



LEA 02	Discretionary	Gateway
<p><b>Reason for Interaction</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company related ESG issues</li> <li><input checked="" type="checkbox"/> To enhance corporate practice or identify the need to enhance corporate practice</li> <li><input type="checkbox"/> To engage internal ESG resources</li> <li><input type="checkbox"/> Other specify</li> <li><input type="checkbox"/> We do not engage via internal staff</li> <li><input type="checkbox"/> To support investment decisionmaking in &amp; company related ESG issues</li> <li><input type="checkbox"/> To enhance corporate practice or identify the need to enhance corporate practice</li> <li><input type="checkbox"/> Other specify</li> </ul>	<p><b>Type of engagement</b></p> <p>Individual/ internal staff engagements</p> <p>Collaborative engagements</p> <p>Service provider engagements</p>	<p><b>Reason for Interaction</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company related ESG issues</li> <li><input checked="" type="checkbox"/> To enhance corporate practice or identify the need to enhance corporate practice</li> <li><input type="checkbox"/> To engage internal ESG resources</li> <li><input type="checkbox"/> Other specify</li> <li><input type="checkbox"/> We do not engage via internal staff</li> <li><input type="checkbox"/> To support investment decisionmaking in &amp; company related ESG issues</li> <li><input type="checkbox"/> To enhance corporate practice or identify the need to enhance corporate practice</li> <li><input type="checkbox"/> Other specify</li> </ul>

# RI TRANSPARENCY REPORT

2019

## Legal & General Investment Management (Holdings)

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the reporting period specified above. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information.

## PRI disclaimer

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OO 01.1	Select the services and funds you offer	
	Select the services and funds you offer	% of asset under management (AUM) in ranges
	Fund management	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
	Fund of funds, manager of managers, sub-advised products	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
	Other	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%
	Total 100%	

OO 02.1	Select the location of your organisation's headquarters.	
	United Kingdom	
OO 02.2	Indicate the number of countries in which you have offices (including your headquarters).	
	<input type="radio"/> 1 <input checked="" type="radio"/> 2-5 <input type="radio"/> 6-10 <input type="radio"/> >10	
OO 02.3	Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).	
	1916	
OO 02.4	Additional information. [Optional]	
	London, Chicago, Hong Kong and Tokyo.	

OO 03.1	Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.	
	<input type="radio"/> Yes <input checked="" type="radio"/> No	
OO 03.3	Additional information. [Optional]	
	We are answering for Legal & General Investment Management (Holdings), on behalf of the several wholly-owned subsidiary investment management companies.	

OO 04.1	Indicate the year end date for your reporting year.	
	31/12/2018	
OO 04.2	Indicate your total AUM at the end of your reporting year.	
	Total AUM 1,200,900,300,000 USD 1,200,900,300,000 USD	
OO 04.4	Indicate the total assets at the end of your reporting year subject to an execution and/or advisory approach.	
	<input checked="" type="checkbox"/> Not applicable as we do not have any assets under execution and/or advisory approach	
OO 04.5	Additional information. [Optional]	
	LGIM internal data as at 31 December 2018. These figures include assets managed by LGIMA, an SEC Registered Investment Advisor. Data includes derivative positions.	

OO 05.1 Provide an approximate percentage breakdown of your AUM at the end of your reporting year using the following asset classes and investment strategies:

	Internally managed (%)	Externally managed (%)
Listed equity	10-50%	0
Fixed income	10-50%	0
Private equity	0	0
Property	<10%	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Fund of hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Money market instruments	0	0
Other (1), specify	0	0
Other (2), specify	0	0

OO 06.1 Select how you would like to disclose your asset class mix.

- as percentage breakdown
- as broad ranges

OO 06.3 Indicate whether your organisation has any off-balance sheet assets [Optional].

- Yes
- No

OO 06.5 Indicate whether your organisation uses fiduciary managers.

- Yes, we use a fiduciary manager and our response to OO 5.1 is reflective of their management of our assets.
- No, we do not use fiduciary managers.

OO 06.6 Provide contextual information on your AUM asset class split. [Optional]

Legal & General Investment Management (LGIM) is one of Europe's largest institutional asset managers and a major global investor. LGIM manages US\$1.293 trillion in assets for nearly 3000 institutional clients and millions of retail clients.

We provide investment expertise across equities, fixed income, and commercial property. Our capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions. We are one of the world's leading providers of index fund management and a major investor in global fixed income markets. We are at the forefront of developments in liability-driven risk management solutions for defined benefit pension schemes and offer a large variety of strategies to help our clients manage their investment objectives. LGIM is also a leading provider of defined contribution solutions and we continue to innovate as the market evolves, building strong relationships with clients and their consultants.

Private

OO 09.1 Indicate the breakdown of your organisation's AUM by market.



0	Frontier Markets
	Other Markets

OO 10	Mandatory	Gateway	General
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OO 10.1 Select the active ownership activities your organisation implemented in the reporting year.

Listed equity – engagement	
<input checked="" type="checkbox"/>	We engage with companies on ESG factors via our staff, collaborations or service providers.
<input type="checkbox"/>	We do not engage directly and do not require external managers to engage with companies on ESG factors.
Listed equity – voting	
<input checked="" type="checkbox"/>	We cast our (proxy) votes directly or via dedicated voting providers
<input type="checkbox"/>	We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf
Fixed income SSA – engagement	
<input checked="" type="checkbox"/>	We engage with SSA bond issuers on ESG factors via our staff, collaborations or service providers.
<input type="checkbox"/>	We do not engage directly and do not require external managers to engage with SSA bond issuers on ESG factors. Please explain why you do not.
Fixed income Corporate (financial) – engagement	
<input checked="" type="checkbox"/>	We engage with companies on ESG factors via our staff, collaborations or service providers.
<input type="checkbox"/>	We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.
Fixed income Corporate (non-financial) – engagement	
<input checked="" type="checkbox"/>	We engage with companies on ESG factors via our staff, collaborations or service providers.
<input type="checkbox"/>	We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

OO 11	Mandatory	Gateway	General
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OO 11.1 Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

Listed equity	
<input checked="" type="checkbox"/>	We address ESG incorporation.
<input type="checkbox"/>	We do not do ESG incorporation.
Fixed income - SSA	
<input checked="" type="checkbox"/>	We address ESG incorporation.
<input type="checkbox"/>	We do not do ESG incorporation.
Fixed income - corporate (financial)	
<input checked="" type="checkbox"/>	We address ESG incorporation.
<input type="checkbox"/>	We do not do ESG incorporation.
Fixed income - corporate (non-financial)	
<input checked="" type="checkbox"/>	We address ESG incorporation.
<input type="checkbox"/>	We do not do ESG incorporation.
Property	
<input checked="" type="checkbox"/>	We address ESG incorporation.
<input type="checkbox"/>	We do not do ESG incorporation.

OO 12	Mandatory	Gateway	General
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OO 12.1 Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box.

Core modules	
<input checked="" type="checkbox"/>	Organisational Overview
<input checked="" type="checkbox"/>	Strategy and Governance
RI implementation directly or via service providers	
<input type="checkbox"/>	Direct - Listed Equity incorporation

Listed Equity incorporation

**Direct - Listed Equity active ownership**

Engagements  
 (Proxy) voting

**Direct - Fixed Income**

Fixed income - SSA  
 Fixed income - Corporate (financial)  
 Fixed income - Corporate (non-financial)

**Direct - Other asset classes with dedicated modules**

Property

**Closing module**

Closing module

**OO LE 01** Mandatory Gateway General

**OO LE 01.1** Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies.

Strategies	Percentage of internally managed listed equities
Passive	<input checked="" type="checkbox"/> >50% <input type="checkbox"/> 10-50% <input type="checkbox"/> <10% <input type="checkbox"/> 0%
Active - quantitative (quant)	<input type="checkbox"/> >50% <input type="checkbox"/> 10-50% <input type="checkbox"/> <10% <input checked="" type="checkbox"/> 0%
Active - fundamental and active - other	<input type="checkbox"/> >50% <input type="checkbox"/> 10-50% <input checked="" type="checkbox"/> <10% <input type="checkbox"/> 0%
Total 100%	

**OO LE 02** Mandatory to Report, Voluntary to Disclose Gateway General

**OO LE 02.1** For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

**All active strategies**

Yes  
 No

**OO FI 01** Mandatory Gateway General

**OO FI 01.1** Provide a breakdown of your internally managed fixed income securities by active and passive strategies

Type	Passive	Active - quantitative	Active - fundamental & others	Total internally managed fixed income security
SSA	<input type="checkbox"/> >50% <input checked="" type="checkbox"/> 10-50% <input type="checkbox"/> <10% <input type="checkbox"/> 0%	<input type="checkbox"/> >50% <input type="checkbox"/> 10-50% <input type="checkbox"/> <10% <input checked="" type="checkbox"/> 0%	<input checked="" type="checkbox"/> >50% <input type="checkbox"/> 10-50% <input type="checkbox"/> <10% <input type="checkbox"/> 0%	100%
Corporate (financial)	<input checked="" type="checkbox"/> >50% <input type="checkbox"/> 10-50% <input type="checkbox"/> <10% <input type="checkbox"/> 0%	<input type="checkbox"/> >50% <input type="checkbox"/> 10-50% <input type="checkbox"/> <10% <input checked="" type="checkbox"/> 0%	<input type="checkbox"/> >50% <input checked="" type="checkbox"/> 10-50% <input type="checkbox"/> <10% <input type="checkbox"/> 0%	100%

Corporate (non-financial)	<input checked="" type="checkbox"/> >50% <input type="checkbox"/> 10-50% <input type="checkbox"/> <10% <input type="checkbox"/> 0%	<input type="checkbox"/> >50% <input type="checkbox"/> 10-50% <input type="checkbox"/> <10% <input checked="" type="checkbox"/> 0%	<input type="checkbox"/> >50% <input checked="" type="checkbox"/> 10-50% <input type="checkbox"/> <10% <input type="checkbox"/> 0%	100%
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**OO FI 01.2** Additional information. [Optional]

Above is the division by strategy (active/passive), broken down by SSA, Corporate financial and Corporate non-financial.

**OO FI 03** **Mandatory** **Descriptive** **General**

**OO FI 03.1** Indicate the approximate (+/- 5%) breakdown of your SSA investments, by developed markets and emerging markets.

SSA	Developed markets	96.7
	Emerging markets	3.3

**OO FI 03.2** Indicate the approximate (+/- 5%) breakdown of your corporate and securitised investments by investment grade or high-yield securities.

Type	Investment grade (+/- 5%)	High-yield (+/- 5%)	Total internally managed
Corporate (financial)	<input checked="" type="checkbox"/> >50% <input type="checkbox"/> 10-50% <input type="checkbox"/> <10% <input type="checkbox"/> 0%	<input type="checkbox"/> >50% <input type="checkbox"/> 10-50% <input checked="" type="checkbox"/> <10% <input type="checkbox"/> 0%	100%
Corporate (non-financial)	<input checked="" type="checkbox"/> >50% <input type="checkbox"/> 10-50% <input type="checkbox"/> <10% <input type="checkbox"/> 0%	<input type="checkbox"/> >50% <input type="checkbox"/> 10-50% <input checked="" type="checkbox"/> <10% <input type="checkbox"/> 0%	100%

**OO PR 01** **Mandatory to Report, Voluntary to Disclose** **Descriptive** **General**

**OO PR 01.1** Indicate the level of ownership you typically hold in your property investments.

- a majority stake (>50%)
- a 50% stake
- a significant minority stake (between 10-50%)
- a limited minority stake (<10%)
- a mix of ownership stakes
- N/A, we manage properties, new constructions and/or refurbishments on behalf of our clients, but do not hold equity in property on their behalf

**OO PR 01.2** Provide a breakdown of your organisations allocation to Real Estate Investment Trusts (REITs) or similar

- >50%
- 10 – 50%
- <10%
- 0%

**OO PR 01.3** Additional information. [Optional]

Legal & General Investment Management (LGIM) is one of Europe's largest institutional asset managers and a major global investor. Throughout the past 40 years we have built our business through understanding what matters most to our clients and transforming this insight into valuable, accessible investment products and solutions. We provide investment expertise across the full spectrum of asset classes including fixed income, equities, commercial property and cash. Our capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions.

LGP has a strong and long-term commitment to sustainability and responsible investment, adopting or investing in pioneering solutions. Sustainability is now arguably one of the most critical agents of change in real estate ownership. From a fund management perspective, the drivers of behaviour are primarily about protecting the medium to long term value of portfolios, whilst adding value, and acting in a socially responsible manner. We believe that through the integration of sustainable thinking and behaviour in everything we do, we will deliver enhanced returns to our investors.

Our commitment to sustainability is driven by the recognition that the built environment has a very significant impact on UK society and its ecosystem, including contributing almost half of the UK's greenhouse gas emissions. It is our belief that sustainability already sits alongside location, tenant, building size and building quality as a key factor in real estate's value and performance and its importance will only increase over time.

As one of the UK's largest landlords we are highly conscious of our responsibility to go over and above the industry norm of only 'greening' part of a property portfolio or specific funds, and instead aim to put environmental and social sustainability at the heart of our property investment decision making. The fact that we apply leading edge environmental and social governance brings numerous benefits, many of which are economic. Through consistently applying best practice sustainability criteria, across our entire portfolio, including our Environmental Management System (EMS), certified to ISO 14001 since 2005.

Multi-award winning, LGP has won numerous awards over the last two years, including Property Fund Manager of the Year at the UK Property Awards, Property Manager of the Year at the UK Pensions Awards and UK Fund Manager of the year at the UK Estates Gazette awards.

OO PR 02.1 Provide a breakdown of your organisation's property assets based on who manages the assets.

Property assets managed by	Breakdown of your property assets (by number)
Managed directly by your organisation	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Managed via third-party property managers appointed by you	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed by other investors or their property managers	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10% <input type="radio"/> 0%
Managed by tenant(s) with operational control	<input checked="" type="radio"/> > 50% <input type="radio"/> 10-50% <input type="radio"/> < 10% <input type="radio"/> 0%
Total 100%	

OO PR 02.2 Additional information. [Optional]

The majority of our properties are managed by single tenants, on a 'Fully Repairing and Insuring ' (FRI) lease. Hence the tenant has full operational, maintenance and repairing control over the property. From previous surveys we have calculated the total carbon footprint of all activities on our sites and established that 5% is within our operational control and 95% within the operational control of our tenants.

All sites where we have some operational control are managed by outsourced managing agents, whose contracts contain a number of sustainability KPI's with risks and rewards. They are then also required to set KPI's throughout their supply chain and report the performance of their suppliers in terms of sustainability, on a quarterly basis.

We have tendered our first contract for managing agents, which includes asking them to report quarterly on their social value, using the Social Value Portal (SVP) methodology, which we helped SVP develop via a joint research project with the British Council of Offices/

OO PR 03.1 Indicate up to three of your largest property types by AUM.

Types	Main property types (by AUM)
Largest property type	<input type="radio"/> Industrial <input checked="" type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Second largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input checked="" type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify



Third largest property type	<input checked="" type="radio"/> Industrial <input type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
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OO PR 03.2	Additional information.
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Legal & General Property (LGP) is a wholly-owned subsidiary of Legal & General Investment Management (LGIM) and one of the largest institutional property fund managers in the UK. The funds cover over 5,000 separate tenancies and approximately 4,000 buildings.

One of the most active UK investors in the UK property market, these funds include:

- Balanced Funds
- Specialist Pooled Funds
- Single Asset Vehicles

LGP's UK-focused fund management platform has built and retained a strong track record of out-performance across the sector. Owing to its size, diversity and penetration, it benefits from best in class banking and property industry contacts which, along with its wealth of in-house skill and expertise, have enabled it to continue to attract and secure high quality market opportunities. Taking a client-centric approach, the business places the highest priority upon integrity and transparency. Sector specialists cover each sphere of the market and are supported by LGP's market-leading research capability.

Approximately 90% of the carbon emissions of our property portfolio is in the operational control of our tenants. The majority of these are on industrial parks, leisure parks, office parks and retail parks, where LGP manages the asset and most of the property is let to a single tenant on a fully repairing and insuring (FRI) lease.

All our property acquisitions go through a vigorous environmental and sustainability due diligence process which ensures that irrespective if built on a green field or brownfield site, all risks with regard to land contamination are mitigated

**SG 01.1** Indicate if you have an investment policy that covers your responsible investment approach.

Yes

**SG 01.2** Indicate the components/types and coverage of your policy.

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach	<input checked="" type="checkbox"/> Applicable policies cover all AUM <input type="checkbox"/> Applicable policies cover a majority of AUM <input type="checkbox"/> Applicable policies cover a minority of AUM
<input checked="" type="checkbox"/> Formalised guidelines on environmental factors	
<input checked="" type="checkbox"/> Formalised guidelines on social factors	
<input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors	
<input checked="" type="checkbox"/> Fiduciary (or equivalent) duties	
<input checked="" type="checkbox"/> Asset class-specific RI guidelines	
<input checked="" type="checkbox"/> Sector specific RI guidelines	
<input checked="" type="checkbox"/> Screening / exclusions policy	
<input checked="" type="checkbox"/> Engagement policy	
<input checked="" type="checkbox"/> (Proxy) voting policy	
<input type="checkbox"/> Other, specify (1)	
<input type="checkbox"/> Other, specify(2)	

**SG 01.3** Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

**SG 01.4** Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

We believe that well governed companies that manage all stakeholders, including the environment, are more likely to deliver sustainable long-term returns. We view the consideration of ESG issues as part of risk management, and therefore part of fiduciary duty.

We recognise that companies are intrinsically linked to the economies (and societies) in which they operate and therefore believe that investors have a responsibility to the market as a whole. This belief affects our engagement and voting activity and how we consider both bottom-up and top-down ESG factors.

Our overall responsible investment strategy is based on:

- Engagement & voting
- Integration
- Product development

**SG 01.5** Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

Our governance and responsible investment policies are based on well-established corporate governance principles, supplemented by the team's expertise and experience. Our Global Corporate Governance and Responsible Investment policy summarises the overall principles we expect companies to adhere to from an ESG perspective worldwide. The policy sets out our broad principles on board structure, shareholder rights, remuneration, sustainability including climate change, audit and risk management. These policies are continually evolving and regularly reviewed, to reflect the changing corporate landscape and regional differences.

Our Global Corporate Governance and Responsible Investment policy is supplemented by region-specific expectations for major developed markets (UK, North America, and Japan) which set out local contexts to the way companies should be governed.

Supplementing these policies we also have a separate climate change policy, and new separate policy documents providing more detail on LGIM's approach to engagement, voting and ESG integration.

The Global Corporate Governance and Responsible Investment policy and the additional supplementary policies are approved by the LGIM Board Corporate Governance Committee. Policies are reviewed annually and updated when required.

Our policies form the starting point for our engagement, voting, integration and product development strategies. This includes company engagement, as well as forming the basis for engaging with governments, regulators and stakeholders.

In applying the policies to current and future products, these may differ in application within the individual funds, reflecting the wide range of mandates, asset classes and strategies we offer and manage.

No

SG 01 CC	Voluntary	Descriptive	General
SG 01.6 CC	Indicate the climate-related risks and opportunities that have been identified and factored into the investment strategies and products, within the organisation's investment time horizon.		
<p>The effects of climate change on investments can be divergent and inconsistent, depending on asset classes and timeframes.</p> <p>Transition risks from energy intensive sectors are most easily identified by looking at fossil fuel reserves and carbon emission levels of companies and apply its implications in different securities. The carbon data and scores have been applied to all investable securities allowing absolute and relative basis analyses in different portfolios. Additionally, we have long term thematic groups that consider the implications of energy transition using a propriety model, the consequence of which is applied in asset allocation and stock picking processes.</p> <p>Opportunities related to low carbon shift are captured in a myriad of ways by looking at sectoral advances to companies' competitive edge. Green revenue score is available to systematically identify companies which are succeeding to generate revenue from the low carbon and environmental opportunities.</p> <p>Physical risks are more pertinent to asset classes like real estate than diversified holdings in the listed securities. As such our real asset team addresses these implications in the depth due diligence process. Additionally, we have incorporated country level physical risks in our ESG scoring for both sovereign assessment and companies' exposure to such countries.</p> <p>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.</p>			
SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?		
<input checked="" type="checkbox"/> Yes			
SG 01.8 CC	Indicate the associated timescales linked to these risks and opportunities.		
<p>In the short to medium term, we believe the net impact may not be significant at the asset allocation level, given that a large proportion of our clients hold a diversified portfolio (diversified across asset class, sector and countries). Over the medium to longer term, we expect physical as well as transitional risks to become much more pronounced. In either timeframe, a significant global shift in regulations could alter the market dynamics suddenly.</p> <p>Most critically, we must not overlook the fact that the severity of such impacts would be highly dependent on the action taken by investors, governments and individuals today. The conclusion of the landmark Stern Review of the economics of climate change was that delaying climate change action becomes more costly over time. Moreover, in the presence of 'fat tail' risk, the possibility of catastrophic climate outcomes is not offset by the associated low probabilities. When it comes to climate change, being 'net' OK is a dangerous comfort to take collectively.</p> <p><input type="checkbox"/> No</p>			
SG 01.9 CC	Indicate whether the organisation publicly supports the TCFD?		
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
SG 01.10 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.		
<input checked="" type="checkbox"/> Yes			
		Describe	
<p>We see it as our responsibility to provide the right framework to address climate risks and opportunities in every part of our business. While the ultimate decision to choose a specific mandate or portfolio lies with the clients, we are developing the investment process, tools, reports and products to help our clients in making this decision.</p> <p><b>Engagement and voting</b></p> <p>As a firm, we believe in speaking with one voice across our holdings, with our voting aligned to engagement and ESG metrics. For the past two years, climate change has been one of the top 3 themes discussed in our meetings with companies. LGIM engages both directly and collectively with other investors, with many of the largest global companies on their management of climate change issues.</p> <p>Our flagship engagement programme – Climate Impact Pledge – goes a step further and hold companies account for the inaction to address this challenge.</p> <p>We place great importance in collective engagement with other investors through forums such as the Institutional Investors Group on Climate Change, UNPRI and Climate Action 100+.</p> <p><b>Integration into investment processes</b></p> <p>ESG considerations are fundamental to how we evaluate investment opportunities and seek to protect and enhance the long-term value of our clients' assets. Close collaboration between the investment and corporate governance teams, with full support from senior leadership, has led to deepening ESG integration into the investment process. Aided by rapid advances in data and analytics, we are able to apply a quantitative lens to ESG investing, across different assets and investment strategies, making it possible to demonstrate to clients how they can begin to address some of the investment risks associated with climate change.</p> <p><b>Client education</b></p> <p>A key way we can have an impact is by helping clients, the owners and ultimate beneficiaries of the assets we manage, to take action on climate change. In 2016, we held our first climate change seminar, with the aim of educating clients on the financial impact of climate change, and the tools available to manage associated risks.</p> <p>In 2018, we co-wrote and sponsored an investor guide to climate change, published by the IIGCC. It is a 'how-to' guide which intends to support asset owner trustees and boards in incorporating climate-related risks and opportunities into decision-making.</p> <p><b>Public policy</b></p> <p>We place great emphasis on the need for urgent and meaningful regulatory action. We have done this by engaging collaboratively with other investors and civil society through our membership of the IIGCC, Aldersgate as well as directly with policy makers in the UK and EU. Our aim is to use our position as one of the largest institutional investors in Europe to advocate for meaningful policy action on climate change.</p> <p><b>Product development</b></p> <p>We have launched a number of products (index, active credit and equity, and multi-asset), which incorporate climate metrics and help our clients reduce the carbon intensity of their investments.</p>			

Importantly, we have put in place a process to ensure the governance of climate-related risks and opportunities is embedded into all products managed by LGIM.

No

**SG 1.12 CC** Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

specify  
stand-alone document linked to the annual financial filings of the parent company - Legal & General plc.

**SG 02** **Mandatory** **Core Assessed** **PRI 6**

**SG 02.1** Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

Policy setting out your overall approach

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/> Attachment (will be made public)

Formalised guidelines on environmental factors

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/> Attachment (will be made public)

Formalised guidelines on social factors

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/> Attachment (will be made public)

Formalised guidelines on corporate governance factors

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/> Attachment (will be made public)

Fiduciary (or equivalent) duties

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/> Attachment (will be made public)

Asset class-specific RI guidelines

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/> Attachment (will be made public)

Sector specific RI guidelines

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/> Attachment (will be made public)

Screening / exclusions policy

	URL/Attachment
<input checked="" type="checkbox"/>	URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/>	Attachment (will be made public)

Engagement policy

	URL/Attachment
<input checked="" type="checkbox"/>	URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/>	Attachment (will be made public)

(Proxy) voting policy

	URL/Attachment
<input checked="" type="checkbox"/>	URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/>	Attachment (will be made public)

We do not publicly disclose our investment policy documents

**SG 02.2** Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

Your organisation's definition of ESG and/or responsible investment and it's relation to investments

	URL/Attachment
<input checked="" type="checkbox"/>	URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/>	Attachment

Your investment objectives that take ESG factors/real economy influence into account

	URL/Attachment
<input checked="" type="checkbox"/>	URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/>	Attachment

Governance structure of organisational ESG responsibilities

	URL/Attachment
<input checked="" type="checkbox"/>	URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/>	Attachment

ESG incorporation approaches

	URL/Attachment
<input checked="" type="checkbox"/>	URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/>	Attachment

Active ownership approaches

	URL/Attachment
<input checked="" type="checkbox"/>	URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/>	Attachment

Reporting

	URL/Attachment
<input checked="" type="checkbox"/>	URL <a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html">http://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>
<input type="checkbox"/>	Attachment

Climate change

	URL/Attachment
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URL

[http://documentlibrary.lgim.com/documentlibrary/library\\_55458.html](http://documentlibrary.lgim.com/documentlibrary/library_55458.html)

Attachment

We do not publicly disclose any investment policy components

**SG 02.3** Additional information [Optional].

Our governance and responsible investment policies are based on well-established corporate governance principles, supplemented by the team's expertise and experience. Our Global Corporate Governance and Responsible Investment policy summarises the overall principles we expect companies to adhere to from an ESG perspective worldwide. The policy sets out our broad principles on board structure, shareholder rights, remuneration, sustainability including climate change, audit and risk management. These policies are continually evolving and reviewed regularly to reflect the changing corporate landscape and regional differences.

Our Global Corporate Governance and Responsible Investment policy is supplemented by region-specific expectations for major developed markets (UK, North America, and Japan) which set out local contexts to the way companies should be governed.

Supplementing these policies we also have a separate climate change policy, and separate policy documents providing more detail on LGIM's approach to engagement and voting and integrating ESG.

The Global Corporate Governance and Responsible Investment policy and the additional supplementary policies are approved by the LGIM Board Corporate Governance Committee. Policies are reviewed annually and updated when required.

Our policies for the starting point for our engagement, voting, integration and product development strategies. This includes company engagement, as well as forming the basis for engaging with governments, regulators and stakeholders.

In applying the policies to current and future products, these may differ in application within the individual funds, reflecting the wide range of mandates, asset classes and strategies we offer and manage.

**SG 03** Mandatory Core Assessed General

**SG 03.1** Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes

**SG 03.2** Describe your policy on managing potential conflicts of interest in the investment process.

There are a number of potential conflicts of interest inherent in the corporate governance activity at LGIM. The policy on conflicts of interest is available on our website.

<http://documentlibrary.lgim.com/documentlibrary/literature.html?cid=12616&lib=55458>

[https://www.legalandgeneral.com/\\_resources/pdfs/investments/conflicts-of-interest.pdf](https://www.legalandgeneral.com/_resources/pdfs/investments/conflicts-of-interest.pdf)

Our policy outlines the procedures in place to prevent, identify, and report conflicts of interest between:

- LGIM and our clients
- One client and another
- Internally between teams at LGIM
- LGIM and L&G Group plc as the parent company

Such procedures include: annual reviews; reviews of new business activity; training and a culture of treating clients fairly which is embedded into business objectives and employees' personal objectives.

There are internal procedures established for: cross-trading; order priority; trade allocation; order management and execution; personal account dealing; gifts and benefits in kind.

