



Q3 2022

ESG Impact Report

Global engagement to
deliver positive change

In this quarter's report on LGIM's investment stewardship activities, we delve into deforestation, act against antimicrobial resistance and engage with emerging market diversity, among other themes.

Our mission

We aim to use our influence to ensure:



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



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

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

Our focus

Holding boards to account

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

Creating sustainable value

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

Promoting market resilience

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



Action and impact

As we move into the second half of the year, we provide an update on some of our campaigns on our core themes, including deforestation and emerging market diversity, and we include an overview of some of our significant votes, and of our global policy engagement over the quarter.



Environmental | Social | Governance

ESG: Environment

CDP SBT campaign

In 2021, LGIM supported the Carbon Disclosure Project's (CDP) Science-Based Targets (SBTs) Campaign which saw 220 signatories, representing nearly US\$30 trillion in assets, asking 1,600 high-impact companies to set a 1.5°C-aligned science-based emissions reduction target.

Science-based targets provide a roadmap for reducing emissions at the pace and scale that science tells us is necessary to avoid the most catastrophic effects of climate change.¹ This is why, when we set out expectations of companies within our [Climate Impact Pledge](#) and '[Say on Climate](#)' votes, we place such an emphasis on transition plans and targets being aligned with science.

By joining forces with collaborative organisations, we aim to broaden our reach, and strengthen our voice. Following the previous year's campaign, over 154 new companies, with emissions equal to that of Germany, joined the Science Based Targets Initiative (SBTi) – 8% of all those targeted by the campaign.² In 2022, we have again joined other financial institutions in backing the 2022 CDP campaign.

1. [CDP Science-Based Targets Campaign - CDP](#)

2. [Financiers with \\$29 trillion ask 1600 companies for science-based targets ahead of COP26 - CDP](#)

Deforestation

As mentioned in our [last Quarterly Impact Report](#), we are continuing to take steps to meet our [COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios](#), which we signed in 2021. By publishing our [deforestation policy](#), setting our expectations for companies, and placing milestones to measure our achievements, we are stepping up our efforts to limit deforestation in portfolios.

Why is deforestation so important?

An estimated 22% of total anthropogenic greenhouse gas (GHG) emissions comes from agriculture, forestry and other land use.³ Around half of this comes from deforestation and land conversion driven by commodities providing food, fibre, feed and fuel. In light of this, and the role of natural carbon sinks in climate mitigation, we believe a credible pathway to net zero must include actions on deforestation, as well as biodiversity loss, and nature more broadly.

Between 1990 and 2020, around 420 million hectares of forest were lost due to conversion to other land uses;⁴ a significant contributor was agricultural production, which is expected to increase by about 50% by 2050.⁵ From 1970 to 2016, there was on average a 68% decrease in population sizes of mammals and birds, as well as amphibians, reptiles and fish;⁶ such declines are occurring at an unparalleled rate.

We believe the interdependencies between nature and climate are of critical importance. A changing climate threatens natural ecosystems, and nature loss amplifies climate change by reducing the ability of ecosystems to store carbon.

3. [SPM_Updated-Jan20.pdf \(ipcc.ch\), page 8](#)

4. <https://www.fao.org/3/cb9360en/cb9360en.pdf#to%20eliminate%20deforestation%20across%20supply%20chains>.

5. WRI, 2019

6. <https://www.worldwildlife.org/press-releases/68-average-decline-in-species-population-sizes-since-1970-says-new-wwf-report>



What steps have we taken so far to act on our commitments?

1 Commitment one: to assess exposure to deforestation risk, with a focus on 'forest-risk' agricultural commodities (palm oil, soy, beef, leather, pulp and paper)

- We have been assessing credit and equity exposure to deforestation risk in our portfolios, through a focus on select industries with high exposure to commodity-driven deforestation through their direct operations and/or supply chain
- The key commodities within these sectors that are major drivers of deforestation could include beef and leather, palm oil, soybeans, timber and pulp, rubber, cocoa and coffee
- We have initially focused on sectors outlined in the [Ceres Investor Guide to Deforestation and Climate Change](#),⁷ and have drawn on external sources of data and research, such as SPOTT, Forest 500 and Sustainalytics, as well as our investment and stewardship engagement expertise and findings
- Our findings will be integrated into the ESG tools that LGIM has developed to support the assessment of ESG risks at a sector and issuer level

7. Part of the supplementary guidance provided by the Deforestation Free Finance Sector [Roadmap: Roadmap – Deforestation-Free Finance \(globalcanopy.org\)](#)

8. <https://climatechampions.unfccc.int/leading-financial-institutions-commit-to-actively-tackle-deforestation/#~:text=Financial%20institutions%20will%20focus%20on%20sustained%20engagement%20with,catalyse%20actions%20to%20eliminate%20deforestation%20across%20supply%20chains>



Advancing deforestation data

While metrics related to deforestation are increasingly available, we recognise that more needs to be done to improve the standardisation and increase the scope and coverage of this data to support assessment across investors' portfolios. That is why, in collaboration with other Finance Sector Deforestation Action (FSDA) signatories,⁸ we have written to data providers to engage and work with them on further developing of their offering, particularly in relation to an increased set of key commodities.

2

Commitment two: to establish investment policies addressing exposure to agricultural commodity-driven deforestation

We have recently published LGIM’s deforestation policy, which outlines our approach to assessing and integrating deforestation considerations into investment tools, expanding our stewardship activities and reporting to clients.

This includes implementing a new voting policy to hold companies in deforestation-critical sectors to account for not meeting our minimum standard expectations with regards to action on deforestation. From 2023, companies in critical sectors⁹ for which we have data and without a deforestation policy or programme in place will be subject to a vote against. Voting will be escalated in subsequent years, and in line with our voting policies, we will continue to vote on shareholder resolutions related to deforestation.

This policy builds on the work we have been doing since 2016 under LGIM’s Climate Impact Pledge to engage with companies in the food and apparel sectors on deforestation within their supply chains. Through this programme, we have acted by voting against, and in certain cases divesting from, companies we engage with that have not met our minimum expectations on deforestation. We are now setting minimum standard expectations across a broader scope of companies and sectors for which we have data and will be using our voice to hold them to account.

