



Q3 2023

# ESG impact report

Global engagement to  
deliver positive change

# Our mission

We aim to use our influence to ensure:



1. Companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking



2. Markets and regulators create an environment in which good management of ESG factors is valued and supported

In doing so, we seek to fulfil LGIM's purpose: to create a better future through responsible investing.





# Our focus

## Holding boards to account

To be successful, companies need to have people at the helm who are well-equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks while seeking to benefit from emerging opportunities. We aim to safeguard and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

## Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that seek to deliver long-term success.

## Promoting market resilience

As a long-term investor for our clients, it is essential that markets (and, by extension, the companies within them) are able to generate sustainable value. In doing so, we believe companies should become more resilient amid change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues affecting the value of our clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change across markets as a whole.



## Action and impact

This quarter, we look at our continued Climate Impact Pledge engagement, the main driver behind our increased engagement figures. We also include updates from our Global Research and Engagement Groups, discuss our work on income inequality, and highlight our engagement with stock exchanges in Asia.



# Environmental | Social | Governance

# ESG: Environment



## Climate

### Climate Impact Pledge update: our largest written campaign to date

Regular readers will notice that our Q3 engagement statistics have increased substantially compared with last year. The primary reason behind this is the expansion of our [Climate Impact Pledge](#) and the continuation of engagement with the 5000+ companies within the programme. In order to count written communication as an engagement, it must include a clear statement of our asks and expectations, a clear timeframe for these to be achieved, and what sanctions will be applied if our expectations are not met.

### Identify and engage

In this written campaign, we **aim to write to all 5,000+ companies** (for which we have contacts) covered within our expanded [Climate Impact Pledge scoring tool](#). We are coordinating a written engagement campaign through four batches of letters.

The content of all the letters aims to:

- Communicate our campaign
- Showcase and explain our [Climate Impact Pledge score website](#) as an assessment tool against our climate expectations
- Call companies to action to improve indicators flagged as red or amber in our tool, and specially to address and aim to meet our minimum standards
- Communicate the voting implications linked to our minimum standards

The results so far:



**1,500**  
Letters sent



**90%**  
Delivery rate



**250+**  
Companies identified for potential voting sanctions contacted

### Next steps

We are currently centralising and streamlining responses from investee companies. We have engaged with technology and telecommunications companies – newly added to the programme as part of our 2022 expansion – as set out in our [2023 Climate impact Pledge update](#). We aim to understand specifically how climate-related issues are prioritised within the board's discussions and how they are integrated into companies' strategies, including challenges encountered and industry-specific characteristics of which we should be aware with regard to climate transition and reporting on progress.

Our annual climate engagement cycle with the 100+ 'dial-mover' companies begins in October 2023.



### CDP non-disclosure campaign and SBTi campaign

During the quarter, we supported two campaigns coordinated by CDP:

1. [CDP's Non-Disclosure Campaign \(NDC\)](#) with the aim to engage with companies that have failed to respond to requests to disclose through CDP's climate change, forests and/or water security questionnaires. This campaign runs alongside the main CDP disclosure request, to boost transparency and drive up rates of corporate disclosure. By participating in this initiative, we aim to promote transparency and accountability from investee companies. We have co-signed letters to all targeted companies that will be engaged by selected leads and the campaign reached a record number of sign-ups with 280+ participants, targeting 1,600 non-disclosing companies

2. This is the third year we have supported [CDP's Science-Based Targets Campaign](#) requesting large, impactful companies to set science-based targets. The [2023 campaign](#) called on the 2,100 most impactful companies globally to set science-based targets

We would encourage companies to participate in CDP questionnaires and disclose through them as CDP data is often used by other data providers such as Bloomberg, ISS, GRESB, Sustainalytics and MSCI, as well as asset managers and other investor initiatives. As a large global investor<sup>1</sup>, we always seek consistent and comparable information from our investee companies and third-party data providers.

1. LGIM has £1158 billion of assets under management (AUM), (Source: LGIM internal data as at 30 June 2023. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong (2018-2019 only). The AUM includes the value of securities and derivatives positions.)

## Climate week: from commitments to accountability

As a large, global investor engaging with companies and policymakers around the world, we want to be part of the discussions shaping global dialogue on stewardship and responsible investment. Climate week took place in New York in the third week of September and our participation in panels and discussions was an opportunity to connect and collaborate with peers, clients and stakeholders on some of the most pressing issues facing asset owners and investors today.

In terms of participation and panels, some highlights included:

- **Global Climate Finance – sharpening up shareholder strategy**, organised by the Australian Centre for Corporate Responsibility (ACCR), Carbon Tracker, As You Sow, and Institute for Energy Economics and Financial Analysis (IEEFA). Our participation in the panel introduced our [Climate Impact Pledge](#) programme and our broader investment stewardship philosophy
- **FSDA (Finance Sector Deforestation Action)** meeting of signatories: we are part of the steering committee and the meeting was an opportunity to assess progress across signatories and forthcoming developments in deforestation data
- **Ceres and 'Freedom to Invest'**: a talk which we attended, covering rebranding of ESG in the US to 'responsible business'
- **Carbon Disclosure Project**: a roundtable of asset managers and owners, discussing net-zero commitments, reporting on progress and assessing transition risk
- **ClimateArc**: we attended a workshop of NGOs, data providers, activists and consultants, on identifying existing tools (common datasets, scenarios, and understanding levers) to shift the market from net-zero commitments to accountability



In addition to strengthening our ties with the collaborations of which we are already part, and helping to shape their future direction, we were also able to glean more information about newer organisations set up to tackle climate change, and to hear in depth from a variety of stakeholders about challenges and opportunities in climate change.

Two core themes we would identify from the week were:

- A shift among from climate commitment to climate accountability
- The need for more precise language to describe 'ESG'

And we will be looking at how to integrate these considerations into our global stewardship engagement work, both with companies and policymakers.



