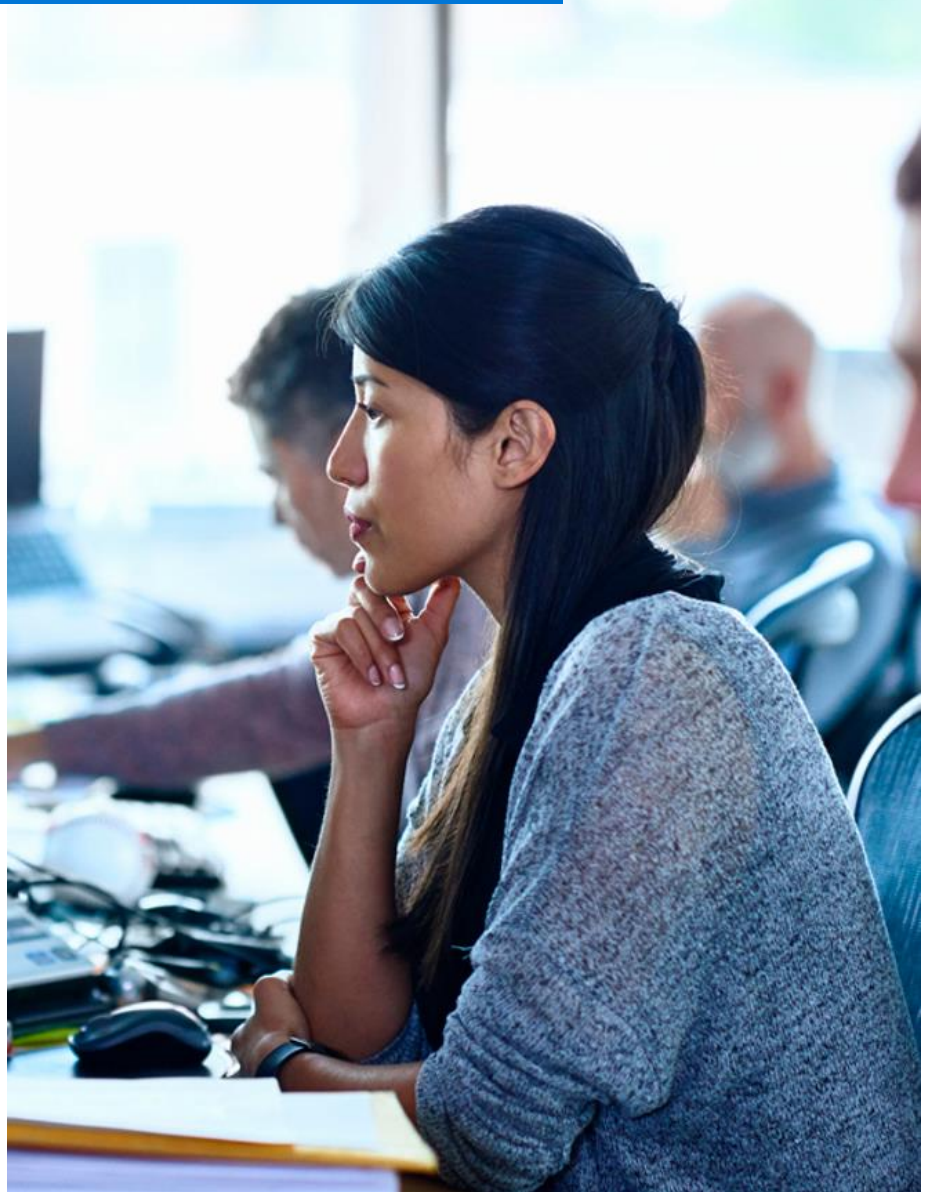


2022 UK Stewardship Code Summary



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Introduction

The [2022 Active Ownership Report](#) provides the fullest picture of our active ownership activities during 2022 in accordance with the 2020 UK Stewardship Code (Stewardship Code). For examples of our work during the year, we point the reader towards our **E, S and G sections** within the report and access to our quarterly **ESG Impact Reports** on the report's [landing page](#). The table below provides a short summary and references to the sections within the Active Ownership Report that demonstrate, in particular, how LGIM applies the 12 principles of the Stewardship Code.

LGIM submitted the 2022 Active Ownership Report to the Financial Reporting Council (FRC) in April 2023 for the FRC to review our disclosures on how we applied each of the Stewardship Code Principles in our investment stewardship activities during 2022. On 30 August 2023, the FRC published the [list](#) of confirmed signatories to the Stewardship Code which continues to name **LGIM as a signatory to the 2020 UK Stewardship Code**.

