Q2 2022

ESG Impact Report

Global engagement to deliver positive change

LGIM

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.

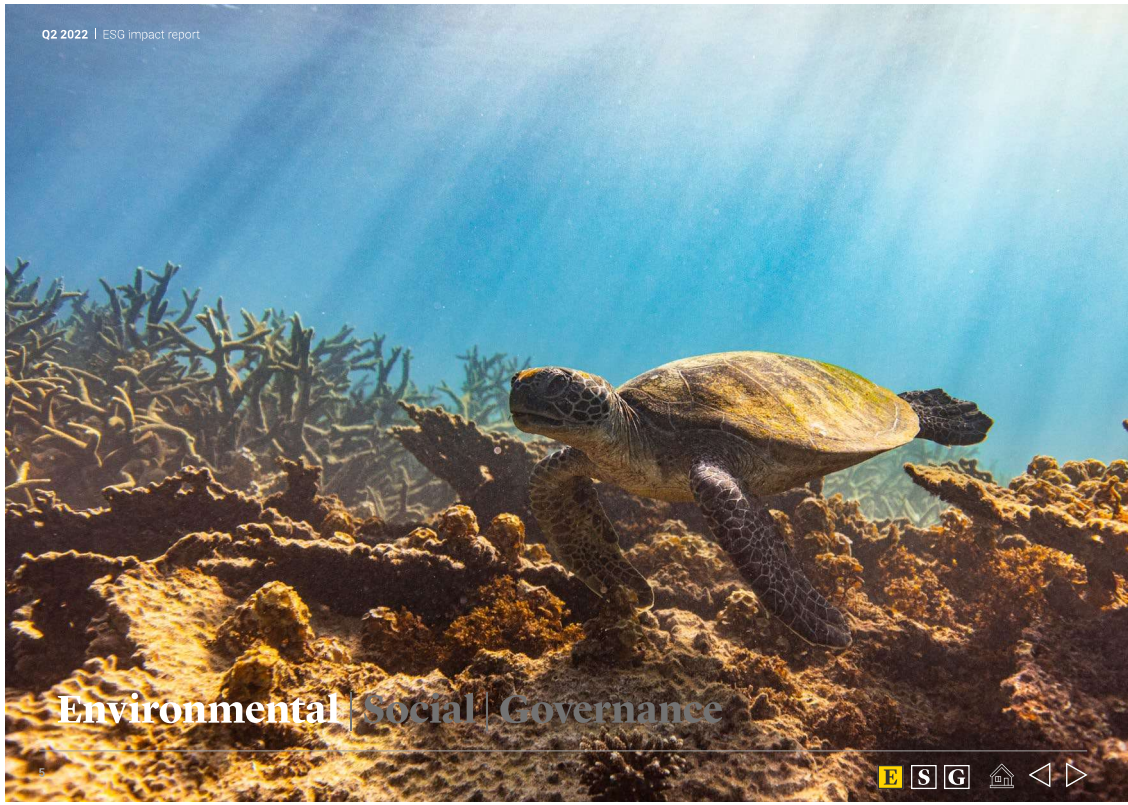
Promoting market resilience

As a long-term investor for our clients, it is essential that markets 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.

Action and impact

The second quarter of the year is traditionally when many companies around the world hold their annual general meetings (AGMs). In this edition, we cover some of the main themes on which we voted, alongside an update on other campaign activity. We include some examples of significant votes – if you would like to find out more about how we voted over the quarter, please visit our voting website and our blog.

Q2 2022 | ESG impact report



ESG: Environment

Deforestation: distinguishing the wood from the trees

We believe the interdependencies between nature and climate are of critical importance; the risk of degradation of nature and the role of biodiversity in preserving the natural capital on which we depend are garnering increasing attention. A changing climate threatens natural ecosystems, and nature loss amplifies climate change by reducing the ability of ecosystems to store carbon. Deforestation is a thematic priority that raises the important conflicting challenges presented by managing risks from both biodiversity loss and climate change.

As part of our deforestation commitment, we have taken further steps to assess our exposure to commodity-driven deforestation risk, identifying companies in key sectors that have not yet demonstrated necessary action to begin addressing the issue. In our next Quarterly Impact Report, we will provide more information on our approach to engaging with these companies. In the policy engagement section of this report, we provide more details of our global collaborations and work with policymakers on deforestation around the world.

We are also working towards the commitments we have made under the Finance for Biodiversity Pledge in a number of ways. This has included engaging directly on the Taskforce for Nature-related Financial Disclosure's (the 'TNFD') 'Framework' consultation,[1] emphasising the importance of guiding corporate disclosure on the topic. We are integrating biodiversity metrics into LGIM's ESG tools, including the recent update to our LGIM ESG Score.

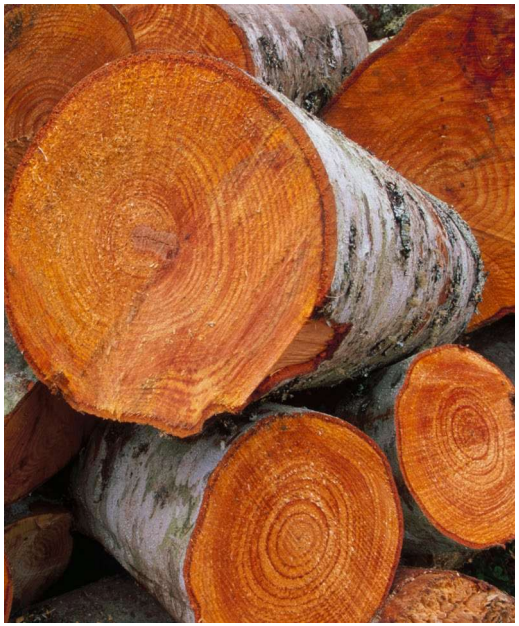
Climate Impact Pledge: our latest report

In June 2022, we published our annual Climate Impact Pledge update, sharing our successes and indicating where we will be putting more pressure on companies to raise their standards. Some key facts and figures include:

- Having sanctioned 130 companies in 2021 for failing to meet our minimum standards, this number decreased in 2022 to 80 companies;
- We are keeping 12 companies on our divestment list, and adding two new companies;
- We have removed one company from our divestment list for demonstrating actions and improvements, and have reinstated it in select funds[2].

Our dedicated webpage contains a link to our full report, our sector guides, and links to our Climate Impact Pledge scores and scoring methodology document.

