



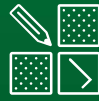
Q2 2023
**ESG
impact
report**
Global engagement to
deliver positive change

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.

A close-up photograph of green plant tendrils, showing several coiled, fuzzy structures against a blurred green background.

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

In this report, we highlight some of our key activity in the Investment Stewardship team, including updates on the climate-related shareholder resolutions that we co-filed at Exxon Mobil* and Glencore*, our work on diversity, and some voting highlights from the most recent AGM season.

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Environmental | Social | Governance

ESG: Environment



Nature

Squaring the circular economy: GREGs update

Mind the gap: Circular economy engagement

While the basic premise of the 'circular economy' appears well known, its interpretation varies widely. For us as LGIM, the circular economy represents a system-wide solution to challenges such as climate change and nature loss. Circularity manifests itself in all levels of operations from sourcing of materials, asset utilisation and eco-product design to business model execution, capital deployment, cost mitigation and unlocking new revenue streams.

From the stewardship angle, we are pursuing two lines of action:

1. Policy engagement: Engaging with policymakers to improve related policy and regulation (for example, standardising corporate disclosure)
2. Company engagement: Improving overall data disclosures and circularity of products from our investee companies – both [collaboratively](#) and [with other investors](#) as well as through LGIM's annual climate engagement campaign, called the [Climate Impact Pledge](#)

More details on our engagement approach can be found on our blog: [Mind the gap... Circularity in action](#).

Turning ideas into actions

From an investment perspective, how can companies embed the circular economy into their day-to-day operations? We share some insights from our Active Equity team's engagements on company approaches:

- Ashtead's* asset rental business is just one example of prolonging the life of products by increasing utilisation and reducing both production and consumption of new goods
- As a fibre-based packaging business, DS Smith* is pursuing a closed-loop model on cardboard recycling, and improving recovery rates of valuable resources
- Equipment aftermarket focused business Weir Group* saw record orders for its spares and expendable parts in 2022 as customers attempted to meet market demand for resources, while looking to reduce emissions intensity of operations
- In construction, Genuit Group's* recycling capability allows it to convert waste into products with a design life of over 100 years

For more detail on business models that we believe are finding opportunities in the circular economy, please read our blog post: [How companies are incorporating the circular economy concept into their business models](#).

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Water

As concerns have mounted over Thames Water*, our Fixed Income team has been keeping our investors updated via our [LGIM blog](#). In summary, while the company has been under pressure from rising costs and inflation, consumers have simultaneously been voicing concerns about leaks, pollution and a lack of investment in infrastructure. At the time of writing, a number of scenarios are possible, and until a solution for the financial position for the company is agreed, the situation will, in our view, remain unstable.

We are members of the [Ceres Valuing Water Finance Initiative](#), which aims to engage with companies to value and take action on water as a financial risk, and drive large-scale change to better protect water systems. In addition to this collaborative initiative targeting companies, we also believe that policy action is vital in achieving the systemic improvements we need to see in order to combat water-based threats such as pollution and antimicrobial resistance. For more details on our policy activities in this area, please see [our policy section](#).

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Climate

UK stakeholder event: Climate voting to 2025 and beyond

The Investment Stewardship team reviews its policies regularly. As part of our forthcoming review of our approach to climate and voting, we were delighted to welcome 30 key stakeholders to our London offices for a roundtable event for a lively debate on three key climate voting topics: management 'say-on-climate' votes, climate-related shareholder resolutions, and the future of new fossil fuels. These three areas are critical to LGIM as we look to assess the alignment of our policies with our clients' and stakeholders' views, and to further develop our policies so that they can remain suitably ambitious and market-leading into the future.

LGIM's Climate Impact Pledge: Latest results

In June, we released the results of our latest expanded Climate Impact Pledge engagement programme. Having extended the pledge to cover 5,000+ companies across 20 climate-critical sectors, incorporating in-depth engagement with around 100 dial-mover companies, we announced that:

- We have removed one company, *China Mengniu Dairy, from our divestment list, following improvements including publishing a new deforestation policy and setting a carbon neutrality commitment by 2050, covering all scopes of emissions
- We have added two companies to our divestment list (*Air China and *Cosco Shipping Holdings) following lack of improvement versus our minimum expectations¹

For a full update, please read our Climate Impact Pledge report: [LGIM's Climate Impact Pledge 2023](#).

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1. Companies are divested from selected funds with £158 billion in assets under management (as at 31 December 2022), including funds in the Future World fund range, LGIM's ESG fund ranges and all auto-enrolment default funds in L&G Workplace Pensions and the L&G Mastertrust. Companies are divested up to a pre-specified tracking-error limit. If the tracking error limit is reached, holdings are reduced rather than fully divested. LGIM's total AUM was £1.2 trillion as at 31 December 2022.



Significant votes

Company name	Yum! Brands Inc*		
ISIN	US9884981013		
Market cap	\$38.44bn (as at 30 June 2023, source: MarketWatch)		
Sector	Consumer, cyclical: retail		
Issue identified	The issue at stake in this resolution was plastic pollution and transparency around the company's efforts to reduce plastic use. LGIM believes that improving the recyclability of products will have a positive impact on climate change and biodiversity.		
Summary of the resolution	Resolution 5 – Report on Efforts to Reduce Plastic Use AGM date: 18 May 2023		
How LGIM voted	For Resolution 5 (against management recommendation)		
Rationale for the vote decision	As the filer of this resolution noted, the company has not aligned its packaging targets with key initiatives such as the Pew Report , which suggests that companies should commit to reducing plastic demand by at least a third through elimination, reuse and new delivery models. Although the company published its Sustainable Packaging Policy, the policy does not make any reference to single-use plastics (but rather mentions “unnecessary packaging”) and its disclosures do not seem to sufficiently address the regulatory risks and the risk of higher costs in case of inaction. Therefore, a vote for this resolution was warranted.		
Outcome	Over a third of shareholders supported the resolution , which is a significant level of support for a shareholder proposal. This demonstrates that investors are increasingly putting pressure on companies to take action to tackle plastic pollution, and at LGIM we will continue our engagement on these issues with companies and policymakers.		
Why is this vote 'significant'?	The circular economy is a key component of LGIM's approach to nature, and we believe solving plastic pollution is critical in a just transition to net-zero and nature-positive economies.		

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Significant votes

Company name	Toyota Motor Corp*		
ISIN	JP3633400001		
Market cap	\$218.12bn (6 July, source: Toyota (TM) - Market capitalization (companiesmarketcap.com))		
Sector	Consumer, cyclical: auto manufacturers		
Issue identified	Climate lobbying: we believe all economic actors must use their influence positively and advocate for public policies that would support the delivery of a net-zero economy		
Summary of the resolution	Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement AGM date: 14 June 2023		
How LGIM voted	For resolution 4 (i.e. against management recommendation)		
Rationale for the vote decision	We acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years, and we welcome planned improvements to expand the number of trade associations in scope of assessment and intentions to seek third-party alignment reviews. However, we believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, we expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. We believe the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.		
Outcome	15% of shareholders voted in favour of the proposal. We will continue to engage with the company on the alignment of its climate lobbying practices with its climate ambitions, and on governance.		
Why is this vote 'significant'?	LGIM views climate lobbying as a crucial part of enabling the transition to a net-zero economy, and we have disclosed our expectations across all companies in our blog .		

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Climate shareholder resolutions

As a large investor, we believe we have a responsibility to urge companies to achieve their climate goals by escalating our engagement, in collaboration with our peers and key industry bodies. Our engagement process with companies is structured: we have a number of different 'levers' we can pull to escalate an issue. We use different tools depending on the company, market and topic that needs addressing. Filing a resolution puts pressure on a company and encourages management to discuss and resolve issues with us. This may encourage the company to propose and take action long before the shareholder meeting, thereby potentially avoiding the topic being included on their meeting agenda, which in turn could avoid a shareholder showdown and eventual public vote. This means our sought-after change can occur without the resolution ever being tabled. For the 2023 AGM season, we filed climate-related shareholder resolutions at Exxon Mobil* and Glencore*.

Exxon Mobil

At Exxon Mobil, our shareholder proposal, co-filed by LGIMA with Christian Brothers Investment Services ('CBIS'), called on the company to provide full disclosure on their asset retirement obligations (AROs). In our view, this is a highly relevant and financial material matter, and by filing this proposal we are seeking greater clarity into the potential costs Exxon may incur to retire its assets in the event of an accelerated energy transition. Such information is currently not factored into the company's financials.