## Nature

### NA100 collaboration

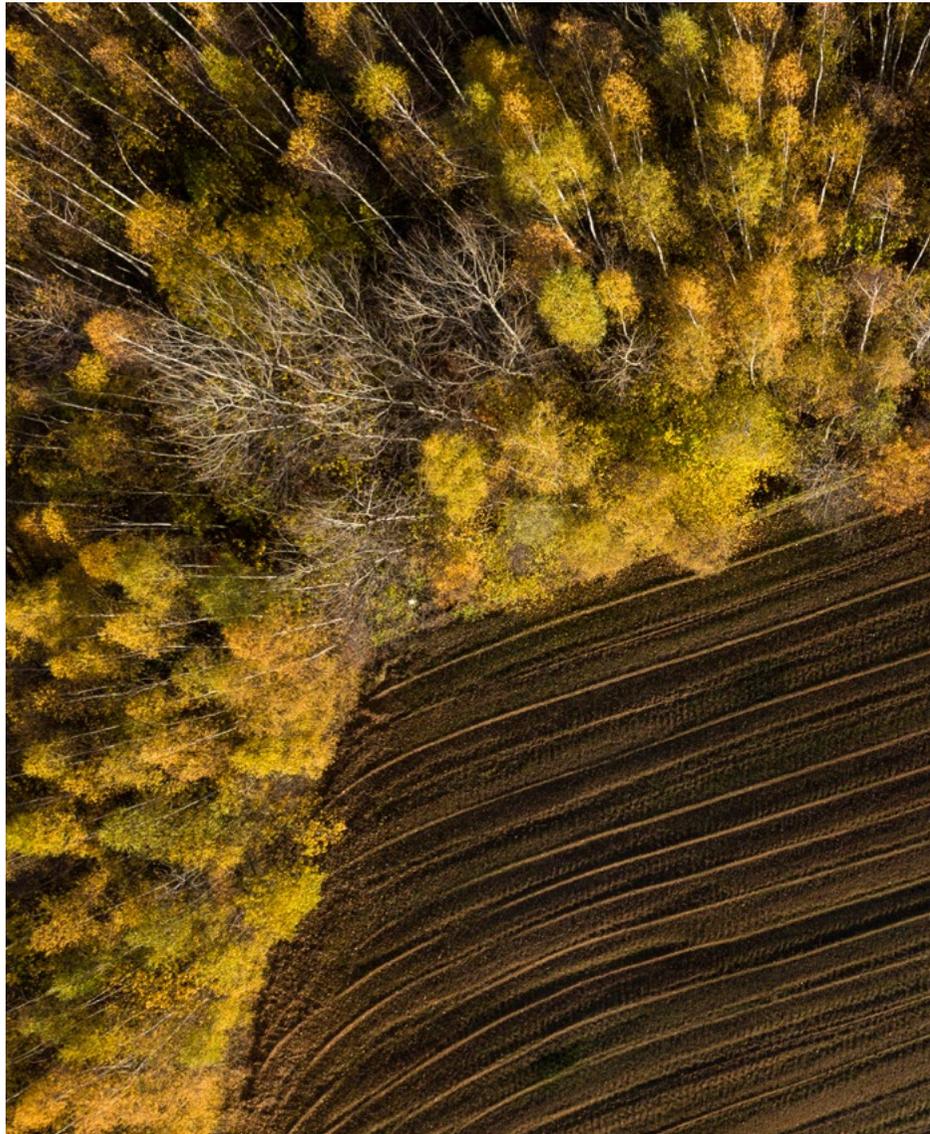
We are excited to announce that LGIM is a formal member of [Nature Action 100](#) (NA100), a global investor initiative co-led by Ceres and the IIGCC (with support from Finance for Biodiversity and Planet Tracker). Focused on corporate engagement, NA100 aims to encourage greater corporate ambition and action on nature and biodiversity loss, by setting a common agenda and clear set of expectations for companies. 190 institutional investor participants – representing US\$23.6 trillion in assets under management or advice – have joined NA100 and will be participating in direct engagement with 100 companies through the initiative.<sup>2</sup>

Joining NA100 is an important part of acting on the commitments LGIM has made regarding collaboration and knowledge-sharing under the Finance for Biodiversity Pledge, as set out in our [biodiversity policy](#).

As corporate disclosure and assessments of companies' interactions with nature continue to evolve rapidly, we would hope that NA100 membership will provide both resources and insights that will help us develop our expectations and understanding in this area. We also note that NA100 is being framed broadly through a focus on sectors that are major drivers of nature loss through their impact upon natural habitats, overexploitation of resources, and soil, water and solid waste pollution.



2. [Investors – Nature Action 100](#)



## Deforestation

### Policy update

Having published our deforestation policy initially in the third quarter of 2022, we recently updated it to reflect the progress we have made on the milestones set out, our strengthening expectations of companies, and data improvements which have allowed us to broaden the scope and increase the depth of our assessments and engagement. We have also integrated the social aspects of commodity-driven deforestation and consideration of human rights, including indigenous people and land rights. LGIM has steadily evolved its approach to assessing and engaging on deforestation risk, most recently with a new risk assessment tool and a refresh of our assessment, with voting sanction implications, of deforestation policies and programmes.

Our minimum expectation is that all companies in ‘deforestation-critical sectors’,<sup>3</sup> for which we have data, have both a deforestation policy and programme.<sup>4</sup>

Additionally, we include some examples of best practice for companies regarding deforestation management and mitigation that we expect increasingly to monitor and engage on.

For further details, please read our updated [deforestation policy](#).

3. ‘Deforestation-critical’ sectors or ‘high-risk’ sectors are defined using Ceres’ Investor Guide to Deforestation and Climate Change. We also follow Deforestation Free Finance guidance on which GICS sub-industries to cover.

4. As assessed by Sustainalytics, using its criteria. Companies in selected sectors, where we have data, scoring 0 on either deforestation policy or programme will receive a vote against.

## Significant votes

<b>Company name</b>	EMS-Chemie Holding AG*
<b>ISIN</b>	CH0016440353
<b>Market cap</b>	US\$16.16 billion <sup>5</sup>
<b>Sector</b>	Basic materials: chemicals
<b>Issue identified</b>	EMS-Chemie does not meet our minimum standards with regard to climate risk management, as set out in our <a href="#">net-zero guide for the chemicals sector</a> . According to the International Energy Agency (IEA), the chemicals sector is the largest industrial energy consumer and the third-largest industry subsector in terms of direct CO2 emissions. <sup>6</sup>
<b>Summary of the resolution</b>	Resolution 6.1.1: Elect Bernhard Merki as Director, Board Chair, and Member of the Compensation Committee AGM date: 12 August 2023
<b>How LGIM voted</b>	AGAINST resolution 6.1.1 (i.e. against management recommendation)
<b>Rationale for the vote decision</b>	<p>The company's climate-related disclosures are lacking in the transparency and robustness that we believe is necessary for shareholders to obtain a sound picture of the company's climate transition plans and strategy. We also have concerns with regards to the scope and credibility of its net-zero commitment, as well as its medium-term targets, alignment to a 1.5°C scenario, and reliance on offsets. The company currently does not align executive remuneration with its medium-term emissions targets, which raises governance concerns regarding prioritisation and accountability for climate-related issues.</p> <p>Further, we have been disappointed in the company's lack of response to its shareholders' requests for dialogue regarding its climate strategy and disclosures.</p> <p>Our decision to vote against the re-election of the Chair of the Board, Bernhard Merki, is an escalation of our collaborative engagement with ShareAction and a reflection of our longstanding climate concerns at the company.</p>
<b>Outcome</b>	94.7% votes were in favour of resolution 6.1.
<b>Why is this vote 'significant'?</b>	At LGIM, we believe that the chemicals sector has a crucial role to play in the global transition to net zero and in addition to publishing our sector-specific expectations under the <a href="#">Climate Impact Pledge</a> , we have also joined a <a href="#">collaborative initiative</a> to engage with the largest European chemicals companies, organised by ShareAction.