1. Welcome to the TNFD Nature-Related Risk & Opportunity Management and Disclosure Framework + TNFD
2. Source for all figures: LGIM, June 2022 Climate Impact Pledge 2022 - Net zero: going beyond ambition (lgim.com).



Significant votes

ISIN	GB0007980591
Company name	BP Plc*
Market Cap	£70.6bn (Source: EIKON, 07 July 2022)
Sector	Oil and gas
Issue identified	Management-proposed 'Say on Climate' proposal, at a company with whom we have been engaging for many years.
Summary of the resolution	Resolution 3: Approve "Net Zero – from ambition to action" report AGM date: 12 May 2022
How LGIM voted	For (in line with management recommendation)
Rationale for the vote decision	Following long-standing and intensive engagements, both individually and collectively through the CA100+, BP has made substantial changes to its strategy and approach. This is evident in its most recent strategic update where key outstanding elements were strengthened, including raising its ambition for net zero emissions by 2050 and halving operational emissions by 2030, as well as expanding its scope 3 targets and increasing its capex to low carbon growth segments. Nevertheless, we remain committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambitions and approach to exploration.
Outcome	88.5% votes were in favour of the resolution.
Why is this vote 'significant'?	This year, we laid out our criteria for supporting management-proposed climate transition plans. The oil and gas sector is an integral component in the transition towards a net zero world and, as such, a great level of scrutiny is applied when assessing the credibility of climate proposals submitted to a shareholder vote this year by companies in this industry, with BP being one of them

*Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

Significant votes

ISIN	US30231G1022
Company name	ExxonMobil*
Market Cap	$350.9bn (Source: EIKON, 07 July 2022)
Sector	Oil and gas
Issue identified	Shareholder proposal on climate change, relating to the net zero transition.
Summary of the resolution	Resolution 6: Set greenhouse gas ('GHG') emissions reduction targets consistent with the Paris Agreement goal AGM date: 25 May 2022.
How LGIM voted	For (against management recommendation)
Rationale for the vote decision	A vote FOR is applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. 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 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
Outcome	Resolution 6 achieved 27% support. We had communicated our expectations regarding the net zero transition to the company, and will continue to engage.
Why is this vote 'significant'?	The proposal called on Exxon to set a credible net zero plan in alignment with the 1.5°C trajectory – we supported this resolution given the company's current level of ambition, and our stated expectations.

*For illustrative purposes only – this is not a recommendation to buy or sell any security.

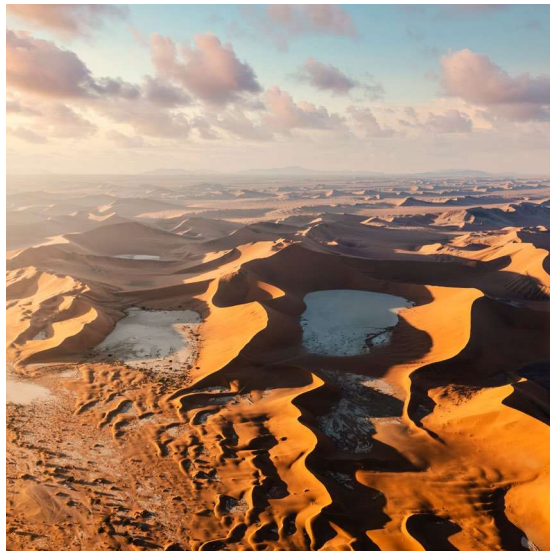
ISIN	JP3890350006
Company name	Sumitomo Mitsui Financial Group, Inc.*
Market Cap	$40.5bn (Source: EIKON, 07 July 2022)
Sector	Financials
Issue identified	Shareholder resolution on climate change at a company with whom we have been engaging.
Summary of the resolution	Resolution 4 – Amend Articles to disclose plan outlining the company's business strategy to align investments with the goals of the Paris Agreement Resolution 5 – Amend Articles to disclose measures to be taken to make sure that the company's lending and underwriting are not used for expansion of fossil fuel supply or associated infrastructure AGM date: 27 June 2022
How LGIM voted	For both shareholder proposals (against management recommendation)
Rationale for the vote decision	LGIM expects company boards to devise a strategy and 1.5°C-aligned pathway in line with the company's commitments and recent global energy scenarios. Resolution 4 – LGIM's climate expectations include the setting of short-, medium- and long-term emissions reduction targets. We engaged with the company and while we positively note its commitments to joining the Net Zero Banking Alliance, we think that these commitments could be further strengthened, especially regarding their coal policy and emission reduction targets. We believe the shareholder proposal provides a good directional push. Resolution 5 – LGIM's climate expectations include but are not limited to stopping investments towards the exploration of new greenfield sites for new oil and gas supply.
Outcome	Resolution 4 - 27% support. Resolution 5 - 10% support. Our engagement with the company has been positive – nevertheless, we felt support of the shareholder proposals would be appropriate in terms of providing further encouragement. We will continue to engage with the company to provide our opinion and assistance in formulating their approach to net zero.
Why is this vote 'significant'?	There is significant shareholder support for a climate shareholder resolution in the Japanese market. Support for the shareholder proposal was not in line with management recommendation, despite positive engagement with the company.

*For illustrative purposes only – this is not a recommendation to buy or sell any security.

The Thin Green Line: 'Say on Climate' voting update

Earlier this year, we published our expectations of companies' 'Say on Climate' proposals, setting out our criteria with the aim of encouraging credible and ambitious net-zero transition plans, and dissuading companies from submitting 'half baked' plans for a vote.

Following the 2022 AGM season, we provide some highlights from our own voting activity, adding colour to how we are acting in line with the expectations put forward, and how we are applying these on a company-by-company basis.



For: Holcim*

Holcim is a building materials company based in Switzerland, providing materials such as cement, concrete and roofing. Cement is one of the heaviest-polluting industries in the world, generating higher emissions than any individual country except China and the US[3].

LGIM voted in favour of the company's Climate Report (Resolution 6) in its 2022 AGM; this vote reflects Holcim's industry-leading position and its efforts made in setting a science-based target initiative-approved (SBTi-approved) net-zero target. Its extensive disclosure of scope 1, 2 and 3 emissions, improved level of scenario analysis, and green capital expenditure targets also contributed to our decision.

We do have some concerns, although we remain practical in our approach to 'Say on Climate' voting, recognising that achieving a perfect solution in an imperfect world is challenging. The areas which we will continue to monitor are the company's near-term targets (which are not currently net-zero aligned, but which we would expect to be upgraded in line with SBTi guidance), and the date of the next advisory vote on the company's transition plan.