3

Commitment three: to deepen engagement of the highest-risk holdings on deforestation

We have launched LGIM’s deforestation engagement campaign, writing to around 300 companies from a set of deforestation-critical sectors within our portfolios for which we have data, outlining our expectations, their current performance against these, and explaining LGIM’s new deforestation voting policy. Drawing on available data, as well as our in-house research, expertise and

engagement, we will be assessing their progress ahead of the 2023 annual general meeting (AGM) season.

In addition, we will also be working collaboratively with other signatories of the Finance Sector Deforestation Action (FSDA) to lead in-depth company engagements and to speak with the weight of a critical mass of investors to accelerate progress across key sectors and value chains.

Finally, through our Climate Impact Pledge, we will continue to carry out direct engagement with large and influential companies within the apparel and food sectors, and soon also with companies in the forestry and paper and pulp sector, on their approach and actions in relation to deforestation, holding those to account that do not meet our red lines.



Future milestones in relation to our COP 26 deforestation commitment:

- By 2023, we commit to disclosing deforestation risk and mitigation activities in portfolios, including due diligence and engagement
- By 2025, we commit to publicly reporting credible progress, in alignment with peers, on eliminating agricultural commodity-driven deforestation in the underlying holdings in our investment portfolios through company engagement



Company name	Ninety One Plc.*
ISIN	GB00BJHPLV88
Market Cap	£1.143 billion (07 October 2022, source: London Stock Exchange)
Sector	Financials – investment banking & brokerage services
Issue identified	This was a management-proposed ‘Say on Climate’ vote, relating to the net zero transition. At the beginning of the year, we published our expectations for management-proposed ‘Say on Climate’ votes on our blog .
Summary of the resolution	Resolution 11: Approve Climate Strategy AGM date: 26 July 2022
How LGIM voted	Against
Rationale for the vote decision	A vote against was applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope one, two and material scope three GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
Outcome	97.6% shareholder voted in favour of the resolution. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
Why is this vote ‘significant’?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

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

9. Consumer staples, consumer discretionary, materials and energy. Our voting policy does not at this time cover the two other sectors of the Ceres Investor Guide, utilities and financials – due to insufficient data.

ESG: Social

Building healthy food systems

As part of the [Investor Coalition on UK Food Policy](#), led by Rathbone-Greenbank and Guy's & St Thomas's Foundation, we lent our support to a [public statement](#) on the importance of the UK government maintaining its strategy to tackle obesity. Amid [speculation](#) that the current strategy could be scaled back under the new leadership, we joined our peers in emphasising that combatting obesity is vital not only to social health, but also the economic health of the country. The total economic impact of obesity equalled £58 billion in 2022,¹⁰ and the cost of obesity-related disease now costs UK businesses £27 billion per year.¹¹ The broader implications for healthcare services, workforce participation and productivity, and welfare payments are clear. LGIM therefore strongly recommends the UK government continues to lead globally by implementing its anti-obesity strategy.

Our collaborative efforts on policy engagement continue and are complemented by our collaborative company engagements with the [Access to Nutrition Initiative](#). Both public policy and the private sector have crucial roles to play in improving the health of individuals and of the broader economy.

Emerging diversity in emerging markets

Identify

The LGIM Investment Stewardship team has long promoted diversity across its investee companies, but the focus has so far been placed largely on developed markets such as the UK, US, Europe and Japan. Diversity (for example, of gender or ethnicity) in emerging markets has not yet been widely explored or advocated in the asset management industry. We are now expanding our engagement to strategic and representative emerging markets: Brazil, India, China and, South Africa.

Engage

We began by setting up meetings with key stakeholder groups in each market, such as corporate governance groups and proxy voting firms, to better understand the lay of the land. We then sent a letter to the chair of the board at the 10 largest companies in each of these markets, requesting to engage on organisational diversity, as well as any market-specific drivers of diversity. Our aim this year is to identify how these companies are thinking about diversity, and if any improvements in diversity have been driven by external forces – such as regulation, investor pressure, societal norms; or internal forces – such as employee engagement, corporate culture, leadership of the board or executive team, etc. Along with observing what leads to improvements in diversity, we also want to identify what is hindering progress on diversity in each market.

Through our engagements, we reaffirmed that diversity expectations cannot be applied in the same way across all markets, and that the specifics and maturity of conversations and practices vary significantly among emerging market countries. We would like to be cognisant of cultural and historical dynamics in each of these markets as we begin to expand our policies and consider our minimum expectations.

Another company-specific takeaway is to know your workforce diversity data, and if/how that reflects the population of where you live. At the same time, board directors of our investee companies need to have oversight of these issues and understand the importance of diversity in achieving their strategic and business objectives, regardless of where a company operates. We ultimately believe that improving demographic diversity at the helm of these large corporations will lead to cognitive diversity and improve the quality of board and senior executive discussions.

¹⁰ [Annual obesity costs may soar to £58bn - PharmaTimes](#)

¹¹ [Health matters: obesity and the food environment - GOV.UK \(www.gov.uk\)](#)

Significant votes

Company name	Royal Mail Plc*
ISIN	GB00BDVZY77
Market Cap	*£1.9 billion (International Distributions Services plc. Source: Reuters, as at 10 October 2022)
Sector	Industrials: Transportation & Logistics
Issue identified	A lack of gender diversity on the executive committee. LGIM has expanded our gender diversity policy in the UK to include the executive committee, as well as the company board.
Summary of the resolution	Resolution 4: Re-elect Keith Williams as director at the AGM on 20 July 2022.
How LGIM voted	Against
Rationale for the vote decision	Diversity: A vote against was applied as the company has an all-male executive committee. From 2022, we have applied voting sanctions to the FTSE 100 companies that do not have at least one woman on their executive committee, with the expectation that there should be a minimum of 33% over time.
Outcome	92.7% of shareholders voted for the resolution. LGIM will continue to engage with companies on gender diversity, and to implement our global and regional voting policies on this issue.
Why is this vote 'significant'?	This vote is significant as it relates to the escalation of our activities on one of our core stewardship themes, gender diversity.

*Case study shown for illustrative purposes only.

