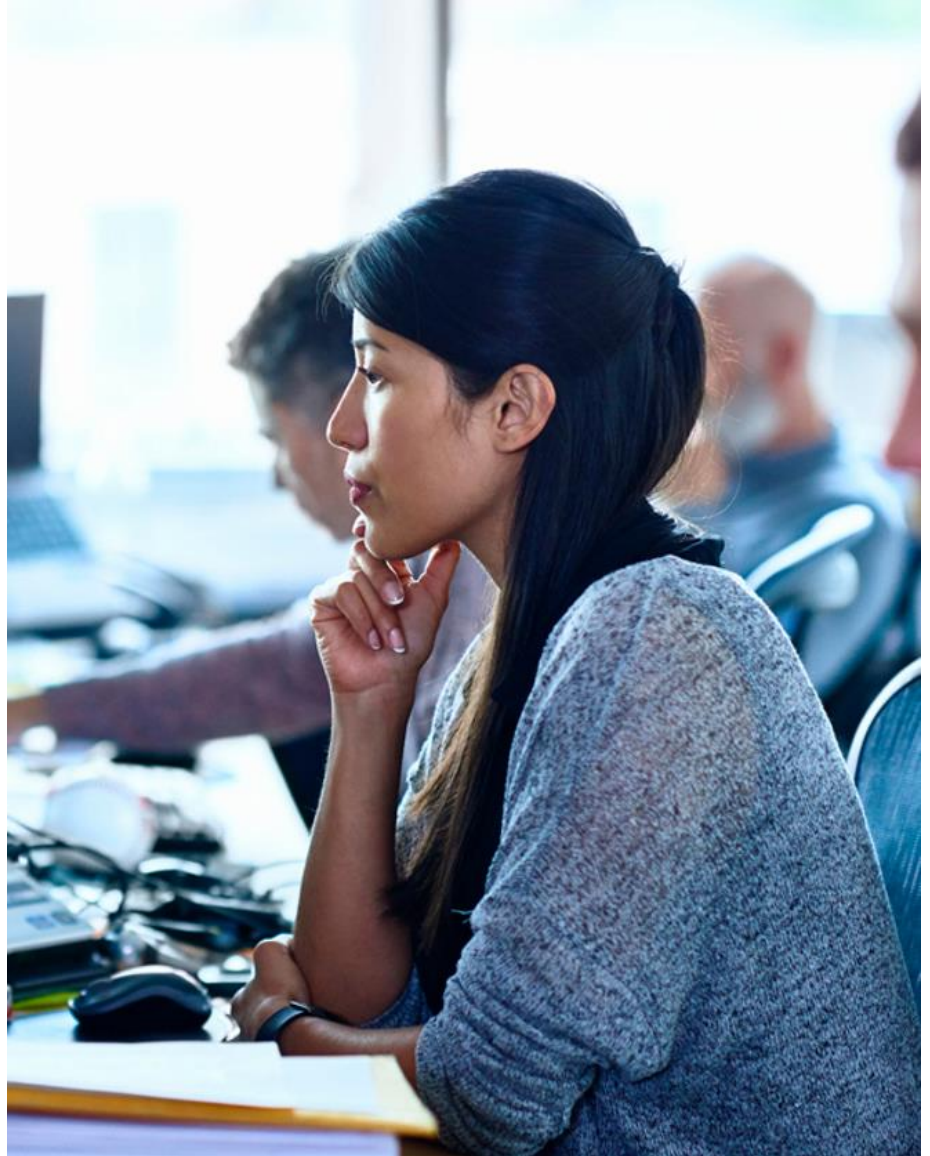


2020 UK Stewardship Code Summary



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Introduction

The **2020 Active Ownership Report** provides the fullest picture of our active ownership activities during 2020 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 2020 Active Ownership Report to the Financial Reporting Council (FRC) in early 2021 for the FRC to review our disclosures on how we applied each of the Stewardship Code Principles in our investment stewardship activities during 2020. On 6 September 2021, the FRC published the [list](#) of confirmed Signatories to the Stewardship Code which named **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
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 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.	Foreword; ESG integration; Responsible investing; Awards	3; 8-11; 12-18; 107
Principle 2 – Signatories’ governance, resources and incentives support stewardship Our framework for responsible investing is based on stewardship with impact and active research across asset classes. Our Investment Stewardship team comprises 17 professionals with an average of 14 years’ experience in areas including responsible investment, corporate governance and public policy. This makes the team well positioned to keep abreast of the latest regulatory and industry developments. The Director 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. For more information, please see the Investment Stewardship area on our website.	ESG integration	8-11
Principle 3 – Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first In our approach to responsible investing in general, and voting and engagement in particular, we seek to act in a manner consistent with the best interests of all clients. We have a Conflicts of Interest Policy, which is available on our website . LGIM provides regular training to all employees, to deal with potential conflict of interest situations in a regulatory-appropriate and client-focused manner.	ESG integration; Policies and processes	9; 99

