



**PUBLIC RI REPORT**

**2021 PILOT**

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

**Generated 2022-08-18**

# About this report

The PRI Reporting Framework helps to build a common language and industry standard for reporting responsible investment activities. **Public RI Reports** provide accountability and transparency on signatories' responsible investment activities and support dialogue within signatories' organisations, as well as with their clients, beneficiaries and other stakeholders.

This **Public RI Report** is an export of the signatory's responses to the PRI Reporting Framework during the 2021 reporting period. It includes the signatory's responses to mandatory indicators, as well as responses to voluntary indicators that the signatory has agreed to make public.

The information is presented exactly as it was reported. Where an indicator offered a multiple-choice response, all options that were available to select from are included for context. While presenting the information verbatim results in lengthy reports, the approach is informed by signatory feedback that signatories prefer that the PRI does not summarise the information.

## Context

In consultation with signatories, between 2018 and 2020 the PRI extensively reviewed the Reporting and Assessment processes and set the ambitious objective of launching in 2021 a completely new investor Reporting Framework, together with a new reporting tool.

We ran the new investor Reporting and Assessment process as a pilot in its first year, and such process included providing additional opportunities for signatories to provide feedback on the Reporting Framework, the online reporting tool and the resulting reports. The feedback from this pilot phase has been, and is continuing to be analysed, in order to identify any improvements that can be included in future reporting cycles.

## PRI disclaimer

This document presents information reported directly by signatories in the 2021 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.

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# Senior Leadership Statement (SLS)

## Senior leadership statement

### Our commitment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S1	CORE	N/A	N/A	PUBLIC	Our commitment	GENERAL

- **Why does your organisation engage in responsible investment?**
- **What is your organisation’s overall approach to responsible investment?**
- **What are the main differences between your organisation’s approach to responsible investment in its ESG practice and in other practices, across asset classes?**

LGIM’s purpose is to create better futures through responsible investment. Investing is a means to an end – helping people achieve their financial goals, but it is vital that in addition to delivering returns that we also take into account the impacts on a broad group of stakeholders and the environment in which they operate.

Our capital allocation decisions can have an impact that goes well beyond the traditional concept of shareholder value, so within our strategies we focus on the implications for this broad stakeholder base. We believe ESG factors are financially material and, as such, need to be fully embedded in our investment approach helping our clients and customers achieve their investment objectives.

#### ESG Integration across all our investments

LGIM has long been recognised by various independent organisations as a leader on ESG matters. We launched the first LGIM Future World fund in 2017 and have since been increasing the integration of ESG factors within the investment process, fully embedding ESG across all asset classes and investment styles. Every investment decision is taken, challenged and managed through the additional lens of scrutiny that ESG provides. Applying this 360-degree ESG assessment is crucial in determining those companies who will survive and thrive, those who will benefit and those unsustainable industries and organisations who simply will not. Continually evolving our capabilities to make these assessments is a vital objective for LGIM.

In embedding Responsible Investment across our business, we have consolidated and strengthened our global research and engagement efforts through dedicated sector groups, which bring together subject matter experts from across credit, equity, real assets and investment stewardship. There is a growing expectation on us as asset managers to quantify the societal or environmental consequences of our investment decisions, and our Global Research and Engagement Groups strengthen and streamline our ability to deliver and demonstrate this across the capital structure providing 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 build a more comprehensive picture of the financially material ESG factors impacting our investment universe.

## Annual overview

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S2	CORE	N/A	N/A	PUBLIC	Annual overview	GENERAL

- **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. This might involve e.g. outlining your single most important achievement, or describing your general progress, on topics such as the following:**
  - **refinement of ESG analysis and incorporation**
  - **stewardship activities with investees and/or with policy makers**
  - **collaborative engagements**
  - **attainment of responsible investment certifications and/or awards**

During 2020 we have further embedded ESG across the firm and engaged on vital areas of focus including climate change, diversity, healthcare, human rights, board composition, investor rights, pay and income inequality. Below we outline two of these, and information on all can be found in our Active Ownership Report.

### Climate

LGIM was a founding member of the Net Zero Asset Managers Initiative, under which we pledged to work in partnership with our clients to set decarbonisation goals for their portfolios, in line with global efforts to reach net zero greenhouse gas emissions by 2050. At the end of 2020, LGIM Real Assets published a roadmap to help achieve its commitment to net zero emissions by 2050 or sooner across real estate assets.

Over the year we strengthened the way fund managers and analysts use climate data and expertise, leading to tangible investment actions; made our Climate Impact Pledge even more ambitious – encompassing a greater number of companies, with sanctions for those that fall short of our minimum standards; and expanded our range of low-carbon investment solutions, including funds focused on clean energy, fossil-free strategies developed with leading asset owners and products that overweight green bonds and the debt of companies with high ESG scores. Finally, we continued to advocate for policies supporting ambitious climate action and a ‘green’ recovery.

Elsewhere, we announced the development of our climate risk framework, Destination@Risk, the result of a three-year collaboration and strategic partnership with a leading energy consultancy. This proprietary tool will allow us to quantify the physical and transitional risks within investment portfolios under a variety of climate scenarios, including a well below 2°C scenario in line with the Paris Agreement.

Engagement and voting remain key tools we use - “we listened and we learned,” said Bernard Looney, BP CEO, reflecting on shareholder engagement co-led by LGIM, as part of the Climate Action 100+ investor coalition. Following steps by Brazil’s government to loosen environmental protections, in mid-2020 LGIM also joined an investor coalition to engage directly with senior Brazilian officials – including the vice president, the governor of the central bank and ministers. We expressed our concerns, warning of potential divestment from local food companies and even government bonds.

In 2020, LGIM was ranked highest among asset managers for our approach to climate change in a review by NGO ShareAction, with the UN-backed Principles for Responsible Investment (PRI) also selecting us as part of its 'leaders group' on climate change.

#### Diversity

With our expectations on gender diversity now well-established, we felt the time was right to embark on efforts to improve ethnic diversity within the boardroom and at executive leadership level. In August 2020, we wrote an article that outlines LGIM's expectations of companies. In September, we engaged the 44 S&P 500 firms and the 35 FTSE 100 companies (down from 36 a month earlier) whose board membership showed a total lack of ethnic diversity. We asked companies to have at least one director from a minority background on their board by the end of 2021; from 2022 we will start voting against the chair of the board or of the nomination committee if there is still no ethnic diversity at board level. This aligned our approach with the Parker Review, which expects FTSE 100 companies to have at least one ethnically diverse board member by the end of 2021.

## Next steps

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S3	CORE	N/A	N/A	PUBLIC	Next steps	GENERAL

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

Our investment stewardship efforts will continue to focus on the themes of health, income inequality, climate change, diversity and will expand to include biodiversity. We will continue to evolve the work of our Global Research and Engagement Groups to further enhance the embedding of ESG within portfolios. Working with clients as they evolve their specific ESG investment objectives, we will provide them with investment solutions to meet these goals, be that climate aligned portfolios; other thematic and impact orientated strategies; many of which we expect to incorporate the UN SDGs. We shall also be improving reporting to enable clients to assess how these strategies are meeting their specific responsible investment objectives.

## Endorsement

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1 S4	CORE	N/A	N/A	PUBLIC	Endorsement	GENERAL

### 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

Michelle Scrimgeour

Position

Chief Executive Officer

Organisation's name

Legal & General Investment Management

● This endorsement is for the Senior Leadership Statement only and is not an endorsement of the information reported by Legal & General Investment Management (Holdings) in the various modules of the Reporting Framework. The Senior Leadership Statement is simply provided as a general overview of Legal & General Investment Management (Holdings)'s responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such, and 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.

# Organisational Overview (OO)

## Organisational information

### Categorisation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 1	CORE	Signatory category	Multiple, see guidance	PUBLIC	Categorisation	GENERAL

Select the type that best describes your organisation or the services you provide.

(O) Fund management

(1) This is our only (or primary) type

### 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 that are also PRI signatories in their own right?

(A) Yes

(B) No

## Reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 3	CORE	N/A	N/A	PUBLIC	Reporting year	GENERAL

Indicate the year-end date for your reporting year.

	Month	Day	Year
Reporting year end date:	December	31	2020

## Assets under management

### All asset classes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 4	CORE	OO 4.1, OO 4.2	N/A	PUBLIC	All asset classes	GENERAL

What were your total assets under management (AUM) at the end of the indicated reporting year? Provide the amount in USD.

(A) AUM of your organisation, including subsidiaries US\$ 1,747,000,000,000.00

(B) AUM of subsidiaries that are PRI signatories in their own right and excluded from this submission 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	Multiple, see guidance	Multiple, see guidance	PUBLIC	Asset breakdown	GENERAL

Provide a percentage breakdown of your total assets under management at the end of your indicated reporting year.

### Percentage of AUM

(A) Listed equity – internal 10-50%

(B) Listed equity – external 0.0%

(C) Fixed income – internal 10-50%

(D) Fixed income – external 0.0%

(E) Private equity – internal 0.0%

(F) Private equity – external 0.0%

(G) Real estate – internal 0-10%

(H) Real estate – external 0.0%

(I) Infrastructure – internal 0.0%

(J) Infrastructure – external 0.0%

(K) Hedge funds – internal 0.0%

(L) Hedge funds – external 0.0%

(M) Forestry – internal 0.0%

(N) Forestry – external 0.0%

(O) Farmland – internal 0.0%

(P) Farmland – external 0.0%

(Q) Other – internal, please specify:

Multi asset, cash equivalents,  
commodities 0-10%

(R) Other – external, please specify: 0.0%

(S) Off-balance sheet – internal 10-50%

(T) Off-balance sheet – external 0.0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.2 LE	CORE	OO 5, OO 5.1	Multiple, see guidance	PUBLIC	Asset breakdown	GENERAL

**Provide a further breakdown of your listed equity assets.**

**(A) Internal allocation**

(1) Passive equity >75%

(2) Active – quantitative 0.0%

(3) Active – fundamental 0-10%

(4) Investment trusts (REITs and similar publicly quoted vehicles) 0.0%

(5) Other, please specify: 0.0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.2 FI	CORE	OO 5, OO 5.1	Multiple, see guidance	PUBLIC	Asset breakdown	GENERAL

**Provide a further breakdown of your fixed income assets.**

**(A) Internal allocation**

(1) Passive – SSA 10-50%

(2) Passive – corporate 0-10%

(3) Passive – securitised 0.0%

(4) Active – SSA 50-75%

(5) Active – corporate 10-50%

(6) Active – securitised 0.0%

(7) Private debt 0.0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.2 RE	CORE	OO 5, OO 5.1	N/A	PUBLIC	Asset breakdown	GENERAL

**Provide a further breakdown of your real estate assets.**

**(A) Internal allocation**

(1) Retail 10-50%

(2) Office 10-50%

(3) Industrial 10-50%

(4) Residential	0-10%
(5) Hotel	0-10%
(6) Lodging, leisure and recreation	10-50%
(7) Education	0-10%
(8) Technology/science	0-10%
(9) Healthcare	0.0%
(10) Mixed use	0.0%
(11) Other, please specify:	0.0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.2 OBS	CORE	OO 5, OO 5.1	N/A	PUBLIC	Asset breakdown	GENERAL

**Provide a further breakdown of your off-balance sheet assets.**

	(1) Money market	(2) Derivatives	(3) Cash, cash equivalents or overlays
(A) Internal allocation	0.0%	>75%	0.0%

# ESG strategies

## Listed equity

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6 LE	CORE	OO 5.2 LE	OO 6.1 LE, LE 13	PUBLIC	Listed equity	1

Which ESG incorporation strategy and/or combination of strategies do you apply to your internally managed active listed equity?

Percentage out of total internally managed active listed equity:

(A) Screening alone	0.0%
(B) Thematic alone	0.0%
(C) Integration alone	0.0%
(D) Screening and integration	0.0%
(E) Thematic and integration	25-50%
(F) Screening and thematic	0.0%
(G) All three strategies combined	0-25%
(H) None	50-75%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6.1 LE	CORE	OO 6 LE	LE 8	PUBLIC	Listed equity	1

What type of screening is applied to your internally managed active listed equity assets?

**Percentage coverage out of your total listed equities where screening strategy is applied**

(A) Positive/best-in-class screening only	0.0%
(B) Negative screening only	0.0%
(C) A combination of positive/best-in-class and negative screening	>75%

## Fixed income

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6 FI	CORE	OO 5.2 FI	Multiple, see guidance	PUBLIC	Fixed income	1

**Which ESG incorporation strategy and/or combination of strategies do you apply to your internally managed active fixed income?**

	(1) Fixed income – SSA	(2) Fixed income – corporate
(A) Screening alone	0.0%	0.0%
(B) Thematic alone	0.0%	0.0%
(C) Integration alone	>75%	0.0%
(D) Screening and integration	0.0%	>75%
(E) Thematic and integration	0.0%	0.0%
(F) Screening and thematic	0.0%	0.0%
(G) All three strategies combined	0.0%	0.0%
(H) None	0.0%	0.0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 6.1 FI	CORE	OO 6 FI	N/A	PUBLIC	Fixed income	1

What type of screening is applied to your internally managed active fixed income?

**(2) Fixed income – corporate**

(A) Positive/best-in-class screening only 0.0%

(B) Negative screening only >75%

(C) A combination of positive/best-in-class and negative screening 0.0%

## Stewardship

### Listed equity

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9 LE	CORE	OO 5, OO 5.2 LE	Multiple, see guidance	PUBLIC	Listed equity	2

Does your organisation conduct stewardship activities for your listed equity assets?

	(1) Engagement on listed equity – active	(2) Engagement on listed equity – passive	(3) (Proxy) voting on listed equity – active	(4) (Proxy) voting on listed equity – passive
(A) Through service providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(C) Through internal staff	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Collaboratively	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(E) We did not conduct this stewardship activity

## Fixed income

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9 FI	CORE	OO 5, OO 5.2 FI	Multiple, see guidance	PUBLIC	Fixed income	2

Does your organisation conduct stewardship activities for your fixed income assets?

	(1) Passive – SSA	(2) Passive – corporate	(4) Active – SSA	(5) Active – corporate
(A) Through service providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(C) Through internal staff	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Collaboratively	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) We did not conduct this stewardship activity for this strategy/asset type	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Private equity, real estate and infrastructure

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 9 ALT	CORE	OO 5	Multiple, see guidance	PUBLIC	Private equity, real estate and infrastructure	2

Does your organisation conduct stewardship activities in the following asset classes?

### (2) Real estate

(A) Through service providers	<input checked="" type="checkbox"/>
(C) Through internal staff	<input checked="" type="checkbox"/>

(D) Collaboratively

(E) We did not conduct stewardship activities for this asset class

# ESG incorporation

## Internally managed assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 10	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Internally managed assets	1

For each internally managed asset class, select whether or not you incorporate ESG into your investment decisions.

	(1) ESG incorporated into investment decisions	(2) ESG not incorporated into investment decisions
(A) Listed equity – passive	<input checked="" type="radio"/>	<input type="radio"/>
(C) Listed equity – active – fundamental	<input checked="" type="radio"/>	<input type="radio"/>
(F) Fixed income – SSA	<input checked="" type="radio"/>	<input type="radio"/>
(G) Fixed income – corporate	<input checked="" type="radio"/>	<input type="radio"/>
(K) Real estate	<input checked="" type="radio"/>	<input type="radio"/>
(W) Other [as specified]	<input type="radio"/>	<input checked="" type="radio"/>
(X) Off-balance sheet	<input type="radio"/>	<input checked="" type="radio"/>

# Voluntary reporting

## Voluntary modules

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 14	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Voluntary modules	GENERAL

The following modules are mandatory to report on as they account for 10% or more of your total AUM or are over USD 10 billion. The ISP (Investment and Stewardship Policy) module is always applicable for reporting.

(1) Yes, report on the module

ISP: Investment and Stewardship Policy



(A) Listed equity



(B) Fixed income – SSA



(C) Fixed income – corporate



(G) Real estate



# ESG/sustainability funds and products

## Labelling and marketing

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 16	CORE	Multiple, see guidance	Multiple, see guidance	PUBLIC	Labelling and marketing	GENERAL

What percentage of your assets under management in each asset class are ESG/sustainability marketed funds or products, and/or ESG/RI certified or labelled assets? Percentage figures can be rounded to the nearest 5% and should combine internally and externally managed assets.

	Percentage
(A) Listed equity – passive	25-50%
(B) Listed equity – active	>75%
(C) Fixed income – passive	25-50%
(D) Fixed income – active	>75%
(F) Real estate	>75%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 16.1	CORE	OO 16	ISP 52	PUBLIC	Labelling and marketing	GENERAL

What percentage of your total assets (per asset class) carry a formal ESG/RI certification or label? Percentage figures can be rounded to the nearest 5%.

	Coverage of ESG/RI certification or label:
(A) Listed equity	0.0%

(B) Fixed income 0.0%

(D) Real estate 0.0%

## Climate investments

### Asset breakdown

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17	CORE	N/A	N/A	PUBLIC	Asset breakdown	GENERAL

What percentage of your assets under management is in targeted low-carbon or climate-resilient investments?

0-25%

## Other asset breakdowns

### Geographical breakdown

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18	CORE	Multiple, see guidance	N/A	PUBLIC	Geographical breakdown	GENERAL

What is the geographical breakdown of your organisation's assets under management by investment destination (i.e. where the investments are located)?

	(1) Listed equity	(2) Fixed income – SSA	(3) Fixed income – corporate	(7) Real estate
(A) Developed	>75%	>75%	>75%	>75%
(B) Emerging	0-25%	0-25%	0-25%	0.0%
(C) Frontier	0.0%	0.0%	0.0%	0.0%
(D) Other	0.0%	0.0%	0.0%	0.0%

## Fixed income constraints

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 20	CORE	OO 5.2 FI	OO 20.1	PUBLIC	Fixed income constraints	GENERAL

What percentage of your fixed income assets are subject to constraints? The constraints may be regulatory requirements, credit quality restrictions, currency constraints or similar.

### Internal and external fixed income assets subject to constraints

(A) Fixed income – SSA >75%

(B) Fixed income – corporate >75%

## Real estate: Building type

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 24	CORE	OO 5	RE 1, RE 9, RE 10	PUBLIC	Real estate: Building type	GENERAL

What is the percentage breakdown of your direct physical real estate assets by strategy?

### Percentage total of direct physical real estate AUM

(A) Standing investments >75%

(B) New construction 0-25%

(C) Major renovation 0-25%

# Context and explanation

## ESG not incorporated

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 35	CORE	Multiple, see guidance	N/A	PUBLIC	ESG not incorporated	1, 2

Describe why you currently do not incorporate ESG into your assets and/or why you currently do not conduct stewardship.

### Description

(M) Internally managed: Other

Other consists of multi asset, cash equivalents and commodities. For the multi asset, through a multi-asset fund approach different asset classes use different levels of ESG integration. We use a combination of index and active strategies, therefore it is not always possible to achieve 100% ESG integration, however we are always looking at ways to continually increase the impact. In terms of stewardship, for the components of multi asset, namely equity and fixed income, we do conduct stewardship activities.

We do not incorporate ESG into cash equivalents and commodities.

# Investment and Stewardship Policy (ISP)

## Responsible investment policy & governance

### Responsible investment policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 1	CORE	N/A	ISP 1.1, ISP 1.2	PUBLIC	Responsible investment policy	1

Does your organisation have a formal policy or policies covering your approach to responsible investment? Your approach to responsible investment may be set out in a standalone guideline, covered in multiple standalone guidelines or be part of a broader investment policy. Your policy may cover various responsible investment elements such as stewardship, ESG guidelines, sustainability outcomes, specific climate-related guidelines, RI governance and similar.

- (A) Yes, we do have a policy covering our approach to responsible investment
- (B) No, we do not have a policy covering our approach to responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 1.1	CORE	ISP 1	Multiple, see guidance	PUBLIC	Responsible investment policy	1

What elements does your responsible investment policy cover? The responsible investment elements may be set out in one or multiple standalone guidelines, or they may be part of a broader investment policy.

- (A) Overall approach to responsible investment
- (B) Guidelines on environmental factors
- (C) Guidelines on social factors
- (D) Guidelines on governance factors
- (E) Approach to stewardship
- (F) Approach to sustainability outcomes
- (G) Approach to exclusions
- (H) Asset class-specific guidelines that describe how ESG incorporation is implemented
- (I) Definition of responsible investment and how it relates to our fiduciary duty
- (J) Definition of responsible investment and how it relates to our investment objectives
- (K) Responsible investment governance structure

- (L) Internal reporting and verification related to responsible investment
- (M) External reporting related to responsible investment
- (N) Managing conflicts of interest related to responsible investment
- (O) Other responsible investment aspects not listed here, please specify:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 1.2	PLUS	ISP 1	N/A	PUBLIC	Responsible investment policy	1

**What mechanisms do you have in place to ensure that your policies are implemented in an aligned and consistent way across the organisation?**

The dedicated Investment Stewardship team has overall ownership and responsibility for engagement and voting activities on ESG issues for investments. The team engages closely with portfolio managers and investment analysts on material issues for investments as part of the Global Research and Engagement Framework which was established in 2019. This brings together representatives from our investment and stewardship teams, to unify our engagement efforts and determine the exposure of sectors and companies to ESG risks and opportunities. The output from the platform strengthens and streamlines the firm's engagement activities enabling 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.