There is also a specific conflicts of interest policy in place for the corporate governance team's activities. The Director of Corporate Governance reports directly to the CEO, and the activities of the Corporate Governance team are also monitored by two independent non-executive directors.

No

**SG 03.3** Additional information. [Optional]

Our policy outlines the procedures in place to prevent, identify, and report conflicts of interest between:

- LGIM and our clients
- One client and another
- Internally between teams at LGIM
- LGIM and L&G Group plc as the parent company

Such procedures include: annual reviews; reviews of new business activity; training and a culture of treating clients fairly which is embedded into business objectives and employees' personal objectives.

There are internal procedures established for: cross-trading; order priority; trade allocation; order management and execution; personal account dealing; gifts and benefits in kind.

There is also a specific conflicts of interest policy in place for the corporate governance team's activities. The Director of Corporate Governance reports directly to the CEO, and the activities of the Corporate Governance team are also monitored by two independent non-executive directors.

**SG 04** Voluntary Descriptive General

Private

**SG 05** Mandatory Gateway/Core Assessed General

**SG 05.1** Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

Quarterly or more frequently

Biannually

- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not set/reviewed

**SG 05.2** Additional information. [Optional]

Objectives are set annually and reviewed on a biannual basis. Additionally, process against the objectives are reviewed at least on a monthly basis.

We have three overarching goals that frame LGIM's 5 year responsible investment and corporate governance commitment.

1. Transitioning to a low carbon economy
2. Building a stronger society through financial solutions
3. Creating new investments for a future economy

We then break these goals down into more detailed objectives, which determine the ESG issues we will target over the coming 5 years. We select these issues based on how material we expect them to be for our investments and the market at large.

As a result of these long-term objectives, annual goals are determined.

In 2018, we implemented the commitments we had made the previous years, which included:

- Integrating sustainable/long-term themes into our investment process, by launching our ESG Scores and ESG view.
- Formally inviting external stakeholders to review and strengthen our Corporate Governance and Sustainability policies, by hosting two roundtable event to gather feedback from clients and other key stakeholders.
- Engaging with 84 companies on climate change as part of the Climate Impact Pledge.
- Engaging with US companies on gender diversity.
- To expand the Future WorldFund range to help clients to decarbonise their investments, by launching 14 new funds in 2018.

Most of our long-term and short-term ESG objectives are publicly disclosed on the Legal & General Group website:  
<https://www.legalandgeneralgroup.com/csr/our-focus-areas/transitioning-to-a-low-carbon-economy>.

SG 06	Voluntary	Descriptive	General
Private			

SG 07	Mandatory	Core Assessed	General
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**SG 07.1** Indicate the internal and/or external roles used by your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for responsible investment.

Roles						
<input checked="" type="checkbox"/> Board members or trustees <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Oversight/accountability for responsible investment</li> <li><input checked="" type="checkbox"/> Implementation of responsible investment</li> <li><input type="checkbox"/> No oversight/accountability or implementation responsibility for responsible investment</li> </ul>						
<input checked="" type="checkbox"/> Internal Roles (triggers other options) <table border="1" style="margin-top: 10px;"> <thead> <tr> <th>Select from the below internal roles</th> </tr> </thead> <tbody> <tr> <td> <input checked="" type="checkbox"/> Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee               <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Oversight/accountability for responsible investment</li> <li><input checked="" type="checkbox"/> Implementation of responsible investment</li> <li><input type="checkbox"/> No oversight/accountability or implementation responsibility for responsible investment</li> </ul> </td> </tr> <tr> <td> <input checked="" type="checkbox"/> Other Chief-level staff or head of department, specify                  Director of Corporate Governance               <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Oversight/accountability for responsible investment</li> <li><input checked="" type="checkbox"/> Implementation of responsible investment</li> <li><input type="checkbox"/> No oversight/accountability or implementation responsibility for responsible investment</li> </ul> </td> </tr> <tr> <td> <input checked="" type="checkbox"/> Portfolio managers               <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Oversight/accountability for responsible investment</li> <li><input checked="" type="checkbox"/> Implementation of responsible investment</li> <li><input type="checkbox"/> No oversight/accountability or implementation responsibility for responsible investment</li> </ul> </td> </tr> <tr> <td> <input checked="" type="checkbox"/> Investment analysts               <ul style="list-style-type: none"> <li><input type="checkbox"/> Oversight/accountability for responsible investment</li> <li><input checked="" type="checkbox"/> Implementation of responsible investment</li> <li><input type="checkbox"/> No oversight/accountability or implementation responsibility for responsible investment</li> </ul> </td> </tr> <tr> <td> <input checked="" type="checkbox"/> Dedicated responsible investment staff               <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Oversight/accountability for responsible investment</li> </ul> </td> </tr> </tbody> </table>	Select from the below internal roles	<input checked="" type="checkbox"/> Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Oversight/accountability for responsible investment</li> <li><input checked="" type="checkbox"/> Implementation of responsible investment</li> <li><input type="checkbox"/> No oversight/accountability or implementation responsibility for responsible investment</li> </ul>	<input checked="" type="checkbox"/> Other Chief-level staff or head of department, specify Director of Corporate Governance <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Oversight/accountability for responsible investment</li> <li><input checked="" type="checkbox"/> Implementation of responsible investment</li> <li><input type="checkbox"/> No oversight/accountability or implementation responsibility for responsible investment</li> </ul>	<input checked="" type="checkbox"/> Portfolio managers <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Oversight/accountability for responsible investment</li> <li><input checked="" type="checkbox"/> Implementation of responsible investment</li> <li><input type="checkbox"/> No oversight/accountability or implementation responsibility for responsible investment</li> </ul>	<input checked="" type="checkbox"/> Investment analysts <ul style="list-style-type: none"> <li><input type="checkbox"/> Oversight/accountability for responsible investment</li> <li><input checked="" type="checkbox"/> Implementation of responsible investment</li> <li><input type="checkbox"/> No oversight/accountability or implementation responsibility for responsible investment</li> </ul>	<input checked="" type="checkbox"/> Dedicated responsible investment staff <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Oversight/accountability for responsible investment</li> </ul>
Select from the below internal roles						
<input checked="" type="checkbox"/> Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Oversight/accountability for responsible investment</li> <li><input checked="" type="checkbox"/> Implementation of responsible investment</li> <li><input type="checkbox"/> No oversight/accountability or implementation responsibility for responsible investment</li> </ul>						
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<input checked="" type="checkbox"/> Investment analysts <ul style="list-style-type: none"> <li><input type="checkbox"/> Oversight/accountability for responsible investment</li> <li><input checked="" type="checkbox"/> Implementation of responsible investment</li> <li><input type="checkbox"/> No oversight/accountability or implementation responsibility for responsible investment</li> </ul>						
<input checked="" type="checkbox"/> Dedicated responsible investment staff <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Oversight/accountability for responsible investment</li> </ul>						

- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Investor relations
- Other role, specify (1)

**Other description (1)**

Future World Advisory Board

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify (2)

**Other description (2)**

Future World Investment Group

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment

External managers or service providers

**SG 07.2 For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.**

The dedicated Corporate Governance 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 and is more fully integrating this process.

Sacha Sadan, Director of Corporate Governance, has direct responsibility for Corporate Governance and Responsible Investment. He is on the board of LGIM and reports directly into LGIM's Chief Executive Officer (CEO), Mark Zinkula (Michelle Scrimgeour will succeed Mr Zinkula in August 2019). This structure, as well as the ability to engage with two 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 Corporate Governance 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 Corporate Governance all serve on this committee, in addition to independent non-executive directors. The Corporate Governance team reports to the committee regularly. The Corporate Governance committee meets quarterly, while the Director of Corporate Governance reports to the LGIM Board every six months.

Portfolio managers have responsibility to integrate ESG into their investment decisions. Senior portfolio managers have oversight responsibilities for how this is integrated in their team.

Investment Analysts also have responsibility to integrate ESG into the investment analysis. Senior investment analysts have oversight responsibilities for how this is integrated in their team additionally, senior investment analysts work with the corporate governance team to input into the ESG tools and resources available to support the investment analysts.

Service providers and associations do implement some of the responsible investment strategy through formal collaboration. For example, as members of the UK Investor Forum we will often conduct collaborative engagement that is led by the Forum.

LGIM appointed the Future World Advisory Board to oversee its developments over time. The board consists of our CEO, CIO and Head of Sustainability and Responsible Investment Strategy – as well as independent experts Lord Nicholas Stern and Professor Andreas Hoepner. The board meets every 6 months and is responsible for monitoring climate change and the energy transition trends, amongst other responsibilities.

During 2018, the Future World funds have expanded into investment offerings in every asset class (equity, bonds, real assets and multi-assets) and strategy (active and index tracking funds). To ensure that the Future World fund range remains responsive to the latest developments and to create consistent principles, the Future World Investment Group has been set up, led by the Chief Investment Officer, with representatives from all investment desks.

**SG 07.3 Indicate the number of dedicated responsible investment staff your organisation has.**

14

**SG 07.4 Additional information. [Optional]**

We have deliberately built a Corporate Governance team with diverse experience and expertise across the spheres of ESG engagement, fund management, financial analysis, corporate governance, sustainability, public policy and regulation.

The Corporate Governance team is independent of the active equity and fixed income managers. However, the teams work in close collaboration, on ESG integration and the development of new products, company engagement meetings, policy work, government and regulatory consultations and thematic topics.

The Corporate Governance team has responsibility for using LGIM's scale and influence to bring about positive change to create sustainable investor value. They are responsible for ensuring that companies integrate ESG factors into their culture and everyday thinking, and that markets and regulators create an environment in which sound management of ESG factors is valued and supported. The investment management team draw on the deliverables as a further source of information to inform their investment and asset allocation decisions.

The exchange of information takes place through formal weekly, bi-weekly, monthly and quarterly meetings and sharing of information on internal systems. Ad-hoc informal sharing takes place, while the teams also hold joint company meetings where appropriate.

SG 07 CC	Voluntary	Descriptive	General
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**SG 07.5 CC Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.**

	Board members or trustees
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or head of department

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other role, specify (1)

Other description (1)

Head of Sustainability & RI Strategy

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other role, specify (2)

Other description (2)

Other role, specify (2)

SG 07.6 CC

For board level roles for which have climate-related issues oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

LGIM's **Corporate Governance Committee** has overall responsibility and oversight of the evolution and implementation of corporate governance and responsible investment policies, including those related to climate change. These policies apply to all asset classes and investment strategies. Our Chief Executive Officer, Chief Investment Officer and Director of Corporate Governance all serve on this committee, in addition to independent non-executive directors. The Corporate Governance team reports to the committee regularly. The Corporate Governance committee meets quarterly, while the Director of Corporate Governance reports to the LGIM Board every six months.

At the highest level, overall responsibility for climate change risks, insofar as they are material to investments, lies with LGIM's CEO, who has oversight of relevant risks as reported through a series of risk and investment committees.

SG 07.7 CC

For the management-level roles that assess and manage climate-related issues, provide further information on the structure and process involved.

LGIM's **Corporate Governance team** is responsible for developing and carrying out our corporate governance and responsible investment activities, including assessing and managing climate-related issues. This dedicated team of 14 professionals has been deliberately built with diverse experience and expertise across the spheres of stewardship and responsible investment.

The **Director of Corporate Governance**, reports directly to LGIM's CEO and is a member of the LGIM board and **Corporate Governance Committee**, ensuring that the overarching climate strategy is endorsed from the top of the organisation. LGIM's **Head of Sustainability and Responsible Investment** is responsible for engaging on sustainability and climate themes globally, integrating material risks into the existing investment processes and developing low-carbon investment product solutions.

As a long-term investor, we have developed our own house view about the issues which are likely to prove decisive in shaping global markets over the decades to come. **Thematic Working Groups** have been established to undertake top-down research and analysis of macro-economic issues relating to the selected themes of Technology, Energy, Demographics and Politics. These groups consist of credit, equity and multi-asset investment professionals and representatives from the corporate governance team.

LGIM's **ESG score** is used in our engagements and for creating ESG-aligned index-tracking funds. Oversight for the rules-based incorporation of ESG data

into index methodologies was provided by the **Corporate Governance Committee** and the **Index Solutions Committee**.

Our **ESG View** is used to assist in the process of stock or bond selection by highlighting key ESG issues which are overlaid onto the fundamental assessment carried by the analysts. These metrics have been designed with direct input by sector analysts and is continuously being improved through regular meetings between active investment team, equities and fixed income, and the CG team.

At the core of our ESG capabilities is our Future World range. In 2016, we launched the first fund in this range, which aimed to achieve positive outcomes for the dual purpose of protecting long-term investment returns and taking climate change risks into account. For this fund, which was launched together with the HSBC UK Pension Scheme, LGIM appointed a **Future World Advisory Board** to oversee its developments over time. The Board consists of our CEO, CIO and Head of Sustainability and Responsible Investment Strategy – as well as independent experts Lord Nicholas Stern and Professor Andreas Hoepner. The Board meets every 6 months and is responsible for monitoring the trends of climate change and the energy transition, amongst other responsibilities.

Since 2016, the Future World funds have expanded into investment offerings in every asset class (equity, bonds, real assets and multi-assets) and strategy (active and index tracking funds). Climate change is the most prominent theme that is incorporated in the range, both from a risk perspective and in terms of investing in low-carbon solutions. To ensure that the Future World fund range remains responsive to the latest developments and to create consistent principles, the **Future World Investment Group** has been set up, led by the CIO with representatives from all investment desks.

SG 08	Voluntary	Additional Assessed	General
Private			

SG 09	Mandatory	Core Assessed	PRI 4,5
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**SG 09.1** Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)  
Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]  
We are an active member of the PRI.  
Member of the Advisory Committee on Credit Ratings; involved in tax engagements; member of Deforestation Advisory Committee and Working Group; member of Palm Oil Working Group; SDGs in Active Ownership, as well as joining a number of other collaborative engagements and contributing a case-study to PRI report on lobbying in 2018.

Asian Corporate Governance Association

Your organisation's role in the initiative during the reporting period (see definitions)  
Moderate

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]  
LGIM is part of ACGA which plays a vital role to strengthen the corporate governance work in Asia as our assets increase in this region. ACGA is a very well respected organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.  
LGIM regularly joins the member calls, and participates at conferences and research trips hosted by ACGA. Additionally, LGIM is a member of the Japan Working Group, advising ACGA of the strategy and next steps within the market.

Australian Council of Superannuation Investors

AFIC – La Commission ESG

BVCA – Responsible Investment Advisory Board

CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)  
Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]  
Collective effort to increase disclosure in carbon emissions by companies.  
LGIM continues to be an advanced user of CDP data and supporter of CDP research and events.

CDP Forests

Your organisation's role in the initiative during the reporting period (see definitions)  
Moderate

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]  
Collective effort to improve disclosure related to companies' exposure to forest risk commodities, and how these risks are managed.

CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)  
Moderate

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]  
Collective effort to improve disclosure related to companies' exposure to water risks and how these are managed.

CFA Institute Centre for Financial Market Integrity

Your organisation's role in the initiative during the reporting period (see definitions)	
Basic	
<input type="checkbox"/> Code for Responsible Investment in SA (CRISA) <input type="checkbox"/> Code for Responsible Finance in the 21st Century <input checked="" type="checkbox"/> Council of Institutional Investors (CII)	
Your organisation's role in the initiative during the reporting period (see definitions)	
Advanced	
Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]	
<p>In the USA, we use CII's network and conference opportunities to advance corporate governance progress and engage with policymakers and the public about corporate governance, shareholder rights and related investment issues.</p> <p>LGIM has in the past given direct feedback to the CII on the Index Providers consultations on one share one vote which was distributed to all members in order to assist in their consultation responses.</p>	
<input type="checkbox"/> Eumedion <input type="checkbox"/> Extractive Industries Transparency Initiative (EITI) <input type="checkbox"/> ESG Research Australia <input type="checkbox"/> Invest Europe Responsible Investment Roundtable <input type="checkbox"/> Global Investors Governance Network (GIGN) <input type="checkbox"/> Global Impact Investing Network (GIIN) <input checked="" type="checkbox"/> Global Real Estate Sustainability Benchmark (GRESB)	
Your organisation's role in the initiative during the reporting period (see definitions)	
Advanced	
Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]	
See property section for details on our involvement	
<input checked="" type="checkbox"/> Green Bond Principles	
Your organisation's role in the initiative during the reporting period (see definitions)	
Basic	
Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]	
<p>We are involved in various initiatives in relation to green bonds, including being a signatory to the Paris Climate Bond Initiative. As noted last year we also work with a number of stakeholders in the City of London to encourage greater scale in the green bond space. This includes meetings with the Bank of England/PRA, the People's Bank of China and green bond issuers.</p>	
<input checked="" type="checkbox"/> Institutional Investors Group on Climate Change (IIGCC)	
Your organisation's role in the initiative during the reporting period (see definitions)	
Advanced	
Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]	
<p>LGIM's Head of Sustainability &amp; Responsible Investment Strategy is a member of the Board of IIGCC. LGIM is also a member of the Property, Policy and Risk work streams. We actively input to and endorse IIGCC-led messages to regulators in the UK and Europe.</p>	
<input type="checkbox"/> Interfaith Center on Corporate Responsibility (ICCR)	
<input checked="" type="checkbox"/> International Corporate Governance Network (ICGN)	
Your organisation's role in the initiative during the reporting period (see definitions)	
Moderate	
Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]	
We are an active member of ICGN and attend many of their conferences and engage on key thematic discussions.	
<input type="checkbox"/> Investor Group on Climate Change, Australia/New Zealand (IGCC) <input type="checkbox"/> International Integrated Reporting Council (IIRC) <input type="checkbox"/> Investor Network on Climate Risk (INCR)/CERES <input type="checkbox"/> Local Authority Pension Fund Forum <input type="checkbox"/> Principles for Sustainable Insurance <input type="checkbox"/> Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify <input type="checkbox"/> Responsible Finance Principles in Inclusive Finance <input type="checkbox"/> Shareholder Association for Research and Education (Share) <input type="checkbox"/> United Nations Environmental Program Finance Initiative (UNEP FI) <input checked="" type="checkbox"/> United Nations Global Compact	
Your organisation's role in the initiative during the reporting period (see definitions)	

Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LGIM continues to source UNGC third party analysis in order to increase our ability to monitor and engage with companies in violation of UNGC Principles.

We exclude severe and continuous violators from our ETFs and Future World range.

As of October 2012, Legal & General Group plc became a UN Global Compact Signatory to recognise the increasing contribution and footprint of its overseas businesses. We also joined investor-led initiatives to encourage more companies to sign up to the UN Global Compact.

Other collaborative organisation/initiative, specify

Other collaborative organisation/initiative, specify

30% Club

Your organisation's role in the initiative during the reporting year (see definitions)

Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

The 30% Club is a group of Chairmen and CEOs of organisations committed to bringing more women onto UK corporate boards. Its members have declared their voluntary support for the 30% goal and are taking action to achieve it. Since 2017, LGIM's Head of Corporate Governance North America has been a member of the Steering Committee.

As a member of the 30% Club Investor Group, we actively engage with companies to encourage them to develop policies to improve diversity on boards. Since 2017, LGIM's Head of Corporate Governance North America has also been the Co-Chair of the Investor Group.

Other collaborative organisation/initiative, specify

Other collaborative organisation/initiative, specify

SG 10

Mandatory

Core Assessed

PRI 4

SG 10.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

SG 10.2

Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.

Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)

Description

We published an educational guide on climate change integration for trustees and boards of asset owner organisations. We also published a Guide to ESG for pension trustees. Additionally, we held a breakfast seminar on LGIM's ESG priorities for non-executive directors. We also conduct many client education sessions, and seminars/conferences for actuaries, consultants and other stakeholders.

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Provided financial support for academic or industry research on responsible investment

Description

During 2018, we co-wrote and sponsored the IIGCC guide "Addressing climate risks and opportunities in the investment process - A practical guide for trustees and boards of asset owner organisations."

Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Provided input and/or collaborated with academia on RI related work

Encouraged better transparency and disclosure of responsible investment practices across the investment industry

Description

Responded to various consultations including from the DWP, PRA and FCA to encourage better ESG practices and transparency. We also responded to consultations on the Corporate Governance Code in Singapore, Germany and France. Promoted enhanced industry disclosure at the industry initiatives and associations we participate in.

Frequency of contribution	
<input checked="" type="checkbox"/>	Quarterly or more frequently
<input type="checkbox"/>	Biannually
<input type="checkbox"/>	Annually
<input type="checkbox"/>	Less frequently than annually
<input type="checkbox"/>	Ad hoc
<input type="checkbox"/>	Other

Spoke publicly at events and conferences to promote responsible investment

Description	
In 2018 LGIM team members spoke at 23 public events. Subjects covered included ESG integration, climate change and diversity.	

Frequency of contribution	
<input checked="" type="checkbox"/>	Quarterly or more frequently
<input type="checkbox"/>	Biannually
<input type="checkbox"/>	Annually
<input type="checkbox"/>	Less frequently than annually
<input type="checkbox"/>	Ad hoc
<input type="checkbox"/>	Other

Wrote and published in-house research papers on responsible investment

Description	
We published several papers during the year, which covered areas such as the separation of the roles of CEO and Board chair; the role of the lead independent director; guidance on board chair nominations; and the importance of gender diversity. The papers are available on our website: <a href="http://www.lgim.com/uk/en/capabilities/corporate-governance/influencing-the-debate/">http://www.lgim.com/uk/en/capabilities/corporate-governance/influencing-the-debate/</a> LGIM has also launched a blog platform which provides an opportunity to share latest thinking and insights on ESG topics from our CG and investment teams: <a href="https://futureworldblog.lgim.com/">https://futureworldblog.lgim.com/</a> In 2018, the ESG Thematic Working groups produced 16 thought leadership pieces, including on the rise of renewables, the decline of coal-fired electricity generation and the implications for the O&G sector from reduced plastic demand. <a href="http://www.lgim.com/uk/en/insights/our-thinking/long-term-thinking/">http://www.lgim.com/uk/en/insights/our-thinking/long-term-thinking/</a>	

Frequency of contribution	
<input checked="" type="checkbox"/>	Quarterly or more frequently
<input type="checkbox"/>	Biannually
<input type="checkbox"/>	Annually
<input type="checkbox"/>	Less frequently than annually
<input type="checkbox"/>	Ad hoc
<input type="checkbox"/>	Other

Encouraged the adoption of the PRI

Description	
LGIM regularly speaks at events advocating the principles of the PRI. LGIM reports its PRI outcomes to clients - to encourage them to use PRI.	

Frequency of contribution	
<input type="checkbox"/>	Quarterly or more frequently
<input type="checkbox"/>	Biannually
<input type="checkbox"/>	Annually
<input type="checkbox"/>	Less frequently than annually
<input checked="" type="checkbox"/>	Ad hoc
<input type="checkbox"/>	Other

Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)

Description	
During the year the Corporate Governance Team responded to the following consultations by non-governmental organisations : • Hong Kong Stock Exchange's consultation – A Listing Regime for Companies from Emerging and Innovative Sectors • Hang Seng review of the eligibility of Foreign Companies, Stapled Securities, Weighted Voting Right Companies • IOSCO consultation on reforms to the global audit standard-setting process. • MSCI consultation on the treatment of unequal voting structures in the MSCI Equity Indexes • Expression of support for 2° Investing Initiative research programme. • Petition from the Council of Institutional Investors (CII) to the New York Stock Exchange requesting a listing standard to require a time-based sunset on any new listing of multi-class shares with differential voting rights. • Consultation on Singapore Corporate Governance Code.	

Frequency of contribution	
<input checked="" type="checkbox"/>	Quarterly or more frequently
<input type="checkbox"/>	Biannually
<input type="checkbox"/>	Annually

- Less frequently than annually
- Ad hoc
- Other

Wrote and published articles on responsible investment in the media

Description
An op-ed by our Head of DC, on fiduciary duty posing no obstacle to ESG integration was published by Investment Europe in September 2018. <a href="https://www.investmenteurope.net/investmenteurope/opinion/3710729/fiduciary-duty-obstacle-esg-integration-lgim">https://www.investmenteurope.net/investmenteurope/opinion/3710729/fiduciary-duty-obstacle-esg-integration-lgim</a>

Frequency of contribution
<ul style="list-style-type: none"> <li><input type="radio"/> Quarterly or more frequently</li> <li><input type="radio"/> Biannually</li> <li><input type="radio"/> Annually</li> <li><input type="radio"/> Less frequently than annually</li> <li><input checked="" type="radio"/> Ad hoc</li> <li><input type="radio"/> Other</li> </ul>

A member of PRI advisory committees/ working groups, specify

Description
Deforestation advisory committee and working group, Cyber, Credit Ratings Agencies and SDGs and Active Ownership.

Frequency of contribution
<ul style="list-style-type: none"> <li><input checked="" type="radio"/> Quarterly or more frequently</li> <li><input type="radio"/> Biannually</li> <li><input type="radio"/> Annually</li> <li><input type="radio"/> Less frequently than annually</li> <li><input type="radio"/> Ad hoc</li> <li><input type="radio"/> Other</li> </ul>

On the Board of, or officially advising, other RI organisations (e.g. local SIFs)

Description
LGIM's Head of Sustainability and Responsible Investment Strategy sits on the board of the IIGCC. Director of Corporate Governance sits on board of the Investor Forum.

Frequency of contribution
<ul style="list-style-type: none"> <li><input checked="" type="radio"/> Quarterly or more frequently</li> <li><input type="radio"/> Biannually</li> <li><input type="radio"/> Annually</li> <li><input type="radio"/> Less frequently than annually</li> <li><input type="radio"/> Ad hoc</li> <li><input type="radio"/> Other</li> </ul>

Other, specify

specify description
UK Government's Green Finance Task Force.

Description
LGIM's CEO and Head of Sustainability & Responsible Investment Strategy sit on the UK Government's Green Finance Task Force.

Frequency of contribution
<ul style="list-style-type: none"> <li><input type="radio"/> Quarterly or more frequently</li> <li><input type="radio"/> Biannually</li> <li><input type="radio"/> Annually</li> <li><input type="radio"/> Less frequently than annually</li> <li><input checked="" type="radio"/> Ad hoc</li> <li><input type="radio"/> Other</li> </ul>

No

SG 10.3	Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]
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In 2018, our Corporate Governance team's work was featured in over 80 articles by media outlets including the Financial Times, Bloomberg, Reuters, Nikkei, the BBC, The Guardian, The Times, The Telegraph and The New York Times.