The proposal received over 16% support from shareholders, which, although lower than we would have liked, demonstrated an increasing recognition of the importance of this issue for investors. In terms of our next steps, we will continue our direct engagements with the company under our Climate Impact Pledge and separately, to better understand and challenge Exxon on their approach to the energy transition, where financial material issues such as disclosure and the potential costs to retire their long-lived assets and decarbonisation levers being some of the key discussion points. We will also be engaging with proxy advisers and fellow investors to better understand their voting rationale.

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Glencore

Our shareholder proposal at *Glencore was co-filed together with the Ethos Foundation on behalf of Pensionskasse Post and Bernische Pensionskasse, Vision Super, HSBC Asset Management, the Australasian Centre for Corporate Responsibility (ACCR) and ShareAction. This proposal called for Glencore to disclose how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This proposal received 29.2% support from shareholders, which is significant for a shareholder proposal, and we are pleased that the company has [published its intention](#) to continue to engage with shareholders and improve understanding on this matter.

Environmental | Social | Governance



ESG: Social

Ethnic diversity

Identify and engage

At LGIM, we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better economy and society.

Continuing our ethnic diversity campaign,² since 2022, we have voted against companies in the FTSE 100 and S&P 500 indices where the board does not include at least one person from an ethnic minority background. In 2023, so far, we have voted against three companies for this reason: Caesars Entertainment*, Dish Network Corporation* and The UNITED Group Plc*. We pre-declared these votes on our [pre-declaration blog](#) in order to be transparent about the application of our voting policy and increase public pressure on these companies to meet our minimum expectations.

Escalate

Ethnic diversity will be an ongoing campaign – as board membership refreshes, we may see fluctuations in companies meeting or falling behind our minimum expectations.

We have also widened our scope for ethnic diversity to include the FTSE 250 and Russell 1000 indices. Our expectation for the companies in these additional indices is identical (one ethnically diverse board member) but, in line with the UK's Parker Review, we allow these smaller companies more time to meet our expectations and will therefore expect compliance by 2024.

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2. For a full summary, please see p.69 of our Active Ownership report, here: [Active Ownership report 2022 \(lgim.com\)](#)

Diversity disclosure in the US

As part of the Midwest Investors Diversity Initiative (MIDI), LGIM is leading on engagement with three companies within the Russell 3000 that are not meeting expectations around diversity disclosure. We sent letters to three companies requesting to meet and discuss strengthening their policy regarding the consideration of women and people of colour as board candidates, and adopting disclosure best practice regarding the demographic make-up of the companies' workforces.

Emerging markets diversity

Having recently published [our research and findings](#) from expanding our diversity campaign work into Brazil, India, China and South Africa, we have kicked off our engagement with stock exchanges to improve market standards on diversity – starting in Asia.

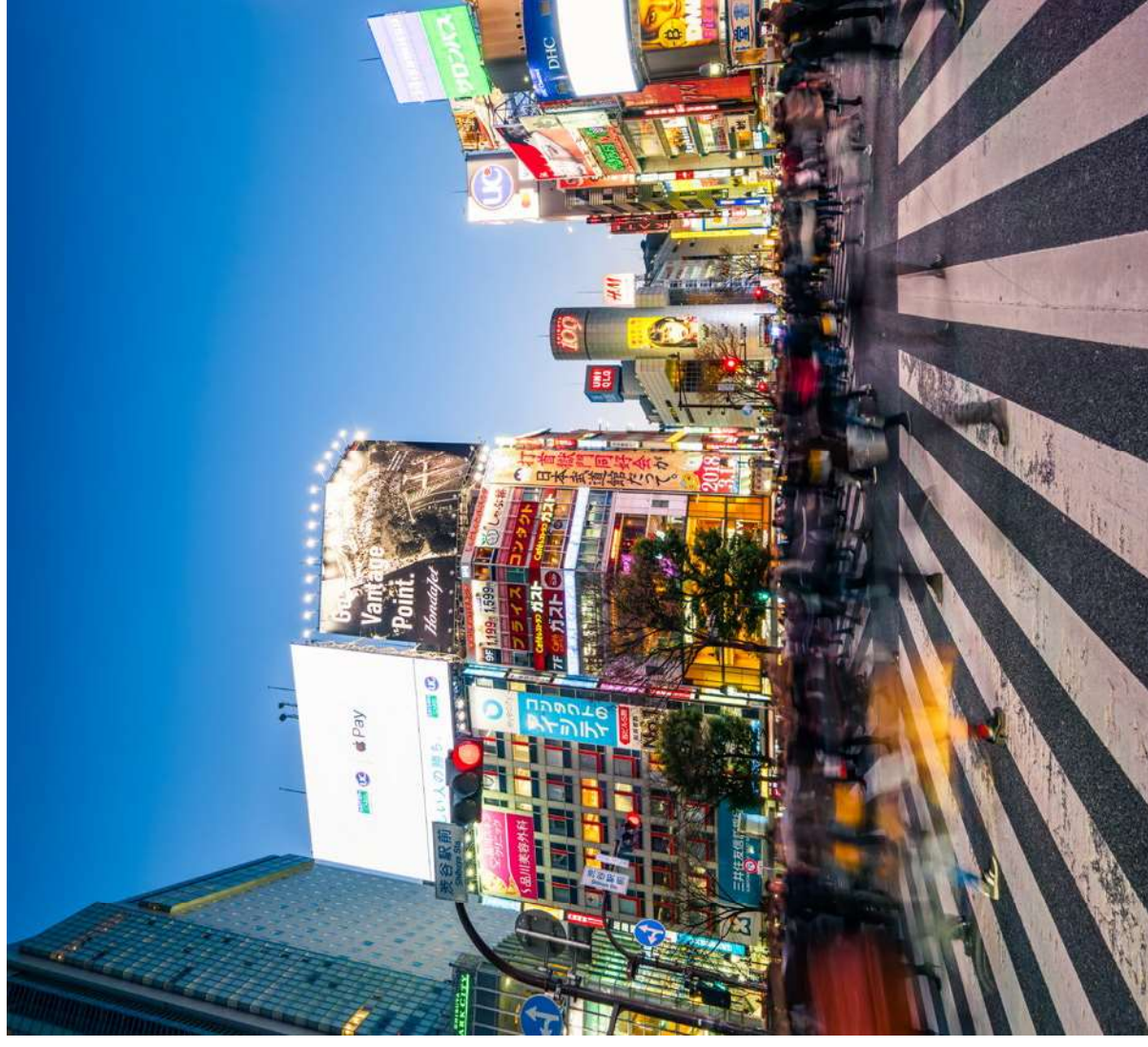
Diversity in Japan

Through our membership of and collaboration with the Asian Corporate Governance Association (ACGA), we have joined their discussions with the Japan Financial Services Authority (FSA) about corporate governance reform and about diversity. Last year, we helped to draft, and co-signed, [an open letter](#) to FSA and Tokyo Stock Exchange (TSE), which was shared with the Cabinet Office. It was confirmed during our engagement with FSA that our view in the letter has fed into government's broader announcement on diversity at Japanese companies. The letter touched on the importance of strengthening the female talent pipeline internally and expanding the pool of female executives.

On 5 June, the Japanese Government's Gender Equality Bureau of the Cabinet Office announced the draft of the 2023 Main Policy for Women's Empowerment and Joint Gender Participation. The Policy includes the following three measures:

- I. Promote initiatives to realise a virtuous cycle of women's empowerment and economic growth, with the following targets:
 - (1) Strive to appoint at least one female officer by 2025
 - (2) Aim to increase the ratio of female officers to 30% or more by 2030
 - (3) At the same time, we will further enhance training for female leaders who will be responsible for corporate management and support skill improvement through re-skilling
- II. Strengthening efforts to improve women's income and economic independence
- III. Realisation of a society where women can live with dignity and pride

We are pleased to see the commonality between the recommendations [set out in our joint letter](#) and the steps announced by the Japanese government. We firmly believe in the value of collaborative engagements such as this, which enable us to tackle systemic market issues at the policy level.