Sacha Sadan, Director of Investment Stewardship, has direct responsibility for Investment Stewardship and Responsible Investment. He is on the board of LGIM and reports directly into LGIM's Chief Executive Officer (CEO), Michelle Scrimgeour. This structure, as well as the ability to engage with four independent non-executive directors on LGIM's board, ensures that strategy and goal setting is agreed and has oversight at the highest level. LGIM's Investment Stewardship Committee has overall responsibility and oversight of the evolution and implementation of corporate governance and responsible investment policies. These policies apply to all asset classes and investment strategies. Our Chief Executive Officer, Chief Investment Officer and Director of Investment Stewardship all serve on this committee, in addition to independent non-executive directors. The Investment Stewardship team reports to the committee regularly. The Investment Stewardship committee meets quarterly, while the Director of Investment Stewardship reports to the LGIM Board every six months.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 2	CORE	ISP 1.1	N/A	PUBLIC	Responsible investment policy	6

**Indicate which of your responsible investment policy elements are publicly available and provide links.**

- (A) Overall approach to responsible investment. Add link(s):

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

- (B) Guidelines on environmental factors. Add link(s):

[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) /  
[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-north-america-corporate-governance-and-responsible-investment-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-north-america-corporate-governance-and-responsible-investment-policy.pdf) / [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf) / [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/japan-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/japan-policy.pdf) /  
[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(s):**

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-north-america-corporate-governance-and-responsible-investment-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-north-america-corporate-governance-and-responsible-investment-policy.pdf) / [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf) / [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/japan-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/japan-policy.pdf)  
[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)

**(D) Guidelines on governance factors. Add link(s):**

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-north-america-corporate-governance-and-responsible-investment-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-north-america-corporate-governance-and-responsible-investment-policy.pdf) / [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf) / [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/japan-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/japan-policy.pdf)  
[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) Approach to stewardship. Add link(s):**

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

**(F) Approach to sustainability outcomes. Add link(s):**

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgimh-controversial-weapons-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgimh-controversial-weapons-policy.pdf) /  
[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-approach-to-corporate-governance-and-responsible-investment.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-approach-to-corporate-governance-and-responsible-investment.pdf)

**(G) Approach to exclusions. Add link(s):**

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

**(H) Asset class-specific guidelines that describe how ESG incorporation is implemented. Add link(s):**

[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) /  
[https://www.legalandgeneral.com/landg-assets/institutional/real-assets/capabilities/responsible\\_investing/sustainable-real-estate-investment-policy-2019.pdf](https://www.legalandgeneral.com/landg-assets/institutional/real-assets/capabilities/responsible_investing/sustainable-real-estate-investment-policy-2019.pdf)

**(I) Definition of responsible investment and how it relates to our fiduciary duty. Add link(s):**

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

**(J) Definition of responsible investment and how it relates to our investment objectives. Add link(s):**

**(K) Responsible investment governance structure. Add link(s):**

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

**(M) External reporting related to responsible investment. Add link(s):**

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/esg-impact-report-q4-2020.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/esg-impact-report-q4-2020.pdf) /  
[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/active-ownership-report-2020.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/active-ownership-report-2020.pdf)

(N) **Managing conflicts of interest related to responsible investment. Add link(s):**

[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)

(P) Our responsible investment policy elements are not publicly available

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 3	CORE	ISP 1.1	N/A	PUBLIC	Responsible investment policy	1

**What percentage of your total assets under management are covered by your policy elements on overall approach to responsible investment and/or guidelines on environmental, social and governance factors?**

- (A) Overall approach to responsible investment
- (B) Guidelines on environmental factors
- (C) Guidelines on social factors
- (D) Guidelines on governance factors

**AUM coverage of all policy elements in total:**

>75%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 4	CORE	ISP 1.1	N/A	PUBLIC	Responsible investment policy	1

**Which elements does your exclusion policy include?**

- (A) Legally required exclusions (e.g. those required by domestic/international law, bans, treaties or embargoes)
- (B) Exclusions based on our organisation's values or beliefs (e.g. regarding weapons, alcohol, tobacco and/or avoiding other particular sectors, products, services or regions)
- (C) Exclusions based on screening against minimum standards of business practice based on international norms (e.g. OECD guidelines, the UN Human Rights Declaration, Security Council sanctions or the UN Global Compact)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 5	CORE	Multiple, see guidance	N/A	PUBLIC	Responsible investment policy	1

What percentage of your total assets under management are covered by your asset class-specific guidelines that describe how ESG incorporation is implemented?

**AUM Coverage:**

(A) Listed Equity >75%

(B) Fixed Income >75%

(D) Real Estate >75%

## Governance

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 6	CORE	N/A	ISP 8	PUBLIC	Governance	1

Do your organisation's board, chief-level staff, investment committee and/or head of department have formal oversight and accountability for responsible investment?

- (A) Board and/or trustees
- (B) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))
- (C) Investment committee
- (D) Other chief-level staff, please specify:  
  - Director of Investment stewardship; Head of Responsible Investment Integration
- (E) Head of department, please specify department:
- (F) None of the above roles have oversight and accountability for responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 7	CORE	N/A	ISP 8	PUBLIC	Governance	1

In your organisation, which internal or external roles have responsibility for implementing responsible investment?

- (A) Board and/or trustees
- (B) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))
- (C) Investment committee
- (D) Other chief-level staff [as specified]
- (E) Head of department [as specified]
- (F) Portfolio managers
- (G) Investment analysts
- (H) Dedicated responsible investment staff
- (I) Investor relations
- (J) External managers or service providers
- (K) Other role, please specify:
- (L) Other role, please specify:
- (M) We do not have roles with responsibility for implementing responsible investment.

## People and capabilities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 8	CORE	ISP 6, ISP 7	ISP 8.1, ISP 8.2	PUBLIC	People and capabilities	General

What formal objectives for responsible investment do the roles in your organisation have?

	(1) Board and/or trustees	(2) Chief-level staff	(3) Investment committee	(4) Other chief-level staff [as specified]
(A) Objective for ESG incorporation in investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Objective for ESG performance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Other objective related to responsible investment [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(F) Other objective related to responsible investment [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(G) No formal objectives for responsible investment exist for this role	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**(6) Portfolio managers**

**(7) Investment analysts**

**(8) Dedicated responsible investment staff**

(A) Objective for ESG incorporation in investment activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Objective for contributing to the development of the organisation's ESG incorporation approach	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Objective for ESG performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(E) Other objective related to responsible investment [as specified]	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

(F) Other objective related to responsible investment [as specified]

(G) No formal objectives for responsible investment exist for this role

**Please specify for "(E) Other objective related to responsible investment".**

Climate change

**Please specify for "(F) Other objective related to responsible investment".**

Diversity

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 8.1	PLUS	ISP 8	N/A	PUBLIC	People and capabilities	General

**Describe the key responsible investment performance indicators (KPIs) or benchmarks that your organisation uses to compare and assess the performance of your professionals in relation to their responsible investment objectives.**

The objectives set for professionals are relevant to each of their roles within the organisation. For instance, at a C-level the objectives for the Head of Responsible Investment Integration will differ from those of the Chief Investment Officer for public asset and those of the Head of Real Assets. Similarly, the objectives for a credit research analyst will be different from those of a Real Estate portfolio manager. As an example, amongst other things the objectives for the Head of Responsible Investment Integration encompass aspects of cross functional coherency and ensure resources are aligned across functions to deliver the LGIM ESG strategy. At this point there are not formal KPIs used to assess such qualitative objectives.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 8.2	CORE	ISP 8	N/A	PUBLIC	People and capabilities	General

Which responsible investment objectives are linked to variable compensation for roles in your organisation?

RI objectives linked to variable compensation for roles in your organisation:

**(1) Board and/or trustees**

(A) Objective for ESG incorporation in investment activities

**(2) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO))**

(A) Objective for ESG incorporation in investment activities

(B) Objective for contributing to the development of the organisation's ESG incorporation approach

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)

(D) Objective for ESG performance

**(3) Investment committee**

(A) Objective for ESG incorporation in investment activities

(D) Objective for ESG performance

**(4) Other chief-level staff**

---

(A) Objective for ESG incorporation in investment activities

---

(B) Objective for contributing to the development of the organisation's ESG incorporation approach

---

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)

---

(D) Objective for ESG performance

---

**(6) Portfolio managers**

---

(A) Objective on ESG incorporation in investment activities

---

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)

---

(D) Objective for ESG performance

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**(7) Investment analysts**

---

(A) Objective for ESG incorporation in investment activities

---

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)

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(D) Objective for ESG performance

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**(8) Dedicated responsible investment staff**

(A) Objective for ESG incorporation in investment activities

(B) Objective for contributing to the development of the organisation's ESG incorporation approach

(C) Objective for contributing to the organisation's stewardship activities (e.g. through sharing findings from continuous ESG research or investment decisions)

(E) Other objective related to responsible investment (as specified in ISP 8 option E)

(F) Other objective related to responsible investment (as specified in ISP 8 option F)

(G) We have not linked any RI objectives to variable compensation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 9	CORE	N/A	N/A	PUBLIC	People and capabilities	General

**How frequently does your organisation assess the responsible investment capabilities and training needs among your investment professionals?**

- (A) Quarterly or more frequently
- (B) Bi-annually
- (C) Annually
- (D) Less frequently than annually
- (E) On an ad hoc basis
- (F) We do not have a process for assessing the responsible investment capabilities and training needs among our investment professionals

## Strategic asset allocation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 10	CORE	N/A	ISP 10.1	PUBLIC	Strategic asset allocation	1

Does your organisation incorporate ESG factors into your strategic asset allocation?

- (A) We incorporate ESG factors into calculations for expected risks and returns of asset classes
- (B) We specifically incorporate physical, transition and regulatory changes related to climate change into calculations for expected risks and returns of asset classes
- (C) No, we do not incorporate ESG considerations into our strategic asset allocation
- (D) Not applicable, we do not have a strategic asset allocation process

## Stewardship

### Stewardship policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 11	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship policy	2

What percentage of your assets under management does your stewardship policy cover?

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(A) Listed equity >75%

---

(B) Fixed income >75%

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(D) Real estate >75%

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Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 12	CORE	ISP 1.1	ISP 12.1	PUBLIC	Stewardship policy	2

Which elements does your organisation's stewardship policy cover? The policy may be a standalone guideline or part of a wider RI policy.

- (A) Key stewardship objectives
- (B) Prioritisation approach of ESG factors and their link to engagement issues and targets
- (C) Prioritisation approach depending on entity (e.g. company or government)
- (D) Specific approach to climate-related risks and opportunities
- (E) Stewardship tool usage across the organisation, including which, if any, tools are out of scope and when and how different tools are used and by whom (e.g. specialist teams, investment teams, service providers, external investment managers or similar)
- (F) Stewardship tool usage for specific internal teams (e.g. specialist teams, investment teams or similar)
- (G) Stewardship tool usage for specific external teams (e.g. service providers, external investment managers or similar)
- (H) Approach to collaboration on stewardship
- (I) Escalation strategies
- (J) Conflicts of interest
- (K) Details on how the stewardship policy is implemented and which elements are mandatory, including how and when the policy can be overruled
- (L) How stewardship efforts and results should be communicated across the organisation to feed into investment decision-making and vice versa
- (M) None of the above elements are captured in our stewardship policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 12.1	PLUS	ISP 12	N/A	PUBLIC	Stewardship policy	2

Describe any additional details related to your stewardship policy elements or your overall stewardship approach.

LGIM is a signatory to the UK, Japan and Malaysian Stewardship Codes. We are also signed up to the US Investor Stewardship Group Framework. To supplement the regional stewardship codes, we also have a standalone Conflict of Interest Policy, a standalone Engagement Policy document, and documents setting out our voting and integration processes. The policies in relation to stewardship and engagement set out our overall stewardship objectives of taking an active and impactful approach to stewardship by using our scale as a global investment manager to influence and change company and market behaviours. In doing so, we strive to achieve positive societal impacts, in the belief that it will create more sustainable long-term value. We do this through:

- Company engagement
- Using our voting rights globally
- Integrating environmental, social and governance factors into portfolio management
- Addressing systemic risks and opportunities
- Influencing governments, regulators and policy makers
- Collaborating with other investors and stakeholders

We believe that real change is achieved by being an engaged and active owner. The Engagement Policy document provides further detail by setting out our six stage process to prioritising engagement activity and explains how this is integrated across all of LGIM's investments. The policy includes how we identify material ESG issues, formulate the engagement strategy, the escalation strategies we use and how our activities are reported back to clients. These policies apply to all assets and investment strategies. The policies are reviewed on a regular basis by LGIM's Investment Stewardship Committee, which meets quarterly, and has overall responsibility and oversight for the evolution and implementation of investment stewardship policies. LGIM's CEO, CIO, Director of Investment Stewardship, and independent non-executive directors sit on this Committee.

## Stewardship policy implementation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 13	CORE	ISP 1.1	N/A	PUBLIC	Stewardship policy implementation	2

### How is your stewardship policy primarily applied?

- (A) It requires our organisation to take certain actions
- (B) It describes default actions that can be overridden (e.g. by investment teams for certain portfolios)
- (C) It creates permission for taking certain measures that are otherwise exceptional
- (D) We have not developed a uniform approach to applying our stewardship policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 14	PLUS	Multiple, see guidance	N/A	PUBLIC	Stewardship policy implementation	2

How does your organisation ensure that its stewardship policy is implemented by external service providers? Please provide examples of the measures your organisation takes when selecting external providers, when designing engagement mandates and when monitoring the activities of external service providers.

#### Provide examples below:

	<p>LGIM's stewardship activities are conducted in house and not outsourced to specialised service providers, with the exception of voting whereby we vote by proxy which is facilitated by the Institutional Shareholder Services (ISS) voting platform 'ProxyExchange'.</p>
(A) Measures taken when selecting external providers:	<p>During 2020 we did not undertake a selection process in relation to voting services. In previous years where measures were taken to review and select voting services, alignment with our stewardship policy, and the providers own stewardship commitments, form a core part of the selection process. This includes the process being led by an Investment Stewardship professional, and key questions in relation to stewardship being included in RFPs.</p>

(C) Measures taken to monitor external providers' alignment with our organisation's stewardship policy:

LGIM's stewardship activities are conducted in house and not outsourced to specialised service providers, with the exception of voting whereby we vote by proxy which is facilitated by the Institutional Shareholder Services (ISS) voting platform 'ProxyExchange'.

We acknowledge that, in giving us their mandate, our clients require us to vote their shares on their behalf. Given the scale of our holdings, we cannot be physically present at every company shareholder meeting to cast these votes. We instead vote by proxy through the Institutional Shareholder Services (ISS) voting platform 'ProxyExchange'.

#### Operational

We use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary environmental, social and governance (ESG) assessment tools. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. **(response continued in row below)**

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These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice. In 2020, we updated our global corporate governance and responsible investment policy documents, which sets out minimum standards for governance across all companies

In addition, we have also set specific custom voting policies at an individual market level for those markets in which we adopt a stricter stance. All our custom voting policies are developed in accordance with our publicly disclosed position on ESG in our principles document and country-specific policies. We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement.

To monitor alignment with our stewardship policy we have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. **(response continued in row below)**

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This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

**Research**

We utilise the voting information services of ISS and receive research reports. This research is used by the our team to supplement knowledge and to provide details of company AGM resolutions.

To monitor alignment with our stewardship policy we regularly provide feedback to ISS on their research. Additionally, ISS carries out client feedback reviews on its own governance policies annually and we use this as an opportunity to raise governance standards.

**Due Diligence**

Our formal monitoring of ISS' service and its alignment with our policy is conducted through quarterly due diligence meetings with ISS. Representatives from a range of ISS departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out our expectations, an analysis of any issues we have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting..

## Stewardship objectives

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 15	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship objectives	2

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

	(1) Listed equity	(2) Fixed income	(4) Real estate
(A) Maximise the risk–return profile of individual investments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(B) Maximise overall returns across the portfolio	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

(C) Maximise overall value to beneficiaries/clients

(D) Contribute to shaping specific sustainability outcomes (i.e. deliver impact)

## Stewardship prioritisation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 16	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship prioritisation	2

What key criteria does your organisation use to prioritise your engagement targets? For asset classes such as real estate, private equity and infrastructure, you may consider this as key criteria to prioritise actions taken on ESG factors for assets, portfolio companies and/or properties in your portfolio. Select up to 3 options per asset class from the list.

	(1) Listed equity	(2) Fixed income	(4) Real estate
(A) The size of our holdings in the entity or the size of the asset, portfolio company and/or property	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) The materiality of ESG factors on financial and/or operational performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Specific ESG factors with systemic influence (e.g. climate or human rights)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) The ESG rating of the entity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(E) The adequacy of public disclosure on ESG factors/performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(F) Specific ESG factors based on input from clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(G) Specific ESG factors based on input from beneficiaries

(H) Other criteria to prioritise engagement targets, please specify:

(I) We do not prioritise our engagement targets

## Stewardship methods

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 17	PLUS	Multiple, see guidance	N/A	PUBLIC	Stewardship methods	2

**Please rank the methods that are most important for your organisation in achieving its stewardship objectives. Ranking options: 1 = most important, 5 = least important.**

(A) Internal resources (e.g. stewardship team, investment team, ESG team or staff) 1

(B) External investment managers, third-party operators and/or external property managers (if applicable) We do not use this method

(C) External paid services or initiatives other than investment managers, third-party operators and/or external property managers (paid beyond a membership fee) We do not use this method

(D) Informal or unstructured collaborations with peers 3

(E) Formal collaborative engagements (e.g. PRI-coordinated collaborative engagements, Climate Action 100+, the Initiative Climat International (iCI) or similar) 4

## Collaborative stewardship

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 18	CORE	Multiple, see guidance	ISP 18.1	PUBLIC	Collaborative stewardship	2

Which of the following best describes your organisation's default position, or the position of the service providers/external managers acting on your behalf, with regards to collaborative stewardship efforts such as collaborative engagements?

- (A) We recognise that stewardship suffers from a collective action problem, and, as a result, we actively prefer collaborative efforts
- (B) We collaborate when our individual stewardship efforts have been unsuccessful or are likely to be unsuccessful, i.e. as an escalation tool
- (C) We collaborate in situations where doing so would minimise resource cost to our organisation
- (D) We do not have a default position but collaborate on a case-by-case basis
- (E) We generally do not join collaborative stewardship efforts

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 18.1	PLUS	ISP 18	N/A	PUBLIC	Collaborative stewardship	2

Describe your position on collaborating for stewardship.

Collaboration is a core part of LGIM's stewardship activities. LGIM regularly engages with a wide range of market participants to address ESG issues and raise standards.

We regularly collaborate with a wide range of asset owners and managers on specific ESG themes. This process is formalised through our participation in bodies 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: UN PRI, ClimateAction100, Ceres and Access to Medicine. 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, to amass voting power. 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 in 2020 can be found in our Quarterly ESG Impact Reports or our Active Ownership Report available in the following link: <https://www.lgim.com/uk/en/responsible-investing/>

## Escalation strategies

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 19	PLUS	Multiple, see guidance	N/A	PUBLIC	Escalation strategies	2

Which of these measures did your organisation, or the service providers/external managers acting on your behalf, use most frequently when escalating initial stewardship approaches that were deemed unsuccessful?

	(1) Listed equity	(2) Fixed income
(A) Collaboratively engaging the entity with other investors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Filing/co-filing/submitting a shareholder resolution or proposal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(C) Publicly engaging the entity (e.g. open letter)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Voting against the re-election of one or more board directors	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(E) Voting against the chair of the board of directors	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(F) Voting against the annual financial report	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(G) Divesting or implementing an exit strategy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(H) We did not use any escalation measures during the reporting year. Please explain why below	<input type="checkbox"/>	<input type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 20	CORE	Multiple, see guidance	N/A	PUBLIC	Escalation strategies	2

**If initial stewardship approaches were deemed unsuccessful, which of the following measures are excluded from the potential escalation actions of your organisation or those of the service providers/external managers acting on your behalf?**

	(1) Listed equity	(2) Fixed income
(A) Collaboratively engaging the entity with other investors	<input type="checkbox"/>	<input type="checkbox"/>
(B) Filing/co-filing/submitting a shareholder resolution or proposal	<input type="checkbox"/>	<input type="checkbox"/>
(C) Publicly engaging the entity (e.g. open letter)	<input type="checkbox"/>	<input type="checkbox"/>
(D) Voting against the re-election of one or more board directors	<input type="checkbox"/>	<input type="checkbox"/>
(E) Voting against the chair of the board of directors	<input type="checkbox"/>	<input type="checkbox"/>
(F) Voting against the annual financial report	<input type="checkbox"/>	<input type="checkbox"/>
(G) Divesting or implementing an exit strategy	<input type="checkbox"/>	<input type="checkbox"/>
(H) We do not have any restrictions on the escalation measures we can use	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

## Alignment and effectiveness

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 21	PLUS	Multiple, see guidance	N/A	PUBLIC	Alignment and effectiveness	2

**Describe how you coordinate stewardship across your organisation to ensure that stewardship progress and results feed into investment decision-making and vice versa.**

LGIM has established 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 often work together, to incorporate ESG factors into our decisions and processes, from research and engagement to product development. We have consolidated and strengthened our global research and engagement efforts through dedicated sector groups, which bring together subject matter experts from across credit, equity, real assets and investment stewardship. Investors no longer measure success based purely on the traditional metrics of risk and return, there is now a third dimension of impact. There is a growing expectation on us as asset managers to quantify the societal or environmental consequences of our investment decisions, and the Global Research and Engagement Groups 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.

**Global research and engagement**

In 2019, we established our Global Research and Engagement Platform, to 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. Over the course of 2020, our Global Research and Engagement Group of 73 analysts devoted significant time and resource to tackling emerging ESG issues across a range of sectors from both sides of the capital structure. These included supply chains, biodiversity and climate change.

This enabled 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.

## Stewardship examples

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 22	PLUS	Multiple, see guidance	N/A	PUBLIC	Stewardship examples	2

Describe stewardship activities that you participated in during the reporting year that led to desired changes in the entity you interacted with. Include what ESG factor(s) you engaged on and whether your stewardship activities were primarily focused on managing ESG risks and opportunities or delivering sustainability outcomes.

	(1) Engagement type	(2) Primary goal of stewardship activity
(A) Example 1	a) Internally (or service provider) led	c) Both managing ESG risks and delivering outcomes
(B) Example 2	b) Collaborative	c) Both managing ESG risks and delivering outcomes
(C) Example 3	b) Collaborative	c) Both managing ESG risks and delivering outcomes
	(3) The ESG factors you focused on in the stewardship activity	(4) Description of stewardship activity and the desired change(s) you achieved

(A) Example 1

Governance factors: alignment of executive and employee pension provisions, to reduce excessive executive pension provisions.

Our UK Governance policies asked companies to align their executive pension payments with the wider workforce's levels. During our engagements on the subject, we requested companies consider increasing pension contributions for existing employees from current low levels. During the year, we were involved in 145 separate remuneration consultations. We were pleased that during 2020 many companies not only reduced the pension provisions for their executive directors, but six FTSE 100 companies increased the overall rate for the workforce (Capital & Counties, Great Portland Estates, Marshalls, WPP, Intermediate Capital Group and Pennon).

(B) Example 2

Social factors: we focused on human rights, eradication of modern slavery in FTSE 350 companies' supply chains

We worked with Rathbones, as part of a collaborative engagement of managers with a total of £3.2 trillion in AUM (December 2019), to challenge FTSE 350 companies that had failed to meet the reporting requirements of Section 54 of the Modern Slavery Act, 2015. Not only did we want to highlight the importance of eradicating modern slavery throughout the supply chains of FTSE 350 companies, we also sought to raise the importance of eradicating modern slavery across global business. **(response continued in row below)**

The initiative provided an opportunity for investors to better understand the nature of the companies they invest in, and how the board views the issue of modern slavery. A secondary objective was to encourage a greater degree of challenge on social issues, specifically using shareholder rights, as we feel that responsible investment currently does not focus enough on these concerns. **(response continued in row below)**

The collaborative engagement concluded at the end of 2020, with 20 out of 22 targeted companies becoming compliant with Section 54 of the Modern Slavery Act, 2015. This joint engagement was shortlisted for the PRI 2020 Awards for the ‘Stewardship Project of the Year.’.

