For professional investors and qualified investors only.
Not to be distributed to retail investors. All investing involves risk.

Active Ownership 2024

Active ownership means striving to create sustainable value for our clients. This report details how we sought to do this within our Asset Management business during 2024.

Any references to funds, strategies, case studies and companies are mentioned for illustrative purposes only as highlighted by † symbol and does not constitute a recommendation. They are subject to the following key risk: The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested. This will be referenced with a ◆ symbol and 'Capital at risk' on the relevant pages.

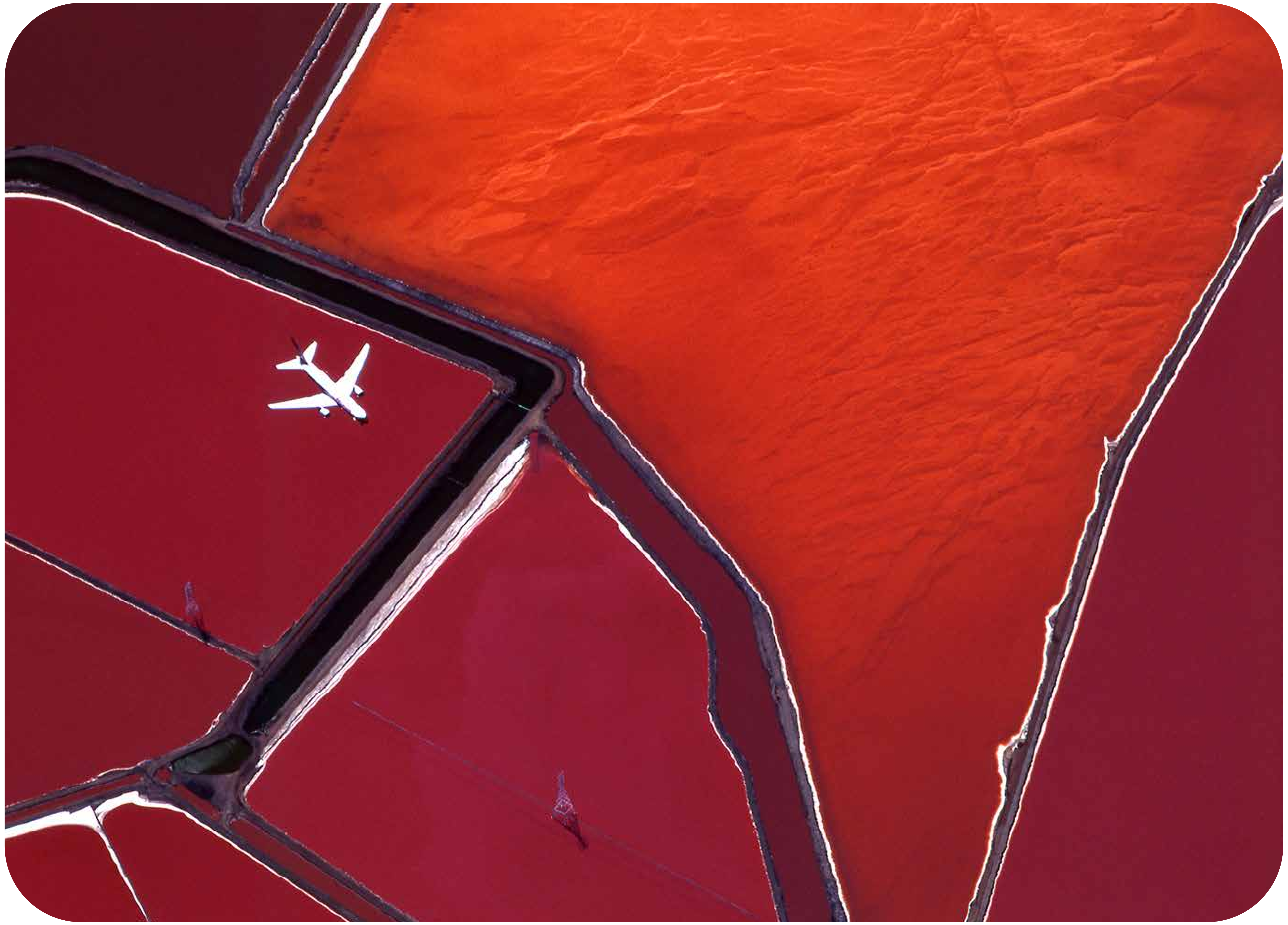
Whilst L&G's Asset Management business, where relevant, has integrated financially material Environmental, Social, and Governance (ESG) considerations into its stewardship practices and investment decision-making, funds that do not include specific ESG goals within their objectives might not pursue responsible investing goals.

We have also included companies' most recent ESG scores (as at September 2024), where available, and any change to their ESG score compared with the previous year. Our ESG scores are rounded up, while the disclosed change in score reflects the underlying data. More information on the methodology underpinning our ESG scores can be found here.

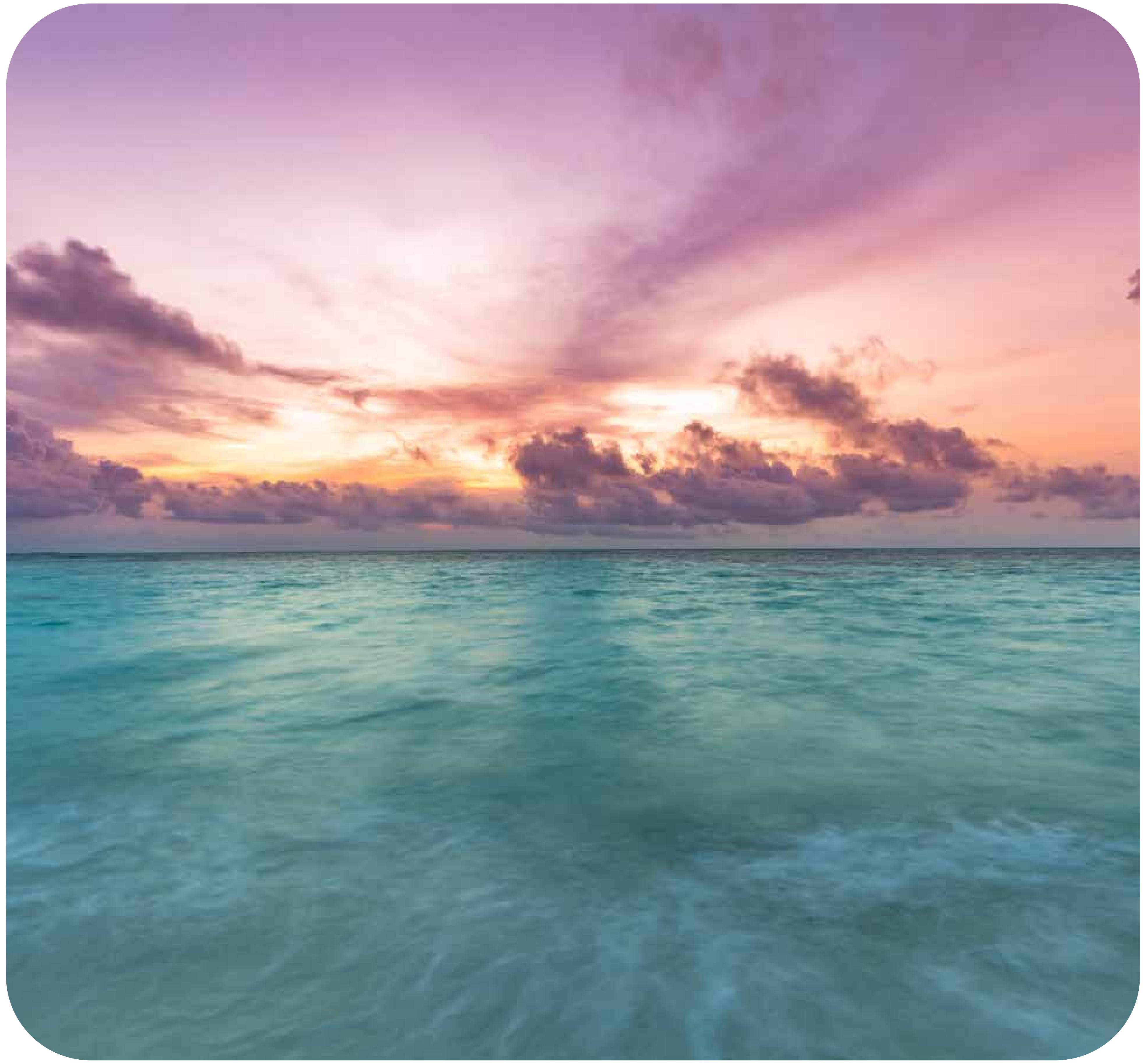
Assumptions, opinions, and estimates are provided for illustrative purposes only.
There is no guarantee that any forecasts made will come to pass.

L&G

Contents



Foreword



In an increasingly complex world, it's even more clear that we must support our clients in navigating systemic challenges to help drive long-term value creation.

Our ambition to be a leader in responsible investment remains as strong as ever, and this commitment is reflected in L&G's purpose: Investing for the long term. Our futures depend on it.

We continue to believe in the power of investment stewardship. When effective, this function can sit at the heart of value creation in capital markets for clients, be they global institutions or private investors.

We also recognise that regulatory and investor expectations are evolving, and we must evolve with them. Indeed, at L&G, we have recently brought together our Investments and Investment Stewardship teams in recognition of these shifts.

This is a natural evolution: by fostering close collaboration, we seek to build on our legacy by broadening and deepening our corporate engagement, creating long-term value and delivering positive, real-world outcomes for our clients.

In this document – our 14th annual Active Ownership report – you'll read about the actions we took during 2024, as we utilised the full investment stewardship toolkit.

Over the coming pages, we detail our work across public and private markets in key areas, including climate, nature, diversity, health and governance. You'll also see examples of how we exercised voting rights across our entire book of assets, while engaging with companies, policymakers and other stakeholders.

Eric Adler
Chief Executive Officer
Asset Management, L&G

2024 in numbers

£424.6 billion[1]

The amount of assets we manage in responsible investment strategies

45%

The percentage of strategies launched with sustainability characteristics in line with our responsible investment product methodology

142,000

The number of resolutions worldwide on which we voted[2]

4,030

The number of shareholder-proposed resolutions we voted on globally

3,447

The number of companies our Investment and Stewardship teams engaged with[3]

6

The number of shareholder proposals that L&G's Asset Management business co-filed for the 2024 AGM season

1. As at 31 December 2024. AUM in responsible investment strategies represents only the AUM from funds or client mandates that feature a deliberate and positive expression of responsible investing characteristics, in the fund documentation for pooled fund structures or in a client's investment management agreement. This expression could be exclusions; ESG outcome focus; positive environmental and social impact; or a combination of these. The Asset Management responsible investing reporting criteria is reviewed in line with existing industry frameworks as well as significant regulatory developments relating to sustainable finance disclosure requirements, as deemed to be relevant to the markets in which L&G's Asset Management business operates, including but not limited to the EU Sustainable Financial Disclosure Regime (SFDR) and the UK Sustainability Disclosure Requirements, which was published on 28 November 2023.
2. Resolutions voted exclude do-not-vote instructions.
3. This comprised 3,617 engagements in the environmental category, 753 in social, 694 in governance and 303 in other areas.

Note: This document reports on L&G's Asset Management business's stewardship activities during 2024. Unless otherwise stated, all information, data and graphical depictions provided that are not referenced are based on L&G internal data as at 31 December 2024.

Q&A

We discuss the key themes from 2024 and our plans for this year with:

Sonja Laud
Chief Investment Officer

Amelia Tan
Head of Responsible Investment & Stewardship

Shuen Chan
Head of Responsible Investment & Sustainability, Private Markets

What was your proudest achievement in 2024?

Sonja: Responsible investing is foundational in how we aim to drive long-term value creation for our clients, and I am proud of how we've continued to expand our capabilities to support our ambition in this space. We have strengthened the resources and reach of the Global Research and Engagement Groups, which comprise Investment Stewardship, Climate Solutions and equity and credit analysts across public and private markets – growing the members from 76 to 82,[4] including additional coverage in our Chicago and Singapore offices. We now have more specialised knowledge in certain themes and asset classes and have enhanced our localised contextual understanding of different markets.

The continued investment in our Asian teams has enabled us to amplify our engagement activities there, including co-filing our first shareholder proposal in Japan with Nippon Steel† on climate advocacy, our first vote pre-declaration in India with Hindalco† on climate, as well as public policy consultations and engagements across Malaysia, Korea and Japan on climate, energy and governance.

Amelia: In 2024, we made good progress on our climate ambition and strategy. We built on the tremendous launch of the Climate Action strategy in 2023 and now have two funds offering this strategy across the UK and EU. We also enabled a significant proportion of responsible investing index funds and exchange-traded funds (ETF) ranges to be aligned with our net-zero framework (for greenhouse gases), through the introduction of net-zero commitments or alignments in funds and upgrades to the Future World Protection list criteria.

Nature was also an area of focused activity. Alongside the launch of our nature framework, we launched a structured engagement campaign to target companies that were not meeting our minimum expectations on deforestation and updated our deforestation risk exposure assessment. And last, but not least, we began work on understanding the data landscape of nature-related impacts, risks, dependencies, and opportunities.

Shuen: In 2024, L&G Private Markets launched the L&G Affordable Housing Fund† – our first real estate equity social impact investment strategy.[5] It invests in, and develops, affordable and well managed high-quality homes in England, while aiming to create positive social value by providing homes for those on waiting lists or locked out of home ownership. The strategy has so far raised £510 million since launching,[6] with the amount raised to date expected to deliver 3,500 – 4,000 homes in areas of need.

The fund's investment strategy is based on a theory of change that builds on L&G's place-based impact toolkit, which is designed to measure and manage place-based investments across the investment lifecycle. It is underpinned by robust impact management principles and focused on intentionality, needs-based analysis, and measurement of outcomes. In addition to supporting the L&G Affordable Housing Fund, the framework has also been used to develop fund and asset level impact strategies across our real estate portfolios that aim to maximise the social and environmental outcomes, including for the wider communities in which we invest.

What are your strategic priorities for 2025?

Sonja: In early 2025, we announced that we were bringing together our Investment Stewardship and Investment teams. For over 20 years, our Investment Stewardship team has successfully campaigned on key issues – from corporate governance to diversity and climate change – escalating action when necessary to reach desired outcomes. By strengthening collaboration with our Investment team, we aim to build on this legacy by broadening and deepening our engagement, creating value and supporting real-world outcomes for our clients. In practice, this means engaging with companies, policymakers, and other stakeholders at an even more detailed level – focusing on the most relevant, financially material issues to help drive positive change and aim to deliver sustainable returns.

I am excited about what we can achieve together this year. We will aim to sharpen our thematic focus, work on greater collaboration to enable an even closer exchange of insights and increase the use of data and technology to enhance our analyses.

4. From 31 December 2023 to 31 December 2024.
5. Only available in certain jurisdictions.
6. As at 31 January 2025. The strategy launched on 31 July 2024.

Q&A (continued)

Amelia: Leading the combined Responsible Investment and Stewardship team, I will focus on identifying ways to capitalise on the synergies between the team's three key functions: Investment Stewardship, Responsible Investment Capabilities and Responsible Investment Integration Strategy. Our activities span across voting, thematic approaches, sectoral engagement, public policy advocacy, responsible investing integration and solutions, as well as data and technology. Greater integration will enable more cross-pollination of insights, reaping the benefit of our scale. This will induce greater innovation, optimise our resources, and help maximise the impact of our activities.

With our partners in Private Markets, I also look forward to greater alignment and collaboration, so that our clients can benefit from a seamless approach to responsible investing across all asset classes.