For: BP*

As one of the world's largest oil and gas companies,[4] BP has a significant role to play in the energy transition.

We have been engaging with BP for many years, co-leading efforts with the company as part of the CA100+ initiative. In their 2022 AGM, we were pleased to be able to support management's 'Net Zero – from ambition to action' report (Resolution 3). Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments.

As with Holcim, we do have some areas of concern, and we remain committed to continuing our constructive engagements with the company on its strategy and the implementation thereof, with a focus on both its 'downstream' targets and approach to exploration and responsible divestment.

Against: Shell*

Unlike BP, we voted against Shell's Energy Transition Progress Update (Resolution 20), although not without reservations.

We acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low-carbon products, demonstrating a strong commitment towards a low-carbon pathway.

However, we remain concerned about the disclosed plans for oil and gas production, further disclosure of targets associated with the upstream and downstream businesses would be beneficial.

We have a longstanding relationship with the company through LGIM-led engagement, and will continue our discussions and work with them. A vote 'against' is not the end of our engagement – it will serve as an anchor for our future discussions.

3. Source: https://www.theguardian.com/business/2021/oct/12/cement-makers-across-world-pledge-large-cuts-in-emissions-by-2030-co2-net-zero-2050 , October 2021
4. Source: 10 Biggest Oil Companies (investopedia.com) accessed, July 2022
*For illustrative purposes only – this is not a recommendation to buy or sell any security.

Climate votes: shareholder proposals

Our 'Say on Climate' expectations relate to management proposals. In the US, however, the majority of climate-related proposals put forward at AGMs are from shareholders, not from management.

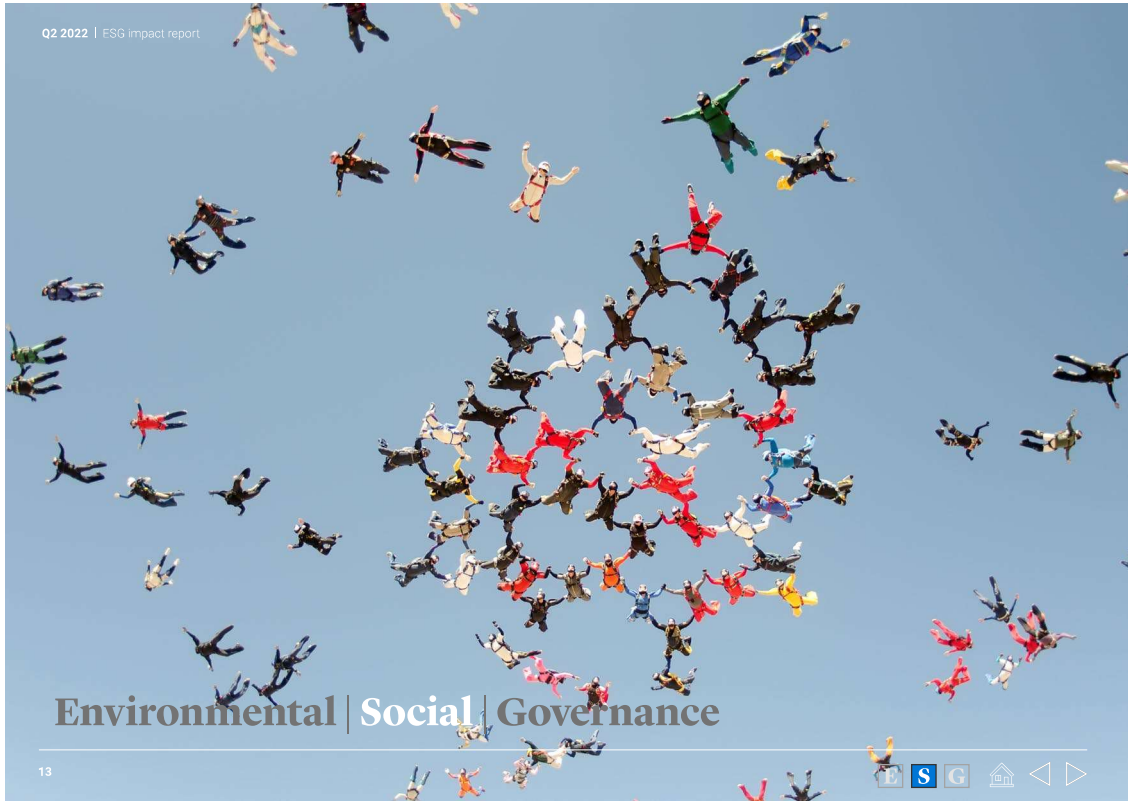
In determining which to support, we consider each shareholder resolution on a case-by-case basis: while we are keen to support companies' transitions to net zero, we pay close attention to the details of these shareholder proposals and how they are worded.

We supported similar shareholder proposals at Citigroup* and Wells Fargo*, requesting that the banks adopt financing policies in line with the IEA's 'Net Zero 2050 Scenario', as these resolutions are in line with our expectations for company boards to devise a strategy and 1.5°C-aligned pathway, in line with their existing commitments and recent global energy scenarios. We also supported similar resolutions at Bank of America* and JPMorgan Chase* regarding fossil fuel financing. However, there was a second shareholder proposal at the JPMorgan Chase AGM which we did not support, calling on the bank to report on its absolute emissions targets: while on the surface we agreed with the overall aim of the resolution, the wording was loosely drafted in such a way as to be overly prescriptive and to seek to micromanage the board's actions.

This was a crucial difference versus the resolution we supported, and demonstrates our case-by-case approach: if there are details in a shareholder resolution with which we disagree, or if we feel that the resolution is seeking to micromanage the board, then we are unlikely to vote in favour, even if we support the broader aim.

In terms of broader investor support for these proposals mentioned above, none garnered enough to pass:[5] the Citigroup proposal gained 13% support, Wells Fargo had 11% support, and JP Morgan Chase 10% support.[6] Nevertheless, at LGIM, we remain firm in our aims to encourage companies to align their businesses with a net- zero trajectory. As views on climate and companies' approaches around the world continue to evolve, we will continue to pay close attention to climate-related shareholder proposals, supporting those in line with our policies and views on the net zero transition, while remaining alert to the details and differences between them.