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Escalate

While our engagements have been taking place at the organisational level, we plan to engage with regulators and other identified influential groups in each market to see how we as investors can impact the progression of this topic. In essence, we believe both external forces (e.g. policy, regulations, investor pressure) as well as internal forces (e.g. company-specific diversity measures) are needed to raise market standards on diversity. We acknowledge that these factors influence one another and that raising market standards on this issue cannot be achieved in isolation. In addition to using our voice as an investor through engagements and voting, we will look to establish which avenues may be most effective in raising market standards in each market.

Working together on AMR

As our regular readers will know, in recent years we have been focusing on the topic of antimicrobial resistance (AMR). But how do we raise the profile of this issue and encourage key protagonists to act to mitigate this risk? In this case study, we demonstrate the importance of collaboration. We're serious about this issue and we know that the louder our voice is, and the more that our peers also speak up, the more likely it is that policymakers and companies will take action.

What is it?

The term 'antimicrobial resistance' sums up the damaging effect of bacteria increasing its resistance to antibiotics. A few examples of what this results from include: the overuse of antibiotics in a number of industries (such as food production); the discharge from pharmaceutical manufacturing; and the uncontrolled release of antibiotic agents into the ecosystem, for example through waste-water.



Key AMR facts:

- In 2019, 1.27 million deaths were directly attributable to bacterial AMR,¹² more than HIV/ AIDS and malaria¹³
- If no mitigating actions are taken, this could rise to as much as 10 million per year by 2050...¹⁴
- ... and could cause a 3.8% reduction in annual gross domestic product (GDP)¹⁵

AMR isn't a hypothetical or potential problem – it's already causing damage.

Who are we engaging with?

We have been collaborating with policymakers and peers, amplifying our voice. Writing a letter ensures we receive acknowledgement and a response, and forms the platform for future engagement with policymakers and peers at conventions, research events and policy groups. For example, we are members of [Investor Action on AMR](#). The group was founded by the United Nations Principles for Responsible Investment (UNPRI), the UK Department of Health & Social Care, the Access to Medicine Foundation, and Farm Animal Investment Risk and Return (FAIRR). In collaboration with them we have gained access and signed letters to the G7, and supported the UN General Assembly [Call to Action on AMR](#). These collaborations enable us to reach higher and further than we would alone, and are vital to garnering support among our peers, at national and international levels.

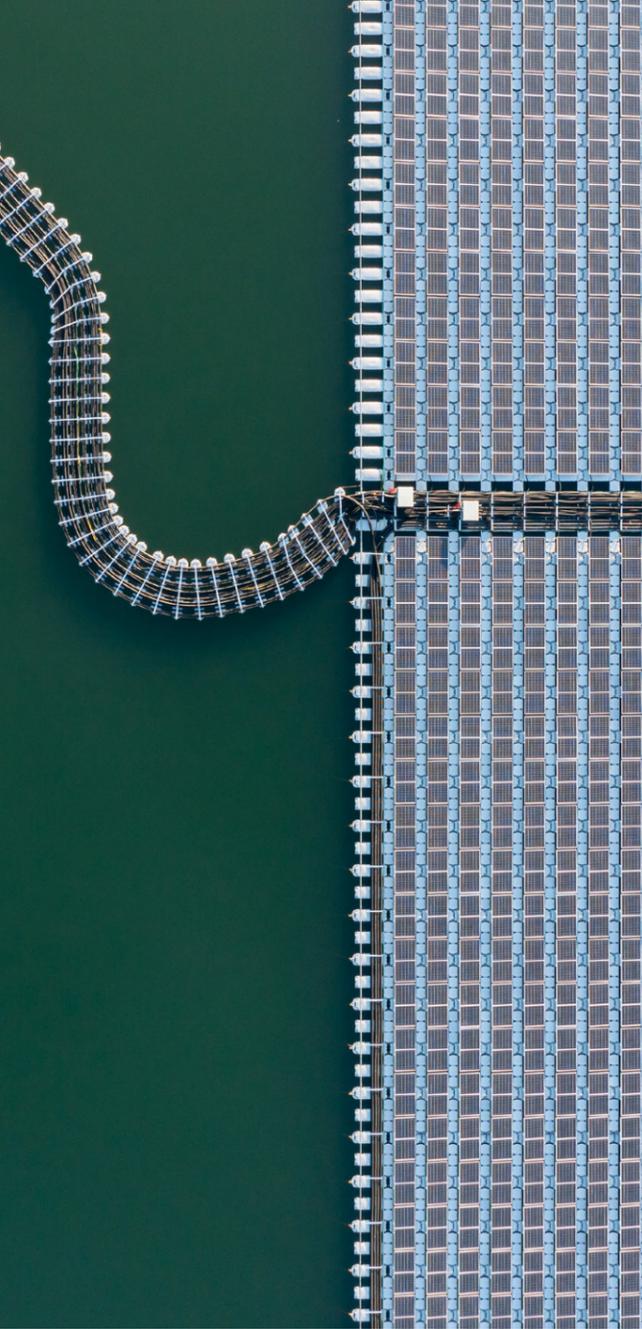
12. The Lancet. (2022). 'Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis'. (Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis - The Lancet accessed 11 May 2022).

13. [An estimated 1.2 million people died in 2019 from antibiotic-resistant bacterial infections | University of Oxford](#)

14. WHO. (2019). 'No time to Wait: Securing the future from drug-resistant infections.' (no-time-to-wait-securing-the-future-from-drug-resistant-infections-en.pdf (who.int), accessed 11 May 2022).

15. [Antimicrobial Resistance \(AMR\) \(worldbank.org\)](#)





Company engagements

As a large investor, we meet companies on a regular basis to talk about a range of material E, S and G issues. This enables us to raise new topics, based on the strength of our existing relationships.

For example, our focus for company meetings has been on the water utilities sector. We have written to more than 25 water utility companies globally and so far have been able to speak to some within this group.

Acting through voting

The ability to take action to mitigate AMR is industry-specific, so we wouldn't expect to see resolutions outside the main industries. We have yet to see a management-proposed resolution on AMR, however, we have supported relevant shareholder resolutions where they have been proposed.

We have supported shareholder resolutions related to AMR at Hormel Foods Corporation*, McDonald's* and Abbot Laboratories*.

Preventing the pandemics of the future

Like many significant issues, change won't happen overnight. But as with climate change, we know from experience that once momentum builds, change can happen at a surprising rate, across individual industries, and around the world.

