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# ESG Impact Report

Q1 2021

Active ownership means using our scale and influence to bring about real, positive change to create sustainable investor value

LGIM

# Our mission

To use our influence to ensure that:

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

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

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

# Our focus

### Holding boards to account

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

### Creating sustainable value

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

### Promoting market resilience

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

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# Action and impact

In the first quarter of 2021, we continued to focus our engagements with companies on the issues of executive pay and climate change, while also highlighting that the pandemic and growing global awareness of racial injustice have brought other societal inequalities to the fore.

## First lead independent director (LID) on a German board

Following on our experience of engaging with companies, regulators and other stakeholders globally, we believe the presence of a LID is indispensable to a well-run board as they play a key role in supporting the supervisory board chair and are also an independent counter-power. In 2018, LGIM initiated an engagement campaign with the supervisory board chairs of 18 DAX 30 companies to formally request that they appoint a LID on their supervisory boards. In addition, LGIM made the same request directly to the German Commission in charge of the review of the code of governance (Regierungskommission Deutscher Corporate Governance Kodex) during its last consultation in 2019, to ask for the recommendation to appoint a LID on supervisory boards to be introduced.

At its 2021 Annual General Meeting (AGM), Siemens Energy submitted to shareholders the appointment of Mr Hans Hubert Lienhard to the innovative new position of special independent director on its supervisory board, in a role with responsibilities which correspond to those of a LID.

LGIM pre-declared our voting intention to publicly support the decision taken by Siemens Energy* and also encourage this practice among other German companies.

## Holding caterer company Compass* to account on income inequality-related issues

Following the negative media coverage in the UK in January in relation to the content of free school meals distributed by Chartwells, a Compass Group subsidiary, LGIM joined an investor collaboration to hold the food and support services company to account. In a letter signed by investors representing a total of £3 trillion of assets under management, we publicly[1] wrote to Compass' CEO to demand an explanation and commitments from the company on the matter.

The CEO responded directly to us outlining the company's response, and we received some comfort about the various initiatives mentioned in the letter. We are monitoring the company's actions and will continue to engage with them.

## UK board effectiveness reviews

In January, the Chartered Governance Institute (ICSA), released a report[2] on board effectiveness reviews of listed companies, to which LGIM's Investment Stewardship team contributed, with our Director of Investment Stewardship sitting on the Steering Committee.

Many of our suggestions were taken into account and this document broadly aligns with LGIM's guide on board effectiveness reviews.[3] The report introduces:

- A code for board reviewers undertaking the review for FTSE 350 companies
- Principles of good practice for listed companies and other organisations using the services of external board reviewers
- Reporting on board performance reviews: Guidance for listed companies

We believe this development will further encourage and support the efficiency of board effectiveness reviews in the UK, a key mechanism of corporate-governance best practice.

## Taskforce on Nature-related Financial Disclosures (TNFD)

LGIM joined the TNFD Observer Group as a member in the first quarter of 2021. The TNFD seeks to provide a framework for corporates and financial institutions to assess, manage and report on their dependencies and impacts on nature. It also seeks to aid in the appraisal of nature-related risk and the redirection of global financial flows away from nature-negative outcomes and towards nature-positive outcomes. As an observer member, our primary contribution is to provide feedback on the output of the working groups, so as to help support the preparatory phase of the TNFD.

*References to any securities are for illustrative purposes only
1. https://citywire.co.uk/funds-insider/news/esg-managers-raise-rashford-meal-concerns-with-compass/a1450007
2. https://www.icsa.org.uk/assets/files/pdfs/Publications/board-evaluation_full-report.pdf
3. https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/board-effectiveness-reviews.pdf

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## Collaborative engagement on sustainable aquaculture

LGIM signed on to support the FAIRR investor engagement on sustainable aquaculture: managing biodiversity and climate risks in feed supply chains. As part of this initiative, we will encourage the world's largest salmon companies to develop strategic, science-based approaches to diversify their feed ingredient sources to better manage ESG risks associated with sourcing wild forage fish and soy. Companies will also be asked to disclose their strategies to diversify their feed ingredients towards lower impact and more sustainable alternatives.

Aquaculture remains the fastest-growing food-production sector, and accounts for over half of all fish consumed by humans. It, however, relies on the products of wild forage fish, where there is currently a lack of consensus on the extent to which fisheries can be exploited, which presents risks. We have written letters to the companies with our expectations and will follow these up with engagements, which will be discussed in future.

## UK executive pay

Every year LGIM undertakes multiple engagements related to the structure and quantum of executive pay. Executive pay structures raise concerns over income inequality, considering that on average CEO pay was 144x the average UK worker in 2019.[4]

We have provided some specific named examples of engagements on executive pay in this report. However, many of our most successful engagements on pay-related issues remain behind closed doors, given the sensitivity of the discussions. We would like to highlight one of these engagements and the outcome during the quarter.

Over the last two quarters we have engaged with a FTSE 100 company whose remuneration committee thought it was essential to grant a one-off award to an executive director. We have concerns regarding the use of this type of pay structure at our investee holdings, where total pay is already significant and in particular when a single person is rewarded, rather than a whole team, for a achieving a set goal. We engaged with the company multiple times to dissuade the committee to make such an award, including escalating our discussions to the Chair of the Board and putting our concerns in writing. We were relieved when the company wrote to us and other shareholders to confirm that they would not be proceeding with the additional one-off award.

## Voting policy changes

As part of an annual process, this year we updated our global policies to require company boards to comprise at least 30% female representation. Our UK and North American policies take this one step further requiring the board to include at least one person with an ethnic minority background.

Other important updates include a requirement to ensure that the Chair of the Audit Committee has relevant financial expertise, regular rotation of the external audit partner and for a regular auditor tender process to be carried out with auditor refreshment every 20 years.

We ask all companies to help reduce global poverty by paying at least the living wage to employees and by ensuring their Tier 1 suppliers do likewise. The living wage is usually higher than the minimum wage set by local regulation, to ensure that a sufficient wage is being earned to meet basic household needs.

COVID-19 has disrupted a company's ability to hold a physical AGM. We believe the physical AGM is an important shareholder right and platform for any shareholder to be able to be attend, be heard by the entire board and hold the board accountable for their actions. Historically, LGIM has been opposed to virtual-only AGMs but is supportive of a hybrid model. In light of the pandemic, LGIM has relaxed its views to support a virtual-only AGM, where regulations make it illegal to hold a physical meeting. However, in these circumstances, we would encourage companies to take every effort to give all shareholders an opportunity to pose questions via any electronic means and to have those answered at the AGM.

There are other changes to our policies, which can be found on our website.

4. CIPD in Association with the High Pay Centre "Executive Pay in the FTSE 100 – Is Everyone Getting a Fair Slice of the Cake".

# Significant votes

We have adapted our approach to provide detailed information to our clients on significant votes on a quarterly basis.

**Company name:** Walgreens Boots Alliance, Inc.*

**Sector:** Food and staples retailing | **market cap.** $46.1 billion (Source: Refinitiv, as at /04/2021)

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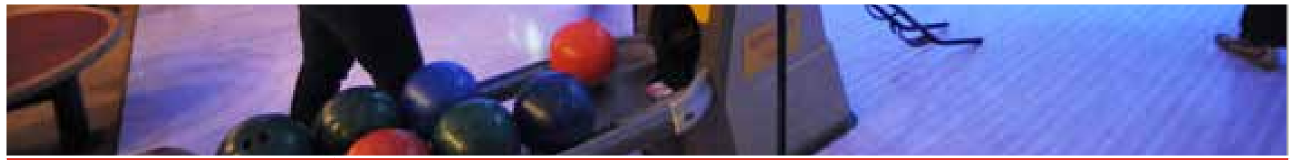
| **Issue identified:** | The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance.<br>This is an issue because investors expect pay and performance to be aligned. Exercising discretion in such a way during a year in which the company's earnings per share (EPS) declined by 88% caused a significant misalignment between pay and performance. |
| **Summary of the resolution:** | 'Resolution 3 – Advisory vote to ratify named executive officer's compensation'. AGM date – 28 January 2021 |
| **How LGIM voted:** | We voted against the resolution. |
| **Rationale for the vote decision:** | LGIM had a constructive engagement with the company in November 2020; however, it failed to mention the application of discretion during that call.<br>We found this surprising given the significant impact it had on compensation, which was discussed, giving the company an opportunity to raise this.<br>LGIM does not generally support the application of retrospective changes to performance conditions. Although the company was impacted by COVID-19, many of its shops remained open as they were considered an essential retailer.<br>The company did not provide sufficient justification for the level of discretion applied which resulted in the payment of 94,539 shares or approximately $3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares vesting. |
| **Outcome:** | The resolution failed to get a majority support as 52% of shareholders voted against. |
| **Why is this vote significant?** | It was high-profile and controversial. |

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.







