

Active ownership

Global engagement to deliver positive change

Active ownership means working to create sustainable value for our clients. Our annual report details how we achieved this in 2019.

"From climate change to executive pay, we continue to take decisive action with companies and regulators on the issues that matter to our clients and society at large"

Sacha Sadan

Director of Investment Stewardship



In 2019, LGIM:

Engaged with

493
companies



Voted on

50,900
resolutions*



Opposed the election of
more than


4,000
company directors globally
in 2019*



Participated in about

30

engagements with regulators and
policy-makers, to **improve market
standards around the world**



Took sanctions
against

11



companies named as
laggards under our
Climate Impact Pledge

Voted **against**
management at

71%



of companies, primarily due to concerns
around the suitability of directors or auditors,
pay or other elements of company strategy

Our objective is...

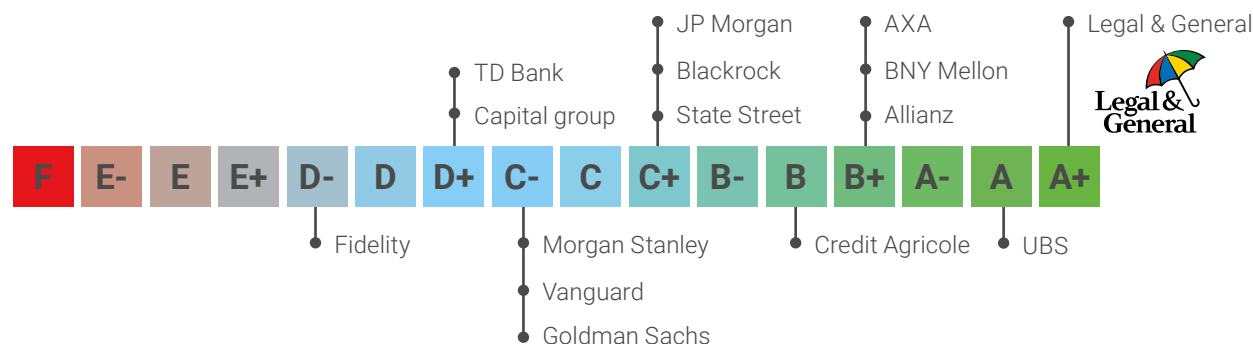
... to effect positive change in the companies and assets in which we invest, and for society as a whole. Last year, we focused on:

Climate change

- LGIM supported more shareholder resolutions on climate change than any of the world’s 20 largest asset managers¹
- We published our second annual ranking of climate leaders and laggards, naming 11 companies that have failed to demonstrate sufficient action, including ExxonMobil
- Contributed to successful legal efforts to suspend the construction of a risky, polluting coal plant in Poland

Scoring of investor-company engagement and resolutions on climate

Overall climate engagement score for the 15 largest asset manager groups by independent NGO InfluenceMap, which scores companies on climate policy



Source: InfluenceMap



Case study: BP

We filed our first shareholder resolution in 2019, in coordination with other major shareholders, calling on energy giant BP to explain how its strategy is consistent with the Paris Agreement on climate change.

The proposal was passed with overwhelming approval from shareholders. BP has subsequently announced industry-leading carbon targets.

1. Source: ShareAction – Voting Matters (2019).

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

Income inequality

- We **opposed 35% of pay** packages globally:
- We have pushed investee companies to adopt a Living Wage for their staff
- In the US, we **opposed 352** “say on pay” votes and supported a further 32 shareholder proposals to encourage stronger compensation practices

Diversity

- In 2019 we worked to **improve gender diversity** at 19 Japanese companies
- 51 of the 72 US companies we targeted for engagement over the past three years have now **appointed at least one woman** to their board
- We did **not support the election** of over 190 directors at companies globally due to concerns over board diversity

Our top five engagement topics with companies:



Climate change



Remuneration



Diversity



Board composition



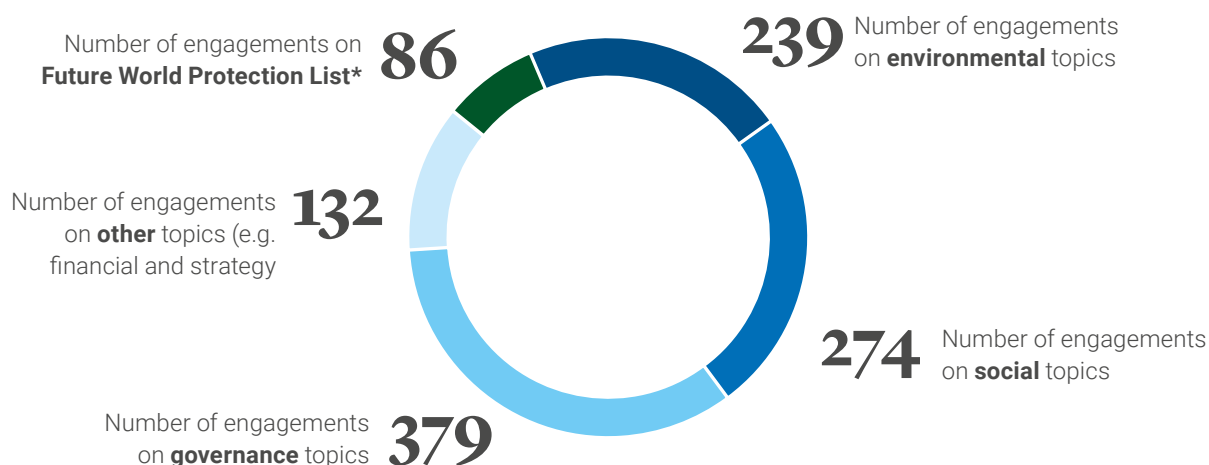
Strategy



ESG integration

- LGIM established a global research and engagement platform, bringing together the best sector expertise across its investment management business
- We extended our industry-leading Future World range in 2019, as well as launching other funds that explicitly integrate environmental, social and governance (ESG) objectives
- We continued to develop our proprietary ESG scoring, taking action on poor-scoring companies
- All LGIM Real Asset funds assessed under the Global Real Estate Sustainability Benchmarking initiative received star ratings

ESG engagements breakdown 2019



*Future World Protection List refers to minimum globally accepted standards on sustainability and human rights



We also devoted time and resource on the following areas:

- **Lobbying** – encouraging transparency on efforts to sway policy
- **Governance** – supporting companies for long-term success
- **Mergers and acquisitions** – protecting investors' interests amid deal-making
- **Activism** – seeking progress through engagement with all parties
- **Culture** – intervening when our standards are not met
- **Investor rights** – fighting for 'one share, one vote'
- **Education for trustees** – helping clients take informed decisions
- **Education for non-executive directors** – hosting events and publishing 9 guides on best practices for companies

The full report

To read more about LGIM's active ownership in 2019, including many more examples of where we have helped to deliver positive change, please see the full version of this report by visiting our website: www.lgim.com/activeowner

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



Contact us

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



Important information

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

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