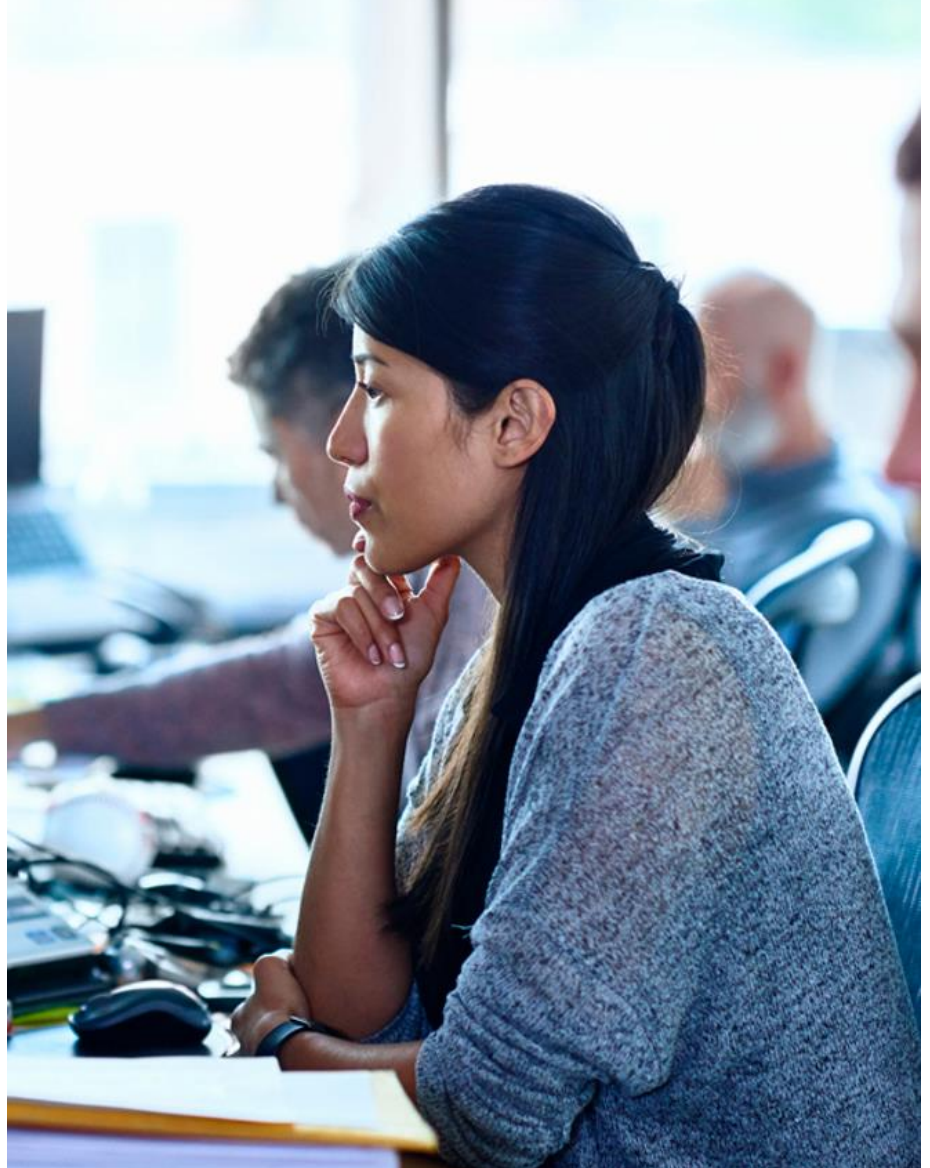


2021 UK Stewardship Code Summary



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Introduction

The **2021 Active Ownership Report** provides the fullest picture of our active ownership activities during 2021 in accordance with the 2020 UK Stewardship Code (Stewardship Code). For examples of our work during the year, we point the reader towards our **E, S and G sections** within the report and detailed **case studies** on the report's [landing page](#). The table below provides a short summary and references to the sections within the Active Ownership Report that demonstrate, in particular, how LGIM applies the 12 principles of the Stewardship Code.

LGIM submitted the 2021 Active Ownership Report to the Financial Reporting Council (FRC) in early 2022 for the FRC to review our disclosures on how we applied each of the Stewardship Code Principles in our investment stewardship activities during 2021. On 7 September 2022, the FRC published the [list](#) of confirmed signatories to the Stewardship Code which continues to name **LGIM as a signatory to the 2020 UK Stewardship Code**.