**Company name:** Hollywood Bowl Group*

**Sector:** Travel & Leisure | **market cap.** £389 million (Source: Refinitiv, as at 21/04/2021)

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| **Issue identified:** | The bowling alley operator has been financially impacted by the COVID-19 pandemic. This resulted in staff being furloughed and the company not paying dividends to shareholders.<br>Despite this, the remuneration committee decided to exercise its discretion to allow for the performance period of the 2017 Long Term Incentive Plan (LTIP) award to be reduced from September 2020 to February 2020, to avoid having to factor in the financial consequences of the pandemic into the incentive plan. This resulted in the pro-rated LTIP vesting at 81% of salary. |
| **Summary of the resolution:** | Resolution 2 – approve remuneration report<br>Resolution 3 – re-elect Nick Backhouse as director<br>Resolution 7 – re-elect Ivan Schofield as director<br>Resolution 8 – re-elect Claire Tiney as director<br>AGM date - 27 January 2021. |
| **How LGIM voted:** | We voted against the remuneration report and escalated our concerns by a vote against all the members of the remuneration committee. |
| **Rationale for the vote decision:** | The remuneration committee did not consult with LGIM before taking the decision to retrospectively reduce the performance period of the LTIP. We applied our policy and sanctioned this practice by a vote against the remuneration report. Given the seriousness of our concerns and the precedent this could set, we decided to escalate our vote sanction by a rare vote against all members of the remuneration committee. |
| **Outcome:** | 47.7% of shareholders opposed the remuneration report (resolution 2) and 15.8% the re-election of the chair of the remuneration committee (resolution 8). |
| **Why is this vote significant?** | We voted against the remuneration report and escalated our concerns by a vote against all the members of the remuneration committee. |
| | The remuneration committee did not consult with LGIM before taking the decision to retrospectively reduce the performance period of the LTIP. We applied our policy and sanctioned this practice by a vote against the remuneration report. Given the seriousness of our concerns and the precedent this could set, we decided to escalate our vote sanction by a rare vote against all members of the remuneration committee. |
| | 47.7% of shareholders opposed the remuneration report (resolution 2) and 15.8% the re-election of the chair of the remuneration committee (resolution 8).<br>The other members of the remuneration committee (resolution 3 and 7) were only opposed by 4.2% and 4.0% of shareholders respectively.<br>LGIM will continue to monitor the company. |
| | We took the rare step of escalating our vote against all members of the remuneration committee given the seriousness of our concerns.<br>This highlights the importance of ensuring that executive remuneration remains in line with stakeholder experience. |

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**Company name:** AmerisourceBergen Corporation*

| **Sector:** Pharmaceuticals | **market cap.** $24.7 billion (Source: Refinitiv, as at 21/04/2021) |
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| **Issue identified:** | During the same year the company recorded a $6.6 billion charge related to opioid lawsuits, its CEO's total compensation was approximately 25% higher than the previous year.<br>By excluding the settlement costs, the Compensation Committee ensured executive pay was not impacted by an operating loss of $5.1 billion (on unadjusted basis).<br>LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance. |
| **Summary of the resolution:** | Resolution 3 - Advisory Vote to Ratify Named Executive Officers' Compensation<br>AGM date - 11 March 2021 |
| **How LGIM voted:** | We voted against the resolution. |
| **Rationale for the vote decision:** | We voted against the resolution to signal our concern over the overall increased compensation package during a year that the company recorded a $6.6bn charge related to opioid lawsuits and a total operating loss of $5.1 billion. |
| **Outcome:** | The resolution encountered a significant amount of opposing votes from shareholders, with 48.36% voting against the resolution and 51.63% supporting the proposal.<br>LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies. |
| **Why is this vote significant?** | LGIM considers it imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay, in particular if these would be detrimental to the executive director(s) in question. |

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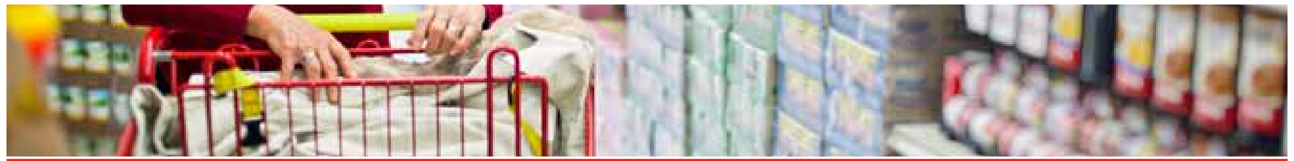

**Company name:** Imperial Brands plc*

| **Sector:** Consumer Goods | **market cap.** £13.9 billion (Source: Refinitiv, as at 01/04/2021) |
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| **Issue identified:** | The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions.<br>Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. |
| **Summary of the resolution:** | Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy<br>AGM date - 3 February 2021 |
| **How LGIM voted:** | We voted against both resolutions. |
| **Rationale for the vote decision:** | An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE 100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, we would expect companies to adopt general best practice standards.<br>Prior to the AGM, we engaged with the company outlining what our concerns over the remuneration structure were. We also indicated that we publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking. |
| **Outcome:** | Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support.<br>Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support.<br>LGIM continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association. LGIM annually publishes remuneration guidelines for UK listed companies. |
| **Why is this vote significant?** | We are concerned over the ratcheting up of executive pay; and we believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set. |

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| **Company name:** Toshiba Corp.* | |
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| **Sector:** Industrials Conglomerates | **market cap.** ¥1.91 trillion (Source: Refinitiv, as at 21/04/2021) |

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| **Issue identified:** | Toshiba Corp's extraordinary general meeting (EGM) was precipitated by a significant decline in trust between its shareholders and management team following recent controversies, including allegations of abnormal practices and behaviour by the company surrounding its July 2020 AGM. As a result, the company faced two independent shareholder resolutions at the EGM calling for it to introduce remedies that would restore confidence and trust in the company's governance, management and strategy. |
| **Summary of the resolution:** | Resolution 1- Appoint Three Individuals to Investigate Status of Operations and Property of the Company<br><br>Resolution 2 - Amend Articles to Mandate Shareholder Approval for Strategic Investment Policies including Capital Strategies<br><br>EGM date - 18 March 2021 |
| **How LGIM voted:** | We voted for the resolutions. |
| **Rationale for the vote decision:** | LGIM supported the resolution calling for the appointment of investigators to address doubts over the company's 2020 AGM conduct and vote tallying. We believe the enquiry, which is unlikely to be a burden on the company, will be an important step in rebuilding trust between shareholders and the company's executive team and board. We also supported the shareholder resolution mandating the company to present its strategic investment policy to a shareholder vote in order to send a clear message to the Toshiba Board and executive team: shareholders expect increased transparency and accountability. |
| **Outcome:** | Resolution 1 was passed with 57.9% of participating shareholders in support. The company promptly put investigators in place and set up a confidential hotline for any individuals who are willing to provide information.<br><br>Resolution 2, in respect to the company's capital allocation and strategic investment policy received 39.3% support and did not pass. However, the vote serves to send a clear signal to the board and executive team that shareholders expect increased transparency and accountability. |
| **Why is this vote significant?** | The vote was high profile and controversial. |

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| **Company name:** Tyson Foods* | |
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| **Sector:** Food Producer | **market cap.** $28.6 billion (Source: Refinitiv as at 21/04/2021) |

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| **Issue identified:** | A shareholder-led resolution requested that the company produce a report on Tyson's human rights due diligence process.<br><br>The pandemic highlighted potential deficiencies in the application of its human rights policies. The following issues have been highlighted as giving grounds to this assessment: strict attendance policies, insufficient access to testing, insufficient social distancing, high line speeds and non-comprehensive COVID-19 reporting.<br><br>Furthermore, according to the ISS AGM Benchmark report, there have been over 10,000 positive cases and 35 worker deaths. As such, the company is opening itself up to undue human rights and labour rights violation risks.<br><br>Tyson is already subject to litigation for wrongful death of an employee filed by the family of the deceased. Additionally, there is a United States Department of Agriculture complaint for failure to protect employees of colour who are disproportionately affected by Covid-19, and two Federal Trade Commission (FTC) complaints for misleading representations about worker treatment, the nature of relationships with farmers, and conditions at poultry farms in its supply chain. |
| **Summary of the resolution:** | Resolution 4 – Report on Human Rights Due Diligence<br><br>AGM date - 11 February 2021 |
| **How LGIM voted:** | LGIM supported the resolution. |
| **Rationale for the vote decision:** | LGIM believes that companies in which we invest our clients' capital should uphold their duty to ensure the health and safety of employees over profits.<br><br>While the company has health and safety, and code of conduct, policies in place and may have introduced additional policies to protect employees during the pandemic, there was clearly more it could have done. This is indicated by the reported complaints and rates of infection among its employee population.<br><br>We believe that producing this report is a good opportunity for the board to re-examine the steps they have taken and assess any potential shortfalls in safety measures so that they can improve controls and be better prepared for any future pandemic or similar threat. |
| **Outcome:** | The resolution failed to get a majority support as only 17% of shareholders supported it. |
| **Why is this vote significant?** | Our clients were particularly interested in the outcome of this vote. |