Significant votes

Company name	McDonald's Corp*
ISIN	US5801351017
Market cap	\$217.86bn (as at 3 July 2023; source: McDonald (MCD) - Market capitalization (companiesmarketcap.com))
Sector	Consumer cyclical, retail
Issue identified	LGIM considers antimicrobial resistance (AMR) to be a systemic risk. The overuse of antibiotics, one form of antimicrobial, is known to exacerbate AMR. The majority of antibiotics used globally are consumed by animals, not humans. It is essential to limit the use of antimicrobials, and in particular antibiotics, to stem the speed at which AMR is occurring. The World Bank estimates that AMR could result in a 3.8% loss in global GDP, an impact comparable to that of the 2008 financial crisis, and in an AMR worst-case scenario, additional healthcare expenditures could amount to \$1.2 trillion globally on an annual basis. Further, in a study published in January 2022 in the Lancet it was established that in 2019 1.27 million deaths occurred due to bacterial AMR, and 4.95 million deaths were indirectly linked to AMR.
Summary of the resolution	Resolution 6: Comply with World Health Organization Guidelines on Antimicrobial Use Throughout Supply Chains AGM date: 25 May 2023
How LGIM voted	For resolution 6 (i.e. against management recommendation)
Rationale for the vote decision	For the last two years we supported AMR shareholder proposals filed at McDonald's, pre-declared our votes in relation to these resolutions, and engaged with the company. We also signed a collaborative investor letter under the leadership of ICCR asking the company to publish targets related to the reduction of medically important antibiotics for the routine prevention of disease in its global beef supplies, which in 2018 they had announced that they would do by end of 2020. Given insufficient progress on these issues, we decided it was time to further escalate our concerns. During the autumn of 2022, we were approached by The Shareholder Commons to co-file a shareholder proposal asking McDonald's to apply the World Health Organization Guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals throughout its supply chains. We co-filed the shareholder proposal on 1 December 2022. The company has since released its antibiotics reduction targets, two years after the initial deadline. However, we do not deem that to be sufficient progress within the company's AMR activities.
Outcome	The proposal received 18% votes in favour, which, although slightly lower than we had hoped, still draws attention to the issue and has put pressure on the company to acknowledge it. LGIM is looking forward to working with the company, both individually and collaboratively with other shareholders over the course of 2023 and beyond, to meet our request.
Why is this vote 'significant'?	This vote is significant because it relates directly to antimicrobial resistance, an area of focus for us and a core 'sub-theme' under our 'health' 'super theme'.

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Case study: Amazon*

As predicted, Amazon received another host of shareholder proposals in their 2023 AGM, covering a cross-section of ESG issues, although social issues continue to dominate. Given the size and influence of the company, and continued interest from stakeholders, we again pre-declared our voting intentions for some of the proposals on [our blog](#), and we provide below a brief update of some of the more significant vote results.

Environment-focused proposals

Resolution 10 – Report on impact of climate change strategy consistent with just transition guidelines

This is the first year that Amazon has received this proposal, and it's interesting to see that proponents are now starting to move towards some environmentally focused proposals. We supported the proposal as more transparency around how Amazon is understanding the just transition and how its actions as a business will have impact and how they could be beneficial. The proposal gained 26% of support from shareholders, which is significant for a first-time proposal.

Resolution 12 – Report on climate lobbying

Amazon has had general lobbying proposals in the past, but this is the first time that the company has received a proposal related specifically to climate lobbying. We supported the proposals, as the ask is consistent with those under our Climate Impact Pledge and currently the company only reports details of contributions, not what the company would do if their beliefs don't align with those of lobbying organisations with which they are involved. 23% of shareholders supported the proposal, which again is significant support for a first-time proposal.

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Resolution 22 – Report on efforts to reduce plastic waste

This is the third time that Amazon has received this proposal. LGIM supported it last year, and it gained 48.9% support. We supported again this year as Amazon hasn't set any forward-looking targets to reduce plastic waste, which the Ellen McArthur foundation does. All the information that Amazon provide is backward-looking and doesn't include targets to maintain progress. 31% of shareholders supported.

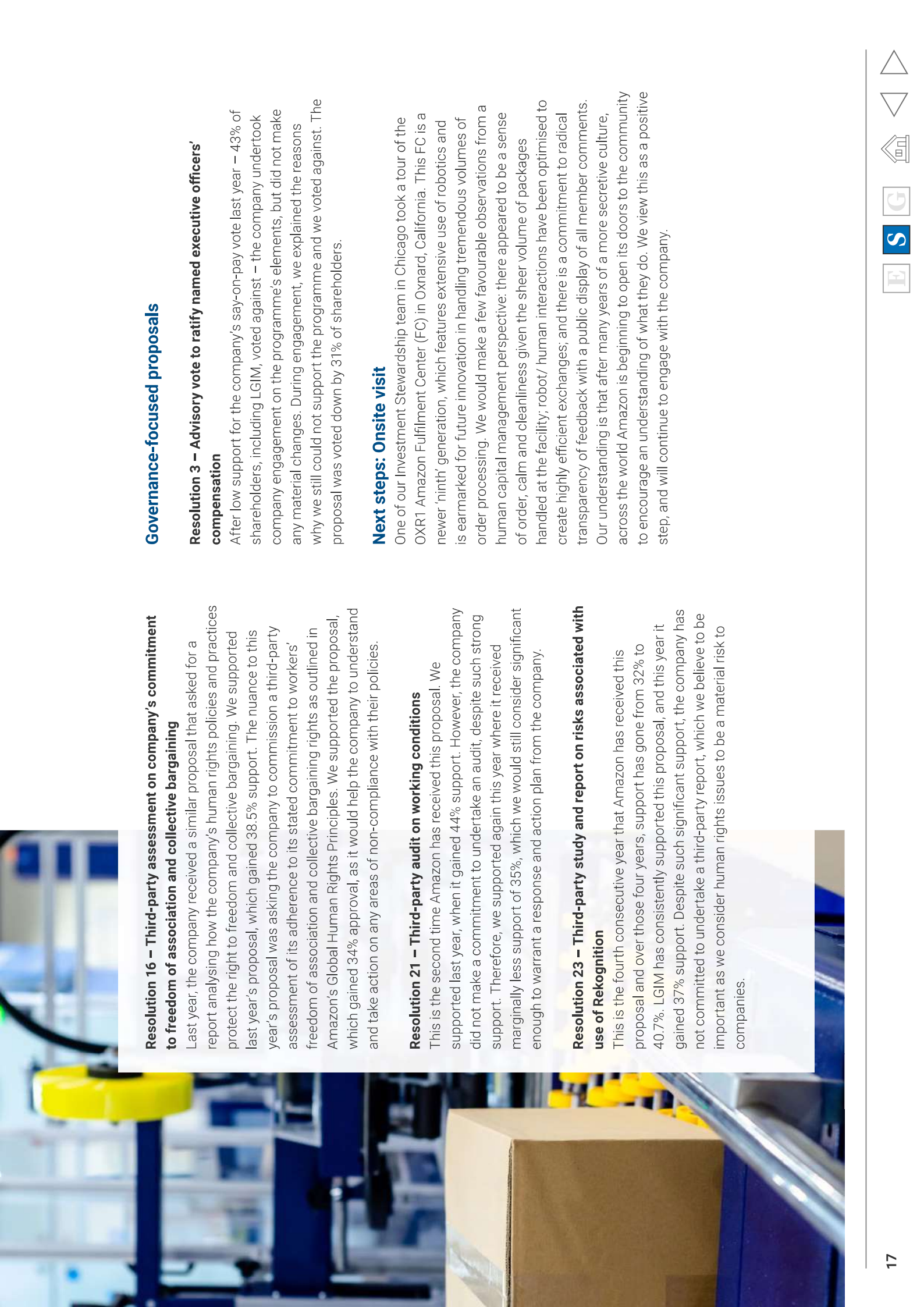
Social-focused proposals

Resolution 7 – Report on customer due diligence

Amazon has received similar proposals for the last two years, asking the company to disclose a third-party report on whether the company's customer use of its products and services with surveillance, computer vision, or cloud storage capabilities contributes to human rights violations. The proposal gained 35% and 40% support previously, and LGIM also voted in favour. Given we couldn't see any evidence of a due diligence exercise on human rights violations relating to products and services, or a commitment to undertaking one, we supported the proposal again, and it gained 33% shareholder support.

Resolution 13 – Report on median and adjusted gender/racial pay gaps

This is the fifth year Amazon has received a proposal on the issue of pay equity, and for the last three years it has gained upwards of 25% support. We supported the proposal again this year as we expect companies to disclose meaningful information on the gender pay gap. On engagement with the company we have consistently asked the company to provide disclosure, although the company continues to explain that they don't believe shareholders will find this information useful. This year, the proposal gained marginally greater support of 29%.



Resolution 16 – Third-party assessment on company's commitment to freedom of association and collective bargaining

Last year, the company received a similar proposal that asked for a report analysing how the company's human rights policies and practices protect the right to freedom and collective bargaining. We supported last year's proposal, which gained 38.5% support. The nuance to this year's proposal was asking the company to commission a third-party assessment of its adherence to its stated commitment to workers' freedom of association and collective bargaining rights as outlined in Amazon's Global Human Rights Principles. We supported the proposal, which gained 34% approval, as it would help the company to understand and take action on any areas of non-compliance with their policies.

