage gap
- Whether the company offers training and education opportunities, including financial education
- Whether apprenticeships or other programmes are offered to school leavers and how selection is aimed to help children from a diverse mix of backgrounds

On their supply chains:

- Any partners that are working with the company to determine living wages
- The targeted supply chains; e.g. certain products/regions
- Any changes made to purchasing practices in order to facilitate the payment of a living wage

- The current pay gaps
- A timeline to close the living wage gap

We began engagement with these companies in late 2023. In Asian markets that have regulations in place setting (and annually reviewing) the minimum wage, the idea of a living wage was new. We also heard that the concept of a living wage was not on the agenda for other investors with whom these companies engaged. Despite this, some of the companies we spoke with were willing to consider approaching a living wage setting organisation to learn more about this. In European markets, there was more willingness to adopt living wages, but applying this across supply chains was proving far more difficult than initially anticipated, due to the sheer number of companies sourcing from the same suppliers, and the different attitudes towards paying a living wage and agreeing on the appropriate methodology that should be used. In the US, where the federal government has failed to review the minimum wage since 2009, instead leaving the matter to individual states, the responses ranged from “why should we go first?” to a willingness to explore options by connecting with living wage rate providers.

The global campaign is at an early stage with expectations set out over the next two years. Nevertheless, the quality of engagement has been good and has informed how we will evolve our approach to this issue. In the UK, where we have been engaging on this topic for longer, we are already seeing progress and positive outcomes.

Sainsbury’s, the second-largest food retailer in the UK, in one of their meetings with us said they were proud of their position as the first major grocery company to have paid the real living wage. They took this decision because they believe that only through investing in colleagues can they ensure a continuous improvement in the customer experience, which in turn will improve corporate performance. The company noted that this has proved effective in that not only have they seen colleague engagement scores increase, but also it is partially responsible for an 80bps improvement in productivity in terms of sales uplift versus colleague costs. We have recognised from the discussions with companies, that we also need to consider a pro-active engagement campaign with targeted policymakers in tandem with our corporate engagement, relevant to each local jurisdiction to create a level-playing field and raise market standards.

---

**(H) Sustainability Outcome #7:**

---

(H) Sustainability Outcome #7: Antimicrobial Resistance (AMR)

(1) Describe your approach

We believe there is a strong link between social health and economic health. Every year, poor health costs approximately 15% of global GDP in the form of premature deaths and the lost productivity potential of workers.<sup>81</sup> Poor worker health is projected to cost US employers alone \$575 billion a year in lost productivity due to chronic illnesses and injuries. Further, the health-related, but often hidden, costs of the global food system, relating to the impacts of obesity and undernutrition, pollution, pesticides and antimicrobial resistance, are estimated to amount to \$6.6 trillion. LGIM has identified AMR and nutrition as two key areas of health which we deem as systemic risks; we therefore have initially prioritised these two areas as ‘sub-themes’ within our overall ‘Health’ theme. This does not prevent us from considering other areas that impact human health that may also raise systemic risks, and that may potentially have a negative effect on our clients’ assets.



(2) Stewardship tools or activities used

(1) Engagement  
(2) (Proxy) voting at shareholder meetings  
(3) Filing of shareholder resolutions or proposals

(3) Example

As a global investor across multiple asset classes, LGIM can see the widespread impact AMR may have across numerous sectors from food and protein producers to healthcare and pharmaceuticals, and travel and leisure. McDonald's is the largest beef purchaser in the US and one of the largest in the world. The actions the company takes reverberate across the market, and can have repercussions for sectors such as animal pharmaceuticals, livestock and water utilities.

In late 2022, we co-filed a shareholder resolution with other like-minded investors under the umbrella of the Shareholder Commons asking McDonald's to comply with World Health Organization (WHO) guidelines on the use of medically-important antimicrobials in food-producing animals throughout its supply chain. The resolution sought adherence to the WHO guidelines throughout the full supply chain, including beef, chicken and pork.

Globally, most antibiotics are used not for humans, but for animals. The overuse of antibiotics is known to exacerbate AMR. It is important to note that we did not ask the company to ban the use of antibiotics in its supply chain, but to comply with the WHO guidelines. These guidelines cover those antimicrobials, including antibiotics, that are medically important, rather than all antimicrobials.

Subsequent to the filing of the shareholder proposal, the company released its antibiotics reduction targets, two years after the initial deadline.

However, we did not deem there to be sufficient progress on the company's AMR activities. Our shareholder proposal received 18% of votes in favour. This was slightly lower than we had hoped for, but represents a higher level of support than AMR proposals in previous years, and was achieved despite the fact that the two main proxy advisers recommended shareholders to not support the proposal.