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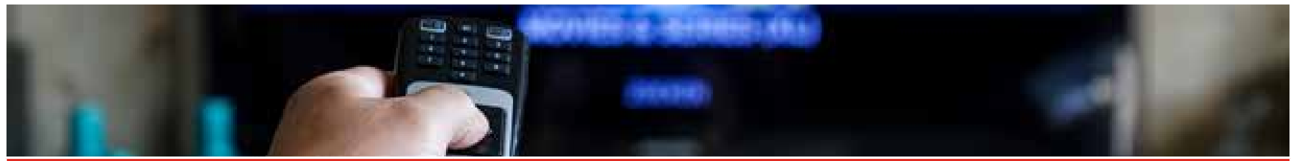

| **Company name:** Future plc* | |
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| **Sector:** Media & Entertainment | **market cap.** £2.8 billion (Source: Refinitiv, as at 21/04/2021) |
| **Issue identified:** | The company proposed a bonus scheme that could award its chief executive just over £40 million. The Value Creation Plan could pay out up to £95 million in stock-based awards annually over three years to employees, based on total shareholder return and dividends.<br>We had concerns around the potential increase in total quantum, as the proposed plan does not comply with LGIM's pay policy. |
| **Summary of the resolution:** | Resolution 3 – Approve Remuneration Report<br>Resolution 4 – Approve Remuneration Policy<br>Resolution 10 – Re-elect Hugo Drayton<br>Resolution 18 – Approve Value Creation Plan<br>AGM date - 11 February 2021 |
| **How LGIM voted:** | We voted against the resolutions. |
| **Rationale for the vote decision:** | We did not engage with the company as we have clearly set out our expectations on remuneration in our principles document.<br>We voted against the remuneration report and policy as we did not consider there to be sufficient justification for the proposed increase to the LTIP, and the proposed plan does not comply with LGIM's published pay policy.<br>We voted against the value creation plan due to the potential increase in total quantum of pay.<br>We voted against the chair of the remuneration committee as we have current and previous concerns with the remuneration plans. |
| **Outcome:** | The resolutions received the below in votes against:<br>Resolution 3 – 35%<br>Resolution 4 – 27%<br>Resolution 10 – 10%<br>Resolution 18 – 35%<br>Whilst all resolutions passed, the company did receive significant votes against a number of these resolutions. |
| **Why is this vote significant?** | This was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny. |

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| **Company name:** Samsung Electronics* | |
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| **Sector:** Technology | **market cap.** ₩564.1 trillion (Source: Refinitiv, as at 21/04/2021) |
| **Issue identified:** | In January 2021, Lee Jae-yong, the vice chairman of Samsung Electronics and only son of the former company chairman, was sentenced to two years and six months in prison for bribery, embezzlement and concealment of criminal proceeds worth about ₩8.6 billion. Lee Jae-yong was first sentenced to five years in prison in August 2017 for using the company's funds to bribe the impeached former President Park Geun-hye.<br>While Lee was released from prison, he was not acquitted of the charges. Based on the court's verdict, Lee actively provided bribes and implicitly asked then president Park to use her power to help his smooth succession. The court further commented that the independent compliance committee established in January 2020 has yet to become fully effective. |
| **Summary of the resolution:** | Resolution 2.1.1 – Elect Park Byung-gook as Outside Director<br>Resolution 2.1.2 – Elect Kim Jeong as Outside Director<br>Resolution 3 – Elect Kim Sun-uk as Outside Director to Serve as an Audit Committee Member<br>AGM date: 17 March 2021 |
| **How LGIM voted:** | We voted against all three resolutions. |
| **Rationale for the vote decision:** | LGIM engaged with the company ahead of the vote. However, we were not satisfied with the company's response that ties have been severed. We are concerned that Lee Jae-yong continues to make strategic company decisions from prison.<br>Additionally, we were not satisfied with the independence of the company board and that the independent directors are really able to challenge management.<br>LGIM voted against the resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company. |
| **Outcome:** | The meeting results are not yet available. |
| **Why is this vote significant?** | This was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny and the sanction vote was a result of a direct or collaborative engagement. |

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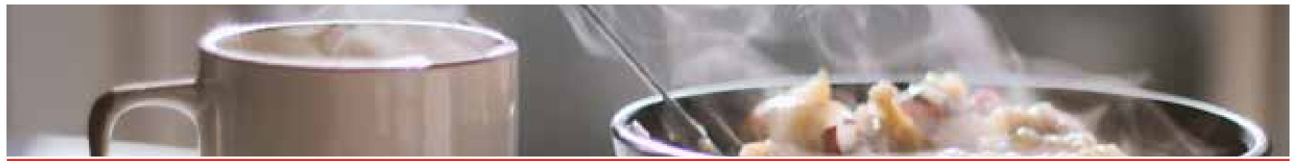

**Company name:** Mitchells & Butlers*

| **Sector:** Travel and Leisure | **market cap.** £1.7 billion (Source: Refinitiv, as at 21/04/2021) |
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| **Issue identified:** | Given the current COVID-19 restrictions and their impact on this pub & restaurant company's financials, the company sought shareholder approval for an equity raise through an underwritten Open Offer in March 2021.<br><br>Three of the company's major shareholders came together and consolidated their holdings under a new holding company, Odyzean Limited. They together hold approximately 55% of the issued share capital of Mitchells & Butlers and therefore the majority of votes. As well as taking up their own share of the Open Offer, the concert party committed to underwrite any remaining offer shares not taken up by existing shareholders. |
| **Summary of the resolution:** | Resolution 1: Authorise Issue of Equity in Connection with the Open Offer<br><br>Resolution 2: Authorise Issue of Shares Pursuant to the Open Offer at a Discount to Middle Market Price<br><br>Resolution 3: Authorise Implementation of Open Offer<br><br>These resolutions were presented at the company's special shareholder meeting held on 11 March 2021. |
| **How LGIM voted:** | We voted against all three resolutions. |
| **Rationale for the vote decision:** | We opposed Open Offer given our concerns about the influence of the newly incorporated holding company, Odyzean Limited, over our investee company's governance and the interests of minority investors. This concern was heightened by the announcement of expected changes to the structure and independence of the board as stated in the prospectus.<br><br>LGIM would have expected a fair traditional rights issue to protect minority investors. We also noted that the concert party was able to buy deeply discounted shares without paying a control premium through their underwriting of the open offer. |
| **Outcome:** | Only 6.8% of shareholders opposed these resolutions. LGIM will continue to monitor the company closely. |
| **Why is this vote significant?** | We have taken the rare step of opposing a capital raise given our serious concerns for minority shareholders' rights. |

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**Company name:** SSP Group plc*

| **Sector:** Consumer Discretionary - Travel and Leisure | **market cap.** £2.5 billion (Source: Refinitiv, as at 21/04/2021) |
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| **Issue identified:** | **Issue 1 – remuneration-based**<br><br>Many companies, especially those operating in sectors particularly hard-hit by COVID-19, have in the last year sought to introduce alternative long-term share incentives.<br><br>Where performance-based awards are replaced with time-vested shares (restricted shares), which exhibit a higher likelihood of vesting, we expect the award opportunity to be significantly reduced to take account of the increased value.<br><br>Institutional guidelines note a minimum 50% discount as an appropriate starting point. However, best market practice has since evolved to take account of any substantial reduction in the share price year-on-year to ensure that potential windfall gains when the market recovers are avoided.<br><br>At SSP Group, whilst the remuneration committee proposed a 50% discount, it did not further reduce the award size despite the share price not having sufficiently recovered, lingering below 50% of the pre-pandemic price. Thus, the proposed award size would actually be larger than the number of pre-COVID-19 shares previously offered under the LTIP, despite its likelihood of vesting having increased dramatically.<br><br>**Issue 2 – share issuances without adequate shareholder protections**<br><br>At a capital raising by SSP Group in June 2020 – in the height of the coronavirus pandemic – the company issued additional capital through a legal structure that bypassed shareholder pre-emption rights. |
| **Summary of the resolution:** | Resolutions 3 and 4 – Approve Remuneration Policy and Restricted Share Plan (RSP)<br><br>Resolutions 15-17 – Approve general share issuance authorities<br><br>AGM date - 25 March 2021 |
| **How LGIM voted:** | LGIM voted against the introduction of the RSP (Item 4) and the Remuneration Policy (Item 3).<br><br>We also voted against the share issuance authorities (Items 15-17) given that we considered that the company had misused similar authorities during the previous year. |
| **Rationale for the vote decision:** | The proposed RSP award size (in number of shares) represented a potential increase in time-vested shares offered compared to the pre-COVID-19 award of performance-based LTIPs, this is not in line with our policy and did not warrant support. We were involved in the pre-vote consultation and fed back our views accordingly.<br><br>Additionally, we believe that the SSP Board took advantage of a loophole in the UK Companies Act that was possible within its general share issuance authority approved by shareholders at the 2020 AGM. A vote against the renewal of such authority was therefore warranted. |
| **Outcome:** | Resolution 3: 9.79% votes against, with a further substantial number of abstain votes.<br><br>Resolution 4: 10.25% votes against.<br><br>Resolution 15: 21.77% votes against. |
| **Why is this vote significant?** | Ahead of the AGM, there had been rumblings from investors regarding the proposed RSP award size.<br><br>But more importantly, the move away from performance-based share incentive to time-based awards, which vest subject to no further performance targets, is concerning and can set a dangerous precedent if not appropriately discounted.<br><br>The high vote against the standard share issuance authority (Item 15) demonstrates shareholders' concern with capital raises that may lead to shareholders suffering dilution. |