We are continuing to engage with policymakers and relevant companies around AMR. Forming realistic but ambitious expectations of companies and developing recommendations for policymakers are crucial steps in our engagement. On the basis of these, we can consult policymakers and engage with companies so that they meet our expectations.

By working with policymakers and companies and continuing to increase the prominence of this issue, we want to make sure that AMR doesn't become the next pandemic.



Environmental | Social | Governance

One share, one vote: escalating our policy on unequal voting rights

We believe equal voting is an essential right for shareholders to promote market efficiency and hold company boards accountable. However, the prevalence of unequal share class structures, also called ‘dual class’ shares (i.e. two or more types of shares with different voting rights) continues to be an impediment to shareholder rights. We are strong proponents of the ‘one share, one vote’ standard, based on the principle that control of a company should be commensurate with the interests of investors generally.

In our recent blog [All shares are equal, but some are more equal than others \(lgimblog.com\)](https://lgimblog.com), we provide more details on the history of dual-class share structures, on the arguments for and against, and on the evidence of what effect they can have on a company and its performance.

We have long been advocates of equal voting rights. From 2023, we will be voting against the re-election of the board chair at US-incorporated companies with dual-class structures, when the company has not provided a plan to set a time limit on a dual-class structure (where it exists), or given shareholders the opportunity to vote on it.

At the moment, this policy applies only in the US, where we have seen notable companies go public with dual-class share structures. In the future, we may extend it to other jurisdictions where we feel similar action is appropriate.



Significant votes

Company name	Twitter, Inc*
ISIN	US90184L1026
Market Cap	US\$39.2 billion (as at 07 October 2022, source: Reuters)
Sector	Technology
Issue identified	‘Golden parachute’ payments are lucrative settlement payments to top executives in the event that their employment is terminated. This is an issue we assess across all companies, and is particularly pertinent for Twitter at the moment as the proposed takeover by Elon Musk continues to evolve.
Summary of the resolution	Resolution two: Advisory Vote on Golden Parachutes EGM date: 13 September 2022
How LGIM voted	LGIM voted against the resolution (against management recommendation).
Rationale for the vote decision	As a long-term and engaged investor, we entrust the board to ensure executive directors’ pay is fair, balanced and aligned with the strategy and long-term growth and performance of the business. It is also worth noting that in Twitter’s 2022 AGM, we voted against their ‘say on pay’ proposal, as did 42% of shareholders, which is significant.
Outcome	4.8% shareholders voted against.
Why is this vote ‘significant’?	Remuneration: termination: A vote against is applied as LGIM does not support the use of ‘golden parachutes’.

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As a member of the ACGA Japan Working Group, LGIM engages with Japanese companies, including Toyota Motor Corporation (TMC)*, to improve their corporate governance and sustainability practices.

Identify

As a member of the ACGA Japan Working Group, LGIM engages with Japanese companies, including Toyota Motor Corporation (TMC)*, to improve their corporate governance and sustainability practices.



At Toyota, we have identified their key issues to be:

- I. capital allocation decisions (cross-shareholdings and insufficient investments in zero-emissions vehicles and related infrastructure)
- II. board independence, diversity and effectiveness

Engage

We originally started our engagement with Toyota in September 2021, alongside fellow shareholders. Our second meeting was held earlier this year to discuss climate change, board composition and capital allocation. We spoke with TMC's Chief Sustainability Officer.

Throughout these meetings, which were attended by Toyota's investor relations team and chief sustainability officer, we expressed our concerns around the company's cross shareholdings, the lack of supervisory function at the board level given the low level of independence, and the company's climate transition strategy and related public policy engagements.

Escalate

In September 2022, we spoke with one of the outside directors on the board and were able to have a candid conversation about how outside directors add value to the board and the quality of board discussions.

Given the company's size and influence at Japan's largest business federation and in industry associations, we have always questioned the company's lobbying stance and its alignment with a 1.5°C world (this is also one of our red lines under sector guides for the auto sector in the Climate Impact Pledge). We are delighted to see improved transparency from the company as they published their views on climate public policy in December 2021. Nonetheless, we view corporate transparency to be the first step and we hope that this will enable us to have more in-depth conversations on its views on climate and how the company plans to shift its strategy.

Given a recent controversy at one of Toyota's group companies (Hino*), we will continue to engage with the company on corporate governance issues and push for better practices both in terms of corporate governance and climate strategy.

The ACGA: generating good governance

As mentioned in the 'Policy' section of this report, we are longstanding members of the Asia Corporate Governance Network (ACGA). Below, we provide a recent case study of our engagement alongside the ACGA with Toyota.



Public policy update

As a significant global investor, our aim is to raise global ESG standards across the markets in which our clients are invested. In this regard, our engagement and dialogue with policymakers forms a vital underpinning for our global stewardship approach.

Designing, implementing, and monitoring an effective and coherent policy, including a regulatory and legislative system that governs society, the environment, and the economy is not a simple task. Governments must also take transformative steps to accelerate progress against the complex and interrelated global challenges that we face. As a long-term investor with universal coverage, LGIM is well positioned to constructively engage with policymakers to help them identify and address these systemic market failures and help strengthen the global regulatory and legislative environment. We are aware that change does not happen overnight or with one discussion. LGIM is therefore committed to engaging with policymakers consistently and over the long term.

In this section, we provide examples of some of the work we've been doing across E, S and G topics around the world. Many of the external partners that we work with are international, reflecting the shared responsibility and common interest of stakeholders from around the world working together to combat the most pressing E, S and G issues.



Making agriculture work for everyone

Ahead of COP27, we have been engaging with policymakers internationally, primarily the UN FAO (UN Food and Agriculture Organization), coordinated by FAIRR (Farm Animal Investment Risk and Return), to develop a roadmap for decarbonising the Agriculture and Land Use sector. Existing pathways to net zero only scratch the surface of agriculture and land use – we therefore believe that more detailed, far-reaching plans and actions are needed so that this sector, which is so crucial in achieving net zero. Geopolitical tensions in 2022 have also highlighted the issue of food security which, again, is an interconnected issue. We believe that policymakers need to address these challenges holistically and comprehensively. More detail can be found in our recent blog post, here: [Why we need a roadmap for the global Agriculture and Land-Use sector \(lgimblog.com\)](https://www.lgimblog.com)

Shoring up the world's water

Following a long, hot summer and World Water Week in September, we have been highlighting how policymakers can work towards achieving water security, an issue which is likely to become more pressing as global warming increases around the world. Water security is complex – it spans countries, industries and societies, and requires co-ordinated efforts. In our two-part blog, we explain what we believe policymakers can do to improve water security not only in their own countries, but around the world: [LGIM Blog - Four steps to avoid a water crisis](#).