Shuen: We believe that private markets investments have the ability to deliver resilient and long-term financial performance while aiming to tackle real-world challenges and identifying investment opportunities that deliver positive social and environmental outcomes – this will continue to be a priority in 2025. The opportunity that the energy transition represents for investors to deploy capital into infrastructure investments required to drive decarbonisation will be a continued area of focus across both our infrastructure equity and debt platforms. We will also look to build on our strong track record of investing in debt conversion bonds, which refinance sovereign debt and unlock savings to finance nature conservation and sustainable development. We recently invested in a transaction in Ecuador on behalf of our clients, which will aim to generate approximately $460 million over the next 17 years for the Amazon Biocorridor Program and takes our total investment in similar transactions to £360 million.[7]

Across our venture capital platform, we will aim to further leverage L&G's existing long-term commitment to the UK university sector and support the opportunities emerging from that ecosystem, particularly companies in the area of advanced science and innovation that are addressing major global environmental and/or social challenges. Across all of these opportunities, there will also be a focus on improving data quality and consistency, to enable us to communicate the positive outcomes delivered in a robust and consistent way.

7. As at 31 December 2024.

Responsible investment

In partnership with our clients worldwide, we have developed a range of innovative responsible investment strategies across a variety of asset classes and fund management styles

In 2024, we managed £424.6 billion of assets in responsible investment strategies[8]

As one of the largest asset managers in the UK, with assets under management at £1,118 billion,[9] we recognise the importance of leveraging our scale and influence to create long-term value through responsible investing. We remain committed to embedding sustainability considerations across various asset classes and management styles to support value creation. We oversee £424.6 billion[10] in responsible investment strategies,[11] accounting for approximately more than one third of our total AUM.

At L&G, we measure success not only by what is achieved in the moment, but by the security, progress, and prosperity that our choices enable for years to come.

Throughout our history, we've invested our time, expertise, and capital in addressing society's biggest challenges. We believe it's possible to generate positive returns today while helping to build a better future for all.

That's why we're focused on empowering people with the products and knowledge they need to take control of their finances.

And it's why we're always looking for ways to ensure our investments pay off for our communities as well as our clients.

Creating a better future

We have been committed to active engagement to represent investor rights since L&G's Asset Management business was established in 1970, and our dedicated Investment Stewardship team was formed in 2000.

Our commitment to responsible investing is reflected in L&G's purpose: "Investing for the long term. Our futures depend on it."

As a universal owner[12] on behalf of our clients, we take responsibility to seek to address key macro and systemic risks, with the aim of tackling market issues and accelerating progress against complex, global sustainability challenges.

Our investment philosophy and processes are focused on creating value over the long term. We believe that incorporating financially material sustainability criteria, when relevant to our clients, can create value and drive positive change.

Targeting long-term goals

In partnership with, and on behalf of, our clients we have set targets to address systemic risks that we believe have material impacts on our clients' portfolios. These include:

- Striving to reach net-zero greenhouse gas (GHG) emissions by 2050 or sooner across all assets under management
- Setting an interim target of 70% of eligible AUM to be managed in alignment with this net-zero ambition by 2030[13]
- Achieving net-zero carbon across our real estate portfolio by 2050[14]

In 2024, our stewardship activities included:

- Formalising our approaches on issues related to health, nature and human capital management
- Co-filing shareholder resolutions on paying the living wage
- Considering pay competitiveness across global executive talent markets
- Working to implement stronger director independence criteria in some developed markets in which we vote on director accountability
- Launching a campaign on human rights

8. As at 31 December 2024. AUM in responsible investment strategies represents only the AUM from funds or client mandates that feature a deliberate and positive expression of responsible investing characteristics, in the fund documentation for pooled fund structures or in a client's investment management agreement. This expression could be exclusions; ESG outcome focus; impact; or a combination of these. The Asset Management responsible investing reporting criteria is reviewed in line with existing industry frameworks as well as significant regulatory developments relating to sustainable finance disclosure requirements, as deemed to be relevant to the markets in which L&G's Asset Management business operates, including but not limited to the EU Sustainable Financial Disclosure Regime (SFDR) and the UK Sustainability Disclosure Requirements, which was published on 28 November 2023.
9. L&G's Asset Management business, as at 31 December 2024.
10. L&G's Asset Management business, as at 31 December 2024.
11. L&G's Asset Management business definition of ESG / responsible investing is driven by the UK's Investment Association (IA) Framework for Responsible Investment and the Global Sustainable Investment Alliance (GSIA) definitions for sustainable investment. We require that the portfolio or client mandate includes a deliberate and positive ESG expression, which must be directly referenced in the legal documentation for the investment vehicle or client mandate.
12. Universal owners hold such large, diversified portfolios that they represent a slice of the entire market or economy. Because their investments span multiple sectors and industries, they are exposed to an array of macro and systemic risks.
13. For this first interim target, unveiled as part of the Net Zero Asset Managers initiative, we have excluded government securities and derivatives assets due to a lack of clear industry methodologies to account for these asset classes to date. For more information on our commitments, see the [Group Climate Report, pages 15 and 16.]
14. 'Carbon' here is used as shorthand for carbon dioxide equivalent (CO_2e), including all associated greenhouse gas emissions.

Responsible investment (continued)

Creating value for the long term

The decisions that companies make today will impact our collective future in the decades to come, and over our clients' long-term investment horizons. Through us, our clients have exposure to a slice of the global market, and therefore to systemic risks and opportunities that can be financially material to our clients' investments. Our 'universal ownership' approach to investment stewardship means that we believe in using corporate engagement and policy dialogue to drive long-term value creation and shape the future by encouraging more sustainable, long-term practices from companies.

We aim to drive positive developments in the financially material areas covered by our global stewardship themes, showcasing 'best practice' examples where we can, and demonstrating to their peers that change is not only possible, but necessary for long-term profitability. We may also encourage 'leading companies' to raise the bar across their sectors, recognising the potential for positive change to reverberate across global industries and value chains. Our structured approach to engagement enables us to use various tools (as set out on page 17) to inform and urge companies to take action when we do not see sufficient progress.

Our core investment beliefs

We are a universal owner on behalf of our clients, holding a £1,118 billion slice of the global economy of which £424.6 billion of assets are in responsible investment strategies.[15] We believe:

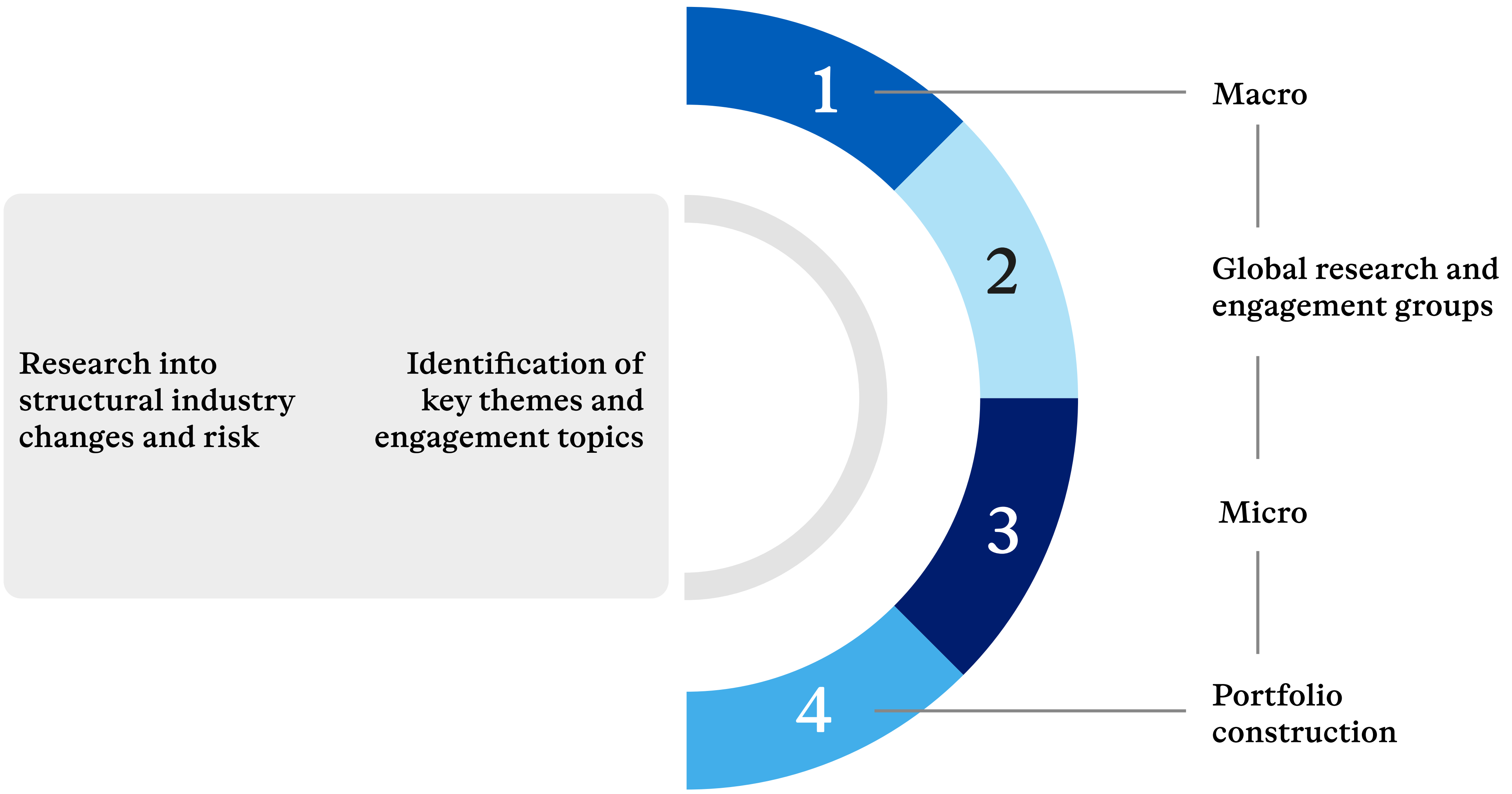
- Responsible investing is essential to creating long-term value by looking to mitigate risks and seek opportunities, driving positive change for the future of markets and economies
- We have a responsibility to many stakeholders. When we make investments, we conduct extensive research into relevant environmental and societal issues.
- Environmental, social and governance (ESG) factors can be financially material over the longer term and many pose systemic risks, albeit not all to the same degree; different sectors and different companies will also have different exposures to these risks, and to corresponding opportunities. Patience is required, because of the long-term horizons over which progress on sustainability factors unfolds.
- Transparency, engagement and escalation enable us to drive progress towards delivering long-term, systemic change on a global scale

Our Global Research and Engagement Groups

What does this mean in practice?

We see responsible investing as the incorporation of financially material ESG considerations into investment decisions, alongside engagement with companies, regulators, and policymakers, to help drive long-term value creation and support real-world outcomes for our clients. To this end, in 2019 we established an integrated approach across both public and private assets, based on investment stewardship and collaborative research undertaken by our Global Research and Engagement Groups (GREGs).

Active investment approach



15. As at 31 December 2024. AUM in responsible investment strategies represents only the AUM from funds or client mandates that feature a deliberate and positive expression of responsible investing characteristics, in the fund documentation for pooled fund structures or in a client's investment management agreement. This expression could be exclusions; ESG outcome focus; impact; or a combination of these. The Asset Management responsible investing reporting criteria is reviewed in line with existing industry frameworks as well as significant regulatory developments relating to sustainable finance disclosure requirements, as deemed to be relevant to the markets in which L&G's Asset Management business operates, including but not limited to the EU Sustainable Financial Disclosure Regime (SFDR) and the UK Sustainability Disclosure Requirements, which was published on 28 November 2023

Responsible investment (continued)

There are three key stages to our overall responsible investment process:

1. **Research:** Through rigorous analysis, we seek to identify key ESG issues, which we consider as part of our investment processes, strategies and solutions where relevant

2. **Engagement:** We engage with companies and occupiers on these issues. And we work with policymakers, regulators, industry peers and other stakeholders so, together, we can take transformative steps to tackle systemic market issues.

3. **Outcomes:** When necessary, we will escalate our engagement activity via stewardship tools to urge companies that fail to demonstrate progress, and their peers towards greater action. We also use our responsible investing insights to inform investment decisions and allocate capital. As part of this approach, we use data from respected providers and deploy our own proprietary tools, including our ESG score, our Active ESG View and LGIM Destination@Risk.

For more information, see our Sustainability Policy and the Climate Solutions – LGIM Destination@Risk section.

The central role of stewardship

We aim to drive long-term value creation by working with companies and policy stakeholders to create opportunities and take action to mitigate systemic risks. We believe effective stewardship involves working with companies, regulators, policymakers, peers, and other stakeholders around the world to tackle systemic risks. By doing this, we aim to help businesses address financially material issues and look to generate sustainable, long-term returns for our clients.

For more than 20 years, our Investment Stewardship team has successfully campaigned on key issues, from corporate governance to diversity and climate change, engaging with companies that have failed to demonstrate sufficient progress, or as a means of encouraging broader improvements, and publicising our expectations and research.

L&G's Asset Management business has a responsibility to undertake our stewardship activities in a transparent, accountable fashion. We continue to take public positions to raise awareness about systemic risks associated with our global themes, and to encourage companies and market stakeholders to act.

Exercising voting rights is a powerful engagement tool with which to hold company boards to account and raise market standards; it is used extensively and purposefully by our Investment Stewardship team. Importantly, the team votes with one voice across all of our clients' investments where we have discretion. For more detail on how the team structures engagement, please see the How we engage section.

Targeted exclusions and divestments

As a universal owner, we prioritise engagement over divestment. Nevertheless, certain fund ranges and strategies will adopt exclusions reflecting globally accepted standards of business practice. Within our Future World fund range and certain other strategies, we refrain from investing in certain companies that are:

- Perennial violators of the United Nations Global Compact, assessed as being in violation of one or more principles for 36 months or more

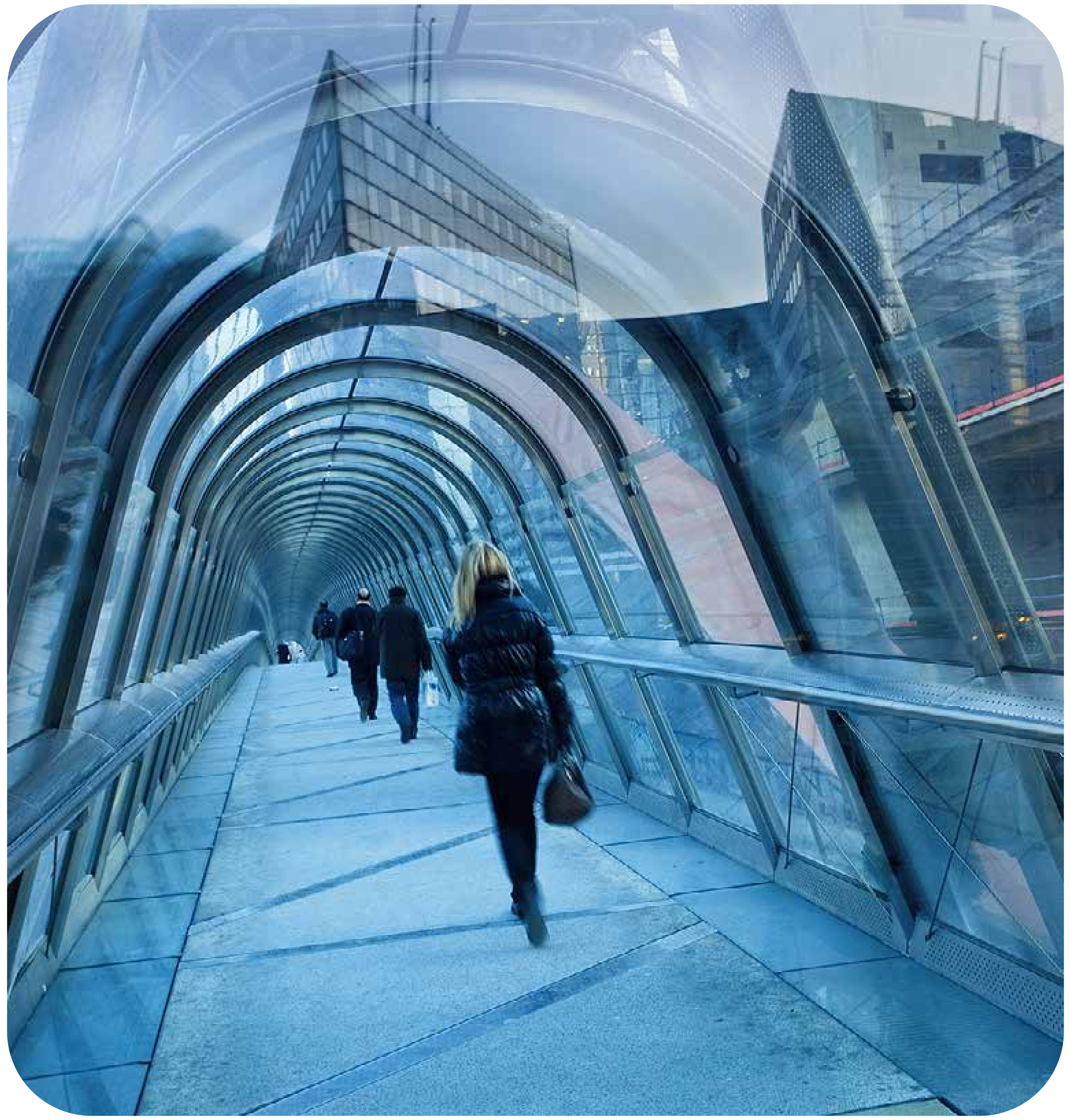
- Involved in the manufacture and production of controversial weapons, including anti-personnel landmines, cluster munitions, biological and chemical weapons

- Involved in the mining and extraction of thermal coal, thermal coal power generation and oil sands – generating 20% or more of revenues from the first two activities, or 5% from the latter

- Planning to develop new large-scale coal-fired power plants with a capacity of at least 100 megawatts

- Planning to develop new coal mines, extending their existing mines by applying for new permits and/or being involved in coal exploration activities

Additionally, some strategies exclude companies that have failed to make progress on our minimum expectations on climate change, under our Climate Impact Pledge.