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(C) Example 3

Environmental factors: tackling deforestation in the Brazilian Amazon

Without urgently tackling and reversing deforestation, meeting the aim of the Paris Agreement regarding net-zero emissions by mid-century will be impossible to achieve. The Intergovernmental Panel on Climate Change (IPCC) land-use report highlights that to limit global warming to 1.5°C, reforesting an area the size of India may be necessary. As such, halting deforestation in biodiversity hotspots and systemically important biomes such as the rainforests in the Amazon and Southeast Asia is a key component of global decarbonisation efforts.

This summer, following steps by the Brazilian government to loosen environmental protections, LGIM joined a new investor coalition to lobby the government directly to take steps to halt deforestation in the country.  
**(response continued in row below)**

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The investor coalition sent letters to a number of Brazilian embassies in Europe, outlining our concerns. Subsequently, a video conference with the vice president, the governor of the central bank, the foreign minister, the minister for the environment and minister for agriculture was scheduled. During this conversation, the investor group called on the government to commit to achieving a significant reduction in deforestation, and to ensure that existing environmental legislation is indeed enforced. In response, the Brazilian government announced a moratorium on setting fires in the Amazon, and the investor group had a follow-up conversation with several members of Congress. **(response continued in row below)**

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New data released in July shows that the rate of deforestation in the Amazon is sadly continuing to increase. LGIM will be watching developments closely, and will continue to engage with the food companies in our portfolio with exposure to soy and cattle in Brazil, to encourage them to root out deforestation from supply chains. Going forward, the remit of the investor group will expand to focus lobbying efforts in Southeast Asia too..

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## Engaging policymakers

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 23	CORE	N/A	Multiple, see guidance	PUBLIC	Engaging policymakers	2

**How does your organisation, or the external investment managers or service providers acting on your behalf, engage with policymakers for a more sustainable financial system?**

- (A) We engage with policymakers directly
- (B) We provide financial support, are members of and/or are in another way affiliated with third-party organisations, including trade associations and non-profit organisations, that engage with policymakers
- (C) We do not engage with policymakers directly or indirectly

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 23.1	CORE	ISP 23	N/A	PUBLIC	Engaging policymakers	2

**What methods do you, or the external investment managers or service providers acting on your behalf, use to engage with policymakers for a more sustainable financial system?**

- (A) We participate in "sign-on" letters on ESG policy topics. Describe:  
For example, LGIM signed the public IIGCC letter to EU leaders on the modernisation of the Energy Charter Treaty.
- (B) We respond to policy consultations on ESG policy topics. Describe:  
For example, LGIM submitted a formal response to the Lord Hill Review in (Call for Evidence on UK Listings Regime).
- (C) We provide technical input on ESG policy change. Describe:  
For example, LGIM inputted into the Regulatory Technical Standards being produced by the EU in relation to the Sustainable Finance Disclosure Regulation.
- (D) We proactively engage financial regulators on financial regulatory topics regarding ESG integration, stewardship, disclosure or similar. Describe:  
For example, LGIM engaged with the Department of Labour in the US on our view that integrating ESG analysis and using shareholder voting rights IS aligned with fiduciary duty of pension funds and asset managers.
- (E) We proactively engage regulators and policymakers on other policy topics. Describe:  
For example, LGIM proactively called for and engaged on a green COVID-19 recovery plan for the UK market.
- (F) Other methods used to engage with policymakers. Describe:  
For example, LGIM engages with policymakers through formal networks and associations such as the Investment Association and IIGCC.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 23.2	CORE	ISP 23	N/A	PUBLIC	Engaging policymakers	2

**Do you have governance processes in place (e.g. board accountability and oversight, regular monitoring and review of relationships) that ensure your policy activities, including those through third parties, are aligned with your position on sustainable finance and your commitment to the 6 Principles of the PRI?**

● (A) Yes, we have governance processes in place to ensure that our policy activities are aligned with our position on sustainable finance and our commitment to the 6 Principles of the PRI. Describe your governance processes:

LGIM has invested in dedicated resource to lead ESG policy engagements. LGIM has an ESG policy strategy that is regularly reviewed. LGIM has set up an internal group that meets regularly to support coordination, the co-leads for this are the Chief Compliance Officer and the Director of Investment Stewardship.

○ (B) No, we do not have these governance processes in place. Please explain why not:

## Engaging policymakers – Policies

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 24	CORE	ISP 23	ISP 24.1	PUBLIC	Engaging policymakers – Policies	2

**Do you have policies in place that ensure that your political influence as an organisation is aligned with your position on sustainable finance and your commitment to the 6 Principles of the PRI?**

● (A) Yes, we have a policy(ies) in place. Describe your policy(ies):

LGIM has firm-wide Sustainability Policy (providing an overview of its responsible investing approach) and Conflict of Interest Policy (that provides an overview of the practical processes that are in place to identify, manage and mitigate potential conflicts of interest – 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. The ESG Policy Lead is responsible for setting LGIM's direction and engagement on Sustainable Finance Policy, and coordinates across teams.

○ (B) No, we do not a policy(ies) in place. Please explain why not:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 24.1	CORE	ISP 24	N/A	PUBLIC	Engaging policymakers – Policies	2

Is your policy that ensures alignment between your political influence and your position on sustainable finance publicly disclosed?

(A) Yes. Add link(s):

<https://www.lgim.com/uk/en/responsible-investing/> [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) <https://www.lgim.com/uk/en/capabilities/investment-stewardship/>

(B) No, we do not publicly disclose this policy(ies)

## Engaging policymakers – Transparency

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 25	CORE	ISP 23	N/A	PUBLIC	Engaging policymakers – Transparency	2

During the reporting year, did your organisation publicly disclose your policy engagement activities or those conducted on your behalf by external investment managers/service providers?

(A) We publicly disclosed details of our policy engagement activities. Add link(s):

Quarterly impact reports link: [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/esg-impact-report-q4-2020.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/esg-impact-report-q4-2020.pdf) / [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/esg-impact-report-q3-2020.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/esg-impact-report-q3-2020.pdf) / [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/esg-impact-report-q2-2020.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/esg-impact-report-q2-2020.pdf) / Active Ownership Report link: <https://www.lgim.com/activeowner/> / Also: <https://www.lgim.com/uk/en/capabilities/investment-stewardship/influencing-the-debate/>

(B) We publicly disclosed a list of our third-party memberships in or support for trade associations, think-tanks or similar that conduct policy engagement activities with our support or endorsement. Add link(s):

[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)

(C) No, we did not publicly disclose our policy engagements activities during the reporting year. Explain why:

(D) Not applicable, we did not conduct policy engagement activities

# Climate change

## Public support

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 26	CORE	N/A	N/A	PUBLIC	Public support	General

Does your organisation publicly support the Paris Agreement?

(A) Yes, we publicly support the Paris Agreement Add link(s) to webpage or other public document/text expressing support for the Paris Agreement:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/responsible-investing/climate-impact-pledge-brochure-uk-eu.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/responsible-investing/climate-impact-pledge-brochure-uk-eu.pdf) Our climate change policy is explicitly supportive of the Paris Agreement: [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-climate-change-policy-2019.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-climate-change-policy-2019.pdf)

(B) No, we currently do not publicly support the Paris Agreement

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 27	CORE	N/A	N/A	PUBLIC	Public support	General

Does your organisation publicly support the Task Force on Climate-Related Financial Disclosures (TCFD)?

(A) Yes, we publicly support the TCFD Add link(s) to webpage or other public document/text expressing support for the TCFD:

<https://www.fsb-tcfd.org/supporters/>

(B) No, we currently do not publicly support the TCFD

## Governance

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 28	CORE	N/A	N/A	PUBLIC	Governance	General

### How does the board or the equivalent function exercise oversight over climate-related risks and opportunities?

(A) By establishing internal processes through which the board or the equivalent function are informed about climate-related risks and opportunities. Specify:

LGIM's governance structure facilitates regular climate and ESG reporting to LGIM(H)'s board and executive committees. This includes a Responsible Investment Group and Investment Stewardship Committee advising LGIM's executive committee and CEO. For more details, see p. 8 of LGIM's active ownership report [www.lgim.com/activeowner](http://www.lgim.com/activeowner)

(B) By articulating internal/external roles and responsibilities related to climate. Specify:

There are 38 LGIM employees with roles dedicated to ESG/ climate activity. In addition, there are a further 58 colleagues whose roles involve a very substantial contribution to our responsible investing capabilities and whose objectives reflect this, although their responsibilities are broader than solely ESG. See p. 9 of LGIM's active ownership report for more [www.lgim.com/activeowner](http://www.lgim.com/activeowner)

(C) By engaging with beneficiaries to understand how their preferences are evolving with regard to climate change. Specify:

We have conducted regular surveys of LGIM's beneficiaries as regards their climate/ESG preferences:  
<https://www.lgim.com/uk/en/insights/our-thinking/esg-and-long-term-themes/finding-the-greenest-generation/>

(D) By incorporating climate change into investment beliefs and policies. Specify:

See LGIM's climate change policy ([https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-climate-change-policy-2019.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-climate-change-policy-2019.pdf)), our net zero commitment (<https://www.lgimblog.com/categories/esg-and-long-term-themes/why-lgim-has-committed-to-net-zero-emissions/>), our climate engagement programme (<https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/>) and our thought piece on emerging market debt for a few examples of the incorporation of climate change into policies <https://www.lgim.com/landg-assets/lgim/shared/insights/our-thinking/market-insights/db-1864-esg-in-emd-brochure.pdf>

(E) By monitoring progress on climate-related metrics and targets. Specify:

We have a number of metrics to monitor progress (see p. 26 of the active ownership report), including public climate ratings of companies; <https://climatepledge-lgim.huguenots.co.uk/uk/en/>

(F) By defining the link between fiduciary duty and climate risks and opportunities. Specify:

"We believe that recognising the potential risks from climate change and providing solutions to a low-carbon transition is firmly part of our fiduciary duty of managing our clients' assets" [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-climate-change-policy-2019.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-climate-change-policy-2019.pdf)

(G) Other measures to exercise oversight, please specify:

Collaboration with our parent company on the decarbonisation of their balance sheet in line with a net zero emissions trajectory (<https://www.legalandgeneralgroup.com/media/18377/fy2020-lg-tcf-report.pdf>)

(H) The board or the equivalent function does not exercise oversight over climate-related risks and opportunities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 29	CORE	N/A	N/A	PUBLIC	Governance	General

**What is the role of management in assessing and managing climate-related risks and opportunities?**

**(A) Management is responsible for identifying climate-related risks/opportunities and reporting them back to the board or the equivalent function. Specify:**

Our CEO, Michelle Scrimgeour, is responsible for LGIM’s strategy for managing material climate risks. In addition, as highlighted in the active ownership report, formal and informal groups – including the Investment Stewardship Committee and Responsible Investment Group – gather across LGIM to ensure climate and ESG risks are considered sufficiently.

**(B) Management implements the agreed-upon risk management measures. Specify:**

See our active ownership report p. 8-22 and onwards.

**(C) Management monitors and reports on climate-related risks and opportunities. Specify:**

See our active ownership report p. 8-22 and onwards.

**(D) Management ensures adequate resources, including staff, training and budget, are available to assess, implement and monitor climate-related risks/opportunities and measures. Specify:**

Global Head of Responsible Investment Integration, Michael Marks’ role spans all functions within LGIM from Investment Stewardship, Distribution and Investment teams to operational functions such as data and technology; Embedding ESG across the firm in all areas and ensuring that focus is maintained on delivering the capabilities required by all stakeholders

**(E) Other roles management takes on to assess and manage climate-related risks/opportunities, please specify:**

External advocacy and collaboration: LGIM’s CEO is co-chairing the Business Leaders Group alongside the COP26 President, engaging with the private sector – in particular other financial institutions - to collectively better manage climate risks and opportunities.  
<https://www.politicshome.com/members/article/avoiding-climate-catastrophe-has-to-be-our-greatest-global-priority>

**(F) Our management does not have responsibility for assessing and managing climate-related risks and opportunities**

## Strategy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 30	CORE	N/A	Multiple, see guidance	PUBLIC	Strategy	General

**Which climate-related risks and opportunities has your organisation identified within its investment time horizon(s)?**

(A) Specific financial risks in different asset classes. Specify:

(B) **Specific sectors and/or assets that are at risk of being stranded. Specify:**

The contrast between our 'Well below 2°C' and 'BAU' scenarios is stark, with dramatic macro economic consequences. In our 'Well below 2°C' transition the energy mix changes very rapidly. Disruption is widespread; both coal and oil lose roughly 50% of their share of the mix in only 35 years, with much of that disruption occurring in the middle years of the forecast period rather than the later years.

LGIM screens out pure-play coal companies from some actively managed fixed income funds, i.e. those companies deriving a plurality of revenue from coal operations. This is because we believe that coal, as the most emissions-intensive fossil fuel, is increasingly at risk of their assets being stranded due to the transition to a low carbon economy.

Climate change has impacted our purchases of offshore drilling companies and/or service companies that are exposed to a large extent on offshore drilling. In addition, we have not purchased certain Canadian oil sands exposed companies reflecting our need for higher compensation for the long-term stranded asset risk. This hasn't ruled out all companies, but has been a deciding factor on some of the more highly leveraged issuers.

(C) **Assets with exposure to direct physical climate risk. Specify:**

An assessment of current flood risk is included in the standard due diligence process of all real asset property acquisitions. This enables the flood risk of each asset to be categorised and zoned. Our policy is to reject properties in high risk zones (Zone 3), unless a specific review confirms no risk to structure or operation and that flood defences will be constructed and maintained. Properties in medium risk zones (Zone 2) are investigated in detail for resilience. During 2020, we updated this approach. Here, the exposure of all assets in the Real Estate Equity portfolio was assessed against eight different climate hazards, between now and 2100: riverine flood, surface water flood, coastal inundation, heat, forest fire, wind damage, soil movement and freeze-thaw. Of the eight hazards reviewed, the analysis demonstrated that although other risks will become more significant moving forwards, flood risk poses the biggest threat to our portfolio, both now and into the future. As such, our previous flood risk assessment approach has been updated to incorporate forward looking data and to also better assess flood risk of large, multi-site assets at a more granular level of detail.

(D) **Assets with exposure to indirect physical climate risk. Specify:**

The catastrophic long-term physical risks resulting from uncontrolled climate change on our business, our investments and the wider economy provide us with incentive to promote the transition to a net zero world. Over the long term, we are all exposed to physical risk. Physical risk impacts on asset holdings or changes to insurance liabilities as a result of more frequent and severe weather events and longer-term shifts in climate. For example, increasing frequency, severity or volatility of extreme weather events could lead to falls in asset values and increases in credit risk. We have already witnessed how the physical effects of climate change can have an impact on the operations of our portfolio companies, as evidenced by, e.g. recent hurricane seasons in the U.S, wildfires in Australia etc.

Climate change, and its direct and indirect impact, poses a significant macro-economic risk for long-term investors. Yet due to the unpredictable and inconsistent nature of weather patterns, it is difficult to assess the exact level of their impact. The magnitude and likelihood of risks and the scope and scale for solutions are also highly dependent on the policy support for mitigating excess emission levels and adapting to more extreme and changing weather patterns.

(E) **Specific sectors and/or assets that are likely to benefit under a range of climate scenarios. Specify:**

Meeting the Paris Agreement will require a significant upscaling of investment in areas such as low carbon energy, infrastructure and energy efficiency, which we believe present substantial investment opportunities.

Via our thematic ETF range, LGIM offers clients exposure to the opportunities that are driving structural and foundational changes in the way we live and work and how our society operates. The companies included in the funds are disruptors, posing a challenge to traditional industries and are likely to see higher growth rates as economies decarbonise. To this end, we have launched three climate-related ETFs: Clean Energy, Battery Value-Chain and Hydrogen Economy.

(F) Specific sectors and/or assets that contribute significantly to achieving our climate goals. Specify:

Green hydrogen can be used to decarbonise heating, electricity, heavy-duty transport and as an industrial feedstock. Studies suggest up to 20% of global carbon emissions could be abated by hydrogen. Our Hydrogen Economy ETF invests in companies across the value chain of this crucial low-carbon technology.

(G) Other climate-related risks and opportunities identified. Specify:

The risks and opportunities associated with climate change will manifest themselves differently depending on asset class, sectors and countries. Broadly, shorter term implications, such as implication of high carbon price or energy cost are often already priced into the market. The development of our Destination@Risk model will feed into investment decision making going forward, including through identification of under-priced opportunities or over-priced legacy assets.

Over the medium term, the government policies and regulations that help or hinder the low carbon transition can create significant risks and opportunities - this would be a 1-5 year timeframe. In the same period, technological advances and consumer demand for alternative products could materially alter market dynamics such as electrification of transport, alternatives to plastics, etc. For example, LGIM has publicly warned that planning for ever-growing oil demand may hurt the oil industry's profits sooner than expected, as the costs of clean tech fall and the costs of emitting carbon rise. <https://www.bloomberg.com/news/articles/2019-02-12/oil-s-twilight-here-s-one-investor-view-on-how-it-plays-out>

Over the medium to longer term, we expect physical as well as transitional risks to become much more pronounced, both from one-off shocks like wide scale floods and droughts, as well as gradual but impactful like migration pressures and productivity of key crops.

Most importantly, the scale of the impact from climate change can only be mitigated if we act on it today. This is why in our engagement with investee companies and policy makers, we emphasis on the urgency of immediate action, without which, we close on the window to stabilise and halt global temperature rise.

We fully recognise our duty to inform and guide our clients and produce regular thought pieces and educational materials on this issue.

(H) We have not identified specific climate-related risks and opportunities within our organisation's investment time horizon

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 30.1	CORE	ISP 30	N/A	PUBLIC	Strategy	General

For each of the identified climate-related risks and opportunities, indicate within which investment time-horizon they were identified.

	(1) 3–5 months	(2) 6 months to 2 years	(3) 2–4 years	(4) 5–10 years
(B) Specific sectors and/or assets that are at risk of being stranded [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(C) Assets with exposure to direct physical climate risk [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Assets with exposure to indirect physical climate risk [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Specific sectors and/or assets that are likely to benefit under a range of climate scenarios [as specified]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(F) Specific sectors and/or assets that contribute significantly to achieving our climate goals [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(G) Other climate-related risks and opportunities identified [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	<b>(5) 11–20 years</b>	<b>(6) 21–30 years</b>	<b>(7) &gt;30 years</b>	

(B) Specific sectors and/or assets that are at risk of being stranded [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(C) Assets with exposure to direct physical climate risk [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Assets with exposure to indirect physical climate risk [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Specific sectors and/or assets that are likely to benefit under a range of climate scenarios [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(F) Specific sectors and/or assets that contribute significantly to achieving our climate goals [as specified]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(G) Other climate-related risks and opportunities identified [as specified]



Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 31	CORE	N/A	N/A	PUBLIC	Strategy	General

Which climate-related risks and opportunities has your organisation identified beyond its investment time horizon(s)?

(A) Specific financial risks in different asset classes. Specify:

(B) **Specific sectors and/or assets that are at risk of being stranded. Specify:**

In LGIM's model of a 'Well below 2°C' warming outcome, the energy sector has a high potential risk of certain assets being stranded due to the expected shift of the energy mix from fossil fuel sources to renewables. The analysis using our Destination@Risk tool suggests that this is expected to have a negative 70% impact on valuations for the energy sector by 2050.

(C) **Assets with exposure to direct physical climate risk. Specify:**

An assessment of current flood risk is included in the standard due diligence process of all real asset property acquisitions. This enables the flood risk of each asset to be categorised and zoned. Our policy is to reject properties in high risk zones (Zone 3), unless a specific review confirms no risk to structure or operation and that flood defences will be constructed and maintained. Properties in medium risk zones (Zone 2) are investigated in detail for resilience. During 2020, we updated this approach. Here, the exposure of all assets in the Real Estate Equity portfolio was assessed against eight different climate hazards, between now and 2100: riverine flood, surface water flood, coastal inundation, heat, forest fire, wind damage, soil movement and freeze-thaw. Of the eight hazards reviewed, the analysis demonstrated that although other risks will become more significant moving forwards, flood risk poses the biggest threat to our portfolio, both now and into the future. As such, our previous flood risk assessment approach has been updated to incorporate forward looking data and to also better asset flood risk of large, multi-site assets at a more granular level of detail.

(D) **Assets with exposure to indirect physical climate risk. Specify:**

We recognise the existence of indirect risks, but these are very difficult to quantify. As we note in our latest TCFD report, beyond 2050 "we do not assess the full financial impacts on the economy from physical risks, which should also include the human impacts including disease, forced migration due to water and food shortages and disruption to corporate supply chains". These impacts are not possible to model today, however we recognise that they may pose increasing risks in the future.

(E) **Specific sectors and/or assets that are likely to benefit under a range of climate scenarios. Specify:**

In LGIM's 'Well below 2°C' scenario the electricity system is rapidly decarbonised. Around three-quarters of all electricity is generated from low-carbon sources by 2050. In our 'BAU' scenario, we forecast an energy mix that remains remarkably stable. In particular, coal, oil and gas all hold onto roughly constant shares. Nuclear should see modest growth, mostly in Asian markets. Renewables grow modestly in the 'BAU' scenario but rapidly in the 'Well below 2°C' scenario. Solar becomes especially valuable to the system, as costs continue to decline throughout the forecasting period.

(F) **Specific sectors and/or assets that contribute significantly to achieving our climate goals. Specify:**

Meeting the Paris Agreement will require a transformation of key sectors across the economy. We have identified 'climate-critical' sectors and have developed a net-zero guidance document for each one, detailing decarbonisation challenges and opportunities. (CIP Sector guides, link: <https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/>)

(G) **Other climate-related risks and opportunities identified, please specify:**

As part of LGIM's Global Research and Engagement Groups (GREGS), analysts from the active equity, fixed income, real assets and investment stewardship teams collaborate to identify key ESG and climate-related risks and opportunities across sectors. Some sectors may not see stranded assets, but may in the very long-term see a decline in demand, or a need to shift product portfolios to adapt to new regulatory environments and shifting consumer preferences.

(H) We have not identified specific climate-related risks and opportunities beyond our organisation's investment time horizon

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 32	PLUS	N/A	N/A	PUBLIC	Strategy	General

**Describe the impact of climate-related risks and opportunities on your organization's investment strategy, products (where relevant) and financial planning.**

LGIM and our parent company have identified the risks and opportunities associated with climate change and have committed to addressing them. As described in our climate change policy: Climate change, and its direct and indirect impact, poses a significant macro-economic risk for long-term investors. Yet due to the unpredictable and inconsistent nature of weather patterns, it is difficult to assess the exact level of their impact. The magnitude and likelihood of risks and the scope and scale for solutions are also highly dependent on the policy support for mitigating excess emission levels and adapting to more extreme and changing weather patterns. Meeting the target of the Paris Agreement will also require a significant upscaling of investment in areas such as low-carbon energy, infrastructure and energy efficiency, which we believe present substantial investment opportunities.