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5. As at 25 September 2023, [Ems-Chemie \(EMSN.SW\) – Market capitalization \(companiesmarketcap.com\)](#)

6. Source: [Chemicals - IEA](#)



## Case studies Heidelberg Cement\*: GREGs focus

### Identify

Cement production is responsible for around 8% of global carbon emissions per year.<sup>7</sup> Therefore, the cement industry needs to decarbonise significantly for the world to reach net zero; the sector is included within the 'climate critical' sectors of our [Climate Impact Pledge](#). Heidelberg believes it has an industry-leading decarbonisation policy as well as first-mover advantage in carbon capture and storage (CCS).

### Engage

During the quarter, LGIM participated in discussions with Heidelberg's management team to discuss the progress and economic viability of the company's planned CCS projects. Questions focused on:

1. The economics of CCS (cost of capture, transport and storage versus carbon pricing)
2. The external factors affecting viability of CCS projects (regulation, government subsidies etc.)
3. Demand expectations for 'carbon-free' cement

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7. [Concrete needs to lose its colossal carbon footprint \(nature.com\)](#)



### Next steps

LGIM will continue to engage with Heidelberg as well as other competitors in the cement industry on their decarbonisation targets and trajectory. For Heidelberg, the economics of CCS will only become economical with either an increase in the carbon price or if customers are willing to pay a premium for carbon-free cement. LGIM will continue to monitor these dynamics and discuss with management.



## Water: GREGs focus

### Identify

Water is a key component within our global stewardship theme of 'Nature'. We believe that water is at the core of resilient, sustainable economic development, and it is linked to a broad spectrum of concerns, from net zero, food and human health, to involuntary migration, and social and political instability.

We believe that in its current form, the water system presents a long-term systemic market risk that is financially material for our clients; it is therefore a specific area where we are focusing our activities in the Investment Stewardship team, and within the Global Research and Engagement Groups (GREGs).

The water industry in England and Wales, in particular, is facing a number of environmental issues, many of which have received frequent press coverage in recent months. From pollution and monitoring of outflows, water security and infrastructure investment, to high levels of debt and evolving regulation, there are a number of financially material challenges that we have identified for engagement within the GREGs. As a major lender in the sterling corporate bond market, we believe we have a responsibility to push for positive change at underperforming companies.



### Engage and escalate

Within the GREGs, members of our Investment Stewardship and investment teams have been forming a sector-wide engagement strategy, incorporating both corporate engagement and policy dialogue.

With regards to engagement, LGIM has joined a collaborative working group that is being led by the Investor Forum focused on short-, medium- and long-term concerns regarding the UK water system. The collaborative engagement is crucially approaching the topic at both a corporate and policy and regulatory level. To date, exploratory meetings have been held with United Utilities\*, Severn Trent\* and Pennon Group\*. Topics discussed with these companies have included UK water infrastructure and investor concerns. We have also met with other large investors in the sector to help us understand broader concerns and formulate expectations. LGIM directly engages when companies are marketing bonds, and also amplifies its voice through its leading role at UK industry body The Investment Association.

The outcomes of our engagements will help to form the basis of our expectations for the sector going forward, enabling us to work with industry stakeholders towards solutions and improvements. For more information about how we believe active credit investors can help flush out UK sewage pollution, please see [our blog](#).

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# Environmental | Social | Governance

# ESG: Social

## Nutrition

### UN Food Systems Summit

In July 2023, we were invited to speak during the [United Nation Food Systems Summit +2 Stocktaking Moment](#) held in Rome. The summit was convened by the UN Secretary-General to review progress in implementing the outcomes from the previous summit held in 2021 and towards achieving the [2030 Agenda for Sustainable Development](#).

Our participation was aimed at providing an institutional investor perspective on nutrition in general, how we as institutional investors engage with relevant stakeholders, and how we can contribute to positive change within the food sector.

In looking at why we engage on the issues of nutrition and obesity, we explained why we believe these are financially material issues for our clients. The Access To Nutrition Initiative (ATNI), of which we are a member, estimates that the interconnected issues of obesity, under-nutrition and micronutrient deficiencies cost as much as 5% global income (US\$3.5 trillion) per year.<sup>8</sup> We outlined the work we do with ATNI and in particular the engagement with the 20 largest listed food and beverage companies in the world, outlining specific company examples.<sup>9</sup>

Through our participation in events such as these, we continue to contribute to raising the profile of our engagements beyond the sphere of individual companies and understanding the roles and actions of other stakeholders linked to the issues surrounding global nutrition. We are doing this so that we can both share the work that LGIM has been doing and encourage other asset managers to follow suit, while also learning from others seeking the same developments and exploring collaborative and knowledge-sharing opportunities.

8. [Global-Index-2021-Full-Report-6.pdf \(accesstonutrition.org\)](#)

9. For some examples, please see p.78 of our latest [Active Ownership report](#)

## Antimicrobial resistance

### World AMR Congress

The World Anti-Microbial Resistance (AMR) Congress took place on 7 and 8 September 2023 in Philadelphia, USA. The LGIM Investment Stewardship team was invited to attend and to speak at the conference.

This annual congress gathers academics, medics, healthcare professionals, companies, government officials, international organisations, policymakers and regulators from around the world to share research, innovations, new developments and thoughtful and thought-provoking thinking on AMR. The conference attracted 1,400 attendees.

On the second day, we sat down with FAIRR for a fireside chat on *How institutional investors can curb the silent pandemic*. As the only two representatives of institutional investors, we first needed to explain why LGIM considers AMR and the systemic risk it poses to our investments, and what we can contribute to the fight against AMR. We outlined the tools we have at our disposal, such as engagement with companies, voting shares, filing shareholder proposals and policymaker engagement. We wanted to make the audience aware of the very critical role institutional investors can play in curbing AMR and to encourage the various representatives from academia, healthcare professionals, international organisations and so forth to consider us as partners to engage with and combine forces, to enable us all to take co-ordinated action on this crucial issue. As a global investor and a universal owner, we strive for market-level improvements, and we seek to collaborate with like-minded stakeholders to speak with one voice on important global issues such as AMR which we believe are financially material for our clients.