Responsible investment (continued)

A nuanced approach to different asset classes

Our approach to responsible investing takes into account the nuances of the different asset classes, and investment styles, in which we manage money for our clients.

Index strategies: As a universal owner, we engage with investee companies from across our global portfolio, whether as a shareholder or a credit investor. Within certain strategies, we deploy tools including selection, 'tilting'[16], and exclusions based on criteria such as our ESG score, as well as sustainability-related thematic exposures.

Active strategies: We deploy proprietary capabilities, including the Active ESG View, to evaluate material factors as part of our research, portfolio construction and security selection process. The extent to which we consider ESG factors depends on a specific portfolio's objectives and policies.

Multi-asset: We integrate responsible investing insights into our strategic and tactical asset allocation frameworks, to inform decision-making on financially material aspects. In addition, we assess how third-party managers embed ESG considerations at the firm and product level.

Private credit: As long-term debt investors, we focus on evaluating ESG-related risks, including identifying and strengthening the areas where we can be influential, including our pre-investment assessment processes and our approach to engagement throughout the investment lifecycle. Where possible, we engage with borrowers to support increased disclosure and to help drive more positive outcomes, which can include structuring transactions to minimise sustainability risks and incorporate regular sustainability reporting.

Real estate: Sustainability is integrated in our investment processes across real estate, to ensure that environmental and social opportunities are fully realised, and risks are effectively managed in a consistent manner. This includes detailed consideration of sustainability risks, such as net-zero alignment, as part of standard due diligence for all assets. Existing assets are also managed using asset sustainability plans, which detail and prioritise measures to improve their environmental and social footprint and manage risks, such as those related to climate change. This is supported by a programme of occupier engagement, working in partnership with our tenants towards shared sustainability objectives.

Solutions: We integrate financially material ESG considerations in portfolios, including all Buy & Maintain credit mandates, utilising the Active ESG View. We also manage mandates which incorporate specific climate objectives.

16. Our 'tilting' approach allocates more capital to companies with higher ESG scores and less to companies with poor ESG scores, which we believe provides a compelling blend of impact, transparency, and market exposure.

Responsible investment (continued)

L&G's strategy

In 2024, L&G unveiled its vision for a growing, simpler, and better-connected business, focused on three core divisions, set apart by our shared sense of purpose and powerful synergies.

As part of the new strategy, L&G brought together Legal & General Investment Management and Legal & General Capital into a single, global asset manager, investing to scale and deepen their complementary capabilities across public and private markets.

We are committed to help drive growth in public markets, creating a scalable global operating platform, driving margin expansion through operating leverage and aiming to increase average revenue margin.

At the same time, we are materially scaling our in-house and origination platform capability in private markets, significantly expanding our capabilities and client offerings across Real Estate, Private Credit and Infrastructure, including through a programme of fund launches.

Responsible investment framework

We believe responsible investing forms an integral element of each of these strategic pillars; it is also a priority for L&G Group. As a result, and in partnership with our clients worldwide, we have developed a range of innovative responsible investment strategies across a variety of asset classes.

We have implemented a comprehensive responsible investment framework to outline how we align strategies towards clear, consistent, and demonstrable sustainability objectives that aim to drive long-term value creation and address real-world needs. The framework is summarised on the right.[17]

We will continue to update this framework to maintain its relevance in a rapidly changing market. Recent updates have focused on:

(i) The evolving regulatory environment, broadly acknowledging the categories and criteria of the EU Sustainable Financial Disclosure Regime (SFDR) and the UK Sustainability Disclosure Requirements (SDR)

(ii) New investment capabilities, such as impact investing strategies and engagement-led investing

(iii) Providing clients with clearer outcomes and expectations for responsible investment strategies and allowing for greater flexibility in accommodating various asset classes and fund structures

In 2024, our responsible investing strategy activities included:

- Launching Index funds with ESG tilting based on our Sovereign Risk ESG scoring framework
- Bringing in more funds in line with our Net Zero Framework with the Future World Protection List exclusionary criteria, by adding exclusions of companies which invest in new thermal coal capacity and companies which derive more than 5% of revenue from oil sands
- Applying our Climate Action strategy to pooled fund structures

	ESG core	Sustainable investing incorporating ESG objectives		Outcome-driven investing incorporating real-world impact	
		Alignment	Focus	Action	Impact
Client objectives	Invest in **broad** asset universe ESG profile meets investors' baseline standards	Invest in **broad** asset universe Target improved alignment with ESG objective over time	Invest in **subset** of assets with: Strong sustainability credentials, or Aligned with specific sustainability themes	Invest in **subset** of assets with **potential** for action to improve sustainability profile over time Through deep **engagement** and asset management	Invest in **subset** of assets which have a real-world impact Through investor contribution: financial and/or asset management
Sustainability approach	Managed with reference to ESG targets, exclusions and/or integration	Target improvement of portfolio ESG metrics over time, and targeted engagement on a subset of the portfolio	L&G-defined 'Sustainable Investments': aligned to a theme or sustainability standards	Target improvement of asset-level sustainability metrics over time driven by engagement or asset management	Target asset-level and portfolio real-world outcomes with investee and investor contributions
Our ESG foundation	Active ownership, engagement, and firm-wide exclusions				

17. The scope of our Responsible Investment Framework is all public markets pooled funds domiciled in or widely distributed by L&G's Asset Management business in the UK and Europe. Therefore, it is not applicable to segregated mandates, funds domiciled outside of the UK and Europe, or funds designed to specific client requirements that are not intended for broad distribution.

Responsible investment (continued)

Considered risk management

Climate solutions – LGIM Destination@Risk
LGIM Destination@Risk is a proprietary toolkit developed to assess climate-related risk for our investments. It allows us to explore a range of possible climate futures and examine their company, sector, and portfolio-level financial implications as well as our investments' alignment with net-zero outcomes. The toolkit is designed to follow the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) around scenario analysis.

The toolkit consists of four modules, allowing us to answer the questions that we believe investors should be asking:

- **Scenarios:** What might different climate outcomes mean for the economy?
- **Climate risk:** To which climate-related risks might my portfolio be exposed?
- **Temperature alignment:** What global warming scenario is my portfolio aligned with?
- **Gap risk to net zero:** How far away from net zero 2050 are the greenhouse gas (GHG) emissions associated with my portfolio?

We developed the scenarios module to allow us to build our own bespoke, bottom-up climate scenarios to explore a range of possible future climate pathways and their potential impacts on the energy and land systems, and the economy.

The climate risk module translates these climate pathways into security- and portfolio-level risks, based on forward-looking valuations of companies across the capital structure. Our approach rests on the assumption that, given the uncertainty surrounding future climate policy, it is unlikely that climate risk is properly priced into markets today.

Our temperature alignment module, in turn, looks not at the risk climate change poses to companies, but the risk companies' actions pose to the climate. We assess companies' historical decarbonisation progress and future targets to project their carbon performance forward into the medium term. We can then compare these projections with our sector-specific target pathways derived from our scenarios, to understand what temperature outcome companies are most aligned with.

We can also use these projections to determine the gap risk to net zero – the distance of companies or portfolios from a 1.5°C net-zero outcome.

A new approach to the energy transition: Our Climate Action strategy
Our Climate Action strategy is underpinned by our firm belief that companies underperforming on the energy transition not only risk missing out on the opportunities created by climate transition, but that they are also at significant risk of financial loss if they do not adjust their trajectory.

Under our Climate Action strategy, to capture these potential opportunities, our objective is to build a portfolio of mid- and large-cap global equities – the majority of which are underperforming with respect to the energy transition – where our analysis indicates a potentially material long-term value case for accelerating their transition. The strategy also seeks exposure to companies that are already transitioning, but where we believe this transition is underappreciated by the market or could and should be significantly accelerated.

The strategy builds upon the LGIM Destination@Risk model and research capability, and the Investment team working in partnership with our Investment Stewardship function seeking to harness engagement to drive positive climate impact and seeking to unlock long-term shareholder value. Each investee company is subject to a bespoke and detailed active engagement process with clearly identified objectives and time-bound expectations.

The strategy invests in a portfolio of approximately 40 to 100 stocks, selected through an active construction process by our Investment team, from a universe of potential candidates identified by our proprietary models and drawing upon the expertise of the GREGs.

Responsible investment priorities for 2024 and beyond

Climate and nature will remain priority areas for responsible investment across our asset management public market strategies.

We will continue to refine our approach and methodologies to ensure adherence to best practice and alignment with our clients' climate objectives. For example, in 2024, in line with the International Energy Agency's (IEA) net-zero emissions scenario, we tightened the exclusions criteria for oil sands and companies involved in the expansion of coal mining and/or power generation capacity ("no new coal" criteria) within the Future World Protection List (FWPL). The FWPL is a key L&G exclusion list, specifically developed for L&G's Future World fund range, but also in use across other select funds. The list is a set of exclusions based on companies that fail to meet either globally accepted principles of business practice, or whose operations are incompatible with a low-carbon transition.[18]

On the nature front, over the last year we have stepped up our efforts to understand how our business affects and depends on nature. In 2024, L&G announced its plan to follow Taskforce on Nature-related Financial Disclosures (TNFD) recommendations and include these disclosures in its annual climate and nature report. As the data on nature-related issues grows, we aim to keep improving how we assess our investments' dependencies, impacts, risks and opportunities related to nature.

In 2025, we will continue to enhance our responsible investing framework and fund-level strategies, setting our approach to evolving responsible investing regulation, and ensuring our public markets product propositions continue to meet client objectives.

18. Future World Protection List Methodology

Responsible investment (continued)

Our ambitious goals for private markets in 2025

We will continue to aim to drive long-term investment value and resilience across our private markets portfolios through our four pillar sustainability framework focused on inclusive economy, health, wellbeing and quality of life, climate mitigation and resilience and protecting and enhancing nature.

We have continued to make progress towards our commitments to achieve net-zero carbon by 2050 or sooner for real estate property assets. This includes the launch of a new Integrated Energy Solutions (IES) framework to deliver a holistic approach to on-site renewable energy generation. We also introduced a 'Shed Modelling Tool' to facilitate the transition of industrial sheds to net-zero carbon. We plan to roll out these projects more widely across the portfolio in 2025. Our place-based social impact toolkit will also continue to be used to support the development of fund and asset level social impact strategies, which establish intentional, additional, and attributable outcomes.

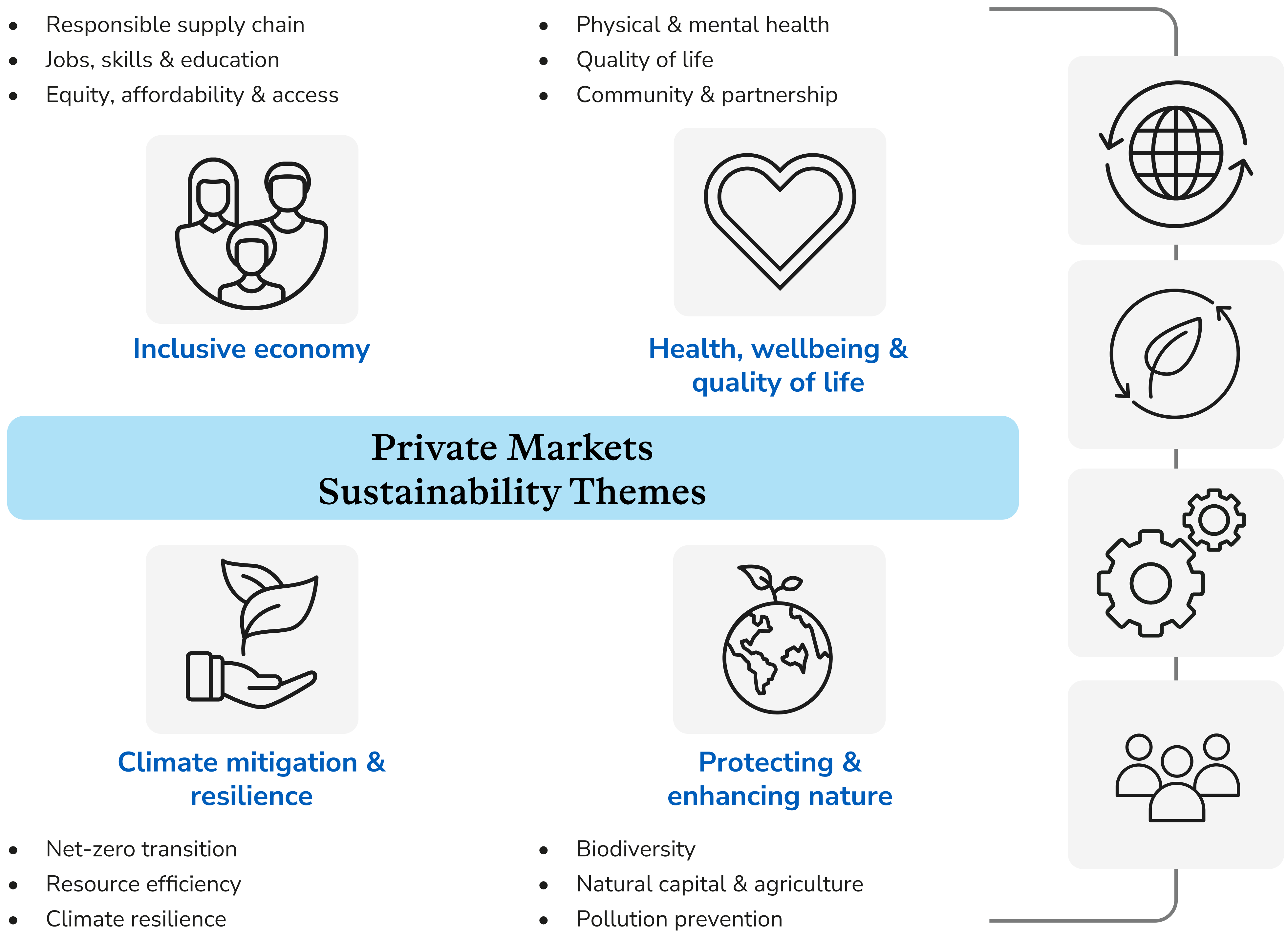
Our subsidiary housing businesses are continuing their journey towards our 2030 commitment of delivering new homes that are able to operate at net-zero carbon emissions.[19] Where we are directly responsible for development, we are driving up standards, and Inspired Villages Group opened the UK's first net-zero carbon (regulated energy) retirement community at Millfield Green in early 2024. This features ground source heat pumps supplied from L&G's portfolio company Kensa, on-site solar photovoltaics for renewable electricity generation, and enhanced building insulation for better energy efficiency.