Boosting British green finance

We are continuing to engage with the UK government to implement a full package of sustainable finance regulation, including the review of their net zero plan, which has come under much scrutiny. As we transition to new leadership, our persistence on credible planning and implementation of the net zero strategy is even more important to ensure that this crucial issue remains at the top of the Government's agenda. But we have not been addressing net zero in isolation – we believe it is vitally important that the government implements a coherent sustainable finance strategy, covering not only green finance, but also human rights due diligence provisions.

Mitigating microplastic damage in the UK

Awareness of the damage caused by microplastics entering our water systems is increasing. In order to put pressure on the UK Government to take action, we have joined a collaboration led by First Sentier Investors, and comprising some 29 investors, with assets under management (AUM) of £5 billion. As part of this collaboration, we co-signed a letter to the UK Department of Environment, Food and Rural Affairs (DEFRA), emphasising our support for the 2021 recommendations of the [All Party Parliamentary Group on Microplastics](#). These stipulate that microfibre filters must be installed in new washing machines by 2025, which will help to reduce the amount of microplastics entering the water system. Our collaborative engagement group has also met with the DEFRA team and will continue to work over the coming months. We will monitor further steps taken on legislative action regarding the recommendations which have already been made.

Strengthening the foundations globally with the ISSB

The International Sustainability Standards Board (ISSB), which is part of the International Financial Reporting Standards foundation (IFRS), aims to create ‘a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies’ sustainability-related risks and opportunities’.

LGIM has [long been a supporter](#) of the ISSB because we believe it is essential that data on ESG factors is coherent, comparable and high-quality.

Along with our parent company, L&G, we have responded to the recent ISSB consultation, recognising and supported the building-block approach of the standard as the best way to achieve wide adoption. This would mean the ISSB would set out the minimum required standard – to be built up and added to by country and regional regulators. Ultimately, we want to see high quality, consistent, comparable, and verifiable sustainability disclosures that are widely adopted. While we are generally supportive of the focus on a materiality based on users’ assessment of enterprise value, we believe the definition and expectations of ‘materiality’ need further clarification.

Curtailing methane emissions in the US

In August, we were delighted to announce the anniversary [of our partnership with the Environmental Defense Fund](#) (EDF), a US-based NGO with a reputation for pragmatism and expertise, and a goal of working with companies to address the risks posed by the climate transition. One extremely important focus of our collaborative work has been on methane emissions. Despite the significance of methane as a risk factor, it has not been a priority for the oil and gas industry, and many companies don’t reliably know how much methane they are emitting. We met with several large oil and gas companies urging them to join the Oil & Gas Methane Partnership (OGMP), which provides a robust framework for improving methane emissions disclosure. Having [written](#) to the Environmental Protection Agency (EPA) earlier this year, we also met with them to highlight shortcomings of existing disclosure regulations. We also submitted a [comment letter](#) to the International Sustainability Standards Board (ISSB), urging the adoption of key OGMP features. If implemented, these could have a sweeping impact on system wide disclosure practices.



Championing human rights in the UK

At LGIM, we aim to create a better world through responsible investment. This relates not only to the environment, but also to the management of social and governance factors, including human rights. Alongside 39 investors with AUM of over £4.5 trillion, we co-signed a letter to the UK government in support of a ‘Business, Human Rights and Environment Act’ which would require business to undertake human rights and environmental due diligence across their operations and value chains. We believe such legislation would ingrain a higher and measurable standard of human rights and environmental behaviours across the UK market, exerting a positive influence in global markets throughout the value chain. Further information can be found here: <https://www.business-humanrights.org/en/latest-news/investor-letter-for-uk-human-rights-due-diligence/>

Antimicrobial Resistance has also been high on our agenda, as has nutrition and obesity. Updates on these topics can be found in the ‘S’ section of this report, above.



Gaining good governance in Japan

We continue our collaborations with the [Asian Corporate Governance Association](#) (‘ACGA’), with whom we have longstanding membership. The ACGA believes that good corporate governance is essential to the operation of Asian markets, and focuses on three areas: research, advocacy and education, in seeking to achieve its aims. A summary of our recent work with Toyota as part of the ACGA can be found in the ‘Governance’ section of this report.

Regional updates

UK - Q3 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	96	1	0
Capitalisation	530	15	0
Directors related	985	61	0
Remuneration related	188	43	0
Reorganisation and Mergers	29	3	0
Routine/Business	637	6	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors 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	1	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	2465	130	0
Total resolutions		2595	
No.		144	
No. EGMs		36	
No. of companies voted		168	
No. of companies where voted against management /abstained at least one resolution		59	
% no. of companies where at least one vote against management (includes abstentions)		35%	

Votes against management



Number of companies voted for/against management



■ 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 - Q3 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	45	8	0
Directors related	101	38	0
Remuneration related	47	22	0
Reorganisation and Mergers	8	0	0
Routine/Business	104	13	0
Shareholder Proposal - Compensation	1	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	6	2	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	3	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	315	83	0
Total resolutions		398	
No. AGMs		16	
No. EGMs		13	
No. of companies voted		29	
No. of companies where voted against management /abstained at least one resolution		17	
% no. of companies where at least one vote against management (includes abstentions)		59%	

Votes against management



Number of companies voted for/against management



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

LGIM voted against at least one resolution at 59% of European companies over the quarter.