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

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# Case study: Amazon*

**Sector:** Communications.
**Market cap:** $1.68 trillion (source: Refinitiv, as at 21/04/2021)

## What was the issue?

It came to our attention through some of our asset-management peers that Amazon had been accused of interfering with efforts by its workers to unionise, ahead of a vote by workers in an Alabama facility on unionisation.

## What did LGIM do?

We signed a letter to Amazon along with more than 70 other investors with collective assets under management (AUM) of $6.4 trillion, to emphasise the role that worker representation plays in supporting companies in identifying and managing operating risks. We highlighted that Amazon should meet the expectations set out in the UN Guiding Principles on Business and Human Rights, and that as an internationally recognised human right, workers should be free to exercise their freedom of association and right to collective bargaining.

We set out the expectation that Amazon should have in place policies and processes appropriate to its size and circumstances, including:

(a) A policy commitment to meet their responsibility to respect human rights

(b) A due diligence process to identify, prevent, mitigate and account for how the company addresses its potential impacts on human rights

(c) Processes to enable the remediation of any adverse human rights impacts Amazon causes or to which it contributes

## Outcome

It is against this background and with these expectations, that we applaud the launch by Amazon of its Global Human Rights Principles. Through this policy, we have taken note of the company's commitment to The UN Guiding Principles on Business and Human Rights, which in turn recognise the fundamental right of workers to exercise their right to organise, should they choose to do so. We are also encouraged by the announcement that Amazon has commissioned a human rights impact assessment by an external consultant.

However, in spite of these initiatives that have been announced and following discussions with Amazon's Head of ESG Engagement, we remain concerned that the company has yet to demonstrate how it meets the commitments that it has set, not only with respect to human rights but also to transparency and stakeholder engagement. Our engagement with the company continues.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

# LGIM's engagement campaign on ESG transparency

As a long-term investor with an active ownership approach, LGIM is an advocate for greater ESG transparency. Given the growing consensus on the financial materiality of ESG factors, many investors like LGIM are increasingly seeking to integrate them within their investment processes. In order to accurately understand risks and opportunities, investors need access to relevant, comparable, consistent, and verifiable ESG data across markets regardless of size, geography or asset class; in other words, better transparency from companies on their ESG performance.

However, access to what is considered 'non-financial' and ESG information has been traditionally overlooked, mostly because such information was rarely included in the annual reports or seen by the auditors. We believe ESG transparency is a responsibility which belongs to the board of directors. They need to ensure their company's ESG credentials can be appropriately used by markets so they can efficiently price in this information.

Therefore, as previously announced, LGIM is stepping up its commitment to foster greater ESG transparency within markets. From 2022, LGIM will be voting against the chair of the board of all LGIM Transparency score laggards (LGIM ESG Score).

This means that we will sanction companies not providing an overall minimum level of disclosures on the following metrics:

- ESG reporting standards
- Verification of ESG reporting
- Scope of greenhouse gas (GHG) emissions
- Tax disclosure
- Director disclosure
- Remuneration disclosure

Performance on each of these metrics is assessed by third-party provider Sustainalytics. For further information on each of these key criteria, please refer to our public ESG score methodology document. Our investee company scores are publicly available on our website.

## Engagement before sanction

Whilst the expected disclosures are very standard ESG requirements, we chose to give our investee companies one year following our sanction announcement so that they can improve their disclosures and/ or check the data held by our third-party provider. We have sent engagement letters to 101 investee companies, a target group of the biggest companies we hold which have a low Transparency score ('T score').

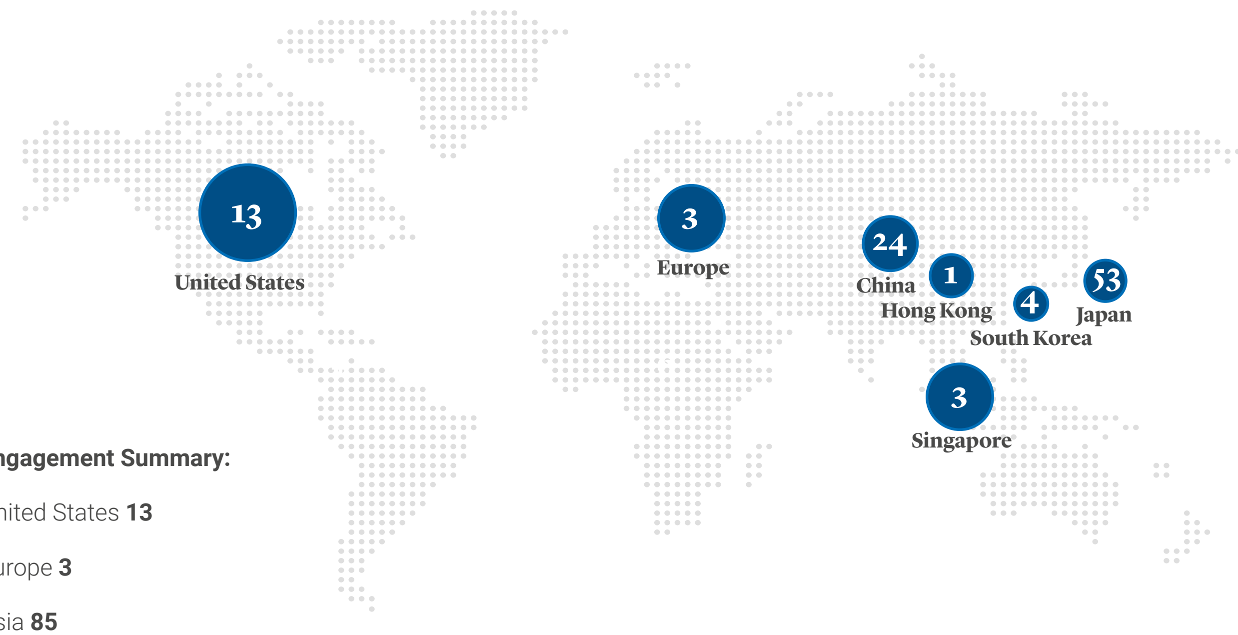
The financial community and various stakeholders increasingly rely on ESG data provided by third party providers. Inaccurate ESG information held by a third-party provider and used by the investment community might result in markets inaccurately pricing company shares or bonds. ESG laggards are likely to be penalised by the markets; it is therefore important that boards step up on this issue and make sure the information third-party providers have on their companies is accurate and that investors can use it.

Our engagement campaign aims at creating this awareness among boards and the sanction to incentivise them to improve the quality of their ESG disclosure, including both the company's own ESG reporting and ESG data held on them by data providers.





**Engagement Universe**




**Engagement Summary:**

United States **13**

Europe **3**

Asia **85**

## Measuring the impact of our engagement

Using a similar approach as for our previous transparency campaign in 2019 and 2020, we aim to report on the result of our engagement to our clients.

## Focus on corporate ESG disclosures in Asia

As part of this engagement campaign, LGIM sent engagement letters to 81 investee companies listed in five Asian markets – China, Hong Kong, Japan, Singapore and South Korea.

In the first of a series of blogs, we provide further details as to why our engagement with our investee companies in this region on the topic of ESG transparency matters:

**A closer look at Asia**
https://www.lgimblog.com/categories/esg-and-long-term-themes/lgim-s-engagement-on-esg-transparency-a-closer-look-at-asia/

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# Sustainability engagements

We continue to engage with companies, policymakers and other investors to promote sustainability.