Through our infrastructure investments, we will continue to invest in solutions that support the energy transition. Our L&G NTR Clean Power (Europe) Fund, which is only available in certain jurisdictions, launched in 2023 alongside our partner NTR, will continue to support Europe's decarbonisation and energy security, with 10 investments as at end of 2024, across wind, solar and energy storage assets. We will also explore new opportunities to support transition-aligned infrastructure through debt investments, including those assets which are driving decarbonisation, and those where investment is needed to enable them to transition.

19. Reference to net zero here is operational carbon and does not include embodied carbon
20. As at April 2025
21. Whilst L&G's Asset Management business, where relevant, has integrated financially material Environmental, Social, and Governance (ESG) considerations into its stewardship practices and investment decision-making, funds that do not include specific ESG goals within their objectives might not pursue responsible investing goals.

L&G views venture capital as an asset class with significant potential for both financial returns and generating positive socio-economic and environmental outcomes. In 2025, a particular area of focus will be in building on L&G's existing commitment to the British university sector and targeting investments in UK science and innovation that contribute to a range of targeted outcomes for climate and nature, health, wellbeing and quality of life, and an inclusive economy.

Across our private credit business, we continue to engage with borrowers to incorporate ESG considerations into deal structures at pre- and post-investment stages. This includes developing sustainability-linked loan structures and incorporating ESG reporting covenants, where possible. Supported by borrower engagement, we have integrated ESG-linked credentials into our investments, now totalling over £646 million across the real estate, higher education, infrastructure and corporate sectors. This includes where funds are ring-fenced for green or social purposes, and where borrowers are incentivised to achieve specific sustainability-related targets. We are also continuing to invest in sustainable financing opportunities in emerging markets, including those which support nature conservation and sustainable development.[20]



Four core pillars from an interconnected and integrated ecosystem around which our responsible investment and sustainability approach is based

Sustainability factors are integrated into investment and risk management processes[21]

Identifying sustainable investments opportunities and contributing to stronger long term asset value and resilience

Working collaboratively across L&G and with our external partners, aiming to deliver improved social and environmental outcomes

Responsible investment (continued)

Rigorous governance and resourcing

Underpinning our approach is L&G's Asset Management business's governance structure, which is aimed at ensuring rigour and accountability, as well as enabling us to continue meeting the highest standards of oversight for our clients' investments and our own commitments. We believe that responsible investment activity needs to be fully integrated and overseen across formal governance committees, including our Executive Committee, as well as a specific board-level Investment Stewardship Committee, which is chaired by an independent non-executive director.

Our governance structure remained stable across 2024, with responsible investment sub-groups supporting our core governance groups. We anticipate some changes in 2025 to reflect the strategic reorganisation undertaken by L&G Group, combining the Real Assets business with L&G Capital to create a unified private markets business. The implementation and oversight of our responsible investment strategy continues to be supervised by the highest level of governance bodies at the executive and board level.

As at 31 December 2024.

Responsible investment (continued)

A broad range of responsible investing capabilities

Within the broader resources allocated to responsible investment, there are 66 employees with roles dedicated exclusively to responsible investment activity. This includes leadership positions and accountable employees across Investment Stewardship, Investments, Distribution and Product teams.

Responsible investment

- **Investment Stewardship**
- **Responsible Investment Strategy**
- **Distribution**
- **Climate Solutions**
- **Investments**
- **Private Markets**
- **Product Development and Strategy**
- **ESG Project**

As at 31 December 2024.

Broad experience across our Investment Stewardship team

The Investment Stewardship team[22] is responsible for thematic leadership, sectoral engagement, and centralised voting, all of which is aimed at implementing our universal ownership approach.

At the end of 2024, the team comprised 24 professionals with an average of 11.5 years' experience in areas including responsible investment, investment stewardship, accounting and audit, impact investment and public policy. The team includes sector specialists and experts on themes, such as nature and climate change, diversity, and governance. It covers many geographies, including both emerging and developed markets, and has a global remit, with members in the UK, the US, Japan, and Singapore. We added to the team in Singapore during 2024, and from January 2025 have seconded a London-based member of the team to Japan to add to our presence in this market. Our diverse team members represent 10 nationalities – from northern and central America, to Europe, the Middle East and East Asia – and speak 15 different languages. In our view, this makes the team well positioned to keep abreast of the latest policy, regulatory and industry developments globally and in local markets.

In early 2025, we brought together our Investment Stewardship and Investment teams under the leadership of Sonja Laud, our Global Chief Investment Officer. Amelia Tan now leads our Responsible Investment & Stewardship team. As part of these changes, Michael Marks, Head of Responsible Investment Integration and Investment Stewardship has stepped down from his role.

22. As at 31 December 2024. In early 2025, we announced that we were bringing together our Investment Stewardship and Investment teams under Chief Investment Officer Sonja Laud. Building on the foundations of the GREGs, this move aims to further enhance collaboration across the teams by broadening and deepening our engagement to drive long-term value creation and support real-world outcomes for our clients. Amelia Tan, who previously led the Responsible Investment Strategy team, now leads the combined Responsible Investment & Stewardship team. The Responsible Investment & Stewardship team comprises three pillars: Investment Stewardship, Responsible Investment Capabilities and Integration Strategy.

Responsible investment (continued)

Boosting our responsible investment training

In line with our overall approach to responsible investment integration, we seek to ensure that responsible investing forms part of the culture across L&G's Asset Management business and is reflected in everyday business conduct.

- **The ESG Academy**
  Our ESG Academy partners with the United Nations Principles for Responsible Investment (UNPRI), providing education to employees on how their job relates to and interacts with our purpose and activities as a responsible investor.

  Located on our internal personal-development platform, the Academy consists of a wide range of learning resources and training videos delivered by internal and external subject-matter experts. For those interested in further exploring such themes, the UNPRI Academy and the Chartered Financial Analyst (CFA) Institute's ESG Investing and Climate Risk Evaluation and Investing courses form part of our professional development programmes.

- **Responsible investing graduate programme**
  At the same time, our Investment Stewardship team forms a core part of our apprentice, internship and graduate programmes, educating those in their early careers about responsible investment and our approach first-hand. In 2024, we launched a separate, dedicated responsible investing graduate programme. Through a structure of three rotations spanning eight months each, graduates will develop a holistic overview of key aspects of responsible and sustainable investing.

Incentivising outcome-oriented engagement

Across L&G's Asset Management business, the core metrics that inform employees' annual compensation reflect our culture and other sustainability-related factors, such as diversity and inclusion. Responsible investing is also embedded in the objectives of our investment teams. These cover contributions to our investment process – for example, within the GREGs – so form a particularly significant weighting within research functions.

While we measure our engagement with companies and other market participants and seek to quantify outcomes, individuals are not remunerated based on their total number of engagements. We prefer to focus on the quality of engagement, consistent messaging of our key engagement topics, measurement of progress (or lack thereof) against any key metrics and improving the general level of communication.

Key performance indicators (KPIs) related to meeting our climate commitments are also being introduced for all members of our Executive Committee.

Pushing for inclusion

We are part of the Diversity Project Pathway Programme, which is designed to develop female portfolio managers and traders through a structured series of development opportunities, networking and coaching.

We are also a participant in the 10,000 Black Interns initiative, Diversity Project's Talk About Black, Encircle, and Female Pathway Programmes as well as in a partnership with Women in Banking & Finance, Women in Data, Black Women in Asset Management, a menopause organisation called Henpicked, Progress Together, the Group for Autism, Insurance, Investment and Neurodiversity (GAIN), the Business Disability Forum (BDF) and LGBT Great. We have also played an active role in the governance and activities of Investment 20/20, an organisation focused on creating a more diverse and inclusive investment industry.

L&G Group achieved the gold standard for the Investment Industry Benchmark Tracker (iiBT) for evaluating organisational LGBT+ inclusion maturity for 2024 and in 2025 reached 'Exemplary Employer' status from the Investing in Ethnicity Matrix for the second year running.

How we engage

- **Our Investment Stewardship team aims to drive long-term value creation by engaging with companies and policy stakeholders**
- **Our themes reflect long-term systemic risks in areas where we believe we can bring about positive change**

Investment Stewardship: key engagement themes

At the start of 2023, we finalised the following six long-term 'super themes' for engagement with companies and policymakers that continued to be in place for 2024, each of which has its own underlying 'sub-themes':

- **Climate:** Keeping 1.5°C alive
- **Nature:** Supporting a world that lives in harmony with nature, recognising the economic value of natural capital
- **People:** Improving human capital across the corporate value chain
- **Health:** Safeguarding global health to limit negative consequences for the global economy
- **Governance:** Strengthening accountability to deliver stakeholder value
- **Digitisation:** Establishing minimum standards for how companies manage digitisation-related risks

We believe these themes are financially material to our clients' portfolios, often pose systemic risks and opportunities, and cover areas where we believe L&G as an asset manager can influence change.

We regularly review the Investment Stewardship team's themes for engagement. As part of this process, we consider the changing global backdrop and evolving client areas of focus to ensure we continue to address financially-material themes.

How our Investment Stewardship team engages

1. Select stakeholders

Using our stewardship themes, we identify relevant stakeholders across the policymaking, corporate and broader market ecosystem, where we believe we have influence. We also set the overall thematic objectives we seek to achieve.

a. Consider the policy and regulatory backdrop

We determine where we could use our influence effectively across the policymaking and regulatory environment to create well-functioning markets. Our engagement with policymakers is vital to our aim of raising global standards across the markets in which our clients invest, because, in our opinion, many sustainability challenges require systemic policy reform.

b. Select companies

We select companies to target for engagement, taking into account factors including:

- The degree of financial materiality of the relevant theme (or sub-theme) to specific companies and sectors
- Data that identifies companies as underperforming against our minimum expectations
- Our clients' exposure to relevant companies and sectors
- The 'engage-ability' of companies – how likely our influence is to result in changes at the company
- How influential a company is within its country, industry and supply chains – we may also seek engagements with companies considered leaders in sustainability issues to help develop our understanding of these topics in certain industries or markets
- The relevant geographic coverage for our engagement on a particular theme

While much of our engagement is focused on 'laggards'[23], as set out above, we also engage with companies that are demonstrating progress and positive practices; through their continued improvement and influence, we believe that they are instrumental in raising the bar for their sectors and supply chains, demonstrating what is achievable. Our aim is to help drive positive change across global markets, and improvements from the 'top' performers play as important a role as those at the other end of the spectrum.

2. Set objectives

We set out milestones to be achieved and the timeframes in which we expect this to happen, in line with our published policy documents – including the potential consequences of not meeting our expectations.

23. Companies that do not meet our minimum expectations as set out in our published policies

How we engage (continued)

3. Structure corporate engagement and escalation steps
We determine how we might escalate the issue if progress is not made. In doing so, we decide tools and angles of accountability. These include the board, by targeting votes to elect directors, specific resolutions on reports or policies, and supporting or co-filing shareholder resolutions.

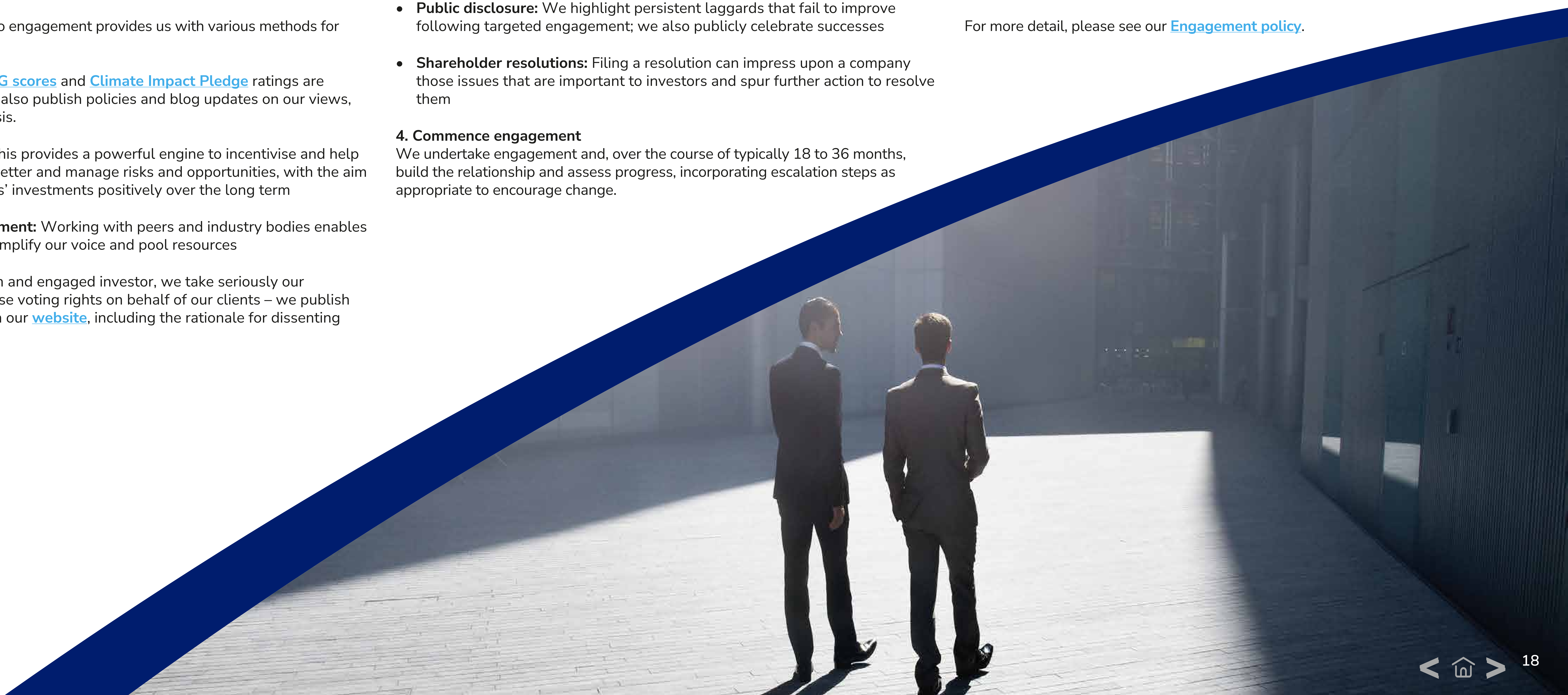
Our structured approach to engagement provides us with various methods for escalation:

- **Transparency:** Our ESG scores and Climate Impact Pledge ratings are publicly available. We also publish policies and blog updates on our views, approaches and analysis.
- **Direct engagement:** This provides a powerful engine to incentivise and help companies to govern better and manage risks and opportunities, with the aim of impacting our clients' investments positively over the long term
- **Collaborative engagement:** Working with peers and industry bodies enables us to strengthen and amplify our voice and pool resources
- **Voting:** As a long-term and engaged investor, we take seriously our responsibility to exercise voting rights on behalf of our clients – we publish our voting decisions on our website, including the rationale for dissenting votes
- **Capital allocation:** Where permitted by their investment mandate, certain funds may exclude or tilt away from companies that do not meet our minimum expectations. In some portfolios, we specifically allocate capital towards companies where we are undertaking in-depth engagement.
- **Public disclosure:** We highlight persistent laggards that fail to improve following targeted engagement; we also publicly celebrate successes
- **Shareholder resolutions:** Filing a resolution can impress upon a company those issues that are important to investors and spur further action to resolve them

4. Commence engagement
We undertake engagement and, over the course of typically 18 to 36 months, build the relationship and assess progress, incorporating escalation steps as appropriate to encourage change.