5. In the US, most management-proposed resolutions tend to require a simple majority (50% plus one vote). In cases where a supermajority is required to pass a resolution, this may vary depending on the company and the resolution. For the re-election of directors, some companies use a 'plurality' (i.e. relative majority) vote standard, meaning that, as director re-elections are uncontested, a director can be re-elected by receiving a single vote in favour. Shareholder resolutions tend to be advisory only.
6. Source: LGIM, using ISS data. 05 July 2022
*For illustrative purposes only – this is not a recommendation to buy or sell any security.



ESG: Social

Nutrition: going up to 11

As mentioned in our previous quarterly report, we are members of the Access to Nutrition Initiative (ATNI) which, via its Global Index, assesses how the world's largest food and beverage manufacturers contribute to the challenge of addressing malnutrition in all its forms. In the second quarter, ATNI launched its UK Retailer Index, a nutrition- and heath-based index focusing on the 11 largest supermarkets in the UK.[7]
We look forward to continuing our collaborative engagements in this important area. A member of our team was also invited to speak at the 2022 Consumer Goods Forum on this topic – the first time an institutional investor has been invited to do so.

In terms of recent votes in this sphere, we would draw readers' attention to PepsiCo*, where we voted in favour of a shareholder proposal for a report on 'External Public Health Cost'. We believe that the proposed study should contribute to informing shareholders and other stakeholders about how actions the company takes (or does not take) may contribute to long-term negative human-health impacts, such as obesity.

AMR: increasing scrutiny
We are continuing to put pressure on companies to act on anti-microbial resistance (AMR). It's been a growing area of focus for us on account of its significant potential to impact the global economy via a number of sectors.[8]

During the Q2 2022 voting season, this topic was directly addressed by a shareholder proposal at Abbott Laboratories*, requesting a report on the public health costs of antimicrobial resistance, demonstrating that this issue is gathering support from a broader audience. For the second year running at McDonald's*, we supported a shareholder resolution calling for a report on 'Public Health Costs of Antibiotic Use and Impact on Diversified Shareholders', emphasising to the company the importance of this topic and the need for action. Earlier in the year, we also supported a similar resolution at Hormel Foods Corporation*.

Diversity update: keep running up that hill
The 2022 voting season was the first season in which we started to place votes on the lack of ethnic diversity in boards. Following our blog which showed the results of the campaign to date, we expected at the time to vote against seven companies across the UK FTSE 100 and US S&P 500 indices which didn't meet our requirement of one ethnically diverse person at board level.

However, with the main voting season now over, we have voted against only one of those companies, Universal Health Services*, for lack of ethnic representation. 63% of shareholders also voted against the director at Universal Health Services; however, the company stated that she will remain on the board as she brings [gender] diversity and relevant expertise.
More detail on this vote is provided on the next page of this report.
Two of the companies on our original list (IPG Photonics Corp* and Mohawk Industries*) met our expectations before their AGMs – signs that the market continues to improve here, and relatively fast. We hope that both DS Smith* and People's United Financial*, whose AGMs occur later in the year, also make the requisite changes. Evraz* was the final company on our list, but we were unable to vote due to international sanctions.

We continue to fight for gender diversity: last year, we updated our policy to announce that from 2022, we would vote against FTSE 100 and S&P 500 companies that have all-male executive committees. We have voted against 39 companies on this issue alone since the beginning of the year, illustrating that much more change is needed to improve gender diversity levels of these all-important decision-making executive committees. We will continue to explore how we can make further impact on this issue going forward.

7. ATNI launches the UK Retailer Index 2022 – Access to Nutrition
8. Source: World Health Organisation Antimicrobial resistance (who.int), June 2022
*For illustrative purposes only – this is not a recommendation to buy or sell any security

Significant votes

ISIN	US9139031002
Company name	Universal Health Services Inc*
Market Cap	$7.6bn (source: EIKON, 07 July 2022)
Sector	Healthcare facilities
Issue identified	Lack of ethnic diversity on the company board. Universal Health Services was included in our ethnic diversity campaign (further details can be found below)
Summary of the resolution	Resolution 1 – Elect Director Maria R. Singer Date of AGM: 18 May 2022
How LGIM voted	Against the resolution (against management recommendation)
Rationale for the vote decision	LGIM began engaging on ethnic diversity with the largest companies in the UK and US in September 2020, with the expectation for one ethnically diverse person to be added to the board by the end of 2021. As part of the campaign, we set out that we would vote against the chair of the board or the chair of the nomination committee from 2022 where this expectation had not been met. Therefore, a vote against was applied because of a lack of progress on ethnic diversity on the board.
Outcome	63% of shareholders voted against Singer's election. The board acknowledged that Singer had not been re-elected by shareholders but that she brings [gender] diversity and relevant expertise to the board and therefore states that she will remain on the board. 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 to be significant as it is in application of an escalation of our vote policy on the topic of ethnicity on the board (escalation of engagement by vote).

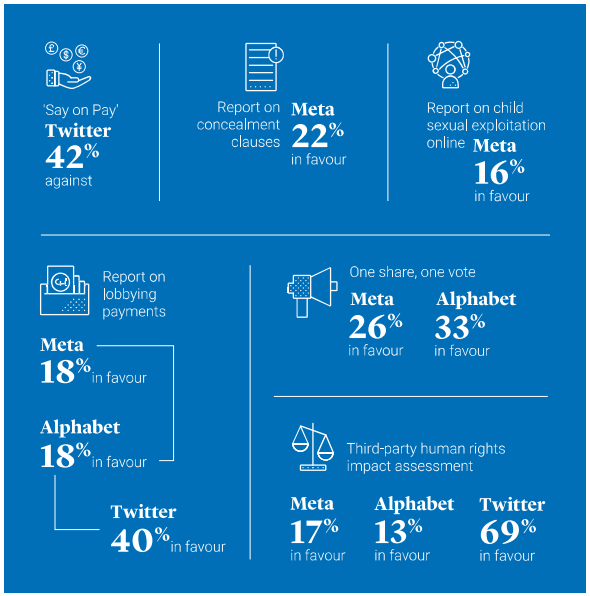
*For illustrative purposes only – this is not a recommendation to buy or sell any security.

Case Study – InstaVote: technology sector AGM overview

It was another busy season for tech companies Meta Platforms*, Alphabet* and Twitter*, with all receiving between four and 17 shareholder proposals, focused mainly on varying social issues. The graphic below highlights some of the more notable proposals and the results, and indicates what percentage of shareholders voted in the same direction as LGIM on these proposals.