### Zeroing in on net zero

We continue our engagement with high-carbon industries around their strategies for the energy transition.

**BP***, with whom LGIM co-leads engagements under the multi-trillion-dollar Climate Action 100+ investor coalition, has made a series of new announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US.

As a reminder, our recommendation for the oil and gas industry is to primarily focus on reducing its own emissions (and production) in line with global climate targets before considering any potential diversification into clean energy. BP had previously announced that it would be reducing its oil and gas output by 40% over the next decade, with a view to reaching net-zero emissions by 2050.

In an update on their net-zero strategies, **Royal Dutch Shell*** has also announced they expect their overall carbon emissions to have peaked in 2019, with oil production expected to decline every year from now on. Fellow oil major Total* has pledged that all future bond issuance from the company will be linked to externally audited climate targets, with the company paying higher interest rates if they are not met.

We will continue to engage with oil and gas companies around the strength of their targets and the credibility of their planning assumptions in this area.

We also recognise the importance of policy in creating the right incentives for companies. With methane emissions in 2020 seeing the highest increase in four decades, LGIM and other investors managing over £30 trillion in assets have called on the EU to set standards for this aggressive planet-warming gas.[5]

## Investors renew push for EU methane emissions standard on gas: letter[5]

In a different part of the natural resources industry, we have ongoing engagements with mining companies not just on their environmental strategies, but also the 'S' and 'G' of ESG.

Embroiled in a scandal after the destruction of a 46,000-year old heritage site in Western Australia, LGIM and other investors have continued to press **Rio Tinto*** for more accountability, believing that the initial responses (and the board oversight) were inadequate. After the departure of three directors (including the CEO) were announced last year, the chairman has declared he will now step down. We were pleased to see the media comment favourably on our public stance, with the Australian Financial Review noting that, "To its enduring credit, Legal & General stood alone in challenging [the chairman] from the outset.[6] Other City investors urged [him] to act, but only once momentum had shifted and apathy had abruptly become unfashionable."

[5] https://www.reuters.com/article/us-eu-methane-letter/investors-renew-push-for-eu-methane-emissions-standard-on-gas-letter-idUSKBN2BN3MN

*References to any securities are for illustrative purposes only



## Legal & General investment arm demands votes on FTSE 100 firms' climate plans[7]

We have opposed the pay package at the 2021 AGM, and will continue to engage with the company on how it plans to reform its culture and renew its social licence to operate, as well as on other governance concerns. In particular, we remain concerned with the treatment of minority investors at its majority-owned subsidiary, **Turquoise Hill*.**

On a more positive note, however, we welcome the growing number of extractive companies – including Rio Tinto*, Glencore*, Woodside Petroleum*, Santos*, Total* and Royal Dutch Shell* – announcing they will be offering shareholders an advisory vote on their climate strategies. We believe this 'say on climate' is well-aligned with LGIM's existing engagement on climate, including and the use of voting to exercise clients' shareholders rights.

Throughout the 2021 AGM season, LGIM will support all 'say on climate' resolutions which it believes are crucial to the business and will pre-announce its votes, where such an announcement would send a strong message to key stakeholders.

## Legal & General: Give the city a say on firms' climate change plans[8]

[6] Financial Review, 9 March 2021, article available here

[7] https://uk.finance.yahoo.com/news/legal-general-net-zero-votes-climate-change-environment-110650551.html; https://www.thetimes.co.uk/article/legal-amp-general-investment-arm-demands-votes-on-ftse-100-firms-climate-plans-zzncq0zbr

[8] https://www.thetimes.co.uk/article/legal-amp-general-investment-arm-demands-votes-on-ftse-100-firms-climate-plans-zzncq0zbr

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# Public policy update

LGIM has a responsibility to ensure that global markets operate efficiently, to protect the integrity of the market, and to foster sustainable and resilient economic growth. In this regard, LGIM focuses its ESG policy engagements on issues that we believe are key to achieving this.

## United Kingdom

LGIM continues to engage with stakeholders on the UK Listing Review which has been led by Lord Hill. The review is part of a wider push from the government on ensuring the UK market remains attractive to both international investors and innovative growth companies looking to list. Areas of focus for Lord Hill have been on i) allowing dual class share structures in the premium listing segment; ii) reducing the free-float requirements; iii) rebranding the standard listing segment; iv) liberalising rules regarding special-purpose acquisition companies; and v) recommending review of the prospectus regime.

LGIM and the Investment Association have been actively engaging with Lord Hill's team. While supportive of many of Lord Hill's recommendations, there are some concerns about how far to go to ensure that the strong position on, and reputation for, good corporate governance currently held by the UK is maintained. For example, dual-class share structures in the Premium Indices will not sufficiently protect minority and end investors against potential poor management behaviour. This can potentially lead to value destruction and avoidable investor loss. As a result of our stance on this issue, LGIM did not participate in the IPO of Deliveroo* via either our active or index funds.

2021 has brought a step-change in focus on industry regulation as we see increasing signs of countries and governments reviewing the gig economy status. We take our role as a responsible steward of our clients' capital very seriously and engage with several companies in this sector on ESG concerns, like the rights of employees and proposed share-class structures. We believe in the active ownership of the companies in which we invest and think change from within can be the most impactful way to influence positive change in a company, for employees and shareholders alike. LGIM will now engage with the Financial Conduct Authority as they now consider Lord Hill's recommendations.

LGIM has also engaged with the Financial Reporting Council on various topics, including the future of corporate reporting, which is looking at ensuring that reporting continues to meet the needs of all stakeholders in the economy. There are several formal consultations on ESG issues (audit reform, social factors and climate-related disclosures) that have recently been released by the UK's Government that the LGIM team will be engaging with.

*References to any securities are for illustrative purposes only

## European Union

As part of our focus on supporting governments to meet their Paris Agreement and net-zero commitments, LGIM has co-authored a paper with policy experts from Chatham House on the European Commission can align the reformed Common Agricultural Policy (CAP) with the Green Deal and EU Climate Law. We brought together an alliance of policy experts, business groups, and investors (representing €2 trillion of assets under management) who have publicly supported our recommendations to the EU. Our recommendations include:

1. Encourage use of enforceable performance-based targets that link support to member states and farmers, commensurate with the cost of delivering public good or environmental services;

2. Shift away from incentives that prioritise yields at the expense of the climate and environment, and balance this with new monetary incentives that put a value on sustainable agriculture;

3. Decouple support from production metrics for single commodity transfers with high associated greenhouse gas emissions (e.g. beef and dairy);

4. Apply the Just Transition Mechanism to support farmers' social and economic well-being, where impacted by CAP reforms.

Agricultural subsidies constitute a third of the EU's total budget and are pivotal in determining how land across Europe is utilised and which commodities are produced. Reforming the CAP is therefore essential for climate mitigation, negative emissions, and long-term environmental resilience in terms of climate adaptation, biodiversity improvements, and food security. We believe these recommendations will be broadly supported by both markets and regulators.