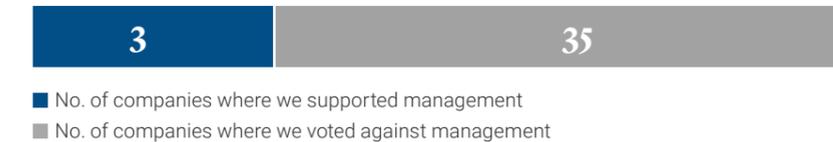
North America - Q3 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	10	1	0
Capitalisation	11	1	0
Directors related	189	70	0
Remuneration related	11	37	0
Reorganisation and Mergers	8	0	0
Routine/Business	16	20	0
Shareholder Proposal - Compensation	0	1	0
Shareholder Proposal - Corporate Governance	3	3	0
Shareholder Proposal - Directors Related	1	4	0
Shareholder Proposal - General Economic Issues	1	1	0
Shareholder Proposal - Health/Environment	0	4	0
Shareholder Proposal - Other/Miscellaneous	0	4	0
Shareholder Proposal - Routine/Business	2	3	0
Shareholder Proposal - Social/Human Rights	1	2	0
Shareholder Proposal - Social	0	0	0
Total	253	151	0
Total resolutions		404	
No. AGMs		32	
No. EGMs		9	
No. of companies voted		38	
No. of companies where voted against management /abstained at least one resolution		35	
% no. of companies where at least one vote against management (includes abstentions)		92%	

Votes against management



Number of companies voted for/against management



LGIM voted against at least one resolution at 92% of North American companies over the quarter.



Japan - Q3 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	0	0	0
Directors related	125	14	0
Remuneration related	8	0	0
Reorganisation and Mergers	18	1	0
Routine/Business	11	0	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors 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	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	162	15	0
Total resolutions		177	
No. AGMs		14	
No. EGMs		4	
No. of companies voted		18	
No. of companies where voted against management /abstained at least one resolution		10	
% no. of companies where at least one vote against management (includes abstentions)		56%	

Votes against management



Number of companies voted for/against management



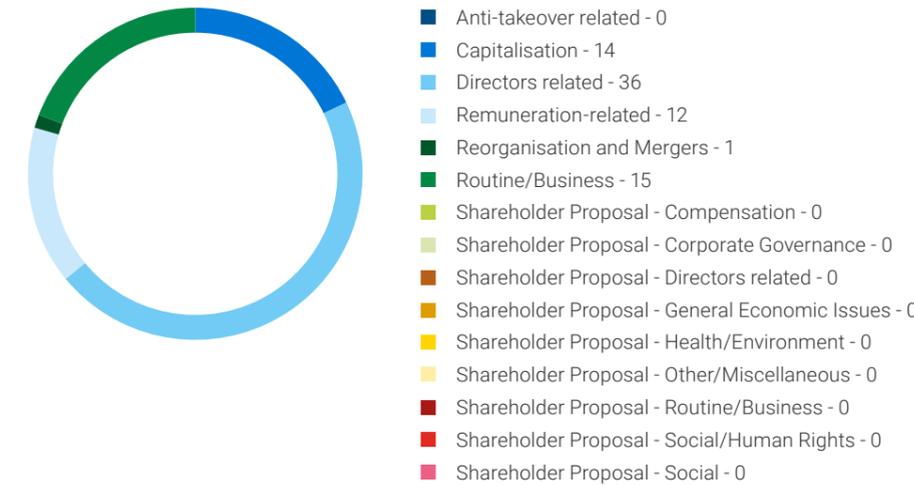
LGIM voted against at least one resolution at 56% of Japanese companies over the quarter.



Asia Pacific - Q3 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	2	0	0
Capitalisation	28	14	0
Directors related	92	36	0
Remuneration related	16	12	0
Reorganisation and Mergers	15	1	0
Routine/Business	54	15	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors 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	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	207	78	0
Total resolutions		285	
No. AGMs		31	
No. EGMs		17	
No. of companies voted		47	
No. of companies where voted against management /abstained at least one resolution		28	
% no. of companies where at least one vote against management (includes abstentions)		60%	

Votes against management



Number of companies voted for/against management



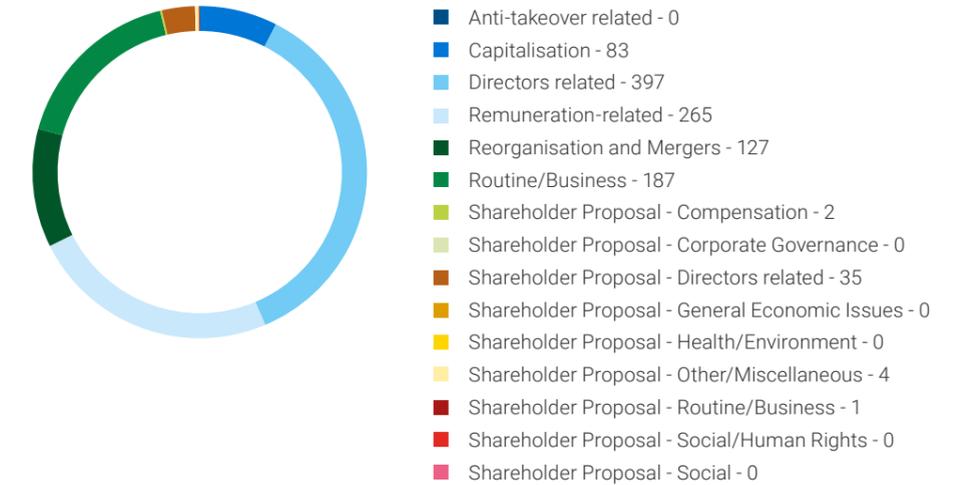
LGIM voted against at least one resolution at 60% of Asia Pacific companies over the quarter.