5. Conclude engagement
Across our corporate and policy engagements, we assess the progress that has been made towards our expectations. We consider the extent to which the engagement has been wholly or partially 'successful' and reassess how to continue – potentially starting another engagement cycle.

For more detail, please see our Engagement policy.



Policy advocacy and collaboration

- **Our global policy dialogue aims to create a regulatory, policy and legislative environment that raises market standards on sustainability topics and systemic risks, within our global themes**
- **We focused on climate and nature in our policy work during 2024**

As a long-term investor, we have a responsibility to ensure global markets operate efficiently to address systemic risks, foster sustainable and resilient economic growth, and aim to support the value of our clients' assets. One way we seek to do this is by engaging in global policy dialogue, providing practical advice to policymakers and regulators.

What does our policy engagement aim to do?

Integral to our 'universal owner' approach, as a major long-term investor with global coverage, we engage with policymakers at an early stage to help them identify and address emerging risks, so they can look to take transformative steps to tackle systemic market issues and accelerate progress against complex global sustainability challenges.

Our policy dialogue aims to produce tangible change by contributing to the design, implementation, and monitoring of effective and coherent policies, including a regulatory and legislative system that covers society, the environment, and the economy.

With whom do we engage?

We engage with a broad range of stakeholders across the entire global policy ecosystem, as summarised below. We believe understanding the policy and regulatory context and the relationships between these organisations is a crucial foundation of effective engagement.

National

Regulators

(e.g. UK Financial Conduct Authority (FCA), US Securities and Exchange Commission (SEC), Japan Financial Services Agency (FSA), Germany Bundesanstalt Für Finanzdienstleistungsaufsicht (BaFin))

Parliament

Central banks

Government departments/ministries

(e.g. UK Department for International Development, His Majesty's Treasury)

Government working groups/initiatives

(e.g. Transition Plan Taskforce (TPT))

Executive office

Multilateral

European Commission

United Nations

(e.g. UN Framework Convention on Climate Change (UNFCCC), the Conference of the Parties (COP) and Convention on Biological Diversity (CBD), the Principles for Responsible Investment (PRI))

International financial institutions

(e.g. the World Bank)

Multilateral organisations

(e.g. World Health Organization (WHO), International Financial Reporting Standards (IFRS), Organisation for Economic Development (OECD), International Organisation of Securities Commissions (IOSCO))

Non-government

Academia

Civil society

Non-governmental organisations

(e.g. Environmental Defense Fund (EDF))

Industry associations

(e.g. Glasgow Financial Alliance for Net Zero (GFANZ), The Investment Association (IA), Asian Corporate Governance Association (ACGA))

L&G's Asset Management business; as at 31 December 2024. Subject to change.

Policy advocacy and collaboration (continued)

How do we engage with policymakers?

No two engagements are the same. We use a combination of the following methods, depending on the region and market, the political environment, institutional organisation and capacity, the topic under discussion, and the stakeholders involved.

We strategically target the appropriate policy landscape, using different methods that depend on the issue and desired impact. This can range from engaging globally with international institutions and the multilateral system, central governments, and domestic and international regulators, to the governments overseeing them and to supranational institutions.

Formal engagement
We formally engage with policymakers proactively in technical working groups, advisory committees, and roundtables; we also respond to consultations. We engage with the international community at negotiations and through multilateral organisations and we participate in related groups and associations.

Early engagement
We engage policymakers at the early stage of policy development, highlighting key market failures, as well as systemic risks and ways to address them.

Collaboration
We work both independently and, where legally permissible, in collaboration with peers, key partners and broader stakeholders, and always with the aim of driving long-term value for our clients.

Thought leadership
We produce in-depth research papers and blogs identifying key systemic issues, both independently and through strategic partnerships with external experts. We do this to communicate our vision and concerns, including the practical regulatory and policy steps that we believe can be taken to address them.

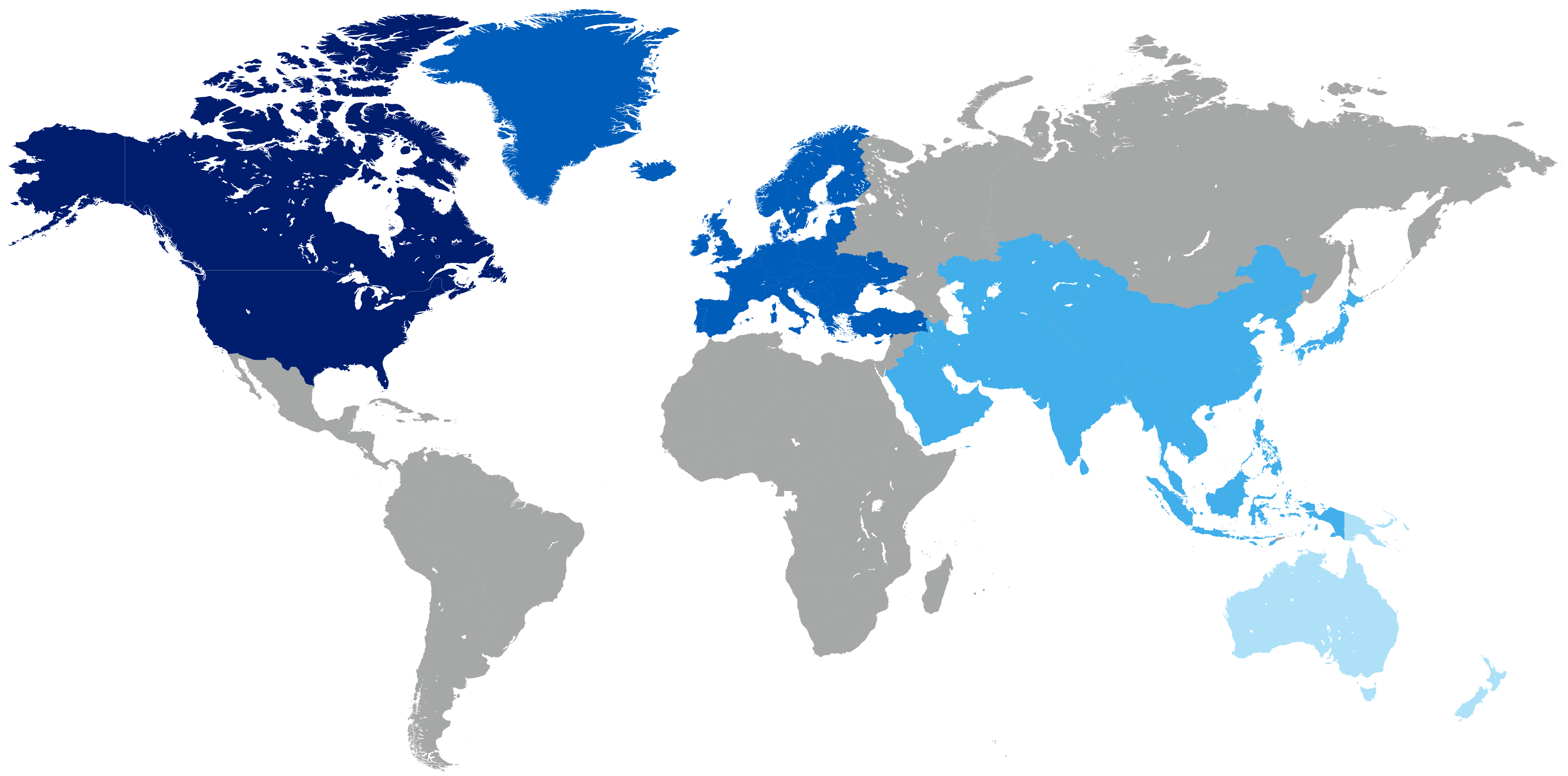
Non-linear, long-term initiatives

We acknowledge the complex nature of policy, regulatory and legislative decision-making, the large numbers of cross-sector stakeholders, and the system's capacity to change. As a result, many engagements can evolve significantly over time, as the organisations, political leadership and agenda may change.

A summary of our global policy engagement across the spectrum of stakeholders around the world can be found below.

Policy engagement across global stakeholders during 2024[24]

	TOTAL	Climate	Governance	Health	Nature	People
Government ministry / department	**22**	9	7	3	1	1
Government regulator	**13**	4	6	0	0	0
Industry association	**37**	15	19	0	0	0
Multilateral organisation	**8**	1	0	4	3	0
Non-governmental organisation (NGO)	**156**	98	24	9	9	9
Stock exchange	**16**	0	7	0	8	0
Service provider	**12**	4	2	0	0	4
Other	**6**	2	2	0	2	0
TOTAL	**270**	**133**	**67**	**16**	**23**	**14**



	TOTAL
Asia	110
Europe	94
Global	30
North America	20
Oceania	16
	270

24. Internal engagement data, 2024.

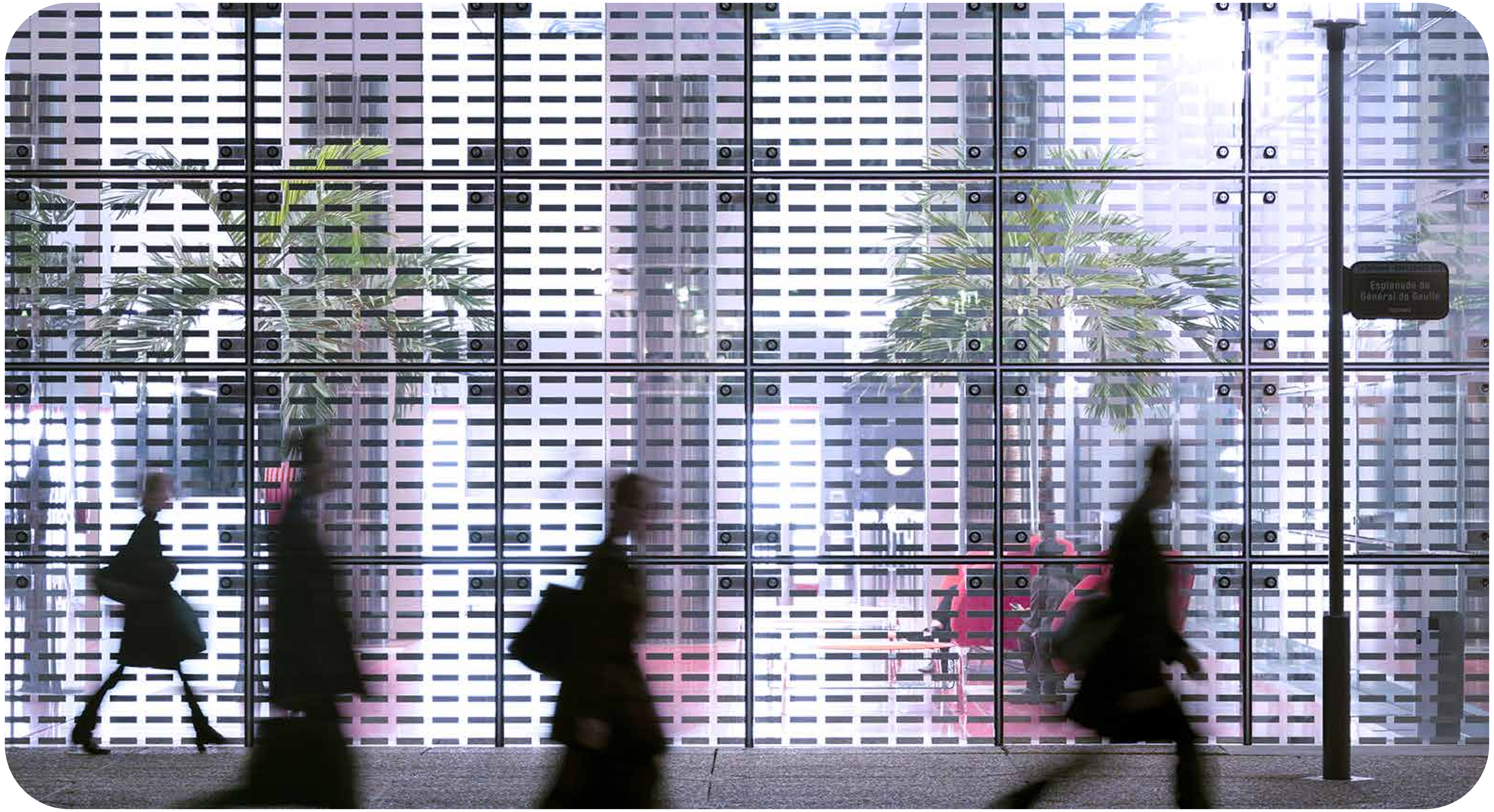
Policy advocacy and collaboration (continued)

We believe in collaboration and, where legally permissible, work with peers, industry groups, non-governmental organisations (NGOs), academia, and civil society. We look forward to continuing our engagement with a broad range of third parties. We are a member or supporter of multiple associations and initiatives working on sustainability themes, including:

- 30% Club Investor Chapters – UK and Japan
- Access to Nutrition initiative (ATNi)
- Aldersgate Group
- Access to Medicine Foundation (ATMF)
- As You Sow
- Asian Corporate Governance Association (ACGA)
- Asia Investor Group of Climate Change (AIGCC)
- Association of Real Estate Funds (AREF)
- Australasian Centre for Corporate Responsibility (ACCR)
- Better Buildings Partnership (BBP)
- British Council for Offices ESG committee
- Ceres
- China Climate Engagement Initiative (CCEI)
- Cleantech for UK
- Climate Action 100+
- Corporate Governance Forum
- Council of Institutional Investors (CII)
- Environmental Defense Fund (EDF)
- European Association for Investors in Non-Listed Real Estate Vehicles (INREV)
- FAIRR Initiative
- Financial Sector Deforestation Action (FSDA)
- The Financing a Just Transition Alliance
- Future Homes Hub
- GC100+Investor Group
- Glasgow Financial Alliance for Net Zero (GFANZ)
- Global Infrastructure Investor Association (GIIA)
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Finance Institute – Coalition for the Energy Efficiency of Buildings
- Institute for Public Policy Research (IPPR)
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Action on AMR
- Investor Coalition for Equal Votes (ICEV)
- The Investment Association
- The Investor Forum
- Investor & Issuer Forum
- Investors Against Slavery and Trafficking Asia Pacific (IAST APAC)
- Investor Policy Dialogue on Deforestation (IPDD)
- ISSB Investor Advisory Group
- Japan Climate Leaders' Partnership (JCLP)
- Nature Action 100
- Net Zero Asset Managers Initiative (NZAM)
- Partnership for Carbon Accounting Financials (PCAF)
- Planet Tracker
- Platform for Living Wage Financials
- ShareAction
- The Shareholder Commons
- Sustainability Reporting Standard for Social Housing
- Taskforce on Nature-related Financial Disclosures (TNFD)
- Transition Pathway Initiative (TPI)
- UK Green Building Council (UKGBC)
- United Nations Principles for Responsible Investment (UN PRI)
- Urban Land Institute (ULI)
- Venture ESG

Please note: This list is not exhaustive and we constantly review our memberships in light of the changing global backdrop and thematic focuses over time.

Policy advocacy and collaboration (continued)



Glasgow Financial Alliance for Net Zero

The Glasgow Financial Alliance for Net Zero (GFANZ) brings together financial institutions and other financial services sector participants that have decided to support the objectives of aiming to mobilise capital and address the barriers companies face to scaling decarbonisation.[25]

We continue to be actively involved with the organisation. Our CEO, Eric Adler, is a member of the GFANZ Principals Group, and we are represented on the Steering Group.