Stewardship Code Principles

Stewardship Code Principles	Sections within the report	Most relevant pages within the report
<p>Principle 1 – Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society</p> <p>LGIM’s purpose is to create a better future through responsible investing. We demonstrate our responsible investment beliefs across asset classes and fund management styles.</p> <p>Our framework for responsible investing is based on incorporation of ESG considerations into investment decisions, alongside engagement with companies, regulators and policymakers, to generate sustainable outcomes.</p> <p>Through our engagement with consequences, we seek to effect real-world change in line with L&G Group’s vision of inclusive capitalism, where the benefits of economic growth are shared as broadly as possible.</p>	<p>Foreword</p> <p>Responsible investment</p> <p>Awards</p>	<p>3; 9-18; 134</p>
<p>Principle 2 – Signatories’ governance, resources and incentives support stewardship</p> <p>Responsible investment activity needs to be fully integrated and overseen across LGIM’s formal governance committees. The Head of Investment Stewardship reports directly to LGIM’s CEO. We believe this distinct reporting line allows the team to manage internal conflicts and form independent views.</p> <p>Our Investment Stewardship team comprises 26 professionals with an average of 11.5 years’ experience in areas including responsible investment, investment stewardship, accounting and audit, impact investment and public policy. This makes the team well positioned to keep abreast of the latest policy, regulatory and industry developments globally.</p> <p>For more information, see the Investment Stewardship area on our website.</p>	<p>Responsible investment</p> <p>Policies & processes</p> <p>Third-party service providers</p> <p>Conflicts of interest</p>	<p>14; 19-25; 113-125</p>
<p>Principle 3 – Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first</p> <p>In our approach to responsible investing in general, and voting and engagement in particular, we aim to act in a manner consistent with the best interests of all clients.</p>	<p>Conflicts of interest</p>	<p>122-125</p>

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<p>To mitigate potential internal conflicts, the Investment Stewardship team does not share line-management reporting lines with any of the LGIM investment desks, including the active equity or active fixed income teams.</p> <p>We have a Conflicts of Interest Policy, which is available on our website.</p>		
<p>Principle 4 – Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system</p> <p>We share a responsibility to ensure that global markets operate efficiently to protect the integrity of the market and address systemic risks, foster sustainable and resilient economic growth, and aim to protect the value of our clients’ assets.</p> <p>Our 2022 policy dialogue spanned over 30 issues globally, covering multilateral policy in markets including the US, UK, Japan, Brazil, and Europe.</p> <p>Nature was a core area of focus in our policy work during 2022, covering agriculture, water, biodiversity and deforestation.</p>	<p>Foreword</p> <p>Responsible investment</p> <p>Policy dialogue & collaboration</p> <p>Climate Impact Pledge</p> <p>Case studies</p>	<p>3; 12-15; 26-36; 40-44; 50-60; 76-79</p>
<p>Principle 5 – Signatories review their policies, assure their processes and assess the effectiveness of their activities</p> <p>LGIM’s Global Corporate Governance & Responsible Investment Policy sets out our expectations of investee companies and outlines our approach to voting and engagement.</p> <p>Our voting decisions are guided by policies that are painstakingly researched, set and fine-tuned every year. They incorporate specific market policies that allow for local nuances to align with best practice.</p> <p>All our policies are available on our website.</p>	<p>Stakeholder engagement</p> <p>Voting & reporting</p> <p>Policies & processes</p> <p>Third-party service providers</p>	<p>101; 108-120</p>
<p>Principle 6 – Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them</p> <p>Transparency of our voting activity is critical for investee companies, clients and other interested parties to be able to hold us to account. As such, we provide daily updates of our historic vote decisions and rationales for all votes against management via our vote disclosure webpage. This website includes historic voting data from 1 January 2017 onwards.</p> <p>In addition to our annual Active Ownership Report, we publish quarterly ESG impact reports setting out our stewardship activities and outcomes for that quarter. The latest ESG impact reports can be found on our website.</p> <p>To ensure that our voting decisions are aligned with the wishes of our clients, we undertake regular consultations with the owners of the assets we manage. These provide our clients with assurance and knowledge, and allow us to obtain direct feedback on their experience and expectations.</p> <p>For a breakdown of AUM by asset class and region and LGIM’s client types, see pages 112 and 117 of the Active Ownership Report.</p>	<p>Foreword</p> <p>Responsible investment</p> <p>Voting & reporting</p> <p>Policies & processes</p>	<p>3; 11-13; 108-117</p>
<p>Principle 7 – Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities</p> <p>In the face of looming challenges like climate change, ageing populations and technological disruption, we believe a different approach to managing capital is required – where responsible investing considerations are placed alongside the traditional metrics of risk and return.</p> <p>The Responsible Investment section of the Active Ownership Report demonstrate how we integrate ESG topics into our investment and stewardship activities. For more information on our approach, please read our Sustainability Policy.</p>	<p>Responsible investment</p> <p>Policy dialogue & collaboration</p> <p>Climate Impact Pledge</p> <p>Case studies</p>	<p>9-20; 26-99</p>