Resolution 21 – Third-party audit on working conditions

This is the second time Amazon has received this proposal. We supported last year, when it gained 44% support. However, the company did not make a commitment to undertake an audit, despite such strong support. Therefore, we supported again this year where it received marginally less support of 35%, which we would still consider significant enough to warrant a response and action plan from the company.

Resolution 23 – Third-party study and report on risks associated with use of Rekognition

This is the fourth consecutive year that Amazon has received this proposal and over those four years, support has gone from 32% to 40.7%. LGIM has consistently supported this proposal, and this year it gained 37% support. Despite such significant support, the company has not committed to undertake a third-party report, which we believe to be important as we consider human rights issues to be a material risk to companies.

Governance-focused proposals

Resolution 3 – Advisory vote to ratify named executive officers' compensation

After low support for the company's say-on-pay vote last year – 43% of shareholders, including LGIM, voted against – the company undertook company engagement on the programme's elements, but did not make any material changes. During engagement, we explained the reasons why we still could not support the programme and we voted against. The proposal was voted down by 31% of shareholders.

Next steps: Onsite visit

One of our Investment Stewardship team in Chicago took a tour of the OXR1 Amazon Fulfilment Center (FC) in Oxnard, California. This FC is a newer 'ninth' generation, which features extensive use of robotics and is earmarked for future innovation in handling tremendous volumes of order processing. We would make a few favourable observations from a human capital management perspective: there appeared to be a sense of order, calm and cleanliness given the sheer volume of packages handled at the facility; robot/ human interactions have been optimised to create highly efficient exchanges; and there is a commitment to radical transparency of feedback with a public display of all member comments. Our understanding is that after many years of a more secretive culture, across the world Amazon is beginning to open its doors to the community to encourage an understanding of what they do. We view this as a positive step, and will continue to engage with the company.

Environmental | Social | Governance

ESG: Governance

Investor rights: dual-class shares campaign update

Identify

We believe voting is an essential right for shareholders to promote market efficiency and to hold company boards accountable. 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 economic interests of investors.

Engage and escalate

As part of our campaign initiated in 2022, we announced that from 2023, we will be voting against the re-election of the board chair at US-incorporated companies with dual-class structures, where:

- The company does not have a plan to set a time limit on a dual-class structure
- Shareholders have not been given the opportunity to regularly vote on its continuation

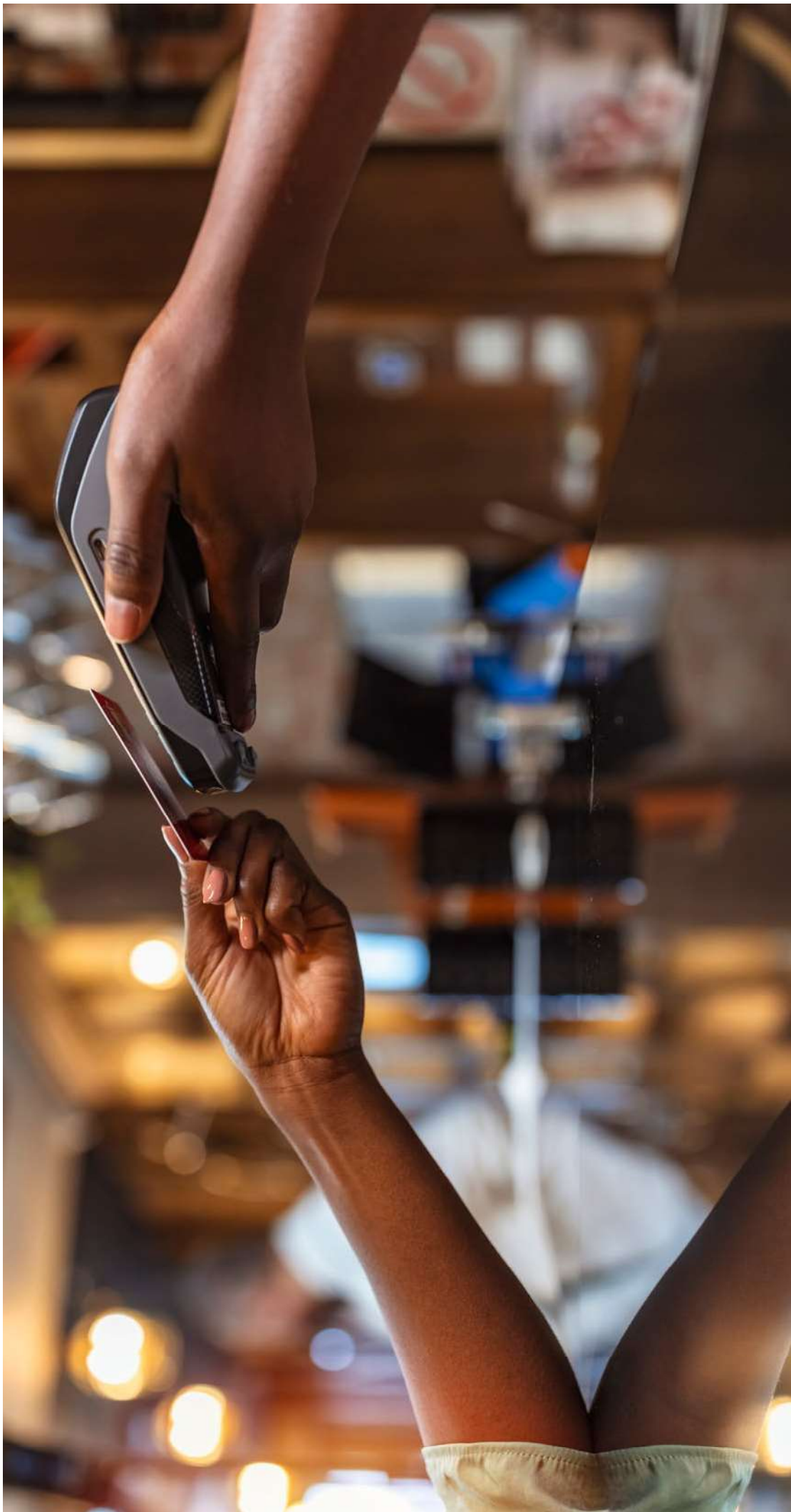
Up to the end of May 2023, we have voted against 95 companies under this campaign, demonstrating how widespread this issue has become. We have also been looking at whether there is any overlap with any other areas of governance issues: looking at the overlap between these votes and those against combined chair/CEO roles, we can see that there is commonality in about a third of cases. We will return to this analysis later in the year for more insight into potential governance trends.

Significant votes

Company name	Mastercard Inc*
ISIN	US57636Q1040
Market cap	\$370bn (03 July 2023, source: Mastercard (MA) – Market capitalization (companiesmarketcap.com))
Sector	Financials: diversified financial services
Issue identified	The prevalence of unequal share class structures, also called 'dual-class' shares (i.e. two or more types of share, with different voting rights) continues to impede shareholders' rights.
Summary of the resolution	1.a Elect Director Merit E Janow AGM date: 27 June 2023
How LGIM voted	LGIM voted for this resolution (i.e. in line with management recommendation).
Rationale for the vote decision	Our vote policy would ordinarily be to vote against this resolution, due to the dual-class share structure at this US company. However, following engagement with the company, a vote for this resolution was applied because, while we note the dual-class share structure with A and B shares outstanding, the company has confirmed that the legacy B shares do not confer any rights and therefore do not negatively affect the rights attached to the commonly traded A shares.
Outcome	98.1% of shareholders voted in favour of the resolution.
Why is this vote 'significant'?	This vote was significant because it demonstrates the value of engagement in situations where an individual company's circumstances or structural elements may be unclear.

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Public policy update

As a long-term investor, we share a responsibility to ensure that global markets operate efficiently to protect the integrity of the market and address systemic risks, foster sustainable and resilient economic growth, and aim to protect the value of our clients' assets. Part of how LGIM acts on these responsibilities is by engaging in global policy dialogue, providing practical advice to policymakers and regulators on the key systemic issues.





Nature: EU Nature Restoration Law

LGIM signed an [open letter](#) to European Policy leaders in support of the proposed EU Nature Restoration Law, urging them to:

- Urgently adopt regulations that promote nature protection, restoration and sustainable use of natural resources, with clear implementation roadmaps
- Uphold, strengthen and enforce existing environmental legislation to address the nature and climate crises together

Alongside not just our financial peers, but also large organisations from across a range of sectors, from food and fashion to chemicals and construction, we emphasised the vital role of robust regulatory systems in supporting businesses to take vital action to combat deforestation.