SG 11	Voluntary	Additional Assessed	PRI 4,5,6
Private			
SG 12	Mandatory	Core Assessed	PRI 4
SG 12.1	Indicate whether your organisation uses investment consultants.		
<input type="checkbox"/> Yes, we use investment consultants <input checked="" type="checkbox"/> No, we do not use investment consultants.			
SG 13	Mandatory	Descriptive	PRI 1
SG 13.1	Indicate whether the organisation undertakes scenario analysis and/or modelling and provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).		
<input type="checkbox"/> Yes, to assess future ESG factors <input checked="" type="checkbox"/> Yes, to assess future climate-related risks and opportunities			
		Describe	
<p>We are developing several ways in which we can apply climate scenarios to our investment process meaningfully. Please see SG 13.4 CC for a description of the categories under which we are currently exploring our options.</p> <input type="checkbox"/> No, not to assess future ESG/climate-related issues			
SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.		
		We do the following	
<input checked="" type="checkbox"/> Allocation between asset classes <input checked="" type="checkbox"/> Determining fixed income duration <input checked="" type="checkbox"/> Allocation of assets between geographic markets <input checked="" type="checkbox"/> Sector weightings <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not consider ESG issues in strategic asset allocation			
SG 13.3	Additional information. [OPTIONAL]		
<p>Within our asset allocation we consider governance of markets alongside GDP and market capitalisation when determining how best to diversify our exposure. This is captured within the strategic asset allocations of the funds and therefore impacts all of the portfolios our Asset Allocation team manage to some degree. In addition, where ESG is a specific, material concern for a potential position then it is given due consideration.</p>			

SG 13 CC	Voluntary	Descriptive	General
SG 13.4 CC	Describe how the organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, the results and any future plans.		
<input checked="" type="checkbox"/> Initial assessment			
		Describe	
<p><b>The Future World Global Energy Transition Model</b></p> <p>To be able to comprehensively assess energy demand and supply assumptions which are pervasive in the market, LGIM has partnered with Baring to produce a detailed, bespoke and proprietary global model of the energy transition out 2050. The Model offers unique insights into the inter-dependencies of the global energy system.</p> <p>The model we are constructing will be a vital tool in sourcing and identifying the winners of the future. The ultimate objective for the energy system model is to understand what is required in order to meet overarching targets surrounding GHG emissions in the medium to long term.</p> <p>The energy transition presents the world with two challenges that are inter-related:</p> <ul style="list-style-type: none"> <li>• How do we radically lower the emissions of our current energy system, in the cheapest, most efficient and least disruptive way?</li> <li>• How do we meet the rapidly growing demand for energy in the developing world?</li> </ul> <p>We believe investors have a crucial role to play. The energy transition is already consuming huge quantities of investors' capital. And whether it is the billions of dollars of investment needed for renewables to finance energy infrastructure or meet the growing demand for energy investment in the emerging world, the call on our capital is only going to increase. This tool allows us to stress-test sectors against high carbon prices and changes in consensus assumptions regarding low-carbon technologies, from today to 2050. For example, the IEA's 450 scenario, aligned with a 2°C pathway, assumes a carbon price of \$100 by 2030 in OECD markets. As more of the world's emissions are covered by rising carbon prices, this could prove disruptive for sectors such as energy. We have flexibility in incorporating any carbon price into our energy modelling assumptions and will look to stress-test the implications of a carbon price ranging between \$100-150. The result of this analysis will be discussed in our long-term thematic groups.</p> <p>We have also explored various external data sources, such as the PACTA model, but have yet to see a convincing model based on solid analysis and data points. Following the latest developments in Europe – including regulation around the standardisation of "low-carbon benchmarks", we expect work in this area to continue apace.</p> <p><b>Physical risks and adaptation</b></p> <p>As the severity of weather extremes is felt year-on-year, there is increased urgency to understand and incorporate the analysis of physical risks from climate change and the need for adequate adaptation. We will look to incorporate more datasets and utilise them to further supplement company and country-level analysis and country-level impacts.</p> <p><b>Real assets</b></p>			

We have committed to undertake modelling to identify what measures would be required for a property to achieve energy targets aligned with a 2°C scenario. Alignment will involve achieving a high energy efficiency performance by 2030, and carbon neutrality by 2050. As part of the modelling, we are costing the various measures and factoring them into the annual business plan for each asset, to understand the financial implications of aligning our property portfolio.

- Incorporation into investment analysis
- Inform active ownership
- Other

**SG 13.5 CC** Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

specify  
Investment analysts.

**SG 13.6 CC** Indicate whether the organisation has evaluated the impacts of climate-related risk, beyond the investment time-horizon, on the organisations investment strategy.

Yes

Describe  
Our clients' investment horizons are generally very long, especially for pension and insurance assets. As such our investment horizons are aligned to the time horizon of climate related risks.  
However, there are many clients for whom their investment horizons are shorter and/or monitoring periods for performance are short.  
We have taken a stance that, even for such clients, climate change can pose material risks as market correction can happen a lot quicker than previously thought – e.g. peak coal. As such monitoring the long term themes and addressing its implications is an important aspect of our investment process.

No

**SG 13.7 CC** Indicate whether a range of climate scenarios is used.

- Yes, including analysis based on a 2°C or lower scenario
- Yes, not including analysis based on a 2°C or lower scenario
- No, a range is not used

**SG 13.8 CC** Indicate the climate scenarios the organisation uses.

Provider	Scenario used	
IEA		
IEA		
IEA		
IEA		
IEA		
IRENA		
Greenpeace		
Institute for Sustainable Development		
Bloomberg		
IPCC		
IPCC		
IPCC		
IPCC		
Other	<input checked="" type="checkbox"/> Other (1)	<input type="checkbox"/> Other (1) please specify: LGIM's proprietary scenarios.
Other		
Other		



**SG 14.1** Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)
- Other, specify(2)
- None of the above

**SG 14.2** Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments

Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.	
Total AUM	
8,038,066,045 GBP	
10,296,703,533 USD	

**Specify the framework or taxonomy used.**  
 This AUM figure includes assets invested in LGIM's Future Worlds, ethical and climate tilted funds.

- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify

**other description**  
 Supported clients in their integration of ESG and climate considerations.

- None of the above

**SG 14.3** Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify

**other description**  
 exposure to green revenues.

- None of the above

**SG 14.4** If you selected disclosure on emissions risks, list any specific climate related disclosure tools or frameworks that you used.

- Trucost data emissions - absolute and intensity
- CDP disclosures
- Bloomberg emissions data
- FTSE/HSBC Green Revenue
- TCFD

**SG 14.5** Additional information [Optional]

Please see our 2018 TCFD report for emissions performance of six representative equity and corporate debt indices, as well as our UK and US sovereign debt holdings and real assets portfolio.

SG 14 CC	Voluntary	General
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SG 14.6 CC Please provide further details on these key metric(s) used to assess climate related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Climate-related targets				
Weighted average carbon intensity	Majority of assets	Demonstrating to clients the GHG emissions intensity of their investments	Tonnes of CO2/E1 million revenues.	Current value of investment divided by current portfolio value, multiplied by the company's scope 1 and 2 GHG emissions divided by issuer's \$m revenue. The first term in the product is the security weight in the index or bench mark; the second term is the carbon emission intensity for each constituent.
Carbon footprint (scope 1 and 2)				
Portfolio carbon footprint				
Total carbon emissions				
Carbon intensity				
Exposure to carbon-related assets	Majority of assets	Demonstrating to clients the exposure of their investments to carbon reserves	Weighted average carbon reserves intensity (tonnes of reserves / US\$m market capitalisation)	Reserves intensity for each company is calculated as the sum of carbon reserves intensity from coal + carbon reserves intensity from O&G. Intensity is calculated using the following formula: carbon reserves intensity (Coal+OilGas in tonnes/USD mn = [ Carbon reserves (Coal+OilGas) in m tonnes x 1,00,000 / (market cap USD / 1,000,000)] NB: few companies have coal and oil & gas reserves. The majority of companies are either not reported or have zero/not relevant reserves data.
Other emissions metrics	Minority of assets	Green revenues. Demonstrating to clients the exposure to green revenues of their investments	Percentage of revenues.	A weighted average green revenues percentage is calculated as a proportion of issuer revenues. Revenue data is provided by HSBC.

SG 14.7 CC Describe in further detail the key targets.

Target type	Time Frame	Description	Attachments
Intensity target	2010-2020	Target to reduce the carbon emissions associated with our real estate portfolio by 20% between 2010 and 2020, expressed as CO2 per m2. A science-based reduction target is currently being developed, to align emissions of our real estate assets with the 2°C pathway, the result of which will be further be incorporated in to the target setting process. <a href="https://www.legalandgeneral.com/institutional/files/real-assets/_resources/files/lgim-real-assets-environmental-performance-results-2018.pdf">https://www.legalandgeneral.com/institutional/files/real-assets/_resources/files/lgim-real-assets-environmental-performance-results-2018.pdf</a>	
Intensity target	On-going	The Future World funds aim to allocate funds to less emissions-intensive companies, relative to a broad market comparator.	
Intensity target	On-going	The Future World funds aim to reduce clients' exposure to fossil fuel reserves, relative to a broad market comparator.	
Intensity target	On-going	The Future World funds aim to increase weights for companies generating a larger percentage of green revenues.	

SG 14.8 CC Indicate whether climate-related risks are integrated into overall risk management and explain the risks management processes for identifying, assessing, and managing climate-related risks.

✓ Process for climate-related risks is integrated into overall risk management

Please describe  
Climate-related risks can be identified at the level of a company, sector, country or the entire market. To systematically assess them, we utilise a

multi-layered process as follows:

- ESG engagement – for market wide issues that require companies to significantly shift strategies
- Long term themes – to debate and form views on energy transitions and their implications for asset allocation
- ESG scores to apply consistent standards of carbon metrics to identify sector and companies which are more likely to be at risk
- ESG views to assist the integration of climate issues to the active fund management process and to help pick companies which are better positioned than their peers
- Country-level risks, which are important for both sovereign bond investments and to assess investments' exposures to countries with heightened risks

The climate and ESG information we collect are stored in LGIM's central data repository. The data can then 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.

**Further information regards Engagement, ESG Score, ESG view and country ESG score**

For our engagement programme, Climate Impact Pledge, the companies targeted are scored on over 170 indicators, based on their articulation of risk and opportunities, the level of transparency, the robustness of their governance, the strength of their strategies in pursuing new opportunities, the record of controversial incidents and how they lobby governments on climate regulations.

LGIM has an **ESG Score** for 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 chosen indicators are carbon emissions (greenhouse gas emissions from scope 1 and 2) and carbon reserves (reserves of oil, gas and coal), as well as 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.

- Process for climate-related risks is not integrated into our overall risk management

**SG 14.9 CC** Indicate whether the organisation undertakes active ownership activities to encourage TCFD adoption.

- Yes

**Please describe**

Our engagements with companies help us identify which companies are best positioned to manage climate-related risks, and those that are falling behind. Climate change has been a consistent priority for us during our company engagements. In 2017 and 2018, it has been one of our top three most frequently discussed engagement topics. As part of our climate change-related engagements, we strongly encourage portfolio companies to report in line with the TCFD recommendations.

LGIM's Climate Impact Pledge is our flagship engagement programme aimed at addressing climate change and helping companies transition to a low-carbon economy.

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. We engage on behalf of all our clients' assets, across asset classes and investment strategies.

The companies targeted are scored on over 170 indicators based on their articulation of risk and opportunities, the level of transparency, the robustness of their governance, the strength of their strategies in pursuing new opportunities, the record of controversial incidents and how they lobby the governments on climate regulations. All the companies are contacted directly to discuss areas of improvements with constructive feedback based on their current disclosures. The aim of the engagement is to help companies in key industries embrace and succeed in the transition to a low-carbon world, which in turn protects our clients' asset from transition and physical risks. The leaders in each of the sectors are celebrated in our "name and fame" programme, to highlight how it is possible to create climate solutions in every industry.

At the same time, some of our requests come with a 12-month limit for compliance to be articulated publicly, as they reflect what we consider to be a minimum threshold for companies of such significance. Failure to meet this timeline will lead to voting against the chair of the board across the entire equity holdings held by LGIM and divestment in our Future World fund range. To find our first result from the engagement, go to: [www.lgim.com/fr/en/insights/our-thinking/market-insights/lgims-climate-impact-pledge-the-results-so-far.html](http://www.lgim.com/fr/en/insights/our-thinking/market-insights/lgims-climate-impact-pledge-the-results-so-far.html)

Our assessment criteria are fully compatible with the TCFD framework and we have newly added a category of "TCFD disclosure" for the 2019 assessment.

Our engagements go beyond LGIM-led initiatives. We often collaborate with other investors – through networks such as IIGCC and the PRI – and have been a part of the Climate Action 100+ initiative, which gathers over \$32 trillion of assets under management to push collectively for climate action from investee companies and policy-makers.

- No, we do not engage

**SG 15** Mandatory to Report, Voluntary to Disclose Descriptive PRI 1

**SG 15.1** Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

- Yes  
 No

**SG 18** Voluntary Descriptive General

**SG 18.1** Indicate whether any specific features of your approach to responsible investment are particularly innovative.

- Yes

**SG 18.2** Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

We have committed to provide clients with investment solutions which align with our broader ESG strategies, such as the Future World Fund range. This is a new generation of funds which incorporate ESG and climate considerations. In the past year, we have launched 14 additional funds under

the Future World fund umbrella.

The Future World funds provide a way to showcase how climate change can be addressed by mainstream investors who are concerned about both short and long term impacts of climate change. Unlike many other climate related funds in the market where companies are labelled as "green" or "not green", it focuses on the importance of the low carbon transition and tilted exposure away from carbon and into green revenue within each company and sector.

The purpose of the Future World range is to provide clients with "mainstream" investment products, with a focus on risk-adjusted returns, but which specifically aim to have an improved ESG profiles compared to other broad market benchmarks. This range of funds was launched not as a one-off optional fund but as a flagship fund in our index range, that is good enough to be pension schemes' default funds - [www.lgim.com/futurefund](http://www.lgim.com/futurefund)

As part of our Climate Impact Pledge, we committed in 2017 to engage with 84 of the most systemically important global companies, specifically on their governance and management of climate-related risks. This is now a multi-year engagement programme for us.

Companies that fail to embrace the transition to a low-carbon economy by demonstrating adequate strategy, governance and transparency through their public disclosures will be excluded from the Future World fund range, including index funds. Moreover, in all other LGIM funds that remain invested in those companies that have not met our criteria, we will vote against the election of the chair of the board until we see satisfactory change. Committing to vote against the chair because of a single issue such as climate change on a global basis sends a powerful message to companies that they should be raising their standards in this area. We think the approach of combining engagement with divestment and voting, across all funds including index, is innovative and also important in order to encourage further and urgent action on climate change.

No

SG 19	Mandatory	Core Assessed	PRI 2, 6
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**SG 19.1** Indicate whether your organisation typically discloses asset class specific information proactively. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.

**Listed equity - Incorporation**

**Do you disclose?**

- We do not proactively disclose it to the public and/or clients/beneficiaries
- We disclose to clients/beneficiaries only.
- We disclose it publicly

**The information disclosed to clients/beneficiaries is the same**

- Yes
- No

Disclosure to public and URL	Disclosure to clients/beneficiaries
<p><b>Disclosure to public and URL</b></p> <ul style="list-style-type: none"> <li><input type="radio"/> Broad approach to ESG incorporation</li> <li><input checked="" type="radio"/> Detailed explanation of ESG incorporation strategy used</li> </ul>	<p><b>Disclosure to clients/beneficiaries</b></p> <ul style="list-style-type: none"> <li><input type="radio"/> Broad approach to ESG incorporation</li> <li><input checked="" type="radio"/> Detailed explanation of ESG incorporation strategy used</li> </ul>
Annually	Quarterly or more frequently
<a href="http://www.lgim.com/activeowner">http://www.lgim.com/activeowner</a>	

**Listed equity - Engagement**

**Do you disclose?**

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

**The information disclosed to clients/beneficiaries is the same**

- Yes
- No

Disclosure to public and URL	Disclosure to clients/beneficiaries

Disclosure to public and URL	Disclosure to clients/beneficiaries
<input checked="" type="checkbox"/> Details on the overall engagement strategy <input checked="" type="checkbox"/> Details on the selection of engagement cases and definition of objectives of the selections, priorities and specific goals <input checked="" type="checkbox"/> Number of engagements undertaken <input checked="" type="checkbox"/> Breakdown of engagements by type/topic <input checked="" type="checkbox"/> Breakdown of engagements by region <input type="checkbox"/> An assessment of the current status of the progress achieved and outcomes against defined objectives <input checked="" type="checkbox"/> Examples of engagement cases <input checked="" type="checkbox"/> Details on eventual escalation strategy taken after the initial dialogue has been unsuccessful (i.e. filing resolutions, issuing a statement, voting against management, divestment etc.) <input type="checkbox"/> Details on whether the provided information has been externally assured <input checked="" type="checkbox"/> Outcomes that have been achieved from the engagement <input type="checkbox"/> Other information	<input checked="" type="checkbox"/> Details on the overall engagement strategy <input checked="" type="checkbox"/> Details on the selection of engagement cases and definition of objectives of the selections, priorities and specific goals <input checked="" type="checkbox"/> Number of engagements undertaken <input checked="" type="checkbox"/> Breakdown of engagements by type/topic <input checked="" type="checkbox"/> Breakdown of engagements by region <input type="checkbox"/> An assessment of the current status of the progress achieved and outcomes against defined objectives <input checked="" type="checkbox"/> Examples of engagement cases <input checked="" type="checkbox"/> Details on eventual escalation strategy taken after the initial dialogue has been unsuccessful (i.e. filing resolutions, issuing a statement, voting against management, divestment etc.) <input type="checkbox"/> Details on whether the provided information has been externally assured <input checked="" type="checkbox"/> Outcomes that have been achieved from the engagement <input type="checkbox"/> Other information
Annually	Quarterly or more frequently
<a href="http://www.lgim.com/activeowner">http://www.lgim.com/activeowner</a>	

### Listed equity – (Proxy) Voting

**Do you disclose?**

We do not disclose to either clients/beneficiaries or the public.  
 We disclose to clients/beneficiaries only.  
 We disclose to the public

**The information disclosed to clients/beneficiaries is the same**

Yes  
 No

Disclosure to public and URL
<p><b>Disclosure to public and URL</b></p> <input checked="" type="radio"/> Disclose all voting decisions <input type="radio"/> Disclose some voting decisions <input type="radio"/> Only disclose abstentions and votes against management
Quarterly or more frequently
<a href="http://documentlibrary.lgim.com/documentlibrary/library_55458.html?req=internal">http://documentlibrary.lgim.com/documentlibrary/library_55458.html?req=internal</a>

### Fixed income

**Do you disclose?**

We do not disclose to either clients/beneficiaries or the public.  
 We disclose to clients/beneficiaries only.  
 We disclose to the public

**The information disclosed to clients/beneficiaries is the same**

Yes  
 No

Disclosure to public and URL	Disclosure to clients/beneficiaries
<p><b>Disclosure to public and URL</b></p> <input type="radio"/> Broad approach to RI incorporation <input checked="" type="radio"/> Detailed explanation of RI incorporation strategy used	<p><b>Disclosure to clients/beneficiaries</b></p> <input type="radio"/> Broad approach to RI incorporation <input checked="" type="radio"/> Detailed explanation of RI incorporation strategy used
Quarterly	Quarterly

<http://www.lgim.com/activeowner>  
<http://www.lgim.com/activeowner>

Property

Do you disclose?

- We do not disclose to either clients/beneficiaries or the public.
- We disclose to clients/beneficiaries only.
- We disclose to the public

Disclosure to clients/beneficiaries

Disclosure to clients/beneficiaries

- ESG information on how you select property investments
- ESG information on how you monitor and manage property investments
- Information on your property investments' ESG performance
- Other

Quarterly or more frequently

LEI 01.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies (+/- 5%)

- Screening alone (i.e. not combined with any other strategies)
- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)
- Screening and integration strategies

Percentage of active listed equity to which the strategy is applied 99%

- Thematic and integration strategies
- Screening and thematic strategies
- All three strategies combined

Percentage of active listed equity to which the strategy is applied 1%

- We do not apply incorporation strategies

LEI 01.3

If assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]

**LGIM uses a combination of ESG incorporation strategies, emphasising integration.**

#### Integration

The active equity team is able to integrate considerations of ESG issues into fundamental analysis through exchange of information and the use of the LGIM proprietary ESG scoring tool, and the Active ESG View (these are two separate tools). The ESG View houses ESG research, in addition to research notes that the analysts prepare. Through incorporating these findings into fundamental analysis, stock recommendations and subsequently investment decisions are made.

#### Thematic

LGIM has developed a process to identify and research long-term thematic issues that will shape our investments in the long-term.

Three separate working groups were set up during 2017 to understand longer-term trends that may impact LGIM's investments. The first themes reviewed are Technology, Energy and Demographics

Our Future World (FW) approach applies thematic investment analysis to capture the return opportunities and manage risks of a changing world while maintaining a responsible investment philosophy.

#### Screening

Although the integration of ESG-related criteria in the assessment of companies at LGIM is not intended to result in any negative or exclusion lists, we do consider that screening is an approach that can complement integration and thematic investing. More details in sections 04&05.

LEI 02.1

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

- Raw ESG company data
- ESG research provider
  - Sell-side
  - In-house – specialised ESG analyst or team
  - In-house – analyst or portfolio manager
- Company-related analysis or ratings
- ESG research provider
  - Sell-side
  - In-house – specialised ESG analyst or team
  - In-house – analyst or portfolio manager
- Sector-related analysis or ratings
- ESG research provider
  - Sell-side
  - In-house – specialised ESG analyst or team
  - In-house – analyst or portfolio manager
- Country-related analysis or ratings
- ESG research provider
  - Sell-side
  - In-house – specialised ESG analyst or team
  - In-house – analyst or portfolio manager
- Screened stock list
- ESG research provider

- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- ESG issue-specific analysis or ratings
  - ESG research provider
  - Sell-side
  - In-house – specialised ESG analyst or team
  - In-house – analyst or portfolio manager
- Other, specify

**LEI 02.2** Indicate if you incentivise brokers to provide ESG research.

Yes

**LEI 02.3** Describe how you incentivise brokers.

Following the introduction of the MiFID II regime, LGIM pays for all sell-side research from their own P&L, including ESG oriented research. ESG oriented research forms a key part of our broker research review and contracting decisions.

As part of these regulations we carefully assess and pay appropriately for all useful, relevant and helpful research.

We can no longer accept any research which we do not rate.

We additionally provide informal feedback to brokers on their research and suggest areas that may be of particular value to do more in-depth studies.

No

**LEI 02.4** Additional information.[Optional]

LGIM undertakes internal ESG research, supplemented by third-party information.

**LGIM Active ESG View:** for ESG integration into core active funds, LGIM draws on the outputs of our proprietary tool, the ESG View. The quantitative input into the ESG View utilises the following data providers: Sustainalytics, Thomson Reuters, HSBC, Trucost, and also Bloomberg, Reprisk, Maplecroft, MSCI and ISS, reported company data and proprietary LGIM analysis.

Our qualitative inputs into the ESG View capture ESG insights from LGIM's company analysis and engagements, leveraging research teams' knowledge and corporate access.

**LGIM ESG Score:** developed over 2018, used in the construction of index funds and as an engagement tool; the data is also used in active integration. ESG data sourced from Trucost, HSBC, Thomson Reuters and Sustainalytics.

**The Future World Protection List** draws on data from Trucost and Sustainalytics.

**Climate Impact Pledge,** our proprietary scoring framework, assesses companies on their climate governance and contribution to the low-carbon transition. It draws on carbon emissions intensity, green revenue generation and data points from Bloomberg, Sustainalytics, CDP, Boardex, MSCI, Reprisk, HSBC and InfluenceMap as well as company reports.

We also draw on relevant sell-side, academic and NGO research for country, thematic, sector and company issues.

LEI 03	Voluntary	Additional Assessed	PRI 1
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Private

LEI 04	Mandatory	Descriptive	PRI 1
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**LEI 04.1** Indicate and describe the type of screening you apply to your internally managed active listed equities.

Negative/exclusionary screening

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

**Description**

In 2018 LGIM put in place a Controversial Weapons Policy, under which Legal & General Investment Management (Holdings) Limited ('LGIM(H)') and its subsidiaries will exclude from its investments those companies involved in the manufacture and production of cluster munitions, antipersonnel landmines, and biological and chemical weapons. This policy is applied to all active equity and fixed income funds, and is drawn on in the development of our Future World Protection List.

Another component of our FWPL involves the screening out of pure-play coal companies, i.e. those companies deriving significant proportion of their revenue from coal operations. This is because we believe that coal, as the most emissions-intensive fossil fuel, is increasingly at risk of assets being stranded due to the transition to a low carbon economy. The Future World Protection List applies to the Future World fund range

Positive/best-in-class screening

- Product
- Activity
- Sector
- Country/geographic region



- Environmental and social practices and performance
- Corporate governance

Description
<p>During 2018 we developed our Active ESG View tool, which seeks to identify and represent the ESG risks and opportunities within companies. It's an essential component of the overall active research process. It takes the inputs that form the LGIM ESG Score as a starting point for assessing ESG quality, and then goes a step further by incorporating additional quantitative and qualitative inputs. It involves teams leveraging their sector expertise, knowledge of company dynamics and corporate access. This leads to a status being created for each company ranging from "very strong" to "very weak".</p> <p>For our Future World fund range, which goes further in terms of integrating ESG issues into asset allocation – we would only incorporate a company with a weak ESG status if we expect to see improvements in the future as a result of successful engagement. This ensures that the funds only include companies which meet minimum ESG standards.</p>

- Norms-based screening
  - UN Global Compact Principles
  - The UN Guiding Principles on Business and Human Rights
  - International Labour Organization Conventions
  - United Nations Convention Against Corruption
  - OECD Guidelines for Multinational Enterprises
  - Other, specify

Description
<p>For the funds in our Future World range, we have an initial exclusion policy in defining the investable universe which, inter alia, excludes companies which have been listed as severe violators of the Global Compact principles consistently for over three years. Other companies with less severe violations become candidates for direct engagement. This may result in limited exclusions, with divestment used as a last course of action to keep pressure on companies to uphold the global minimum standards.</p> <p>Additionally, in client-specific and segregated mandates, LGIM can administer exclusion lists provided by clients</p>

<b>LEI 04.2</b>	<b>Describe how you notify clients and/or beneficiaries when changes are made to your screening criteria.</b>
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In relation to our Controversial Weapons Policy:

- We will publish any changes to our policy on our website
- The policy applies to active fixed income and equity funds - not index funds - and therefore we do not individually notify clients of changes made.
- The constituents of the exclusion list are reviewed every 6-months and the underlying policy is reviewed on an annual basis. Further details of the policy can be found here: [http://documentlibrary.lgim.com/documentlibrary/library\\_55458.htm](http://documentlibrary.lgim.com/documentlibrary/library_55458.htm)

In relation to our Future World Protection List which is applied in our Future World funds (and may be adopted by any client on their segregated mandate):

- Companies are included in the list if they fail to meet minimum standards of globally accepted business practices. The Future World Protection List (FWPL) methodology was developed internally and includes companies which meet any of the below criteria:
  - \* Involvement in the manufacture and production of controversial weapons
  - \* Perennial violators of the United Nations Global Compact
  - \* Pure coal miners – companies solely involved in the extraction of thermal coal
- The exclusion list is updated on a 6-monthly basis and our policy is publicly available on our website.
- We have written to all companies on the FWPL to inform them of the engagement, in particular the voting consequences which apply to all our equity holdings, and the divestment consequences which apply to Future World funds.
- We are planning to make the list publicly available

In relation to our Climate Impact Pledge:

- Companies that fail to meet our minimum standards of climate governance, as set out via our Climate Impact Pledge, will be divested from the Future World fund range (which includes active funds), and we will vote against the Chair of the board on behalf of all our equity holdings
- We publicly communicate the names of these companies on our website, and in various reports.
- <http://www.lgim.com/uk/en/insights/our-thinking/market-insights/lgims-climate-impact-pledge-the-results-so-far.html>

<b>LEI 05</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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<b>LEI 05.1</b>	<b>Indicate which processes your organisation uses to ensure screening is based on robust analysis.</b>
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- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Third-party ESG ratings are updated regularly to ensure that portfolio holdings comply with fund policies.
- Trading platforms blocking / restricting flagged securities on the black list
- A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Review and evaluation of external research providers
- Other, specify
- None of the above

<b>LEI 05.2</b>	<b>Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your ESG screening strategy.</b>
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- <10%

- 10-50%
- 51-90%
- >90%

**LEI 05.3** Indicate how frequently third party ESG ratings are updated for screening purposes.

- Quarterly or more frequently
- Bi-annually
- Annually
- Less frequently than annually

**LEI 05.4** Indicate how frequently you review internal research that builds your ESG screens.

- Quarterly or more frequently
- Bi-annually
- Annually
- Less frequently than annually

**LEI 05.5** Additional information. [Optional]

All of our listed equity portfolios are subject to our ESG screening criteria (Controversial Weapons, FWPL, Climate Impact Pledge, ESG View), however the quantity that is excluded as a result is less than 10%.