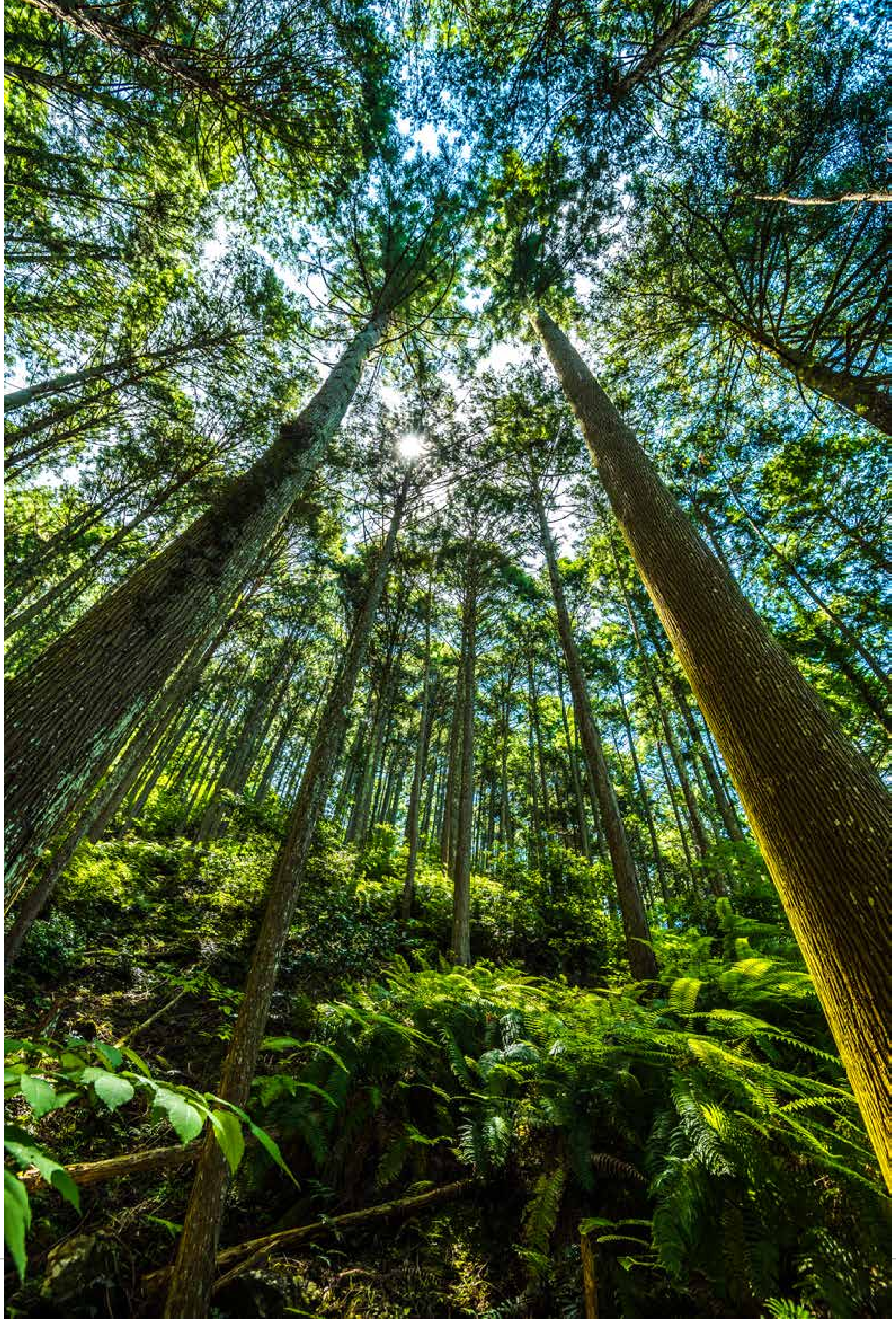
LGIM also continues to engage with various aspects of the EU's Sustainable Finance Action Plan, including the implementation of Sustainable Finance Disclosure Regulation and the subsequent Regulatory Technical Standards.

## Japan

LGIM has continued to work with the International Corporate Governance Network to provide input into the revision of the Japan Corporate Governance Code. We have expressed our views across several topics e.g. board independence and diversity, timing of the securities report and other issues related to the AGM, and disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD). LGIM will engage in the public consultation.

LGIM has engaged with the Japan Association of Corporate Executives on climate change and energy policy. We encouraged strengthening their position on climate and energy policies, and highlighted the increasing need for companies to align with the goals of the Paris Agreement.

LGIM was also invited to participate in two government studies on stewardship and ESG. The first was led by the Cabinet Office which looked into how investors were approaching gender diversity. The second, commissioned by the Ministry of Economy, Trade and Industry, aimed to explore the views of investors on corporate governance issues in Japan. Full reports of both projects will be published in the coming months.



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## United States

The election of a new administration in the United States has – almost overnight – taken the ESG and climate change discussion from 'why' to 'how'. During the election, Joe Biden spoke on a podcast about climate change, saying it is the "number one issue facing humanity. And it's the number one issue for me". The US president is living up to his word. Almost within minutes of arriving in the oval office Biden started signing the executive orders, announcing non-enforcement on Department of Labor Rules that would have hampered ESG fund selection, and re-joined the Paris Agreement. It is a huge policy U-turn from the world's second largest emitter, and the positive implications will be felt not only across the US but also far beyond its borders. LGIM and LGIMA are already stepping up engagements and supporting with the new administration on several ESG topics.

## Other markets

LGIM continues to closely follow and engage with the ESG disclosures landscape. Most recently, we have been pleased to see the IFRS have confirmed their intent to launch a Sustainability Standards Board by the end of the year. It will be important that an ESG disclosure standard is developed quickly and provides decision-useful information for investors. Harmonisation between markets will be important, particularly with regard to the EU's reform on the Non-Financial Reporting Directive.

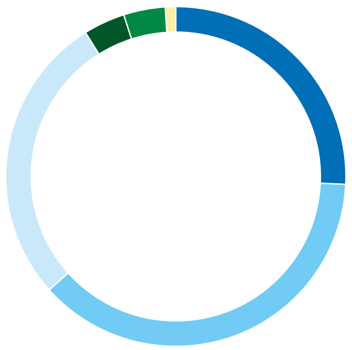
# Regional updates

## UK - Q1 2021 voting summary

| Proposal category | For | Against | Abstain |
|---|---|---|---|
| Antitakeover-related | 50 | 0 | 0 |
| Capitalisation | 315 | 26 | 0 |
| Director-related | 468 | 38 | 0 |
| Remuneration-related | 89 | 28 | 0 |
| Reorganisation and Mergers | 24 | 4 | 0 |
| Routine/Business | 352 | 4 | 0 |
| Shareholder Proposal - Compensation | 0 | 0 | 0 |
| Shareholder Proposal - Corporate Governance | 0 | 0 | 0 |
| Shareholder Proposal - Director-related | 0 | 0 | 0 |
| Shareholder Proposal - General Economic Issues | 0 | 0 | 0 |
| Shareholder Proposal - Health/Environment | 0 | 0 | 0 |
| Shareholder Proposal - Other/Miscellaneous | 1 | 1 | 0 |
| Shareholder Proposal - Routine/Business | 0 | 0 | 0 |
| Shareholder Proposal - Social/Human Rights | 0 | 0 | 0 |
| Shareholder Proposal - Social | 0 | 0 | 0 |
| Total | 1299 | 101 | 0 |
| Total resolutions | 1400 | | |
| No. AGMs | 75 | | |
| No. EGMs | 70 | | |
| No. of companies voted on | 127 | | |
| No. of companies where voted against management on at least one resolution | 44 | | |
| % of companies with at least one vote against | 35% | | |

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

### Votes against management



- Antitakeover-related - 0
- Capitalisation - 26
- Director-related - 38
- Remuneration-related - 28
- Reorganisation and Mergers - 4
- Routine/Business - 4
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Director-related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 1
- Shareholder Proposal - Routine/Business - 0
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

### Number of companies voted for/against


- No. of companies where we supported management
- No. of companies where we voted against management

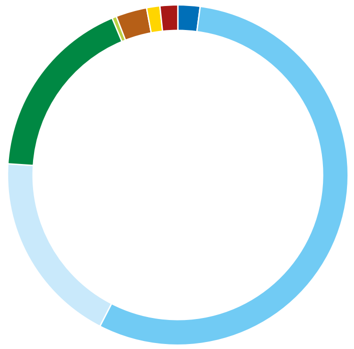
LGIM voted against at least one resolution at 35% of UK companies over the quarter

## Europe - Q1 2021 voting summary

| Proposal category | For | Against | Abstain |
|---|---|---|---|
| Antitakeover-related | 1 | 0 | 0 |
| Capitalisation | 97 | 5 | 0 |
| Director-related | 659 | 91 | 41 |
| Remuneration-related | 89 | 44 | 0 |
| Reorganisation and Mergers | 10 | 0 | 0 |
| Routine/Business | 422 | 37 | 5 |
| Shareholder Proposal - Compensation | 0 | 1 | 0 |
| Shareholder Proposal - Corporate Governance | 0 | 0 | 0 |
| Shareholder Proposal - Director-related | 8 | 6 | 1 |
| Shareholder Proposal - General Economic Issues | 0 | 0 | 0 |
| Shareholder Proposal - Health/Environment | 5 | 3 | 0 |
| Shareholder Proposal - Other/Miscellaneous | 2 | 0 | 0 |
| Shareholder Proposal - Routine/Business | 3 | 4 | 0 |
| Shareholder Proposal - Social/Human Rights | 0 | 0 | 0 |
| Shareholder Proposal - Social | 0 | 0 | 0 |
| Total | 1296 | 191 | 47 |
| Total resolutions | 1534 | | |
| No. AGMs | 63 | | |
| No. EGMs | 21 | | |
| No. of companies voted on | 83 | | |
| No. of companies where voted against management on at least one resolution | 63 | | |
| % of companies with at least one vote against | 76% | | |

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

### Votes against management/ abstentions



- Antitakeover-related - 0
- Capitalisation - 5
- Director-related - 132
- Remuneration-related - 44
- Reorganisation and Mergers - 0
- Routine/Business - 42
- Shareholder Proposal - Compensation - 1
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors-related - 7
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 3
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 4
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

### Number of companies voted for/against


- No. of companies where we supported management
- No. of companies where we voted against management (including abstentions)