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<p>Principle 8 – Signatories monitor and hold to account managers and/or service providers</p> <p>We use the voting information services of ISS and receive research reports on UK companies from IVIS, the research team of the Investment Association, as well as voting research from proxy adviser Glass Lewis. We use this analysis to augment our own research and proprietary ESG assessment tools, as well as data from providers including Refinitiv Eikon, Sustainalytics and BoardEx.</p> <p>We regularly review quality and timeliness of services offered by our data providers, to ensure that the quality of the data on which we base our voting decisions remains high and offers value for money.</p> <p>We undertake regular due diligence meetings with service providers in which we discuss issues such as timeliness and quality of their research and the application of our voting policy.</p> <p>For further information on how we use proxy advisory services, see our policy.</p>	<p>Third-party service providers</p>	<p>115; 118-121</p>
<p>Principle 9 – Signatories engage with issuers to maintain or enhance the value of assets</p> <p>The Investment Stewardship team held 361 meetings or calls and 863 written engagements in 2022. These meetings are normally attended by the sector lead and may include portfolio managers and active research analysts across asset classes. Depending on the topic, a thematic expert may also be present, for example, on remuneration, health and people matters, or climate change.</p> <p>The team engaged most frequently on climate change; for a breakdown of topics discussed and companies most frequently engaged with, see pages 104-107 of the Active Ownership Report.</p> <p>For more detail on how the team prioritises engagement across asset classes, please see our Engagement Policy.</p>	<p>Responsible investment</p> <p>Stakeholder engagement</p> <p>Active engagement</p> <p>Case studies</p>	<p>12-16; 39-107</p>
<p>Principle 10 – Signatories, where necessary, participate in collaborative engagement to influence issuers</p> <p>We regularly work with peers, industry groups, NGOs, academia and civil society to drive change through collaboration. LGIM is a member or supporter of multiple associations and initiatives working on ESG themes, a list of which is included on page 34, and examples of our work are provided in a number of case studies.</p>	<p>Policy dialogue & collaboration</p> <p>Case studies</p>	<p>26-35; 44-93</p>
<p>Principle 11 – Signatories, where necessary, escalate stewardship activities to influence issuers</p> <p>We engage with investee companies on ESG issues, and work with policymakers, regulators, industry peers and our stakeholders as we seek to raise overall market standards.</p> <p>We will vote against as part of our voting policy and will escalate our vote to address directors' accountability for governance failures by opposing their re-election in cases where our concerns are severe or repeatedly ignored. In certain funds, we will divest from companies that fail to meet our minimum standards.</p> <p>We demonstrate our escalation steps through engagement programmes such as the Climate Impact Pledge, campaigns on ethnic diversity or one-share-one-vote concerns in the US, as well as through our voting and in individual case studies.</p>	<p>Responsible investment</p> <p>Climate Impact Pledge</p> <p>Voting statistics</p> <p>Case studies</p>	<p>12-16; 19; 39-99; 110; 127-133</p>
<p>Principle 12 – Signatories actively exercise their rights and responsibilities</p> <p>The majority of our clients' shares are held through pooled funds. As such, LGIM votes with one voice on all shares for which it has the authority to do so. Where there is no legal or practical impediments, we vote on clients' investments across all developed and emerging markets globally.</p> <p>We use ISS's ProxyExchange voting platform to vote electronically to ensure, in markets where we have unimpeded voting rights, that no votes remain unexercised. We aim to keep abstentions to a minimum.</p> <p>In 2022, LGIM cast over 171,000 votes at over 15,750 meetings.</p> <p>We have specific custom voting policies at global and individual market levels; although we retain the ability to override any vote decisions that are based on our policy. Our voting stance differed from ISS recommendations in around 11.8% of votes cast last year.</p> <p>For 2022 voting statistics, see pages 127-133 of the Active Ownership Report.</p>	<p>Responsible investment</p> <p>Voting & reporting</p> <p>Policies & processes</p> <p>Voting statistics</p> <p>Case studies</p>	<p>12-16; 39-99; 108-110; 113-116; 127-133</p>

Key risks

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

Important information

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