Emerging markets - Q3 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	2	0	0
Capitalisation	1126	83	0
Directors related	833	397	48
Remuneration related	82	265	0
Reorganisation and Mergers	333	127	0
Routine/Business	980	187	0
Shareholder Proposal - Compensation	0	2	0
Shareholder Proposal - Corporate Governance	1	0	0
Shareholder Proposal - Directors Related	141	35	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	4	0
Shareholder Proposal - Routine/Business	34	1	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	3532	1101	48
Total resolutions		4681	
No. AGMs		212	
No. EGMs		390	
No. of companies voted		564	
No. of companies where voted against management /abstained at least one resolution		333	
% no. of companies where at least one vote against management (includes abstentions)		59%	

Votes against management



Number of companies voted for/against management



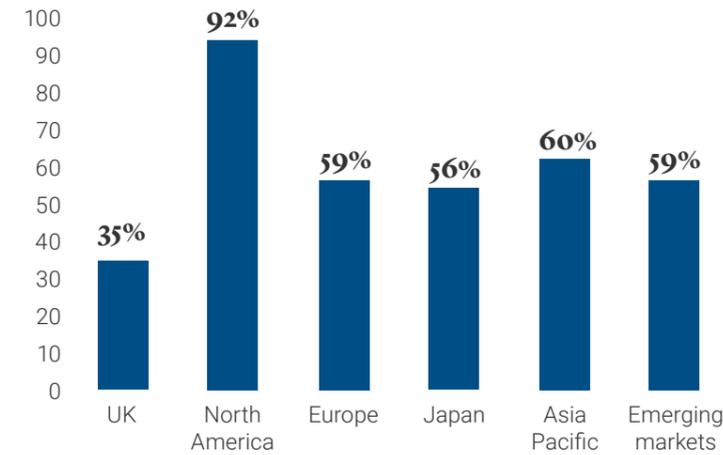
LGIM voted against at least one resolution at 59% of emerging market companies over the quarter.



Global - Q3 2022 voting summary

Proposal category	Total for	Total against	Total abstentions	Total
Anti-takeover related	110	2	0	112
Capitalisation	1740	121	0	1861
Directors related	2325	616	48	2989
Remuneration related	352	379	0	731
Reorganisation and Mergers	411	132	0	543
Routine/Business	1802	241	0	2043
Shareholder Proposal - Compensation	1	3	0	4
Shareholder Proposal - Corporate Governance	4	3	0	7
Shareholder Proposal - Directors Related	148	41	0	189
Shareholder Proposal - General Economic Issues	1	1	0	2
Shareholder Proposal - Health/Environment	0	4	0	4
Shareholder Proposal - Other/Miscellaneous	0	8	0	8
Shareholder Proposal - Routine/Business	39	5	0	44
Shareholder Proposal - Social/Human Rights	1	2	0	3
Shareholder Proposal - Social	0	0	0	0
Total	6934	1558	48	8540
Total resolutions				8540
No. AGMs				449
No. EGMs				469
No. of companies voted				864
No. of companies where voted against management /abstained at least one resolution				482
% no. of companies where at least one vote against management (includes abstentions)				56%

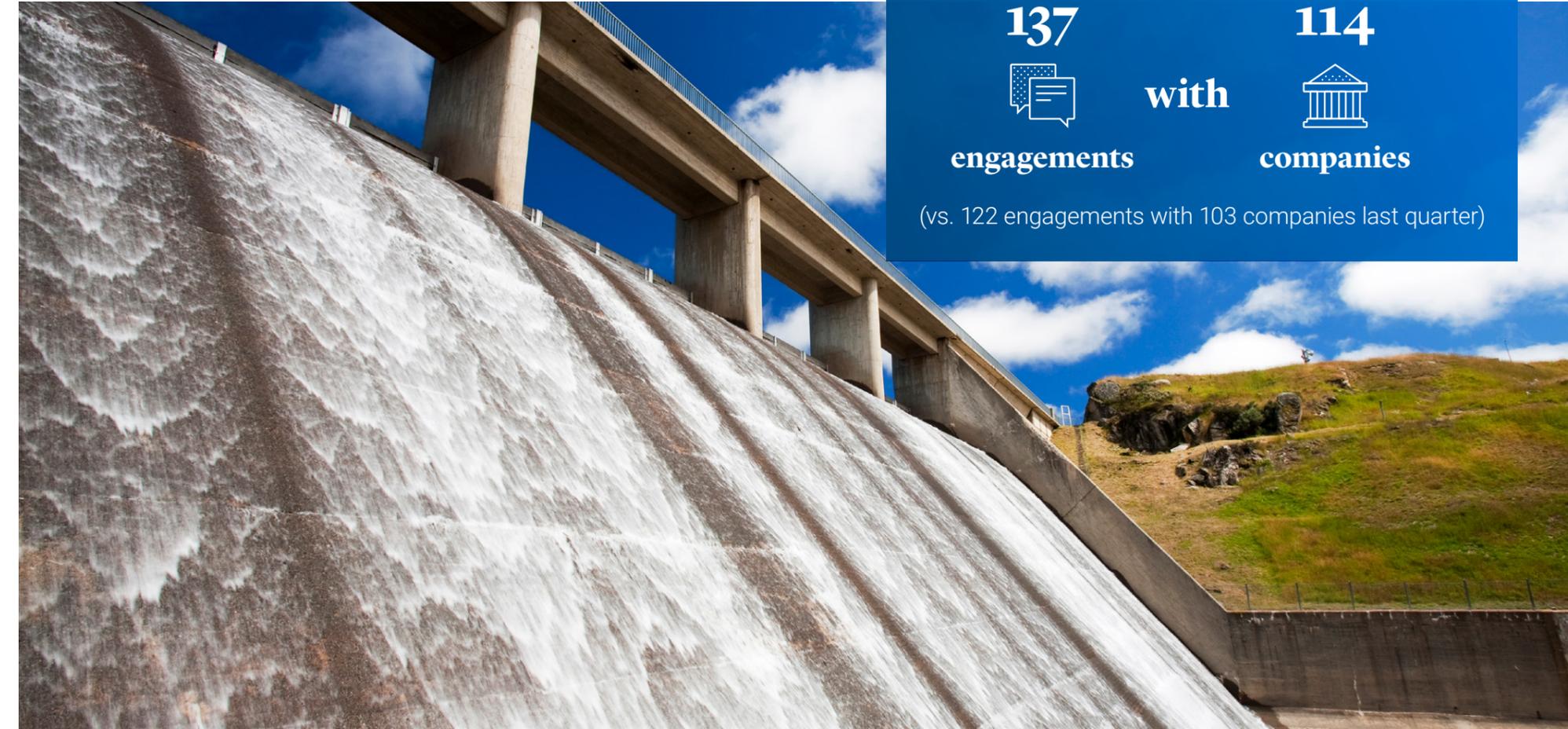
% of companies with at least one vote against (includes abstentions)