We have continued to co-lead the GFANZ workstream on index investing, alongside the Singapore Exchange and PKA, one of Denmark's largest pension funds. The workstream consists of asset owners, asset managers and other financial institutions. In October 2024, GFANZ published the workstream's consultation paper, Index Guidance to Support Real-Economy Decarbonization. The paper proposes voluntary guidance for equity and corporate fixed income "transition-informed" indices. This draws on earlier work by GFANZ on transition financing, as well as other perspectives on assessing companies' efforts to decarbonise. The consultation period is scheduled to end in early 2025.

Net Zero Asset Managers Initiative

As a founding signatory of the Net Zero Asset Managers Commitment, we have committed to work in partnership with asset-owner clients to reach net-zero GHG emissions by 2050 or sooner across all assets under management (AUM). In 2021, we set a target for 70% of eligible AUM[26] to be managed in line with this net-zero ambition by 2030, towards which we continue to work with our clients.

Sustainable Markets Initiative

We remain involved with the Sustainable Markets Initiative, which was launched by King Charles III in 2020.[27] We work in the Asset Manager Asset Owner taskforce to encourage better understanding of climate and sustainability risks and how they might be mitigated.

25. GFANZ website; as at 5 February 2025.
26. For this first interim target, unveiled as part of the Net Zero Asset Managers initiative, L&G's Asset Management business has excluded government securities and derivative assets due to a lack of clear industry methodologies to account for these asset classes to date. For more information on our commitments, see L&G's Group Climate and Nature report
27. See Home | Sustainable Markets Initiative; accessed as at 5 February 2025.

Stakeholder engagement and knowledge-sharing

- **Our in-person stakeholder events have encouraged lively debate on key responsible investing topics**
- **Our annual non-executive director (NED) event brought together over 100 directors from across the globe**

UK stakeholder roundtables: shareholder resolutions

The Investment Stewardship team reviews its policies regularly and takes into account client and stakeholder feedback to ensure our engagement topics, escalation and voting stances remain aligned and consistent. Shareholder resolutions have been a feature of our engagement escalation since 2019.[28] In considering how to evolve our approach, we sought views from key stakeholders.

In July 2024, we welcomed 40 key stakeholders from around the world, including clients, NGOs, representatives from regulators and consultants to our London office for a series of roundtable discussions on whether shareholder resolutions are an effective tool for change. We focused on:

- The roles of different stakeholders in framing shareholder resolutions
- Whether, amid declining support for shareholder resolutions, they are an effective tool for real-world change
- Whether particular themes lend themselves to shareholder resolutions

In these discussions, led by subject matter experts within the Investment Stewardship team, we encouraged an open exchange of views, which was instrumental in formulating our approach to co-filing shareholder resolutions in the future.

US stakeholder roundtable: discussing our stance on nature

Having published our Nature Framework in early 2024, in April we held a small nature stewardship roundtable with local stakeholders in our Chicago office. The objective was to connect with local stakeholders to discuss investors' nature-related priorities, ideas, and challenges around implementation, as well as opportunities to advance shared goals. The event included a mix of NGOs, asset owners, asset managers and consultants.

Our discussion revealed that investors' approaches to nature are at varying degrees of maturity.

Shared challenges were discussed on the topic of data quality and constraints that companies experience in making initial progress on addressing nature-related risks and impacts, including which stakeholders should be responsible for financing such efforts.

Stakeholder input through events such as these is valuable in terms of assessing our own position, and how we can collaborate effectively to overcome some of the common challenges, such as data quality issues or lack of standardised definitions and frameworks, to progress on our global themes.

Our annual NED event: speaking directly to the directors of investee companies

We held our annual NED event in November. It was attended by more than 100 non-executive directors and governance executives from companies headquartered in North and South America, Europe and the UK, as well as Asia and Australia. We covered a range of topics including:

- Human rights
- Climate and nature
- Health
- Corporate governance

Members of our Investment Stewardship team ran the sessions during the event.

Collaborative stakeholder engagement: proxy voting on climate issues

We are an active member of the IIGCC Proxy Voting Working Group. The group's objective is to develop a strong partnership with key proxy advisers to ensure that they can help their clients deliver net zero at portfolio level and to prioritise targeted engagements. Proxy adviser research and recommendations are a crucial part of this.

In 2024, the group published a number of net-zero related voting guidelines[29] and a webinar series for investors and other stakeholders to which we contributed, and it responded to both ISS's and Glass Lewis's policy surveys following member feedback.

In addition to working with the IIGCC, we engaged directly with proxy adviser ISS on several occasions throughout 2024. This included contributing to the consultation process for the ISS Benchmark Policy, to ensure our views were considered in the development of future policy stances on issues such as shareholder rights, director accountability, remuneration and climate-related voting, all of which in our view can be financially material issues for our clients' portfolios.

28. Active Ownership report 2019.
29. IIGCC Net Zero Voting Guidance, January 2024.

E: Climate

- **In 2024, our Climate Impact Pledge (CIP) covered 55% of total corporate securities by value, and 82% of total carbon emissions attributable to L&G's Asset Management business's corporate equity and debt holdings**
- **Under our CIP, 455 companies out of a universe of 5,000+ were identified by our quantitative assessment as subject to voting sanctions in 2024 due to not meeting our minimum standards**
- **Of the 100+ 'dial movers', 37 companies were identified for voting sanctions. In total, 14 companies remained on our divestment list, and two more were added.**

Our Climate Impact Pledge: moving the needle on net zero

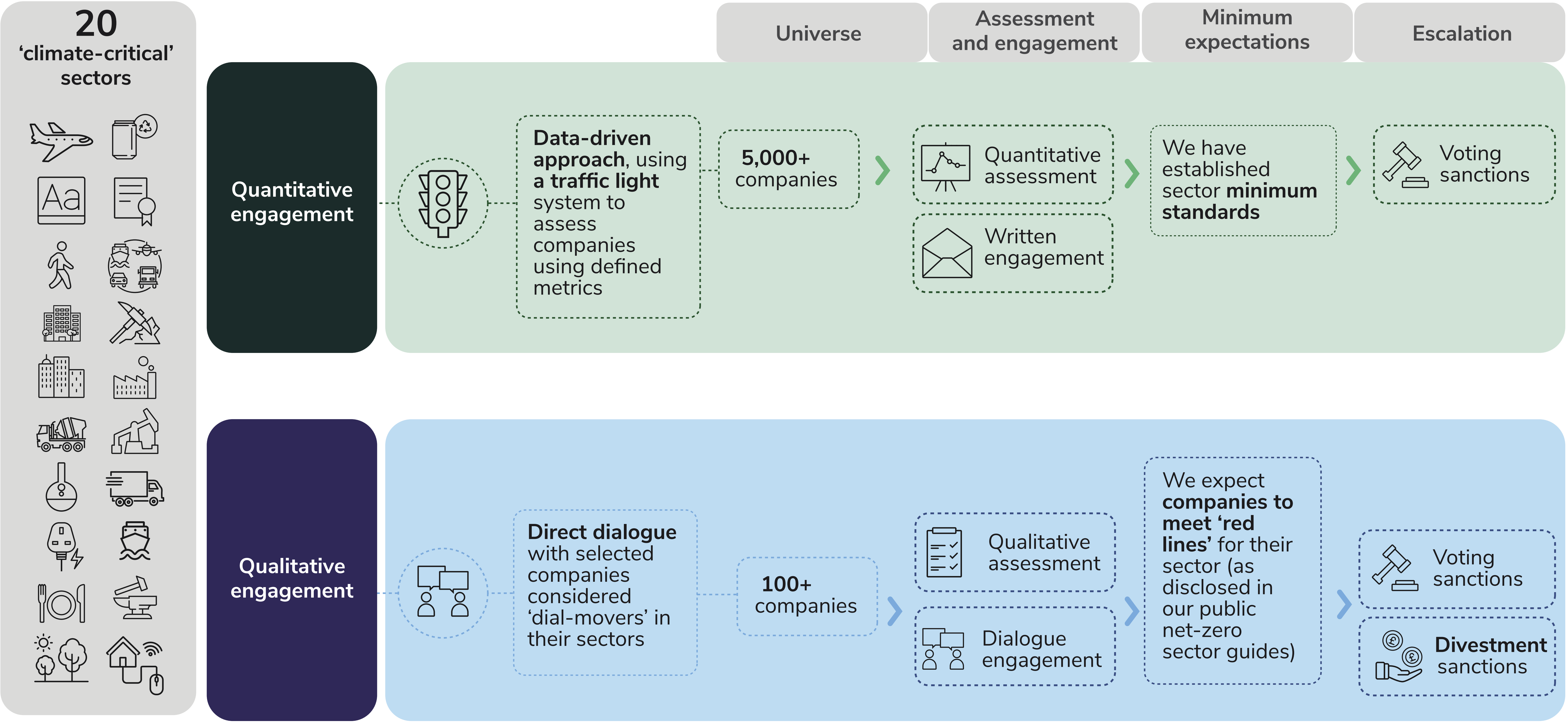
Since 2016, we have encouraged companies to tackle climate change and transition to a low-carbon economy through our CIP engagement programme. From an initial focus on just 80 companies in a single fund, the scope of our analysis has since widened considerably, alongside strengthened expectations of companies.

In 2024, our CIP covered 55% of total corporate securities that we invest in on behalf of our clients by value (assets where we have carbon data). These companies were responsible for 82% of the total carbon emissions attributable to our corporate debt and equity holdings.[30]

The CIP engagement approach is two-fold; each stream (quantitative and qualitative) has different inputs, approaches, escalations and potential sanctions.

We quantitatively assess over 5,000 companies across 20 'climate critical' sectors. These assessments can lead to voting sanctions, which are typically a vote against the company chair.

Within this universe of companies, we engage directly with a group of 100+ 'dial movers', identified for their size and potential to galvanise climate action in their sectors. Where the rate of progress is insufficient, voting sanctions and divestment can be applied in certain portfolios.



L&G, as at June 2024. Our assessment criteria are aligned to TCFD/IFRS S1 and S2 frameworks.

We also introduced additional metrics to ensure alignment with our expectations in our sector guides:

- All companies to calculate and disclose their scope 1 and 2 Green House Gas emissions
- Banks to restrict financing related to unabated thermal coal, new oil and gas fields, and commodity-driven deforestation

We can apply exclusions to around £202 billion of assets.[31]

30. As at 31 December 2024. Percentages are calculated by looking at corporate equity and debt holdings only. Percentages are calculated on corporate equity and debt holdings, where GHG data can be sourced. Data is from ISS and uses data and reporting enrichment to map to issuers of corporate bonds.
31. Companies are divested from selected funds with £202.1 billion in assets (as at 31 December 2024), including funds in the Future World fund range, our 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.

E: Climate (continued)

New baseline expectations

In 2024, we introduced new 'baseline' expectations for three emission-intensive sectors that drive our climate-related voting:

Sector	Baseline expectation
Oil & gas[32]	Disclosure of methane emissions
Mining	No expansion of thermal coal mining capacity
Utilities[33]	No expansion of thermal coal power generation capacity

Quantitative engagement results: across 5,000+ climate-critical companies

In 2024, we significantly expanded our engagement outreach - communicating with over half of the 5,000+ companies analysed under our CIP quantitative assessment. In April 2024, we wrote to more than 2,800 companies assessed under our CIP ratings, up from 1,500 companies contacted in 2023. This is the largest outreach we have undertaken to date on any engagement topic.

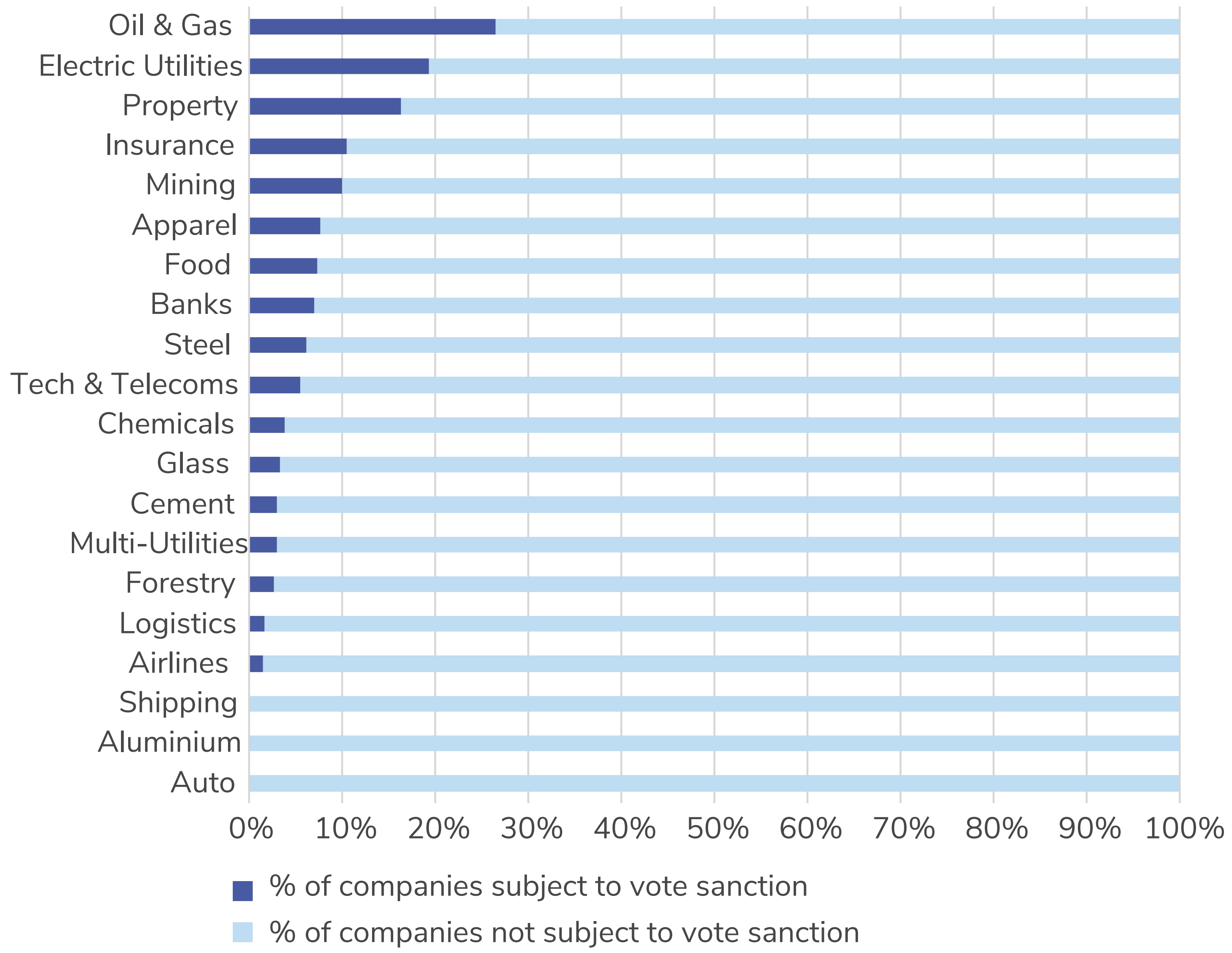
In writing to companies, we pointed to our CIP ratings microsite, where we publish our assessments using a traffic light system, and called on them to act on areas flagged as red, as well as improve performance against our minimum standards.

Our aim is to help raise market standards for climate strategies and disclosure and to improve climate data availability and accuracy across our holdings, improving investors' ability to understand and assess the opportunities and risks underlying their investments.