The following are examples of our procedures and methodologies which we have in place to ensure the robustness of our research employed for our ESG screening:

- In developing our ESG screens we selected the service providers based on the robustness and breadth of their analysis and data
- We also assess the level of the service providers' engagement with companies, to ensure that companies are encouraged to review their research and analysis
- We have in place review periods for key third-party providers and we regularly meet new and alternative providers in order to ensure we are making the right selection
- The methodologies for applying screens were developed internally by the Corporate Governance team. The methodologies were subject to rigorous internal review and consultation before being finalised and applied.
- Our Controversial Weapons Policy and Future World Protection List (FWPL) methodology outline the frequency with which our screening criteria and methodologies are reviewed
- We have set up automated processes to apply screening criteria in a consistent and rigorous way. The outputs of the automated updates are then reviewed in a validation process by our Corporate Governance, and relevant investment teams
- We have in place internal rigorous governance processes for the application of screening criteria:
  - \* The FWPL has its own governance and methodology document and process. It is ultimately governed under our index design governance methodology.
  - \* The Controversial Weapons Policy is subject to the governance processes of the Controversial Weapons Committee. In terms of implementation, is subject to the same governance as the FWPL.

Note that alongside screening, the active equity team aims to work with management teams and encourage and support change. We believe this is a much more effective way to build an ESG mind-set. Our aim is that ESG and mainstream investing merge and in the mid-term, all investing is executed with this mind-set.

<b>LEI 06</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
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**LEI 06.1** Indicate which processes your organisation uses to ensure fund criteria are not breached.

- Systematic checks are performed to ensure that stocks meet the funds' screening criteria.
- Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- Audits of fund holdings are undertaken regularly by internal audit function
- Periodic auditing/checking of the organisations RI funds by external party
- Other, specify
- None of the above

**LEI 06.2** If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.

- We have governance processes in place to ensure the appropriate and effective dissemination of exclusion lists. The Future World Protection List is governed under our index design governance methodology and the Controversial Weapons Policy is subject to the governance processes of the Controversial Weapons Committee.
- Fund screening criteria are coded into our portfolio monitoring systems.
  - \* Additionally, fund managers are sent an email with updated screening criteria upon review of the list and they are required to respond to indicate that they have acknowledged receipt and reviewed the list.
  - \* Further, should post-trade monitoring identify a breach then compliance will contact PMs and Corporate Governance so that necessary action is taken.

<b>LEI 07</b>	<b>Mandatory</b>	<b>Descriptive</b>	<b>PRI 1</b>
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**LEI 07.1** Indicate the type of sustainability thematic funds or mandates your organisation manages.

- Environmentally themed funds
- Socially themed funds
- Combination of themes

**LEI 07.2** Describe your organisation's processes relating to sustainability themed funds. [Optional]

The ESG Thematic Group is part of a new management process to embed ESG throughout the organisation, from products, engagements to integration. The Group has representatives from fixed income, equities, multi-asset, solutions and corporate governance teams, as well as other participants from across

LGIM, including product development and client relations. It was set up by the Chief Investment Officer and has annual targets, including those related to further supporting integration into the investment process. The group reports regularly to the LGIM CEO on the progress against those targets. Additionally, the leaders of the group have personal targets linked to the success and delivery of those targets as part of their variable compensation. This formal process is driving an LGIM-wide focus on the integration of ESG across all functions of the business, including traditional financial analysis.

LGIM has set up three long-term themes working groups that undertake top-down research and analysis of macro-economic issues, related to responsible investment and ESG. The themes reviewed are technology, energy and demographics. The groups consist of representatives from credit, equity and multi-asset investment professionals and representatives from the Corporate Governance team. The Long-Term Themes groups provide an important opportunity to exchange information and views on evolving sector dynamics that may affect asset allocation and investment decisions. In addition, the insights and outputs generated within the Group will be integrated across LGIM's investment decisions where applicable, and strengthen the ability of LGIM to engage proactively and constructively with both companies and policymakers on important issues set to affect long-term investments.

Our Thematic Working Groups focus a great deal of our research efforts into big picture, thematic thinking. To generate consistent value you need to think long term, formulating a clear and connected view of the world. Our dedicated thematic groups focus on the macro, sector and company implications from the major structural shifts we're seeing in demographics, technology and energy. By having company experts working with macro specialists you're able to connect the dots in a way that leads to insightful idea generation. Long-term thematic investing is core to what we do, which is why we place such a large emphasis on corporate governance and sustainability.

Future World Oversight Group: The Future World philosophy encapsulates how we view our responsibilities as a large asset manager and a steward of our clients' investments, by considering ESG factors. It incorporates how we engage with companies, develop innovative products, evolve our investment process and manage risk to deliver sustainable long-term value. This group has representatives from a range of teams within LGIM to develop product solutions for our clients wishing to express a conviction on ESG themes across a broad array of asset classes and strategies.

#### Thematic funds

The Future World Global Equity Focus Fund is an actively managed, concentrated global portfolio of high-conviction holdings which aims to combine LGIM's long term thematic framework, ESG research and fundamental bottom-up analysis to identify companies which are going through positive change. The fund seeks to generate long-term capital growth by investing in equity securities on a global basis.

LEI 08	Mandatory	Core Assessed	PRI 1
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**LEI 08.1** Indicate the ESG factors you systematically research as part of your investment analysis and the proportion of actively managed listed equity portfolios that is impacted by this analysis.

ESG issues	Proportion impacted by analysis		
Environmental	<table border="1" style="width: 100%;"> <tr> <th style="background-color: #0070C0; color: white;">Environmental</th> </tr> <tr> <td> <input type="radio"/> &lt;10%  <input type="radio"/> 10-50%  <input type="radio"/> 51-90%  <input checked="" type="radio"/> &gt;90%                 </td> </tr> </table>	Environmental	<input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%
Environmental			
<input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%			
Social	<table border="1" style="width: 100%;"> <tr> <th style="background-color: #0070C0; color: white;">Social</th> </tr> <tr> <td> <input type="radio"/> &lt;10%  <input type="radio"/> 10-50%  <input type="radio"/> 51-90%  <input checked="" type="radio"/> &gt;90%                 </td> </tr> </table>	Social	<input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%
Social			
<input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%			
Corporate Governance	<table border="1" style="width: 100%;"> <tr> <th style="background-color: #0070C0; color: white;">Corporate Governance</th> </tr> <tr> <td> <input type="radio"/> &lt;10%  <input type="radio"/> 10-50%  <input type="radio"/> 51-90%  <input checked="" type="radio"/> &gt;90%                 </td> </tr> </table>	Corporate Governance	<input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%
Corporate Governance			
<input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> 51-90% <input checked="" type="radio"/> >90%			

**LEI 08.2** Additional information. [Optional]

E,S and G factors are systematically researched as part of team's investment analysis. This is made possible by quantitative and qualitative processes set up by our Corporate Governance and investment teams, working together.

Therefore, LGIM undertakes its own internal ESG research, supported and supplemented by ESG information from third parties. Below we outline the different sources of data.

**Active ESG View:** For integration of ESG into core active funds, LGIM draws on the outputs of our proprietary Active ESG View tool. The quantitative input into the View utilises the following external data providers: Sustainalytics, Thomson Reuters, HSBC, Trucost, as well as data from Bloomberg, Reprisk, Maplecroft, MSCI and ISS, reported company data and proprietary LGIM analysis.

Our qualitative inputs into the ESG View capture ESG insights from LGIM's company analysis and engagements, – either on an individual data point or an overall risk factor – leveraging the extensive knowledge of our various research teams and our industry leading corporate access.

**LGIM ESG Score:** Developed over 2018 and used in the construction of index funds and as an engagement tool; the data may also be used in active integration. The Score data is sourced from Trucost, HSBC, Thomson Reuters and Sustainalytics.

LEI 09	Mandatory	Core Assessed	PRI 1
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**LEI 09.1** Indicate which processes your organisation uses to ensure ESG integration is based on a robust analysis.

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Third-party ESG ratings are updated regularly.

- A periodic review of the internal research is carried out
- Structured, regular ESG specific meetings between responsible investment staff and the fund manager or within the investments team
- ESG risk profile of a portfolio against benchmark
- Analysis of the impact of ESG factors on investment risk and return performance
- Other, specify
- None of the above

**LEI 09.2** Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your integration strategy.

- <10%
- 10-50%
- 51-90%
- >90%

**LEI 09.3** Indicate how frequently third party ESG ratings that inform your ESG integration strategy are updated.

- Quarterly or more frequently
- Bi-Annually
- Annually
- Less frequently than annually

**LEI 09.4** Indicate how frequently you review internal research that builds your ESG integration strategy.

- Quarterly or more frequently
- Bi-Annually
- Annually
- Less frequently than annually

**LEI 09.5** Describe how ESG information is held and used by your portfolio managers.

- ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

**LEI 09.6** Additional information.[Optional]

In order to ensure our research process is robust we have in place a bottom-up and top-down approach. The bottom-up level of ESG analysis provides for collaboration between investment teams and the Corporate Governance team (CG), and is combined with use of quantitative ESG scoring tools to ensure risks are considered in the context of overall equity analysis. From a top-down approach, the Future World Oversight, ESG Thematic and Long-term thematic working Groups deliver a consolidated and robust approach to consideration of sector ESG risks and opportunities.

The ESG View tool is updated on an ongoing basis based on updated data coming in from the research providers. We are moving towards a weekly screening which will be validated according to analysts' reviews of their own coverage list within investment universe.

The ESG Score is updated biannually and undergoes an internal validation process.

<b>LEI 10</b>	Mandatory to Report, Voluntary to Disclose	Core Assessed	PRI 1
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Private

<b>LEI 11</b>	Mandatory to Report, Voluntary to Disclose	Descriptive	PRI 1
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**LEI 11.1** Indicate if you manage passive listed equity funds that incorporate ESG issues in the index construction methodology.

- Yes
- No

**LEI 11.2** Indicate the percentage of your total passive listed equity funds for which ESG issues are incorporated in the index construction methodology.

(% of total passive listed equity funds)

- <10%
- 10-50%
- 51-90%
- >90%

**LEI 11.3** Specify index/fund name, provide a brief description of ESG methodology and indicate which of the following ESG incorporation strategies you apply.

- Index/fund 1

Index/fund name and brief description of ESG methodology	ESG incorporation strategy
<p><b>Future World Climate Change Equity Factors Fund</b></p> <p>This Fund is invested wholly or predominantly in ordinary shares that are constituents of the FTSE All-World Global Equity Index.</p> <p>The objective of the Fund is to invest systematically in a globally diversified portfolio of quoted company shares; and aims to invest in companies which exhibit characteristics that have historically led to higher returns or lower risk than the market as a whole, and companies which are less carbon-intensive or earn green revenues.</p> <p>The Fund also incorporates a climate 'tilt' to address the investment risks associated with climate change, and seeks to raise the standards of companies that are critical to the transition to a low-carbon economy.</p> <p>The Fund will exclude shares issued by manufacturers of controversial weapons (as defined by the index provider).</p>	<input checked="" type="checkbox"/> Screening <input checked="" type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration of ESG issues <input type="checkbox"/> Other

Index/fund 2

Index/fund name and brief description of ESG methodology	ESG incorporation strategy
<p><b>Future World Multi-Asset Fund:</b> This is a multi-asset fund that targets investment growth through a diversified range of asset classes while reflecting environmental, social and governance perspectives. By incorporating a 'tilt', the fund aims to reduce exposure to companies associated with poor ESG practices and to provide greater exposure to those that are better positioned from an ESG perspective. This is implemented through LGIM-designed indices.</p>	<input checked="" type="checkbox"/> Screening <input checked="" type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration of ESG issues <input type="checkbox"/> Other

Index/fund 3

Index/fund name and brief description of ESG methodology	ESG incorporation strategy
<p><b>Future World Gender in Leadership Fund</b></p> <p>This fund is an UK equities fund that incorporates a gender 'tilt' and allocates more to companies that have achieved higher levels of gender diversity. LGIM will score and rank (based on our own proprietary research) companies according to four gender diversity measures: women on the board of directors, women executives, women in management, and women in the workforce.</p>	<input checked="" type="checkbox"/> Screening <input checked="" type="checkbox"/> Thematic <input type="checkbox"/> Integration of ESG issues <input type="checkbox"/> Other

Index/fund 4

Index/fund name and brief description of ESG methodology	ESG incorporation strategy
<p><b>MSCI World Low Carbon Target Index Fund</b></p> <p>This Fund is invested wholly or predominantly in ordinary shares that are constituents[A1] of the MSCI World Low Carbon Index (in GBP). The objective of the Fund is to hold a portfolio of securities designed to match the return of the index within a specified tolerance.</p> <p>The index is customised to give increased weight to those companies of the MSCI World index with low carbon emissions (relative to sales) and those with lower potential carbon emissions (per dollar of market capitalisation), as determined by MSCI ESG Research Inc. based on MSCI ESG CarbonMetrics data</p>	<input checked="" type="checkbox"/> Screening <input checked="" type="checkbox"/> Thematic <input type="checkbox"/> Integration of ESG issues <input type="checkbox"/> Other

Index/fund 5

Index/fund name and brief description of ESG methodology	ESG incorporation strategy
<p><b>Ethical UK Equity Index Fund</b></p> <p>This Fund is invested wholly or predominantly in ordinary shares that are constituents of the FTSE 4 Good UK Equity Index. The objective of the Fund is to hold a portfolio of securities designed to match the return of the index within a specified tolerance.</p>	<input checked="" type="checkbox"/> Screening <input checked="" type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration of ESG issues <input type="checkbox"/> Other

LEI 11.4

Additional information. [Optional]

We would also like to mention the following funds: Legal & General Ethical Trust: The objective of this fund is to provide growth by investing in a portfolio of

companies whose business meets a range of ethical and environmental guidelines. The fund will invest almost entirely in shares of all such companies in the FTSE 350 Index. The Index consists of shares of the 350 largest companies listed on the UK stock market. The amount of shares held from each company will be in proportion to the company's size. However, no one company can make up more than one tenth of the fund's value. Ethical Global Equity Index Fund: This Fund is invested wholly or predominately in ordinary shares that are constituents of the FTSE4Good Global Index. The objective of the Fund is to hold a portfolio of securities designed to match the return of the index within a specified tolerance. FTSE All-Share (ex-Tobacco) Equity Index Fund: This Fund is invested wholly or predominately in ordinary shares of the constituents of the FTSE All-Share (ex-Tobacco) Equity Index. This is a customised index, comprising the FTSE All-Share Index excluding companies classified as 'Tobacco' under the industry classification benchmark classifications. The objective of the Fund is to hold a portfolio of securities designed to match the return of the index within a specified tolerance. World Developed (ex-Tobacco) Equity Index Fund This Fund is invested wholly or predominantly in ordinary shares of the constituents of the FTSE Developed (ex-Tobacco) Index. This is a customised index, comprising the FTSE Developed Index excluding companies classified as 'Tobacco' under the industry classification benchmark classifications. The objective of the Fund is to hold a portfolio of securities designed to match the return of the index within a specified tolerance.

- Ethical Global Equity Index Fund: This Fund is invested wholly or predominately in ordinary shares that are constituents of the FTSE4Good Global Index. The objective of the Fund is to hold a portfolio of securities designed to match the return of the index within a specified tolerance
- FTSE All-Share (ex Tobacco) Equity Index Fund: This Fund is invested wholly or predominantly in ordinary shares of the constituents of the FTSE All-Share (ex Tobacco) Equity Index. This is a customised index, comprising the FTSE All-Share Index excluding companies classified as 'Tobacco' under the industry classification benchmark classifications. The objective of the Fund is to hold a portfolio of securities designed to match the return of the index within a specified tolerance.

Additionally on a segregated basis we have negotiated numerous customised client benchmarks with an ESG filter.

LEI 12	Voluntary	Descriptive	PRI 1
<i>Private</i>			
LEI 13	Voluntary	Descriptive	PRI 1
<i>Private</i>			

LEA 01.1 Indicate whether your organisation has an active ownership policy.

Yes

LEA 01.2 Attach or provide a URL to your active ownership policy.

Attachment provided:

conflicts-of-interest.pdf  
global-policy-2018.pdf  
lgims-approach-to-responsible-investing.pdf

URL provided:

LEA 01.3 Indicate what your active engagement policy covers:

#### General approach to active ownership

- Conflicts of interest
- Alignment with national stewardship code requirements
- Assets/funds covered by active ownership policy
- Expectations and objectives
- Engagement approach

#### Engagement

- ESG issues
- Prioritisation of engagement
- Method of engagement
- Transparency of engagement activities
- Due diligence and monitoring process
- Insider information
- Escalation strategies
- Service Provider specific criteria
- Other specify;

(Proxy) voting approach

#### Voting

- ESG issues
- Prioritisation and scope of voting activities
- Methods of voting
- Transparency of voting activities
- Regional voting practice approaches
- Filing or co-filing resolutions
- Company dialogue pre/post-vote
- Decision-making processes
- Securities lending processes
- Other specify;

Other

None of the above

No

LEA 01.4 Do you outsource any of your active ownership activities to service providers?

Yes

LEA 01.5 Where active ownership activities are conducted by service providers, indicate whether your active ownership policy covers any of the following.

- Outline of service providers role in implementing organisation's active ownership policy
- Description of considerations included in service provider selection and agreements
- Identification of key ESG frameworks service providers must follow
- Outline of information sharing requirements of service providers
- Description of service provider monitoring processes
- Other, specify

'Service Provider engagements' are not commercial relationships which involve engagement on our behalf, instead refers to e.g. Investor Forum, PRI and ACGA for collaborative engagements

- None of the above
- No

**LEA 01.6** Additional information [optional]

Active ownership forms a key part of how we embed ESG into our business, as we feel it is incumbent upon us to take our stewardship responsibilities seriously, not least because of our size. This is reflected in the following activity:

- Company engagement
- Using our voting rights globally, with one voice across all our active and index funds
- Addressing systemic risks and opportunities
- Seeking to influence regulators and policymakers
- Collaborating with other investors and stakeholders

For over twenty years, we have been committed to using our scale and influence to encourage companies to improve their management of ESG issues, and we continue to dedicate significant resources to our stewardship obligations. We integrate our thoughts and the consideration of ESG risks and investment opportunities into our communication and engagement with individual companies, sectors and markets.

**Prioritising and identifying engagements**

Client objectives sit at the heart of our engagement decision-making and the process we adopt for identifying engagement opportunities is first and foremost proactive and planned. This is complemented by reactive engagements when required.

We seek to follow a six step approach to our engagement activities:

1. Focus on a particular issue. Following identification of the long-term themes, and building on the long-term strategy, we narrow and focus on the material and specific ESG issue and theme we are able to address. To do this, we may undertake internal research, use ESG data and information and work with other teams internally.
2. Identify and set long-term goal. We identify what a long-term success would look like in advance of the engagement commencing. This is normally an ambitious goal, as the issues we seek to address are material with multiple connections, we are aware that many of these long-term ambitions may take many years to occur.
3. Formulate the engagement strategy. In assessing our engagement strategy, we consider the suitability of addressing the area of concern across our company engagement activity, voting policies and market-wide work with governments, regulators and policy-makers.

Priorities for engagement are chosen mainly from the overall assets' exposure, in terms of country, sector and companies. The companies where we have the biggest holdings pose the greatest risks and opportunities to market performance. At the same time, where we hold large stakes we have a stronger influence. We focus our efforts on larger companies that can have cascading impacts on other companies within the country and sector by helping to set standards and best practices.

Additionally, we look to engage with ESG laggards, to protect the standards to which we see most companies abide.

We set clear timeframes for the engagement activity and consider in advance any escalation which may be required if key requests are not met. We preferably set a measurable outcome, either at market or company level.

4. Track progress. The engagement activity is recorded in a dedicated data management system (customised Salesforce) to support the Corporate Governance team's work. Company and thematic interactions and engagements are logged in the system.

Therefore it not only provides a clear audit trail of the engagement process but it also allows us to record successes in effecting positive change. This could be a success that has taken years to achieve but is a change we have been consistently pushing for or it could be something that is agreed in a meeting.

The tracking of our engagement successes assists in the evaluation of our stewardship approach and performance. Our regular reporting to clients is used as a mechanism to communicate some of these successes.

5. Regular review. The progress, impact and success of the engagement is reviewed on a regular basis. This allows us to escalate issues that have not been addressed by the engagement and to amend the engagement strategy if required.
6. Transparency reporting. Consistent and regular reporting to clients on our engagement outcomes is key to our stewardship responsibilities. We report to our clients in a number of different formats, detailing case studies of our engagement progress.

As we cast our votes on companies, issues may arise which may be company specific (e.g. M&As, board changes, share issuance) or market specific (e.g. media reports, mergers and acquisitions, corporate strategy, and capital and financial management).

**Engagement at board level**

As a long-term shareholder, we aim to be trusted advisors to the management and boards of the companies in which our clients invest. We expect engagement conversations to involve high-level strategic discussions on matters that affect companies' long-term financial returns. We therefore expect engagement to take place with the chair or independent lead non-executive director.

We have published a thought piece, available on our website, to encourage dialogue between board directors and their investors. The thought piece explains why engagement is beneficial and sets out LGIM's expectations on successful engagement with companies on a global scale. ([http://www.lgim.com/files/\\_document-library/capabilities/lgim-guide-to-board-investor-dialogue.pdf](http://www.lgim.com/files/_document-library/capabilities/lgim-guide-to-board-investor-dialogue.pdf))

**Engagement topics**

In 2018 we have been engaging on the following topics executive pay; gender diversity; climate change; transparency and independent oversight at board level. However engagement is not limited to purely ESG items, but covers governance in its broadest sense looking at all material issues including regulation, listing rules, mergers and acquisitions, corporate strategy, and capital and financial management.

We are globally recognised for being a long-term, constructive, collaborative and informed investor; therefore companies from around the world actively seek out our opinion. We provide examples and case studies of our individual and collective engagements in our quarterly ESG Impact Reports and in our Annual Reports. Note that our 2018 Annual Report will be published in April 2019.

LEA 02	Mandatory	Core Assessed	PRI 1,2,3
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**LEA 02.1** Indicate the method of engagement, giving reasons for the interaction.

Type of engagement	Reason for interaction
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Individual / Internal staff engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="checkbox"/> We do not engage via service providers

**LEA 02.2** Indicate whether your organisation plays a role in the engagement process that your service provider conducts.

Yes

**LEA 02.3** Indicate the role(s) you play in engagements that your service provider conducts on your behalf.

- Discuss the topic (or ESG issue(s)) of engagement
- Discuss the rationale for engagement
- Discuss the objectives of the engagement
- Select the companies to be engaged with
- Discuss the frequency/intensity of interactions with companies
- Discuss next steps for engagement activity
- Participate directly in certain engagements with your service provider
- Other; specify
- We play no role in engagements that our service provider conducts.

No

**LEA 02.4** Additional information. [Optional]

Please note that, the 'Service Provider engagements' are not commercial relationships where they are mandated to engage with companies on our behalf (ESG overlay or consultancy type of arrangements). Instead, they refer specifically to cases where we use associations such as the Investor Forum (of which LGIM was a founding member), Investment Association, PRI and ACGA to develop standards and push for regulatory, market reforms and/or collaborative engagements on specific company issues.

Collaborating and facilitating collaboration with like-minded investors and stakeholders is fundamental to an effective engagement process. It allows us to raise and share ESG concerns about specific companies, topics and approaches with other investors and obtain additional ESG information through joining initiatives, forums and coalitions. These forums allow us to share resources efficiently and the corresponding collaboration enables us to monitor and influence a broad range of ESG topics, issues and companies globally. Furthermore, by being part of supportive networks, we hope to encourage greater investor involvement on ESG-related initiatives.

Collective work is an extremely effective method of engagement, but one that requires a large amount of resources and organisation. In order to facilitate this process, we are members of industry-wide associations and networks.

Our membership of various investor associations, including Board positions, working groups and committees enable us to influence the strategic direction of collaborative engagements and inputting our views on strategy and content of the engagements.

Our participation at board level or committee level allows us to monitor and oversee the activity of service providers. For service providers where we do not hold a board or committee level position, we monitor and oversee their activities through direct communications from them, regular and active participation at conferences, and regular contact with their representatives.

The Investor Forum is one of the main entities we use for service provider engagements. The Investor Forum discloses information on six successful engagements in its 2018 annual review. LGIM participated in five collective engagements with the Investor Forum in the past year, including Unilever, Shire, Centrica, Reckitt Benckiser and Imperial Brands.

The PRI and IIGCC are two other important forums.

As part of our membership in the PRI Investor Working Group on Sustainable Cattle and Soy, we led or co-led engagement meetings with three global food companies, to discuss their management and disclosure of the impacts and risks related to these important forest risk commodities.

LGIM is a member and board member of the Institutional Investors Group on Climate Change (IIGCC). Through the IIGCC, LGIM has repeatedly signed collaborative investor letters to the governments of the G7 and G20, calling for urgent action on climate change. A call we-iterated in 2018. In 2018, we also co-wrote and sponsored an investor guide to climate change with IIGCC. It is a 'how-to' guide to support asset owners, trustees and boards in incorporating climate-related risks and opportunities into decision-making. We are also part of the Climate Action 100+ initiative, which gathers over \$32 trillion of assets under management to push collectively for climate action from investee companies and policymakers. Within Climate Action 100+ we, inter alia, encouraged Shell in 2018 to introduce comprehensive emission target linked to executive pay.

LEA 03	Mandatory	Core Assessed	PRI 2
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**LEA 03.1** Indicate whether your organisation has a formal process for identifying and prioritising engagements.