We were pleased to see the Financial Times' support for investor action on AMR and for the shareholder resolution which we co-filed. Following the company's AGM in May 2023, we have sought engagement with the board and have also signed up to FAIRR's collaborative investor engagement on Antibiotic Use in the Quick-Service Restaurant Sector in North America. This engagement stream covers fast-food restaurant companies, including McDonald's, Yum! Brands, owner of KFC and Pizza Hut, and Restaurant Brands International, owner of Burger King.

At the end of December 2023, we co-filed the same shareholder resolution again at McDonald's under the auspices of the Shareholder Commons. This time, the company filed a so-called no-action letter at the SEC to omit the proposal from its AGM agenda. We will continue to engage with the company on the issue of AMR. AMR poses a systemic threat to the global economy.

As a responsible investor, we continue to call on McDonald's to increase its commitment to protect the effectiveness of medically important antimicrobials. In doing so, one of the largest food producers in the world, with extensive supply chains, would be taking a significant step towards mitigating AMR; this type of coordinated action is crucial in terms of aiming to control this risk not just in one company, but more broadly across the sector and the markets in which we invest on behalf of our clients. During 2023, we also supported other AMR resolutions filed at Tyson Foods and Hormel Foods.

**(I) Sustainability Outcome #8:**

(I) Sustainability Outcome #8:

Nutrition

(1) Describe your approach

We believe that tackling malnutrition is an economic imperative. The three interconnected challenges of obesity, undernutrition and micronutrient deficiencies represent a heavy burden to economic development globally: their material cost is estimated at 5% of global income, or \$3.5 trillion, per annum. While undernutrition in regions such as Africa and Asia – where it accounts for an 11% loss of GDP each year – is significant, obesity is estimated to lead to an annual 3.3% reduction in GDP in OECD countries, and may constitute as much as 8% of national health expenditure. We are members of the Access to Nutrition Initiative (ATNI) which, via its Global Index, assesses how the world’s food and beverage manufacturers attempt to address malnutrition in all its forms. The Index ranks these companies on 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 focused on improving children’s health by improving access to healthy, affordable food.

(2) Stewardship tools or activities used

(1) Engagement  
(3) Filing of shareholder resolutions or proposals

Nestlé is one of the world's largest food producers, owning over 2,000 brands and selling its products in nearly 200 countries. Therefore, we believe that the company's behaviour and decisions on the sale and marketing of food products is influential in setting the tone of the industry worldwide. Relating to nutrition, risks to food and beverage companies include, but are not limited to, reputational, litigation and regulatory risks. Several governments around the world have implemented, or are considering implementing, regulation related to front-of-pack food labelling, advertising of unhealthy food products, taxation and more. This potentially presents a material risk for investors with holdings in global food and beverage manufacturers, as companies with a product portfolio including a substantial proportion of foods that are high in fat, salt and sugar could see negative impacts from increasing regulation. We have engaged with Nestlé over the past few years via ATNI and ShareAction's Healthy Markets Initiative. We have asked, amongst other things, that the company applies a government-endorsed nutrient profiling model (NPM) and that it sets targets to increase the sale of products that are deemed healthy by a government endorsed NPM.

(3) Example

Nestlé announced in November 2022 that it would benchmark its entire portfolio against the Health Star Rating (HSR) and in September 2023 it announced that it aims "to grow the sales of their more nutritious products by CHF20-25 billion by 2030. This represents about 50% growth over 2022 sales." The target set by Nestlé applies to its products with HSR 3.5 stars or more, together with its specialised nutrition products, including baby foods, vitamin- and mineral supplements and medical nutrition. These already account for close to 60% of the company's food and beverage sales. While we acknowledge that a target has been set, we are disappointed with the scope of the target; the inclusion of baby foods, supplements and medical nutrition means that the target could be met without increasing sales of healthier foods or improving the nutritional value of its food products that have a HSR of 3.5 or more. We have continued our engagements with Nestlé on increasing the proportion of sales from healthy foods, the details of its target, and how it plans to achieve this. As an escalation, in early 2024, we co-filed a shareholder resolution at Nestlé's 2024 AGM calling for more effective targets to increase healthier food choices.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 9	PLUS	SO 5	N/A	PUBLIC	Stewardship with investees	2

**How does your organisation prioritise the investees you conduct stewardship with to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

- (A) We prioritise the most strategically important companies in our portfolio.