Sadly, the law [has not passed](#), although scope for negotiation among the European policymakers remains, and there is reason to be hopeful that, as part of the European 'Green Deal', further regulations supporting the nature should be forthcoming. Support from a range of industry executives is clearly strong, and through continued policy engagement and public pressure we join those voices to call for a robust regulatory framework to remove barriers to industry progress towards restoring and protecting the natural world.



Deforestation

We have [publicly stated our support](#) for an amendment to the UK Financial Services & Markets Bill, which would introduce compulsory due diligence to prevent the financing of deforestation. Alongside other investors with [£2.7 trillion](#) in assets, we believe that introduction of this amendment is a necessary step in holding the financial sector accountable for its role in financing deforestation. As Michael Marks, LGIM Head of Investment Stewardship, says, "The UK has a real opportunity to demonstrate global leadership and accelerate action on ending deforestation by strengthening the Financial Services and Markets Bill to include mandatory deforestation due diligence in the financial sector."



Circular economy: Collaborative action on microfibres

We continue to be active members of the collaboration on microfibres, organised by First Sentier Investors, which recently won the [Environmental Finance ESG engagement initiative of the year award, EMEA](#). Through this

collaboration, alongside 30 of our peers, we have put pressure on governments around the world to introduce legislation for compulsory microfibre filters on new washing machines. While [France](#) leads the way, the movement appears to be gaining traction in [California](#). Disappointingly, the Microplastic Filters (Washing Machines) Bill making its way through the UK parliamentary system appears to have been delayed, against a backdrop of policy developments on water and eco design standards. We place a high value on collaborations, which enable us, with and guided by our peers, to strengthen our voice on important issues and bring them forward in policy dialogue to encourage a robust regulatory response. The different paces at which countries are adopting legislation in this area and the twists and turns that may happen along the way (as currently evident in the UK) illustrate the particular nature of policy engagement, where progress may be non-linear, and may develop over extended timeframes, with inputs from numerous stakeholders and angles.

Our focus on the circular economy stems from our belief in its fundamental importance to nature, and the systems and ecosystems upon which our world depends, and upon which much of the global economy is dependent. Further on this theme, during the quarter, we also signed a [collaborative investor letter](#), co-ordinated by the VBDO (Dutch Association of Investors for Sustainable Development), calling for accelerated corporate action on plastics and emphasising the urgent need to reduce plastic waste. By collaborating with our international peers, being public about our commitments, and showing a collective expectation for action amongst the companies in which we invest, we aim to increase the pressure on companies failing to take commit to reducing single-use plastics, including eliminating use of the hazardous chemicals used to make these plastics.



Health: AMR field trip: Groundswell Regenerative Agriculture Festival

At LGIM, we engage across the value chain – we seek to structure our engagements so that we are using our voice as effectively as we can as investors, by engaging with companies, policymakers and broader stakeholders on financially material ESG issues.

Regular readers will have been [following our engagement](#) on antimicrobial resistance. In June, a member of our investment stewardship went on an AMR field trip to speak at the Groundswell Regenerative Agriculture Festival in Hertfordshire. Taking place over two days, the festival attracts attendees not only from the farming community, but also politicians, scientists, representatives from the fashion industry and, through LGIM, from finance. Panels covered a range of topics, from soil health and potato production, lessons learned from establishing agroforestry systems, and certification of regenerative agriculture, to crop rotation and climate-friendly sheep farming.

Our stewardship team member was one of three headline speakers on a session titled [Nutrition, human health and soil: Antimicrobial resistance \(AMR\) and farming. How deep is the problem and what can we do about it?](#)

The visit brought together our two 'health' sub-themes and provided an opportunity to engage directly with not only the farming community, but other key stakeholders vital to the food production industry (including the Chief Executive of the Soil Association, the Programme Director for Defra's Future Farming and Countryside Programme, the Defra shadow minister, to name but a few). Explaining LGIM's position and ability to influence as a responsible investor, and using this platform to communicate and connect with these crucial stakeholders at very different parts of the value chain, is a powerful way not only to raise awareness of problems such as AMR and what we believe different stakeholders could be doing to mitigate and monitor the threat, but also to learn about the challenges and barriers each of these stakeholders may be facing when it comes to taking action on these topics. Participating in these events is also a way for LGIM to galvanise action and show that engagement isn't just restricted to the boardroom.



Keeping up the pressure on the policy side, together with our peers and as representatives of Investor Action on AMR, we again co-signed letters to some of the finance ministers of the G7 countries in light of in-person meetings taking place. We emphasised the crucial need for them to expedite action to mitigate AMR, including taking the appropriate steps to address the antibiotic market failure and create the right economic conditions to preserve essential existing antibiotics. Through meaningful collaborations with our industry peers, we are able to command the attention of prominent decision-makers in governments around the world, putting pressure on them to improve the policy and regulatory backdrop to mitigate systemic risks.

Nutrition: Good Food Finance

Bookworms among our readers may have noticed a recent proliferation of works proposing serious critiques not just of the UK food system, but also the actual food (or ‘food’) that we eat.

At LGIM, we continue to believe that nutrition is fundamentally important to society as a whole and that we can use our voice as a large investor to put pressure on both food producers and governments to improve the nutritional quality of food available on our grocery store shelves. As highlighted in our [Active Ownership report](#), we are members of both the Access to Nutrition Initiative and the ShareAction Healthy Markets Initiative.

A member of our Investment Stewardship team, through our membership of ATNI, participated in a panel discussion during the Good Food Finance Week on Delivering food systems transformation to meet nutrition and finance returns - challenges and opportunities for evidence-based investing. The Good Food Finance Network brings together leaders from a cross-set of industries and the public sector, with the aim of promoting investment and providing solutions for sustainable food systems. The debate was lively and, like all good discussions, could have extended far beyond the time allotted. Topics covered included nutrition and its role in transformation of food systems, the critical role of metrics, and how to engage investors and increase public sector accountability. The session was opened by the CEO and Founder for Food Systems for the Future (and former executive director of the UN World Food Programme and former US Ambassador to the UN Agencies for Food and Agriculture), and was closed by the WHO Director of the department of Nutrition for Health & Development.



Governance: Response to FCA consultation on proposed changes to the listing regime

LGIM has been working with the Investment Association and other groups (e.g. FTSE Committees) on the response to the FCA proposals. We also submitted our own response. In summary, we believe the changes in the FCA proposals have the potential to dilute shareholder rights, with a shift of responsibility and control from investors (except if you are a controlling shareholder) to management.

The three key issues in the proposed changes centre on the intended permissive approach to:

- Dual-class share structures (DCSS)
- Significant transactions
- Related-party transactions

Overall, our concerns relate to the combined effect of deregulation, loss of sponsor oversight, and the impact upon corporate accountability. We are longstanding advocates for equal voting rights and have been conducting a campaign on dual-class shares at US companies.³ In these proposals, we also see potential for constraints on effective stewardship, and in our view, the alternative accountability mechanisms or suggested market responses may not be practical. Our feedback has reflected both our general and more specific concerns.

3. Please see p.88: [Active Ownership report 2022 \(lgim.com\)](#)



Regional updates

Global - Q2 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	70979	22403	390	74%	23%	0%
Routine Business	13366	1140	0	81%	7%	0%
Director Election	29361	10431	270	73%	26%	1%
Director Related	6148	1411	9	81%	19%	0%
Audit Related	4897	1057	98	81%	17%	2%
Non-Routine Business	1952	238	0	86%	11%	0%
Compensation	5956	5434	5	52%	48%	0%
Capitalization	5224	1280	0	80%	20%	0%
Miscellaneous	225	70	0	53%	16%	0%
Company Articles	2081	504	0	79%	19%	0%
Strategic Transactions	1079	558	0	64%	33%	0%
Takeover Related	402	57	0	87%	12%	0%
No Research	29	166	8	9%	53%	3%
E&S Blended	58	0	0	97%	0%	0%
Social	179	47	0	74%	19%	0%
Mutual Funds	11	0	0	100%	0%	0%
Environmental	11	10	0	46%	42%	0%