Yes

Type of engagement	Criteria used to identify/prioritise engagements
Individual / Internal engagements	<p><b>Internal / Individual engagements</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Geography / market of the companies</li> <li><input checked="" type="checkbox"/> Materiality of the ESG factors</li> <li><input checked="" type="checkbox"/> Exposure (size of holdings)</li> <li><input checked="" type="checkbox"/> Responses to ESG impacts that have already occurred</li> <li><input type="checkbox"/> Responses to divestment pressure</li> <li><input checked="" type="checkbox"/> Consultation with clients/beneficiaries</li> <li><input checked="" type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.)</li> <li><input checked="" type="checkbox"/> Follow-up from a voting decision</li> <li><input type="checkbox"/> Client request</li> <li><input checked="" type="checkbox"/> Breaches of international norms</li> <li><input checked="" type="checkbox"/> Other, specify</li> </ul> <p><input type="checkbox"/> We do not outline engagement criteria for our individual engagements.</p>
Collaborative engagements	<p><b>Collaborative engagements</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Potential to enhance knowledge of ESG issues from other investors</li> <li><input checked="" type="checkbox"/> Ability to have greater impact on ESG issues</li> <li><input checked="" type="checkbox"/> Ability to add value to the collaboration</li> <li><input checked="" type="checkbox"/> Geography/market of the companies targeted by the collaboration</li> <li><input checked="" type="checkbox"/> Materiality of ESG factors addressed by the collaboration</li> <li><input checked="" type="checkbox"/> Exposure (size of holdings) to companies targeted by the collaboration</li> <li><input checked="" type="checkbox"/> Responses to ESG impacts addressed by the collaboration that have already occurred</li> <li><input type="checkbox"/> Responses to divestment pressure</li> <li><input checked="" type="checkbox"/> Follow-up from a voting decision</li> <li><input checked="" type="checkbox"/> Alleviate the resource burden of engagement</li> <li><input checked="" type="checkbox"/> Consultation with clients/beneficiaries</li> <li><input checked="" type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.)</li> <li><input checked="" type="checkbox"/> Other, specify</li> </ul> <p><input type="checkbox"/> We do not outline engagement criteria for our collaborative engagements.</p>
Service Provider engagements	<p><b>Service Provider engagements</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Geography / market of the companies</li> <li><input checked="" type="checkbox"/> Materiality of ESG factors</li> <li><input checked="" type="checkbox"/> Exposure (size of holdings)</li> <li><input checked="" type="checkbox"/> Responses to ESG impacts that have already occurred</li> <li><input type="checkbox"/> Responses to divestment pressure</li> <li><input checked="" type="checkbox"/> Consultation with clients/beneficiaries</li> <li><input checked="" type="checkbox"/> Consultation with other stakeholders (e.g. NGOs, trade unions, etc.)</li> <li><input checked="" type="checkbox"/> Follow-up from voting decision</li> <li><input type="checkbox"/> Client request</li> <li><input checked="" type="checkbox"/> Breaches of international norms</li> <li><input checked="" type="checkbox"/> Other, specify</li> </ul> <p><input type="checkbox"/> We do not outline engagement criteria for our service providers.</p>

No

LEA 03.3	Additional information. [Optional]
<p>Client objectives sit at the heart of our engagement decision-making. When planning engagements we consider ESG issues that could affect the value of our clients' assets, both directly and indirectly in the short to long term.</p> <p>When deciding an engagement strategy we will consider our ability to influence to effect change and the approach required. Having previously undergone a review of our engagement strategy, we are now reviewing and putting in place new structures and processes to improve the implementation of this strategy.</p> <p>There are broadly three types of ESG information that can trigger opportunities for engagement that we carry out at LGIM.</p> <p>1. Long term themes.</p> <p>The Long-term Themes Groups were set up to undertake top-down research and analysis of macro-economic issues, many of which relate to macro-level ESG issues. The Groups consists of credit, equity and multi-asset investment professionals and representatives from the Corporate Governance team.</p> <p>. In 2017 we updated our five-year plan to determine our key focus areas in line with output of the Long-Term Themes Group. We set a long-term strategy for the team which we continue to assess annually and use to plan and prioritise engagements accordingly.</p> <p>Examples of our thematic engagements include:</p> <ul style="list-style-type: none"> <li>• Climate change: At LGIM, climate change has long been a core topic of engagement with investee companies. Our strategy for addressing climate change and energy transition has culminated in our Climate Impact Pledge initiated in 2017.</li> <li>• Diversity: LGIM has been engaging with companies, regulators, executive search firms and proxy advisors on the topic of diversity since 2011. In 2017, we decided to strengthen our stance by setting out our expectations that all companies should have at least one female on their board in our Global Corporate Governance and Responsible Investment Principles.</li> <li>• Audit tender: Since 2011, LGIM has worked with other investors to improve the quality of and trust in audited financial accounts. Given the significance of the external audit, we were encouraged by the adoption of new regulations in 2014 requiring the regular tendering and rotation of the external auditor across Europe, in addition to restrictions on non-audit services.</li> <li>• Board tenure in the US: To help improve the board refreshment process, we continue to advocate that boards move away from retirement ages, as well as think about implementing periodic external board evaluations.</li> </ul> <p>2. We complement the long term themes with bottom-up company and country-specific information and data on ESG factors. We have obtained a large ESG raw data set from a wide range of data and analysis providers. We typically buy raw data from such providers, as opposed to off-the-shelf ESG scores/rating, as we believe our knowledge and expertise of investing and engaging with companies are best placed to identify material and relevant ESG factors. Company-level ESG risks and performance are objectively scored and ranked by the propriety assessment tools built in-house using such data, the ESG Score and ESG View (see LEI module for more information). These tools are also used to flag sectors or companies for engagement.</p> <p>Priorities for engagement candidates are chosen mainly from the overall assets' exposure, in terms of country, sector and companies. The companies where we have the biggest holdings pose the greatest risks and opportunities to our clients' performance. Focusing on larger companies can have cascading impacts on other companies within the sector.</p> <p>In 2018, we have developed a proprietary engagement tool, which overlays our overall assets with our proprietary ESG scores. This will allow us to more easily identify sectors, regions and companies with comparatively worse ESG performance where our clients have the largest holdings, in order to further assist in prioritising areas of engagement.</p> <p>3. Reaction to market changes and voting activities.</p> <p>As we cast our votes on companies, issues may arise which may be company specific (e.g. M&amp;As, board changes, share issuance) or market specific (e.g. media reports, changes in corporate governance code). At this time we would take a decision to carry out reactive engagements.</p> <p>Lastly, we have committed to regularly invite stakeholders to comment on our policies, and to share their views on areas of priority.</p> <p>In 2018 we implemented a series of changes based on feedback gathered at such stakeholder roundtables, held in the previous twelve months. Attendees shared views and advise on a range of topics, including diversity, remuneration, climate change and over-boarding. As a result, in 2018 we strengthened our policies to automatically vote against:</p> <ul style="list-style-type: none"> <li>• UK companies with less than 25% female representation at board level, and globally companies with no women on the board.</li> <li>• The remuneration report and/or policy in the event executive bonus or pay increases above what is offered to the workforce, without valid reason.</li> <li>• Over-boarded directors, defined as those who hold more than 5 simultaneous directorships. .</li> </ul> <p>In November 2018, LGIM again invited a broad group of stakeholders to a roundtable; including clients, civil society, academia, the private sector and fellow investors. The discussion centred on how investors can make the most effective contribution on a range of topics, including income inequality, audit reform, global health challenges and the Sustainable Development Goals (SDGs).</p> <p>The views expressed by attendees during this event will form a key consideration as we continue to develop our voting and engagement policies, and define strategic priorities in the years ahead.</p>	

LEA 04	Mandatory	Core Assessed	PRI 2
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LEA 04.1	Indicate whether you define specific objectives for your organisation's engagement activities.
Individual / Internal engagements	<input checked="" type="checkbox"/> All engagement activities <input type="checkbox"/> Majority of engagement activities <input type="checkbox"/> Minority of engagement activities <input type="checkbox"/> We do not define specific objectives for engagement activities carried out by internal staff.
Collaborative engagements	<input checked="" type="checkbox"/> All engagement activities <input type="checkbox"/> Majority of engagement activities <input type="checkbox"/> Minority of engagement activities <input type="checkbox"/> We do not define specific objectives for engagement activities carried out through collaboration
Service provider engagements	<input checked="" type="checkbox"/> All engagement activities <input type="checkbox"/> Majority of engagement activities <input type="checkbox"/> Minority of engagement activities <input type="checkbox"/> We do not define specific objectives for engagement activities carried out by our service providers.

**LEA 04.2 Additional information. [Optional]**

Clear and specific objectives are set at the start of each engagement and reviewed throughout the engagement process. Note that some of these objectives are disclosed publicly in advance of the engagement activity, for example under LGIM's Climate Impact Pledge. Similarly when it comes to collaborative engagement, whether we lead them or join them, we seek to ensure clear and specific objectives have been set at the start of each collaborative engagement and are reviewed throughout the engagement process. In 2017 we updated our five-year plan to determine our key focus areas in line with output of the Long-Term Themes Groups. We established a long-term strategy for the Corporate Governance team which we continue to assess annually and use to plan and prioritise engagements, and define strategic engagement objectives.

For 2018, we set the following annual objectives in relation to the five year strategic plan:

- Engage with 84 companies as part of Climate Impact Pledge to encourage and accelerate the transition to a low-carbon economy for the long-term benefit of all companies and their investors.
- Engage with UK, US and Japanese companies on gender diversity
- Engage with 36 EU companies on independent oversight at Board level, specifically focusing on Chair/CEO separation and role of the Lead Independent Director .
- Engage with 12 global food and retail companies on deforestation risks.
- Engage with portfolio companies to encourage responses to the Workforce Disclosure Initiative.
- Engage with 3 leading automakers on cobalt supply chain risks
- Engage with companies who have been included on our Future World Protection List, which are perennial violators of the United Nations Global Compact, an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies

**LEA 05 Mandatory Core Assessed PRI 2**

**LEA 05.1 Indicate if you monitor and/or review engagement outcomes.**

Individual / Internal engagements	<input checked="" type="checkbox"/> Yes, in all cases <input type="checkbox"/> Yes, in majority of cases <input type="checkbox"/> Yes, in a minority of cases <input type="checkbox"/> We do not monitor, or review engagement outcomes carried out by our internal staff.
Collaborative engagements	<input checked="" type="checkbox"/> Yes, in all cases <input type="checkbox"/> Yes, in a majority of cases <input type="checkbox"/> Yes, in a minority of cases <input type="checkbox"/> We do not monitor, or review engagement outcomes via collaborative engagement activities.
Service provider engagements	<input type="checkbox"/> Yes, in all cases <input checked="" type="checkbox"/> Yes, in majority of cases <input type="checkbox"/> Yes, in minority of cases <input type="checkbox"/> We do not monitor, or review engagement outcomes carried out by our service providers.

**LEA 05.2 Indicate if you do any of the following to monitor and review the progress of engagement activities.**

Individual / Internal staff engagements	<input checked="" type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input checked="" type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input checked="" type="checkbox"/> Revisit and, if necessary, revise objectives on continuous basis <input type="checkbox"/> Other; specify
Collaborative engagements	<input checked="" type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input checked="" type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input checked="" type="checkbox"/> Revisit and, if necessary, revise objectives on continuous basis <input type="checkbox"/> Other; specify
Service provider engagements	<input checked="" type="checkbox"/> Define timelines/milestones for your objectives <input checked="" type="checkbox"/> Track and/or monitor progress against defined objectives and/or KPIs <input type="checkbox"/> Track and/or monitor the progress of action taken when original objectives are not met <input type="checkbox"/> Revisit and, if necessary, revise objectives on continuous basis <input type="checkbox"/> Other; specify

**LEA 05.3 Additional information [Optional]**

Below we outline how we monitor and review our various engagement activities to ensure progress:

**Tracking engagement activities**

We have developed our own dedicated data management system (customised Salesforce) to support the Corporate Governance team's work. Company and thematic interactions and engagements are logged in the system. The Salesforce system is used for our reporting purposes and allows management to oversee the progress of engagement activities.

It provides a clear audit trail of the engagement process, and allows us to record successes in effecting positive change. This could be a success that has taken years to achieve but is a change we have been consistently pushing for or it could be something that is agreed in a meeting.

The ESG View (please see LEI and AFI modules) provides investment teams the opportunity to incorporate the outcome of engagement meetings within the overall ESG assessment. Where an ESG assessment is changed due to this reason, this cannot be carried out without documenting the rationale.

#### Monitoring progress and identification of need for escalation

The corporate governance team regularly monitors companies against the objectives set at the start of the engagement process to identify change. Actions taken by companies are monitored through direct communications by companies, media reports, regular exchange of information with investment teams, analysis of resolutions prior to a shareholder meeting. Another efficient way for LGIM to monitor companies objectively is to use our proprietary and quantitative ESG assessment tools, the ESG scores and the ESG View (more information on these tools can be found in the LEI module).

#### Internal Risk Management System - auditing of engagement

There is a clear audit trail of the engagement process, which enables us to report and communicate effectively on our activity both internally to the Corporate Governance Committee or investment teams and externally to our clients.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting and engagement activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation.

On a weekly basis, senior members of the corporate governance team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Corporate Governance who confirms the votes have been cast correctly on a monthly basis.

To assist the team, daily alert systems are in place on the Voting Platform (provided by ISS) to inform the team of resolutions which have failed to be executed in accordance with our instruction.

On a monthly basis, the Director of Corporate Governance confirms on RMS that all ESG policies remain applicable and have been applied appropriately. Additionally, he is required to confirm the LGIM's Corporate Governance Conflicts of Interest Policy has been complied with.

Senior members of the corporate governance team also confirm on RMS on a monthly basis that our public client reporting obligations have been met through the publication of the voting data on LGIM's website.

Annually, as part of our formal RMS processes the Director of Corporate Governance confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

#### Example of how we have monitored and evaluated progress in a particular engagement:

As part of our Climate Impact Pledge engagements, we communicate company and sector-specific requests that we would like to see companies act on. At the start of the engagement, in February 2017, customised letters were sent to the target companies to initiate dialogue and provide a description of the goals and methodology of the Climate Impact Pledge. Subsequently, we sent companies a second letter, outlining the areas related to their management and disclosure of climate-related risks and opportunities where we'd like them to improve or take further action over the following 12-24 months.

Engagement meetings were held with the targeted companies in 2017 and early 2018. All meetings and information discussed at these meetings was logged in our data management platform.

During the course of 2018, we reviewed companies' progress on the requests sent the previous year, and then sent new request during the autumn based on the companies' updated disclosures. As part of this second annual cycle of the Climate Impact Pledge engagements, we have been able to record several successes. These include engaged companies publishing their first TCFD report, setting targets to reduce coal-fired power generation and publishing scope 3 emissions data. We reported on our progress publically: <http://www.lgim.com/uk/en/insights/our-thinking/market-insights/lgims-climate-impact-pledge-the-results-so-far.html>

LEA 06	Mandatory	Additional Assessed	PRI 2,4
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LEA 06.1	Indicate whether your organisation has an escalation strategy when engagements are unsuccessful.
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Yes

LEA 06.2	Indicate the escalation strategies used at your organisation following unsuccessful engagements.
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- Collaborating with other investors
- Issuing a public statement
- Filing/submitting a shareholder resolution
- Voting against the re-election of the relevant directors
- Voting against the board of directors or the the annual financial report
- Submitting nominations for election to the board
- Seeking legal remedy / litigation
- Reducing exposure (size of holdings)
- Divestment
- Other, specify

No

LEA 06.3	Additional information. [Optional]
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To effectively tackle ESG issues that impact the value of our clients' assets, LGIM applies a multi-layered escalation strategy. Where the initial engagement does not lead to an appropriate outcome, we may choose to adopt a stronger stance by using escalation tools at our disposal.

We monitor investee companies over the long term rather than presuming changes are effectively implemented following our voting and engagement activities. Progress on engagement activity is regularly reviewed by the team using LGIM's proprietary scoring tools, along with company meetings, disclosures and announcements, other investors, forums, our investment teams and the media.

Escalation may take many forms such as:

- Meeting the company
- Collaborative engagement
- Where our engagement has failed to bring out the intended results and we consider this a material ESG issue which might impact our clients' long-term financial outcomes, we vote against the company.
- Capital allocation
- Engaging the regulator
- Public pressure

Where our engagement has failed to bring out the intended results and we consider this a material ESG issue which might impact our clients' long-term financial outcomes, we vote against the company. In special circumstances, we may decide to make our voting decision public prior to the shareholder meeting, as we find this can be an effective way to draw attention to our concerns.

Collaboration is an additional tool in LGIMs escalation process to effect change in companies where we have not seen progress through other means. It allows us to raise our concerns about specific companies, topics and approaches with other investors. Raising an issue as a collective voice and demonstrating concern from a significant proportion of the shareholder base is effective for driving change.

In certain funds, or where mandated by clients adjustments to capital allocation can be made in order to incentivise companies to improve and to reduce exposure of our clients to companies' ESG risks. We have developed our own internal ESG scoring tool which applies to our future world index funds to apply tilts...

We may also use public pressure by voicing our concerns in the media, attending a shareholder meeting, collaborating with other shareholders in the development of shareholder proposals or publicly supporting shareholder proposals in advance of a shareholder meeting.

Finally, we engage with policy makers and regulators as part of our escalation process. This may be ahead of time as we need to ensure that they are creating an environment in which ESG is valued and supported, or in reaction to specific issues that arise.

During the year we, under the umbrella of the 30% Club Investor Group which we Co-chair, identified a FTSE 350 UK engineering company which had recently IPO'd and still maintained an all-male board. We engaged with the company and shortly following our meeting the company appointed a woman to the board. We continue to engage and monitor the company.

LEA 07	Voluntary	Additional Assessed	PRI 1,2
Private			

LEA 08	Mandatory	Gateway	PRI 2
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**LEA 08.1** Indicate if you track the number of your engagement activities.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input checked="" type="checkbox"/> Yes, we track the number of our engagements in full <input type="checkbox"/> Yes, we partially track the number of our engagements <input type="checkbox"/> We do not track
Collaborative engagements	<input checked="" type="checkbox"/> Yes, we track the number of our engagements in full <input type="checkbox"/> Yes, we partially track the number of our engagements <input type="checkbox"/> We do not track
Service provider engagements	<input type="checkbox"/> Yes, we track the number of our engagements in full <input checked="" type="checkbox"/> Yes, we partially track the number of our engagements <input type="checkbox"/> We do not track

**LEA 08.2** Additional information. [OPTIONAL]

The corporate governance team keeps track of and monitors all individual and collaborative engagements with companies using Salesforce, a bespoke data management system.

We share any meeting information with our investment teams as long as it is not market sensitive information and we share all key outcomes with our investment teams.

The team logs all company interaction into our data management system. This includes company emails, meeting information such as date, time, attendees, themes discussed and any other issue or information they have on the company. The team also attaches meeting notes which help us monitor any commitment made by the company during a meeting. This helps us in holding management accountable in the case where a commitment does not result in action. In addition the system includes a 'success' functionality which enables us to flag successful engagements and their outcomes.

Therefore it not only provides a clear audit trail of the engagement process but it also allows us to record successes in effecting positive change. This could be a success that has taken years to achieve but is a change we have been consistently pushing for or it could be something that is agreed in a meeting.

The tracking of our engagement successes assists in the evaluation of our stewardship approach and performance.

In the case of collaborative engagement with service providers, we follow the same process. However, as we may not necessarily participate directly to all company meetings depending on the engagement strategy in place, we are kept informed of the progress of the engagement by representatives of the service provider acting on our behalf.

Our data management system is updated with company information every time a member of the corporate governance team has a company meeting or receives company information they would like to keep a track of. The system is used dynamically by the team which means that it function is tailored to and evolves with the needs of the team in terms of processes and business activities.

We use all data collected to report to our clients quarterly on progress of our engagements in our ESG quarterly reports and annually to the public in our annual report. Data collected is tailored to our reporting needs and helps us measure the number of engagements per company, theme, region, and sector.

There is a clear audit trail of the engagement process. LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting and engagement activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. Note that LGIM has obtained an independent assurance opinion on our stewardship and voting processes, in line with the AAF01/06 framework.

LEA 09	Mandatory to Report, Voluntary to Disclose	Core Assessed	PRI 2
Private			

LEA 10	Voluntary	Additional Assessed	PRI 2
Private			

LEA 11	Voluntary	Descriptive	PRI 2
Private			

## LEA 12.1 Indicate how you typically make your (proxy) voting decisions.

## Approach

- We use our own research or voting team and make voting decisions without the use of service providers.
- We hire service provider(s) who make voting recommendations and/or provide research that we use to guide our voting decisions.
- Based on**
- the service provider voting policy we sign off on
- our own voting policy
- our clients' requests or policies
- other, explain
- We hire service provider(s) who make voting decisions on our behalf, except for some pre-defined scenarios where we review and make voting decisions.
- We hire service provider(s) who make voting decisions on our behalf.

## LEA 12.2 Provide an overview of how you ensure your voting policy is adhered to, giving details of your approach when exceptions to the policy are made.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a minimum standards custom voting policy with specific voting instructions. 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 2018, we updated our Global Principles document which sets out minimum standards for governance across all companies globally.

For all other issues not covered by our minimum standards, we defer to the decisions to our voting information provider.

In addition, we have also set specific custom voting policies at market level for 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. These can be found here: [http://documentlibrary.lgim.com/documentlibrary/library\\_55458.html](http://documentlibrary.lgim.com/documentlibrary/library_55458.html)

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, taken by the service provider. 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 our own voting judgement.

For example, it is our policy to oppose the election or re-election of the Board chair of a FTSE 100 company if there are less than 25% women on the Board. We overrode our own policy at Standard Life Aberdeen's AGM in 2018. Following the two companies' merger, Board diversity fell below the threshold established in our voting policy. The decision to override our policy was made as Standard Life had previously been above this threshold, which we believed demonstrated the company's commitment to diversity, and our subsequent conversation with the Chairman, which assured us of the company's intention to improve its diversity back to 25% by 2019.

LGIM has strict monitoring controls to ensure our votes fully and effectively executed in accordance with our voting policies by our service provider. 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.

We hold quarterly diligence meetings with our voting service provider. Representatives from a range of 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, 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.

Additionally, on an annual basis the Director of Corporate Governance must certify on LGIM's internal risk management system that our voting service provider have the capacity and competency to analyse proxy issues and make impartial recommendations.

Our voting process is internally audited and additionally, LGIM obtains a biannual independent assurance of its stewardship and voting processes, in-line with the AAF01/06 framework.

We believe public transparency of our votes is critical for our clients and interested parties to hold us to account. Therefore we publicly disclose our votes for the major markets on our website. The reports are published in a timely manner, at the end of each month and can be used by clients for their external reporting requirements. The voting disclosures can be found by selecting 'Voting Report' on the following page: [http://documentlibrary.lgim.com/litlibrary/lglibrary\\_463150.html?req=internal](http://documentlibrary.lgim.com/litlibrary/lglibrary_463150.html?req=internal)

LGIM can also set up tailored automated voting reports in excel format for our clients with specific parameters (e.g. company name, meeting date, meeting type, vote instruction, resolution details). Once set up, the bespoke reports will be automatically generated and emailed directly on the date requested.

## LEA 12.3 Additional information.[Optional]

The Corporate Governance team is an independent team, with the aim of acting in the interests of all clients and managing potential conflicts. This means that both voting and engagement activity is driven by ESG professionals and their assessment of the requirements in these areas that will seek to achieve the best outcome for all our clients. The team reports directly to the CEO and the independent non-executive directors of LGIM.

The Corporate Governance team operates independently from the investment teams, allowing us to take a long-term view in the interests of all clients. We believe we will achieve our mutual goals most efficiently and effectively by having one strong voice, that represents the interests of all our end clients' assets.

The Corporate Governance team votes on behalf of all clients, except in small cases of segregated mandates. This allows us to use our scale to effectively influence company behaviour and send consistent messages to the market.

LGIM's Corporate Governance Board Committee, which meets quarterly, has overall responsibility and oversight for the evolution and implementation of corporate governance policies. These policies apply to all assets and investment strategies. LGIM's CEO, CIO, Director of Corporate Governance, and independent non-executive directors sit on this Committee.

All voting and engagement decisions are made by LGIM and we do not outsource any part of strategic decisions. Our use of service provider recommendations is purely to augment our own research and proprietary ESG assessment tools. Note that we use other third-party research to inform our vote decisions such as broker research and ESG reports. Final decision is made by the Corporate Governance team.

Each member of the team is allocated a specific sector and/or region so that the voting is undertaken by the same individuals who engage with the

company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and engagement is fully integrated into the vote decision process and that we send consistent messaging to companies. Contentious voting issues are overseen at a weekly team meeting, chaired by the Director of Corporate Governance. This provides an opportunity to discuss contentious, non-standard resolutions and potential conflicts.

The Corporate Governance team works in coordination with investment and client teams. Where different views arise, our conflicts of interests policy may be activated so we can operate independently from portfolio managers. Where necessary, matters arising from this meeting can be escalated to the LGIM CEO and, under the Conflicts of Interest policy (<http://www.lgim.com/library/capabilities/Conflicts-of-Interest.pdf>), to LGIM's non-executive directors. It is important to note that it is extremely rare for the active portfolio managers to disagree with the decisions of the Corporate Governance team. In over 20 years of experience, it has only occurred in a handful of cases.

LEA 14	Voluntary	Additional Assessed	PRI 2
LEA 14.1	Indicate if your organisation has a securities lending programme.		
	<input checked="" type="checkbox"/> Yes		
LEA 14.3	Indicate how voting is addressed in your securities lending programme.		
	<input type="checkbox"/> We recall all securities for voting on all ballot items <input checked="" type="checkbox"/> We maintain some holdings, so we can vote at any time <input type="checkbox"/> We systematically recall some securities so that we can vote on their ballot items (e.g., in line with specific criteria) <input type="checkbox"/> We recall some securities so that we can vote on their ballot items on an ad hoc basis <input type="checkbox"/> We empower our securities lending agent to decide when to recall securities for voting purposes <input type="checkbox"/> We do not recall our shares for voting purposes <input type="checkbox"/> Other specify;		
	<input type="checkbox"/> No		
LEA 14.4	Additional information.		
	<p>For pooled funds, we operate a stock-lending programme in selective markets under strict conditions on the credit rating of counterparties and the quality and extent of collateral. We have the ability and right of recall at any time in order to vote on important shareholder meetings.</p> <p>In the countries where we lend stock between 5 - 15% of shares held back will be voted unless we recall the stock. In the case of a significant vote we have the capacity to recall all of our votes</p> <p>The programme is administered by the relevant fund custodians. All stock lending revenue, less administration costs, is reinvested in the pooled fund for the exclusive benefit of unit holders.</p> <p>There is currently no stock lending undertaken in the UK market so all shares are available for voting.</p>		

LEA 15	Mandatory	Descriptive	PRI 2		
LEA 15.1	Indicate the proportion of votes where you or the service providers acting on your behalf have raised concerns with companies ahead of voting.				
	<input type="checkbox"/> 100% <input type="checkbox"/> 99-75% <input type="checkbox"/> 74-50% <input type="checkbox"/> 49-25% <input checked="" type="checkbox"/> 24-1% <input type="checkbox"/> Neither we nor our service provider(s) raise concerns with companies ahead of voting				
LEA 15.2	Indicate the reasons for raising your concerns with these companies ahead of voting.				
	<input checked="" type="checkbox"/> Vote(s) for selected markets <input checked="" type="checkbox"/> Vote(s) for selected sectors <input checked="" type="checkbox"/> Vote(s) relating to certain ESG issues <input checked="" type="checkbox"/> Vote(s) on companies exposed to controversy on specific ESG issues <input checked="" type="checkbox"/> Vote(s) for significant shareholdings <input type="checkbox"/> On request by clients <input checked="" type="checkbox"/> Other				
	<table border="1"> <thead> <tr> <th>Explain</th> </tr> </thead> <tbody> <tr> <td>Sharing our voting intentions prior to the meeting taking place forms part of our escalation strategy when engagement is not producing satisfactory results.</td> </tr> </tbody> </table>			Explain	Sharing our voting intentions prior to the meeting taking place forms part of our escalation strategy when engagement is not producing satisfactory results.
Explain					
Sharing our voting intentions prior to the meeting taking place forms part of our escalation strategy when engagement is not producing satisfactory results.					
LEA 15.3	Additional information. [Optional]				
	<p>We communicate our votes to companies in advance of shareholder meetings in the following cases only:</p> <p><b>Escalation of engagement</b></p> <p>Where engagement does not produce satisfactory results, we escalate our position and may decide to make our voting decision public prior to the shareholder meeting. We find this is an efficient way for us to draw public attention to our concerns.</p> <p>For example, as seen above in LEA 11.1 in relation to Unilever, we engaged both individually and collaboratively with the company but since we did not see a satisfactory result forthcoming, we decided to make our voting decision public prior to the shareholder meeting taking place.</p> <p><b>As part of a specific engagement programme</b></p> <p>LGIM's Climate Impact Pledge is an engagement programme focused on companies' strategic management of climate risks and opportunities. After one</p>				



year of engagement, if companies fail to meet LGIM's minimum expectations, for all funds LGIM manages where we are unable to contractually divest, we will vote against the chair of the board of the same companies. We are aiming to make the list of companies public. This will involve disclosing our vote intention for some, if not all of them, prior to their shareholder meeting.