Our approach to climate change encompasses a number of different avenues, including:

- Working with policy makers - To support policy efforts to meet emission reduction targets, to encourage capital deployment at scale, in order to finance the transition towards a low-carbon economy and to accelerate investments in climate change adaptation.
- Developing our capacity to assess climate-related risks and opportunities - To integrate climate risks and low-carbon opportunities in the investment management of relevant portfolios by seeking key indicators and acting upon financially material data and information.
- Engaging with the companies in which we invest - To ensure investee companies' strategies are aligned with global climate goals, to seek assurance that boards consist of individuals who can drive businesses to succeed through the energy transition, and to ensure companies are disclosing appropriate levels of risks and opportunities presented by the implications of climate change.
- Reporting to clients - To communicate actions taken on their behalf, and assist clients in considering the implications for their own portfolios.
- Providing investment solutions that are in line with low-carbon opportunities - To work with clients to provide products that are aligned with their investment beliefs and that capture the multitude of investment opportunities that are arising in order to build a low-carbon economy.

As a global diversified investor, we aim to take a comprehensive look at the implications of climate change for our clients' assets. They range from the overall governance of risks and opportunities down to the level of metrics, targets and product development. Additionally, we are developing analytical tools to enable us to assess and quantify transitional and physical climate risk exposure of listed equity and debt portfolios. <https://www.legalandgeneralgroup.com/media-centre/press-releases/lgim-announces-climate-solutions-capability-powered-by-risk-and-alignment-framework-co-developed-with-baringa-partners/> For more information, please see p. 24 and onwards of the active ownership report: <https://www.lgim.com/uk/en/capabilities/investment-stewardship/active-ownership/>

## Strategy: Scenario analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 33	CORE	N/A	ISP 33.1	PUBLIC	Strategy: Scenario analysis	General

Does your organisation use scenario analysis to assess climate-related investment risks and opportunities? Select the range of scenarios used.

- (A) An orderly transition to a 2°C or lower scenario
- (B) An abrupt transition consistent with the Inevitable Policy Response
- (C) A failure to transition, based on a 4°C or higher scenario
- (D) Other climate scenario, specify:
- (E) We do not use scenario analysis to assess climate-related investment risks and opportunities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 33.1	PLUS	ISP 33	N/A	PUBLIC	Strategy: Scenario analysis	General

Describe how climate scenario analysis is used to test the resilience of your organisation's investment strategy and inform investments in specific asset classes.

- (A) An orderly transition to a 2°C or lower scenario

Description of how this climate scenario is used to test resilience and inform investments:

Destination@Risk enables us to identify climate risks embedded within portfolios by assessing scenario based forward-looking valuations of a company to derive corresponding impacts on credit spreads, bond prices and equity valuations. Furthermore, through a combination of historical and forward-looking measures, Destination@Risk offers the capability to quantify temperature alignment at a portfolio, sector and company level.

Well-below 2°C: the energy system we will have in a world where we take early, definitive, joined-up policy and investment actions to move onto a 'well-below 2°C' scenario by the end of the century. Companies and consumers gradually align their behaviour with a carbon neutral economy. Financial markets price in the transition in an orderly fashion and take advantage of the opportunities the transition provides. Whilst there are significant structural changes and winners and losers, the economic impacts are manageable. Our policy commitment is to support the delivery of this outcome.

- (B) An abrupt transition consistent with the Inevitable Policy Response

Description of how this climate scenario is used to test resilience and inform investments:

Destination@Risk enables us to identify climate risks embedded within portfolios by assessing scenario based forward-looking valuations of a company to derive corresponding impacts on credit spreads, bond prices and equity valuations. Furthermore, through a combination of historical and forward-looking measures, Destination@Risk offers the capability to quantify temperature alignment at a portfolio, sector and company level.

Disorderly: the impact of a 10-year delay in taking joined-up policy and investment actions.

(C) A failure to transition, based on a 4°C or higher scenario

Description of how this climate scenario is used to test resilience and inform investments:

Destination@Risk enables us to identify climate risks embedded within portfolios by assessing scenario based forward-looking valuations of a company to derive corresponding impacts on credit spreads, bond prices and equity valuations. Furthermore, through a combination of historical and forward-looking measures Destination@Risk offers the capability to quantify temperature alignment at a portfolio, sector and company level.

Business as usual (BAU): the warming outcome is expected to be 3.75°C, which is the likely outcome if we fail to act to make the necessary changes to address climate change. This is a technologically optimistic view of the world, with many green and low-carbon technologies becoming cheaper than legacy choices over time but there is no aggressive coordinated international response. The bulk of scientific and economic research has confirmed that the consequences of this are significantly negative, potentially catastrophic.

## Risk management

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 34	PLUS	ISP 30	N/A	PUBLIC	Risk management	General

### Which risk management processes do you have in place to identify and assess climate-related risks?

(A) Internal carbon pricing. Describe:

In 2018, LGIM entered into a strategic partnership with a leading energy consultancy and conducted a year-long review into the global energy system and opportunities for decarbonisation. We jointly created a bespoke, investor-focused model to analyse different scenarios, depicting how the energy system is likely to evolve over the next 35 years and what the implications are for long-term investors from policy measures to decarbonise the economy. Destination@Risk allows the robust measurement of the climate risk embedded in investors' portfolios and their climate alignment. The climate risk and alignment framework has been used to analyse around 2,000 companies, and has concluded that the majority of companies are not aligned with the Paris objectives. The modelling has also been used to assess both the transitional and physical risks in the companies analysed.

(B) Hot spot analysis. Describe:

(C) Sensitivity analysis. Describe:

Destination@Risk enables us to identify climate risks embedded within portfolios by assessing scenario based forward-looking valuations of a company to derive corresponding impacts on credit spreads, bond prices and equity valuations. Climate risk scenario analysis identifies the climate risks embedded within a company deriving an earnings at risk number. This number is made up of two values: a transitional cost and a physical cost. Furthermore, through a combination of historical and forward-looking measures, Destination@Risk offers the capability to quantify temperature alignment at a portfolio, sector and company level. We define "alignment" as the extent to which companies either are, or are not, aligning their own businesses to Paris outcome. We measure this in degrees of average change in global temperatures. Alignment is implied by two things: the current carbon intensity, and the historical rate of change of carbon intensity.

The quantitative output from Destination is just the starting point and we are in the process of now enriching the output by handing the tool over to our analysts to kick the tires on the results. We know that a qualitative assessment is just as important as a quantitative one. By the first quarter of 2021 a climate risk dashboard will be available to many of our Active Strategies portfolio managers and analysts within LGIM, enabling LGIM to embed climate risk and alignment in a consistent way throughout the entire global investment function. LGIM will also launch a climate solution capability for institutional investors, also available from Q1 2021, which will deploy the modelling tools developed, to measure the climate alignment of client assets, and to design and to implement fully bespoke 'Pathways to Paris'.

(D) TCFD reporting requirements on external investment managers where we have externally managed assets. Describe:

(E) TCFD reporting requirements on companies. Describe:

Our engagements with companies help identify those best positioned to manage climate-related risks, and those falling behind. Climate change has been an engagement priority for LGIM since 2017, and was our top most frequently discussed engagement topic in 2020. As part of climate change-related engagements, we strongly encourage portfolio companies to report in line with the TCFD recommendations - and as part of this reporting, to conduct through analysis of their climate-related risks and opportunities, to help inform our investment decision-making process.

LGIM's Climate Impact Pledge (CIP) is our flagship engagement programme aimed at addressing climate change and helping companies transition to a low-carbon economy. As part of this, we have created an assessment framework of around 40 indicators, which include whether companies are disclosing in line with the TCFD recommendations. The results of this assessment are publicly available on our website, under a "traffic light" system. Companies which fall short of pre-determined minimum standards according to this framework, including failing to report in line with TCFD, will be subject to voting sanctions starting from the 2021 AGM season.

(F) Other risk management processes in place, please describe:

Climate-related risks can be identified at company, sector, country level or the entire market. To systematically assess them, we utilise a multi-layered process:

- Climate engagement - for market wide issues that require companies to significantly shift strategies
- Long-term themes - to debate and form views on energy transitions and implications for asset allocation via the Global Research & Engagement Groups (GREGS).
- ESG scores - apply consistent standards of carbon metrics to identify sectors and companies more likely to be at risk (see further more information below)
- ESG View - assist the integration of climate issues into the active fund management process and help pick companies which are better positioned than their peers (see further information below)
- Country-level risks - important for both sovereign bond investments and to assess investments' exposures to countries with heightened risks (see further information below).
- The climate and ESG information we collect is stored in LGIM's central data repository, and can be incorporated into various internal reports such as risk and portfolio monitoring, and external reports in summary/illustrative form, such as fund fact sheets and client reports.

LGIM's ESG Score is applied to all main investable companies, comprising 28 individual indicators, of which three are directly linked to climate change. These three indicators constitute a third of the overall weighting of the ESG Score, reflecting the heightened level of risks to the market. The three indicators are carbon emissions (greenhouse gas emissions from scope 1 and 2), carbon reserves (reserves of oil, gas and coal), and the percentage of the 'green' revenue contribution from low-carbon and environmental solutions, such as renewables and electric vehicles.

The ESG View is an in-house tool which provides an indicative score capturing a company's ESG risk exposure. The tool assesses over 4000 companies on 400 ESG indicators, chosen based on financial materiality in each of 70 separate sectors. Companies are scored and compared against peers on environmental metrics including carbon emissions intensity, stranded asset risks, strength of environmental policies, water risks and green revenues, helping flag to analysts the companies which are particularly exposed to climate risks, and conversely those that could be well-positioned to benefit from opportunities.

Our ESG Country Score draws on over 200 data points assessing the quality of over 200 sovereigns across both developed and emerging markets, incorporating metrics such as climate change adoption, emissions, waste and natural hazards.

GREGS: Industry specialists from our Investments, Real Assets and Investment Stewardship teams have established working groups to assess the evolving materiality of climate and other ESG factors across different sectors, from energy to consumer goods.

(G) We do not have any risk management processes in place to identify and assess climate-related risks

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 35	PLUS	Multiple, see guidance	N/A	PUBLIC	Risk management	General

**In which investment processes do you track and manage climate-related risks?**

**(A) In our engagements with investee entities, and/or in engagements conducted on our behalf by service providers and/or external managers. Describe:**

In 2020, we expanded our Climate Impact Pledge, a targeted engagement programme we launched in 2016 that combines in-depth analysis of companies' climate strategies alongside voting and investment sanctions. The environment was the Investment Stewardship team's top topic for engagement in 2020.

**(B) In (proxy) voting conducted by us, and/or on our behalf by service providers and/or external managers. Describe:**

Key minimum standards and related proxy voting sanctions are described in our methodology document: <https://climatepledge-lgim.huguenots.co.uk/srp/documents-id/ef9e3a79-309e-4d8f-b7df-20f3539baff9/Methodologyforratingcompanies.pdf> as well as our global corporate governance principles [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-north-america-corporate-governance-and-responsible-investment-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-north-america-corporate-governance-and-responsible-investment-policy.pdf)

**(E) In the asset class benchmark selection process. Describe:**

**(F) In our financial analysis process. Describe:**

We use a variety of tools to analyse climate risks across different timescales and types of investment.

**Companies:** At the company level, we leverage our own expertise as well as that of third-party data providers.

A lack of comparable, reliable climate data poses clear risks to investors. To help drive better transparency and disclosure, we have made both our Climate Impact Pledge ratings and ESG scores, which cover thousands of large companies, publicly available on our website.

**Sectors:** Industry specialists from our Investments, Real Assets and Investment Stewardship teams have established working groups to assess the evolving materiality of climate and ESG factors across different sectors, from energy to consumer goods.

Under this approach, research is combined with engagement and a strong voting stance, to encourage companies to raise their standards and future-proof business models. An independent report found that in 2020, LGIM had the highest level of support for 'climate-critical' shareholder proposals, and "the highest rate of voting against management-proposed director candidates in the energy, utility, banking and automotive sectors", compared to any of the world's 12 largest asset managers.

**(G) Other investment process(es). Describe:**

**(H) We are not tracking and managing climate-related risks in specific investment processes**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 36	PLUS	N/A	N/A	PUBLIC	Risk management	General

**How are the processes for identifying, assessing and managing climate-related risks incorporated into your organisation's overall risk management?**

(A) The risk committee or the equivalent function is formally responsible for identifying, assessing and managing climate risks. Describe:

(B) **Climate risks are incorporated into traditional risks (e.g. credit risk, market risk, liquidity risk or operational risk).**

**Describe:**

We have developed a fully integrated framework for responsible investment across asset classes. This includes the consideration of material climate change risks alongside traditional investment risks – for more details on our tools, please see the Active Ownership report, p 8- 38.

(C) **Climate risks are prioritised based on their relative materiality, as defined by our organisation's materiality analysis.**

**Describe:**

In 2020, our Global Research and Engagement Group developed a proprietary materiality matrix to identify the most financially material topics for a given industry, guided by the work in this field by the Sustainability Accounting Standards Board. This entails analysing ESG factors likely to have an impact on financial or operating performance. Climate change and environmental risks have been an important part of this assessment. See p. 16 of Active Ownership for more.

(D) Executive remuneration is linked to climate-related KPIs. Describe:

(E) **Management remuneration is linked to climate-related KPIs. Describe:**

Our active strategies integrate ESG factors and considerations in the investment decision-making process. ESG integration is a binding requirement in respect of our active products and our investment team. ESG is therefore incorporated in the KPI for both our Portfolio Managers and Investment Analysts, and forms a proportion of the overall bonus potential.

(F) **Climate risks are included in the enterprise risk management system. Describe:**

In 2020 we announced the development of our climate risk framework, Destination@Risk, the result of a three-year collaboration and strategic partnership with a leading energy consultancy. This proprietary tool will allow us to quantify the physical and transitional risks within investment portfolios under a variety of climate scenarios, including a well below 2°C scenario in line with the Paris Agreement. We believe our ability to work with clients to analyse these risks and opportunities across their entire portfolios is critical. We continue to use the model to enable all of LGIM's investment teams to access the climate risk and temperature alignment forecasts within a single dashboard.

(G) **Other methods for incorporating climate risks into overall risk management, please describe:**

Qualitative and quantitative metrics following engagement with companies under the Climate Impact Pledge  
<https://climatepledge.lgim.com/uk/en/>

(H) Processes for identifying, assessing and managing climate-related risks are not integrated into our overall risk management

## Metrics and targets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 37	PLUS	N/A	ISP 37.1	PUBLIC	Metrics and targets	General

### Have you set any organisation-wide targets on climate change?

- (A) Reducing carbon intensity of portfolios
- (B) Reducing exposure to assets with significant climate transition risks
- (C) Investing in low-carbon, energy-efficient climate adaptation opportunities in different asset classes
- (D) Aligning entire group-wide portfolio with net zero
- (E) **Other target, please specify:**

As a founding signatory of the Net Zero Asset Manager initiative, LGIM has committed to set interim targets for 2030, for assets to be managed in line with the net zero goal, consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the Intergovernmental Panel on Climate Change (IPCC) special report on global warming of 1.5°C. More details will be announced in the second half of 2021.

- (F) No, we have not set any climate-related targets

## Metrics and targets: Transition risk

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 38	PLUS	N/A	ISP 38.1	PUBLIC	Metrics and targets: Transition risk	General

### What climate-related metric(s) has your organisation identified for transition risk monitoring and management?

- (A) **Total carbon emissions**
- (B) **Carbon footprint**
- (C) **Carbon intensity**
- (D) **Weighted average carbon intensity**
- (E) **Implied temperature warming**
- (F) Percentage of assets aligned with the EU Taxonomy (or similar taxonomy)
- (G) Avoided emissions metrics (real assets)
- (H) Other metrics, please specify:
- (I) No, we have not identified any climate-related metrics for transition risk monitoring

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 38.1	PLUS	ISP 38	N/A	PUBLIC	Metrics and targets: Transition risk	General

Provide details about the metric(s) you have identified for transition risk monitoring and management.

	(1) Coverage of AUM	(2) Purpose
(A) Total carbon emissions	(2) for the majority of our assets	To measure the total emissions associated with investments.
(B) Carbon footprint	(2) for the majority of our assets	To carbon footprint emissions associated with investments.
(C) Carbon intensity	(2) for the majority of our assets	Measure carbon emissions intensity of investments.
(D) Weighted average carbon intensity	(2) for the majority of our assets	Measure average carbon emissions intensity of investments.
(E) Implied temperature warming	(3) for a minority of our assets	Assess implied temperature alignment.
	(3) Metric unit	(4) Methodology
(A) Total carbon emissions	Carbon tonnes CO2e (1\$m invested)	See metric unit for detail
(B) Carbon footprint	Carbon tonnes CO2e / \$m invested (EVIC)	See metric unit for detail
(C) Carbon intensity	Carbon tonnes CO2e / \$m revenues	See metric unit for detail
(D) Weighted average carbon intensity	Carbon tonnes CO2e / \$m revenues	See metric unit for detail
(E) Implied temperature warming	Degree Celsius	Extrapolate the 10 year trend of companies' emission intensity out to 2030 and 2050.
	(5) Disclosed value	

(A) Total carbon emissions	68
(B) Carbon footprint	68
(C) Carbon intensity	189
(D) Weighted average carbon intensity	169
(E) Implied temperature warming	Temperature alignment in Degree Celsius for 2030 and 2050 at issuer and portfolio level.

## Metrics and targets: Physical risk

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 39	PLUS	N/A	ISP 39.1	PUBLIC	Metrics and targets: Physical risk	General

What climate-related metric(s) has your organisation identified for physical risk monitoring and management?

- (A) Weather-related operational losses for real assets or the insurance business unit
- (B) Proportion of our property, infrastructure or other alternative asset portfolios in an area subject to flooding, heat stress or water stress
- (C) Other metrics, please specify:
- (D) Other metrics, please specify:
- (E) We have not identified any metrics for physical risk monitoring

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 39.1	PLUS	ISP 39	N/A	PUBLIC	Metrics and targets: Physical risk	General

Provide details about the metric(s) you have identified for physical risk monitoring and management.

	(1) Coverage of AUM	(2) Purpose
(A) Weather-related operational losses for real assets or the insurance business unit	(1) for all of our assets	An estimate of future financial losses from physical climate risk under two different scenarios.

(B) Proportion of our property, infrastructure or other alternative asset portfolios in an area subject to flooding, heat stress or water stress	(1) for all of our assets	A forward looking assessment of asset-level flood risk.
	<b>(3) Metric unit</b>	<b>(4) Methodology</b>
(A) Weather-related operational losses for real assets or the insurance business unit	£	In development – using a combination of property value, replacement and AEP to estimate losses under two different scenarios.
(B) Proportion of our property, infrastructure or other alternative asset portfolios in an area subject to flooding, heat stress or water stress	Flood zone 0-3	Change in precipitation under different scenarios is used to calculate change in flood depths, which indicate which flood zone (JBA definition) an asset may be in between now and 2100.
		<b>(5) Disclosed value</b>
(A) Weather-related operational losses for real assets or the insurance business unit		N/A – in development
(B) Proportion of our property, infrastructure or other alternative asset portfolios in an area subject to flooding, heat stress or water stress		~80% in flood zone 0 2020 - 2100

# Sustainability outcomes

## Set policies on sustainability outcomes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 40	CORE	ISP 1.1	N/A	PUBLIC	Set policies on sustainability outcomes	1, 2

Where is your approach to sustainability outcomes set out? Your policy/guideline may be a standalone document or part of a wider responsible investment policy.

- (A) Our approach to sustainability outcomes is set out in our responsible investment policy
- (B) Our approach to sustainability outcomes is set out in our exclusion policy
- (C) Our approach to sustainability outcomes is set out in our stewardship policy
- (D) Our approach to sustainability outcomes is set out in asset class-specific investment guidelines
- (E) Our approach to sustainability outcomes is set out in separate guidelines on specific outcomes (e.g. the SDGs, climate or human rights)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 41	CORE	ISP 1.1	N/A	PUBLIC	Set policies on sustainability outcomes	1, 2

Which global or regionally recognised frameworks do your policies and guidelines on sustainability outcomes refer to?

- (A) The SDG goals and targets
- (B) The Paris Agreement
- (C) The UN Guiding Principles on Business and Human Rights
- (D) The OECD Guidelines for Multinational Enterprises, including guidance on Responsible Business Conduct for Institutional Investors
- (E) Other frameworks, please specify:
  - United Nations Global Compact
- (F) Other frameworks, please specify:
  - TCFD

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 42	PLUS	ISP 1.1	N/A	PUBLIC	Set policies on sustainability outcomes	1, 2

What are the main reasons that your organisation has established policies or guidelines on sustainability outcomes? Select a maximum of three options.

- (A) Because we understand which potential financial risks and opportunities are likely to exist in (and during the transition to) an SDG-aligned world
- (B) Because we see it as a way to identify opportunities, such as through changes to business models, across supply chains and through new and expanded products and services
- (C) Because we want to prepare for and respond to legal and regulatory developments, including those that may lead to stranded assets
- (D) Because we want to protect our reputation and licence-to-operate (i.e. the trust of beneficiaries, clients and other stakeholders), particularly in the event of negative sustainability outcomes from investments
- (E) Because we want to meet institutional commitments on global goals (including those based on client or beneficiaries' preferences), and communicate on progress towards meeting those objectives
- (F) Because we consider materiality over longer time horizons to include transition risks, tail risks, financial system risks and similar
- (G) Because we want to minimise negative sustainability outcomes and increase positive sustainability outcomes of investments

## Identify sustainability outcomes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 43	CORE	N/A	Multiple, see guidance	PUBLIC	Identify sustainability outcomes	1

Has your organisation identified the intended and unintended sustainability outcomes from any of its activities?

- (A) No, we have not identified the sustainability outcomes from our activities
- (B) Yes, we have identified one or more sustainability outcomes from some or all of our activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 44	CORE	ISP 43	ISP 44.1	PUBLIC	Identify sustainability outcomes	1

What frameworks/tools did your organisation use to identify the sustainability outcomes from its activities? Indicate the tools or frameworks you have used to identify and map some or all of your sustainability outcomes.