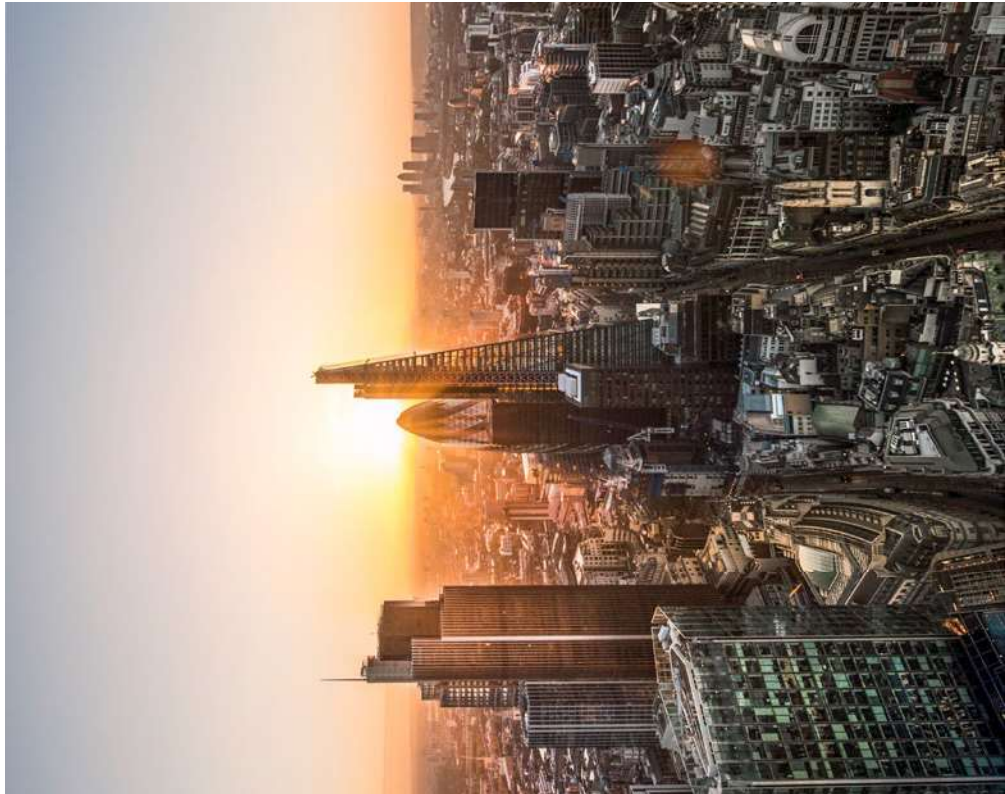
Global - Q2 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	1487	672	17	67%	30%	1%
Director Election	517	204	16	68%	27%	2%
Routine Business	15	81	0	16%	84%	0%
Miscellaneous	107	51	0	67%	32%	0%
Corporate Governance	49	10	0	80%	16%	0%
Audit Related	215	56	0	79%	21%	0%
Social	166	45	0	78%	21%	0%
Company Articles	12	26	0	30%	65%	0%
Environmental	102	67	0	60%	39%	0%
Director Related	187	29	0	85%	13%	0%
E&S Blended	22	32	0	41%	59%	0%
Compensation	63	51	1	55%	44%	1%
Non-Routine Business	32	20	0	62%	38%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	72466	74%
Against	23075	74%
Abstain	407	69%

Number of	Values
Resolutions	98751
AGM resolutions	95291
EGM resolutions	3458

Number of companies where LGIM voted:	Values
In Total	7927
For in all resolutions	1307
Against or Abstain in at least one resolution	6620



UK - Q2 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (Total)	5603	358	0	94%	6%	0%
Routine Business	573	6	0	99%	1%	0%
Compensation	457	124	0	79%	21%	0%
Director Election	2351	168	0	93%	7%	0%
Audit Related	629	6	0	99%	1%	0%
Capitalization	1176	35	0	97%	3%	0%
Takeover Related	226	0	0	100%	0%	0%
Strategic Transactions	16	13	0	55%	45%	0%
Social	120	0	0	100%	0%	0%
Mutual Funds	10	0	0	100%	0%	0%
Company Articles	33	3	0	92%	8%	0%
No Research	2	1	0	20%	10%	0%
Director Related	5	0	0	100%	0%	0%
Miscellaneous	2	0	0	50%	0%	0%
Environmental	2	2	0	50%	50%	0%
Non-Routine Business	1	0	0	100%	0%	0%



UK - Q2 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (Total)	1	7	0	12%	88%	0%
Director Election	0	2	0	0%	100%	0%
Environmental	1	2	0	33%	67%	0%
Compensation	0	2	0	0%	100%	0%
Miscellaneous	0	1	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	5604	94%
Against	365	91%
Abstain	0	0%

Most Popular Shareholder Resolutions	Values
GHG Emissions	3
Company-Specific--Compensation-Related	2
Elect a Shareholder-Nominee to the Board (Proxy Access Nominee)	2
Company-Specific -- Miscellaneous	1

Number of	Values
Resolutions	5984
AGM resolutions	5940
EGM resolutions	42

Number of companies where LGIM voted:	Values
In Total	343
For in all resolutions	180
Against or Abstain in at least one resolution	163



EU - Q2 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	13615	4292	26	69%	22%	0%
Routine Business	3154	311	0	63%	6%	0%
Director Election	2300	1278	21	64%	36%	1%
Director Related	3167	373	0	89%	10%	0%
Audit Related	783	105	4	88%	12%	0%
Non-Routine Business	148	24	0	68%	11%	0%
Compensation	1723	1620	1	51%	48%	0%
Capitalization	1540	335	0	82%	18%	0%
Miscellaneous	47	7	0	34%	5%	0%
E&S Blended	51	0	0	98%	0%	0%
No Research	25	159	0	9%	59%	0%
Company Articles	595	55	0	92%	8%	0%
Takeover Related	23	14	0	62%	38%	0%
Strategic Transactions	45	3	0	94%	6%	0%
Social	7	0	0	100%	0%	0%
Environmental	7	8	0	39%	44%	0%



EU - Q2 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	177	148	0	54%	45%	0%
Social	0	3	0	0%	100%	0%
Environmental	1	11	0	8%	85%	0%
E&S Blended	0	2	0	0%	100%	0%
Director Election	50	44	0	53%	47%	0%
Audit Related	43	38	0	53%	47%	0%
Director Related	79	12	0	87%	13%	0%
Miscellaneous	2	25	0	7%	89%	0%
Non-Routine Business	0	4	0	0%	100%	0%
Compensation	0	7	0	0%	100%	0%
Company Articles	2	2	0	50%	50%	0%

Number of	Values
Resolutions	20058
AGM resolutions	19625
EGM resolutions	433

Number of companies where LGIM voted:	Values
In Total	1012
For in all resolutions	57
Against or Abstain in at least one resolution	955

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	13792	68%
Against	4440	69%
Abstain	26	54%

Most Popular Shareholder Resolutions	Values
Elect Supervisory Board Members (Bundled)	69
Appoint Alternate Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	67
Company-Specific Board-Related	66
Elect a Shareholder-Nominee to the Board (Proxy Access Nominee)	24
Company-Specific -- Miscellaneous	23



North America - Q2 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	16509	9834	137	62%	37%	1%
Director Election	12115	6080	23	66%	33%	0%
Compensation	1628	2807	4	37%	63%	0%
Audit Related	1847	802	94	67%	29%	3%
Capitalization	229	58	0	80%	20%	0%
Director Related	330	40	8	87%	11%	2%
Routine Business	74	12	0	85%	14%	0%
Miscellaneous	15	7	0	68%	32%	0%
Company Articles	75	11	0	85%	12%	0%
Takeover Related	144	10	0	93%	6%	0%
Mutual Funds	1	0	0	100%	0%	0%
Strategic Transactions	43	2	0	96%	4%	0%
Social	3	0	0	100%	0%	0%
Environmental	2	0	0	100%	0%	0%
No Research	2	5	8	9%	23%	36%
Non-Routine Business	1	0	0	100%	0%	0%



North America - Q2 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	464	154	10	70%	23%	2%
Routine Business	1	0	0	100%	0%	0%
Corporate Governance	49	10	0	80%	16%	0%
Social	164	42	0	78%	20%	0%
Company Articles	1	16	0	5%	84%	0%
Environmental	85	19	0	81%	18%	0%
Director Related	85	9	0	88%	9%	0%
Compensation	33	22	0	60%	40%	0%
E&S Blended	22	30	0	42%	58%	0%
Non-Routine Business	6	3	0	67%	33%	0%
Director Election	16	0	10	32%	0%	20%
Miscellaneous	2	3	0	40%	60%	0%

Number of	Values
Resolutions	27300
AGM resolutions	26968
EGM resolutions	332

Number of companies where LGIM voted:	Values
In Total	2777
For in all resolutions	40
Against or Abstain in at least one resolution	2737

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	16973	61%
Against	9988	61%
Abstain	147	55%