LEA 16	Mandatory	Core Assessed	PRI 2
LEA 16.1	Indicate the proportion of votes participated in within the reporting year in which, you and/or the service provider(s) acting on your behalf, have communicated to companies the rationale for abstaining or voting against management recommendations.		
<input checked="" type="radio"/> 100% <input type="radio"/> 99-75% <input type="radio"/> 74-50% <input type="radio"/> 49-25% <input type="radio"/> 24-1% <input type="radio"/> We do not communicate the rationale to companies <input type="radio"/> Not applicable because we and/or our service providers do not abstain or vote against management recommendations			
LEA 16.3	In cases where your organisation does communicate the rationale for the abstention or the vote against management recommendations, indicate whether this rationale is made public.		
<input checked="" type="radio"/> Yes <input type="radio"/> No			
LEA 16.4	Additional information. [Optional]		
<p>We disclose our voting records on our website. The reports are published at the end of each month, and can be used by clients for their external reporting requirements. The voting disclosures can be found by selecting 'Voting Report' on the following page:</p> <p><a href="https://documentlibrary.lgim.com/documentlibrary/library_55458.html">https://documentlibrary.lgim.com/documentlibrary/library_55458.html</a></p> <p>Additionally, for material votes that have received significant press attention, we produce summaries of LGIM's positions in a timely manner. Clients can therefore understand the issues involved and report to their end beneficiaries. LGIM can set up tailored, automated voting reports in Excel format on the voting platform with specific parameters (e.g. company name, meeting date, meeting type, vote instruction, resolution details). Once set up, the bespoke reports will be generated automatically and emailed directly on the date requested by the client.</p>			

LEA 17	Mandatory	Core Assessed	PRI 2
LEA 17.1	For listed equities where you and/or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.		
<input checked="" type="checkbox"/> We do track or collect this information			
		Votes cast (to the nearest 1%)	
		99%	
		Specify the basis on which this percentage is calculated	
<input type="radio"/> of the total number of ballot items on which you could have issued instructions <input type="radio"/> of the total number of company meetings at which you could have voted <input checked="" type="radio"/> of the total value of your listed equity holdings on which you could have voted <input type="radio"/> We do not track or collect this information			
LEA 17.2	Explain your reason(s) for not voting on certain holdings		
<input checked="" type="checkbox"/> Shares were blocked <input type="checkbox"/> Notice, ballots or materials not received in time <input type="checkbox"/> Missed deadline <input checked="" type="checkbox"/> Geographical restrictions (non-home market) <input type="checkbox"/> Cost <input type="checkbox"/> Conflicts of interest <input type="checkbox"/> Holdings deemed too small <input checked="" type="checkbox"/> Administrative impediments (e.g., power of attorney requirements, ineligibility due to participation in share placement) <input type="checkbox"/> Client request <input type="checkbox"/> Other			
LEA 17.3	Additional information. [Optional]		
<p>At LGIM, we vote in all major developed markets and the main emerging markets. We have voting policies in place for 45 markets, and as a result, we vote 99% of the total value of our listed equity holdings.</p> <p>Please note that we expanded our voting coverage to 11 new markets in 2018. We are aiming to expand further our coverage in 2019 to 100% of the MSCI ACWI index.</p> <p>However, there are certain circumstances which cause us not to vote all of our holdings. These include:</p> <ul style="list-style-type: none"> <li>• Stock lending (in the countries where we lend stock between 5 - 15% of shares will be held back and will be voted unless we recall the lent stock). We do not lend stock in the UK.</li> <li>• Non-voting shares held</li> </ul>			

- Restrictions on voting by foreign nationals
- Changes to power of attorney requirements

In the US and Canada in proxy contests (which are rare and different to the normal filing of shareholder resolutions), shareholders have a choice between two proxy cards - one proposed by the management of the company and one proposed by a shareholder. Therefore, whichever one we choose not to vote on, a "Do Not Vote" is instructed. This is an active decision, since we would have chosen to vote (support) the other proxy card.

We aim to minimise abstentions. Since 2011, we have not abstained in the UK. In other markets, we seek to minimise abstentions unless it is technically impossible to vote.

LEA 18	Voluntary	Additional Assessed	PRI 2
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**LEA 18.1** Indicate if you track the voting instructions that you and/or your service provider on your behalf have issued.

Yes, we track this information

**LEA 18.2** Of the voting instructions that you and/or third parties on your behalf issued, indicate the proportion of ballot items that were:

**Voting instructions Breakdown as percentage of votes cast**

For (supporting) management recommendations	83.8%
Against (opposing) management recommendations	15.4%
Abstentions	0.8%

No, we do not track this information

**LEA 18.3** In cases where your organisation voted against management recommendations, indicate the percentage of companies you have engaged.

7

**LEA 18.4** Additional information. [Optional]

As an active and engaged investor, we take very seriously our responsibility to exercise the voting rights of our clients' assets. We direct the vote of a considerable proportion of a company's shares by exercising the shareholder rights of a significant number of our clients. This improves the effectiveness of voting as a means to support our engagement activities and bringing about change in the market as a whole.

A decision to vote against management may be the consequence of unsuccessful engagement as part of our escalation strategy. However, given the scale of our holdings, we do not have the capacity to engage with all the companies we hold. We therefore may cast votes against management where companies do not align with our voting policies which take into account market best practice and our clients' expectations.

All our votes are recorded and are easily accessible by the team, including the rationale. Before a voting decision is made the team can consult LGIM's past votes which helps us in monitoring change. LGIM's proprietary ESG tools also incorporate voting decisions. This helps us in flagging the laggards for which we have already undertaken action, and for which we would consider escalating further our engagement.

**Communicating our votes to companies**

As explained in question LEA 15.3 we communicate our votes to companies in advance of shareholder meetings in the following cases only:

*Escalation of engagement*

Where engagement does not produce satisfactory results, we escalate our position and may decide to make our voting decision public prior to the shareholder meeting. We find this is an efficient way for us to draw public attention to our concerns.

*As part of a specific engagement programme*

LGIM's Climate Impact Pledge is a public engagement programme on climate change. After one year of engagement, if companies fail to meet LGIM's minimum expectations, for all funds LGIM manages where we are unable to contractually divest, we will vote against the chair of the board of the same companies. We are aiming to make the list of companies public. This will involve disclosing our vote intention for some, if not all of them, prior to their shareholder meeting.

After shareholder meetings, we publicly disclose all our votes for the major markets on our website in our monthly voting reports. These reports also include our vote rationales for all our votes against management. This allows companies to be informed of our voting decisions and the reasons for our votes against. These reports are available at: [http://documentlibrary.lgim.com/documentlibrary/library\\_55458.html](http://documentlibrary.lgim.com/documentlibrary/library_55458.html)

**Communicating our votes internally**

Final voting decisions on assets are always made by the Corporate Governance team in coordination with and independently from investment and client teams. As explained in question LEA 07.4, 08.2 et al, LGIM's corporate governance and investment teams regularly exchange information and specific company insights regularly including votes when of interest for the investment teams. Note that, as mentioned above, voting decisions are incorporated into our proprietary ESG tools.

LEA 19	Mandatory	Core Assessed	PRI 2
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**LEA 19.1** Indicate whether your organisation has a formal escalation strategy following unsuccessful voting.

Yes  
 No

**LEA 19.2** Indicate the escalation strategies used at your organisation following abstentions and/or votes against management.

- Contacting the company's board
- Contacting the company's senior management
- Issuing a public statement explaining the rationale
- Initiating individual/collaborative engagement
- Directing service providers to engage
- Reducing exposure (holdings) / divestment
- Other

Specify

Where applicable different escalation strategies may be taken following votes against management, and we may attend the actual AGM.

LEA 19.3 Additional information. [Optional]

LGIM's voting decisions can be found on our website via the following link:

[https://documentlibrary.lgim.com/documentlibrary/library\\_55458.html](https://documentlibrary.lgim.com/documentlibrary/library_55458.html)

If the company is targeted under a specific engagement programme, e.g. the Climate Impact Pledge, LGIM will continue to engage with the company to communicate our expectations and actions required in the future to avoid a vote against.

LEA 20	Voluntary	Descriptive	PRI 2
<i>Private</i>			
LEA 21	Voluntary	Descriptive	PRI 2
<i>Private</i>			

FI 01.1 Indicate (1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and (2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.

SSA	Screening alone	0
	Thematic alone	0
	Integration alone	100
	Screening + integration strategies	0
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0
Corporate (financial)	Screening alone	0
	Thematic alone	0
	Integration alone	100
	Screening + integration strategies	0
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0
Corporate (non-financial)	Screening alone	0
	Thematic alone	0
	Integration alone	99
	Screening + integration strategies	0
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	1
	No incorporation strategies applied	0

FI 01.2	Describe your reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.
<p>LGIM prioritises an integration strategy because we believe that systematic inclusion of ESG issues investment teams helps identify areas related to the performance of companies that might have financial impact in the short, medium and long term. ESG factors are embedded into our evaluation of investment opportunities across asset classes and investment styles, to identify unrewarded risk and to protect and enhance the long-term value of all our clients' investments.</p> <p>Over the past year we have enhanced our ESG integration processes – please see further below.</p> <p>Integration is combined with:</p> <p><b>a) active engagement</b></p> <p>Our updated ESG tool enables the investment teams to integrate relevant findings from engagements into the overall ESG assessment in a systematic and consistent way.</p> <p><b>b) launch of new funds with explicit ESG guidelines</b></p> <p>For clients who wish to go further in integrating ESG into their investment portfolios, we have recently launched a range of funds called the Future World Funds.</p> <p><b>c) Screening</b></p> <p>LGIM applies its Controversial Weapons Policy, to all our active fixed income funds and Future World credit funds. Our Future World Protection List and Climate Impact Pledge are also applied to Future World Funds.</p>	

FI 01.3	Additional information [Optional].	
<p>Integration of ESG-related criteria in the assessment of issuers for our mainstream funds:</p> <p>Integration into the fixed income strategies is both bottom up; through LGIM's updated proprietary ESG tool, dialogue between ESG specialists and the fixed income teams, and top down; through CIO led initiatives to develop the integration agenda and 'deep dives' into specific thematic issues.</p> <p>For our active fixed income portfolios, ESG factors are considered as part of our credit analyst's fundamental assessment of the issuer.</p> <p>Overall, the integration of ESG-related criteria in the assessment of companies is not intended to result in any negative or exclusion lists. Rather, it aims to enhance our ability to discern between likely outperformers and underperformers within each sector and its ultimate purpose is to support the process of bond selection. For more information on this process please see for example questions 10.1, 13.1 and 14.3.</p> <p><b>Active Engagement</b></p> <p>Through encouraging companies to improve their behaviour – and the quality of their ESG disclosures – we can raise the standards of entire markets, facilitate the process of integrating ESG into investment analysis and help generate sustainable, long-term returns for our clients</p> <p>Active dialogue with companies allows LGIM to learn more about the company's strategy, finances, risks and opportunities. By engaging with companies, we may be able to influence outcomes to better protect and enhance our clients' investments.</p> <p>Additionally, active engagement with governments and government representatives is an important part of understanding key risks and opportunities, and to encourage greater transparency and processes.</p> <p>Active engagement activities are shared across the ESG and fixed income desks with open invites, except in cases where sensitive information is discussed. This allows this relevant information to be integrated into the investment processes. Our updated ESG tool enables the investment teams to integrate relevant findings from engagements into the overall ESG assessment in a systematic and consistent way.</p> <p><b>Screening</b></p> <p>Within segregated mandates, screens are agreed with clients and implemented accordingly.</p> <p>Over the course of 2018 LGIM's launched 16 funds under the umbrella of the Future World Fund range. Within all of these funds the Future World Protection list (FWPL) is applied. The Future World Protection List has been specifically developed for our Future World fund range, through which companies are incentivised to operate more sustainably - allowing clients to go further in integrating ESG factors into their investment strategy.</p> <p>Companies are incorporated into the list if they fail to meet minimum standards of globally accepted business practices. Across the LGIM-designed Future World funds, securities issued by such companies will not be held or exposure to them will be significantly reduced. The Future World Protection List includes companies which meet any of the following criteria:</p> <ul style="list-style-type: none"> <li>• Involvement in the manufacture and production of controversial weapons</li> <li>• Perennial violators of the United Nations Global Compact, an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies.</li> <li>• Pure coal miners – companies solely involved in the extraction of coal</li> </ul> <p>More information on the FWPL methodology via <a href="http://update.lgim.com/futureworldfund">http://update.lgim.com/futureworldfund</a></p> <p>In addition, 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.</p> <p>LGIM's Controversial Weapons Policy (<a href="https://documentlibrary.lgim.com/documentlibrary/library_55458.html">https://documentlibrary.lgim.com/documentlibrary/library_55458.html</a>) excludes companies involved in the production of weapons prohibited under international treaties and applies to all active fixed income funds. This policy was rolled out to all active equity and fixed income funds during 2018, and is also incorporated into the methodology of the Future World Protection List, therefore being applied to all Future World funds</p> <p><b>Launch of new funds with explicit ESG guidelines</b></p> <p>The Future World Global Credit Fund is an actively managed, globally diversified credit fund with a long-term investment horizon which aims to preserve and grow capital through avoiding defaults and enhancing credit spread over time. With a particular focus on climate related risks, we look for bond issuers with robust business models that will be sustainable over the long-term. We believe our approach can help uncover investment opportunities, protect our clients from future risks and lead to better investment outcomes.</p>		

FI 02	Mandatory to Report, Voluntary to Disclose	Core Assessed	PRI 1
Private			

FI 03	Mandatory	Additional Assessed	PRI 1
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FI 03.1	Indicate how you ensure that your ESG research process is robust:
<p><input checked="" type="checkbox"/> Comprehensive ESG research is undertaken internally to determine companies' activities; and products and/or services</p> <p><input checked="" type="checkbox"/> Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies</p>	

- Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- Internal audits and regular reviews of ESG research are undertaken in a systematic way.
- A materiality/sustainability framework is created and regularly updated that includes all the key ESG risks and opportunities for each sector/country.
- Other, specify
- None of the above

**FI 03.2** Describe how your ESG information or analysis is shared among your investment team.

- ESG information is held within a centralised database and is accessible to all investment staff
- ESG information is displayed on front office research platforms
- ESG information is a standard item on all individual issuer summaries, research notes, 'tear sheets', or similar documents
- Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- Records capture how ESG information and research was incorporated into investment decisions
- Other, specify
- None of the above

**FI 03.3** Additional information. [Optional]

In order to ensure our research process is robust we have in place a bottom-up and top-down approach, whereby the bottom-up level of ESG analysis provides for collaboration between investment teams and Corporate Governance team (CG), combined with use of quantitative ESG scoring tools (ESG Scores and ESG View) to ensure risks are considered, in context of overall issuer credit profile. From a top-down approach, the Future World Oversight, ESG Thematic and Long-term thematic working Groups deliver a consolidated approach to consideration of sector ESG risks and opportunities across the investment floor.

ESG information is shared via bi-weekly meetings between the CG and active fixed income teams, and monthly meeting between the CG and index teams. In addition, the following systems are used for information sharing:

- ESG View
- ESG Scores
- High Yield: ESG information standard on issuer summaries, for Investment Grade where considered material
- Bloomberg IRH
- CG team's proprietary Salesforce system
- A separate tool summarising outputs of the ESG scores for CG team

**FI 04** **Mandatory** Gateway **PRI 1**

**FI 04.1** Indicate the type of screening you conduct.

	Corporate (non-financial)
Negative/exclusionary screening	<input checked="" type="checkbox"/>
Positive/best-in-class screening	<input checked="" type="checkbox"/>
Norms-based screening	<input checked="" type="checkbox"/>

**FI 04.2** Describe your approach to screening for internally managed active fixed income

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 full policy is detailed on our website ([https://documentlibrary.lgim.com/documentlibrary/library\\_55458.html](https://documentlibrary.lgim.com/documentlibrary/library_55458.html)).

The FWPL is applied to our Future World funds. Companies are included in the list if they fail to meet minimum standards of globally accepted business practices. The exclusion list is updated on a 6-monthly basis; the full policy is available here: <http://update.lgim.com/futureworldfund>. The methodology was developed internally and includes companies involved in controversial weapons; pure coal companies as well as perennial violators of UN Global Compact.

In addition, 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).

For our Future World fund range, which goes further in terms of integrating ESG issues into asset allocation – we would only incorporate a company with a weak ESG status if we expect to see improvements in the future as a result of successful engagement. This ensures that the funds only include companies which meet minimum ESG standards.

**FI 04.3** Additional information. [Optional]

**Negative and Norms-based screening**

*Controversial Weapons*

Through implementation of this policy, we commit to supporting clients to comply with national and international regulation and to avoid where possible investments in companies producing weapons that contravene a key principle of international humanitarian law.

The screening criteria have been developed in-house by our Corporate Governance and Responsible Investment team. We contract a third-party data provider to provide the research and data on company-specific involvement.

The screening criteria of our policy are reviewed on an annual basis, while the exclusion list is reviewed on a semi-annual basis. We will publish any changes to our policy on our website.

The policy applies to active fixed income and equity funds, certain index funds and client specific portfolios. Please see our full Controversial Weapons Policy for more information. <http://documentlibrary.lgim.com/documentlibrary/literature.html?cid=64550&lib=55458>

*Future World Protection List*

The Future World Protection List (FWPL) is applied in our Future World funds and may be adopted by any client on their segregated mandate. Through this fund range companies are incentivised to operate more sustainably, allowing clients to go further in integrating ESG factors into their investment strategy.

Companies are included in the FWPL if they fail to meet minimum standards of globally accepted business practices. Across the LGIM-designed Future World funds, securities issued by such companies will not be held or exposure to them will be significantly reduced. The Future World Protection List includes

companies which meet any of the criteria as set out above in the core answer. Full methodology is available on our website.

*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.

The companies targeted are scored on over 170 indicators, based on their articulation of risk and opportunities, the level of transparency, the robustness of their governance, the strength of their strategies in pursuing new opportunities, the record of controversial incidents and how they lobby governments on climate regulations.

All companies are contacted directly to discuss areas of improvements with constructive feedback based on their current disclosures. Notably, some of our requests come with a 12-month limit for tangible action to be demonstrated publicly, as they reflect what we consider to be a minimum threshold for companies of such significance. Failure to meet this timeline will lead to voting against the chair of the board across the entire equity holdings of LGIM and to divestment in our Future World fund range.

**Positive Screening**

During 2018 we developed our Active ESG View tool, which seeks to identify and represent the ESG risks and opportunities within companies. It's an essential component of the overall active research process. It takes the inputs that form the LGIM ESG Score as a starting point for assessing ESG quality, and then goes a step further by incorporating additional quantitative and qualitative inputs. It involves teams leveraging their sector expertise, knowledge of company dynamics and corporate access. This leads to a status being created for each company ranging from "very strong" to "very weak".

For our Future World fund range, which goes further in terms of integrating ESG issues into asset allocation – we would only incorporate a company with a weak ESG status if we expect to see improvements in the future as a result of successful engagement. This ensures that the funds only include companies which meet minimum ESG standards.

FI 05	Voluntary	Additional Assessed	PRI 1
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FI 05.1 Provide examples of how ESG factors are included in your screening criteria.

Example 1

Type of fixed income
<input checked="" type="checkbox"/> Corporate (non-financial)
ESG factors
<input type="checkbox"/> Environmental
<input checked="" type="checkbox"/> Social
<input checked="" type="checkbox"/> Governance
Screening
<input checked="" type="checkbox"/> Negative/ exclusionary
<input type="checkbox"/> Positive/ best-in-class
<input type="checkbox"/> Norms-based
Description of how ESG factors are used as the screening criteria
Our Controversial Weapons Policy is applied to active fixed income and equity funds, certain index funds and client-specific portfolios, as well as the entire Future World fund range.

Example 2

Type of fixed income
<input checked="" type="checkbox"/> Corporate (non-financial)
ESG factors
<input checked="" type="checkbox"/> Environmental
<input type="checkbox"/> Social
<input type="checkbox"/> Governance
Screening
<input checked="" type="checkbox"/> Negative/ exclusionary
<input type="checkbox"/> Positive/ best-in-class
<input type="checkbox"/> Norms-based

Description of how ESG factors are used as the screening criteria	
<p>LGIM screens out pure-play coal companies from some actively managed fixed income funds, i.e. those companies deriving the majority of their 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.</p>	

Example 3

Type of fixed income	
<input checked="" type="checkbox"/> Corporate (non-financial)	
ESG factors	
<input type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input type="checkbox"/> Governance	
Screening	
<input checked="" type="checkbox"/> Negative/ exclusionary <input type="checkbox"/> Positive/ best-in-class <input type="checkbox"/> Norms-based	
Description of how ESG factors are used as the screening criteria	
<p>As described in FI 04.2 and 04.3, companies identified as perennial violators of the UN Global Compact are excluded from our Future World funds, in addition to pure coal companies and those with involvement in controversial weapons.</p>	

Example 4

Type of fixed income	
<input checked="" type="checkbox"/> Corporate (non-financial)	
ESG factors	
<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Governance	
Screening	
<input type="checkbox"/> Negative/ exclusionary <input checked="" type="checkbox"/> Positive/ best-in-class <input type="checkbox"/> Norms-based	
Description of how ESG factors are used as the screening criteria	
<p>The ESG View seeks to identify and represent the ESG risks and opportunities within companies. It's an essential component of the overall active research process. It takes the inputs that form the LGIM ESG Score as a starting point for assessing ESG quality, and then goes a step further by incorporating additional quantitative and qualitative inputs. It involves teams leveraging their sector expertise, knowledge of company dynamics and corporate access. This leads to a status being created for each company ranging from "very strong" to "very weak".</p> <p>For our Future World fund range, which goes further in terms of integrating ESG issues into asset allocation – we would only incorporate a company with a weak ESG status if we expect to see improvements in the future as a result of successful engagement. This ensures that the funds only include companies which meet our minimum ESG standards.</p>	

Example 5

FI 06	Mandatory	Core Assessed	PRI 1
FI 06.1	Indicate which systems your organisation has to ensure that fund screening criteria are not breached in fixed income investments.		
	Type of screening	Checks	



<b>Negative/exclusionary screening?</b>	<input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year. <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input checked="" type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above
<b>Positive/best-in-class screening</b>	<input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year. <input type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above
<b>Norms-based screening</b>	<input checked="" type="checkbox"/> Analysis is performed to ensure that issuers meet screening criteria <input checked="" type="checkbox"/> We ensure that data used for the screening criteria is updated at least once a year. <input checked="" type="checkbox"/> Automated IT systems prevent our portfolio managers from investing in excluded issuers or bonds that do not meet screening criteria <input type="checkbox"/> Audits of fund holdings are undertaken yearly by internal audit or compliance functions <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above

<b>FI 06.2</b>	<b>Additional information. [Optional]</b>
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- We have governance processes in place to ensure the appropriate and effective dissemination exclusion lists. The Future World Protection List is governed under our index design governance methodology and the Controversial Weapons Policy is subject to the governance processes of the Controversial Weapons Committee.
- Fund screening criteria are coded into our portfolio monitoring systems
- Additionally fund managers are sent an email with updated screening criteria upon review of the list and they are required to respond to indicate that they have acknowledged receipt and reviewed the list.
- Should post-trade monitoring identify a breach then compliance will contact portfolio managers and the Corporate Governance team so that necessary action is taken.

<b>FI 07</b>	<b>Mandatory to Report, Voluntary to Disclose</b>	<b>Descriptive</b>	<b>PRI 1</b>
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Private

<b>FI 08</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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<b>FI 08.1</b>	<b>Indicate whether you encourage transparency and disclosure relating to the issuance of themed bonds as per the Green Bonds Principles, Social Bond Principles, or Sustainability Bond Guidelines..</b>
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- We require that themed bond proceeds are only allocated to environmentally or socially beneficial projects
- We require the issuer (or 3rd party assurer) to demonstrate a process which determines the eligibility of projects to which themed bond proceeds are allocated
- We require issuers to demonstrate a systematic and transparent process of disbursing themed bond proceeds to eligible projects until all funds are allocated
- We require issuers to report at least once per year on the projects to which proceeds have been allocated including a description of those projects
- Other, specify
- None of the above

<b>FI 08.2</b>	<b>Describe the actions you take when issuers do not disburse bond proceeds as described in the offering documents.</b>
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N/A

<b>FI 08.3</b>	<b>Additional information. [Optional]</b>
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The question in 8.2 is not relevant due to our response to question 8.1. However, even as a non-investor in green bonds we support the development of the green bond market.

We continue to undertake substantial work with policy-makers, other investors and government agencies to encourage growth of the market. Sufficient size and liquidity is necessary for a large global asset manager such as LGIM. As part of this outreach we have been calling for additional transparency and moving forward we will be considering how we broach this with issuers. More generally, we believe that there needs to be an appropriate balance between having the perfect quality of green bonds, in terms of project funding, and building size in the market place to encourage scale.

On a wider market level, LGIM's CEO Mark Zinkula, and Head of Sustainability and Responsible Investment Strategy, Meryam Omi, were selected by the UK Government to be members of the Green Finance Taskforce in 2017. The Taskforce is co-hosted by the Department for Business, Energy and Industrial Strategy (BEIS) and HM Treasury. It brings together experts from the financial and sustainability sectors and aims to accelerate the growth of green finance and help the UK Government deliver the investment required to meet the UK's carbon reduction targets. As part of our work with the Task Force, we have supported ideas relating to the promotion of green bonds issued by the UK government and cities and compulsory green revenue reporting for listed companies - which would help increase transparency in the green bonds space.

The creation of a Green Finance Institute (in 2018) to help establish London as a green finance hub was one of the recommendations of the report – LGIM's Head of Personal Investing sits on the board of the newly founded institute.

In terms of day to day engagements, our macro economist recently engaged with the Polish Ministry of Finance concerning their issuance of green bonds, enquiring about plans for more activity in this area, and the type of projects that they may finance with the proceeds of green bonds.

FI 09	Mandatory	Additional Assessed	PRI 1
FI 09.1	Indicate how you assess the environmental or social impact of your thematic investments.		
<input checked="" type="checkbox"/> We require issuers to report at least once per year on specific environmental or social impacts resulting from our themed investments <input type="checkbox"/> We ensure independent audits are conducted on the environmental or social impact of our investments <input checked="" type="checkbox"/> We have a proprietary system to measure environmental and social impact <input checked="" type="checkbox"/> We measure the impact of our themed bond investments on specific ESG factors such as carbon emissions or human rights <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above			
FI 09.2	Additional information. [Optional]		
<p>We report regularly to the client on the rationale for investment decisions made as a result of an ESG assessment.</p> <p>One example of this was the decision to invest in one northern European utility over another ("Utility A" and "Utility B").</p> <p>As described above, climate change is considered within our credit analysis and we believe that carbon intensity can impact spreads/ratings in the short as well as long term. We note that while Utility A and B have a similar credit profile, they have different carbon intensity of their power generation. In addition, Utility A have a strategic target to stop using coal by 2023 and a target for share of green energy to reach 95% by 2023. Following annual meetings with the company, we decided to invest in Utility A rather than Utility B.</p> <p>Over 2018 we have developed capabilities internally to measure the average weighted carbon intensity and fossil fuel reserves exposure of our funds, including fixed income. Additionally, this tool allows us to measure the relative reduction in emissions intensity and reserves exposure of the funds, compared to a selected benchmark.</p> <p>During 2018 we launched multiple Future World funds which invest across a broad range of strategies and asset classes with a global reach - including fixed income. In this fund range, scrutiny is higher in terms of the company's performance on ESG issues and the company's broader societal impact. We collectively leverage the expertise across the investment teams and Corporate Governance to make an on-going assessment on whether companies in which we invest fulfil our Future World philosophy. They each have their own explicit ESG objective. For example,</p> <p>Future World Credit Fund focuses on the transition to the low-carbon economy and the objective is to have a significantly lower carbon footprint than the comparative index. For this fund we have recently developed an integrated ESG factsheet detailing the environmental and social impact of our investments, along with detailed carbon exposure. We will also be expanding our regular client reporting activities to provide enhanced carbon reporting across all our funds in 2019.</p> <p>The divestment consequences of our Climate Impact Pledge (our commitment to engage with the most important global companies in the low-carbon transition) will be applied to the entire Future World Fund range, including fixed income, while the voting consequences will be applied to all of LGIM's equity holdings. As part of the Pledge, we require issuers to report at least once per year on specific environmental or social impacts. We use a combination of regular reports, public thought leadership, conferences, and one-to-one meetings to report our stewardship activities and assist clients in keeping updated on emerging topics.</p> <p>In addition, we publish a bi-annual report on the Future World Fund which analyses the progress of the funds and the actions taken by LGIM to improve corporate performance. Furthermore, as laid out in our Sustainability Principles, we encourage portfolio companies to disclose and quantify the impact in financial terms of sustainability issues, in order to internalise the associated costs and benefits.</p>			

FI 10	Mandatory	Descriptive	PRI 1
FI 10.1	Describe your approach to integrating ESG into traditional financial analysis.		
<p>LGIM sees unmanaged ESG factors as posing potential risks and opportunities, which can have a material impact on the performance of investments. In FI, we look for risks that could affect the credit quality of a bond and therefore its returns, as well as how ESG integration in fundamental credit analysis may unlock opportunities through identifying market mispricing, for example.</p> <p>However, from our experience of integrating ESG into investment processes, we know that it is not easy to discern whether an ESG factor will affect credit quality. This was one of the reasons we conducted a review of our ESG framework over the course of 2018. We had an open discussion about materiality with ESG, credit and equity professionals. We brought together working groups to debate materiality at a sector level and then upgraded our framework of analysis and our internal tools accordingly. This helped to improve knowledge across the board and equip investment teams to apply ESG analysis to a specific investment security and strategy. What this brought to the fore is that the same ESG assessment can yield different outcomes across credit portfolios, as well as credit and equity investment decisions. For example, certain issuers are not considered in our Buy and Maintain funds because of potential longer-term ESG risk, but may still be held by other funds. Others may be held in a core fund despite a poor ESG profile because the ESG risk is not seen as likely to materialise as a financial risk that would affect credit quality or default risk – or indeed because the risk is already priced. In our core active funds, ESG factors sit alongside other business risks within issuer research – and where material they may affect financial analysis and risks that then feed into fundamental recommendations. However upon analysis the ESG factors may not affect financial risks.</p> <p>For our Future World fund range – where we go further in addressing ESG issues – we would only incorporate a company with a weak ESG status if we expect to see improvements as a result of successful engagement.</p> <p>Although the investment process within our core funds has not changed, we now have a more systematic, sophisticated and structured framework for assessing the materiality of ESG factors and monitoring changes, and we have developed a culture in which ESG is valued and supported.</p> <p>We believe that a company's ESG profile is most comprehensively assessed by looking at two drivers of investment returns. The first is how business activities can impact the bottom line; for example, the risk of pollution by a miner leading to the loss of a licence to extract resources from a country. The second is how long-term trends may determine consumer demand for products and services; for example, the implications of the global battle against plastic for petrochemical companies and demand for oil.</p> <p>We evaluate long-term themes in our working groups on energy, demographics, technology and politics. Through these groups and the independent work of analysts and fund managers that goes alongside them, we generate insights into how companies are adapting to a rapidly-changing world.</p> <p>Secondly, we consider the outputs of LGIM's Active ESG View as a component of credit analysis. Our Active ESG View seeks to identify and represent the ESG risks and opportunities within each company. It is an essential component of the overall active research process. It takes the inputs that form the LGIM ESG Score as a starting point for assessing ESG quality, and then goes a step further by incorporating additional quantitative and qualitative inputs. It involves teams leveraging their sector expertise, knowledge of company dynamics and corporate access. This leads to a status being created for each company ranging from "very strong" to "very weak". The degree to which this ESG View drives bond and equity selection will depend on the fund design.</p> <p>For our core active products, the Active ESG View is fully integrated into how we fundamentally assess a company and is considered alongside all other components of investment analysis. Within core products, it remains at the portfolio manager's discretion as to whether a company with a weak ESG status</p>			

offers the necessary level of return for the given level of risk. However, for our Future World fund range – where we go further in addressing ESG issues – we would only incorporate a company with a weak ESG status if we expect to see improvements in the future as a result of successful engagement

**FI 10.2 Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in.**

**SSA**

When assessing a sovereign our Analysts may focus on different variables depending on whether the sovereign is considered developed market (DM) or emerging market (EM). From a DM perspective a sovereign will be largely driven by macro-thematic conditions concerning monetary and fiscal policy, the domestic political situation or wider geopolitical risks.