- (A) The UN Sustainable Development Goals (SDGs) and targets
- (B) The Paris Agreement
- (C) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (D) The OECD Guidelines for Multinational Enterprises, including guidance on Responsible Business Conduct for Institutional Investors
- (E) The EU Taxonomy
- (F) Other taxonomies (e.g. similar to the EU Taxonomy), please specify:
- (G) Other framework/tool, please specify:
  - TCFD
- (H) Other framework/tool, please specify:
- (I) Other framework/tool, please specify:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 44.1	CORE	ISP 44	N/A	PUBLIC	Identify sustainability outcomes	1

At what level(s) did your organisation identify the sustainability outcomes from its activities?

- (A) At the asset level
- (B) At the economic activity level
- (C) At the company level
- (D) At the sector level
- (E) At the country/region level
- (F) At the global level
- (G) Other level(s), please specify:
- (H) We do not track at what level(s) our sustainability outcomes were identified

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 45	CORE	ISP 43	SO 1	PUBLIC	Identify sustainability outcomes	1

How has your organisation determined your most important sustainability outcome objectives?

- (A) Identifying sustainability outcomes that are closely linked to our core investment activities
- (B) Consulting with key clients and/or beneficiaries to align with their priorities
- (C) Assessing the potential severity (e.g. probability and amplitude) of specific negative outcomes over different timeframes
- (D) Focusing on the potential for systemic impacts (e.g. due to high level of interconnectedness with other global challenges)
- (E) Evaluating the potential for certain outcome objectives to act as a catalyst/enabler to achieve a broad range of goals (e.g. gender or education)
- (F) Analysing the input from different stakeholders (e.g. affected communities, civil society or similar)
- (G) Understanding the geographical relevance of specific sustainability outcome objectives
- (H) Other method, please specify:
- (I) We have not yet determined our most important sustainability outcome objectives

## Transparency & Confidence-Building Measures

### Information disclosed – ESG assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 46	CORE	OO 16	N/A	PUBLIC	Information disclosed – ESG assets	6

For the majority of your ESG/sustainability marketed funds or products, and/or your ESG/RI certified or labelled assets, what information about your ESG approach do you (or the external investment managers/service providers acting on your behalf) include in material shared with clients, beneficiaries and/or the public? The material may be marketing material, information targeted towards existing or prospective clients or information for beneficiaries.

- (A) A commitment to responsible investment (e.g. that we are a PRI signatory)
- (B) Industry-specific and asset class-specific standards that we align with (e.g. TCFD, or GRESB for property and infrastructure)
- (C) Our responsible investment policy (at minimum a summary of our high-level approach)
- (D) A description of our investment process and how ESG is considered
- (E) ESG objectives of individual funds
- (F) Information about the ESG benchmark(s) that we use to measure fund performance
- (G) Our stewardship approach

- (H) A description of the ESG criteria applied (e.g. sectors, products, activities, ratings and similar)
- (I) The thresholds for the ESG criteria applied in our investment decisions or universe construction
- (J) A list of our main investments and holdings
- (K) ESG case study/example from existing fund(s)
- (L) We do not include our approach to ESG in material shared with clients/beneficiaries/the public for the majority of our ESG/sustainability marketed funds or products, and/or our ESG/RI certified or labelled assets

## Information disclosed – Passive ESG assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 47	CORE	Multiple, see guidance	N/A	PUBLIC	Information disclosed – Passive ESG assets	6

For the majority of your ESG/sustainability marketed funds or products, and/or your ESG/RI certified or labelled assets that are passive listed equity and/or passive fixed income, how do you communicate changes in their ESG benchmark selection and construction?

- (A) We disclose details that would allow external parties to replicate or test the ESG index or benchmark
- (B) We disclose the main sources of ESG data, broad ESG assumptions and how this is used to develop ESG passive portfolios
- (C) We disclose a full list of all changes to methodologies
- (D) We disclose any changes that we deem significant to the methodology
- (E) We do not communicate changes to methodologies for the majority of our ESG/sustainability marketed funds or products, and/or our ESG/RI certified or labelled assets that use ESG indices/benchmarks

## Client reporting – ESG assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 48	CORE	Multiple, see guidance	N/A	PUBLIC	Client reporting – ESG assets	6

What ESG information is included in your client reporting for the majority of your ESG/sustainability marketed funds or products, and/or your ESG/RI certified or labelled assets?

- (A) Qualitative analysis, descriptive examples or case studies
- (B) Quantitative analysis or key performance indicators (KPIs) related to ESG performance
- (C) Progress on our sustainability outcome objectives
- (D) Stewardship results
- (E) Information on ESG incidents, where applicable
- (F) Analysis of ESG contribution to portfolio financial performance
- (G) We do not include ESG information in client reporting for the majority of our ESG/sustainability marketed funds or products, and/or our ESG/RI certified or labelled assets

## Information disclosed – All assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 49	CORE	N/A	N/A	PUBLIC	Information disclosed – All assets	6

For the majority of your total assets under management, what information about your ESG approach do you (or the external managers/service providers acting on your behalf) include in material shared with clients, beneficiaries and/or the public? The material may be marketing material, information targeted towards existing or prospective clients or information for beneficiaries.

- (A) A commitment to responsible investment (e.g. that we are a PRI signatory)
- (B) Industry-specific and asset class-specific standards that we align with (e.g. TCFD, or GRESB for property and infrastructure)
- (C) Our responsible investment policy (at minimum a summary of our high-level approach)
- (D) A description of our investment process and how ESG is considered
- (E) ESG objectives of individual funds
- (F) Information about the ESG benchmark(s) that we use to measure fund performance
- (G) Our stewardship approach
- (H) A description of the ESG criteria applied (e.g. sectors, products, activities, ratings and similar)
- (I) The thresholds for the ESG criteria applied in our investment decisions or universe construction
- (J) A list of our main investments and holdings
- (K) ESG case study/example from existing fund(s)
- (L) We do not include our approach to ESG in material shared with clients/beneficiaries/the public for the majority of our assets under management

## Client reporting – All assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 50	CORE	Multiple, see guidance	N/A	PUBLIC	Client reporting – All assets	6

What ESG information is included in your client reporting for the majority of your assets under management?

- (A) Qualitative ESG analysis, descriptive examples or case studies
- (B) Quantitative analysis or key performance indicators (KPIs) related to ESG performance
- (C) Progress on our sustainability outcome objectives
- (D) Stewardship results
- (E) Information on ESG incidents where applicable
- (F) Analysis of ESG contribution to portfolio financial performance
- (G) We do not include ESG information in client reporting for the majority of our assets under management

## Frequency of client reporting – All assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 51	CORE	Multiple, see guidance	N/A	PUBLIC	Frequency of client reporting – All assets	6

For the majority of each asset class, how frequently do you report ESG-related information to your clients?

(A) Listed equity	(1) Quarterly
(B) Fixed income	(1) Quarterly
(D) Real estate	(3) Annually

## Confidence-building measures

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 52	CORE	OO 16.1	Multiple, see guidance	PUBLIC	Confidence-building measures	6

What verification has your organisation had regarding the information you have provided in your PRI Transparency Report this year?

- (A) We received third-party independent assurance of selected processes and/or data related to our responsible investment processes, which resulted in a formal assurance conclusion
- (B) We conducted a third-party readiness review and are making changes to our internal controls/governance or processes to be able to conduct an external assurance next year
- (C) The internal audit function team performed an independent audit of selected processes/and or data related to our responsible investment processes reported in this PRI report
- (D) Our board, CEO, other C-level equivalent and/or investment committee has signed off on our PRI report
- (F) We conducted an external ESG audit of our ESG/sustainability marketed funds or products (excluding ESG/RI certified or labelled assets)
- (G) We conducted an external ESG audit of our holdings to check that our funds comply with our RI policy (e.g. exclusion list or investee companies in portfolio above certain ESG rating)
- (H) We conducted an external ESG audit of our holdings as part of risk management, engagement identification or investment decision-making
- (I) Responses related to our RI practices documented in this report have been internally reviewed before submission to the PRI
- (J) None of the above

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 53	CORE	ISP 52, 0014	N/A	PUBLIC	Confidence-building measures	6

**Which responsible investment processes and/or data did your organisation have third-party external assurance on?**

- |                                       |  |
|---------------------------------------|--|
| (A) Investment and stewardship policy | (3) Processes and related data assured |
| (C) Listed equity                     | (4) Neither process nor data assured   |
| (D) Fixed income                      | (4) Neither process nor data assured   |
| (F) Real estate                       | (2) Data assured                       |

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 54	CORE	ISP 52	ISP 54.1	PUBLIC	Confidence-building measures	6

**What standard did your third-party external assurance provider use?**

- (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, please specify:
- (J) Invest Europe Handbook of Professional Standards
- (K) ISAE 3402
- (L) **AAF 01/06**
- (M) AAF 01/06 Stewardship Supplement
- (N) ISO 26000 Social Responsibility
- (O) ASAE 3410 Assurance Engagements on Greenhouse Gas Statements
- (P) PCAF
- (Q) NGRS audit framework (National Greenhouse and Energy Reporting)

- (R) Auditor’s proprietary assurance framework for assuring RI-related information
- (S) Other greenhouse gas emissions assurance standard, please specify:
- (T) None of the above

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 54.1	PLUS	ISP 54	N/A	PUBLIC	Confidence-building measures	6

**Attach your third-party external assurance provider's report that contains the assurance conclusion.**

File uploaded: [https://priassociation.eu.qualtrics.com/ControlPanel/File.php?F=F\\_3huohKDeWSOLbPU](https://priassociation.eu.qualtrics.com/ControlPanel/File.php?F=F_3huohKDeWSOLbPU)

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 55	PLUS	ISP 52	N/A	PUBLIC	Confidence-building measures	6

**Provide details of the third-party external assurance. Include details such as the level of assurance attained, who conducted it, limitations, the expertise of the assurer in the subject matter and/or usage of multiple standards.**

The two reports on Internal Controls for 2020, have been prepared in accordance with the International Standard on Assurance Engagements (ISAE) 3402 as well as the AAF 01/06 Guidance issued by the Institute of Chartered Accountants in England and Wales. The assurance covers the control environment and control objectives regarding the management and administration of our pooled investment funds and segregated funds within LGIM(H) from 1 January 2020 to 31 December 2020. The reports were signed and issued in February 2021. Within the context of stewardship, the reports looked at our voting processes. The assurance was performed by KPMG and is disclosable to clients, suppliers and other stakeholders.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 56	CORE	OO 14, ISP 52	N/A	PUBLIC	Confidence-building measures	6

**What responsible investment processes and/or data were audited by internal auditors/outsourced internal auditors?**

(A) Investment and stewardship policy	(3) Processes and related data assured
(C) Listed equity	(3) Processes and related data assured
(D) Fixed income	(3) Processes and related data assured
(F) Real estate	(2) Data assured

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 57	PLUS	ISP 52	N/A	PUBLIC	Confidence-building measures	6

**Provide details about the internal audit process regarding the information provided in your PRI Transparency Report.**

In 2020 a number of audit reviews were undertaken on ESG topics:

- Legal & General Group Internal Audit (GIA) performed a validation of the audit issues raised from the 2019 audit of ESG within LGIM to confirm implementation.
- GIA undertook an audit of “Management of Risk Related to Climate Change - Progress Against PRA Expectations”. The audit focused on L&G Group, but did include some coverage of LGIM’s Destination@Risk model.

ESG remains a key risk and regulatory focus area for consideration within the annual internal audit plan.

GIA is independent of all business and operational functions in the L&G Group, and reports to the Group Audit Committee. There are no parts of the group which are excluded from scrutiny by GIA. The audit methodology followed has been aligned with the principles-based guidance as per the Institute of Internal Auditors (IIA) Performance Standards and the IIA Code for Financial Services.

In addition, an internal review of exclusion processes was conducted by LGIM’s Compliance Monitoring Team during 2020, completing early 2021.

The review aimed to provide assurance on the process framework supporting responsible investing asset exclusions, covering the Future World Protection List (FWPL), Controversial Weapons Policy (CW) and Climate Impact Pledge (CIP). The review aimed to mitigate the risk of LGIM investing in stocks that are restricted because of our responsible investing policies. The effectiveness of post trade monitoring in respect of the companies on these exclusionary lists was also tested.

The review tested the controls on the design and effectiveness of exclusion processes. This included checking the data, the application of policies, automated coding and validation processes to construct exclusion lists. It involved interviewing staff members across the business. The report was delivered to senior management, included the CEO and the Chief Risk Officer.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 58	CORE	ISP 52	N/A	PUBLIC	Confidence-building measures	6

**Who has reviewed/verified the entirety of or selected data from your PRI report?**

(A) Board and/or trustees (4) report not reviewed

(B) Chief-level staff (e.g. Chief Executive Officer (CEO), Chief Investment Officer (CIO) or Chief Operating Officer (COO)) (4) report not reviewed

(C) Investment committee (4) report not reviewed

(D) Other chief-level staff, please specify:  
 Head of responsible investment integration (1) the entire report

(E) Head of department, please specify:  
 N/A (4) report not reviewed

(F) Compliance/risk management team (4) report not reviewed

(G) Legal team (4) report not reviewed

(H) RI/ ESG team

(1) the entire report

(I) Investment teams

(2) most of the report

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ISP 62	PLUS	ISP 52	N/A	PUBLIC	Confidence-building measures	6

**Describe your organisation's approach to ensuring that your responsible investment processes are implemented as per your policies and guidelines. In your description please include the frequency of ensuring that your processes follow stated policies and include the choice of ESG fund audit, internal audit function and/or third-party external assurance.**

LGIM operates a three lines of defence model to ensure effective application of risk management. It also provides LGIM with an effective way of communicating and aggregating risk at every level of the business, ultimately providing the board with appropriate oversight and understanding of the firm's risk and controls environment to support their decision-making process. In a first line capacity the Head of Responsible Investment Integration has oversight and responsibility across all functions within LGIM to ensure that appropriate RI processes and controls have been implemented in line with all Legal & General policies. These processes and controls are tested in line with all other processes and controls by both LGIM second line Compliance Monitoring and Legal & General's third line Independent Audit functions. In addition to the three lines of defence, Legal & General's independent auditors undertake an assurance process and produce an AAF report on the effectiveness of LGIM's controls.

In addition, the Investment Stewardship Committee meets quarterly receiving a report from the Director of Investment Stewardship and the Head of Responsible Investment Integration, who also reports at the LGIM Executive Committee monthly. ESG across liquid assets is discussed at the quarterly Investment Oversight Committee. There is a monthly Responsible Investment Committee, LGIM Executive decision-making group, and the Global Research and Engagement Groups. ESG is discussed at Legal & General Property Ltd meetings, LGIM Real Asset Ltd Boards and the Private Credit Management Committee. Meetings held quarterly with an ESG report included.

# Listed Equity (LE)

## Pre-investment phase

### Materiality analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 1	CORE	OO 10	LE 1.1	PUBLIC	Materiality analysis	1

Does your organisation have a formal investment process to identify material ESG factors across listed equities?

	(1) Passive equity	(3) Active – fundamental
(A) Yes, we have a formal process to identify material ESG factors for all of our assets	<input checked="" type="radio"/>	<input checked="" type="radio"/>
(B) Yes, we have a formal process to identify material ESG factors for the majority of our assets	<input type="radio"/>	<input type="radio"/>
(C) Yes, we have a formal process to identify material ESG factors for a minority of our assets	<input type="radio"/>	<input type="radio"/>
(D) No, we do not have a formal process. Our investment professionals identify material ESG factors at their own discretion	<input type="radio"/>	<input type="radio"/>
(E) No, we do not have a formal process to identify material ESG factors	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 1.1	CORE	LE 1	N/A	PUBLIC	Materiality analysis	1

How does your current investment process incorporate material ESG factors?

	(1) Passive equity	(3) Active - Fundamental
(A) The investment process incorporates material governance factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) The investment process incorporates material environmental and social factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) The investment process incorporates material ESG factors beyond our organisation's typical investment time horizon	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(D) The investment process incorporates the effect of material ESG factors on revenues and business operations	<input type="checkbox"/>	<input checked="" type="checkbox"/>

## Long-term ESG trend analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 2	CORE	OO 10	N/A	PUBLIC	Long-term ESG trend analysis	1

Do you continuously monitor a list of identified long-term ESG trends related to your listed equity assets?

	(1) Passive equity	(3) Active – fundamental
(A) We monitor long-term ESG trends for all assets	<input checked="" type="radio"/>	<input checked="" type="radio"/>

(B) We monitor long-term ESG trends for the majority of assets	<input type="radio"/>	<input type="radio"/>
(C) We monitor long-term ESG trends for a minority of assets	<input type="radio"/>	<input type="radio"/>
(D) We do not continuously monitor long-term ESG trends in our investment process	<input type="radio"/>	<input type="radio"/>

## ESG incorporation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 3	CORE	OO 10	LE 3.1	PUBLIC	ESG incorporation	1

**How does your financial modelling and equity valuation process incorporate material ESG risks?**

	(1) Passive equity	(3) Active – fundamental
(A) We incorporate governance-related risks into financial modelling and equity valuations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(B) We incorporate environmental and social risks into financial modelling and equity valuations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(C) We incorporate environmental and social risks related to companies' supply chains into financial modelling and equity valuations	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(D) ESG risk is incorporated into financial modelling and equity valuations at the discretion of individual investment decision-makers, and we do not track this process	<input type="checkbox"/>	<input type="checkbox"/>

(E) We do not incorporate ESG risks into our financial modelling and equity valuations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 3.1	CORE	LE 3	N/A	PUBLIC	ESG incorporation	1

**In what proportion of cases do you incorporate the following material ESG risks into your financial modelling and equity valuation process?**

**(3) Active - Fundamental**

(A) We incorporate governance-related risks into financial modelling and equity valuations (1) in all cases

(B) We incorporate environmental and social risks into financial modelling and equity valuations (1) in all cases

(C) We incorporate environmental and social risks related to companies' supply chains into financial modelling and equity valuations (1) in all cases

**Assessing ESG performance**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 4	CORE	OO 10	LE 4.1	PUBLIC	Assessing ESG performance	1

**What information do you incorporate when you assess the ESG performance of companies in your financial modelling and equity valuation process?**

**(1) Passive equity**

**(3) Active – fundamental**

(A) We incorporate information on current performance across a range of ESG metrics

(B) We incorporate information on historical performance across a range of ESG metrics

(C) We incorporate information enabling performance comparison within a selected peer group across a range of ESG metrics

(D) We incorporate information on ESG metrics that may impact or influence future corporate revenues and/or profitability

(E) We do not incorporate ESG factors when assessing the ESG performance of companies in our financial modelling or equity valuation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 4.1	CORE	LE 4	N/A	PUBLIC	Assessing ESG performance	1

**In what proportion of cases do you incorporate the following information when assessing the ESG performance of companies in your financial modelling and equity valuation process?**

**(1) Passive equity**

(A) We incorporate information on current performance across a range of ESG metrics

(1) in all cases

(B) We incorporate information on historical performance across a range of ESG metrics

(1) in all cases

(C) We incorporate information enabling performance comparison within a selected peer group across a range of ESG metrics

(1) in all cases

**(3) Active – fundamental**

(A) We incorporate information on current performance across a range of ESG metrics	(1) in all cases
(B) We incorporate information on historical performance across a range of ESG metrics	(1) in all cases
(C) We incorporate information enabling performance comparison within a selected peer group across a range of ESG metrics	(1) in all cases
(D) We incorporate information on ESG metrics that may impact or influence future corporate revenues and/or profitability	(1) in all cases

## ESG incorporation in portfolio construction

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 5	PLUS	OO 10	N/A	PUBLIC	ESG incorporation in portfolio construction	1

### Outline one best practice or innovative example where ESG factors have been incorporated into your equity selection and research process.

Detailed fundamental company research should be expected of all equity fund managers, but in our view the comprehensive integration of ESG into the research process is a differentiator. The assessment of material ESG risk factors and commercial opportunities of what the company does and how it does it, set against the long term structural trends of the industry is important for understanding the full picture of a company's growth prospects and valuation. As part of our analysis, we look to assess financial materiality, potential impact contribution (aligned to the UN SDGs) and organisational maturity, which shows us the alignment of business management and strategy towards stakeholder interests. This process allows us to identify mispriced opportunities and where we can invest in ESG themes and companies where there are significant commercial opportunities from a changing landscape. This can be further supplemented by the work of the LGIM Global Research and Engagement Group, a cross-asset team of +70 analysts, where we are focused on long-term sustainability trends (i.e. supply chains, decarbonisation technology) which can supplement fund manager decision making on individual company analysis.

Extensive company engagement is also required, where data cannot be solely relied upon for forward looking purposes and greater understanding of corporate purpose and the sustainability strategy. We adopt a proactive approach, focusing on where a company is heading, not where it has been. Combining proprietary ESG views and scores, we then look to engage with companies at multiple levels, from the Chairman and Non Executives, through to the CEO, CFO and company management at Sustainability, R&D and Procurement levels. We engage to support management, encourage for change (i.e. better reporting disclosure) and aim to drive improvements to companies' ESG trajectories. These engagements are conducted by the personnel across Equities, Fixed Income and Investment Stewardship, and as part of our wider Global Equity Research Engagement Group.

The Global Research and Engagement Group is where individual sector groups 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 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. We collaborate extensively internally, and have a longstanding history of commitment to being stewards of the capital that we manage. Ultimately, we are investing for capital returns and corporate change..

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 6	CORE	OO 10	LE 6.1	PUBLIC	ESG incorporation in portfolio construction	1

**How do ESG factors influence your portfolio construction?**

	(1) Passive equity	(3) Active – fundamental
(A) The selection of individual assets within our portfolio is influenced by ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) The holding period of individual assets within our portfolio is influenced by ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) The portfolio weighting of individual assets within our portfolio or benchmark is influenced by ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) The allocation of assets across multi-asset portfolios is influenced by ESG factors through the strategic asset allocation process	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Other expressions of conviction (please specify below)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(F) The portfolio construction or benchmark selection does not explicitly include the incorporation of ESG factors	<input type="checkbox"/>	<input type="checkbox"/>

**Please specify for "(E) Other expressions of conviction".**

Forward-looking ESG assumptions at the sector and company level around commercial opportunities arising from long-term change (i.e. decarbonisation technologies, innovation) based on qualitative analysis that will impact revenues, costs and profits.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 6.1	CORE	LE 6	N/A	PUBLIC	ESG incorporation in portfolio construction	1

**In what proportion of cases did ESG factors influence your portfolio construction?**

**(1) Passive equity**

(A) The selection of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(B) The holding period of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(C) The portfolio weighting of individual assets within our portfolio or benchmark is influenced by ESG factors (1) in all cases

(D) The allocation of assets across multi-asset portfolios is influenced by ESG factors through the strategic asset allocation process (1) in all cases

**(3) Active – fundamental**

(A) The selection of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(B) The holding period of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(C) The portfolio weighting of individual assets within our portfolio or benchmark is influenced by ESG factors (1) in all cases

(D) The allocation of assets across multi-asset portfolios is influenced by ESG factors through the strategic asset allocation process (1) in all cases

(E) Other expressions of conviction (1) in all cases

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 7	PLUS	OO 10	N/A	PUBLIC	ESG incorporation in portfolio construction	1

Please provide two examples of how ESG factors have influenced weightings and tilts in either passive or active listed equity.