Most Popular Shareholder Resolutions	Values
Require Independent Board Chairman	77
Elect Director (Dissident)	50
Amend Articles/Bylaws/Charter - Call Special Meetings	37
Submit Severance Agreement (Change-in-Control) to Shareholder Vote	36
GHG Emissions	32



● Japan - Q2 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	9947	1492	0	87%	13%	0%
Routine Business	685	4	0	99%	1%	0%
Director Election	7892	1073	0	88%	12%	0%
Audit Related	18	0	0	100%	0%	0%
Director Related	847	289	0	75%	25%	0%
Company Articles	167	36	0	82%	18%	0%
Compensation	311	52	0	86%	14%	0%
Takeover Related	5	33	0	13%	87%	0%
Capitalization	5	3	0	62%	38%	0%
Non-Routine Business	6	1	0	86%	14%	0%
Strategic Transactions	11	1	0	92%	8%	0%

 Japan - Q2 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	116	196	1	37%	63%	0%
Miscellaneous	0	5	0	0%	100%	0%
Director Election	14	48	0	23%	77%	0%
Compensation	25	11	1	68%	30%	3%
Environmental	13	35	0	27%	73%	0%
Non-Routine Business	26	13	0	67%	33%	0%
Director Related	22	6	0	79%	21%	0%
Routine Business	12	78	0	13%	87%	0%
Audit Related	2	0	0	100%	0%	0%
Social	2	0	0	100%	0%	0%

Number of	Values
Resolutions	11752
AGM resolutions	11689
EGM resolutions	63

Number of companies where LGIM voted:	Values
In Total	1074
For in all resolutions	289
Against or Abstain in at least one resolution	785

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	10063	86%
Against	1688	86%
Abstain	1	100%

Most Popular Shareholder Resolutions	Values
Amend Ordinary Business Items	85
Removal of Existing Board Directors	32
Phase Out Nuclear Facilities	27
Elect Director (Dissident)	23
Initiate Share Repurchase Program	22



Asia Pacific ex Japan - Q2 2023 voting summary

Management proposed resolutions:							
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %	
Management (total)	5504	1817	1	75%	25%	0%	
Routine Business	1475	72	0	95%	5%	0%	
Non-Routine Business	200	12	0	94%	6%	0%	
Audit Related	524	73	0	88%	12%	0%	
Director Election	1457	482	1	75%	25%	0%	
Compensation	567	283	0	67%	33%	0%	
Capitalization	852	730	0	54%	46%	0%	
Company Articles	161	87	0	65%	35%	0%	
Strategic Transactions	112	55	0	67%	33%	0%	
Director Related	117	18	0	87%	13%	0%	
Miscellaneous	28	4	0	88%	12%	0%	
Social	8	0	0	100%	0%	0%	
Takeover Related	3	0	0	100%	0%	0%	
No Research	0	1	0	0%	100%	0%	

Asia Pacific ex Japan - Q2 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	125	19	0	86%	13%	0%
Miscellaneous	17	0	0	100%	0%	0%
Audit Related	38	0	0	100%	0%	0%
Director Election	64	17	0	78%	21%	0%
Compensation	0	2	0	0%	100%	0%
Director Related	1	0	0	100%	0%	0%
Company Articles	3	0	0	100%	0%	0%
Environmental	2	0	0	100%	0%	0%

Number of	Values
Resolutions	7483
AGM resolutions	7161
EGM resolutions	322

Number of companies where LGIM voted:	Values
In Total	636
For in all resolutions	78
Against or Abstain in at least one resolution	558

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	5629	76%
Against	1836	79%
Abstain	1	100%

Most Popular Shareholder Resolutions	Values
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	57
Appoint Alternate Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	38
Elect a Shareholder-Nominee to the Board (Proxy Access Nominee)	25
Company-Specific -- Miscellaneous	15
Amend Articles/Bylaws/Charter -- Non-Routine	3

Emerging Markets - Q2 2023 voting summary

Management proposed resolutions:							
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %	
Management (total)	19717	4565	226	78%	18%	1%	
Routine Business	7376	735	0	86%	9%	0%	
Company Articles	1047	312	0	75%	22%	0%	
Non-Routine Business	1588	201	0	88%	11%	0%	
Capitalization	1421	119	0	91%	8%	0%	
Director Election	3228	1324	225	66%	27%	5%	
Director Related	1680	679	1	71%	29%	0%	
Audit Related	1089	68	0	93%	6%	0%	
Compensation	1256	545	0	69%	30%	0%	
Strategic Transactions	851	483	0	61%	35%	0%	
No Research	0	0	0	0%	0%	0%	
Miscellaneous	132	52	0	58%	23%	0%	
E&S Blended	7	0	0	88%	0%	0%	
Social	41	47	0	39%	45%	0%	
Takeover Related	1	0	0	100%	0%	0%	



Emerging Markets - Q2 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder	604	148	6	80%	19%	1%
Director Election	373	93	6	79%	20%	1%
Audit Related	132	18	0	88%	12%	0%
Miscellaneous	86	17	0	83%	16%	0%
Compensation	5	7	0	42%	58%	0%
Routine Business	2	3	0	40%	60%	0%
Company Articles	6	8	0	43%	57%	0%
Director Related	0	2	0	0%	100%	0%

Number of	Values
Resolutions	26037
AGM resolutions	23771
EGM resolutions	2266

Number of companies where LGIM voted:	Values
In Total	2072
For in all resolutions	662
Against or Abstain in at least one resolution	1410

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	20321	79%
Against	4713	78%
Abstain	232	81%

Most Popular Shareholder Resolutions	Values
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	358
Appoint Alternate Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	119
Elect a Shareholder-Nominee to the Board (Proxy Access Nominee)	68
Company-Specific -- Miscellaneous	62
Miscellaneous -- Equity Related	42

Global engagement summary

In Q2 2023, the Investment Stewardship team held

167



with

146



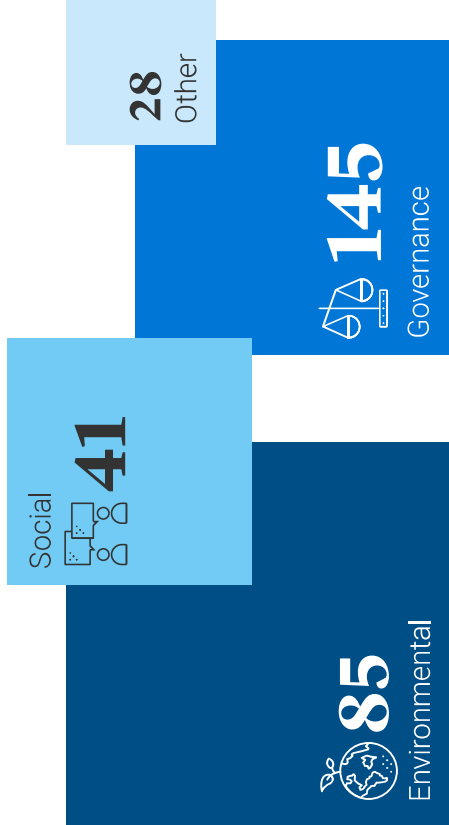
engagements companies

(vs. 535 engagements with 491 companies last quarter)