Stewardship Code Principles

Stewardship Code Principles	Sections within the report	Most relevant pages within the report
<p>Principle 1 – Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society</p> <p>LGIM’s purpose is to create a better future through responsible investing. Moreover, through our active engagement with companies, we seek to effect positive change in the businesses in which we invest and for society as a whole, in line with L&G Group’s vision of inclusive capitalism.</p>	<p>Foreword</p> <p>Responsible investment</p> <p>Responsible investment strategies</p> <p>Awards</p>	<p>3; 8-19; 108</p>
<p>Principle 2 – Signatories’ governance, resources and incentives support stewardship</p> <p>Our framework for responsible investing is based on engagement with consequences and active research across asset classes.</p> <p>Our Investment Stewardship team comprises 22 professionals with an average of 11 years’ experience in areas including responsible investment, investment stewardship, accounting and audit, impact investment and public policy. This makes the team well positioned to keep abreast of the latest policy, regulatory and industry developments globally.</p> <p>The Head of Investment Stewardship is a member of the LGIM board and reports directly to LGIM’s CEO. We believe this independent reporting line allows the team to manage internal conflicts, form views and take decisions in the long-term interests of clients.</p> <p>For more information, see the Investment Stewardship area on our website.</p>	<p>Responsible investment</p> <p>Policies & processes</p> <p>Conflicts of interest</p> <p>Voting & reporting</p> <p>Third-party service providers</p>	<p>8-19; 88-99</p>
<p>Principle 3 – Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first</p> <p>In our approach to responsible investing in general, and voting and engagement in particular, we aim to act in a manner consistent with the best interests of all clients.</p> <p>To mitigate potential internal conflicts, the Investment Stewardship team does not share line-management reporting lines with any of the LGIM investment desks, including the active equity or active fixed income teams.</p> <p>We have a Conflicts of Interest Policy, which is available on our website.</p>	<p>Conflicts of interest</p>	<p>98-99</p>

<p>Principle 4 – Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system</p> <p>We share a responsibility to ensure that global markets operate efficiently to protect the integrity of the market and address systemic risks, foster sustainable and resilient economic growth, and aim to protect the value of our clients’ assets.</p> <p>In 2021, we engaged in global policy dialogue on four key areas: sustainable and green finance; environment; social and governance.</p> <p>We engaged with policymakers around the world on more than 30 topics.</p>	<p>Foreword</p> <p>Policy advocacy & collaboration</p> <p>Case studies</p>	<p>3; 20-26; 28-81</p>
<p>Principle 5 – Signatories review their policies, assure their processes and assess the effectiveness of their activities</p> <p>LGIM’s Global Corporate Governance & Responsible Investment Policy sets out our expectations of investee companies and outlines our approach to voting and engagement.</p> <p>Our voting decisions are guided by policies that are painstakingly researched, set and fine-tuned every year. They incorporate specific market policies that allow for local nuances to align with best practice.</p> <p>All our policies are available on our website.</p>	<p>Foreword</p> <p>Stakeholder engagement</p> <p>Voting & reporting</p> <p>Policies & processes</p>	<p>3; 82; 88-90; 92-94</p>
<p>Principle 6 – Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them</p> <p>Transparency of our voting activity is critical for investee companies, clients and other interested parties to be able to hold us to account. As such, we provide daily updates of our historic vote decisions and rationales for all votes against management via our vote disclosure webpage. This website includes historic voting data from 1 January 2017.</p> <p>In addition to our annual Active Ownership Report, we publish quarterly ESG impact reports setting out our stewardship activities and outcomes for that quarter. The latest ESG impact reports can be found on our website.</p> <p>To ensure that our voting decisions are aligned with the wishes of our clients, we undertake regular meetings with the owners of the assets we manage. These provide our clients with assurance and knowledge, and allow us to obtain direct feedback on their experience and expectations.</p> <p>For a breakdown of AUM by asset class and region and LGIM’s client types, see pages 91 and 95 of the Active Ownership Report.</p>	<p>Foreword</p> <p>Responsible investment strategies</p> <p>Voting & reporting</p> <p>Policies & processes</p>	<p>3; 17-19; 83-95</p>
<p>Principle 7 – Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities</p> <p>In the face of looming challenges like climate change, ageing populations and technological disruption, we believe a different approach to managing capital is required – where responsible investing considerations are placed alongside the traditional metrics of risk and return.</p> <p>The Responsible Investment section of the Active Ownership Report demonstrate how we integrate ESG topics into our investment and stewardship activities. For more information on our approach, please read our Sustainability Policy.</p>	<p>Responsible investment</p> <p>Responsible investment strategies</p> <p>Environment</p> <p>One share one vote</p> <p>Policies & processes</p>	<p>8-19; 74; 83-87; 92-93; 96-97</p>