Describe how you do this:

Taking our Climate Impact Pledge as an example, we select c.100 'dial mover' companies, which are chosen for their size and potential to galvanise action in their sectors. Our Investment Stewardship team analyses each company in depth using public information, based on the framework set out in our net-zero sector guidelines that are published on our website.

Select from the list:

- 1
- 4

- (B) We prioritise the companies in our portfolio most significantly connected to sustainability outcomes.

Describe how you do this:

Our stewardship activity is guided by our global stewardship themes. These themes reflect systemic ESG issues affecting the global markets and companies in which our clients are invested, and where we believe we can have an impact. Within our respective themes, we use our LGIM ESG scores to identify companies with which we plan to engage – this data-driven approach to company engagement helps us identify “leading laggards” on which to concentrate our direct engagement activities. These companies are those that have been identified as influential in their sectors, where we believe that we can effect ESG improvements through engagement, and which will then have a knock-on, positive impact across the relevant sector. This supports our overall aim of improving ESG standards not just at individual companies, but across the global markets in which our clients are invested.

This means that our stewardship activity is undertaken with strategic outcomes in mind, aligning our thematic, company and public policy engagement, as well as our voting activity, in order to achieve these.

Select from the list:

- 2
- 4

(C) We prioritise the companies in our portfolio to ensure that we cover a certain proportion of the sustainability outcomes we are taking action on.

Describe how you do this:

We make commitments in our Net Zero funds that at least 50% of the portfolio (on an emissions weighted basis) will either have a Science-Based Target or have been engaged on climate change issues.

Select from the list:

- 3
- 4

(D) Other

## STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 11	PLUS	SO 5	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

**During the reporting year, how did your organisation use engagement with policy makers to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

### (A) Across all sustainability outcomes

(1) Describe your approach

As a major long-term investor with global coverage, LGIM engages 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. We engage with a broad range of stakeholders across the entire policy ecosystem. We believe understanding the policy and regulatory context and the relationships between these organisations is a crucial foundation of effective engagement.

(2) Engagement tools or activities used

- (1) We participated in 'sign-on' letters
- (2) We responded to policy consultations
- (3) We provided technical input via government- or regulator-backed working groups
- (4) We engaged policy makers on our own initiative

(3) Example(s) of policies engaged on

A circular economy is a way of using resources that minimises waste, pollution and environmental impacts and aims to decouple economic activity from the consumption of finite resources. Transitioning to a circular economy entails rethinking how products are designed, produced and discarded, with a view to optimising resource loops across the value chain. This is a key area of our work on addressing the direct drivers of nature change, particularly on natural resource use and pollution.

While the circular economy covers a broad range of topics, plastic pollution is a matter of global concern due to the increasing amount of plastic waste, which is harming ecosystems.

We are part of a collaborative effort co-ordinated by the VBDO (Dutch Association of Investors for Sustainable Development), calling for accelerated corporate action on plastics and emphasising the urgent need to reduce plastic waste. In November 2023, we continued our strong support of the Global Plastics Treaty (GPT) ahead of the third round of negotiations.

The VBDO wrote to the High Ambition Coalition governments privately to flag the need to act on growing volumes of plastic produced at source, highlighting the need for upstream measures addressing plastic production. At the same time, we also co-signed an open letter, organised by CDP, 29 to call for mandatory corporate disclosure of plastics data and for that to be included in the GPT.

**(B) Sustainability Outcome #1:**

(B) Sustainability Outcome #1: NZAM AUM Commitment

(1) Describe your approach

We are ramping up our climate policy engagement in Japan, where preparations for the next round of important policy deliberations that determine the nation's mid-term climate and energy policies are underway. The government is also advancing its \$1 trillion Green Transformation (GX) initiative to direct investments into decarbonisation efforts, including the first issuance of the GX Economy Transition Bonds in February 2024.

(2) Engagement tools or activities used

(2) We responded to policy consultations  
(3) We provided technical input via government- or regulator-backed working groups

(3) Example(s) of policies engaged on

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 blog on climate policy engagement in Japan explores this further by highlighting the role that corporates play in shaping the policy environment and raising potential questions on elements of the government's current strategy. As part of our engagement, our Head of Japan Investment Stewardship has been working on the ground, notably with the Japan Climate Leaders' Partnership (JCLP). This has included meeting with members of Japan's parliament, where we shared our views as a global investor on the market's need for a greater supply of renewables. Following these meetings, we have welcomed the government's intentions to make regulatory changes to allow the development of large-scale offshore wind power beyond territorial waters and in the exclusive economic zone (EEZ). We will continue to advocate for a higher level of renewables in the energy mix alongside other measures such as a robust carbon pricing mechanism.