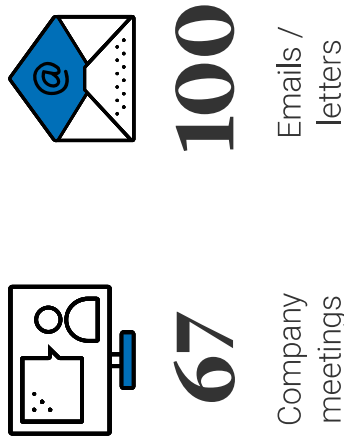


Breaking down the engagement numbers - Q2 2023

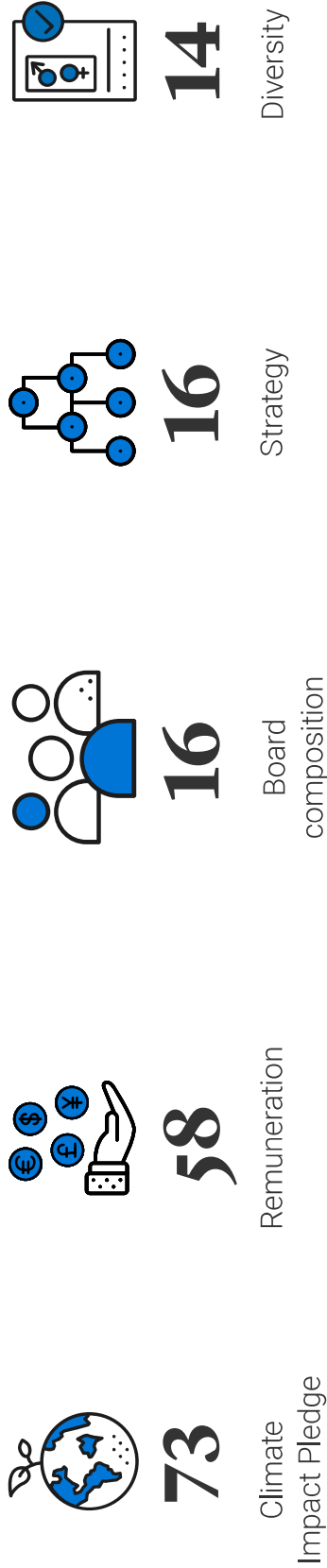
Breakdown of engagement by themes



Engagement type

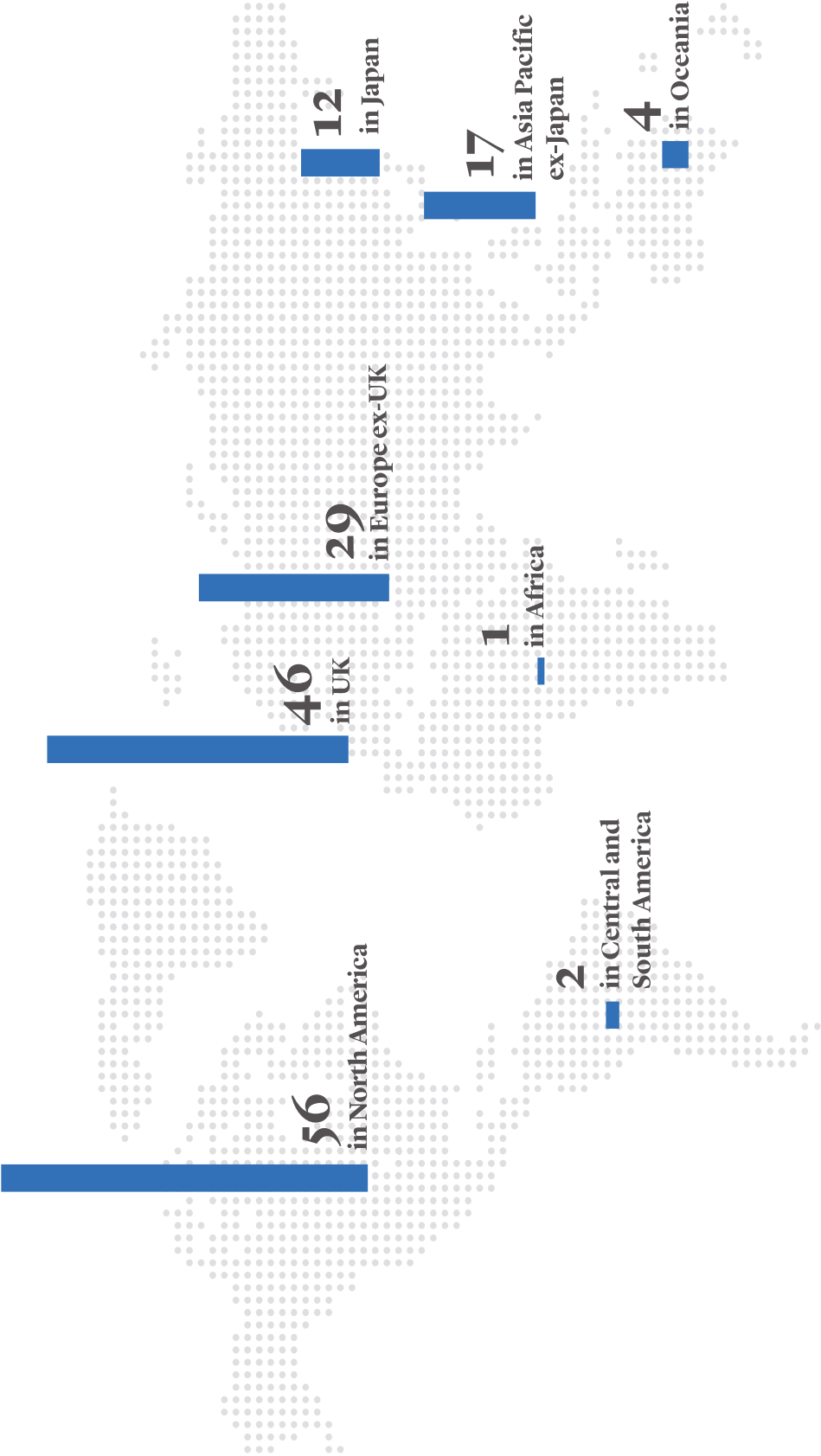


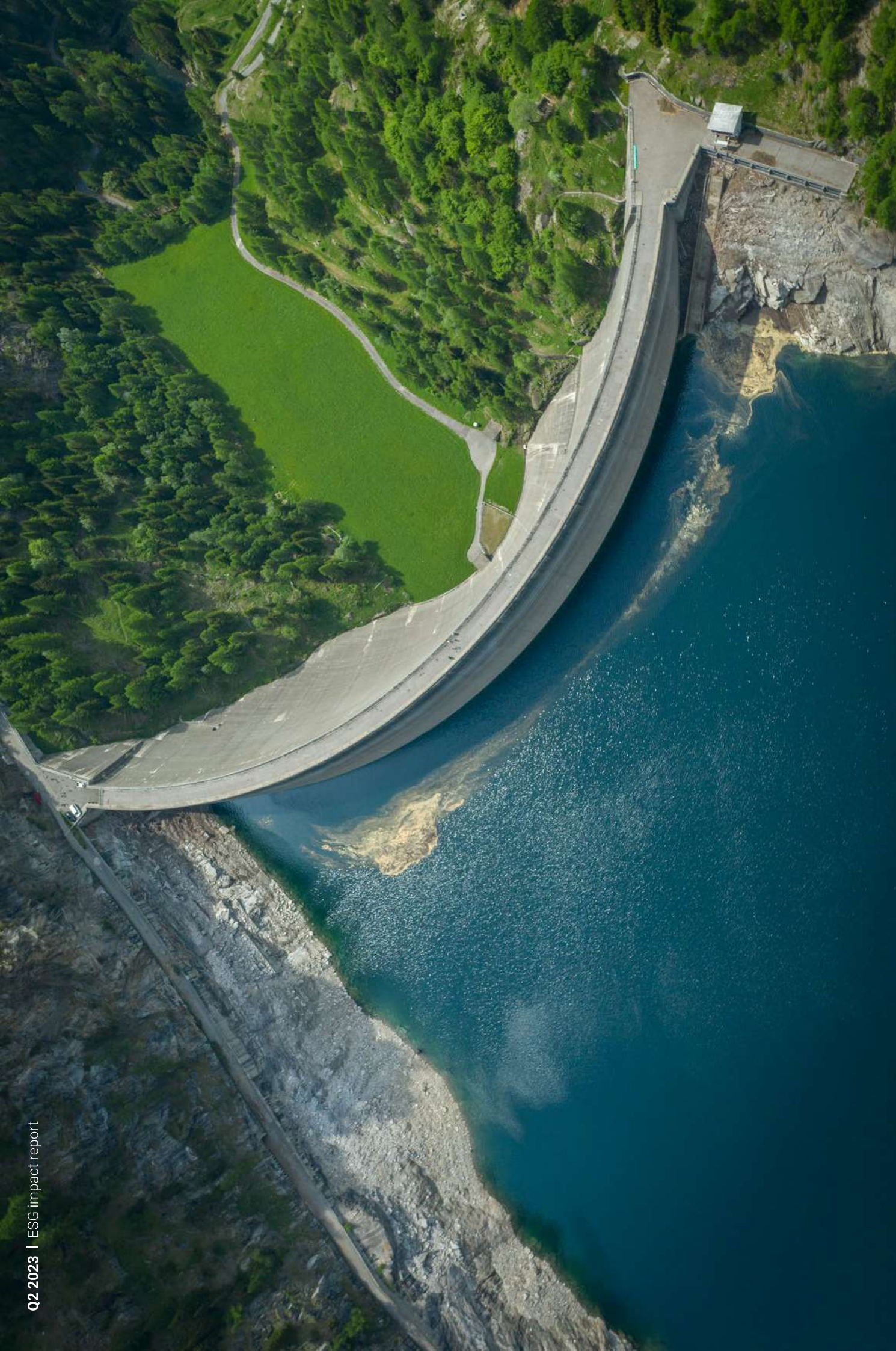
Top five engagement topics*



*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



Key Risks

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