## Significant votes

Company name	FedEx Corporation*
<b>ISIN</b>	US31428X1063
<b>Market cap</b>	US\$66.6 billion <sup>10</sup>
<b>Sector</b>	Industrial: transportation
<b>Issue identified</b>	Paid sick leave. At LGIM, we believe human capital issues represent risk to a company's operations, whether through heightened attrition or decreased productivity.
<b>Summary of the resolution</b>	Resolution 7: Adopt a paid sick leave policy AGM date: 21 September 2023
<b>How LGIM voted</b>	LGIM voted FOR Resolution 7 (i.e. against management recommendation)
<b>Rationale for the vote decision</b>	A vote in favour was applied as LGIM supports the adoption of a paid sick leave policy for all employees as it is set to improve employee wellbeing which is critical to human capital management and gender equality.
<b>Outcome</b>	34.6% shareholders voted in favour of the proposal
<b>Why is this vote 'significant'?</b>	This vote is significant because it relates to human capital management issues, which have been a focus of engagement for us, and reflects our broader campaign in 2022 on paid sick leave at US railway companies, described in our <a href="#">Q1 2023 ESG Impact Report</a>

10. ISS, 6 October 2023)

11. Source for both figures: [Presenteeism Costs 10x More Than Absenteeism. How Can Leaders Tackle This? - Thrive Global](#)

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## Income inequality

### Identify

At LGIM, we believe that failure to address the issues of income inequality and poverty can pose a material risk to investee companies. Our focus is on in-work poverty. This includes workers within a company's direct operations and workers within their supply chains. Some of the risks to a company in perpetuating poverty wages include lower morale and productivity, higher levels of absenteeism and presenteeism, higher rates of staff turnover which results in recruitment and training costs, increase in theft, reputation loss.

We believe paying a living wage to workers present businesses with opportunities such as improved morale, productivity, higher retention rates, improved mental and physical health. Income inequality can also represent a major risk for companies: according to the US Bureau of Labor Statistics, the cost of absenteeism to businesses in the US in 2018 was US\$150 billion per year, and it has been estimated that employees who are demotivated, burned out, or unproductive due to other health reasons cost US\$1,500 billion per year.<sup>11</sup>

We have been engaging on the living wage for a number of years, both individually and collaboratively – a summary can be found in our [2022 Active Ownership report](#).

Over the quarter, we broadened our corporate engagement on income inequality. We launched our first engagement campaign, which carries with it a voting sanction for those companies that fail to meet our minimum expectations. We targeted the food retail sector, as we believe these companies to be generally more resilient due to the community service they provide, and financially less impacted by the COVID-19 pandemic than other sectors. It is also a sector with a high proportion of its workforce earning low wages.

We identified 15 supermarket retailers in developed economies as targets for this campaign. We have chosen these companies because of their size and influence. The companies are:

- North America: Costco\*, Kroger\*, Target\* and Walmart\*
- UK: Tesco\*, Sainsbury\*
- Europe: Ahold Delhaize\*, Carrefour\*, Casino\*, Metro\*
- Japan: Lawson\*, Seven & I\*, Aeon Co\*
- Australia: Woolworths\*, Coles\*

### Engage and escalate

We have written to these companies setting out our expectations of them and the timeframe in which we expect these expectations to be met. Our expectations for the companies' own operations are as follows:

- I. Develop a strategy to ensure all employees receive at least a living wage
- II. Define what you consider to be a living wage
- III. Provide key information:
  - Name those organisations that have helped you to determine the living wage for each of your geographic operations
  - Set out the current gap between pay per hour and the living wage per hour
  - A timeline within which to close this living wage gap
  - More information about sick leave policies, regardless of voluntary or regulated

- Whether the company offers financial education to employees
- If apprenticeship or other programmes are offered to school leavers and how selection is aimed to help children from a diverse mix of backgrounds

And our expectations for their supply chains are:

- i. Set out a living wage strategy for supply chain workers
- ii. Include your definition of a living wage
- iii. Disclose any partners you are working with to determine living wages
- iv. Disclose target supply chains, e.g., certain products/regions
- v. Disclose changes made to purchasing practices in order to facilitate the payment of a living wage.
- vi. Disclose current pay gaps
- vii. Set out a timeline to close the living wage gap

We plan to engage directly with these companies over the coming year and assess their progress.

If, by 2025, these companies have failed to provide the disclosures set out in our minimum expectations, we will:

- Vote against the re-election of the Chair or Chair/CEO or President
- Pre-declare our voting intentions

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# Environmental | Social | Governance

# ESG: Governance

## Update: AGM season in Japan

In this section, we provide an overview of some key observations gleaned from the results of the AGM season in Japan.<sup>12</sup>

### Governance-related shareholder proposals

2023 was another record year in Japan with over 300 shareholder proposals, tripling in number over the last 10 years. Proposals were primarily related to director appointments, shareholder returns, and other governance issues such as board independence and remuneration disclosures. LGIM voted in favour of 37% of shareholder proposals filed during the season.

### Climate-related shareholder proposals

Among the largest 500 companies in Japan, we saw 21 climate-related shareholder proposals filed at 11 companies, of which two-thirds received over 10% support and four gained more than 20% votes in favour. LGIM supported 12 of these proposals, including all 11 proposals that called for enhanced disclosures around fossil fuel and other climate related issues.

While the focus of such proposals in previous years has typically been on the utilities, energy and financial sectors, this year we also saw a shareholder proposal filed at Toyota\* regarding climate lobbying disclosure, which LGIM supported and [pre-declared](#), in line with [our published stance](#). Ambitious climate policy and responsible corporate climate lobbying are essential to keeping hope of a 1.5°C world alive. We believe economic actors must use their influence positively and advocate for public policies that would support the delivery of a net-zero economy.

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12. Please note, the figures quote in this section relate to the period from April-June 2023.

## Director accountability

In the Japan AGM season, we voted against the re-election of 707 directors due to lack of board independence and 83 due to board diversity concerns. At LGIM, we vote against the re-appointment of the most senior member of the board or the nomination committee chair unless:

- The board includes at least 1/3 independent outside directors. For listed subsidiaries with controlling parents, an against vote will be applied unless the majority of the board are independent outsiders
- For TOPIX 100 companies, at least 15% of the board are women. For companies listed on the Prime Market and not included in the TOPIX100, an against vote will be applied unless the board includes at least one female director

We have seen an increasing number of investors use their votes against management to signal disapproval over issues such as board effectiveness and capital management. We would highlight three examples:

- **Canon\***, where the chairman/CEO received only 50.6% approval, dropping by almost 40% from two years ago. LGIM has for many years voted against his re-appointment due mainly to board independence and diversity concerns
- **Fuji Media Holdings\***, where the chairman/CEO received a support rate of 56.6%, and **KYOCERA Corporation\*** where support for the chairman slumped to 66.0%. We voted against these re-appointments on account of a number of reasons, including board composition issues and excessive cross-shareholdings.