Some consistent governance issues remain at each, leading us to vote against executive compensation and board directors. The biggest upset was that shareholders failed to re-elect non-executive director, Egon Durban to the Twitter board, given he is 'over-boarded', with 57% votes against. However, his resignation was not accepted by the board, a move that illustrates how the non-binding nature of resolutions in the US can work against shareholders.

Other 'social' proposals centred around human rights, privacy and misinformation. It will be interesting to see how Twitter responds to such overwhelming support for a third-party human rights impact assessment. Through LGIM's policies and voting action, we continue to push these tech companies to improve their practices and transparency in relation to a range of social issues, and will continue to monitor progress on the issues outlined above.



*For illustrative purposes only – this is not a recommendation to buy or sell any security

Case study – Amazon*

Amazon once again dominated the AGM season, with continued public and shareholder attention. Having pre-declared our voting intentions on our blog, we provide below a brief update of some of the more significant vote results.

Resolution 6
Commission Third Party Report Assessing Company's Human Rights Due Diligence Process
LGIM and other shareholders gave 39% support to this resolution. This was new to the ballot this year, but aligns closely to resolution 19 (below). Human rights issues continue to dominate at the company for another year.

Resolution 13
Report on Protecting the Rights of Freedom of Association and Collective Bargaining
This resolution gained 38.5% of votes in favour.
This has been a well-publicised issue for Amazon and the significant number of votes in favour illustrates how serious it is for shareholders, even though this is the first time it has appeared on the company's ballot. We envisage transparency on this issue will remain on the agenda in future engagement meetings.

Resolution 16
Commission a Third-Party Audit on Working Conditions
Further transparency was requested through the commission of this third-party audit, the first time that Amazon has received such a proposal. Again, this issue has been well-publicised and the resolution gained 44% support from LGIM and other shareholders. We will be interested to see how the company will respond to such significant support.

Resolution 17
Report on Median Gender/Racial Pay Gap
A request for the company to report on its gender and racial pay gap was on the ballot for a third year in a row. In the past, it has received 26% support but this year, support ticked up to 28.6%. In our engagement with the company, they have not seemed compelled to provide this information. We have therefore emphasised the importance of such transparency, and remain hopeful that continued and increasing support from shareholders will push the company to accede to these requests.

Resolution 18
Oversee and Report a Racial Equity Audit – withdrawn
Shareholders put forward a resolution requesting the company commission a racial equity audit and publicly disclose the results.

The report would have analysed Amazon's impacts on civil rights, diversity, equity and inclusion, and the impacts of those issues on Amazon's business. In 2021, the equivalent resolution received over 40% support (including from LGIM) and prior to the 2022 AGM, Amazon agreed to conduct and publicly release an independent audit; the resolution was therefore withdrawn before the AGM took place. On engagement with the company, we found they were not yet able to provide a projected completion date. Nevertheless, we regard this as a huge success and an improvement that shareholders have pushed forward together through their voting power.

Resolution 19
Commission Third Party Study and Report on Risks Associated with Use of Rekognition
This resolution, which relates to assessing customer use of Amazon's products and services with surveillance (Rekognition), received 40% support. Amazon received two similar proposals in 2021, which both received over 30% support. The company maintains that the responsibility for ethical use of facial recognition technology lies with the user, and that it supports and has suggested guidelines for developing government regulations around these technologies. We will monitor how Amazon responds to growing pressure from shareholders on this topic.

*For illustrative purposes only – this is not a recommendation to buy or sell any security.

Environmental | Social | Governance

Income inequality: the living wage

At LGIM, we aim to create a better future through responsible investing. Ensuring companies take account of the 'employee voice' and that they are treating employees fairly in terms of pay and diversity and inclusion is an important aspect of our stewardship activities. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, our work on income inequality and our expectations of companies regarding the living wage have acquired a new level of urgency.

Certain industries have an inherent propensity to use lower skilled, lower wage employees, the travel and tourism and retail sectors being two of the most prominent. We believe that, particularly at this time of rising living costs, it's vital that all employees, including (and perhaps especially) those in lower skilled jobs, should be paid a living wage. In this section, we use examples from each of these sectors to demonstrate our expectations and how we escalate our engagement with companies.

LGIM's expectations of companies

i) As a responsible investor, LGIM advocates that all companies should ensure that they are paying their employees a living wage and that this requirement should also be extended to all firms with whom they do business across their supply chains.

ii) We expect the company board to challenge decisions to pay employees less than the living wage.

iii) We ask the remuneration committee, when considering remuneration for executive directors, to consider the remuneration policy adopted for all employees.

iv) In the midst of the pandemic, we went a step further by tightening our criteria of bonus payments to executives at companies where COVID-19 had resulted in mass employee lay-offs and the company had claimed financial assistance (such as participating in government-supported furlough schemes) in order to remain a going concern.

Escalating our engagement

Carnival*: all at sea

At cruise operator Carnival Plc, many employees earn less than a living wage. Furthermore, there were many redundancies during 2021 because of the pandemic. Yet, neither of these issues were considered when the board decided to amend the performance conditions of the annual bonus to ensure that its executive received a bonus equating to $6 million. Furthermore, they made an award of restricted shares worth over $7.5m that vests annually over the following three years.[9]

Although we understand the importance of continuing to motivate the executive during a period of intense uncertainty, we believe that companies should extend that courtesy to all employees; even those considered lower skilled workers, who undertake jobs without which many businesses would not be able to operate. We believe these employees should be valued more and paid a living wage.

We hope that in the wake of the pandemic and amid the staggering increases in the cost of living more companies in these industries will continue to appreciate those in lower skilled positions and ensure they are paid the living wage. It is frustrating to see companies struggle to operate due to vacancies, while still failing to offer employees a living wage.

Although we understand the importance of continuing to motivate the executive during a period of intense uncertainty, we believe that companies should extend that courtesy to all employees.

9. For more details, please visit our blog: LGIM's voting intentions for 2022 (lgimblog.com), specifically Resolutions 13 and 14 for Carnival Plc.
*For illustrative purposes only – this is not a recommendation to buy or sell any security.

Sainsbury's*: halfway there

Sainsbury's has recently come under scrutiny for not paying a real living wage. LGIM engaged initially with the company's [then] CEO in 2016 about this issue and by 2021, Sainsbury's was paying a real living wage to all employees, except those in outer London. As mentioned in our previous Quarterly Impact Report, we joined forces with ShareAction to try to encourage the company to change its policy for outer London workers. As these engagements failed to deliver change, we then joined ShareAction in filing a shareholder resolution in Q1 2022, asking the company to becoming a living wage accredited employer. This escalation succeeded insofar as, in April 2022, Sainsbury's moved all its London-based employees (inner and outer) to the real living wage. We welcomed this development as it demonstrates Sainsbury's values as a responsible employer.

