



# ESG at LGIM

Harnessing the power of  
responsible investing to  
effect positive change.

For professional investors only.  
Not to be distributed to retail investors. Capital at risk.

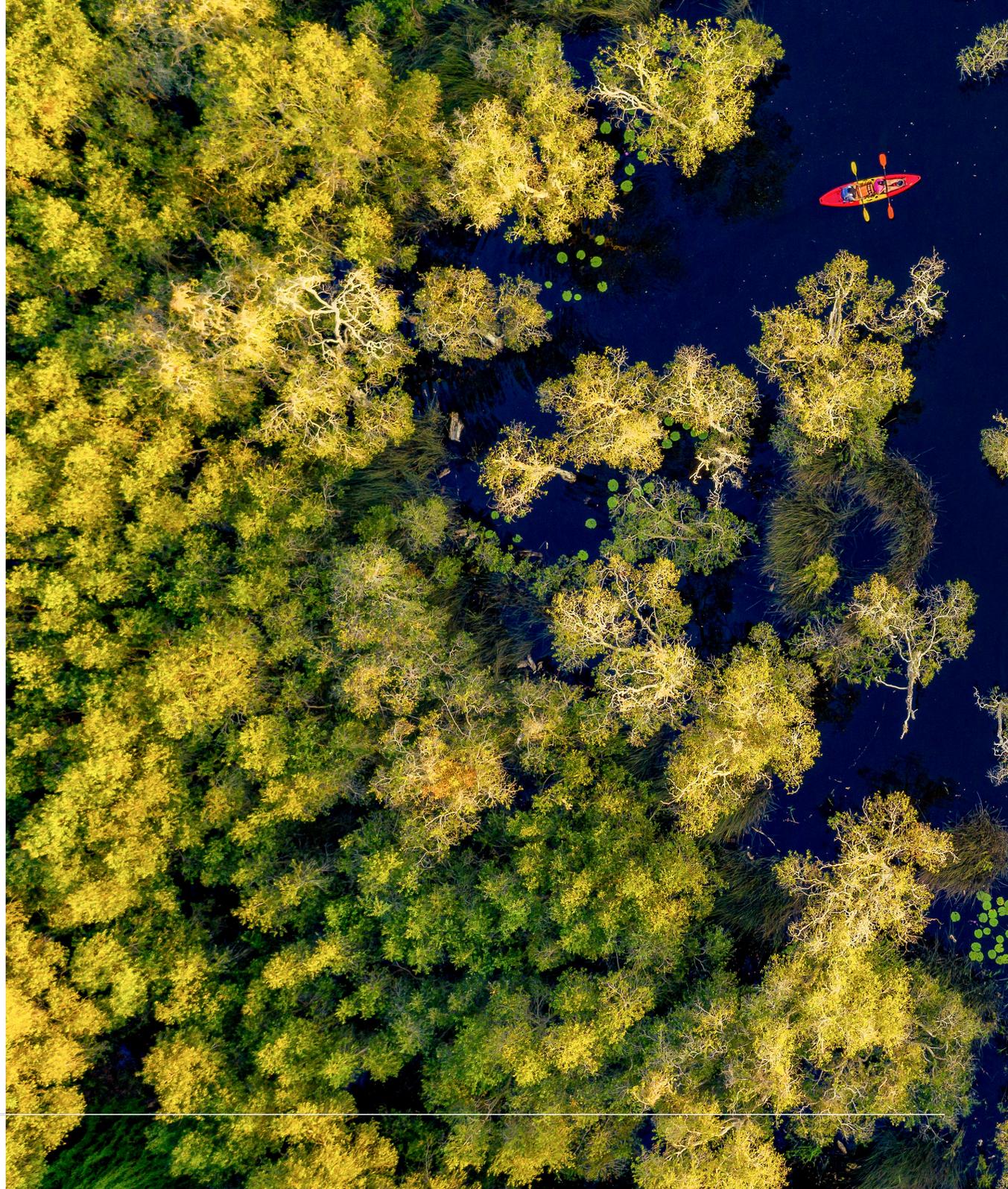
Legal & General Investment Management (LGIM) is the asset management business of Legal & General Group

**Our purpose is to create a better future through responsible investing.**

We strive to achieve this through a strong sense of partnership with our clients, working together to achieve positive long-term outcomes.

We draw on industry-leading expertise to innovate constantly across public and private assets, index and active strategies. And we are a responsible investor, rising to the challenges of a rapidly changing world. On behalf of savers, retirees and institutions worldwide, we manage USD 1.8 trillion\* in assets.

\*LGIM internal data as at 30 June 2021.





# Our core beliefs are:



## **We have a responsibility to many stakeholders.**

When we allocate capital, we conduct extensive research into potential environmental and societal outcomes.



## **Environmental, social and governance (ESG) factors are financially material**

Responsible investing is essential to mitigate risks, unearth investment opportunities and strengthen long-term returns for clients.



## **We have a responsibility to effect positive change in the companies and assets in which we invest, and for society as a whole**

To us, this means active ownership and engagement through stewardship and cross-asset research.