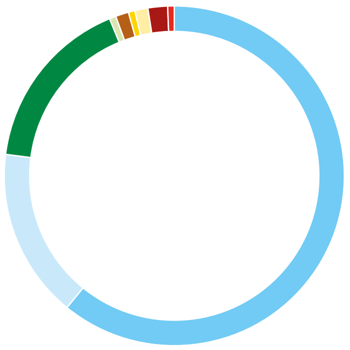
LGIM voted against at least one resolution at 76% of European companies over the quarter

## North America - Q1 2021 voting summary

| Proposal category | For | Against | Abstain |
|---|---|---|---|
| Antitakeover-related | 3 | 0 | 0 |
| Capitalisation | 9 | 0 | 0 |
| Director-related | 324 | 98 | 0 |
| Remuneration-related | 37 | 26 | 0 |
| Reorganisation and Mergers | 9 | 0 | 0 |
| Routine/Business | 37 | 27 | 0 |
| Shareholder Proposal - Compensation | 3 | 0 | 0 |
| Shareholder Proposal - Corporate Governance | 0 | 1 | 0 |
| Shareholder Proposal - Director-related | 3 | 2 | 0 |
| Shareholder Proposal - General Economic Issues | 0 | 0 | 0 |
| Shareholder Proposal - Health/Environment | 0 | 1 | 0 |
| Shareholder Proposal - Other/Miscellaneous | 0 | 2 | 0 |
| Shareholder Proposal - Routine/Business | 0 | 3 | 0 |
| Shareholder Proposal - Social/Human Rights | 0 | 1 | 0 |
| Shareholder Proposal - Social | 0 | 0 | 0 |
| Total | 425 | 161 | 0 |
| Total resolutions | 586 | | |
| No. AGMs | 44 | | |
| No. EGMs | 9 | | |
| No. of companies voted on | 53 | | |
| No. of companies where voted against management on at least one resolution | 44 | | |
| % of companies with at least one vote against | 83% | | |

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

### Votes against management



- Antitakeover-related - 0
- Capitalisation - 0
- Director-related - 98
- Remuneration-related - 26
- Reorganisation and Mergers - 0
- Routine/Business - 27
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 1
- Shareholder Proposal - Directors-related - 2
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 1
- Shareholder Proposal - Other/Miscellaneous - 2
- Shareholder Proposal - Routine/Business - 3
- Shareholder Proposal - Social/Human Rights - 1
- Shareholder Proposal - Social - 0

### Number of companies voted for/against


- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at 83% of North American companies over the quarter



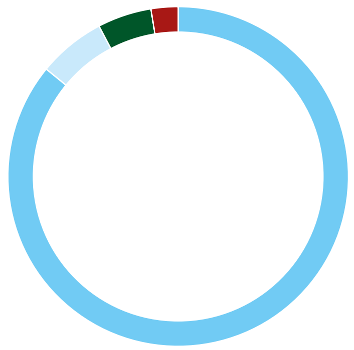
**Q1 2021** | ESG Impact Report

## Japan - Q1 2021 voting summary

| Proposal category | For | Against | Abstain |
|---|---|---|---|
| Antitakeover-related | 0 | 0 | 0 |
| Capitalisation | 1 | 0 | 0 |
| Director-related | 530 | 67 | 0 |
| Remuneration-related | 32 | 5 | 0 |
| Reorganisation and Mergers | 9 | 4 | 0 |
| Routine/Business | 48 | 0 | 0 |
| Shareholder Proposal - Compensation | 0 | 0 | 0 |
| Shareholder Proposal - Corporate Governance | 0 | 0 | 0 |
| Shareholder Proposal - Director-related | 0 | 0 | 0 |
| Shareholder Proposal - General Economic Issues | 0 | 0 | 0 |
| Shareholder Proposal - Health/Environment | 0 | 0 | 0 |
| Shareholder Proposal - Other/Miscellaneous | 0 | 0 | 0 |
| Shareholder Proposal - Routine/Business | 0 | 2 | 0 |
| Shareholder Proposal - Social/Human Rights | 0 | 0 | 0 |
| Shareholder Proposal - Social | 0 | 0 | 0 |
| Total | 620 | 78 | 0 |
| Total resolutions | 698 | | |
| No. AGMs | 67 | | |
| No. EGMs | 4 | | |
| No. of companies voted on | 71 | | |
| No. of companies where voted against management on at least one resolution | 45 | | |
| % of companies with at least one vote against | 63% | | |

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

### Votes against management



- Antitakeover-related - 0
- Capitalisation - 0
- Director-related - 67
- Remuneration-related - 5
- Reorganisation and Mergers - 4
- Routine/Business - 0
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors-related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 2
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

### Number of companies voted for/against


- No. of companies where we supported management
- No. of companies where we voted against management

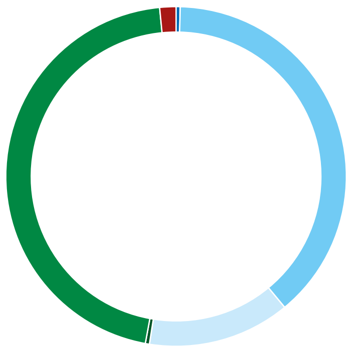
LGIM voted against at least one resolution at 63% of Japanese companies over the quarter

## Asia Pacific - Q1 2021 voting summary

| Proposal category | For | Against | Abstain |
|---|---|---|---|
| Antitakeover-related | 0 | 0 | 0 |
| Capitalisation | 11 | 1 | 0 |
| Director-related | 348 | 100 | 0 |
| Remuneration-related | 135 | 35 | 0 |
| Reorganisation and Mergers | 9 | 1 | 0 |
| Routine/Business | 208 | 118 | 0 |
| Shareholder Proposal - Compensation | 0 | 0 | 0 |
| Shareholder Proposal - Corporate Governance | 0 | 0 | 0 |
| Shareholder Proposal - Director-related | 1 | 0 | 0 |
| Shareholder Proposal - General Economic Issues | 0 | 0 | 0 |
| Shareholder Proposal - Health/Environment | 0 | 0 | 0 |
| Shareholder Proposal - Other/Miscellaneous | 0 | 0 | 0 |
| Shareholder Proposal - Routine/Business | 1 | 4 | 0 |
| Shareholder Proposal - Social/Human Rights | 0 | 0 | 0 |
| Shareholder Proposal - Social | 0 | 0 | 0 |
| Total | 713 | 259 | 0 |
| Total resolutions | 972 | | |
| No. AGMs | 131 | | |
| No. EGMs | 11 | | |
| No. of companies voted on | 138 | | |
| No. of companies where voted against management on at least one resolution | 125 | | |
| % of companies with at least one vote against | 91% | | |

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

### Votes against management



- Antitakeover-related - 0
- Capitalisation - 1
- Director-related - 100
- Remuneration-related - 35
- Reorganisation and Mergers - 1
- Routine/Business - 118
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors-related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 4
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

### Number of companies voted for/against


- No. of companies where we supported management
- No. of companies where we voted against management (including abstentions)

LGIM voted against at least one resolution at **91%** of Asia Pacific companies over the quarter



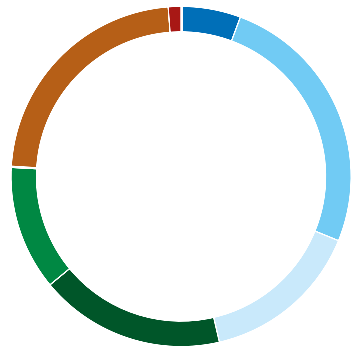


## Emerging markets - Q1 2021 voting summary

| Proposal category | For | Against | Abstain |
|---|---|---|---|
| Antitakeover-related | 0 | 1 | 0 |
| Capitalisation | 771 | 46 | 0 |
| Director-related | 771 | 152 | 59 |
| Remuneration-related | 62 | 126 | 0 |
| Reorganisation and Mergers | 481 | 146 | 0 |
| Routine/Business | 795 | 98 | 0 |
| Shareholder Proposal - Compensation | 2 | 0 | 0 |
| Shareholder Proposal - Corporate Governance | 0 | 1 | 0 |
| Shareholder Proposal - Director-related | 19 | 189 | 0 |
| Shareholder Proposal - General Economic Issues | 0 | 0 | 0 |
| Shareholder Proposal - Health/Environment | 0 | 0 | 0 |
| Shareholder Proposal - Other/Miscellaneous | 0 | 0 | 0 |
| Shareholder Proposal - Routine/Business | 10 | 10 | 0 |
| Shareholder Proposal - Social/Human Rights | 0 | 0 | 0 |
| Shareholder Proposal - Social | 0 | 0 | 0 |
| Total | 2911 | 769 | 59 |
| Total resolutions | 3739 | | |
| No. AGMs | 104 | | |
| No. EGMs | 328 | | |
| No. of companies voted on | 417 | | |
| No. of companies where voted against management on at least one resolution | 190 | | |
| % of companies with at least one vote against | 46% | | |

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds. The abstentions were due to technical reasons which prevented us from voting. Where we have the option to vote, it is our policy to not abstain.