We will continue to tighten our board independence and diversity policies, paying attention to features specific to the market (e.g., different board structures and listed subsidiaries) and being mindful to ensure a company's nomination and selection process is well-thought-out and not rushed.

Please note, the figures quoted in this section relate to the period from April-June 2023.

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## Stock exchange engagement campaign

### Identify

Having begun our engagement campaign on diversity in some emerging markets, one of our conclusions was the understanding that engagement between investors and companies needs to be aligned with international capital markets' expectations.

We see a potential opportunity to engage with stock exchanges which have an important role in terms of driving improvements in market standards, from setting listing rules to strengthening disclosure requirements. We hope to leverage their position through engagement on a number of our global investment stewardship themes. Additionally, we aim to raise awareness with these key stock exchanges of LGIM's work on these material themes, including diversity, governance, climate, nature and transparency.

We have taken the following factors into consideration when identifying markets for our stock exchange engagement campaign:

- **Markets where progress is lagging** – referencing UN stock exchange analysis and our transparency theme work outlining own transparency and corporate reporting requirements to reflect the dynamic regulatory environment and increased expectations of companies
- **Markets that have not promoted global reporting framework alignment**, or markets that need to do more work to improve the quality of disclosure
- **Markets where LGIM holds investments on behalf of our clients**, and where we have established relationships

The preliminary stock exchanges we are targeting for our campaign include:

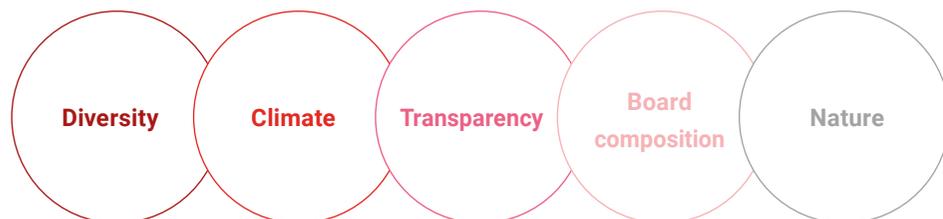
- Singapore Stock Exchange (SGX)
- Stock Exchange of Thailand (SET)
- Stock Exchange of Hong Kong (HKEX)
- Tokyo Stock Exchange (TSE) in Japan, Korea Exchange (KRX)
- Bursa Malaysia, and
- São Paulo Stock Exchange

### Engage

In terms of the themes we will focus on and specific engagement objectives, we have prioritised those where we believe stock exchanges have a fundamental role in driving the positive changes we seek. Within these, we will select what we consider to be the most relevant topics and refine our market-specific objective.

We will review the progress of the campaign and adjust as appropriate to reflect progress and the results of our engagement.

### 5 Key themes



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13. ISS, 6 October 2023

## Significant votes

<b>Company name</b>	<b>Electronic Arts Inc*</b>
<b>ISIN</b>	US2855121099
<b>Market cap</b>	US\$32.6 billion <sup>13</sup>
<b>Sector</b>	Technology: Software
<b>Issue identified</b>	Joint Chair/CEO
<b>Summary of the resolution</b>	Resolution 1h: Elect Director Andrew Wilson AGM date: 10 August 2023
<b>How LGIM voted</b>	LGIM voted AGAINST Resolution 1h (i.e. against management recommendation).
<b>Rationale for the vote decision</b>	A vote against was applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.
<b>Outcome</b>	92% shareholder voted in favour of Resolution 1h.

**Why is this vote 'significant'?** This vote is significant as it reflects LGIM's long-held stance: the roles of chair and CEO are substantially different and require distinctly different skills and experience; we therefore expected the two roles to be separated. Since 2020, we have been taking a stronger stance on combined roles and now vote against the election or re-election of any individual holding such a combined role. We believe that a separation of the roles of board chair and CEO is positive for culture, board discussions, remuneration policy and shareholder rights. More information can be found in our [global corporate governance and responsible investment policy](#).

# Public policy update



## Nature related risk management

### Release of Taskforce for Nature-related Financial Disclosures (TNFD)

September brought the much-anticipated release of the Taskforce for Nature-related Financial Disclosures framework, following on from the agreement of the Kunming-Montreal Global Biodiversity Framework (GBF) at COP15 last year.

TNFD aims to address the complex and pressing need to incorporate nature into financial and business decision-making. It was developed collaboratively with input from academia, civil society, governments and over 1,000 market participants, including LGIM. It's been formally endorsed by the G7 and G20. It aims to be the primary risk-management and disclosure framework that organisations will use to better understand, assess and act on their nature-related dependencies, impacts, risks and opportunities.

The TNFD aims to support a shift in global financial flows away from nature-negative and toward nature-positive outcomes by increasing transparency. It has three core elements:

- A homogenising system of core concepts and definitions that relate to nature-related risks and opportunities, impacts and dependencies, as well as biome and sector-specific concepts
- Recommended disclosures aligned to TCFD pillars, with 14 different elements and six general requirements
- An integrated risk and opportunity assessment approach, referred to as LEAP

For more details on TNFD and what it means for investors and the planet, please see our [blog post](#).





### Engaging national policymakers on TNFD

Target 15 is a transformative part of the GBF. It commits signatories to implement legal, policy and regulatory measures to strengthen how all businesses monitor, manage and disclosure nature-related risk, impacts and dependencies. Unfortunately, parties could not agree on making this mandatory; something we – and several others – believe is key to changing our relationship with nature and meeting the GBF commitments. LGIM is a signatory of the Business for Nature [Make it Mandatory](#) campaign, which brings together over 400 businesses and financial institutions from 52 countries.<sup>14</sup> calling for governments at COP15 to adopt Target 15 of the Global Biodiversity Framework, requiring all large businesses and financial institutions to assess and disclose their risks, impacts and dependencies on biodiversity by 2030.

14. [Make it mandatory - EN – Business For Nature](#)



### Japan: Ministry of the Environment

The Japan Ministry of Environment (MOE) recognises the importance of the recent release of the TNFD framework. In support of listed companies in Japan in understanding the importance of and gaining practical insights from the framework, the MOE organised a “Workshop on Disclosure of Financial Information Related to Nature”.

LGIM was invited to speak at the first seminar, Introduction and Practice of the Tools for Assessing Interface with Nature, to provide an investor’s perspective on the importance of nature-related information disclosure on 15 September 2023. The seminar welcomed over 60 representatives from listed companies in Japan.