Number of companies voted for/against management



Global engagement summary



In Q3 2022, the Investment Stewardship team held

137 with **114**
 engagements companies

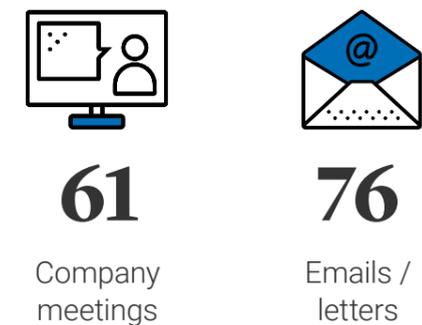
(vs. 122 engagements with 103 companies last quarter)

Breaking down the engagement numbers - Q3 2022

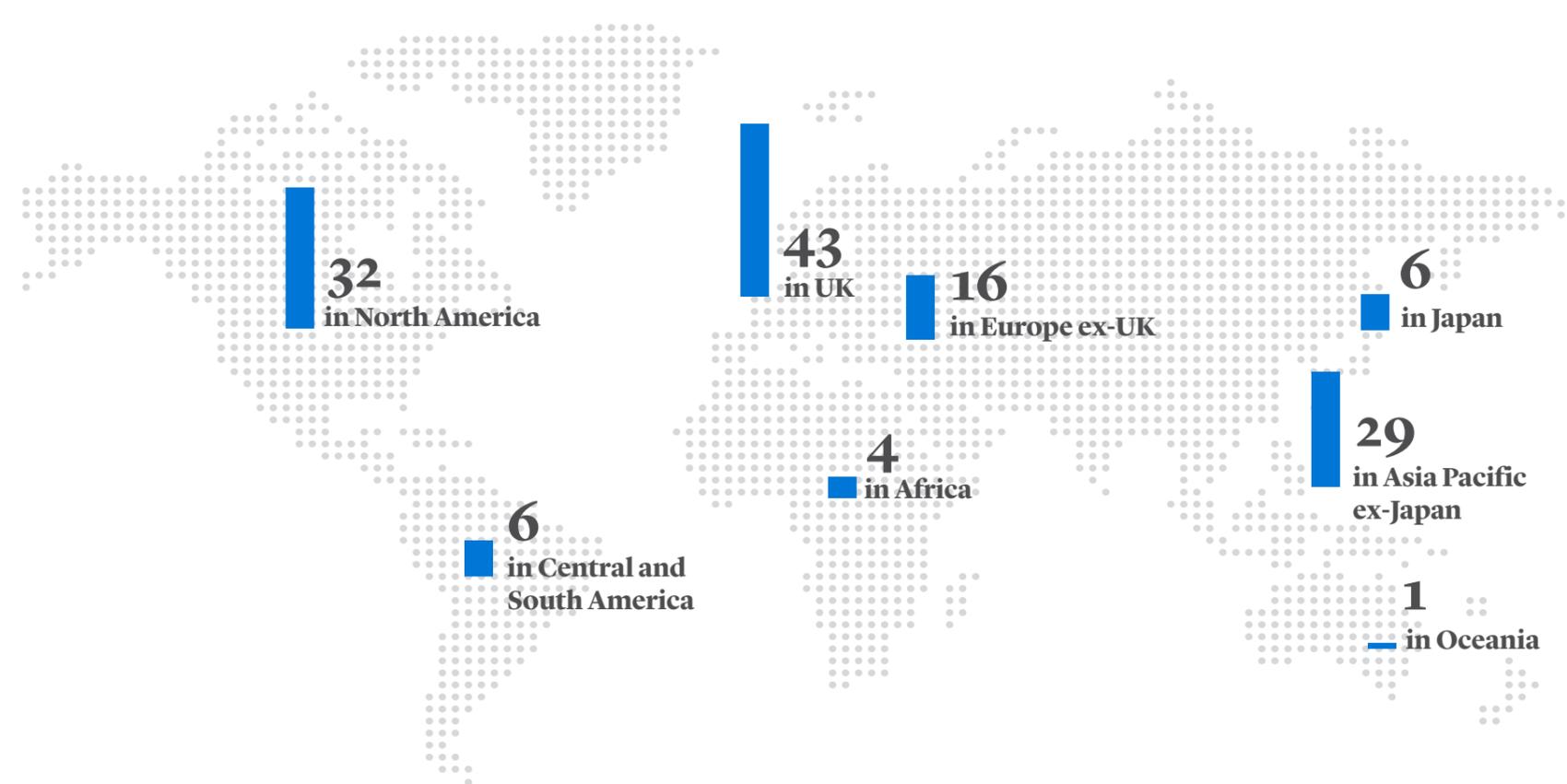
Breakdown of engagement by themes



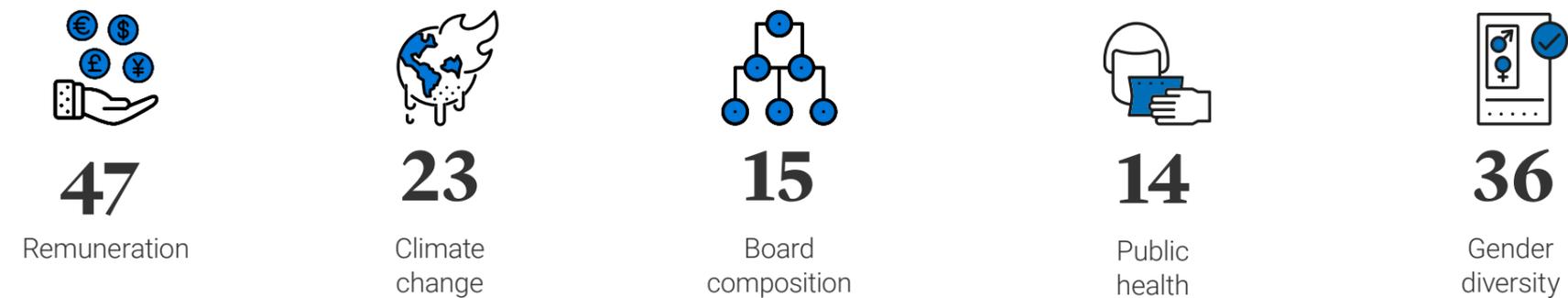
Engagement type



Regional breakdown of engagements



Top five engagement topics*



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

Contact us

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