However, from an EM perspective further consideration may be granted to more granular factors such as GDP, inflation and debt, through to education, corruption levels, commodity exposure and internet access. Development of these factors is an important indicator of growth potential.

In forming our assessment, we draw on the experience and insights of our sovereign experts, as well as our internally-developed ESG Sovereign Score which is built on quantitative inputs from an external data provider, Maplecroft.

With over 200 data points dedicated to assessing the quality of over 200 sovereigns across both developed and emerging markets, Maplecroft provides a comprehensive country assessment on metrics ranging from climate change adoption, emissions and waste and natural hazards, through to debt and fiscal management, government stability and human rights.

From this wide dataset our sovereign experts have selected the metrics we consider most pertinent to substantiate our ESG assessment, and then re-weighted to generate an ESG country score ranging from 0-10 (0 – being very weak, 10 – being very strong). Data is updated on a quarterly basis and reassessed by our developed and emerging market sovereign experts. All data is widely available across the investment teams via the internal Bloomberg hub and embedded into our proprietary ESG View tool.

At the top down level, this means allocation to regions and countries is based on the evaluation of economic, governance and socio-political risks by our in-house economists, credit strategists, credit analysts and portfolio managers. Country-specific ESG criteria captures the performance of previous and current governments and also address the transparency, fairness and consistency of the political, legal and administrative framework as a whole. Major political parties' prevailing attitudes with respect to ESG issues, including corruption and the respect for private investors' property rights, are also taken into account. As part of this assessment we monitor the role that technology is playing in adjusting political and societal processes, and its subsequent impact to the governance environment. Exposure and resilience of the economy to environmental phenomenon, such as El Niño/La Niña are also considered.

From the bottom up, our analysts covering investment grade sovereign related and sub-sovereign issuers conduct a desktop review of the governance framework applicable to the issuer, its compliance historically with these frameworks and the political risks inherent in the governance framework. The analysts also review the Social and Environmental disclosure of the issuer, including a consideration of its social/environmental mandate where applicable, since many government related entities have specific mandates to invest in local development. This assessment is largely qualitative, and always informed by the economic and political backdrop in the relevant country or countries, and the perceived willingness and ability of the issuer to adhere to its stated policies

Examples of how these considerations pass through into the emerging markets investment team decision-making process include:

- We remain cautious in Venezuela as a deteriorating political climate and mounting international pressure will lead to a more representative government;
- In Israel we have been choosing corporates over the sovereign given the potential indictment facing the Israeli prime minister;
- We have remained underweight in Tunisia which could suffer given the political/social unrest in both its neighbouring countries of Algeria and Libya;
- We are more constructive on Ukraine as donor engagement and the coming elections could drive reforms aimed at reducing corruption, enhancing accountability.

In terms of engagement with sovereign issuers, we acknowledge that this is very different than with corporate issuers or corporate boards. The purpose of engagement is to influence and instigate change. Corporates respond to their shareholders and potential debt buyers' concerns, sovereigns respond to what the electorate wants or what the prevailing political interests dictate.

As a result, the level of impact we can achieve via engagement with a sovereign is somewhat different to what we can achieve via a corporate. Nevertheless, our sovereign experts across the Economist, Strategist and Analyst teams still engage with government entities on wider policy and issues pertaining to ESG. Where relevant, the findings of these discussions are incorporated into our sovereign analysis.

**Corporate (financial)**

We have the same approach for integrating ESG into traditional financial analysis for corporate financials, as we do for corporate non-financials. However, governance has a particularly strong focus for financials, more so than environmental and social considerations.

**Corporate (non-financial)**

The ultimate responsibility for assessing the materiality of ESG on credit worthiness sits with the credit analyst. However input from other parties is also important. Please see a summary of our methodology below, as well as further explanation in our main answer to fixed income integration.

**ESG integration into equity, fixed income and asset allocation**

As outlined above, when assessing a corporate entity one of the areas we focus on is the sustainability of a company's strategy - therefore it is very important to assess ESG credentials. To assist with this assessment analysts refer to our proprietary tool – the ESG View. The output from the active ESG View tool forms an essential component of the overall active research process by going one step further than the LGIM ESG Score, incorporating additional granular quantitative and qualitative inputs to reflect a full picture of the ESG risks and opportunities embedded within each company, with our sovereign score providing one of the vital inputs.

In practice, the data alone may not tell the full story, which is why we believe that incorporating a qualitative element is essential in order to fully capture the ESG risks and opportunities embedded within each company and sovereign. Where our internal analysis and engagement has led to additional ESG insights – either on an individual data point or an overall factor – we feed that back into the ESG tool and it is captured in our overall View.

When we combine these considerations we are able to apply a status ranging from "very strong" through to "very weak" for each company. The degree to which this ESG View drives bond and equity selection will depend on the fund design.

We believe that incorporating the View into analysis helps to shield our investors from risks and increases the probability of better long-term outcomes.

**Global High Yield**

The Global High Yield strategy at LGIM is a macro driven process. Our macro view is the key driver of portfolio construction, which in turn drives returns; when we use the term "macro" we encompass a view on valuations, market direction and fundamentals. Within that fundamental view we consider economic factors and long-term themes, which may sway consumer demand for products and services; for example, technological advances and shifting policies on climate spurring a surge in sales of electric vehicles.

Once we have decided how much risk to take and in which markets – by country, sector and credit rating – bottom-up security selection is used to enhance returns. ESG factors are considered as part of our credit analysts' fundamental assessment of the issuer. The ultimate purpose of applying

ESG to active funds is to support the process of bond selection. This approach ensures our portfolios are forward looking and flexible, while also invested in well researched issuers and securities.

A weak management or poor governance structure, such as management quality, board composition, related parties, conflicts of interest, family ownership, private equity ownership, can lead to issuer-specific volatility, usually to the downside, so consideration of Governance has been embedded in the research process for many years.

As a result of ESG data and modelling enhancements, we have expanded our knowledge and focus on E and S. This increased availability of data and client demand creates new opportunities for strategies utilising ESG integration and we have enhanced how we provide ESG information to the credit research team across active fixed income and equities through the introduction.

FI 11	Mandatory	Core Assessed	PRI 1
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FI 11.1 Indicate how ESG information is typically used as part of your investment process.			
	SSA	Corporate (financial)	Corporate (non-financial)
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is used to adjust the internal credit assessments of issuers.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is used to adjust forecasted financials and future cash flow estimates.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis impacts the ranking of an issuer relative to a chosen peer group.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
An issuer's ESG bond spreads and its relative value versus its sector peers are analysed to find out if all risks are priced in.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The impact of ESG analysis on bonds of an issuer with different durations/maturities are analysed.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Sensitivity analysis and scenario analysis are applied to valuation models to compare the difference between base-case and ESG-integrated security valuation.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is integrated into portfolio weighting decisions.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Companies, sectors, countries and currency and monitored for changes in ESG exposure and for breaches of risk limits.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The ESG profile of portfolios is examined for securities with high ESG risks and assessed relative to the ESG profile of a benchmark.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 12	Mandatory	Additional Assessed	PRI 1
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FI 12.1 Indicate the extent to which ESG issues are reviewed in your integration process.			
	Environment	Social	Governance
SSA	<b>Environmental</b> <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<b>Social</b> <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<b>Governance</b> <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all
Corporate (financial)	<b>Environmental</b> <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<b>Social</b> <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<b>Governance</b> <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all
Corporate (non-financial)	<b>Environmental</b> <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<b>Social</b> <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	<b>Governance</b> <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all

FI 12.2 Please provide more detail on how you review E, S and/or G factors in your integration process.	
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SSA	<p>When assessing a sovereign our analysts may focus on different variables depending on whether the sovereign is considered developed market (DM) or emerging market (EM). From a DM perspective a sovereign will be largely driven by macro-thematic conditions concerning monetary and fiscal policy, the domestic political situation or wider geopolitical risks.</p> <p>However, from a EM perspective further consideration may be granted to more granular factors such as GDP, inflation and debt, through to education, corruption levels, commodity exposure and internet access. Development of these factors is an important indicator of growth potential.</p> <p>In forming our assessment, we draw on the experience and insights of our sovereign experts, as well as our internally-developed ESG Sovereign Score which is built on quantitative inputs from an external data provider, Maplecroft.</p> <p>With over 200 data points dedicated to assessing the quality of over 200 sovereigns across both developed and emerging markets, Maplecroft provides</p>
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a comprehensive country assessment on metrics ranging from climate change adoption, emissions and waste and natural hazards, through to debt and fiscal management, government stability and human rights.

From this wide dataset our sovereign experts have selected the metrics we consider most pertinent to substantiate our ESG assessment, and then re-weighted to generate an ESG country score ranging from 0-10 (0 – being very weak, 10 – being very strong). Data is updated on a quarterly basis and reassessed by our developed and emerging market sovereign experts. All data is widely available across the investment teams via the internal Bloomberg hub and embedded into our proprietary ESG View tool.

Please see question 10. 2 above for further detail.

#### Corporate (financial)

##### Review of E,S,G factors in corporate (financial)

We apply the same approach to corporate financial as non-financial.

To assist with the review of E, S, G factors analysts refer to our proprietary tool – the ESG View. The quantitative input into the ESG View utilises data from external providers Sustainalytics, Thomson Reuters, HSBC and Trucost, as well as data from Bloomberg, Reprisk, Maplecroft, MSCI and ISS, reported company data and proprietary LGIM analysis. The quantitative inputs include real time updates based on company newsflow and controversies, aiming to capture changes in ESG risk faster than most external data providers.

The output from the Active ESG View tool forms an essential component of the overall active research process by going one step further than the LGIM ESG Score, incorporating additional granular quantitative and qualitative inputs to reflect a full picture of the ESG risks and opportunities embedded within each company, with our sovereign score providing one of the vital inputs.

In practice, the data alone may not tell the full story, which is why we believe that incorporating a qualitative element is essential in order to fully capture the ESG risks and opportunities embedded within each company and sovereign. Where our internal analysis and engagement has led to additional ESG insights – either on an individual data point or an overall factor – we feed that back into the ESG tool and it is captured in our overall ESG View.

When we combine these considerations we are able to apply a status ranging from “very strong” through to “very weak” for each company. The degree to which this ESG View drives bond and equity selection will depend on the fund design.

We believe that incorporating the ESG View into analysis helps to shield our investors from risks and increases the probability of better long-term outcomes.

#### Corporate (non-financial)

##### Review of E,S,G factors in corporate (non-financial)

To assist with the review of E, S, G factors analysts refer to our proprietary tool – the ESG View. The quantitative input into the View utilises data from external providers Sustainalytics, Thomson Reuters, HSBC and Trucost, as well as data from Bloomberg, Reprisk, Maplecroft, MSCI and ISS, reported company data and proprietary LGIM analysis. The quantitative inputs include real time updates based on company newsflow and controversies, aiming to capture changes in ESG risk faster than most external data providers

The investment teams and corporate governance team are able to review individual E,S,G indicators for each issuer and are able to visualise how these compare to their peers. On a separate tab they are able to review the aggregate strengths, weaknesses and overall ESG status of an issuer.

The output from the Active ESG View tool forms an essential component of the overall active research process by going one step further than the LGIM ESG Score, incorporating additional granular quantitative and qualitative inputs to reflect a full picture of the ESG risks and opportunities embedded within each company, with our sovereign score providing one of the vital inputs.

In practice, the data alone may not tell the full story, which is why we believe that incorporating a qualitative element is essential in order to fully capture the ESG risks and opportunities embedded within each company and sovereign. Where our internal analysis and engagement has led to additional ESG insights – either on an individual data point or an overall factor – we feed that back into the ESG tool and it is captured in our overall View.

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We believe that incorporating the ESG View into analysis helps to shield our investors from risks and increases the probability of better long-term outcomes.

FI 13	Voluntary	Descriptive	PRI 1
Private			
FI 14	Mandatory to Report, Voluntary to Disclose	Core Assessed	PRI 2
Private			
FI 15	Mandatory to Report, Voluntary to Disclose	Additional Assessed	PRI 1,2
Private			
FI 16	Mandatory to Report, Voluntary to Disclose	Additional Assessed	PRI 1,2
Private			
FI 17	Mandatory to Report, Voluntary to Disclose	Additional Assessed	General
Private			
FI 18	Voluntary	Descriptive	PRI 1,2
Private			

PR 01	Mandatory	Core Assessed	PRI 1-6
PR 01.1	Indicate if your organisation has a Responsible Property Investment (RPI) policy.		
	<input checked="" type="checkbox"/> Yes		
PR 01.2	Provide a URL or attach the document		
	<input type="checkbox"/> URL <input checked="" type="checkbox"/> Attach Document		
	<input type="radio"/> No		
PR 01.3	Provide a brief overview of your organisation's approach to responsible investment in property, and how you link responsible investment in property to your business strategy. [Optional]		
	<p>Legal &amp; General Property (LGP) has a strong and long-term commitment to sustainability and responsible investment, adopting or investing in pioneering solutions, Sustainability is now arguably one of the most critical agents of change in real estate ownership. From a fund management perspective, the drivers of behaviour are primarily about protecting the medium to long term value of portfolios, whilst adding value, and acting in a socially responsible manner. We believe that through the integration of sustainable thinking and behaviour in everything we do, we will deliver enhanced returns to our investors.</p> <p>Our commitment to sustainability is driven by the recognition that the built environment has a very significant impact on UK society and its ecosystem, including contributing almost half of the UK's greenhouse gas emissions. It is our belief that sustainability already sits alongside location, tenant, building size and building quality as a key factor in real estate's value and performance and its importance will only increase over time.</p> <p>As one of the UK's largest landlords we are highly conscious of our responsibility to go over and above the industry norm of only 'greening' part of a property portfolio or specific funds, and instead aim to put environmental and social sustainability at the heart of all of our property investment decision making. The fact that we apply leading edge environmental and social governance brings numerous benefits, many of which are economic. Through consistently applying best practice sustainability criteria, across our entire portfolio, including our Environmental Management System (EMS), certified to ISO 14001 since 2005, we have experienced numerous benefits:</p> <ul style="list-style-type: none"> <li>• Reduced investor costs – associated with purchasing, disposal, insurance premiums, regulation and plant replacement, by forward planning and adhering to our process to minimise climate change risk</li> <li>• Reduced depreciations – through the creation of assets that are 'future proof', particularly with regard to the increased prioritisation of sustainable factors amongst tenants, investors and legislation such as the Energy Act 2011</li> <li>• Enhanced rental growth – through lower service charges, and minimising the effect of other costs to occupiers such as the Carbon Reduction Commitment (CRC).</li> <li>• Risk reduction – using our Asset Sustainability Plans (ASPs) allowing us to minimise risks and costs, by future proofing our assets against future legislation, obsolete equipment and 'outlawed' products.</li> <li>• Improved EPC's, - having undertaken EPC's on the whole portfolio in 2008 and subsequently seeking to improve them, now allow us to be a strong position with regard to the Energy Bill 2011 and the introduction of Minimum Energy Performance Standards (MEPS)</li> <li>• Tenant retention and attraction – tenant's preferences for sustainable buildings, managed in a sustainable manner are increasing due to higher profile corporate social responsibility (CSR) targets and the association with lower service charge and more efficient operation. Especially with green lease clauses that have been part of our standard lease for a number of years, being actively sought by some tenants and assisting in tenant retention.</li> <li>• Investor satisfaction – increasingly our existing and potential new investors are demanding, more detail and evidence of our environmental and social governance (CSG) and ethical approaches.</li> <li>• Added value – increased capital values with enhanced environmental credentials such as EPC's, BREEAM ratings and additional income from government backed schemes, such as feed in temps (FIT's) and renewable heat incentives (RHI).</li> <li>• Improved skill sets and knowledge – Thorough employee attraction, the training of our staff, and the ability to participate in industry initiatives involving benchmarking, innovation and sustainability measurement.</li> <li>• Reduced environmental footprint – through reduced consumption of energy, water and waste, alongside enhanced biodiversity.</li> <li>• Reduced operational costs for our assets – so ensuring lower service charges for our tenants and lower fund costs.</li> </ul> <p>Our policy is to employ best practice techniques in all areas of sustainability in order to minimise environmental impacts, maximise social benefits and enhance asset value. Reducing environmental impacts allows us to deliver lower service charge for tenants and better returns for investors, avoiding unnecessary expenses arising from purchases, disposals or ever growing, sustainability legislation. Best practice tenant liaison on sustainability issues, also allows us to develop better relationships with tenants and understand their future needs, so leading to improved tenant retention and possibly attraction. A number of comprehensive initiatives have been put in place, to strengthen our portfolio, as follows:</p> <ul style="list-style-type: none"> <li>• Energy Performance Certificates (EPC's) on all applicable assets.</li> <li>• 100% of service charge properties with ISO 14001 accreditation.</li> <li>• Adopting 'green' clauses into our standard lease since 2011.</li> <li>• BREEAM excellent on all new developments and where possible on major refurbishments.</li> <li>• Annual Reporting to GRESB, IPD's EcoPAS analysis, JLL's Upstream, Better Buildings Partnerships Real Estate Environment benchmarking (REEB).</li> <li>• Asset Sustainability Plan (ASP) for all assets covering a long term strategic view</li> <li>• Quarterly Sustainability Reports – for each asset and per fund, showing performance against targets.</li> <li>• Annual sustainability action plans and targets.</li> <li>• Tenant Liaison procedures for sharing data and progressing annual action plans.</li> </ul>		
PR 02	Mandatory	Core Assessed	PRI 1,4,6
PR 02.1	Indicate if your most recent fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.		
	<input checked="" type="checkbox"/> Yes		
PR 02.2	Indicate how your fund placement documents (PPMs or similar) refer to the following responsible investment aspects of your organisation:		
	<input checked="" type="checkbox"/> Policy and commitment to responsible investment <input checked="" type="checkbox"/> Approach to ESG issues in pre-investment processes <input checked="" type="checkbox"/> Approach to ESG issues in post-investment processes		

PR 02.3	Describe how your organisation refers to responsible investment for property funds in fund placement documents (PPMs or similar). [Optional]
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- No
- Not applicable as our organisation does not fundraise

PR 03	Voluntary	Additional Assessed	PRI 4
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PR 03.1	Indicate whether your organisation makes formal commitments in fund formation contracts, Limited Partnership Agreements (LPAs) or in side letters relating to responsible investment in property when requested by clients.
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- We always make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- In a majority of cases we make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- In a minority of cases we make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- We do not make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- We do not make formal commitments to responsible investment in fund formation contracts, LPAs or side letters because our clients do not request us to do so

PR 03.2	Additional information.
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Given LPAs are legal agreements, they often don't include specifics on sustainability and are not really relevant here. However, fund formation docs (including PPMs) do include wording on sustainability.

PR 04	Mandatory	Gateway/Core Assessed	PRI 1
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PR 04.1	Indicate if your organisation typically incorporates ESG issues when selecting property investments.
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- Yes

PR 04.2	Provide a description of your organisation's approach to incorporating ESG issues in property investment selection.
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LGP has sort to lead the industry in terms of sustainability issues in due diligence since 2006, by developing innovative new processes to assess all acquisitions against a set of stringent sustainability criteria. This cements the significant and active role such factors play in determining stock selection and shaping recommendations on future improvements. We actively engaged the wider industry on the issue, producing thought leadership papers and this has now lead to the first toolkit for acquisition surveyors being published by the Better Building Partnership. Our current specification for acquisition surveys, are still seen by our due diligence consultant, as one of the most stringent in the industry , typically including:

- Executive summary - Fiscal and legislative risks, Pro's and Con's, benchmarks, potential for added value.
- Recommendations - List of improvements with costs and savings, Future potential ratings
- Environmental - BREEAM / lead rating, tenants environmental impact ( fitout and business)
- Energy - EPC rating against benchmark and likelihood of upgrade, Electricity usage metering, Gas usage metering, Lighting controls, Heating controls, Uninterruptible Power Supply, CRC impact to owning Fund and energy procurement route and consumption statistics, Previous Energy Audits
- Water usage -Water metering, Leak detection system, Water efficiency measures, Rainwater harvesting, Grey water harvesting
- Waste management - Waste Management Plan, Recycling, Segregation of waste
- Flood - Flood risk area, Flood control measures in place on site and locally
- Contamination - Risk rating, Contaminants, Ventilation and monitoring systems for contaminants
- Building materials - Design and thermal performance, Sustainable materials, Longevity of building
- Building equipment - Ozone depleting substances, Certificates of inspection of refrigerant containing equipment, planned preventative maintenance schedule, Insulation, Plant upgrade
- Renewable energy - Low and zero carbon (LZC) technologies installed on site, potential for installing LZC technologies (include ground conditions for GSHP and solar shading
- Occupier wellbeing -Neutral ventilation/local controls, Showers/changing facilities, Recreation space and facilities, Local amenities
- Transport - Proximity to public transport, Parking facilities, Cycle storage facilities, Cycle lanes, Footpaths, Green travel plans
- Property Management - Environmental Management Systems in place (landlord and tenants), Measurement and benchmarking, Environmental Manager, Memorandum of Understanding/Green Lease provision, Planned preventative maintenance schedule, Tenant participation in sustainability, Nuisance issues.

In terms EPC's we will ensure that any asset we purchase with an E, F or G rated EPC has the potential to be upgraded to a D rating over time, and to achieve a minimum of an E rating by April 2018. If a vendor will not provide the EPC software file for the EPC certificate produced, then we will produce our own EPC as part of our due diligence process on all properties over 1,000m2. We have found a number of EPC's on acquisitions, have not been accurate or reliable, and so we review EPCs on every acquisition. We will also undertake our own EPC on any property, once it has been bought, where we perceive a risk as to the reliability of the EPC or where the original software file for the EPC is not provided by the vendor.

PR 04.3	Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process, and list up to three examples per issue.
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- Environmental
  - Energy efficiency

Environmental example 1, description
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We review the EPC of the property and carry out a new survey if required . If available we review operational energy and compare to industry

benchmarks ( CIBSE and REEB) to identify if the asset has been maintained correctly to date. Our due diligence reports also state energy efficiency measures which can be used to improve the operational energy consumption , with associated costs and paybacks. If applicable we then reduce our office ( price chip) in accordance of the costs we would need to spend to make the asset operate within energy efficiency Best Practise benchmarks.( REEB)

Energy supply, Flooding, GHG emissions

**Environmental example 2, description**

As part of our standard due diligence we always carry out flood risk assessments and also risk assessments on the energy supply infrastructure. If an asset appears to be within a flood plan we then carry out detailed monitoring to establish the exact effect on our potential acquisition to determine the risks involved and identify any costs for climate adaption measures we would need to put in place. If appropriate these costs are reduced from our offer price.

Natural hazards

**Environmental example 3, description**

Our due diligence reports contain a full health and safety section which details any natural hazards or hazardous materials and the corrective measures we may need to take to alleviate or manage these .

- Social
  - Building safety and materials
  - Accessibility
  - Health, Safety and wellbeing
- Governance
  - Regulatory
  - Conflicts of interest
  - Anti-bribery & corruption

No

PR 05	Voluntary	Additional Assessed	PRI 1,3
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Private

PR 06	Mandatory	Core Assessed	PRI 1
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**PR 06.1 Indicate if ESG issues impacted your property investment selection process during the reporting year.**

- ESG issues helped identify risks and/or opportunities for value creation
- ESG issues led to the abandonment of potential investments
- ESG issues impacted the investment in terms of price offered and/or paid
- ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ESG issues were considered but did not have an impact on the investment selection process
- Other, specify
- Not applicable, our organisation did not select any investments in the reporting year
- We do not track this potential impact

**PR 06.2 Indicate how ESG issues impacted your property investment deal structuring processes during the reporting year.**

- ESG issues impacted the investment in terms of price offered and/or paid
- ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ESG issues were considered but did not have an impact on the deal structuring process
- Other, specify
- Not applicable, our organisation did not select any investments in the reporting year
- We do not track this potential impact

**PR 06.3 Additional information.**

**WHY RISK MANAGEMENT MATTERS**

Our investments are not short term. 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. This means taking a robust approach to sustainability risk management and ensuring our portfolio is durable in the long term. This process also informs our plans to improve a given property's sustainability, enabling us to mitigate against any risks we identify in this process when we refurbish properties.

**HOW WE'RE RESPONDING**

We commissioned a third-party consultancy, Upstream Sustainability Services, to conduct a strategic review of the existing sustainability systems and procedures to include social and risk management as part of our sustainability strategy. As a result of this review, we now have in place a process that covers risk criteria relating to environmental, social and economic sustainability of assets. We review all new assets against these criteria, and also use them to look at sustainability risks in our existing portfolio. Not only do the criteria cover a number of different issues, they also take an issue such as flood risk and examine it from more than one angle – in this example, looking at local roads' or power stations' vulnerability to a flood. The fact that we apply these criteria across our portfolio brings many benefits, many of which are economic. At a micro level, we save costs – for example, in an area prone to droughts, we avoid landscaping or over-use of turf to keep water bills low. However, across our portfolio, this property-by-property insight on an asset's sustainability risks enables our fund managers to better understand the overall risk profile and potential performance of the fund.

**WHAT OUR STAKEHOLDERS SAY**

Our stakeholders and clients increasingly expect us to integrate sustainability into our investment considerations and we believe that, in future years, sustainability will be a core element of an Investment Managers responsibility.