**(C) Sustainability Outcome #2:**

(C) Sustainability Outcome #2: COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios

(1) Describe your approach

(2) Engagement tools or activities used

(3) Example(s) of policies engaged on

### (D) Sustainability Outcome #3:

(D) Sustainability Outcome #3:	Finance for Biodiversity Pledge
(1) Describe your approach	<p>Nature is fundamental to the long-term health of our economic and social system. Ecosystems are being degraded at a faster rate than ever before, with the loss of vital ecosystem services<sup>21</sup> (on which society and businesses depend) estimated to reduce annual gross domestic product (GDP) by \$2.7 trillion by 2030.<sup>22</sup> These negative trends ultimately undermine nature's ability to provide value to our economies and society and present us with a systemic risk that we must address. Engagement on the integration and disclosure of nature-related risks, impacts and dependencies is a fundamental aspect of our approach to nature. We are supportive of – and a 'forum member' of – the Taskforce for Nature related Financial Disclosures (TNFD).</p>
(2) Engagement tools or activities used	<p>(3) We provided technical input via government- or regulator-backed working groups (4) We engaged policy makers on our own initiative</p>
(3) Example(s) of policies engaged on	<p>We view the TNFD as instrumental in supporting the assessment and disclosure of standardised, consistent, location-specific and reliable reporting of nature-related risks and opportunities. TNFD aims to address the complex and pressing need to incorporate nature into financial and business decision-making, and to support a shift in global financial flows away from nature-negative and toward nature-positive outcomes by increasing transparency. Collaboration on the creation of the TNFD framework has involved input from academia, civil society, governments and over 1,000 market participants, including LGIM. At COP15 in Montreal the Global Biodiversity Framework (GBF) was finally agreed. The agreement aims to accelerate action to address nature change and introduced key 2030 and 2050 commitments.</p> <p>Given its importance for nature, three members of our Investment Stewardship team participated in this conference. Within the GBF, Target 15 is a transformative element: it commits signatories to implementing legal, policy and regulatory measures to strengthen how all businesses monitor, manage and disclose nature-related risk, impacts and dependencies. Parties at COP15 could not agree on making this a mandatory target. However, LGIM – and several others within the Business for Nature "Make it Mandatory" campaign – believe this would be key to changing our relationship with nature and meeting the GBF commitments. Implementation of mandatory regulation must therefore be carried out at a national level. Japan's government is one of the parties that recognises this.</p> <p>To support listed companies in Japan in gaining practical insights in preparation of the release of the TNFD framework, the Ministry of Environment organised a workshop on disclosure of financial information related to nature, in which LGIM participated. During the first seminar, we explained our expectations of companies regarding nature and emphasised why we believe it is financially material, highlighting business risks and opportunities, the role of nature in achieving net zero and increasing global regulation. We ended the session by sharing four recommendations for Japanese companies:</p> <ol style="list-style-type: none"><li>1. Leverage previous learnings from adoption of TCFD for new TNFD adoption</li><li>2. Gain board and executive management support to accelerate action on addressing nature-related issues and integrating with climate commitments</li></ol>

3. Form taskforces among departments to create collaborative efforts to address nature-related issues and opportunities

4. Engage in positive lobbying directly or indirectly with industry associations

---

**(E) Sustainability Outcome #4:**

---

(E) Sustainability Outcome #4: UN PRI Advance

---

(1) Describe your approach

---

(2) Engagement tools or activities used

---

(3) Example(s) of policies engaged on

---

**(F) Sustainability Outcome #5:**

---

(F) Sustainability Outcome #5: Diversity

---

(1) Describe your approach

While the diversity of Japanese boards is improving, engaging on this issue continues to be a stewardship priority for us. We started voting against Japanese companies with all-male boards in 2020, initially voting against ten companies in the TOPIX 100. We positively note the last TOPIX 100 company with an all-male board announced in September 2023 that they would appoint a female director at its 2024 AGM. At present, 37% of Japanese companies do not meet the first criterion, while 10% fail the second.

We continue to speak with companies and board directors on the topic of diversity; we were invited to a dialogue with approximately 90 members of the Japan Association of Corporate Directors (JACD), a group of CEOs and board directors committed to enhancing corporate governance in Japan. We also firmly believe in the value of collaborative engagements with regulators, which enable us to tackle systemic issues at the policy level.