Provide examples below:

(A) Example 1:

We include securities with ESG profiles in-line with peers only when we believe there is potential (in terms of intent and capability) for them to eventually outperform peers (from an ESG profile perspective). Consequently, the companies we invest in falls into one of two buckets: ESG Successes or ESG Improvement. ESG Success includes high scoring companies, with best in-class ESG metrics, and we engage with these companies to ensure their future trajectory trends towards remaining best-in-class. **(response continued in row below)**

ESG Improvement stories are currently medium scoring companies where we believe they will improve to become above sector average in their ESG performance within our investment time horizon (3-5 years). This is typically a misunderstood opportunity where we see evidence from our qualitative analysis that a company will make a sustainable positive impact contribution to the environment or society based on its products/services/solutions or own operating footprint. We engage with these companies to push for improvements and to understand their roadmap towards a better ESG profile..

(B) Example 2:

When considering the optimal weights for each investment, as part of our fundamental analysis we aim for a balance of "ESG success" securities and "ESG improvement" securities to capture both the alpha from outperforming ESG stocks, and the alpha from the change in ESG profile for stocks with room for improvement. For "ESG success" stocks, we consider the consistency of performance, and the likelihood of outperformance into the future, based on their current ESG strategy, risk frameworks, company culture and organisational maturity. For "ESG improvement" stocks, we consider our level of conviction in the potential for and the speed of change for the ESG issues we deem to be most material for the security. For both buckets of stocks, when determining the ESG profile of the company, we also take into consideration the solutions offered by the company and whether the products or services can help other companies address ESG challenges and the global UN SDGs, in conjunction with the ESG profile of the business practices of the companies. **(response continued in row below)**

Given this focus it is important for us to consistently review each investment case and underlying ESG metrics to ascertain conviction and monitor risk/reward. Crucially, we monitor the progress and strategies of peer companies, to ensure our securities are evolving at a pace that can ensure sector outperformance. We also balance portfolio weights to ensure we will be able to deliver an overall performance that exceeds that of the benchmark..

## ESG risk management

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 8	CORE	OO 6.1 LE	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 an independent committee that oversees the screening implementation process, but only for our ESG/sustainability labelled funds that are subject to negative exclusionary screening
- (B) We have an independent committee that oversees the screening implementation process for all of our listed equity assets that are subject to negative exclusionary screening
- (C) We have an independent committee that verifies that we have correctly implemented pre-trade checks in our internal systems to ensure no execution is possible without their pre-clearance
- (D) Other, please specify:
- (E) We do not have compliance processes in place to ensure that we meet our stated negative exclusionary screens

# Post-investment phase

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 9	CORE	OO 10	N/A	PUBLIC	ESG risk management	1

## Do your regular reviews incorporate ESG risks?

	(1) Passive equity	(3) Active – fundamental
(A) Our regular reviews include quantitative information on material ESG risks specific to individual listed equities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Our regular reviews include aggregated quantitative information on material ESG risks at a fund level	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Our regular reviews only highlight fund holdings where ESG ratings have changed	<input type="checkbox"/>	<input type="checkbox"/>
(D) We do not conduct regular reviews. Risk reviews of ESG factors are conducted at the discretion of the individual fund manager and vary in frequency	<input type="checkbox"/>	<input type="checkbox"/>
(E) We do not conduct reviews	<input type="checkbox"/>	<input type="checkbox"/>

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

**Do you regularly identify and incorporate ESG incidents into the investment process for your listed equity assets?**

	(1) Passive equity	(3) Active – fundamental
(A) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into all of our investment decisions	<input checked="" type="radio"/>	<input checked="" type="radio"/>
(B) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into the majority of our investment decisions	<input type="radio"/>	<input type="radio"/>
(C) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into a minority of our investment decisions	<input type="radio"/>	<input type="radio"/>
(D) Yes, we have an ad hoc process in place for identifying and incorporating ESG incidents	<input type="radio"/>	<input type="radio"/>
(E) Other	<input type="radio"/>	<input type="radio"/>
(F) We currently do not have a process in place for regularly identifying and incorporating ESG incidents into our investment decision-making	<input type="radio"/>	<input type="radio"/>

## Performance monitoring

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 11	PLUS	OO 10	N/A	PUBLIC	Performance monitoring	1

Provide an example of an ESG factor that your organisation incorporated into your equity valuation or fund construction and describe how that affected the returns of those assets.

Provide examples below:

(A) Example from your active listed equity:

Our assessment of environmental factors aligned to climate change and upside potential from increased technology adoption aligned to ESG factors and global themes. This led to the identification of several decarbonisation solutions and alternative energy providers, following deep dive research on technology and innovation drivers, which will help reduce carbon emissions and improve on asset utilisation and efficiency. From a fund construction perspective we want to ensure we have exposure to enablers of positive change, while from an equity valuation standpoint it is understanding the likely drivers of profitable future growth aligned to sustainability and whether or not this is reflected in the share price and long-term growth assessment of a company.

## Passive equity

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 12	CORE	OO 10	N/A	PUBLIC	Passive equity	1

What percentage of your total passive listed equity assets utilise an ESG index or benchmark?

25-50%

# Reporting/Disclosure

## Sharing ESG information with stakeholders

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 13	CORE	OO 6 LE	N/A	PUBLIC	Sharing ESG information with stakeholders	6

How do you ensure that clients and/or beneficiaries understand ESG screens and their implications?

	(1) for all of our listed equity assets subject to ESG screens	(2) for the majority of our listed equity assets subject to ESG screens	(3) for a minority of our listed equity assets subject to ESG screens	(4) for none of our assets subject to ESG screens
(A) We publish a list of ESG screens and share it on a publicly accessible platform such as a website or through fund documentation	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(B) We publish any changes in ESG screens and share them on a publicly accessible platform such as a website or through fund documentation	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(C) We outline any implications of ESG screens, such as deviation from a benchmark or impact on sector weightings, to clients and/or beneficiaries	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 14	CORE	OO 10	N/A	PUBLIC	Sharing ESG information with stakeholders	6

**What ESG information is covered in your regular reporting to stakeholders such as clients or beneficiaries?**

**(1) Passive equity**

(A) Our regular stakeholder reporting includes qualitative examples of engagement and/or ESG incorporation 1) In all of our regular stakeholder reporting

(B) Our regular stakeholder reporting includes quantitative ESG engagement data 1) In all of our regular stakeholder reporting

(C) Our regular stakeholder reporting includes quantitative ESG incorporation data 1) In all of our regular stakeholder reporting

**(3) Active – fundamental**

(A) Our regular stakeholder reporting includes qualitative examples of engagement and/or ESG incorporation 2) In the majority of our regular stakeholder reporting

(B) Our regular stakeholder reporting includes quantitative ESG engagement data 2) In the majority of our regular stakeholder reporting

(C) Our regular stakeholder reporting includes quantitative ESG incorporation data 2) In the majority of our regular stakeholder reporting

# Stewardship

## Voting policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 15	CORE	OO 9 LE	LE 15.1, LE 16	PUBLIC	Voting policy	2

Does your organisation have a publicly available (proxy) voting policy? (The policy may be a standalone policy, part of a stewardship policy or incorporated into a wider RI policy.)

(A) Yes, we have a publicly available (proxy) voting policy Add link(s):

<https://www.lgim.com/uk/en/capabilities/investment-stewardship/> [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/how-lgim-uses-proxy-voting-services.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/how-lgim-uses-proxy-voting-services.pdf)

(B) Yes, we have a (proxy) voting policy, but it is not publicly available

(C) No, we do not have a (proxy) voting policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 15.1	CORE	OO 9 LE, LE 15	N/A	PUBLIC	Voting policy	2

What percentage of your listed equity assets does your (proxy) voting policy cover?

(A) Actively managed listed equity covered by our voting policy (12) 100%

(B) Passively managed listed equity covered by our voting policy (12) 100%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 16	CORE	LE 15	N/A	PUBLIC	Voting policy	2

Does your organisation's policy on (proxy) voting cover specific ESG factors?

(A) Our policy includes voting guidelines on specific governance factors Describe:

Board effective, remuneration, equity and bondholder rights, audit

(B) Our policy includes voting guidelines on specific environmental factors Describe:

Climate change, sustainability

(C) Our policy includes voting guidelines on specific social factors Describe:

Diversity & inclusion, income equality

(D) Our policy is high-level and does not cover specific ESG factors Describe:

## Security lending policy

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 18	CORE	OO 9 LE	LE 18.1, LE 18.2	PUBLIC	Security lending policy	2

Does your organisation have a public policy that states how voting is addressed in your securities lending programme? (The policy may be a standalone guideline or part of a wider RI or stewardship policy.)

(A) We have a public policy to address voting in our securities lending programme. Add link(s):

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

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

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 18.1	CORE	LE 18	N/A	PUBLIC	Security lending policy	2

How is voting addressed in your securities lending programme?

- (A) We recall all securities for voting on all ballot items
- (B) We always recall all holdings in a company for voting on ballot items deemed important (e.g. in line with specific criteria)
- (C) We always recall some securities so that we can vote on their ballot items (e.g. in line with specific criteria)
- (D) We maintain some holdings so that we can vote at any time
- (E) We recall some securities on an ad hoc basis so that we can vote on their ballot items
- (F) We empower our securities lending agent to decide when to recall securities for voting purposes
- (G) Other, please specify:
- (H) We do not recall our securities for voting purposes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 18.2	CORE	LE 18	N/A	PUBLIC	Security lending policy	2

**What exclusions do you apply to your organisation's securities lending programme?**

- (A) We do not lend out shares of companies that we are engaging with either individually or as a lead or support investor in collaborative engagements
- (B) We do not lend out shares of companies if we own more than a certain percentage of them
- (C) We do not lend out shares of companies in jurisdictions that do not ban naked short selling
- (D) We never lend out all our shares of a company to ensure that we always keep voting rights in-house
- (E) **Other, please specify:**  
 We do not stock-lend in the UK market. All shares are available to vote.
- (F) We do not exclude any particular companies from our securities lending programme

## Shareholder resolutions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 19	CORE	OO 9 LE	N/A	PUBLIC	Shareholder resolutions	2

**Which of the following best describes your decision-making approach regarding shareholder resolutions, or that of your service provider(s) if decision-making is delegated to them?**

- (A) In the majority of cases, we support resolutions that, if passed, are expected to advance progress on the underlying ESG factors or on our stewardship priorities
- (B) **In the majority of cases, we support resolutions that, if passed, are expected to advance progress on the underlying ESG factors but only if the investee company has not already committed publicly to the action requested in the proposal**
- (C) In the majority of cases, we only support shareholder resolutions as an escalation tactic when other avenues for engagement with the investee company have not achieved sufficient progress
- (D) In the majority of cases, we support the recommendations of investee company management by default
- (E) In the majority of cases, we do not vote on shareholder resolutions

## Pre-declaration of votes

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 20	CORE	OO 9 LE	N/A	PUBLIC	Pre-declaration of votes	2

### How did your organisation or your service provider(s) pre-declare votes prior to AGMs/EGMs?

- (A) We pre-declared our voting intentions publicly through the PRI's vote declaration system
- (B) We pre-declared our voting intentions publicly (e.g. through our own website) Link to public disclosure:
- (C) We pre-declared our voting intentions publicly through the PRI's vote declaration system, including the rationale for our (proxy) voting decisions where we planned to vote against management proposals or abstain
- (D) We pre-declared our voting intentions publicly, including the rationale for our (proxy) voting decisions where we planned to vote against management proposals or abstain Link to public disclosure:
- (E) Prior to the AGM/EGM, we privately communicated our voting decision to investee companies in cases where we planned to vote against management proposals or abstain
- (F) We did not privately or publicly communicate our voting intentions
- (G) We did not cast any (proxy) votes during the reporting year

## Voting disclosure post AGM/EGM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 21	CORE	OO 9 LE	LE 21.1	PUBLIC	Voting disclosure post AGM/EGM	2

### Do you publicly report your (proxy) voting decisions, or those made on your behalf by your service provider(s), in a central source?

- (A) Yes, for >95% of (proxy) votes Link:  
<https://vds.issgovernance.com/vds/#/MjU2NQ==/>
- (B) Yes, for the majority of (proxy) votes Link:
- (C) Yes, for a minority of (proxy) votes 1) Add link and 2) Explain why you only publicly disclose a minority of (proxy) voting decisions:
- (D) No, we do not publicly report our (proxy) voting decisions Explain why you do not publicly report your (proxy) voting decisions:

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 21.1	CORE	LE 21	N/A	PUBLIC	Voting disclosure post AGM/EGM	2

**In the majority of cases, how soon after an investee's AGM/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
LE 22	CORE	OO 9 LE	LE 22.1	PUBLIC	Voting disclosure post AGM/EGM	2

**Did your organisation and/or the service provider(s) acting on your behalf communicate the rationale for your voting decisions?**

- (A) In cases where we voted against management recommendations or abstained, the rationale was provided privately to the company
- (B) In cases where we voted against management recommendations or abstained, the rationale was disclosed publicly
- (C) In cases where we voted against management recommendations or abstained, we did not communicate the rationale
- (D) We did not vote against management or abstain

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 22.1	CORE	LE 22	N/A	PUBLIC	Voting disclosure post AGM/EGM	2

**Indicate the proportion of votes where you and/or the service provider(s) acting on your behalf communicated the rationale for your voting decisions.**

- (B) In cases where we voted against management recommendations or abstained, the rationale was disclosed publicly (5) >95%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 23	CORE	OO 9 LE	LE 23.1	PUBLIC	Voting disclosure post AGM/EGM	2, 5

Did your organisation and/or the service provider(s) acting on your behalf communicate the rationale for your voting decisions when voting against a shareholder resolution proposed/filed by a PRI signatory?

- (A) In cases where we voted against a shareholder resolution proposed/filed by a PRI signatory, the rationale was disclosed publicly
- (B) In cases where we voted against a shareholder resolution proposed/filed by a PRI signatory, the rationale was not disclosed publicly
- (C) We did not vote against any shareholder resolution proposed/filed by a PRI signatory

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 23.1	CORE	LE 23	N/A	PUBLIC	Voting disclosure post AGM/EGM	2, 5

Indicate the proportion of votes where you and/or the service provider(s) acting on your behalf communicated the rationale for your voting decisions.

(A) In cases where we voted against a shareholder resolution proposed/filed by a PRI signatory, the rationale was disclosed publicly (5) >95%

## Alignment & effectiveness

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 24	PLUS	OO 9 LE	N/A	PUBLIC	Alignment & effectiveness	2

How are you contributing to the integrity of the end-to-end voting chain and confirmation process?

■ We have historically looked at block-chain to improve the confirmation of votes.

## Example

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
LE 25	PLUS	OO 9 LE	N/A	PUBLIC	Example	2

Provide examples of the most significant (proxy) voting activities that your organisation and/or the service provider acting on your behalf carried out during the reporting year.

Provide examples below:

(A) Example 1:

The Procter & Gamble Company Issue identified: P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Why is it an issue? Palm oil and forest pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests. **(response continued in row below)**

Summary of the resolution: Resolution 5 – Report on effort to eliminate deforestation. The AGM took place on 13 October 2020 How LGIM voted: LGIM voted in favour of the resolution. Rationale for the vote decision: LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. We spoke to representatives from the proponent of the resolution, Green Century. In addition, we engaged with the Natural Resource Defence Council to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, we felt it was not doing as much as it could. **(response continued in row below)**

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The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies we invest our clients' assets in are not contributing to deforestation. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC-certified sources. Outcome: The resolution received the support of 67.68% of shareholders (including LGIM). LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement. Why is this vote significant? It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest..

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(B) Example 2:

Qantas Issue identified: The COVID-19 crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the crisis on the company's stakeholders was appropriately reflected in the executive pay package. Summary of the resolution: At the company's AGM on 23 October, 2020, shareholders were asked to approve the following two resolutions which we deem significant votes: • Resolution 3 – Approve participation of Alan Joyce in the Long-Term Incentive Plan (LTIP) • Resolution 4 – Approve Remuneration Report How LGIM voted: LGIM voted against resolution 3 and supported resolution 4. **(response continued in row below)**

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Rationale for the vote decision: In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns. **(response continued in row below)**

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LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee. Outcome: About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in our view. We will continue our engagement with the company. Why is this vote significant? It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package..

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(C) Example 3:

Whitehaven Coal Issue identified: The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in the fourth quarter of 2020 alone three of Australia's main export markets for coal – Japan, South Korea and China – have announced targets for carbon neutrality around 2050. Summary of the resolution: Resolution 6 – Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders. The AGM took place on 22 October 2020. How LGIM voted: LGIM voted for the resolution. Rationale for the vote decision: LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. **(response continued in row below)**

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As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets. Outcome: The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in ‘significant environmental harm’. As the company is on LGIM’s Future World Protection List of exclusions, many of our ESG-focused funds – and select exchange-traded funds – were not invested in the company. Why is this vote significant? The vote received media scrutiny and is emblematic of a growing wave of ‘green’ shareholder activism..

## Fixed Income (FI)

### Pre-investment phase

#### Materiality analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 1	CORE	OO 10	FI 1.1	PUBLIC	Materiality analysis	1

Does your organisation have a formal investment process to identify material ESG factors for its fixed income assets?

	(1) SSA	(2) Corporate
(A) Yes, we have a formal process to identify material ESG factors for all of our assets	<input checked="" type="radio"/>	<input checked="" type="radio"/>
(B) Yes, we have a formal process to identify material ESG factors for the majority of our assets	<input type="radio"/>	<input type="radio"/>
(C) Yes, we have a formal process to identify material ESG factors for a minority of our assets	<input type="radio"/>	<input type="radio"/>

(D) No, we do not have a formal process. Our investment professionals identify material ESG factors at their own discretion

○

○

(E) No, we do not have a formal process to identify material ESG factors

○

○

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 1.1	CORE	FI 1	N/A	PUBLIC	Materiality analysis	1

**How does your current investment process incorporate material ESG factors?**

(1) SSA

(2) Corporate

(A) The investment process incorporates material governance factors

(B) The investment process incorporates material environmental and social factors

(C) The investment process incorporates material ESG factors beyond our organisation's typical investment time horizon

(D) The investment process incorporates the effect of material ESG factors on revenues and business operations

## ESG risk management

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 2	CORE	OO 10	FI 2.1	PUBLIC	ESG risk management	1

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

	(1) SSA	(2) Corporate
(A) Investment committee members, or the equivalent function/group, have a qualitative ESG veto	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Companies, sectors, countries and currency are monitored for changes in ESG exposure and for breaches of risk limits	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Overall exposure to specific ESG factors is measured for our portfolio construction, and sizing or hedging adjustments are made depending on individual issuers' sensitivity to these factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Other method of incorporating ESG factors into risk management process, please specify below:	<input type="checkbox"/>	<input type="checkbox"/>
(E) We do not have a process to incorporate ESG factors into our portfolio risk management	<input type="checkbox"/>	<input type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 2.1	CORE	FI 2	N/A	PUBLIC	ESG risk management	1

**For what proportion of your fixed income assets are material ESG factors incorporated into your portfolio risk management process?**

**(1) SSA**

(A) Investment committee members, or the equivalent function/group, have a qualitative ESG veto (1) for all of our assets

(B) Companies, sectors, countries and currency are monitored for changes in ESG exposure and for breaches of risk limits (1) for all of our assets

(C) Overall exposure to specific ESG factors is measured for our portfolio construction, and sizing or hedging adjustments are made depending on individual issuers' sensitivity to these factors (1) for all of our assets

**(2) Corporate**

(A) Investment committee members, or the equivalent function/group, have a qualitative ESG veto (1) for all of our assets

(B) Companies, sectors, countries and currency are monitored for changes in ESG exposure and for breaches of risk limits (1) for all of our assets

(C) Overall exposure to specific ESG factors is measured for our portfolio construction, and sizing or hedging adjustments are made depending on individual issuers' sensitivity to these factors (1) for all of our assets

## ESG incorporation in asset valuation

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 3	CORE	OO 10	FI 3.1	PUBLIC	ESG incorporation in asset valuation	1

How do you incorporate the evolution of ESG factors into your fixed income asset valuation process?

	(1) SSA	(2) Corporate
(A) We incorporate it into the forecast of cash flow, revenues and profitability	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) We anticipate how the evolution of ESG factors may change the ESG profile of the debt issuer	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) We do not incorporate the evolution of ESG factors into our fixed income asset valuation process	<input type="checkbox"/>	<input type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 3.1	CORE	FI 3	N/A	PUBLIC	ESG incorporation in asset valuation	1

In what proportion of cases do you incorporate the evolution of ESG factors into your fixed income asset valuation process?

(1) SSA

(A) We incorporate it into the forecast of cash flow, revenues and profitability	(1) in all cases
(B) We anticipate how the evolution of ESG factors may change the ESG profile of the debt issuer	(1) in all cases

## (2) Corporate

(A) We incorporate it into the forecast of cash flow, revenues and profitability (1) in all cases

(B) We anticipate how the evolution of ESG factors may change the ESG profile of the debt issuer (1) in all cases

## Performance monitoring

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 4	PLUS	OO 5.2 FI, OO 10	N/A	PUBLIC	Performance monitoring	1

Provide an example of an ESG factor that your organisation incorporated into your fixed income valuation or portfolio construction and describe how that affected the returns of those assets.

### Example:

(A) Example from your active management strategies:

Wirecard came to the market with their inaugural new issue in October 2019. Very early in the research process, our Active ESG View tool raised red flags about Wirecard's governance. This meant that we collaborated with the Investment Stewardship team before meeting with Wirecard's management team, and we focused on Corporate governance during the bond roadshow (which was attended by the credit analyst, our fixed income ESG analyst and one of our investment stewardship managers). Although management attempted to dismiss the questions around their financial statements we found their answers unsatisfactory. In addition, the underlying logic for the bond deal raised further concerns – their bankers were encouraging them to refinance bank debt in the bond markets while markets were strong, implying the bank wanted the risk off its own balance sheet. **(response continued in row below)**

In addition, Wirecard has just one rating (Baa3 at Moody's) which was a further signal for concern. A combination of these factors meant that we would have needed the bond to price like a HY issuer in order to even consider investing, so the investment analyst and portfolio managers passed on the deal. Shortly after the new issue, the FT highlighted further financial irregularities and the bonds fell approximately 15 points. At this point we still felt that spreads weren't adequately compensating for risk and decided not to invest in the secondary market despite this sudden drop. None of LGIM's active funds have invested in Wirecard, allowing us to avoid a company that went from investment grade to insolvency in just six days..