**ASSET VALUE PROTECTION**

We are already seeing evidence of price negotiations on properties with poor Energy Performance Certificate (EPC) values and legislation means that those rated F or G may have considerable costs associated with the legislative need to upgrade.



TENANT ATTRACTION AND RENTAL INCOME Many tenants, particularly those with strong, embedded CSR initiatives, are actively assessing the sustainability of the space they either intend to lease or are already leasing. This is where we see a range of opportunities to help improve the building's sustainability credentials.

PR 07	Mandatory	Core Assessed	PRI 4
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**PR 07.1** Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.

Yes

**PR 07.2** Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.

Selection process of property managers incorporated ESG issues

**Types of actions**

- Request explanation of how ESG is effectively integrated, including inquiries about governance and processes
- Request track records and examples of how the manager implements ESG in their asset and property management
- Discuss property level out-performance opportunities through greater integration of ESG criteria
- Request explanation of engaging stakeholders on ESG issues
- Other, explain

**Coverage**

- >75% to 100%
- >50% to 75%
- <50%

Contractual requirements when appointing property managers includes ESG issues

**Types of actions**

- Include clear and detailed expectations for incorporating ESG
- Require dedicated ESG procedures in all relevant asset and property management phases
- Clear ESG reporting requirements
- Clear ESG performance targets
- Other, explain

**Coverage**

- >75% to 100%
- >50% to 75%
- <50%

Monitoring of property managers covers ESG responsibilities and implementation

**Types of actions**

- Performance against quantitative and material environmental / resource targets over specified timeframe.
- Performance against quantitative and material environmental / resource targets against relevant benchmarks
- Performance against quantitative and qualitative targets to address social impacts of the portfolio/investment,
- Other, explain

**Coverage**

- >75% to 100%
- >50% to 75%
- <50%

No

**PR 07.3** Provide a brief description of your organisations selection, appointment and monitoring of third party property managers and how they contribute to the management of ESG issues for your property investments.

All our property manager tenders require sustainability to be a significant element in the selection and appointment of property managers. Our screening process will initially ensure capability, resources and adequate systems. As part of our property managers services we require:

- Receive update reports from external property/ asset managers
- Regular meetings with external property /asset managers
- Checks performed by organisation employees
- Checks performance by external consultants.
- Check external suppliers/and or service providers' alignment with applicable professional standards
- Supplier survey

In specific terms each managing agent is required to undertake the following sustainability services as part of their managing agent agreement.

1.Support the delivery of the Adviser's Sustainability Agenda as set out in the LGP Sustainable Property Investment Strategy as amended from time to time, aspiring to sustainability best practice, minimise environmental risks and seek to continually reduce the environmental impacts in order to enhance the environmental credentials of Properties.

2. Prepare all relevant multi-let Properties for ISO14001 to achieve accreditation by the Advisor's consultant and load all necessary sustainability information onto the Advisor's document handling system (currently TrackRecord).

3. Before the beginning of the calendar year, propose annual energy consumption targets for each Property consistent with the following best practice in descending order:

-Real Estate Environmental Benchmark (REEB), if a suitable/qualifying office property.

-CIBSE best practise energy benchmarks.

-2% p.a. reduction in energy consumption compounded from the later of 2010 or the date of acquisition of the property.

Agree Property targets with the Advisor, document such targets within the QSR (see (vii) below) , giving any reasons as to why best practice cannot be met if applicable and demonstrate effective management of initiatives to achieve the agreed targets.

If it transpires during a calendar year that a target becomes impossible to achieve for any reason, propose and agree a revised target with the Adviser and document within the QSR

4. Prepare, agree with the Advisor, maintain and load on to Track Record for each relevant Property an Asset Sustainability Plan (ASP) in an agreed format detailing every sustainability measure that could be applied to the Property to improve the sustainability performance over a 5 year period with budget costs, payback estimates and measures prioritised year by year to include travel plans, biodiversity plans, tenant liaison and community engagement plans, where appropriate and load onto TrackRecord.

5. Prepare, agree with the Advisor, maintain and load on to TrackRecord for each relevant Property an Annual Sustainability Action Plan (ASAP) in an agreed format detailing prioritised initiatives to improve the sustainability performance of each Property for the year in question. Such plans should be coordinated with annual fund strategy reports (where provided), planned maintenance plans and service charge budgets (where applicable) and should include provisions for the optimisation of all mechanical and electrical installations, together with capital cost proposals and payback estimates to upgrade Energy Performance Certificates (EPC's).

6. Utilise Advisor's preferred energy monitoring and targeting system (M&T system) to measure, monitor, verify and normalise electricity, gas, water, carbon and waste recycling data, in accordance with the Greenhouse Gas Protocol, at Property, Fund and Portfolio level providing Quarterly Sustainability Reports (QSR's) with RAG reports in a format to be agreed showing performance against agreed targets and benchmarks with exceptions analysed. Include QSR's within each quarterly Asset or Property Management report and load onto TrackRecord. Supply all source data on request.

Supply half hourly (HH) data exception reporting consumption profile graphs for each property with landlord or sub-metered energy and HH meter comparing consumption with an agreed target to the Property Manager and any Facilities Manager in order to optimise energy consumption and manage M&E contractors, or BMS sub-contractors. Provide on-line access to the M&T system to the Advisor on request

Supply accurate weekly reports to the Advisor as agreed with the Advisor detailing consumption across all energy and water meters across all properties to meet the Advisors corporate reporting requirements.

7. Enforce tenant's covenants with respect to green lease clauses and enhance the perception of assets to support improved investment performance. Undertake tenant sustainability engagement on a regular basis and at least annually in accordance with Section 7 of the LGP Sustainable Property Investment Strategy March 2014, as amended from time to time and report to the Contracting Body quarterly .

8. When undertaking inspections, endeavour to take or otherwise procure tenant meter readings at least annually, except where access to tenant occupied premises cannot be obtained or is denied. Collate and supply this information in an agreed format.

9. Take sub-meter readings from tenants for multi-let offices and provide data in a format to be agreed with the Advisor.

PR 08	Mandatory	Gateway	PRI 2
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PR 08.1	Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.
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✓ Yes

PR 08.2	Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.
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- We consider ESG issues in property monitoring and management
- We consider ESG issues in property developments and major renovations.
- We consider ESG issues in property occupier engagements
- We consider ESG issues in community engagements related to our properties
- We consider ESG issues in other post-investment activities, specify

We ensure ESG targets and monitoring are placed in our managing agents supply chain and measures of social value are undertaken across each fund

PR 08.3	Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets.
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Our policy is to employ best practice techniques in all areas of sustainability in order to minimise environmental impacts, maximise social benefits and enhance asset value. Reducing environmental impacts allows us to deliver lower service charge for tenants and better returns for investors, avoiding unnecessary expenses arising from purchases, disposals or ever growing, sustainability legislation. Best practice tenant liaison on sustainability issues, also allows us to develop better relationships with tenants and understand their future needs, so leading to improved tenant retention and possibly attraction. A number of comprehensive initiatives have already been put in place, to strengthen our portfolio, as follows:

- Energy Performance Certificates (EPC's) on all applicable assets
- 100% of service charge properties with ISO 14001 accreditation.
- Adopting 'green' clauses into our standard lease since 2011.
- BREEAM excellent on all new developments and where possible on major refurbishments.
- Annual Reporting to GRESB, and Better Buildings Partnerships Real Estate Environment benchmarking (REEB).
- Asset Sustainability Plan (ASP) for all assets covering a long term strategic view
- Quarterly Sustainability Reports – for each asset and per fund, showing performance against targets.
- Annual sustainability action plans (ASAPs) with quantitative targets and quarterly reporting for every asset.
- Tenant Liaison procedures for sharing data and progressing annual action plans.
- Social value studies, health and well being assessments and embedded carbon studies

**Property Managers requirements**

Contracts state that they must support the delivery of LGPs sustainability agenda as detailed in the LGP Sustainable Property Investment Policy. In particular they are requested to:

--Seek to minimise the exposure to environmental risks of the Properties and strive to improve year on year the environmental impacts e.g. ISO14001, with all sustainability information loaded onto the TrackRecord system.

Ensure LGP sustainability targets agreed annually, are achieved at fund level (energy, water waste, carbon emissions, transport, biodiversity, tenant liaison and community engagement) via the production of Asset Sustainability Action Plans (ASAPs), Quarterly Sustainability Reports (QSRs) and data for industry surveys. Manage associated initiatives to improve sustainability across the portfolio.

-Provide training of all staff as necessary and monitor all suppliers with regard to sustainability by setting KPI's and providing bi-annual reports on performance against KPI's including suppliers annual carbon footprints.

--Support the fund in improving its EPC ratings, by managing specialist contractors and provide capital cost proposals to upgrade EPCs and other sustainability initiatives, and support LGP in innovative industry projects.

-Promote and implement green lease clauses and memoranda of understanding and undertake regular meter readings for energy and water. Undertake tenant liaison on a regular basis, in order to promote a 'whole building' approach to sustainability with tenants and implement MOU /green lease clauses.

#### Targets

We set targets at platform, fund and asset level and publish our platform targets. In addition best practise targets are set at an asset level, on an annual basis relating to the following quantitative areas:

-Energy consumption – normalised (kWh/m2 of NLA) and degree day corrected for heating, on like for like properties.

-Water - normalised (m3/m2 of NLA) on like for like properties.

-Waste/ Recycling – percentage sent to landfill on all landlords waste.

-Carbon Emissions – normalised (CO2/m2 of NLA) on like for like properties.

Targets are set for energy and water against a Baseline, based on the percentage of time the property is owned, across our long-term, 10 year, target period (1st January 2010 to 31st December 2010). A Baseline is created using the first 12 months of reliable data available for any asset, since the 1st January 2010. When assets are under 40% occupied, their baseline is removed and savings not included in our performance against target figures until they are over 40% occupied again. When assets are sold between LGP funds the original baseline is retained.

In terms of other areas of sustainability we target our performance against our objectives as follows:

-We Transport and Green Travel plans – A list of essential and optional measures are provided in our ASPs and an annual travel plan is drawn up at each managed site. Progress is monitored via our Quarterly Sustainability Reports (QSR's). See section (5.5) below.

Biodiversity plans - A list of essential and optional measures are provided in our ASP's and an annual biodiversity enhancement plan is drawn up at each managed site. Progress is monitored via our QSR's.

Tenant Liaison and tenant satisfaction – we have a set tenant liaison process, data reports and minutes of meetings which are all documented on track record. Our agents are also asked to conduct an Annual tenant satisfaction survey and analyse the results.

Community Engagement – A Community Action Plan is set by the Site Building Manager and Property manager, based on a series of guidelines from LGP and knowledge of previous activities.

Targets are set on an individual asset basis and collated at Fund level in order to set fund targets. These become part of each fund's annual strategy and are reported against, to each funds investors, on a quarterly basis.

#### Quarterly Sustainability Reports (QSR's)

Asset specific, Quarterly Sustainability Reports (QSR's), which cover energy, water, waste, carbon emissions, tenant liaison, community engagement, biodiversity, transport and show performance against set targets, are produced at an asset and fund level basis. This have recently been upgraded to follow the Better Building Partnership, Green Building Toolkit guidance and are produced by our managing agents via web based monitoring and targeting (M&T) software. A sample QSR is shown in Appendix 4.

The QSR shows current performance Year-to-Date, against targets for all quantifiable data. It also details baselines and the previous years performance. In other areas it details recent changes to transport and biodiversity plans, along with recent multi-tenant liaisons and community engagement activities.

The QSR's also include a one page traffic light report (RAG) showing process in implementing the Annual Sustainability Action Plan (ASP) through its various stages, as detailed in section 3.4. Any measures with an amber or red status are highlighted by the managing agents to the LGP asset manager and corrective actions taken and monitored, in order to ensure the required outcome is achieved.

No

PR 09	Mandatory	Core Assessed	PRI 2,3
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**PR 09.1** Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.

- >90% of property assets
- 51-90% of property assets
- 10-50% of property assets
- <10% of property assets

**PR 09.2** Indicate which ESG targets your organisation and/or property managers typically set and monitor

- Environmental

Target/KPI	Progress Achieved
20% carbon emission's saving against baseline by 2020	2018 performance achieved 22% saving
20% water saving against baseline by 2020	2017 performance achieved 21% saving
90% of waste diverted from landfill	2017 performance showed 95% of waste was diverted from landfill

Social

Target/KPI	Progress Achieved
<p>Ensure that every member of the property team has sustainability related objectives included in their formal Performance Objectives</p> <p>Ensure that all new employees in LGP undertake sustainability training and the existing employees receive regular updates on sustainability.</p> <p>Seek to have a positive impact on the communities around our assets and seek ways to measure social value. Report progress quarterly to the L&amp;G</p>	<p>All property related employees had ESG targets set as part of their appraisal process.</p> <p>All new employees received an ESG induction and bi-monthly workshops were held to update existing employees</p> <p>National methodology established for measuring Social Value with British Council of Offices. L&amp;G target set to measure Social Value of 20% of Real Assets</p>

Governance

Target/KPI	Progress Achieved
<p>Engage with investors, and investment agents to gather stakeholder feedback and promoted our belief that sustainability will enhance returns and minimise risk.</p> <p>Engage with as many occupiers as possible to gather stakeholder feedback and implement Asset Sustainability Action Plans (ASAPs) to improve the sustainability of our assets.</p> <p>Continue to submit data to legal and general corporate sustainability benchmarking initiatives ie: FTSE 4Good, UNPRI, BITC etc and the Better Building Partnerships, Real Estate</p>	<p>A full, independent stakeholder engagement exercise was carried out in 2017. A materiality assessment was undertaken in order to set the priorities for future targets.</p> <p>All occupiers were engaged with at least once during the year and all multi-let assets had an asset sustainability action plan, for which progress was</p> <p>All external surveys ( UNPRI, Carbon Disclosure Project, GRESB, FTSE4good and BBB REEB) were completed in order to assess our performance and compare it with</p>

We do not set and/or monitor against targets

**PR 09.3** Additional information. [Optional]

Our Sustainable Property Investment Framework aligns our practice with the principles set out in our Responsible Property Investment Policy. It is regularly reviewed by our Sustainable Property Investment Committee and is applied to all occupied properties. Our framework not only supports our ISO 14001 system, but ensures that best practice is adopted in all areas of sustainable property management. The framework consists of seven key stages, supported by procedures, templates and technical information, using the UK Better Building Partnership toolkits and other industry best practise standards, wherever possible. The areas are summarised below:

- **Policies and objectives** - Maintaining corporate, LGP, and fund policies and objectives across all aspects of responsible property investment.
- **Annual Action Plans and Targets** - Setting sustainability targets at asset level, fund level and across LGP which align with our publically stated targets and established industry practise. Using our Asset Sustainability Plan (ASP) toolkit for every asset to ensure that a long term sustainability plan is established for each asset.
- **Monitoring** - Quantitative data monitoring (Carbon Emissions, Energy, Water and Waste) monitoring via an industry standard M&T system and qualitative data via reports from our managing agents network of building and property managers.
- **Active management** – Undertaking the actions detailed in our Annual Action Plans and fund level objectives. This includes maintaining ISO 14001 accreditation, energy audits, reduction measures, renewable energy installations, tenant liaison activities, biodiversity and transport plans, community engagement activities and supply chain management.
- **Capital works and Acquisitions** – Following our policies and Implementation processes associated with all capital works and acquisitions, standard planned maintenance works.
- **Training and External benchmarking** – This includes all reactive and industry participation, internal update training to the compulsory Sustainable Property Investment course, developed with the College of Estate Management, training of our key suppliers in our processes and various key technical training session. Participating in industry benchmarking initiatives such as GRESB, IPD EcoPAs, Upstream benchmarking, UPPRI and BBB benchmarking.
- **Reporting, communication and industry participation** – Disclosure of our performance via an annual report, and communication of our performance via industry case studies, journal articles and quarterly / annual fund reports to investors. Participating in industry activities to help further legislation, industry techniques and general understanding of responsible property investment.

PR 10	Voluntary	Descriptive	PRI 2
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Private

PR 11	Mandatory	Core Assessed	PRI 2
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**PR 11.1** Indicate the proportion of active property developments and major renovations where ESG issues have been considered.

- >90% of active developments and major renovations
- 51-90% of active developments and major renovations
- 10-50% of active developments and major renovations
- <10% of active developments and major renovations
- N/A, no developments and major renovations of property assets are active

**PR 11.2** Indicate if the following ESG considerations are typically implemented and monitored in your property developments and major renovations.

- Environmental site selection requirements
- Environmental site development requirements
- Sustainable construction materials
- Water efficiency requirements
- Energy efficiency requirements

- Energy generation from on-site renewable sources
- Waste management plans at sites
- Health and safety management systems at sites
- Health and wellbeing of residents
- Construction contractors comply with sustainability guidelines
- Resilient building design and orientation
- Other, specify

**PR 11.3** Additional information. [Optional]

We focus on delivering the dual priorities of maximising return to investors and the improvement in sustainability credentials. In 2006 we overhauled our investment process to assess all properties against a set of stringent sustainability criteria, cementing the role such factors play in determining stock selection and shaping recommendations on improvements. Each planned development or refurbishment project is undertaken with a view to achieving the best sustainability outcomes. We have set guidance to direct project delivery teams to consider more sustainable design, including the selection of materials, which can significantly improve the sustainable performance of assets.

All of our contractors are required to build sustainability considerations into all proposals and our process stipulates that at all stages of the project the highest consideration will be given to sustainability, striving to:

- Improve the sustainability profile of any project over and above any statutory requirement, minimum using best practice
- Achieve a minimum BREEAM Excellent on all new developments and major refurbishments
- Agree sustainability objectives on initial conception and continuously review, update and report on throughout delivery

This approach ensures that environmental and social considerations are fully integrated, whilst appropriate material design and selection from the outset reduces the future costs associated with making a property more sustainable. To build on our understanding of the impact of these works we have also commissioned a pilot study by the New Economics Foundation to calculate the Social Return on Investment arising from our development activities

When acting as a client, on behalf of any Fund, undertaking development activity, refurbishment or added value capital works is committed to a sustainable investment policy within the context of LGP's Sustainable Property Investment Policy and the Group Corporate Social Responsibility (CSR) policy and objectives. The property development process, in its many forms, presents a unique combination of requirements, aspirations and constraints which sustainability forms an integral part of, and which will, inevitably, result in unique design and construction responses. Throughout this process the objective is that full consideration be given to the sustainability profile and impact of such activities, and where economically viable in the context of a property investment institution, improvements beyond any statutory requirement will always aim to be delivered. Our standard brief states that all stages of the project delivery process consideration will be given to sustainability in the context of the following principles:

- Seek to improve the sustainability profile of any project over and above any statutory requirement, minimum best practice or acceptable standard through identifiable and marketable documentation or accreditation e.g. EPC's, DEC's, BREEAM, LEED.
- Seek to agree sustainability targets and objectives from initial project conception, which are then continuously reviewed, updated and reported on throughout the project deliver process.
- Avoid over specification or complex design solutions and seek to achieve the optimum design response to anticipated end user requirements.
- Undertake BREEAM pre-assessments (or similar accredited assessment methodology) on all projects at feasibility stage and prepare recommendations for delivering sustainability improvements to the project.

For any new development or refurbishment process LGP has a set briefing process and contractor guidelines, which ensure a high quality of sustainability design and sustainability management during site works:

- Legal & General Property: Sustainability briefing guidelines for new build and refurbishment projects
- Legal & General Property: Sustainability guidelines for consultants and contractors

Furthermore, all improvements made to any of the properties in LGP's portfolio now require internal teams and external consultants to collectively plan for and demonstrate the optimal solution from a Sustainability perspective. All contractors are required to build sustainability into their proposals and supply chain processes.

**PR 12** **Mandatory** **Core Assessed** **PRI 2**

**PR 12.1** Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.

- >90% of occupiers
- 50-90% of occupiers
- 10-50% of occupiers
- <10% of occupiers

**PR 12.2** Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.

- Distribute a sustainability guide to occupiers
- Organise occupier events focused on increasing sustainability awareness
- Deliver training on energy and water efficiency
- Deliver training on waste minimisation
- Provide feedback on energy and water consumption and/or waste generation
- Provide feedback on waste generation
- Carry out occupier satisfaction surveys
- Health and wellbeing of residents
- Offer green leases
- Other, specify

**PR 12.3** Additional information. [Optional]

LGP believe that the only ways assets can become truly sustainable is if everybody involved in the ownership, management and occupation of an asset work together, in order to achieve common goals. As such our tenant liaison programme is multi-faceted and involves different communication channels depending on the nature of each tenant and the extent of their in-house teams/ professional advisors.

For Multi-Let Properties we have found the following processes to be most effective:

- Regular meetings –to discuss sustainability actions and issues on which landlord and tenant can co-operate. Minutes are taken and actions recorded.
- Data – sharing of Quarterly Sustainability Reports on every asset with all involved (occupants and suppliers).
- Annual Sustainability Action Plans (ASAP) – agreed with tenants and progress reported quarterly.
- Tenants Handbooks - Guidance for tenants available on our website and sent to every tenant periodically.
- Tenant refurbishments and fit outs (Licenses to Alter) –Plans checked by our managing agents and feedback given

For FRI tenants discussions are held with tenants by our managing agents and LGP asset managers. Our aim is to share data and establish if as a landlord we can help commission energy/ sustainability audits or help fund any improvement measures, where capital is a barrier. All discussions and tenant comments are recorded on a handheld tool, which is then downloaded to a website.

PR 13	Voluntary	Additional Assessed	PRI 2
PR 13.1	Indicate the proportion of all leases signed during the reporting year that used green leases or the proportion of Memoranda of Understandings (MoUs) with reference to ESG issues.		
<input checked="" type="radio"/> >90% of leases or MoUs <input type="radio"/> 50-90% of leases or MoUs <input type="radio"/> 10-50% of leases or MoUs <input type="radio"/> <10% of leases or MoUs <input type="radio"/> 0% of leases or MoUs <input type="radio"/> N/A, no leases or MoUs were signed during the reporting year			
PR 13.2	Additional information.		
<p>In order to ensure our principles and requirements are embedded from the start of the leasing process we amended our standard lease format in 2011 to include 'green' clauses, that demonstrate our continued commitment to sustainability. Our legal panel are issued with a memorandum of green lease principles that must be considered in the drafting of all standard leases, including clauses relating to the use of environmental contractors and upholding Energy Performance Certificates (EPCs). With a sustainability strategy centred on maximising the efficiency and sustainability of our portfolio, we recognise the fundamental importance of working with tenants to take these changes to the next level. Conditions set out in our green lease clauses include the agreement by both parties to meet regularly to discuss such issues as sharing energy, water and waste data and introducing annual action plans.</p> <p>However despite that fact that we include our green leases clauses in ALL leases put to tenants legal advisors, the majority of tenants/ tenant's lawyers, delete them and refuse to sign them. This is particularly true in the retail sector where tenants lawyers have reported that they do not have the fees provided to even be able to consider them!</p>			
PR 14	Voluntary	Additional Assessed	PRI 2
<i>Private</i>			
PR 15	Voluntary	Additional Assessed	PRI 1,2
<i>Private</i>			
PR 16	Voluntary	Descriptive	PRI 1,3
<i>Private</i>			

CM1 01	Mandatory	Additional Assessed	General
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CM1 01.1	Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone:
<input type="checkbox"/> Third party assurance over selected responses from this year's PRI Transparency Report <input checked="" type="checkbox"/> Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year <input type="checkbox"/> Third party assurance or audit of the correct implementation of RI processes (that have been reported to the PRI this year) <input checked="" type="checkbox"/> Internal audit of the correct implementation of RI processes and/or accuracy of RI data (that have been reported to the PRI this year) <input type="checkbox"/> Internal verification of responses before submission to the PRI (e.g. by the CEO or the board) <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above	

CM1 02	Mandatory	Descriptive	General
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CM1 02.1	We undertook third party assurance on last year's PRI Transparency Report
<input type="radio"/> Whole PRI Transparency Report was assured last year <input checked="" type="radio"/> Selected data was assured in last year's PRI Transparency Report <input type="radio"/> We did not assure last year's PRI Transparency report <input type="radio"/> None of the above, we were in our preparation year and did not report last year.	

CM1 02.2	Whole report was assured in last year's PRI Transparency Report
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Who has conducted the assurance	
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Please see previous question

Assurance standard used	
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- ISAE/ ASEA 3000
- ISAE 3402
- ISO standard
- AAF01/06
- AA1000AS
- IFC performance standards
- ASAE 3410 Assurance Engagements on Greenhouse Gas Statements.
- National standard
- Other

Level of assurance sought	
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- Limited or equivalent
- Reasonable or equivalent

Link to external assurance provider's report	
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[https://www.legalandgeneralgroup.com/media/2961/fyreport2018\\_242100698\\_lg\\_ar18\\_web.pdf](https://www.legalandgeneralgroup.com/media/2961/fyreport2018_242100698_lg_ar18_web.pdf)

CM1 02.2	Selected data was assured in last year's PRI Transparency Report
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What data has been assured	
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- Financial and organisational data
- Data related to RI activities
- RI policies
- RI processes (e.g. engagement process)
- ESG operational data of the portfolio
- Other

Relevant modules	
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- Organisational Overview
- Strategy and Governance
- Direct - Listed Equity Incorporation
- Direct - Listed Equity Active Ownership
- Direct - Fixed Income
- Direct - Property

CM1 03	Mandatory	Descriptive	General
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CM1 03.1	We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:
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- We adhere to an RI certification or labelling scheme

We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report

ESG audit of holdings

CM1 03.4

Describe the process of external/third party ESG audit of holdings, including which data has been assured.

We have internal and external audit controls for our ESG activities.

Other, specify

None of the above

CM1 04

Mandatory

Descriptive

General

CM1 04.1

Do you plan to conduct third party assurance of this year's PRI Transparency report?

Whole PRI Transparency Report will be assured

Selected data will be assured

We do not plan to assure this year's PRI Transparency report

CM1 05

Mandatory

Descriptive

General

CM1 05.1

Provide details related to the third party assurance over selected responses from this year's PRI Transparency Report and/or over data points from other sources that have subsequently been used in your PRI responses this year

What data has been assured

Financial and organisational data

Data related to RI activities

RI Policies

RI Processes (e.g. engagement process)

ESG operational data of the portfolio

Other

Relevant modules

Organisational Overview

Strategy and Governance

Direct - Listed Equity Incorporation

Direct - Listed Equity Active Ownership

Direct - Fixed Income

Direct - Property

Who has conducted the assurance

Internal and external auditor.

Assurance standard used

ISAE/ ASEA 3000

ISAE 3402

ISO standard

AAF01/06

AA1000AS

IFC performance standards

ASAE 3410 Assurance Engagements on Greenhouse Gas Statements.

National standard

Other

Level of assurance sought

Limited or equivalent

Reasonable or equivalent

Please provide:

[https://www.legalandgeneralgroup.com/media/2961/fyreport2018\\_242100698\\_lg\\_ar18\\_web.pdf](https://www.legalandgeneralgroup.com/media/2961/fyreport2018_242100698_lg_ar18_web.pdf)

[https://www.legalandgeneralgroup.com/media/2961/fyreport2018\\_242100698\\_lg\\_ar18\\_web.pdf](https://www.legalandgeneralgroup.com/media/2961/fyreport2018_242100698_lg_ar18_web.pdf)

CM1 06

Mandatory

Descriptive

General

CM1 06.1

Provide details of the third party assurance of RI related processes, and/or details of the internal audit conducted by internal auditors of RI related processes (that have been reported to the PRI this year)

What RI processes have been assured



- Data related to RI activities
- RI policies
- RI related governance
- Engagement processes
- Proxy voting process
- Integration process in listed assets
- Screening process in listed assets
- Thematic process in listed assets
- Investment selection process in non-listed assets
- Third party property manager SAM process
- Post-investment ESG activities for infrastructure and/or property assets
- Other

When was the process assurance completed(dd/ mm/yy)

30/04/2019

Assurance standard used

- IIA's International Standards for the Professional Practice of Internal Auditing
- ISAE 3402
- ISO standard
- AAF 01/06
- SSE18
- AT 101 (excluding financial data)
- Other