We explained our expectations of companies regarding nature and emphasised why nature is financially material, drawing on, for example, business opportunities, the role of nature in achieving net zero, and increasing global regulation.

We ended the session by sharing four recommendations for Japanese companies:

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



## Implementation of the Global Biodiversity Framework

### EU Nature Restoration law

In July, we were pleased to see that the amended EU Nature Restoration Law was finally approved, after much debate. Having signed the [open letter](#) to EU heads of state and government, members of the European Parliament and the President of the European Commission, co-ordinated by [Business for Nature](#), we are pleased to see that EU leaders are taking steps towards protecting and restoring nature and implementing the Global Biodiversity Framework agreed at COP15 in November 2022.



## Agriculture

### Reforming Subsidies

Reforming the agricultural system has been a focus area for a number of years. The agricultural system is highly relevant for our focus on 'Nature', as it cuts across all the key drivers of nature loss. Previously, we have engaged on [reforming the vast and unaligned subsidy programme in the European Union](#). More recently, [together with FAIRR and over 30 investors](#), we engaged G20 countries on the need to align agricultural subsidies with their international commitments in the Paris Agreement (climate) and Montreal Agreement (nature) goals by the end of the decade. This is an opportunity for policymakers to demonstrate their commitment and utilise significant resources in a sector that is particularly important for both reaching net zero and restoring and protecting nature by 2050.





## Governance: ACGA

The Asian Corporate Governance Association (ACGA) aims to 'engage in a constructive dialogue with regulators, institutional investors, listed companies and auditors on key corporate governance issues and work towards making positive improvements in the corporate governance landscape in Asia'.<sup>15</sup> As a member, our Head of Investment Stewardship in Japan joined the September delegation to participate in meetings with regulators (including the Japan Ministry of Economy, Trade and Industry, and the Japan Financial Services Authority), the Japan Stock Exchange, sustainability standard setting organizations, and select companies to discuss a range of important governance topics, from corporate takeovers, cross-shareholdings and capital management, to gender diversity, climate and sustainability. By joining forces with collaborative organisations such as ACGA, we aim to broaden our reach through gaining access to important stakeholders and strengthen our voice by collaborating with like-minded peers in the financial services industry, and beyond.

15. [ACGA | Asian Corporate Governance Association \(acga-asia.org\)](https://www.acga-asia.org)



# Regional updates

## Global - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
<b>Management (total)</b>	<b>11525</b>	<b>3162</b>	<b>98</b>	<b>77%</b>	<b>21%</b>	<b>1%</b>
Routine Business	1713	106	0	94%	6%	0%
Director Related	842	136	0	86%	14%	0%
Compensation	900	951	0	48%	51%	0%
Audit Related	738	130	2	84%	15%	0%
Director Election	3883	1239	96	74%	24%	2%
Capitalization	1943	133	0	94%	6%	0%
Strategic Transactions	457	124	0	79%	21%	0%
No Research	5	142	0	3%	76%	0%
Non-Routine Business	295	67	0	81%	19%	0%
Company Articles	389	90	0	81%	19%	0%
Miscellaneous	138	24	0	85%	15%	0%
Social	60	11	0	85%	15%	0%
Takeover Related	147	8	0	95%	5%	0%
E&S Blended	2	0	0	100%	0%	0%
Mutual Funds	10	0	0	100%	0%	0%
Environmental	3	1	0	75%	25%	0%

## Global - Q3 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
<b>Shareholder (total)</b>	<b>321</b>	<b>106</b>	<b>1</b>	<b>73%</b>	<b>24%</b>	<b>0%</b>
Audit Related	72	0	0	100%	0%	0%
Director Election	191	51	1	76%	20%	0%
Director Related	7	4	0	54%	31%	0%
Non-Routine Business	0	0	0	0%	0%	0%
Miscellaneous	29	36	0	45%	55%	0%
Compensation	6	7	0	46%	54%	0%
Social	5	1	0	83%	17%	0%
Company Articles	1	3	0	17%	50%	0%
Corporate Governance	4	1	0	80%	20%	0%
E&S Blended	0	1	0	0%	100%	0%
Environmental	6	1	0	86%	14%	0%
Routine Business	0	1	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	11846	81%
Against	3268	81%
Abstain	99	69%

Number of	Values
Resolutions	15337
AGM Resolutions	10841
EGM Resolutions	4493
AGM	1047
EGM	808

Number of companies where LGIM voted:	Values
In Total	1779
For in all resolutions	654
Against or Abstain in at least one resolution	1125



 UK - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
<b>Management (Total)</b>	<b>2513</b>	<b>151</b>	<b>1</b>	<b>94%</b>	<b>6%</b>	<b>0%</b>
Strategic Transactions	20	6	0	77%	23%	0%
Capitalization	543	20	0	96%	4%	0%
Routine Business	283	3	0	99%	1%	0%
Director Election	1007	50	1	95%	5%	0%
Audit Related	277	18	0	94%	6%	0%
Compensation	215	53	0	80%	20%	0%
Social	47	0	0	100%	0%	0%
Takeover Related	98	0	0	100%	0%	0%
Mutual Funds	8	0	0	100%	0%	0%
No Research	0	0	0	0%	0%	0%
Non-Routine Business	2	0	0	100%	0%	0%
Company Articles	5	0	0	100%	0%	0%
Director Related	4	1	0	80%	20%	0%
Environmental	3	0	0	100%	0%	0%
Miscellaneous	1	0	0	100%	0%	0%

 **UK - Q3 2023 voting summary**

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	2513	95%
Against	151	95%
Abstain	1	100%

Number of	Values
Resolutions	2671
AGM Resolutions	2629
EGM Resolutions	42
AGM	155
EGM	23

Number of companies where LGIM voted:	Values
In Total	174
For in all resolutions	99
Against or Abstain in at least one resolution	75



## Europe ex UK - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
<b>Management (total)</b>	<b>781</b>	<b>184</b>	<b>0</b>	<b>81%</b>	<b>19%</b>	<b>0%</b>
Routine Business	153	24	0	86%	14%	0%
Director Related	179	14	0	93%	7%	0%
Compensation	78	61	0	56%	44%	0%
Audit Related	53	4	0	93%	7%	0%
Director Election	144	55	0	72%	28%	0%
No Research	3	0	0	100%	0%	0%
Capitalization	99	11	0	90%	10%	0%
Company Articles	40	7	0	85%	15%	0%
Non-Routine Business	5	3	0	62%	38%	0%
E&S Blended	2	0	0	100%	0%	0%
Strategic Transactions	14	1	0	93%	7%	0%
Takeover Related	0	2	0	0%	100%	0%
Miscellaneous	10	2	0	83%	17%	0%
Social	1	0	0	100%	0%	0%