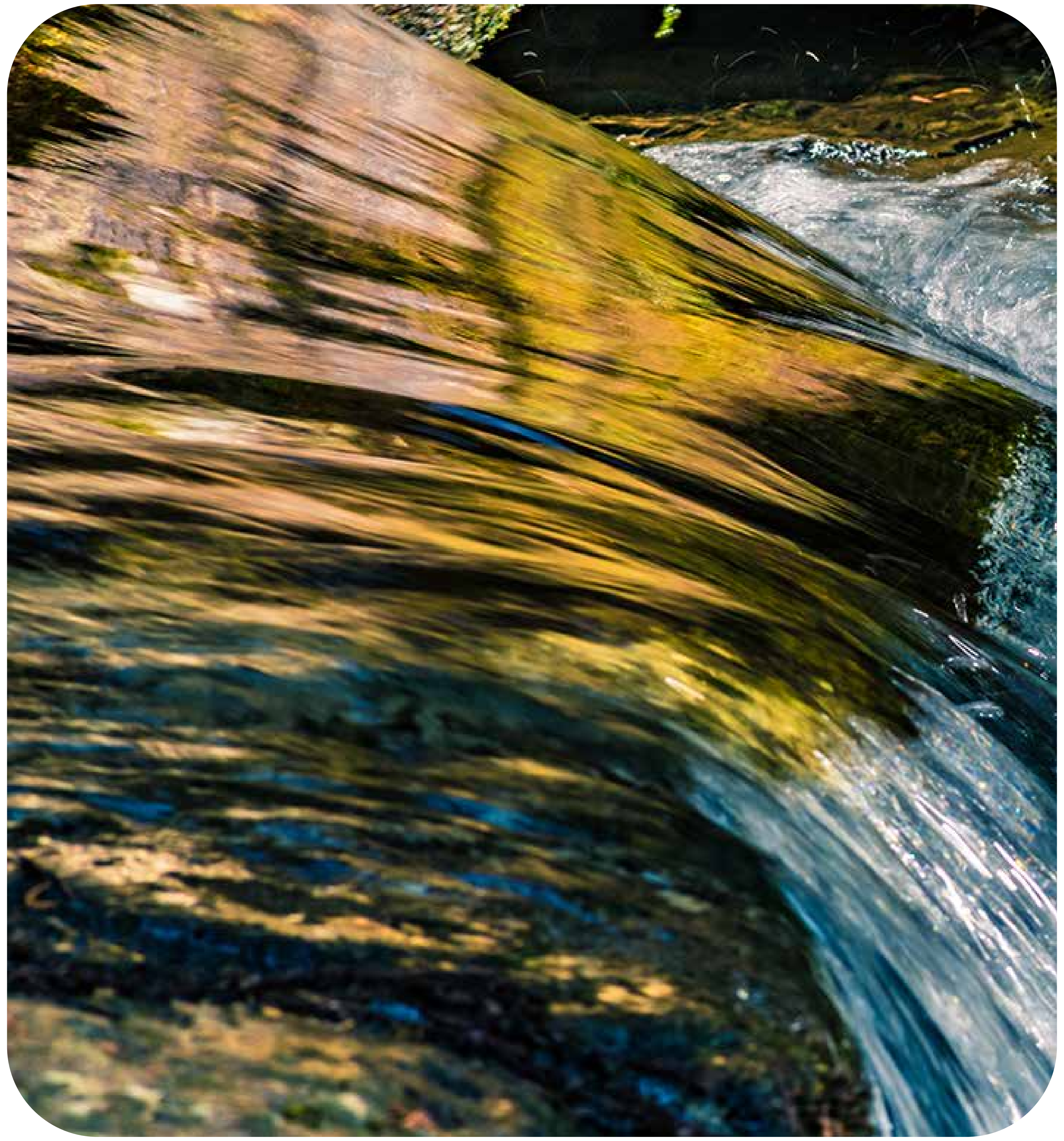
Translating engagement dynamics into voting sanctions
During the 2024 voting season, 455 companies within the quantitative stream of the CIP were identified as subject to voting sanctions. Of these, 106 companies were in emission-intensive sectors and did not meet our new 'baseline' expectations. The sectors with the highest proportion of companies that failed to meet our minimum standards were oil and gas, electric utilities and property.

The introduction of baseline expectations led to more companies being identified for voting sanctions in the oil and gas and mining sectors. However, most companies in these sectors that had been subject to voting sanctions in 2023 improved sufficiently to avoid a repeat in 2024.

Companies subject to CIP vote sanction by sector



L&G's Asset Management business, as at April 2024.



32. Oil & gas (except oil & gas refining and marketing sub-industry).
33. Electric utilities, multi-utilities (except water and gas utilities).

E: Climate (continued)

How our ratings are evolving

Overall, we noted significant improvements since 2023 in climate disclosure and scope 3 reporting (+41%), followed by net-zero ambition (+38%).[34]

Climate disclosure and Scope 3 reporting **(+41%)**

Net-zero ambition **(+38%)**

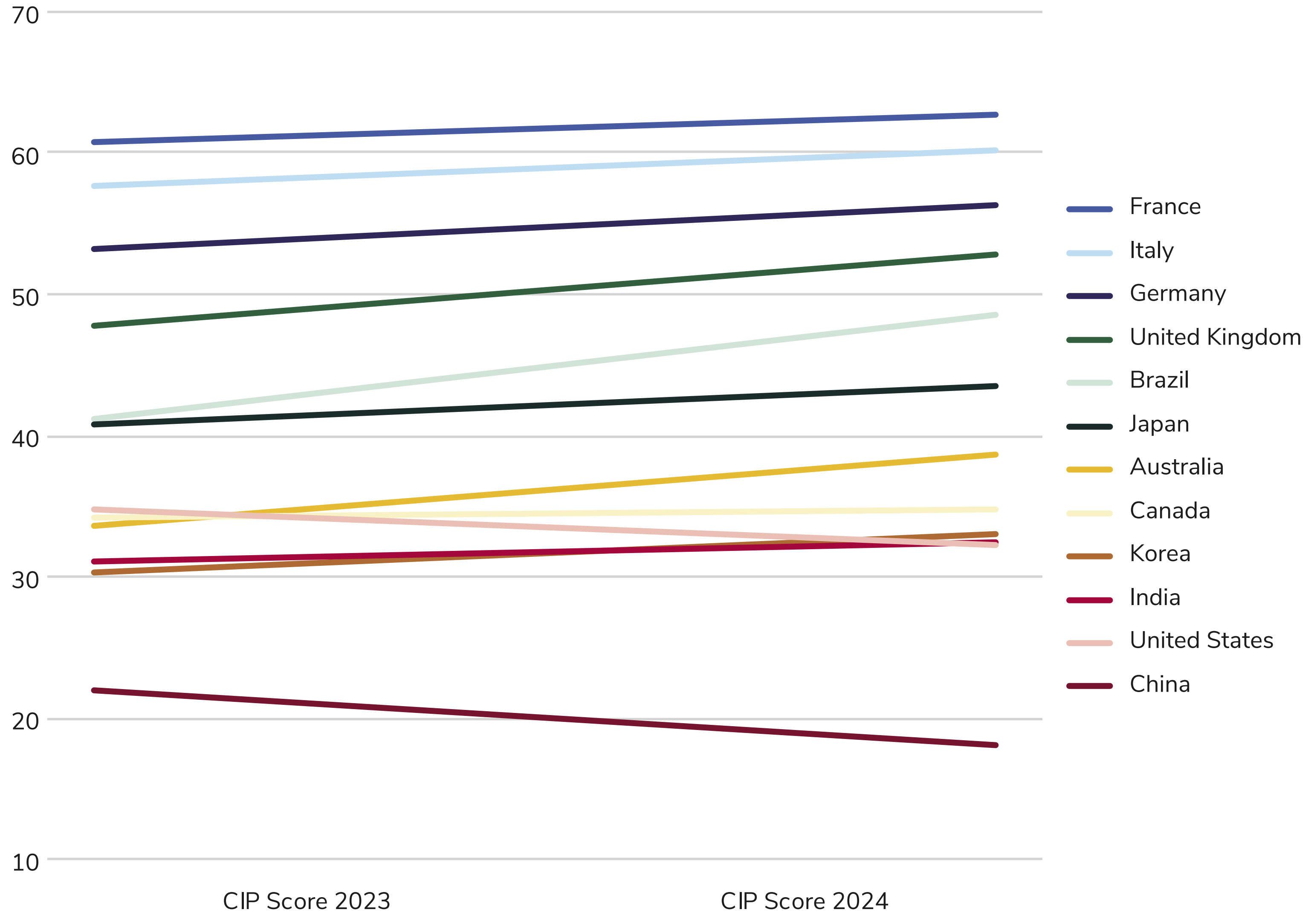
Climate governance **(+25%)**

Climate lobbying **(+25%)**

Trends in select countries

In the chart below, we compared the average CIP rating for key regional markets between 2023 and 2024. We saw an upward trend in most markets, except for China and the US. While European countries (e.g. France, Italy and Germany) still lead the selection shown in the chart, Brazilian and Australian companies have seen the most significant improvements.

Historical average CIP ratings in select countries (2023-2024)



L&G's Asset Management business, as at April 2024.

Qualitative engagement results: across our 100+ dial movers

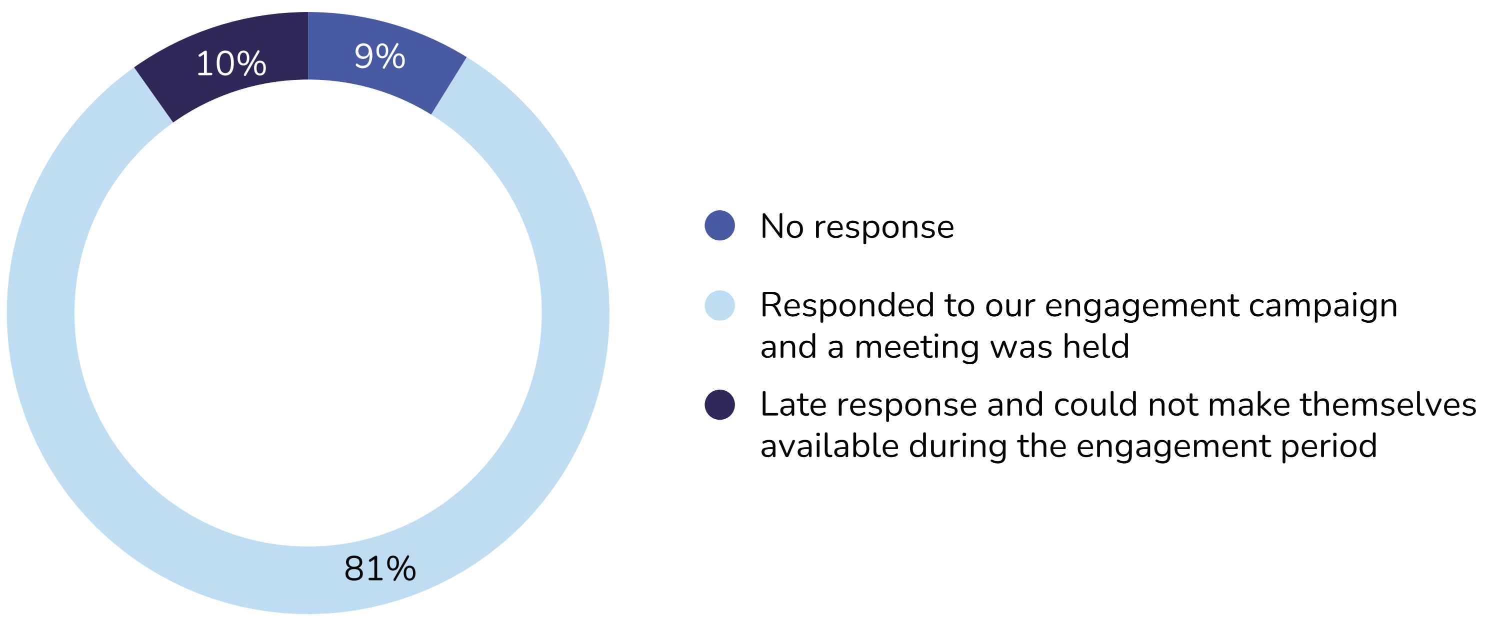
We had a 91% response rate to our outreach to the 100+ dial-movers and met with 81% of the selected companies (up from 75% in the last engagement cycle). Additional efforts in emerging markets (including China) and Asia Pacific ex-Japan helped improve the response rate in 2024 in these regions to 100% and 87%, respectively (2023: 80% and 70%).

Our engagement has consequences

Many companies now partially meet our 'red lines'[35] and have made improvements, meaning that we identified 37 companies subject to voting sanctions in 2024, following direct engagement, down from 43 in 2023.

As highlighted in our annual CIP report, we have also seen progress in the 14 companies that remain on our divestment list. We are continuing our engagement to push for further change with these and the two additional companies – TJX† (ESG score: 61; +2) and Glencore† (ESG score: 28; unchanged) – which were added in 2024.

2023/24 engagement response rate



Source: Internal CIP engagement data, as of April 2024.

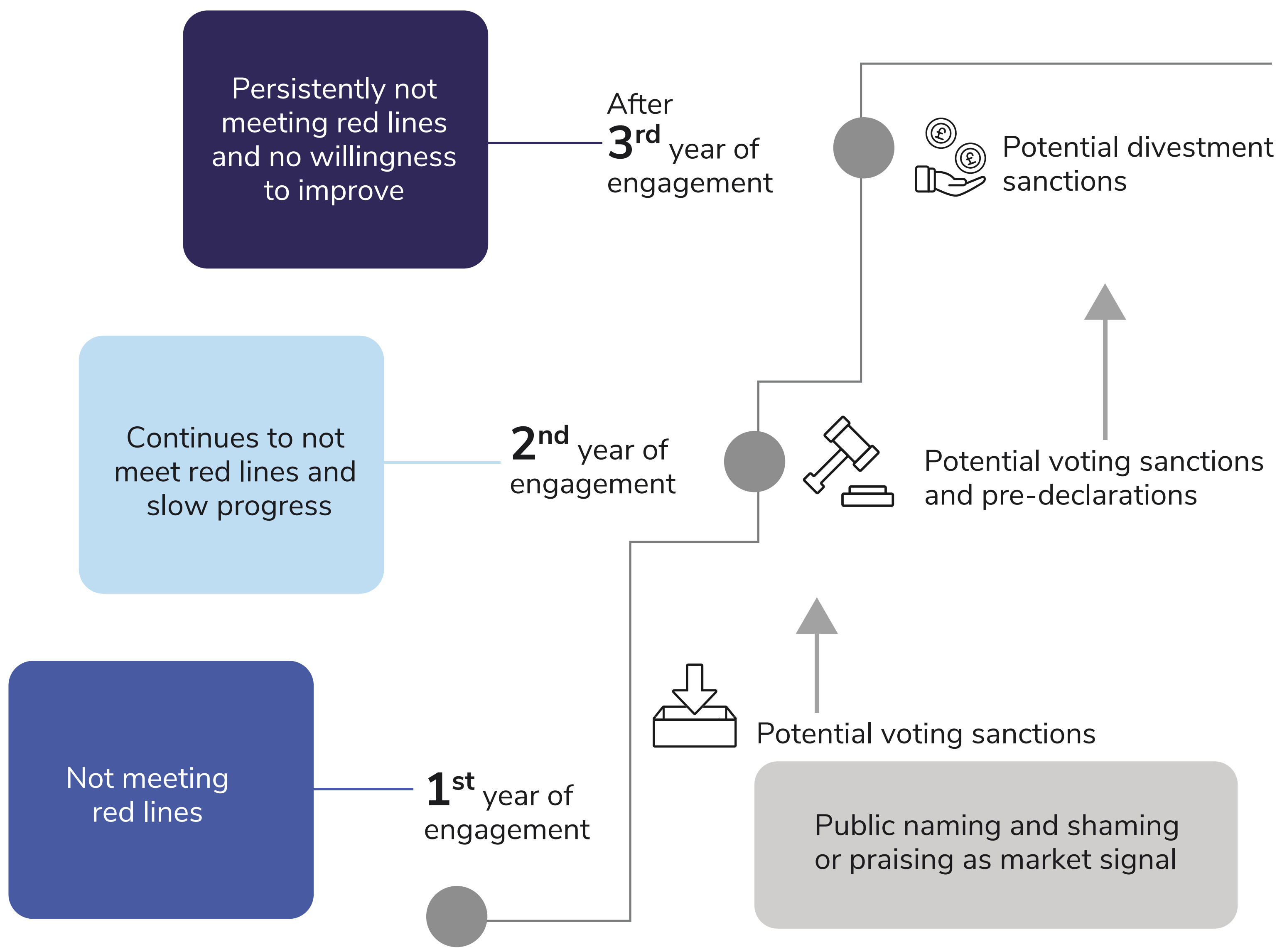
34. Internal CIP data, as at April 2024.
35. Minimum expectations, as set out in our published sector guides

E: Climate (continued)

For more details on our direct engagements with companies across sectors, including areas of progress and the remaining challenges, as well as the rationale for divestment, please refer to our 2024 Climate Impact Pledge report.