---

(2) Engagement tools or activities used

(3) We provided technical input via government- or regulator-backed working groups  
(4) We engaged policy makers on our own initiative

---

(3) Example(s) of policies engaged on

Through our memberships of ACGA and the ICGN, we have continued to hold discussions on diversity with the FSA, Tokyo Stock Exchange (TSE), and the Japan Cabinet Office. Discussions have included advocating for faster progress and higher levels of board gender diversity, including a tighter definition of 'executive'<sup>71</sup> in the government's policies. It was confirmed during our engagement with the FSA that our discussions and view in the open letter we helped draft, and co-signed in late 2022, have fed into the government's diversity policies at Japanese companies.



In June 2023, the Japanese government's Gender Equality Bureau of the Cabinet Office announced the draft of the 2023 Main Policy for Women's Empowerment and Joint Gender Participation. The following month, the TSE announced new listing rules on diversity which included numerical targets for the ratio of female executives at Prime Market-listed companies: • Strive to appoint at least one female executive by 2025 • Aim to increase the ratio of female executives to 30% or more by 2030 • A recommendation to formulate an action plan to achieve the aforementioned goals We are pleased to see the commonality between the recommendations set out in our joint letter and the government's latest updates proposed in December 2023. These proposals encompass new interim targets aimed at achieving the 30%-female representation goal by 2030. They also introduce targets related to the implementation of remote working arrangements to provide flexible working styles, thereby supporting individuals with childcare and other responsibilities to stay engaged in the workplace.

---

**(G) Sustainability Outcome #6:**

(G) Sustainability Outcome #6:      The Living Wage

(1) Describe your approach

(2) Engagement tools or activities used

(3) Example(s) of policies engaged on

---

**(H) Sustainability Outcome #7:**

(H) Sustainability Outcome #7:      Antimicrobial Resistance (AMR)

(1) Describe your approach

(2) Engagement tools or activities used

(3) Example(s) of policies engaged on

---

**(I) Sustainability Outcome #8:**

(I) Sustainability Outcome #8:      Nutrition

(1) Describe your approach

(2) Engagement tools or activities used

(3) Example(s) of policies engaged on

## STEWARDSHIP: ENGAGEMENT WITH OTHER KEY STAKEHOLDERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 12	PLUS	SO 5	N/A	PUBLIC	Stewardship: Engagement with other key stakeholders	2, 5

**Does your organisation engage with other key stakeholders to support the development of financial products, services, research, and/or data aligned with global sustainability goals and thresholds?**

### (A) Across all sustainability outcomes

(1) Key stakeholders engaged

- (1) Standard setters
- (2) Reporting bodies
- (3) Stock exchanges
- (4) Credit rating agencies
- (5) Auditors
- (6) External service providers (e.g. proxy advisers, investment consultants, data providers)
- (8) NGOs
- (9) Other key stakeholders

(2) Provide further detail on your engagement

We are committed to engaging broadly with stakeholders around the world in order to improve ESG factors across the global markets in which our clients are invested. In addition to the engagement undertaken by the Investment Stewardship team, our Investment team are active in also engaging with the companies in which they invest, and our real assets team also use their engagements and influence in order to pursue their net zero commitments.

As an example, we would point to our cross-thematic work with Asian stock exchanges.

Having begun our engagement campaign on diversity in selected emerging markets in 2022, we identified an opportunity to engage with stock exchanges, which play an important role in driving improvements in market standards, from setting listing rules to strengthening disclosure requirements. We hope to leverage their position through engagement on a number of our global stewardship themes. Additionally, we aim to raise awareness of LGIM's work on these material topics, including diversity, governance, climate, nature and corporate transparency. We have taken the following factors into consideration when identifying markets for our stock exchange engagement campaign:

- Markets where progress is lagging – referencing UN stock exchange analysis and our transparency theme work
- Markets, albeit having promoted global reporting framework alignment, still needing to improve the quality of disclosure
- Markets where LGIM holds investments on behalf of our clients, and where we have established relationships

The initial stock exchanges we are targeting for engagement include:

- Singapore Stock Exchange
- Stock Exchange of Thailand
- Stock Exchange of Hong Kong
- Tokyo Stock Exchange
- Bursa Malaysia

For themes and engagement objectives, we have prioritised those where we believe stock exchanges have a fundamental role in driving the positive changes we seek. Within these, we have selected what we consider to be the most relevant topics and refine our market-specific objective and minimum expectations. We will review the progress of this early-stage campaign and adjust as appropriate to reflect progress and the results of our engagements.

---

**(B) Sustainability Outcome #1:**

---

(B) Sustainability Outcome #1: NZAM AUM Commitment

(1) Key stakeholders engaged

- (1) Standard setters
- (2) Reporting bodies

(2) Provide further detail on your engagement

The Transition Plan Taskforce (TPT) was launched 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 to support clients transitioning their portfolios to net zero – and to making more informed decisions about how we allocate capital on their behalf.