## Europe ex UK - Q3 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
<b>Shareholder (total)</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>60%</b>	<b>40%</b>	<b>0%</b>
Audit Related	1	0	0	100%	0%	0%
Director Related	3	0	0	100%	0%	0%
Director Election	2	1	0	67%	33%	0%
Company Articles	0	2	0	0%	100%	0%
Compensation	0	1	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	787	81%
Against	188	81%
Abstain	0	0%

Number of	Values
Resolutions	975
AGM Resolutions	813
EGM Resolutions	159
AGM	52
EGM	43

Number of companies where LGIM voted:	Values
In Total	96
For in all resolutions	39
Against or Abstain in at least one resolution	57



 North America - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
<b>Management (total)</b>	<b>1334</b>	<b>726</b>	<b>5</b>	<b>64%</b>	<b>35%</b>	<b>0%</b>
Director Election	869	425	3	67%	33%	0%
Compensation	116	223	0	34%	66%	0%
Audit Related	145	56	2	71%	27%	1%
Director Related	40	3	0	93%	7%	0%
Capitalization	44	9	0	83%	17%	0%
Takeover Related	47	4	0	92%	8%	0%
Strategic Transactions	32	2	0	94%	6%	0%
Company Articles	20	0	0	100%	0%	0%
Routine Business	12	4	0	75%	25%	0%
No Research	1	0	0	100%	0%	0%
Miscellaneous	6	0	0	100%	0%	0%
Mutual Funds	2	0	0	100%	0%	0%

## North America - Q3 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
<b>Shareholder (total)</b>	<b>19</b>	<b>7</b>	<b>0</b>	<b>56%</b>	<b>21%</b>	<b>0%</b>
Director Election	0	0	0	0%	0%	0%
Director Related	2	0	0	50%	0%	0%
Non-Routine Business	0	0	0	0%	0%	0%
Compensation	2	3	0	40%	60%	0%
Social	5	1	0	83%	17%	0%
Corporate Governance	4	0	0	100%	0%	0%
E&S Blended	0	1	0	0%	100%	0%
Environmental	6	1	0	86%	14%	0%
Miscellaneous	0	1	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1353	64%
Against	733	64%
Abstain	5	40%

Number of	Values
Resolutions	2103
AGM Resolutions	1980
EGM Resolutions	123
AGM	206
EGM	43

Number of companies where LGIM voted:	Values
In Total	249
For in all resolutions	26
Against or Abstain in at least one resolution	223



## ● Japan - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
<b>Management (total)</b>	<b>465</b>	<b>92</b>	<b>0</b>	<b>83%</b>	<b>17%</b>	<b>0%</b>
Strategic Transactions	3	1	0	75%	25%	0%
Company Articles	19	4	0	83%	17%	0%
Director Election	354	66	0	84%	16%	0%
Director Related	39	12	0	76%	24%	0%
Routine Business	30	0	0	100%	0%	0%
Compensation	15	8	0	65%	35%	0%
Capitalization	1	0	0	100%	0%	0%
Non-Routine Business	1	0	0	100%	0%	0%
Audit Related	1	0	0	100%	0%	0%
Takeover Related	0	1	0	0%	100%	0%
Miscellaneous	2	0	0	100%	0%	0%

## Japan - Q3 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
<b>Shareholder (total)</b>	<b>13</b>	<b>4</b>	<b>0</b>	<b>76%</b>	<b>24%</b>	<b>0%</b>
Director Election	7	0	0	100%	0%	0%
Miscellaneous	1	0	0	100%	0%	0%
Director Related	2	0	0	100%	0%	0%
Compensation	3	3	0	50%	50%	0%
Routine Business	0	1	0	0%	100%	0%

Number of	Values
Resolutions	574
AGM Resolutions	509
EGM Resolutions	65
AGM	50
EGM	12

Number of companies where LGIM voted:	Values
In Total	62
For in all resolutions	16
Against or Abstain in at least one resolution	46

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	478	84%
Against	96	83%
Abstain	0	0%



## Asia Pacific ex Japan - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
<b>Management (total)</b>	<b>254</b>	<b>54</b>	<b>1</b>	<b>82%</b>	<b>17%</b>	<b>0%</b>
Routine Business	37	4	0	90%	10%	0%
Non-Routine Business	6	1	0	86%	14%	0%
Company Articles	13	1	0	93%	7%	0%
Audit Related	24	1	0	96%	4%	0%
Compensation	35	21	0	62%	38%	0%
Director Related	1	0	0	100%	0%	0%
Director Election	64	23	1	73%	26%	1%
Capitalization	53	2	0	96%	4%	0%
Miscellaneous	13	0	0	100%	0%	0%
Strategic Transactions	8	0	0	100%	0%	0%
Social	0	1	0	0%	100%	0%

## Asia Pacific ex Japan - Q3 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
<b>Shareholder (total)</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>0%</b>	<b>100%</b>	<b>0%</b>
Director Election	0	6	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	254	83%
Against	60	75%
Abstain	1	100%

Number of	Values
Resolutions	315
AGM Resolutions	238
EGM Resolutions	77
AGM	34
EGM	15

Number of companies where LGIM voted:	Values
In Total	48
For in all resolutions	22
Against or Abstain in at least one resolution	26



## Emerging Markets - Q3 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
<b>Management (total)</b>	<b>5231</b>	<b>1719</b>	<b>91</b>	<b>73%</b>	<b>24%</b>	<b>1%</b>
Routine Business	1124	59	0	95%	5%	0%
Compensation	396	526	0	42%	56%	0%
Director Election	1243	570	91	64%	29%	5%
Capitalization	792	25	0	97%	3%	0%
Audit Related	201	47	0	79%	18%	0%
Director Related	528	91	0	85%	15%	0%
Company Articles	267	56	0	82%	17%	0%
Strategic Transactions	306	110	0	74%	26%	0%
No Research	1	142	0	1%	81%	0%
Non-Routine Business	271	62	0	81%	19%	0%
Miscellaneous	90	19	0	83%	17%	0%
Social	10	10	0	50%	50%	0%
Environmental	0	1	0	0%	100%	0%
Takeover Related	2	1	0	67%	33%	0%

## Emerging Markets - Q3 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
<b>Shareholder</b>	<b>233</b>	<b>76</b>	<b>1</b>	<b>74%</b>	<b>24%</b>	<b>0%</b>
Audit Related	60	0	0	100%	0%	0%
Director Election	143	35	1	78%	19%	1%
Director Related	0	4	0	0%	100%	0%
Miscellaneous	28	35	0	44%	56%	0%
Company Articles	1	1	0	25%	25%	0%
Corporate Governance	0	1	0	0%	100%	0%
Compensation	1	0	0	100%	0%	0%

Number of	Values
Resolutions	7457
AGM Resolutions	4278
EGM Resolutions	3179
AGM	516
EGM	582

Number of companies where LGIM voted:	Values
In Total	1031
For in all resolutions	395
Against or Abstain in at least one resolution	636

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	5464	78%
Against	1795	80%
Abstain	92	79%

# Global engagement summary

Regular readers will notice that our Q3 engagement statistics have increased substantially compared to last year. The primary reason behind this is the expansion of our [Climate Impact Pledge](#) and the continuation of engagement with the 5000+ companies within the programme. For more information, please see page 6 of this report.