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(B) Example from your passive management strategies:

Our Future World index funds offer investors equity and fixed income exposure while incorporating environmental, social and governance (ESG) 'tilts' to LGIM designed indices. The tilting mechanism aims to reduce exposure to companies associated with poor ESG practices and provides greater exposure to those that are better positioned from an ESG perspective. We believe integrating ESG considerations into investment processes can help mitigate risk and has the potential to improve long-term financial outcomes. Companies with strong governance are less likely to provide unpleasant surprises; equally, companies that are aware of their impact on wider stakeholders are less likely to face political or regulatory pressure. **(response continued in row below)**

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Such companies are also better positioned to withstand – and even benefit from – shifts in the market environment. We have developed a rules-based approach to scoring companies on the basis of 28 ESG factors which combine together to create the LGIM ESG score. The ESG scores are based on the factors we believe to be most significant for long-term investors. They are grouped under the following themes:

- Environmental – the potential negative impact on companies exposed to climate change and the shift to a low-carbon economy; companies with ‘green’ revenues receive a higher score
- Social – comprising diversity (representation of women in company boards, executive, management and workforce); and human capital (policies to ensure companies have the right culture and treat workers fairly)
- Governance – considers a range of criteria that indicate ‘best practice’ in terms of investor rights, board diversity and high-quality audits

We also assess transparency, by examining the quality of ESG information available in the public domain.

The LGIM-designed ESG indices also require companies to meet certain minimum global criteria in order to be included within the index construction. **(response continued in row below)**

‘Pure’ coal miners, manufacturers of controversial weapons and certain companies that do not comply with the UN Global Compact are not included in the investment universe prior to the tilting process.

Our Future World funds also incorporate LGIM’s targeted environmental engagement process, the Climate Impact Pledge. This is a targeted engagement process with the world’s largest companies that are crucial to the transition to the low-carbon economy. Companies that fail to meet our minimum standards after a period of engagement may be divested from within the Future World index Funds.

The historical, since inception, performance of the Future World corporate bond indices we have created versus their non-ESG equivalents is shown below:

Historical Return (Dec 2012 - Dec 2020 Annualised)	
LGIM FW ESG GBP Corporate Bond Index	5.9%
GBP Corporate Bond Index	6.1%
LGIM FW ESG EUR Corporate Bond Index	3.0%
EUR Corporate Bond Index	3.0%
LGIM FW ESG USD Corporate Bond Index	4.7%
USD Corporate Bond Index	4.7%

## ESG incorporation in portfolio construction

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 5	CORE	OO 10	FI 5.1	PUBLIC	ESG incorporation in portfolio construction	1

### How do ESG factors influence your portfolio construction?

	(1) SSA	(2) Corporate
(A) The selection of individual assets within our portfolio is influenced by ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) The holding period of individual assets within our portfolio is influenced by ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) The portfolio weighting of individual assets within our portfolio or benchmark is influenced by ESG factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) The allocation of assets across multi-asset portfolios is influenced by ESG factors through the strategic asset allocation process	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) Other expressions of conviction, please specify below:	<input type="checkbox"/>	<input type="checkbox"/>
(F) The portfolio construction or benchmark selection does not explicitly include the incorporation of ESG factors	<input type="checkbox"/>	<input type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 5.1	CORE	FI 5	N/A	PUBLIC	ESG incorporation in portfolio construction	1

**In what proportion of cases do ESG factors influence your portfolio construction?**

**(1) SSA**

(A) The selection of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(B) The holding period of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(C) The portfolio weighting of individual assets within our portfolio or benchmark is influenced by ESG factors (1) in all cases

(D) The allocation of assets across multi-asset portfolios is influenced by ESG factors through the strategic asset allocation process (1) in all cases

**(2) Corporate**

(A) The selection of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(B) The holding period of individual assets within our portfolio is influenced by ESG factors (1) in all cases

(C) The portfolio weighting of individual assets within our portfolio or benchmark is influenced by ESG factors (1) in all cases

(D) The allocation of assets across multi-asset portfolios is influenced by ESG factors through the strategic asset allocation process (1) in all cases

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 6	PLUS	OO 10	N/A	PUBLIC	ESG incorporation in portfolio construction	1

Please provide two examples of how ESG factors have influenced weightings and tilts in either passive or active fixed income.

Please provide examples below:

(A) Example 1:

BAYER

- On June 24, Bayer announced that it had reached agreements to settle outstanding legal actions relating to Roundup, dicamba and PCB water litigation. At the beginning of July, Bayer brought a multi-tranche € deal to market. Bayer communicated to the market that the proceeds from this bond deal would be used to fund settlement payments relating to the recently settled litigation. The bonds settled on July 6. **(response continued in row below)**

On July 7, it was reported that the Judge in the case may not approve a key element of the Roundup deal relating to future claimants; a day later, Bayer announced that it was withdrawing its motion to have the deal approved.

- LGIM arranged a call with Bayer due to concerns that the company had underappreciated the risks associated with its settlement and had perhaps been too fast to launch its bond deal.
- The company's response was deemed unsatisfactory, and so LGIM's analyst changed their view to negative due to concerns on potential further legal risks and increased governance concerns. LGIM sold its positions as a result..

(B) Example 2:

DANSKE BANK

- At the time of the analysis, Danske bank had an average ESG profile against its peers, however was facing money laundering allegations. We considered money laundering allegations against Danske Bank, where the associated financial penalties were uncertain and under certain fine scenario could have material impact on the bank's capital position (and in some case take them below critical ratios). Local regulator fines would be minimal, however big fines from DoJ were possible, creating a range of outcomes and increasing the risk exposure of the issuer. Given the materiality of the downside with potential fines, our analyst downgraded their assessment of Danske Bank, meaning we would not purchase this is across certain fixed income portfolios.
- We also ran and illustrated some the stress tests that we conducted across all of our coverage. **(response continued in row below)**

We considered various macro (e.g. global economic downturn) and company-specific scenarios. The chart below illustrates that Danske fares poorly under most scenarios, with the most severe scenario occurring due to company specific risk (which is illustrated by the red dot). Given the materiality of the downside, especially with fines, this is an example of how ESG issues have impacted the investment case and we have moved to a RED rating (our RAG flag system)..

**ESG incorporation in assessment of issuers**

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 7	CORE	OO 10	N/A	PUBLIC	ESG incorporation in assessment of issuers	1

**When assessing issuers'/borrowers' credit quality, how does your organisation incorporate material ESG risks in the majority of cases?**

(1) SSA

(2) Corporate

(A) In the majority of cases, we incorporate material governance-related risks

○

○

(B) In addition to incorporating governance-related risks, in the majority of cases we also incorporate material environmental and social risks



(C) We do not incorporate material ESG risks for the majority of our credit quality assessments of issuers/borrowers



## ESG performance

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 8	CORE	OO 10	N/A	PUBLIC	ESG performance	1

**In the majority of cases, how do you assess the relative ESG performance of a borrower within a peer group as part of your investment process?**

(1) SSA

(2) Corporate

(A) We use the relative ESG performance of a borrower to adjust the internal credit assessments of borrowers by modifying forecasted financials and future cash flow estimates



(B) We use the relative ESG performance of a borrower to make relative sizing decisions in portfolio construction



(C) We use the relative ESG performance of a borrower to screen for outliers when comparing credit spreads to ESG relative performance within a similar peer group



(D) We consider the ESG performance of a borrower only on a standalone basis and do not compare it within peer groups of other benchmarks



(E) We do not have an internal ESG performance assessment methodology



## ESG risk management

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 9	CORE	OO 10	FI 9.1	PUBLIC	ESG risk management	1

For your corporate fixed income, does your organisation have a framework that differentiates ESG risks by issuer country and sector?

- (A) Yes, it differentiates ESG risks by country/region (for example, local governance and labour practices)
- (B) Yes, it differentiates ESG risks by sector
- (C) No, we do not have a framework that differentiates ESG risks by issuer country/region and sector

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 9.1	CORE	FI 9	N/A	PUBLIC	ESG risk management	1

For what proportion of your corporate fixed income assets do you apply your framework for differentiating ESG risks by issuer country/sector?

(1) for all of our corporate fixed income assets

(2) for the majority of our corporate fixed income assets

(3) for a minority of our corporate fixed income assets

(A) We differentiate ESG risks by country/region (for example, local governance and labour practices)

# Post-investment phase

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 12	CORE	OO 10	N/A	PUBLIC	ESG risk management	1

## Do your regular reviews incorporate ESG risks?

	(1) SSA	(2) Corporate
(A) Our regular reviews include quantitative information on material ESG risks specific to individual fixed income assets	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Our regular reviews include aggregated quantitative information on material ESG risks at a fund level	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Our regular reviews only highlight fund holdings where ESG ratings have changed	<input type="checkbox"/>	<input type="checkbox"/>
(D) We do not conduct regular reviews. Risk reviews of ESG factors are conducted at the discretion of the individual fund manager and vary in frequency	<input type="checkbox"/>	<input type="checkbox"/>
(E) We do not conduct reviews that incorporate ESG risks	<input type="checkbox"/>	<input type="checkbox"/>

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 13	CORE	OO 10	N/A	PUBLIC	ESG risk management	1

**Do you regularly identify and incorporate ESG incidents into the investment process for your fixed income assets?**

	(1) SSA	(2) Corporate
(A) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into all of our investment decisions	<input checked="" type="radio"/>	<input checked="" type="radio"/>
(B) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into the majority of our investment decisions	<input type="radio"/>	<input type="radio"/>
(C) Yes, we have a formal process in place for regularly identifying and incorporating ESG incidents into a minority of our investment decisions	<input type="radio"/>	<input type="radio"/>
(D) Yes, we have an ad hoc process in place for identifying and incorporating ESG incidents	<input type="radio"/>	<input type="radio"/>
(E) We do not have a process in place for regularly identifying and incorporating ESG incidents into our investment decision-making	<input type="radio"/>	<input type="radio"/>

## Time horizons

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 14	CORE	OO 10	N/A	PUBLIC	Time horizons	1

In the majority of cases, how does your investment process account for differing time horizons of holdings and how they may affect ESG factors?

	(1) SSA	(2) Corporate
(A) We take into account current risks	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) We take into account medium-term risks	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) We take into account long-term risks	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) We do not take into account differing time horizons of holdings and how they may affect ESG factors	<input type="checkbox"/>	<input type="checkbox"/>

## Long-term ESG trend analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 15	CORE	OO 10	N/A	PUBLIC	Long-term ESG trend analysis	1

Do you continuously monitor a list of identified long-term ESG trends related to your fixed income assets?

	(1) SSA	(2) Corporate
(A) We monitor long-term ESG trends for all of our assets	<input checked="" type="radio"/>	<input checked="" type="radio"/>

(B) We monitor long-term ESG trends for the majority of our assets	<input type="radio"/>	<input type="radio"/>
(C) We monitor long-term ESG trends for a minority of our assets	<input type="radio"/>	<input type="radio"/>
(D) We do not continuously monitor long-term ESG trends in our investment process	<input type="radio"/>	<input type="radio"/>

## Passive

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 16	CORE	OO 5.2 FI, OO 10	N/A	PUBLIC	Passive	1

What percentage of your total passive fixed income assets utilise an ESG index or benchmark?

0-25%

## Examples of leading practice

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 17	PLUS	OO 10	N/A	PUBLIC	Examples of leading practice	1 to 6

Describe any leading responsible investment practices that you have adopted for some or all of your fixed income assets.

Description per fixed income asset type:

(A) SSA Please see answer in B.

(B) Corporate

1) Developed a proprietary ESG model to analyse countries, sectors and companies across the full capital structure.

Our proprietary 'Active ESG View tool' brings together granular quantitative and qualitative inputs in order to reflect a full picture of the ESG risks and opportunities within each company.

Our qualitative inputs capture ESG insights from LGIM's company analysis and engagements, supplemented by qualitative academic and NGO research as well as sell-side broker reports. This is fed into our Active ESG View, which evaluates factors across 64 sectors and sub-sectors, forming an essential component of the overall active research process. This tool provides an overview of how companies are managing potential sector-specific ESG risks and opportunities, so these can be considered alongside other components of fundamental investment analysis. The tool outputs scores across a range of ESG topics, however in many cases proprietary information fed into the tool is qualitative and requires our analysts to convert this into a numerical scale (this may be on an absolute or relative basis depending on the nature of the information).

2) Global Research and Engagement Groups

In 2019, CIO Sonja Laud established the Global Research and Engagement Groups (GREGs) to bring together the best sector expertise across LGIM to identify the challenges and opportunities that will determine the resiliency of sectors and the companies within them. **(response continued in row below)**

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The output from the platform strengthens and streamlines the firm'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.

The GREGs are designed to enhance our existing processes by bring together the best research and expertise from across LGIM – from both the investment and investment stewardship teams. We believe a joined up approach to ESG research and engagement from an asset class agnostic perspective can enhance idea generation by placing greater focus on what is financially material to each sector.

3) Adopted a firm wide exclusion policy in some areas:

Controversial Weapons

Our Controversial Weapons Policy applies to all active fixed income funds. The policy screens out companies involved in manufacture and production of cluster munitions, antipersonnel landmines, biological and chemical weapons. The screening criteria of our policy are reviewed on an annual basis, while the exclusion list is reviewed on a semi-annual basis. We publish any changes to our policy on our website. Please see our full Controversial Weapons Policy for more information. **(response continued in row below)**

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<http://documentlibrary.lgim.com/documentlibrary/literature.html?cid=64550&lib=55458>

#### Future World Protection List

Companies are included in the list if they fail to meet minimum standards of globally accepted business practices. Across LGIM, securities issued by such companies will not be held or exposure to them will be significantly reduced. The full methodology is available on our website.

#### Coal Policy

LGIM screens out pure-play coal companies and issuers that derive more than 30% of their revenue from thermal coal from actively managed fixed income funds, i.e. those companies deriving a plurality of revenue from coal operations. This is because we believe that coal, as the most emissions-intensive fossil fuel, is increasingly at risk of their assets being stranded due to the transition to a low carbon economy

#### Climate Impact Pledge

Companies that fail to meet our minimum standards of climate governance, as set out via our Climate Impact Pledge, will also be divested from the future world fund range (which includes active funds).

Under our Climate Impact Pledge, we have committed to engage with the world's largest companies in six sectors which are key to the low-carbon transition: oil and gas, mining, electric utilities, autos, food retail and financials..

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## Reporting/Disclosure

### ESG screens

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

**How do you ensure that clients and/or beneficiaries understand ESG screens and their implications?**

(A) We publish a list of ESG screens and share it on a publicly accessible platform such as a website or through fund documentation Voluntary URL link(s) to list of ESG screens:

Future World protection list: <https://www.lgim.com/uk/en/capabilities/investment-stewardship/tracking-esg-progress> / [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/future-world-protection-list-table.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/future-world-protection-list-table.pdf) / LGIM ESG score <https://esgscores.lgim.com/uk/en/> / LGIM controversial policy [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgimh-controversial-weapons-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgimh-controversial-weapons-policy.pdf) / Climate impact pledge <https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/> Fund centre SFDR <https://fundcentres.lgim.com/uk/en/fund-centre/> (categories at the top, next to 'Fund Structure', more detail further down the page)

(1) for all of our fixed income assets subject to ESG screens

(B) We publish any changes in ESG screens and share it on a publicly accessible platform such as a website or through fund documentation Voluntary URL link(s) to ESG screen changes:

Please see A

(1) for all of our fixed income assets subject to ESG screens

(C) We outline any implications of ESG screens, such as deviation from a benchmark or impact on sector weightings, to clients and/or beneficiaries

(1) for all of our fixed income assets subject to ESG screens

# Engagement

## Engaging with issuers/borrowers

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 22	CORE	OO 9 FI	FI 22.1	PUBLIC	Engaging with issuers/borrowers	2

At which stages does your organisation engage with issuers/borrowers?

	(1) SSA	(2) Corporate
(A) At the pre-issuance/pre-deal stage	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) At the pre-investment stage	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) During the holding period	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(D) At the refinancing stage

(E) When issuers/borrowers default

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 22.1	PLUS	FI 22	N/A	PUBLIC	Engaging with issuers/borrowers	2

**Describe your approach to engagement.**

**Engagement approach per fixed income asset type or general description for all your fixed income engagement:**

(A) Description of engagement approach for all of our fixed income

LGIM has established a fully integrated framework for responsible investing to strengthen long-term returns. This is based on stewardship with impact and collaborative, active research across asset classes. Together, these activities enable LGIM to conduct corporate engagement that drives 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 effort agnostic to asset class. 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.

We believe through forceful engagement and collaboration, investment can drive progress in the market. Accountability and influence, is the way forward. **(response continued in row below)**

Disjointed engagement approaches across the asset management industry mean that sectors and industries which require a clear shift towards more sustainable practices continue to thrive as the cost of capital remains low.

Our philosophy and process is captured by our Global Research and Engagement Group where individual sector groups 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 sector groups are responsible for assessing the impact at a company level and collectively undertaking engagement where necessary with one voice, agnostic to asset class or investment style.

The Global Research and Engagement Groups consist of 9 sector groups: Industrials, Healthcare, Financials, Real Estate, TMT, Basic Materials, Energy Consumer, and Utilities. Members are representative of the global investment teams (fixed income, equity and real assets) and investment stewardship from the portfolio management teams, as well as analysts.

The output from the platform strengthens and streamlines the firm's engagement activities enabling 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.

The Global Research and Engagement Group has three overarching objectives:

1. Leverage LGIM's scale

We undertake in excess of 3,000 management meetings and ESG engagements across LGIM; this offers a wealth of information which data analytics simply cannot provide. By strengthening and streamlining our shared engagement strategy we aim to fully extract the value from these insights.

2. Challenge our investment decisions

Asset class agnostic, cross-team collaboration allows us to cover broad based investment themes, which help us to determine the resiliency of sectors and the companies within them.

3. Co-ordinate our engagement

Guide, strengthen and streamline our corporate engagement.  
**(response continued in row below)**

Setting ambitious company-level objectives and targets, which help determine whether we retain, add or withdraw investments across the entire capital structure.

A key piece of work by our Global Research and Engagement Group (GREG) is a proprietary materiality matrix which seeks to identify the most 'financially material' topics for a given industry. This means looking at ESG factors specific to industries and sub-industries that are likely to have a financial or operating performance impact. The materiality matrix brings structure to our research and a framework to help systematic define and prioritise our engagement activity across the firm. By unifying our engagement effort, we aim to identify mispriced opportunities or to identify risk and embark on a roadmap of setting targets with a company, maintaining a dialogue and measuring the outcome..

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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.

Although there is a tendency for many of these aspects to stay static over long periods of time, the 2011 Arab Spring, the 2015 Ukraine default, the 2017 Mozambique default and more recent challenges in Venezuela have shown that when these considerations come to the fore they impact credit quality and bond performance in a material way. While the list of what can be included in making qualitative assessments is long, we focus on four key areas which, we believe, have a critical impact not just on a country's economic and social trajectory, but also its ability and willingness to pay. The four aspects we monitor include:

(C) Description of engagement approach for our SSA fixed income

- Transparency International's Corruption Perceptions Index as a reflection of the government's institutional capacity in implementing its chosen policy direction. A country that ranks poorly implies both policy formulation and implementation will be weak, with consequences for macroeconomic stability and the longer-term trajectory. Following concerted efforts to reduce corruption after the election of a new president in 2017, for example, we have been constructive on the Angolan sovereign which has seen its rank on this measure improve by 17 places between 2015 and 2019
  - The IFC/World Bank's Ease of Doing Business as a measure of how conducive government policies and public infrastructure is in aiding the delivery of superior economic performance. Indeed, our consistent overweight in India is driven by the strong reform effort being undertaken by the incumbent government, with the results evident in its Doing Business rank rising from 142nd out of 189 countries in 2015 to 63rd out of 190 in 2019
  - The United Nations Development Programme's Human Development Index to evaluate the social context within which government policies and institutions operate. **(response continued in row below)**
-

Poor human development not only signifies a weak input into a country's production possibility frontier but also implies smaller social buffers to absorb unexpected shocks. The latter has the potential to increase political instability. For example, despite the peaceful elections in 2018 and subsequent IMF engagement, we have not increased our Pakistan exposure meaningfully given deterioration in the country's human development rank to 152nd out of 189 countries from 147th out of 188 over the past few years, reflecting higher inflation and weaker growth driving higher unemployment and poverty.

- Finally, we rely on a set of five factors, available from Maplecroft, and embedded into our Active ESG View tool that are important for a country's environmental sustainability, and help measure its vulnerability to climate change and natural disasters. These include climate change vulnerability, air quality, water stress, vulnerability to natural disasters and food security. For example, the consistent deterioration in Papua New Guinea's scores on food security and high vulnerability to climate change led us to reduce our position despite the bond's scarcity and attractive relative value. Without addressing these factors, we suspect macroeconomic volatility will remain high for such a small and narrowly based economy

Whenever possible, our engagement approach with sovereign issuers on ESG engagement is done via (a) talking to issuers when they come to markets, or during NDRs/investor updates. **(response continued in row below)**

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The engagement focus areas will depend on which considerations are important for that specific issuer. So in Egypt, for example, some of the ESG topics we will engage officials on include social stability/improving domestic political dynamics. In Pakistan, our engagement will include progress being made towards meeting the Financial Action Task Force (FATF) requirements. In Ukraine, we will talk about governance reforms and steps towards institutional independence. Often times, if the issuer or its representatives are unable to answer question, they take note of our concerns and will relate them to the issuer. And, (b) talking/engaging with the list of non-issuer stakeholders given below. For example, often when we talk with the sellside/other stakeholders, we give our opinion on the issues of concern for a particular credit including at times what would help improve our view..

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(D) Description of engagement approach for our corporate fixed income

Please answer in A and C

## Sovereign bonds

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 23	CORE	OO 9 FI	N/A	PUBLIC	Sovereign bonds	2

For the majority of your sovereign bond engagements, which non-issuer stakeholders do you engage with to promote your engagement objectives?

- (A) Non-ruling parties
- (B) **Originators and primary dealers**
- (C) Index and ESG data providers
- (D) Multinational companies/state-owned enterprises (SOEs)
- (E) Supranational organisations
- (F) **Credit rating agencies (CRAs)**
- (G) **Business associations**
- (H) **Media**
- (I) **NGOs, think tanks and academics**
- (J) Other non-issuer stakeholders, please specify:
- (K) We do not engage with any of the above stakeholders for the majority of our sovereign bond engagements

## Real Estate (RE)

# Policy

## Investment guidelines

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 1	CORE	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 policies?