The framework, published in November 2023, was developed in consultation with a wide group of stakeholders including business, regulators, investors and academia. We have strongly supported its development with our CEO, Michelle Scrimgeour, sitting on the Steering Committee, and LGIM representation on the Delivery Group and the Asset Manager and Asset Owner sector working groups.<sup>30</sup> Michael Marks, Head of Investment Stewardship and Responsible Investment Integration, also spoke 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 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.

**(C) Sustainability Outcome #2:**

(C) Sustainability Outcome #2:	COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios
(1) Key stakeholders engaged	(6) External service providers (e.g. proxy advisers, investment consultants, data providers) (9) Other key stakeholders
(2) Provide further detail on your engagement	The FSDA is a collaborative initiative of over 30 financial institutions representing more than \$8 trillion. The aim of the initiative is to work with a goal of eliminating agricultural commodity-driven deforestation risks (from cattle, soy, palm oil, pulp and paper) in signatories' investment and lending portfolios by 2025. We are part of the steering committee of the FSDA, and we met with them in the second half of 2023 to assess progress across signatories regarding the commitments made, and forthcoming developments in deforestation data. Additionally, during 2023 we continued to lead the collaborative engagement with four companies through FSDA.

**(D) Sustainability Outcome #3:**

(D) Sustainability Outcome #3:	Finance for Biodiversity Pledge
(1) Key stakeholders engaged	
(2) Provide further detail on your engagement	

**(E) Sustainability Outcome #4:**

(E) Sustainability Outcome #4:	UN PRI Advance
(1) Key stakeholders engaged	

(2) Provide further detail on your engagement

---

**(F) Sustainability Outcome #5:**

---

(F) Sustainability Outcome #5: Diversity

---

(1) Key stakeholders engaged

---

(2) Provide further detail on your engagement

---

**(G) Sustainability Outcome #6:**

---

(G) Sustainability Outcome #6: The Living Wage

---

(1) Key stakeholders engaged

(8) NGOs  
(9) Other key stakeholders

---

(2) Provide further detail on your engagement

We have been engaging on income inequality and, more specifically, on the topic of living wage for a number of years individually, and collaboratively through both the ShareAction Good Work Coalition and the Platform for Living Wage Financials. We undertook 33 engagements with 22 companies on the living wage during 2023; eight of these were collaborative. In the fourth quarter of 2023, we also joined the ICCR Living Wage campaign for US workers and signed up to their investor statement, joining other investors representing a combined \$4.5 trillion, calling on US companies to take action on the living wage.

---

**(H) Sustainability Outcome #7:**

---

(H) Sustainability Outcome #7: Antimicrobial Resistance (AMR)

---

(1) Key stakeholders engaged

(8) NGOs  
(9) Other key stakeholders

---

(2) Provide further detail on your engagement

The World Antimicrobial Resistance (AMR) Congress took place on 7 and 8 September 2023 in Philadelphia, USA. The LGIM Investment Stewardship team was invited to speak at the conference. This annual congress gathers academics, medics, healthcare professionals, companies, government officials, international organisations, policymakers and regulators from around the world to share research, innovations, new developments, and considered and inspiring thinking on AMR.

The conference attracted 1,400 attendees. On the second day, we participated in a fireside chat with FAIRR on how institutional investors can help curb the 'silent pandemic'. As one of only two institutional investor representatives at the event, we explained why LGIM considers AMR a systemic risk to our clients' investments, and what we can do to help the fight against AMR.

We outlined the tools we have at our disposal, such as engagement with companies and policymakers, voting shares and filing shareholder proposals. We sought to make the audience aware of the critical role institutional investors can play in curbing AMR and to encourage the various representatives from academia, healthcare professionals, international organisations and other participants to consider us as partners to engage with and combine forces, to enable us all to take co-ordinated action on this crucial issue. As a global investor and a universal owner, we strive for market-level improvements, and we seek to collaborate with like-minded stakeholders to speak with one voice on important global issues, such as AMR, which we believe are financially material for our clients.