However, the shareholder resolution was not withdrawn and remained on the 2022 AGM agenda because, despite this expansion of the real living wage to more employees, there are still some who are excluded. This group comprises contracted cleaners and security guards, who fulfil essential functions in helping the business to operate safely.

In our view, Sainsbury's is not in the same 'camp' as Carnival, which is offering executive rewards of millions of dollars while many of its employees earn less than a living wage.[10] Nevertheless, we believe the plight of Sainsbury's' contracted employees earning below the living wage as inflation soars and living costs accumulate cannot be ignored.

10. For more details, please visit our blog: LGIM's voting intentions for 2022 (lgimblog.com), specifically Resolutions 13 and 14 for Carnival Plc.
*Case study shown for illustrative purposes only. Reference to a particular security is on a historical basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

Aiming for change

We believe the successful companies of the future will be those that recognise the importance of all employees – not just those who are directly employed, but also contractors and those within their supply chains. We encourage companies to work together to make the living wage the new normal for lower skilled employees. We appreciate that this will represent an increase in costs for companies and reduction in margins, but we believe this should be a short-term issue and that over the longer term, paying the living wage to all employees should be beneficial for companies, employees and the economy. This is the environment that LGIM's responsible investment policies are aiming for, and that we are working hard to create.

Significant votes

ISIN	GB00BMJ6DW54
Company name	Informa Plc*
Market Cap	£7.8bn (Source: EIKON, 07 July 2022)
Sector	Printing and publishing
Issue identified	LGIM has noted concerns about the company's remuneration practices for many years, both individually and collaboratively. Due to continued dissatisfaction, we voted against the company's pay proposals at its December 2020 and June 2021 meetings.
Summary of the resolution	Resolution 9 – Re-elect Helen Owers as director Resolution 11 – Re-elect Stephen Davidson as director Resolution 14 – Approve Remuneration Report Resolution 19 – Approve Remuneration Policy AGM date: 16 June 2022
How LGIM voted	Against resolutions 9, 11, 14, 19 (against management recommendation)
Rationale for the vote decision	The Remuneration Policy was put to a vote again at this AGM, with the main changes being the re-introduction of the performance-based LTIP (long-term incentive plan) which was under a separate resolution, to come into force from 2024. Although this is a positive change, the post-exit shareholding requirements under the policy do not meet LGIM's minimum standards and with regard to pensions, it is unclear whether reductions will align with the wider workforce. Given previous and continuing dissatisfaction as outlined, LGIM also voted against incumbent remuneration committee members, Helen Owers and Stephen Davidson.
Outcome	More than 70% of shareholders voted against the Remuneration Report. The Remuneration Policy was approved by 93.5% of shareholders, and 20% of shareholders voted against the re-election of Helen Owers, incumbent member of the remuneration committee. The resolution to re-elect Stephen Davidson, former chair of the remuneration committee, was withdrawn due to him stepping down from the board entirely. Although the report failed to pass, such votes are advisory and not binding. LGIM will continue to engage both individually and collaboratively to help push for improvements.
Why is this vote 'significant'?	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of remuneration (escalation of engagement by vote).

*For illustrative purposes only – this is not a recommendation to buy or sell any security

Public policy update

As a significant long-term global investor, including in sovereign debt, LGIM has a responsibility to ensure that markets operate efficiently and seek to protect the integrity of the market, foster sustainable and resilient economic growth, and aim to protect the value of our clients' assets.

In this regard, LGIM engages at a macro level with policymakers and regulators across the world. We focus this policy dialogue on sustainability issues that we identify as systemic risks, and on the development of a robust international system of sustainable finance regulation. Below, we highlight a few examples of our policy engagement over the past quarter.

LGIM engages at a macro level with policymakers and regulators across world.

United Kingdom

We continue to focus our engagement efforts on supporting the UK government in establishing a robust system of sustainable finance policy and regulation. We have noted previously that a crucial part of this is enhancing transparency across the market.

Within the UK, this means engaging with the development of the Sustainability Disclosure Regime (SDR) and the updating of the Green Finance Strategy, and ensuring that the 'S' of 'ESG' is not overlooked. LGIM is helping to make sure these strategies and regulations are ambitious and appropriate, aligned with international commitments and standards, and that they accelerate the transition to a net-zero economy.

LGIM is part of a collaborative engagement on plastic pollution in the water system. The initiative is coordinated by First Sentier Investors, and has a focus on strengthening corporate action and regulation to reduce microplastic pollution. LGIM will continue to engage on a policy and regulatory front, in line with our support for the UN Global Treaty on Plastic Pollution.

Japan

LGIM continues to emphasise transparency in the Japanese market. Building on the already strong adoption of TCFD reporting, the Japan Financial Service Agency FSA is strengthening its engagement on non-financial disclosures by corporates. We believe it is key that the FSA develops standards that are harmonised with international standards, specifically the IFRS International Sustainability Standards Board ISSB.[11]

United States

In May 2022, we submitted a comment letter in support of the US Securities and Exchange Commission's (SEC) proposed rule, 'Enhancement and Standardization of Climate-Related Disclosures for Investors'. This rule seeks to improve existing disclosures on climate-related risks that could have 'a material impact on a business, results of operations, or financial condition'. We complemented our regulatory comment with a public op-ed in Barron's, reiterating our support. Directionally, we believe the proposed rules represent a significant step forward in harmonising the existing set of disparate disclosure practices currently in the marketplace, and in fostering the publication of comparable and decision-useful data from our portfolio companies.

Strengthening our commitments to deforestation, we co-signed three letters to the relevant federal and state authorities in support of newly-introduced legislation to curb imported deforestation in the US. The letters are in support of the Federal FOREST Act, the New York Deforestation-Free Procurement Act, and the California Deforestation-Free Procurement Act.

European Union and International

Our engagement on the establishment of the IFRS ISSB continues, both directly and through the forthcoming consultation. LGIM continues to encourage the approach of treating sustainability disclosures in the same manner as financial disclosures, developing thereby an assurance framework for disclosures.