### Votes against management / abstentions



- Antitakeover-related - 1
- Capitalisation - 46
- Director-related - 211
- Remuneration-related - 126
- Reorganisation and Mergers - 146
- Routine/Business - 98
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 1
- Shareholder Proposal - Directors-related - 189
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 10
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

### Number of companies voted for/against abstentions


- No. of companies where we supported management
- No. of companies where we voted against management (including abstentions)

LGIM voted against at least one resolution at **46%** of emerging markets companies over the quarter

# Global voting summary

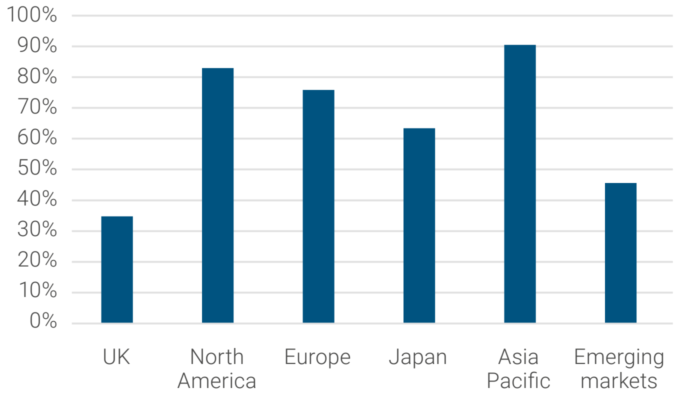
## Voting totals

| Proposal category | For | Against | Abstain | Total |
|---|---|---|---|---|
| Antitakeover-related | 54 | 1 | 0 | 55 |
| Capitalisation | 1204 | 78 | 0 | 1282 |
| Director-related | 3100 | 546 | 100 | 3746 |
| Remuneration-related | 444 | 264 | 0 | 708 |
| Reorganisation and Mergers | 542 | 155 | 0 | 697 |
| Routine/Business | 1862 | 284 | 5 | 2151 |
| Shareholder Proposal - Compensation | 5 | 1 | 0 | 6 |
| Shareholder Proposal - Corporate Governance | 0 | 2 | 0 | 2 |
| Shareholder Proposal - Directors-related | 31 | 197 | 1 | 229 |
| Shareholder Proposal - General Economic Issues | 0 | 0 | 0 | 0 |
| Shareholder Proposal - Health/Environment | 5 | 4 | 0 | 9 |
| Shareholder Proposal - Other/Miscellaneous | 3 | 3 | 0 | 6 |
| Shareholder Proposal - Routine/Business | 14 | 23 | 0 | 37 |
| Shareholder Proposal - Social/Human Rights | 0 | 1 | 0 | 1 |
| Shareholder Proposal - Social | 0 | 0 | 0 | 0 |
| Total | 7264 | 1559 | 106 | 8929 |
| No. AGMs | 484 | | | |
| No. EGMs | 443 | | | |
| No. of companies voted on | 889 | | | |
| No. of companies where voted against management on at least one resolution | 511 | | | |
| % of companies with at least one vote against | 57% | | | |

### Number of companies voted for/against abstentions


- No. of companies where we supported management
- No. of companies where we voted against management (including abstentions)

### % of companies with at least one vote against (includes abstentions)




Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

# Global engagement summary

### Key engagement numbers

**234**
Total number of engagements during the quarter

**216**
Number of companies engaged with

### Number of engagements on

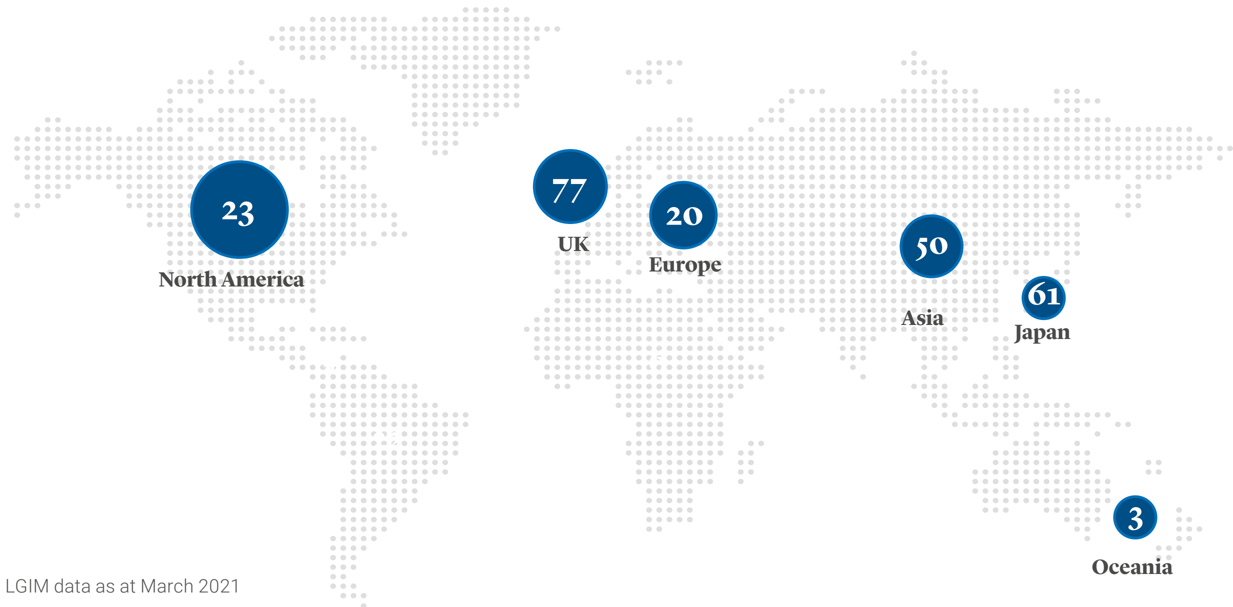
**42**
Environmental topics

**139**
Other topics (e.g. financial and strategy)

**193**
Governance topics

**43**
Social topics

### Breakdown of our engagements by market




LGIM data as at March 2021

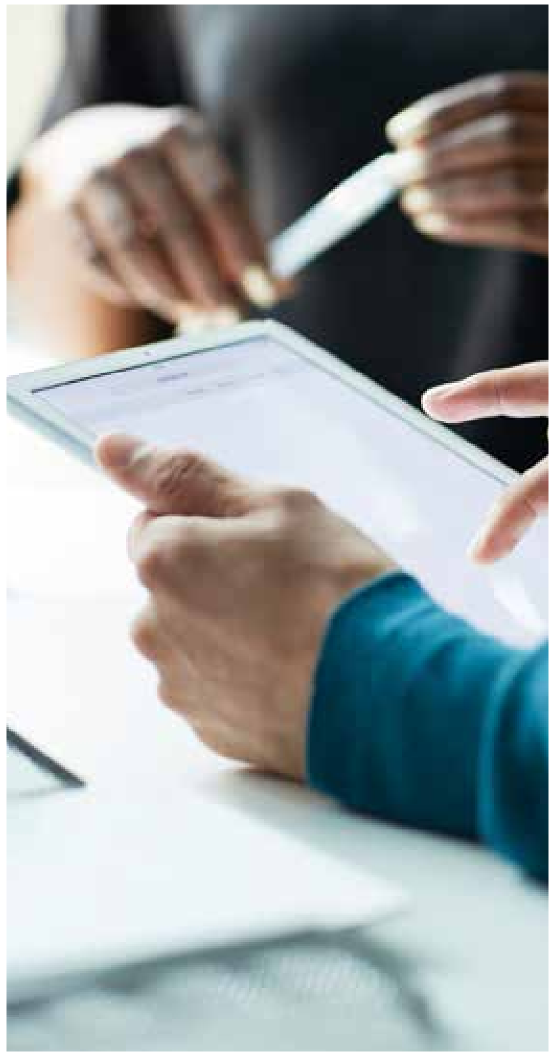




### Engagement type

**91**
Conference calls

**143**
Email/letter



### Top five engagement topics

1. ESG disclosures (including LGIM ESG score)
   **108** engagements
2. Remuneration
   **55** engagements
3. Climate Change
   **38** engagements
4. Board composition
   **26** engagements
5. Strategy
   **19** engagements

LGIM data as at March 2021

# Contact us

For further information about LGIM, please visit lgim.com or contact your usual LGIM representative

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