- (A) Guidelines on our ESG approach to real estate depending on use (e.g. retail, education etc.)
- (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 our engagement approach related to property managers
- (F) Guidelines on our engagement approach related to tenants
- (G) Guidelines on our engagement approach related to construction contractors
- (H) Guidelines on excluding certain tenants based on responsible investment considerations
- (I) Our policies do 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	N/A	N/A	PUBLIC	Commitments to investors	1, 4

For all of your funds that you closed during the reporting year, what type of formal responsible investment commitments did you make in Limited Partnership Agreements (LPAs) or side letters? (If you did not close any funds during this reporting year, refer to the last reporting year in which you did close funds.)

- (A) We incorporated responsible investment commitments in LPAs as a standard, default procedure
- (B) We added responsible investment commitments in LPAs upon client request
- (C) We added responsible investment commitments in side letters upon client request
- (D) We did not make any formal responsible investment commitments for the relevant reporting year
- (E) Not applicable as we have never raised funds
- (F) Not applicable as we have not raised funds in the last 5 years

# Pre-investment phase

## Materiality analysis

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 3	CORE	N/A	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 materiality at the asset level, as each case is unique (1) for all of our potential real estate investments
- (B) We performed a mix of property type and asset-level materiality analysis (4) for none of our potential real estate investments
- (C) We assessed materiality according to property type only (4) for none of 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 materiality analysis
- (B) We used SASB to inform our real estate materiality analysis
- (C) We used climate risk disclosures such as the TCFD recommendations (or other climate risk analysis tools) to inform our real estate materiality analysis
- (D) We used geopolitical and macro-economic considerations in our real estate materiality analysis
- (E) Other, please specify:

We have used Science-based targets approach to establish our carbon and energy intensity reduction targets to 2030 in line with our commitments in achieving Net Zero Carbon by 2050. Our Net Zero commitments are based on following the principles defined by the UK Green Buildings Council (UKGBC). In terms of tools to support measurement of data, we developed an integrated data platform that captures gas, electricity, water, waste data at both asset and fund level. We have also established more robust standards in due diligence, developing innovative new processes to assess all real estate investments against a set of stringent criteria including, Energy supply and demand (EPC and Net zero audits), climate risk (flood), water, waste, contamination, occupier wellbeing, transport, building safety, materials & equipment, renewable energy and property health, safety & management, socio economic.

## Due diligence

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 4	CORE	N/A	N/A	PUBLIC	Due diligence	1

### During the reporting year, how did ESG factors affect the selection of your real estate investments?

(A) ESG factors helped identify risks	(1) for all of our potential real estate investments
(B) ESG factors were discussed by the investment committee (or equivalent)	(1) for all of our potential real estate investments
(C) ESG factors helped identify remedial actions for our 100-day plans (or equivalent)	(2) for the majority of our potential real estate investments
(D) ESG factors helped identify opportunities for value creation	(2) for the majority of our potential real estate investments
(E) ESG factors led to the abandonment of potential investments	(3) for a minority of our potential real estate investments
(F) ESG factors impacted investments in terms of price offered and/or paid by having an effect on revenue assumptions	(4) for none of our potential real estate investments
(G) ESG factors impacted investments in terms of price offered and/or paid by having an effect on CAPEX assumptions	(3) for a minority of our potential real estate investments
(H) ESG factors impacted investments in terms of price offered and/or paid by having an effect on OPEX assumptions	(4) for none of our potential real estate investments
(I) ESG factors impacted investments in terms of price offered and/or paid by having an effect on the cost of capital or discount rate assumptions	(4) for none of our potential real estate investments
(J) Other, please specify:	
<p>When we acquire or build a property, we need to know that it represents value for a long period of time. In order to do this, we look at potential investments in the most holistic sense possible. We work to continuously improve our approach. One example is the introduction this year of a new Net Zero Carbon audit for all real estate acquisitions.</p>	(1) for all of our potential real estate investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 5	CORE	N/A	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 investments?**

(A) We do a high-level/desktop review against an ESG checklist for initial red flags (1) for all of our potential real estate investments

(B) We send detailed ESG questionnaires to target properties (1) for all of our potential real estate investments

(C) We hire third-party consultants to do technical due diligence on specific issues (1) for all of our potential real estate investments

(D) We conduct site visits and in-depth interviews with management and personnel (1) for all of our potential real estate investments

(E) We incorporate actions based on the risks and opportunities identified in the due diligence process into our post-investment plans (1) for all of our potential real estate investments

(F) 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) (1) for all of our potential real estate investments

(G) 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) (1) for all of our potential real estate investments

(H) Other, please specify:

As part of establishing our climate resilience strategy and approach, we have started to undertake forward looking flood risk analysis in our due diligence process based on work with a physical risk specialist third-party consultant.

(1) for all of our potential real estate investments

# Selection, appointment and monitoring of third-party property managers

## Selection process

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 6	CORE	OO 26	N/A	PUBLIC	Selection process	1, 4

During the reporting year, how did you include ESG factors in all of your selections of external property managers? (If you did not select external property managers during the reporting year, report on the most recent year in which you selected external property managers.)

- (A) We requested information from potential managers on their overall approach to ESG
- (B) We requested track records and examples from potential managers on how they manage ESG factors
- (C) We requested information from potential managers on their engagement process(es) with stakeholders
- (D) We requested documentation from potential 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 managers
- (F) Other, please specify:  
 We factored in KPIs that were linked to meeting specific ESG objectives as part of the selection process and were incorporated into the agreement with the external property managers. We used an external social value specialist (Social Value Portal) to devise an assessment for each prospective property management company. They also scored the responses as part of the selection process.
- (G) We did not include ESG factors in our selection of external property managers

## Appointment process

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 7	CORE	OO 26	N/A	PUBLIC	Appointment process	1, 4

How did you include ESG factors in the appointment of your current external property managers?

- (A) We set dedicated ESG procedures in all relevant property management phases (1) for all of our external property managers

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- (B) We set clear ESG reporting requirements (1) for all of our external property managers

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(C) We set clear ESG performance targets	(1) for all of our external property managers
(D) We set incentives related to ESG targets	(1) for all of our external property managers
(E) We included responsible investment clauses in property management contracts	(4) for none of our external property managers
(F) Other, please specify: We require all property managers to work closely with our data integration partner to ensure that all relevant ESG data is captured, measured and monitored appropriately.	(1) for all of our external property managers

## Monitoring process

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 8	CORE	OO 26	N/A	PUBLIC	Monitoring process	1, 4

### How do you include ESG factors in the monitoring of external property managers?

(A) We monitor performance against quantitative and/or qualitative environmental targets	(1) for all of our external property managers
(B) We monitor performance against quantitative and/or qualitative social targets	(3) for a minority of our external property managers
(C) We monitor performance against quantitative and/or qualitative governance targets	(1) for all of our external property managers
(D) We monitor progress reports on engagement with tenants	(1) for all of our external property managers
(E) We require formal reporting on an annual basis as a minimum	(1) for all of our external property managers
(F) We have regular discussions about ESG factors with all relevant stakeholders	(1) for all of our external property managers
(G) We conduct a performance review of key staff based on ESG alignment linked to KPIs and a financial incentive structure	(4) for none of our external property managers

(H) We have internal/external parties conduct site visits at least once a year

(1) for all of our external property managers

(I) Other, please specify:

We conduct quarterly ESG meetings involving all property managers and other relevant service providers, including the Utility Bureau to check that all energy, water and waste data has been shared and uploaded into our integrated data management platform, and to raise and resolve ESG related issues.

(1) for all of our external 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 sustainability requirements do you currently have in place for all development projects and major renovations?

- (A) We require the management of waste by diverting construction and demolition materials from disposal
- (B) We require the management of waste by diverting reusable vegetation, rocks and soil from disposal
- (C) We require the minimisation of light pollution to the surrounding community
- (D) We require the minimisation of noise pollution to the surrounding community
- (E) We require the performance of an environmental site assessment
- (F) We require the protection of the air quality during construction
- (G) We require the protection and restoration of the habitat and soils disturbed during construction and/or during previous development
- (H) We require the protection of surface and ground water and aquatic ecosystems by controlling and retaining construction pollutants
- (I) We require the constant monitoring of health and safety at the construction site
- (J) Other, please specify:
  - We require BREEAM Excellent certification for all new developments. We have embedded new requirements associated with Net Zero Carbon, Health & Wellbeing and Social Value into our Brief for Sustainable Works. We have started to incorporate the measurement of embodied carbon for all new major development project (and major renovations) as part of our Net Zero Carbon strategy.
- (K) We do not have sustainability 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 IoT technology	(1) for all development projects and major renovations
(B) We require that the building be able to obtain a recognised green building certification for new buildings	(1) for all development projects and major renovations
(C) We require the use of certified (or labelled) sustainable building materials	(1) for all development projects and major renovations
(D) We require the installation of renewable energy technologies where feasible	(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	(1) for all development projects and major renovations
(F) We require water conservation measures	(1) for all development projects and major renovations
(G) We require common occupant health and well-being measures	(1) for all development projects and major renovations
(H) Other, please specify: <input type="checkbox"/> No further comment	(1) for all development projects and major renovations

# Post-investment phase

## Monitoring

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 11	CORE	N/A	N/A	PUBLIC	Monitoring	1

During the reporting year, what ESG building performance data did you collect for your real estate assets?

### Through metering

(A) Electricity consumption	(2) for the majority of our real estate assets
(B) Water consumption	(2) for the majority of our real estate assets
(C) Waste production	(2) for the majority of our real estate assets

### Through another method

(A) Electricity consumption	(3) for the minority of our real estate assets
(B) Water consumption	(4) for none of our real estate assets
(C) Waste production	(4) for none of our real estate assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 12	CORE	N/A	N/A	PUBLIC	Monitoring	1

**For the majority of the core KPIs that you tracked, how did you set targets across your real estate investments?**

- (A) We set targets to achieve incremental improvements based on past performance
- (B) We set targets using industry benchmarks/standards
- (C) We set targets against global benchmarks or thresholds (e.g. on climate change and/or the SDGs)
- (D) We did not set targets for the core ESG KPIs that we tracked
- (E) We did not set targets as we don't track core ESG KPIs

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 13	CORE	OO 26	RE 13.1	PUBLIC	Monitoring	1, 2

**What processes do you have in place to support meeting your ESG targets for your real estate investments?**

- |   |   |
|---|---|
| (A) We use operational-level benchmarks to assess and analyse the performance of assets against sector performance              | (1) for all of our real estate investments  |
| <hr/>   |   |
| (B) We implement certified environmental and social management systems across our portfolio                                     | (1) for all of our real estate investments  |
| <hr/>   |   |
| (C) We make sufficient budget available to ensure that the systems and procedures needed to achieve the target are put in place | (1) for all of our real estate investments  |
| <hr/>   |   |
| (D) We hire external verification services to audit performance, systems and procedures   | (1) for all of our real estate investments  |
| <hr/>   |   |
| (E) We collaborate and engage with our external property managers to develop action plans to achieve targets                    | (1) for all of our real estate investments  |
| <hr/>   |   |
| (F) We develop minimum health and safety standards  | (1) for all of our real estate investments  |
| <hr/>   |   |
| (G) Other, please specify:<br>No additional comment   | (4) for none of our real estate investments |
| <hr/>   |   |

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 that you put in place during the reporting year to support meeting your ESG targets.

**Processes to support meeting ESG targets**

Processes to support meeting ESG targets

(A) Process 1

(A) Process 1 New ESG Data collection, analysis and reporting approach.  
 During the reporting year we established a new integrated ESG data collection, analysis and reporting platform called Siera. The platform is run by our ESG data partner Evora Global. The platform brings together all of our operational energy, carbon, water and waste data for all of our real estate assets in one location. The data is analysed and monitored for accuracy, quality and completeness. The data quality is externally verified on an annual basis. **(response continued in row below)**

The platform is accessible to all of our internal Asset and Fund managers as well as by our property managers, facilities aggregator and site teams. The platform provides reporting dashboards for every asset, enabling the performance of each to be closely monitored and checked against the asset level targets which are also held on the platform. The platform also provides Fund-level dashboards, so that aggregated performance across the fund can be reviewed along with league tables of priority assets. All EPC data is also now held on Siera enabling funds and assets to review ratings. In addition to this detailed quantitative information, the platform also hosts the Asset Sustainability Plans which are developed for every asset. This enables performance to be reviewed against opportunities implemented and planned projects, all in one location. **(response continued in row below)**

We are currently working with Evora on the next development of the platform in line with our net zero carbon requirements. The platform can be accessed and updated by stakeholders across the platform.

The introduction of the Siera platform supported the implementation of Quarterly Sustainability Meetings (QSMs), a new cycle of meetings for each of our funds focused solely upon ESG objectives, targets and performance. These new meetings bring together the fund and asset managers with and site teams responsible for managing and implementing ESG at an asset level. These meeting focus upon ESG performance against targets, priorities for action, supported by the Siera performance data. They have been particularly productive as a forum for highlighting asset case studies to help share learning and feedback on challenges and opportunities..

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(B) Process 2 New Method of Managing Climate Related Physical Risk.

Physical climate risk is expected to pose an increasing risk to our Real Asset portfolio. As such, we carried out work this year with a third-party climate risk specialist to develop a bespoke approach to assess emerging/forward-looking climate physical risk across LGIM Real Assets. We hold an extensive and diverse portfolio across a wide range of sectors, which includes both single-site assets and large sites spanning multiple postcodes in the UK. Our updated approach therefore uses Unique Property Reference Numbers (UPRNs) to ensure that risks to any individual buildings within larger multi-building sites are captured more accurately and at a comparable granularity to single-site locations. In this approach, overall risk is calculated by first assessing the exposure of each asset to eight different climate hazards. This is then moderated according to asset characteristics. The overall risk at each site is expressed as an Annual Exceedance Probability (AEP): the probability of that hazard exceeding a pre-determined threshold in any given year, expressed as a percentage. The AEPs can then be combined to provide an overall level of risk at the asset level, or aggregated at a sectoral, regional or fund level. **(response continued in row below)**

(B) Process 2

We are currently working on translating the AEPs into a Climate Value at Risk to better understand the financial implications of these risks.

Of the eight hazards reviewed, the analysis demonstrated that although other risks will become more significant moving forwards, flood risk poses the biggest threat to our portfolio, both now and into the future. We have also worked with a climate risk specialist to further develop our flood risk assessment approach, improving the accuracy of our baseline data and incorporating forward-looking data into our analysis.

An assessment of current flood risk is already included in the standard due diligence process of all real asset property acquisitions. This enables the flood risk of each asset to be categorised and zoned. Our current standard policy is to reject properties in high risk zones (Zone 3), unless a specific review confirms no risk to structure or operation and that flood defences will be constructed and maintained. Properties in medium risk zones (Zone 2) are investigated in detail for resilience.

This year, we have worked to improve the locational accuracy of our baseline data using our UPRN analysis, which better represents the flood risk at a sub-asset level. This zoning is based upon riverine and surface flood risk. **(response continued in row below)**

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Coastal inundation has also been assessed and we are currently in the process of identifying the resilience of coastal defences for the small number of assets potentially at risk, which will be incorporated in future iterations of this analysis. Building on our existing flood zoning approach, we have also now incorporated an assessment of future precipitation change. This is used to determine the impact on riverine and surface flooding, which is then used to project future changes in flood zone distribution. This approach maintains the language familiar to our stakeholders, whilst also communicating the impact that climate change is projected to have on future flood risk.

Our analysis has shown that, moving forwards, a number of assets that are currently considered a lower risk Zone 1 may move into the higher risk Zones 2 and 3. For the platform as a whole, it also indicates that the total number of assets in Zone 3 is expected to double between the baseline and 2100 as a result of climate change. We will look to perform an in-depth asset level assessment for assets which are identified as a high risk now, and those which may move into a higher zone in the near-future. This information will then be built into asset-level adaptation planning and will also be used to inform acquisition and disposal strategy. We will also put in place an annual flood risk review to identify any changes in flood risk profiles..

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 14	CORE	N/A	N/A	PUBLIC	Monitoring	1, 2

**Post-investment, how do you manage material ESG-related risks and opportunities to create value during the holding period of your investments?**

(A) We develop property-specific ESG action plans based on pre-investment research, due diligence and materiality findings (1) for all of our real estate investments

(B) We adjust our ESG action plans regularly based on performance monitoring findings (1) for all of our real estate investments

(C) We hire external advisors to provide support with specific ESG value creation opportunities (1) for all of our real estate investments

(D) Other, please specify:

We look to strengthen our existing ESG policies and practices to incorporate our Net Zero Carbon commitments and Science-based targets.

(1) for all of our real estate investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 15	PLUS	N/A	N/A	PUBLIC	Monitoring	1, 2

**Describe how your long-term ESG action plans are currently defined, implemented and monitored.**

To ensure that we ‘walk the sustainability walk’ in all aspects of a Real Asset’s lifecycle, every asset needs to have a specifically, tailored, Asset Sustainability Plan (ASP). These plans are put in place shortly after acquisition and are in many cases informed by the assessments carried out as part of the due diligence process. The aim of the ASP is to ensure that the variety of sustainability requirements for a particular asset over the medium to long term are brought together in one place and considered holistically, alongside the assets long term strategy. This allows different aspects of sustainability to be prioritised based on the particular requirements of each asset, its tenants and the fund that owns the asset. During the reporting year we revised and updated our ASP template to ensure that it covered all emerging areas of ESG focus including net zero carbon, social value and occupier engagement in ESG.

ASPs are produced for every asset. They are produced with input from suitably trained, energy auditors either from within our facilities aggregator, managing agents or by a third-party specialist. Both building/facilities and property managers contribute to the ASP’s and they are signed off by the responsible LGIMRA Asset Manager. The ASP template covers all key aspects of ESG opportunity including carbon and energy intensity, water conservation, waste management, property management, social value, transport, occupier engagement and biodiversity. The priority areas can then be selected for each asset in order to produce a tailored plan in a consistent format. If an asset is to be redeveloped in the short-term this will be reflected in the possible measures within the ASP. The most up to date version is stored on our new integrated ESG data collection, analysis and reporting platform, Siera. The plans are reviewed at regular intervals throughout the year by the management teams. They are also increasingly reviewed as part of the Quarterly Sustainability Meetings held for each fund.

During the reporting year, as part of our long term roadmap to net zero planning, we carried out a wide range of net zero carbon audits. These audits identified, for a range of assets, the steps needed to move existing assets from current performance levels to a net zero carbon destination. The recommendations from these audits, which in some cases cover a transition of over 15 years, have been embedded into the ASPs.

The ASPs provide the medium to long term plan for each asset. In addition they are used to help define the key short terms actions, the priorities for the next 12 months. These actions are broken out into an annual Asset Operational Plan (AOP), which gives a clear annual focus for the site teams to deliver against.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 16	CORE	N/A	N/A	PUBLIC	Monitoring	1

What proportion of your real estate assets have obtained an ESG/RI certification or label?

- (A) All of our real estate assets have obtained an ESG/RI certification or label
- (B) The majority of our real estate assets have obtained an ESG/RI certification or label
- (C) A minority of our real estate assets have obtained an ESG/RI certification or label
- (D) None of our real estate assets have obtained an ESG/RI certification or label

## Stewardship

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 17	CORE	OO 26	N/A	PUBLIC	Stewardship	1, 2

How does your property manager engage with tenants? (If you are a property manager, please report on your direct tenant engagement.)

### Tenants with operational control

(A) We engage with real estate tenants through organising tenant events focused on increasing sustainability awareness, ESG training and guidance	(3) for a minority of our buildings or properties
(B) We engage with real estate tenants on energy and water consumption and/or waste production	(3) for a minority of our buildings or properties
(C) We engage with real estate tenants by offering green leases	(1) for all of our buildings or properties
(D) We engage with real estate tenants through identifying collaboration opportunities that support net-zero targets	(2) for the majority of our buildings or properties
(E) We engage with real estate tenants by offering shared financial benefits from equipment upgrades	(3) for a minority of our buildings or properties
(F) Other, please specify: <input type="checkbox"/> No further comment	(1) for all of our buildings or properties

## Tenants without operational control

(A) We engage with real estate tenants through organising tenant events focused on increasing sustainability awareness, ESG training and guidance	(3) for a minority of our buildings or properties
(B) We engage with real estate tenants on energy and water consumption and/or waste production	(2) for the majority of our buildings or properties
(C) We engage with real estate tenants by offering green leases	(1) for all of our buildings or properties
(D) We engage with real estate tenants through identifying collaboration opportunities that support net-zero targets	(2) for the majority of our buildings or properties
(E) We engage with real estate tenants by offering shared financial benefits from equipment upgrades	(2) for the majority of our buildings or properties
(F) Other, please specify: No further comment	(1) for all of our buildings or properties

## Exit

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 18	CORE	N/A	N/A	PUBLIC	Exit	4, 6

### During the reporting year, what responsible investment information has your organisation shared with potential buyers of real estate investments?

(A) We shared our firm's high-level commitment to responsible investment (e.g. that we are a PRI signatory)	(1) for all of our real estate investments
(B) We shared a description of what industry and asset class standards our firm aligns with (e.g. TCFD, GRESB)	(1) for all of our real estate investments
(C) We shared our firm's responsible investment policy (at minimum, a summary of key aspects and firm-specific approach)	(1) for all of our real estate investments
(D) We shared our firm's ESG risk assessment methodology (topics covered, in-house and/or with external support)	(4) for none of our real estate investments

(E) We shared the outcome of our latest ESG risk assessment on the property(s)	(2) for the majority of our real estate investments
(F) We shared key ESG performance data on the property(s) being sold	(4) for none of our real estate investments
(G) Other, please specify: <input type="checkbox"/> No further comment	(1) for all of our real estate investments

# Reporting/Disclosure

## ESG portfolio information

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
RE 19	CORE	N/A	N/A	PUBLIC	ESG portfolio information	6

During the reporting year, how did you report on core ESG data and targets to your investors or beneficiaries?

- (A) We reported in aggregate through a publicly disclosed sustainability report
- (B) We reported in aggregate through formal reporting to investors or beneficiaries
- (C) We reported at the property level through formal reporting to investors or beneficiaries
- (D) We reported through a limited partners advisory committee (or equivalent)
- (E) We reported back at digital or physical events or meetings with investors or beneficiaries
- (F) We did ad hoc or informal reporting on serious ESG incidents
- (G) Other, please specify:  
 During the reporting year we reported our ESG data in our Annual Report, Corporate Social Responsibility Report and TCFD Report. We also published and reported the details of our net zero carbon and Science-based targets in our new Roadmap to Net Zero Report. During the year we fed details of our targets and performance into ad hoc fund meetings and updates.
- (H) We did not report on core ESG data and targets to our investors or beneficiaries during the reporting year