In Q3 2023, the Investment Stewardship team held

1,303



engagements

with

1,285



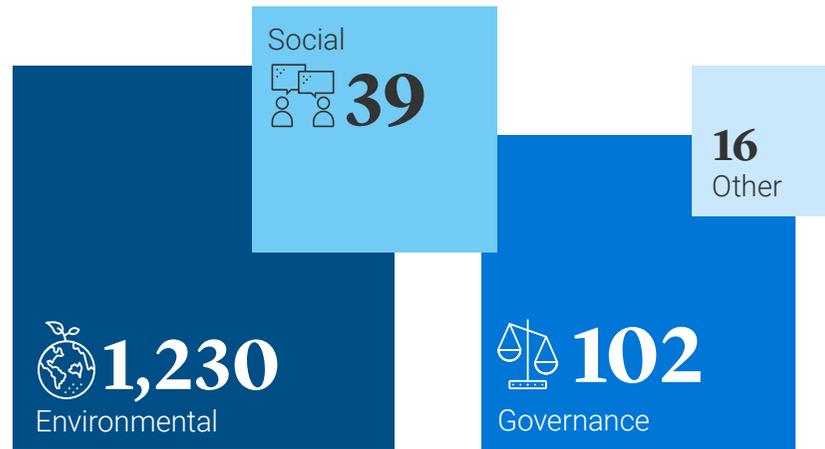
companies

(vs. 167 engagements with 146 companies last quarter)



## Breaking down the engagement numbers - Q3 2023

### Breakdown of engagement by themes

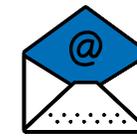


### Engagement type



59

Company meetings



1,243

Emails / letters

### Top five engagement topics\*



1,209

Climate Impact Pledge



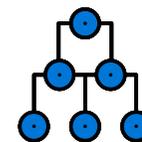
44

Remuneration



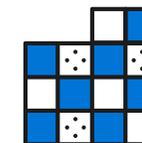
22

Income inequality



20

Board composition

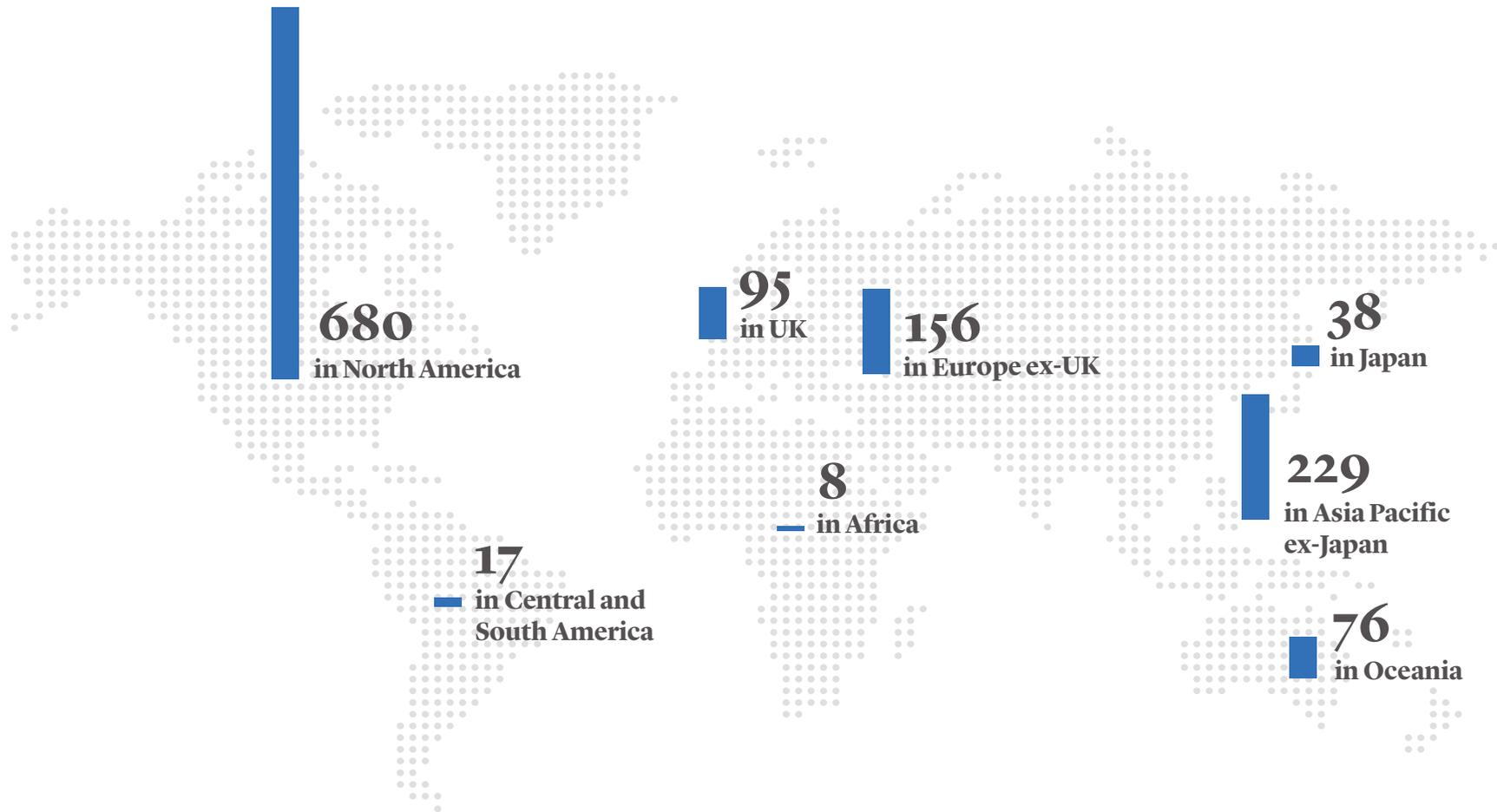


14

Strategy

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

### Regional breakdown of engagements





## Contact us

For further information about LGIM, please visit [lgim.com](http://lgim.com) or contact your usual LGIM representative



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

### Key Risks

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

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