<p>Principle 8 – Signatories monitor and hold to account managers and/or service providers</p> <p>We use the voting information services of ISS and receive research reports on UK companies from IVIS, the research team of the Investment Association, as well as voting research from proxy adviser Glass Lewis. We use this analysis to augment our own research and proprietary ESG assessment tools, as well as data from providers including Refinitiv Eikon, Sustainalytics and BoardEx.</p> <p>We regularly review quality and timeliness of services offered by our data providers, to ensure that the quality of the data on which we base our voting decisions remains high and offers value for money.</p> <p>We undertake regular due diligence meetings with service providers in which we discuss issues such as timeliness and quality of their research and the application of our voting policy.</p> <p>For further information on how we use proxy advisory services, see our policy.</p>	Third-party service providers	96-97
<p>Principle 9 – Signatories engage with issuers to maintain or enhance the value of assets</p> <p>The Investment Stewardship team held 312 meetings or calls and 461 written engagements in 2021. These calls are normally attended by the sector lead and may include portfolio managers and active research analysts. Depending on the topic, a thematic expert may also be present, for example, on remuneration, health and human rights or climate change.</p> <p>The team engaged most frequently on climate change; for a breakdown of topics discussed and companies most frequently engaged with, see pages 84-87 of the Active Ownership Report.</p> <p>For more detail on how the team prioritises engagement across asset classes, please see our Engagement Policy.</p>	Responsible investment Policy advocacy & collaboration Active engagement Case studies	8-19; 20-26; 28-81; 83-87
<p>Principle 10 – Signatories, where necessary, participate in collaborative engagement to influence issuers</p> <p>We regularly work with peers, industry groups, NGOs, academia and civil society to drive change through collaboration. LGIM is a member or supporter of multiple associations and initiatives working on ESG themes, a list of which is included on page 25, and examples of our work are provided in a number of case studies.</p>	Foreword Policy advocacy & collaboration Case studies	3; 20-26; 30; 36-37; 41-48; 56-61; 70-73
<p>Principle 11 – Signatories, where necessary, escalate stewardship activities to influence issuers</p> <p>We actively engage with investee companies on ESG issues, and work with policymakers, regulators, industry peers and our stakeholders as we seek to raise overall market standards.</p> <p>We will vote against as part of our voting policy and will escalate our vote to address directors' accountability for governance failures by opposing their re-election in cases where our concerns are severe or repeatedly ignored. In certain funds, we will divest from companies that fail to meet our minimum standards.</p> <p>We demonstrate our escalation steps through engagement programmes such as the Climate Impact Pledge and our recent ethnic diversity campaign, as well as through our voting and in individual case studies.</p>	Responsible investment Voting statistics Case studies	8-9; 13; 28-81; 101-107
<p>Principle 12 – Signatories actively exercise their rights and responsibilities</p> <p>LGIM has full discretion over the vast majority of client portfolios. As such, LGIM votes with one voice on all shares for which it has authority to do so. We vote in developed and emerging market countries, covering the FTSE All-World Index.</p> <p>We use ISS's ProxyExchange voting platform to vote electronically to ensure, in markets where we have unimpeded voting rights, that no votes remain unexercised. We aim to keep abstentions to a minimum.</p> <p>In 2021, LGIM cast over 180,200 votes at over 15,400 meetings.</p> <p>We have specific custom voting policies at global and individual market levels; although we retain the ability to override any vote decisions that are based on our policy. Our voting stance differed from ISS recommendations in around 9% of votes cast last year.</p> <p>For 2021 voting statistics, see pages 101-107 of the Active Ownership Report.</p>	Responsible investment Active engagement Voting & reporting Policies & processes Voting statistics Case studies	8-19; 28-81; 83-93; 101-107

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