**(I) Sustainability Outcome #8:**

(I) Sustainability Outcome #8: Nutrition

(1) Key stakeholders engaged

(2) Provide further detail on your engagement

**STEWARDSHIP: COLLABORATION**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SO 13	PLUS	SO 5	N/A	PUBLIC	Stewardship: Collaboration	2

**During the reporting year, to which collaborative initiatives did your organisation contribute to take action on sustainability outcomes, including preventing and mitigating actual and potential negative outcomes?**

**(A) Initiative #1**

(1) Name of the initiative CA100+

(2) Indicate how your organisation contributed to this collaborative initiative (A) We were a lead investor in one or more focus entities (e.g. investee companies)

(3) Provide further detail on your participation in this collaborative initiative  
 As one of the largest integrated oil & gas producers in the world, BP has a significant role to play in the global transition to net zero, hence our focus on this company for in-depth engagements. As members of the Climate Action 100+47 (CA100+) we commit to engaging with a certain number of companies on their focus list; on account of our strong relationship with BP, we co-lead the CA100+ engagements with them. BP had set industry-leading targets for managing the climate transition, including strong capital allocation commitments to low-carbon segments, and we believe the company has a significant role to play in the energy transition.

Following the company's well-publicised decision to revise its oil production targets, we met with the company several times in early 2023 to discuss our concerns. At their 2023 AGM, we voted against the re-election of the chair; given the revision of its published targets, shareholders expected to be given the opportunity to vote on the company's amended climate transition strategy at a shareholder meeting. Accordingly, we noted concerns around the governance processes leading to the decision to implement such amendments without shareholder consultation. We have been encouraged by the comments made by Mr Auchincloss since taking on the CEO role that appear to confirm he remains committed to BP's energy transition. We will continue to engage with BP on climate change, strategy and related governance topics, both individually and as part of CA100+.

Topics such as emissions targets, business resiliency, oil & gas production, capital allocation, value-chain approach, responsible divestment and decommissioning of assets continue to be a focus. Having worked hard to build a longstanding relationship with the company, we will continue to use our influence to encourage them to stand by the plans they have made towards the climate transition.

---

**(B) Initiative #2**

---

(1) Name of the initiative                      Access To Nutrition Initiative

---

(2) Indicate how your organisation contributed to this collaborative initiative                      (B) We acted as a collaborating investor in one or more focus entities (e.g. investee companies)

---

(3) Provide further detail on your participation in this collaborative initiative                      We are members of the Access to Nutrition Initiative (ATNI) which, via its Global Index, assesses how the world's food and beverage manufacturers attempt to address malnutrition in all its forms. The Index ranks these companies on governance and management; the production and distribution of healthy, affordable, accessible products; and how they influence consumer choices and behaviour. As members of ATNI, we participate in collaborative engagements with large food and beverage manufacturers, to encourage them to improve the nutritional standards and transparency of their food products. 4 In October, LGIM was asked to participate in ATNI's 10-year anniversary event: Transforming Markets for Nutrition. The stewardship team member spoke on a panel together with Dr Shiriki Kumanyika, University of Pennsylvania, Mauricio Adade, Royal DSM, Dr Germana Leyna, Ministry of Health of Tanzania, and Afshan Khan, UN Assistant Secretary-General and Coordinator of the Scaling Up Nutrition Movement.

---

**(C) Initiative #3**

---

(1) Name of the initiative                      FAIRR's collaborative investor engagement on Antibiotic Use in the Quick-Service Restaurant Sector in North America

---

(2) Indicate how your organisation contributed to this collaborative initiative                      (B) We acted as a collaborating investor in one or more focus entities (e.g. investee companies)

(3) Provide further detail on your participation in this collaborative initiative

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.

---

**(D) Initiative #4**

---

(1) Name of the initiative

Nature Action 100

---

(2) Indicate how your organisation contributed to this collaborative initiative

(B) We acted as a collaborating investor in one or more focus entities (e.g. investee companies)

---

(3) Provide further detail on your participation in this collaborative initiative

LGIM is a member of Nature Action 100 (NA100), a global investor initiative co-led by Ceres and the IIGCC (with support from Finance for Biodiversity and Planet Tracker). Focused on corporate engagement, NA100 aims to encourage greater corporate ambition and action on nature and biodiversity loss, by setting a common agenda and offering a clear set of expectations for companies. More than 200 institutional investor participants – representing over \$27 trillion in assets under management or advice – have joined NA100 and will be participating in direct engagement with 100 companies through the initiative. Joining NA100 is an important part of acting on the commitments LGIM has made under the Finance for Biodiversity Pledge. As corporate disclosures and assessment of companies' interactions with nature continue to evolve rapidly, NA100 membership is anticipated to provide both resources and insights that will help us develop our expectations and understanding in this area. We also note that NA100 is focusing on sectors that are major drivers of nature loss through their impact upon natural habitats, overexploitation of resources, and soil, water and solid waste pollution. LGIM will lead an engagement for NA100.