Coordinated by the FAIRR Initiative, LGIM is engaging with the 'United Nations' Food and Agriculture Organisation (FAO) to take a global leadership position and develop a roadmap for the food system to align with the Paris Agreement goal of limiting global warming to 1.5°C. This engagement is supported by 33 investors and the UN-convened Net-Zero Asset Owner Alliance (NZAOA), and highlights the material risks presented by the global food system, such as deforestation, biodiversity loss, malnutrition and antimicrobial resistance AMR.[12]

LGIM is also continuing to highlight the growing risk of global food insecurity, and how policymakers can engage to strengthen a sector that has been weakened by COVID-19 and the war in Ukraine.

We have confirmed that LGIM will be co-chairing a recently-launched working group established by the Investors Policy Dialogue on Deforestation (IPDD).

This group will engage on the deforestation-free commodity regulations being debated and implemented in the UK, Europe, the United States, and latterly China. The working group aims to run for two years, and work will commence shortly; investors are invited to join the group.

11. IFRS – International Financial Reporting Standards; ISSB – International sustainability Standards Board
12. $14 Trillion Investor Coalition Urges FAO to Set Roadmap to 1.5C° for Food - FAIRR

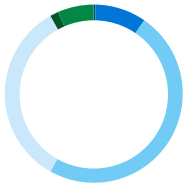
*For illustrative purposes only – this is not a recommendation to buy or sell any security

Regional updates

UK - Q2 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	222	1	0
Capitalisation	1128	31	0
Directors related	2200	162	0
Remuneration related	337	113	0
Reorganisation and Mergers	26	5	0
Routine/Business	1276	22	0
Shareholder Proposal - Compensation	1	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	3	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	5193	334	0
Total resolutions	5527		
No. AGMs	299		
No. EGMs	36		
No. of companies voted	315		
No. of companies where voted against management /abstained at least one resolution	146		
% no. of companies where at least one vote against management (includes abstentions)	46%		

Votes against management



- Anti-takeover related - 1
- Capitalisation - 31
- Directors related - 162
- Remuneration-related - 113
- Reorganisation and Mergers - 5
- Routine/Business - 22
- 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 - 0
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against management

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

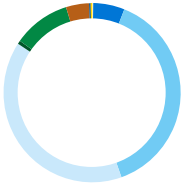
LGIM voted against at least one resolution at 46% of UK companies over the quarter.

Source for all data: LGIM as at 31 March 2022. The votes on this page and in the pages that follow represent voting instructions for our main FTSE pooled index funds.

Europe - Q2 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	8	3	0
Capitalisation	658	75	0
Directors related	1627	500	7
Remuneration related	563	520	0
Reorganisation and Mergers	53	8	0
Routine/Business	1748	134	3
Shareholder Proposal - Compensation	5	0	0
Shareholder Proposal - Corporate Governance	6	0	0
Shareholder Proposal - Directors Related	31	55	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	7	4	0
Shareholder Proposal - Other/Miscellaneous	3	3	0
Shareholder Proposal - Routine/Business	11	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	4720	1302	10
Total resolutions	6032		
No. AGMs	348		
No. EGMs	11		
No. of companies voted	352		
No. of companies where voted against management /abstained at least one resolution	321		
% no. of companies where at least one vote against management (includes abstentions)	91%		

Votes against management



- Anti-takeover related - 3
- Capitalisation - 75
- Directors related - 500
- Remuneration-related - 520
- Reorganisation and Mergers - 8
- Routine/Business - 134
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors related - 55
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 4
- Shareholder Proposal - Other/Miscellaneous - 3
- Shareholder Proposal - Routine/Business - 0
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against management

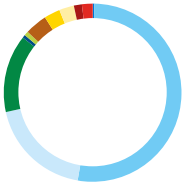
- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at 91% of European companies over the quarter.

North America - Q2 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	64	1	0
Capitalisation	55	6	0
Directors related	3852	1253	5
Remuneration related	200	452	0
Reorganisation and Mergers	7	0	0
Routine/Business	244	339	0
Shareholder Proposal - Compensation	4	14	0
Shareholder Proposal - Corporate Governance	12	19	0
Shareholder Proposal - Directors Related	22	96	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	19	69	0
Shareholder Proposal - Other/Miscellaneous	16	66	0
Shareholder Proposal - Routine/Business	10	35	0
Shareholder Proposal - Social/Human Rights	15	46	0
Shareholder Proposal - Social	0	0	0
Total	4520	2396	5
Total resolutions	6921		
No. AGMs	531		
No. EGMs	7		
No. of companies voted	537		
No. of companies where voted against management /abstained at least one resolution	532		
% no. of companies where at least one vote against management (includes abstentions)	99%		

Votes against management



- Anti-takeover related - 1
- Capitalisation - 6
- Directors related - 1253
- Remuneration-related - 452
- Reorganisation and Mergers - 0
- Routine/Business - 339
- Shareholder Proposal - Compensation - 14
- Shareholder Proposal - Corporate Governance - 19
- Shareholder Proposal - Directors related - 96
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 69
- Shareholder Proposal - Other/Miscellaneous - 66
- Shareholder Proposal - Routine/Business - 35
- Shareholder Proposal - Social/Human Rights - 46
- Shareholder Proposal - Social - 0

Number of companies voted for/against management

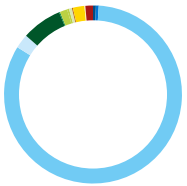
- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at 99% of North American companies over the quarter.

Japan - Q2 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	3	0
Capitalisation	1	3	0
Directors related	3586	478	0
Remuneration related	181	15	0
Reorganisation and Mergers	364	42	0
Routine/Business	260	1	0
Shareholder Proposal - Compensation	0	8	0
Shareholder Proposal - Corporate Governance	0	2	0
Shareholder Proposal - Directors Related	10	3	0
Shareholder Proposal - General Economic Issues	1	1	0
Shareholder Proposal - Health/Environment	34	12	0
Shareholder Proposal - Other/Miscellaneous	1	1	0
Shareholder Proposal - Routine/Business	33	8	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	4471	577	0
Total resolutions	5048		
No. AGMs	390		
No. EGMs	1		
No. of companies voted	391		
No. of companies where voted against management /abstained at least one resolution	287		
% no. of companies where at least one vote against management (includes abstentions)	73%		

Votes against management



- Anti-takeover related - 3
- Capitalisation - 3
- Directors related - 478
- Remuneration-related - 15
- Reorganisation and Mergers - 42
- Routine/Business - 1
- Shareholder Proposal - Compensation - 8
- Shareholder Proposal - Corporate Governance - 2
- Shareholder Proposal - Directors related - 3
- Shareholder Proposal - General Economic Issues - 1
- Shareholder Proposal - Health/Environment - 12
- Shareholder Proposal - Other/Miscellaneous - 1
- Shareholder Proposal - Routine/Business - 8
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against management

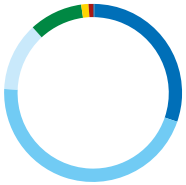
- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at 73% of Japanese companies over the quarter.