# What does this mean in practice?



Active ownership >



Responsible investing >



Climate action >



## Active Ownership

For more than four decades, LGIM has engaged globally with companies, industry peers and policymakers to tackle systemic issues.

In doing so, we take a consistent approach across our entire book. Our award-winning Investment Stewardship team engages with companies, alongside LGIM's investment teams, to address company-specific and market-wide risks and opportunities. The team exercises our voting rights globally and is independent, reporting directly into LGIM's CEO.





## Responsible investing

We offer a wide range of responsible investment strategies, across different asset classes and fund management styles. Our approach to responsible investing stems from, and helps inform, Legal & General Group's vision for inclusive capitalism, which seeks to share the benefits of economic growth with as many people as possible.

And our framework for responsible investing is based on stewardship with impact and active research across asset classes. These activities enable us to deliver responsible investment solutions to our clients and conduct engagement with the aim of driving positive change.



## Climate action

LGIM is restlessly innovative in tackling the climate crisis, from modelling the energy transition to conducting targeted engagements. In recognition of its potentially catastrophic outcomes for the world – and our clients’ assets – we are spearheading efforts to limit carbon emissions to net zero by 2050.

Under our Climate Impact Pledge, we commit to helping companies to reach this objective. When companies fail to demonstrate adequate climate commitments, we take action by exercising our voting rights across our entire book and through investment decisions within some of our funds.



# How do we integrate ESG factors across our investment capabilities

LGIM has established a fully integrated framework for responsible investing to strengthen long-term returns.

Our framework for responsible investing is based on stewardship with impact and active research across asset classes, as detailed below. These activities enable us to deliver responsible investment solutions for our clients and conduct engagement with the aim of driving positive change.



LGIM's ESG Score >



The LGIM ESG Active View >



LGIM's Global Research and Engagement Groups >



## LGIM's ESG Score

We have developed a rules-based and transparent methodology by which to score companies against ESG metrics. The LGIM ESG Score aligns with how we engage with, and vote on, the companies in which we invest. It combines an environmental score, a social score and a governance score, with adjustments made for a company's overall level of transparency with regards to ESG issues. We publish the scores and explain the metrics on which they are based.

In addition, the score is used by our Index teams in the creation of ESG-aligned index products. Through our proprietary ESG scores, and the LGIM Climate Impact Pledge, we have pioneered the link between engagement, voting and capital allocation for index investors.



## The LGIM ESG Active View

This is an essential component of the research and portfolio management process for our Active Strategy team. The tool builds on the LGIM ESG Score, incorporating additional granular quantitative and qualitative inputs and assessments in order to reflect a full picture of the ESG risks and opportunities embedded within each company.

ESG risks vary across sectors and therefore the proprietary tool we have developed evaluates sector-specific ESG factors, spanning dozens of specific sectors/sub-sectors.



## LGIM's Global Research and Engagement Groups

We have established nine committees covering the Industrials, Healthcare, Financials, Real Assets, Technology Media Telecoms, Consumer, Energy, Commodities and Utilities sectors. These bring together representatives from our investment and stewardship teams, to unify our engagement efforts and determine the exposure of sectors and companies to ESG risks and opportunities.

We communicate with one voice to the companies in which we invest on behalf of our clients and the output informs our investment decisions across the capital structure.

# Engagement with consequences

Investment stewardship means the responsible oversight of capital that we allocate on behalf of our clients, in order to generate sustainable benefits for the economy, the environment and society.

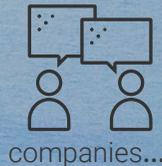
Our Investment Stewardship team exercises voting rights globally, holding companies to account on the issues that matter most to our clients, to address risks and opportunities – both company-specific and market-wide. These range from climate change to board independence and diversity.



# During 2020, the team:

Engaged with

665



companies...



...and voted on

66,037

resolutions\*

Opposed the election of

4,700



directors due to  
governance concerns

Contacted some

500



companies with **poor  
climate scores**, as part of  
our Climate Impact Pledge

We also  
selected

60



companies  
for **in-depth  
climate  
engagement**

\* Voting instructions for our main FTSE pooled index funds.



**Through voting,  
we will sanction  
those companies  
that persistently  
fall short of our  
minimum standards**

# Supporting the transition to net zero

Fighting climate change requires global greenhouse gas emissions to reach net zero. As an asset manager, we are committed to playing our part in this critical mission. LGIM has committed to work in partnership with our clients to reach net-zero greenhouse gas emissions by 2050 or sooner across all assets under management.

In addition, drawing on industry best practice, we have set out LGIM's key requirements for a fund or investment portfolio to be considered net zero-aligned. Our overarching ambition is to help decarbonise the real economy. To this end, we have also committed to strengthening our standards as the progress made by companies and governments worldwide accelerates.



## Contact us

For further information about LGIM, please visit [lgim.com](http://lgim.com) or contact your usual LGIM representative



Past performance is not a guide to the future. The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested. Views expressed by LGIM as at October 2021

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