<p>Principle 4 – Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system</p> <p>We consider that we share responsibility to ensure that global markets operate efficiently and reflect the highest level of corporate governance and sustainability standards to safeguard their integrity and the value of our clients' assets. In 2020, we focused our efforts on three key areas: corporate governance, climate change and sustainable finance policy.</p> <p>We engaged with policymakers around the world on more than 30 topics.</p>	<p>Responsible investing; Investor rights; Policy advocacy & collaboration</p>	<p>12-18; 66-69; 79-81</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 minimum 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 to make sure we are consistent and transparent in our approach. 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>Voting and reporting; Policies and processes</p>	<p>90-92; 96-98</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 over our voting activity is critical for clients and other interested parties to be able to hold us to account. As such, we unveiled a new vote disclosure webpage that: provides daily updates of our vote instructions; discloses vote rationales for all votes against management; and includes historical voting data from 1 January 2017.</p> <p>In addition to the annual Active Ownership reports, we publish quarterly ESG Impact reports setting out our stewardship activity 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, as well as obtain direct feedback on their experience and expectations.</p> <p>For a breakdown of LGIM's client types and AUM by asset class and region, see page 95 of the Active Ownership Report.</p>	<p>Foreword; Stakeholder engagement; Voting and reporting</p>	<p>3; 89; 90-95</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 or technological disruption, we believe a different approach to managing capital is required – where ESG impact is considered alongside the traditional metrics of risk and return.</p> <p>The ESG Integration and Responsible Investing sections of the Active Ownership Report demonstrate how we integrate ESG topics into our investment and stewardship activities. For more information, please read our recently published Sustainability Policy.</p>	<p>ESG integration; Responsible investing; Policies and processes</p>	<p>8-11; 12-18; 96-98</p>

<p>Principle 8 – Signatories monitor and hold to account managers and/or service providers</p> <p>We use the research and voting services of ISS and also receive research reports on UK companies from IVIS, the research team of the Investment Association. We use this analysis to augment our own research and proprietary ESG assessment tools, as well as data from providers including Refinitive Eikon, CGLytics and Sustainalytics.</p> <p>We regularly review quality and timeliness of services offered by our data providers, to ensure that the data on which we base our voting decisions remains of high quality and offers value for money.</p> <p>LGIM also undertakes an independent assurance assessment on our stewardship and voting process annually. The scope of this external ‘opinion’ includes assurance in line with the AAF 01/06 framework.</p> <p>For further information on how we use proxy advisory services, please see our policy.</p>	Policies and Processes	96-98
<p>Principle 9 – Signatories engage with issuers to maintain or enhance the value of assets</p> <p>LGIM’s Investment Stewardship team held 295 meetings or calls and 596 written engagements in 2020. These calls are normally attended by the sector lead, and may include portfolio managers and active analysts. Depending on the topic discussed, also a thematic expert may be present; for example, on remuneration 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 83-86 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 investing; Active engagement Case studies	12-18; 82-89
<p>Principle 10 – Signatories, where necessary, participate in collaborative engagement to influence issuers</p> <p>We believe in a collaborative approach, and regularly work with peers, industry groups, NGOs, academia and civil society. LGIM is a member or supporter of multiple associations and initiatives working on ESG themes, a list of which is included on page 81, and examples of our work are provided in a number of case studies.</p>	Policy advocacy & collaboration; Case studies	79-81
<p>Principle 11 – Signatories, where necessary, escalate stewardship activities to influence issuers</p> <p>When one-to-one engagement does not yield results, LGIM may seek to escalate our engagement through collaborating with other institutional investors directly, or via investor networks, to amass voting power. We have a number of escalation options at our disposal, from voting sanctions through to divestment from the securities of an unresponsive company in select funds.</p>	Responsible investing; Voting and reporting; Case studies	12-18; 90-92
<p>Principle 12 – Signatories actively exercise their rights and responsibilities</p> <p>LGIM votes with all UK-based shares for which it has authority to do so and votes in developed markets and some emerging market countries, covering approximately 94% of the FTSE All-World Index. We have specific custom voting policies at a global and individual market levels. Our voting stance differed from ISS recommendations in around 9% of votes last year.</p> <p>For our voting statistics for 2020, see pages 100-106 of the Active Ownership Report.</p>	Policies and processes; Voting statistics	96-98; 100-106

Important information

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