Asia Pacific - Q2 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	3	1	0
Capitalisation	138	111	0
Directors related	380	168	0
Remuneration related	27	46	0
Reorganisation and Mergers	24	0	0
Routine/Business	264	36	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	5	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	2	5	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	3	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	843	370	0
Total resolutions	1213		
No. AGMs	118		
No. EGMs	17		
No. of companies voted	125		
No. of companies where voted against management /abstained at least one resolution	106		
% no. of companies where at least one vote against management (includes abstentions)	85%		

Votes against management



- Anti-takeover related - 1
- Capitalisation - 111
- Directors related - 168
- Remuneration-related - 46
- Reorganisation and Mergers - 0
- Routine/Business - 36
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 5
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 3
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against management

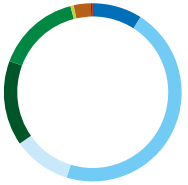
- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at 85% of Asia Pacific companies over the quarter.

Emerging markets - Q2 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	2	0	0
Capitalisation	1828	391	0
Directors related	4236	1557	420
Remuneration related	138	456	0
Reorganisation and Mergers	1917	668	0
Routine/Business	6853	660	0
Shareholder Proposal - Compensation	14	23	0
Shareholder Proposal - Corporate Governance	39	1	0
Shareholder Proposal - Directors Related	406	136	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	3	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	32	14	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	15468	3906	420
Total resolutions	19794		
No. AGMs	1190		
No. EGMs	357		
No. of companies voted	1260		
No. of companies where voted against management /abstained at least one resolution	947		
% no. of companies where at least one vote against management (includes abstentions)	75%		

Votes against management



- Anti-takeover related - 0
- Capitalisation - 391
- Directors related - 1557
- Remuneration-related - 456
- Reorganisation and Mergers - 668
- Routine/Business - 660
- Shareholder Proposal - Compensation - 23
- Shareholder Proposal - Corporate Governance - 1
- Shareholder Proposal - Directors related - 136
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 14
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against management

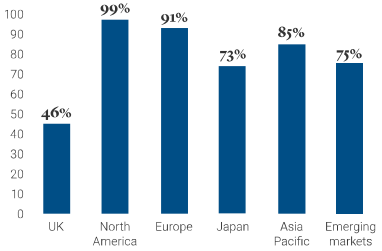
- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at 75% of emerging market companies over the quarter.

Global - Q2 2022 voting summary

Proposal category	Total for	Total against	Total abstentions	Total
Anti-takeover related	299	9	0	308
Capitalisation	3808	617	0	4425
Directors related	15881	4118	432	20431
Remuneration related	1446	1602	0	3048
Reorganisation and Mergers	2391	723	0	3114
Routine/Business	10645	1192	3	11840
Shareholder Proposal - Compensation	24	45	0	69
Shareholder Proposal - Corporate Governance	57	22	0	79
Shareholder Proposal - Directors Related	474	290	0	764
Shareholder Proposal - General Economic Issues	1	1	0	2
Shareholder Proposal - Health/Environment	68	90	0	158
Shareholder Proposal - Other/Miscellaneous	20	70	0	90
Shareholder Proposal - Routine/Business	86	60	0	146
Shareholder Proposal - Social/Human Rights	15	46	0	61
Shareholder Proposal - Social	0	0	0	0
Total	35215	8885	435	44535
Total resolutions				44535
No. AGMs				2876
No. EGMs				429
No. of companies voted				2980
No. of companies where voted against management /abstained at least one resolution				2339
% no. of companies where at least one vote against management (includes abstentions)				78%

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



Number of companies voted for/against management

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

Global engagement summary

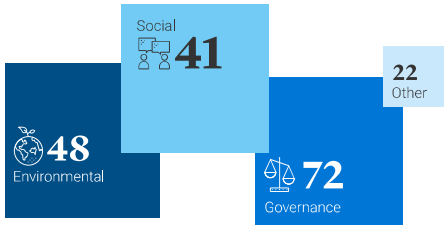
In Q2 2022, the Investment Stewardship team held

122 engagements **with** **103** companies

(vs. 158 engagements with 126 companies last quarter)

Breaking down the engagement numbers - Q2 2022

Breakdown of engagement by themes

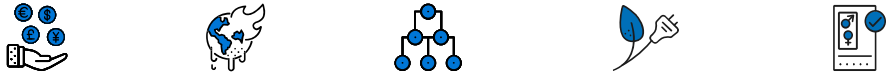


Engagement type

72
Company meetings

50
Emails / letters

Top five engagement topics*



44
Remuneration

29
Climate change

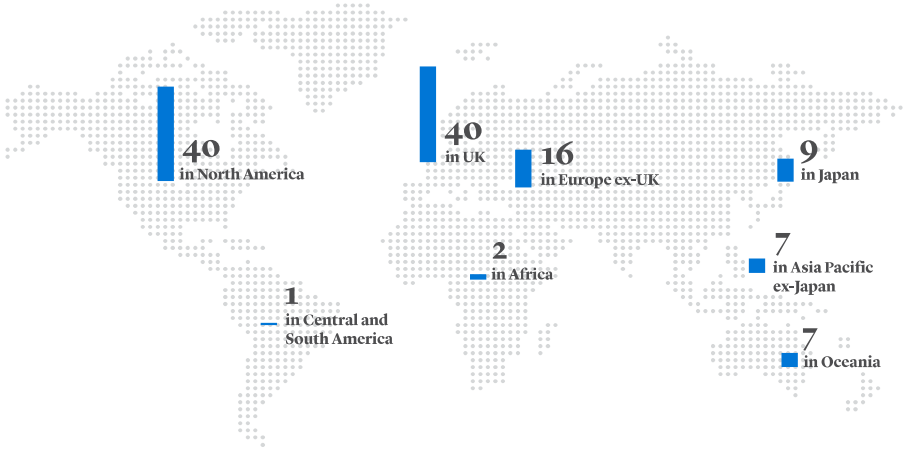
21
Board composition

14
Energy

13
Gender diversity

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

Regional breakdown of engagements



Contact us

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

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