# CONFIDENCE-BUILDING MEASURES (CBM)

## CONFIDENCE-BUILDING MEASURES

### APPROACH TO CONFIDENCE-BUILDING MEASURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 1	CORE	N/A	Multiple indicators	PUBLIC	Approach to confidence-building measures	6

How did your organisation verify the information submitted in your PRI report this reporting year?

- (A) We conducted independent third-party assurance of selected processes and/or data related to the responsible investment processes reported in our PRI report, which resulted in a formal assurance conclusion
- (B) We conducted a third-party readiness review and are making changes to our internal controls or governance processes to be able to conduct independent third-party assurance next year
- (C) We conducted an internal audit of selected processes and/or data related to the responsible investment processes reported in our PRI report
- (D) Our board, trustees (or equivalent), senior executive-level staff (or equivalent), and/or investment committee (or equivalent) signed off on our PRI report
- (E) We conducted an external ESG audit of our holdings to verify that our funds comply with our responsible investment policy
- (F) We conducted an external ESG audit of our holdings as part of risk management, engagement identification or investment decision-making
- (G) Our responses in selected sections and/or the entirety of our PRI report were internally reviewed before submission to the PRI
  - (H) We did not verify the information submitted in our PRI report this reporting year

### THIRD-PARTY EXTERNAL ASSURANCE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 2	CORE	OO 21, CBM 1	N/A	PUBLIC	Third-party external assurance	6

For which responsible investment processes and/or data did your organisation conduct third-party external assurance?

- (A) Policy, governance and strategy
- (C) Listed equity
- (D) Fixed income
- (F) Real estate
  - Select from dropdown list:
    - (1) Data assured
    - (2) Processes assured
    - (3) Processes and data assured

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 3	PLUS	CBM 1	N/A	PUBLIC	Third-party external assurance	6

**Provide details of the third-party external assurance process regarding the information submitted in your PRI report.**

(1) Description of the third-party external assurance process

The scope 1 and 2 emissions associated with LGIM's real estate equity assets received independent limited third party assurance from Deloitte for the 2023 reporting year. Full details of this audit can be found in the attachment (p51 & 52).

(2) Assurance standard(s) used by the third-party assurance provider

- (A) PAS 7341:2020
- (B) ISAE 3000 and national standards based on this**
- (C) Dutch Standard 3810N (Assurance engagements regarding sustainability reports)
- (D) RevR6 (Assurance of Sustainability)
- (E) IDW AsS 821 (Assurance Standard for the Audit or Review of Reports on Sustainability Issues)
- (F) Accountability AA1000 Assurance Standard (AA1000AS)
- (G) IFC performance standards
- (H) SSAE 18 and SOC 1
- (I) Other national auditing/assurance standard with guidance on sustainability; specify:
- (J) Invest Europe Handbook of Professional Standards
- (K) ISAE 3402 Assurance Reports on Controls at a Service Organisation
- (L) AAF 01/20
- (M) AAF 01/06 Stewardship Supplement
- (N) ISO 26000 Social Responsibility
- (O) ISO 14065:2020 General principles and requirements for bodies validating and verifying environmental information
- (P) ASAE 3410 Assurance Engagements on Greenhouse Gas Statements
- (Q) PCAF
- (R) NGER audit framework (National Greenhouse and Energy Reporting)
- (S) Auditor's proprietary assurance framework for assuring RI-related information
- (T) Other greenhouse gas emissions assurance standard; specify:

(3) Third-party external assurance provider's report that contains the assurance conclusion

[https://group.legalandgeneral.com/media/bekgmh51/legal-and-general\\_2023-climate-and-nature-report.pdf](https://group.legalandgeneral.com/media/bekgmh51/legal-and-general_2023-climate-and-nature-report.pdf)

## INTERNAL AUDIT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 4	CORE	OO 21, CBM 1	N/A	PUBLIC	Internal audit	6

**What responsible investment processes and/or data were audited through your internal audit function?**

- (A) Policy, governance and strategy**
  - Select from dropdown list:
    - (1) Data internally audited
    - (2) Processes internally audited**
    - (3) Processes and data internally audited
- (C) Listed equity
- (D) Fixed income

(F) Real estate

Select from dropdown list:

- (1) Data internally audited
- (2) Processes internally audited
- (3) Processes and data internally audited

## INTERNAL REVIEW

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 6	CORE	CBM 1	N/A	PUBLIC	Internal review	6

Who in your organisation reviewed the responses submitted in your PRI report this year?

(A) Board, trustees, or equivalent

(B) Senior executive-level staff, investment committee, head of department, or equivalent

Sections of PRI report reviewed

(1) the entire report

(2) selected sections of the report

(C) None of the above internal roles reviewed selected sections or the entirety of the responses submitted in our PRI report this year