In October 2024, we began the ninth cycle of engagements with our 100 'dial movers', continuing to target these influential companies. In this cycle we are increasingly focused on outcome-driven objectives, reflecting the progress over time from commitments and targets to climate transition plans, actions and investments, as well as interrelated nature dependencies.

Qualitative engagement: Escalation process



Source: L&G, as at June 2024. Subject to change.

E: Climate (continued)

Case study: Nippon Steel Corporation† – co-filing our first shareholder resolution in Japan[36]

Identify

Our CIP includes a 'red line' expectation across sectors for companies to disclose their climate-related lobbying activities, including trade association memberships, and to explain the action they will take if the lobbying activities of these associations are not in line with the 2016 Paris Climate Agreement. This has been our primary objective with Nippon Steel.

Nippon Steel† (ESG score: 21; +1) is the largest steel maker[37] in Japan and one of the biggest globally in terms of production. Traditional steelmaking processes are highly carbon intensive, and a shift to green steel will require a policy environment that supports a sufficient supply of low-carbon alternatives. Assessments undertaken by third-party data providers have demonstrated that Nippon Steel lags its peers on climate policy engagement disclosures.

Engage and escalate

Since adding the climate lobbying red line to our Climate Impact Pledge, this has formed a key area of our engagement with Nippon Steel from 2022. The company failed to meet this criterion, so we made it the focus of the 2023-2024 engagement cycle.

Given the significant role that Nippon Steel plays in influencing Japanese policy, as well as our intention to increase the focus on demand-side engagement, at the 2024 AGM we co-filed, together with the Australasian Centre for Corporate Responsibility (ACCR), a shareholder proposal asking the company to:

"disclose annually, climate-related and decarbonisation-related policy positions and lobbying activities globally, including its own direct lobbying and industry association memberships, and review these for alignment with the Company's goal of carbon neutrality by 2050 and explain the actions it will take if these activities are determined to be misaligned."

Outcome

Our shareholder resolution (Resolution 8) achieved 27.98% support[38], sending a strong message to the company's board that investors expect greater transparency on climate-related policy engagement activity. This was also one of the highest levels of support recorded for a climate-related shareholder resolution in Japan.[39]

2024 was a pivotal year for Japan in the run-up to updating its key climate and energy policies. The results underscore the scale of investor attention on politically influential companies like Nippon Steel. We will continue engaging with the company, looking to the board to address investor concerns on this issue.

36. All case studies are for illustrative purposes only and do not constitute a recommendation to buy or sell a security.
37. Nippon Steel, March 2025.
38. ISS vote results data, 2024.
39. Nippon Steel: shareholders deliver Japan's largest ever vote in support of climate lobbying resolution; ACCR, June 2024.

E: Climate (continued)

Case study: Hindalco Industries† – climate engagement in India

Identify

Based in India and with international operations, Hindalco† (ESG score: 36; +5) is an integrated aluminium producer and copper manufacturer, engaging in a range of mining, refining and smelting activities. India is commonly seen as one of the top carbon-emitting countries in the world. Hindalco has therefore been selected for direct, qualitative engagement within our CIP programme (see our ‘red line’ expectations for the aluminium sector).

Engage and escalate

In 2023, IIGCC launched the Net Zero Engagement Initiative (NZEI), which aims to extend the reach of investor engagement beyond the Climate Action 100+ focus list, including more companies that are heavy users of fossil fuels on the demand side. Building on our existing engagement with the company via CIP, we co-led the engagement with Hindalco under NZEI.

Having signed the International Aluminium Institute (IAI) GHG initiative in 2023, Hindalco committed to disclosing a transition plan by the end of that year, outlining how it intends to meet its decarbonisation commitments. The company’s 2023/24 integrated annual report disclosed some positive steps, including its double materiality risk assessment that shows GHG management as its top risk. However, disclosure of a forward-looking, coherent, and quantified transition plan is still absent from the report, therefore falling short of our expectations. We also noted that the company has pushed back its short-term scope 1 and 2 emission intensity reduction target from 2025 to 2027.

We noted increased willingness to engage following our vote against the board chair at the 2023 AGM. However, despite three engagement meetings and multiple email exchanges, we are still unclear on a) its plans to develop existing disclosure into a coherent transition plan, b) the process, accountability structures and resources in place to develop it over 2024, and c) timings of planned disclosures.

Outcome and next steps

We were disappointed that shareholders were not given the opportunity to opine on the adequacy of Hindalco’s transition plan at its 2024 AGM. In addition to voting against the re-election of the chair as a vote sanction under our CIP, we also pre-declared our vote intention to raise the profile of the issue and lead to more constructive dialogue with the company.

Aside from direct engagement with Hindalco, we have recently renewed our engagement with the chief sustainable officer of Aditya Birla Group, the holding company, to discuss our expectations and encourage more active engagement from the company.

E: Climate (continued)

Case study: ExxonMobil† – progress update on our objectives

Identify

As one of the world's largest public oil and gas companies, ExxonMobil's climate policies, actions, disclosures and net-zero transition plans have the potential to significantly influence the industry, particularly in the US.

Engage and escalate

As disclosed in last year's Active Ownership report, we have been engaging with ExxonMobil† (ESG score: 28; +1) since 2016 under our CIP. Our engagements have focused on setting time-bound emissions targets, a capital allocation framework and business resilience against various energy transition outlooks. Our escalation steps included voting, divestment and co-filing a shareholder resolution.

Outcome

We acknowledge and support the progress made in key areas of ExxonMobil's transition strategy, particularly in disclosure and commitments. We note that there has been an improvement in reporting on lobbying activities and the company has made a commitment to allocate $17 billion to its low carbon business, primarily CCUS and hydrogen by 2030 ($2 billion more compared to the previous commitment).[40]

We remain concerned about insufficient transparency around the company's full magnitude of asset retirement obligations (AROs) against a range of relevant net-zero scenarios. We have engaged with key stakeholders across the market to emphasise the value such disclosure would create for investors. We were pleased to learn about the consultation undertaken by the FASB and strongly support a revision to the current rules, leading to increased transparency on the true magnitude of associated liabilities.

40. ExxonMobil, 2023. https://corporate.exxonmobil.com/-/media/global/files/advancing-climate-solutions-progress-report/2023/2023-advancing-climate-solutions-progress-report.pdf

E: Climate (continued)

Say on climate: voting on climate transition plans in 2024

We encourage companies to put forward ambitious and credible climate transition plans to a shareholder vote, and have published our expectations of these. Our expectations remain consistent and pragmatic, leaving flexibility for companies to design their own strategies for best meeting the requirements of the Paris Climate Agreement.

We expect transition plans to be in line with the following criteria:

- A public commitment to net zero by 2050
- Disclosure of short-, medium- and long-term targets, covering scope 1 and 2 emissions and material scope 3 emissions
- Disclosure of current scope 1, 2 and material scope 3 emissions
- Credible targets that are aligned to a 1.5°C trajectory; an ambition to obtain verification by the Science-Based Targets initiative (SBTi) (or equivalent independent body as they evolve) can help demonstrate this

Voting is one 'tool' within our overall stewardship escalation structure. Voting consistently and in line with our published policies and views is crucial to our engagement escalation and shows our willingness to act in line with our stated opinions.

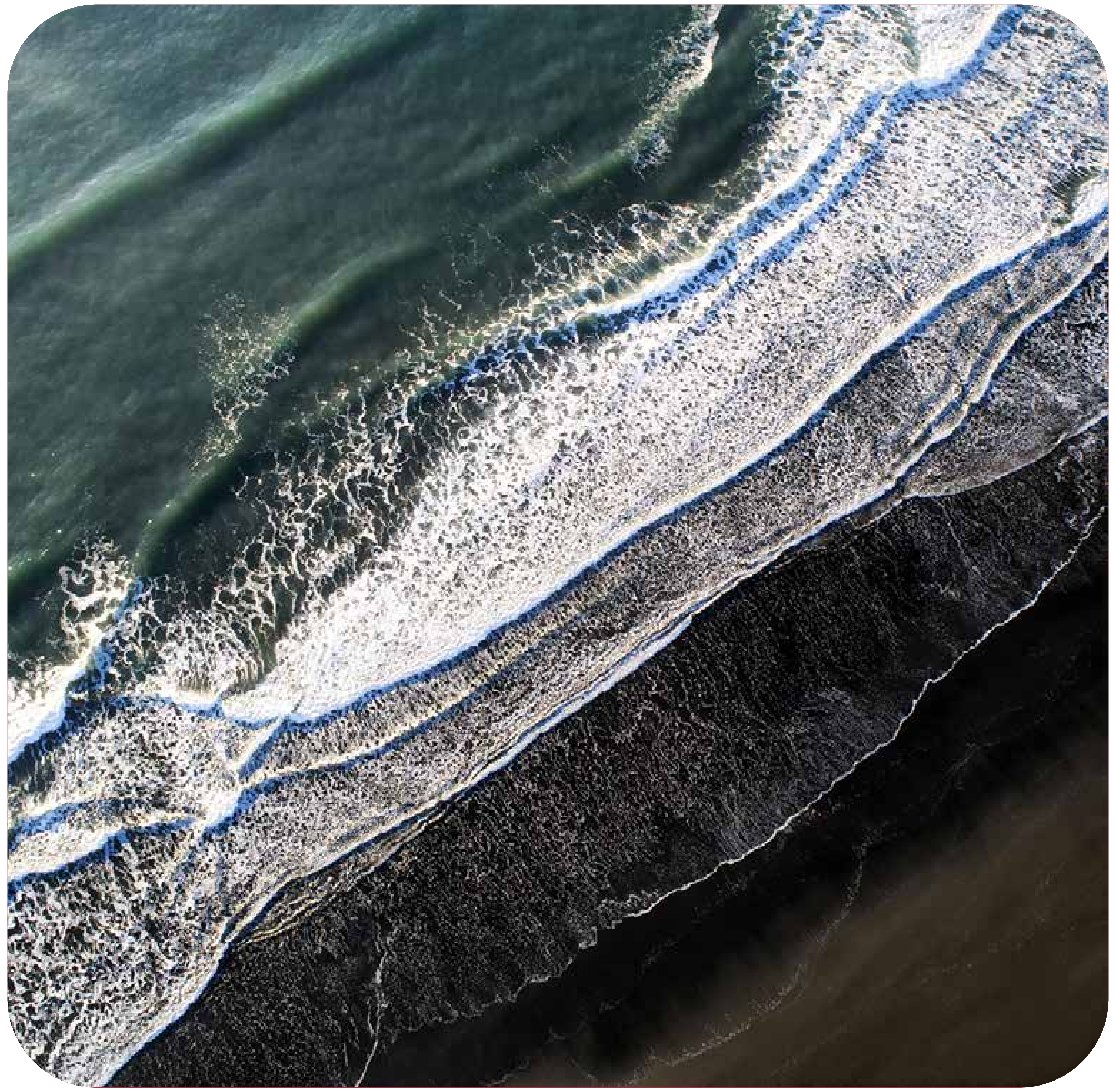
Our level of support for management-proposed transition plans and progress reports[41] has been relatively low over the years – although it is increasing, suggesting that climate reporting is improving. In 2023, our level of support was 44% (13 out of 29), and in 2024 this increased to 55% (16 out of 29). In the oil and gas sector specifically, however, we have only ever supported one such 'say on climate' vote, which was at BP† in 2022.

Spotlight on the oil and gas sector: Shell†, TotalEnergies†, Woodside† and Repsol†

In 2024, four major oil and gas companies put their climate transition plans to a shareholder vote. We were unable to support any of these plans and published detailed rationales on our vote disclosure website for each. While we are not dismissive of the progress made to date, both in terms of climate-related commitments and actions, we note our concern where engagement and escalation have not led to the progress needed.

- **Shell (ESG score: 44; unchanged) –** We acknowledge the substantive progress made in respect of climate-related disclosures over recent years, and we acknowledge the commitments to reduce emissions from operated assets and oil products, the position taken on tackling methane emissions, and the company's pledge not to pursue frontier exploration activities beyond 2025.
- **Total (ESG score: 45; +5) –** We note the good progress the company has made against its emissions targets, coupled with the substantive allocation of capital to low carbon solutions, and we are encouraged by its strong commitments made around renewable capacity growth objectives, methane management, and climate-related disclosure.
- **Woodside (ESG score: 40; +5) –** Despite a significant proportion of shareholders voting against (49%)[42] the company's climate report at its 2022 AGM, no material changes were incorporated in its most recent climate transition plan. We remain concerned about the emissions targets, the lack of quantifiable disclosure on climate-related risks and the quantum of capital to be allocated to low-carbon solutions. At the 2024 AGM, in addition to our vote against Woodside's Climate Transition Plan, we also voted against the re-election of the board chair, in line with our CIP escalation. The Climate Transition Plan failed to reach requisite shareholder support, with 58.4% voting against its approval.[43] We have recently commenced a new cycle of engagements under our CIP programme, with the expectation of achieving progress in several of the key areas outlined above.

As we outlined in a series of blogs on our oil and gas sector expectations, published in May 2024, we place a high emphasis on three key elements that form a credible transition strategy: disclosure, commitments and actions.



41. Combined, these reflect our votes on so-called 'say on climate' proposals, including both management-proposed transition plans and their subsequent progress reports. It is worth noting that our voting data provider, ISS, uses specific proposal identification codes for companies' progress reports starting in 2023.
42. ISS vote results data, 2022.
43. ISS vote results data, 2024.

E: Climate (continued)

Case study: BHP Group Ltd† – the first mining company transition plan we have supported

Identify

In 2022, we published our initial expectations on climate transition plans, and have recently further developed our approach across sectors that are especially subject to climate-related risks and opportunities[44] and key to achieving net-zero emissions by 2050. This includes the mining and diversified metals sector[45] since it produces both critical minerals for the transition, and materials subject to potential demand shifts within the transition.

Without the critical minerals that mining companies produce, the transition will not happen. It is essential that long-term, responsible investors should support these companies' journeys to decarbonise and seize the long-term value creation opportunities related to the energy transition. In order for us to do so, however, they must meet our minimum expectations, included within our updated assessment framework. These include metrics across themes such as decarbonisation strategy; funding allocations; emissions disclosures, including scope 3; just transition; and lobbying activities.

Engage and escalate

BHP† (ESG score: 40; +3) is one of the biggest mining companies in the world. In 2021, the company put its first Climate Transition Action Plan (CTAP) to the vote. We voted against the approval of this plan, as it did not meet our expectations. However, since then, we have met with BHP several times (six meetings in 2024 alone), including with the climate and sustainability teams and the Chief Executive Officer, Chief Financial Officer and board chair. The aim of our engagements was to provide feedback on BHP's 2024 CTAP and ensure that it met the requirements of our updated assessment framework.

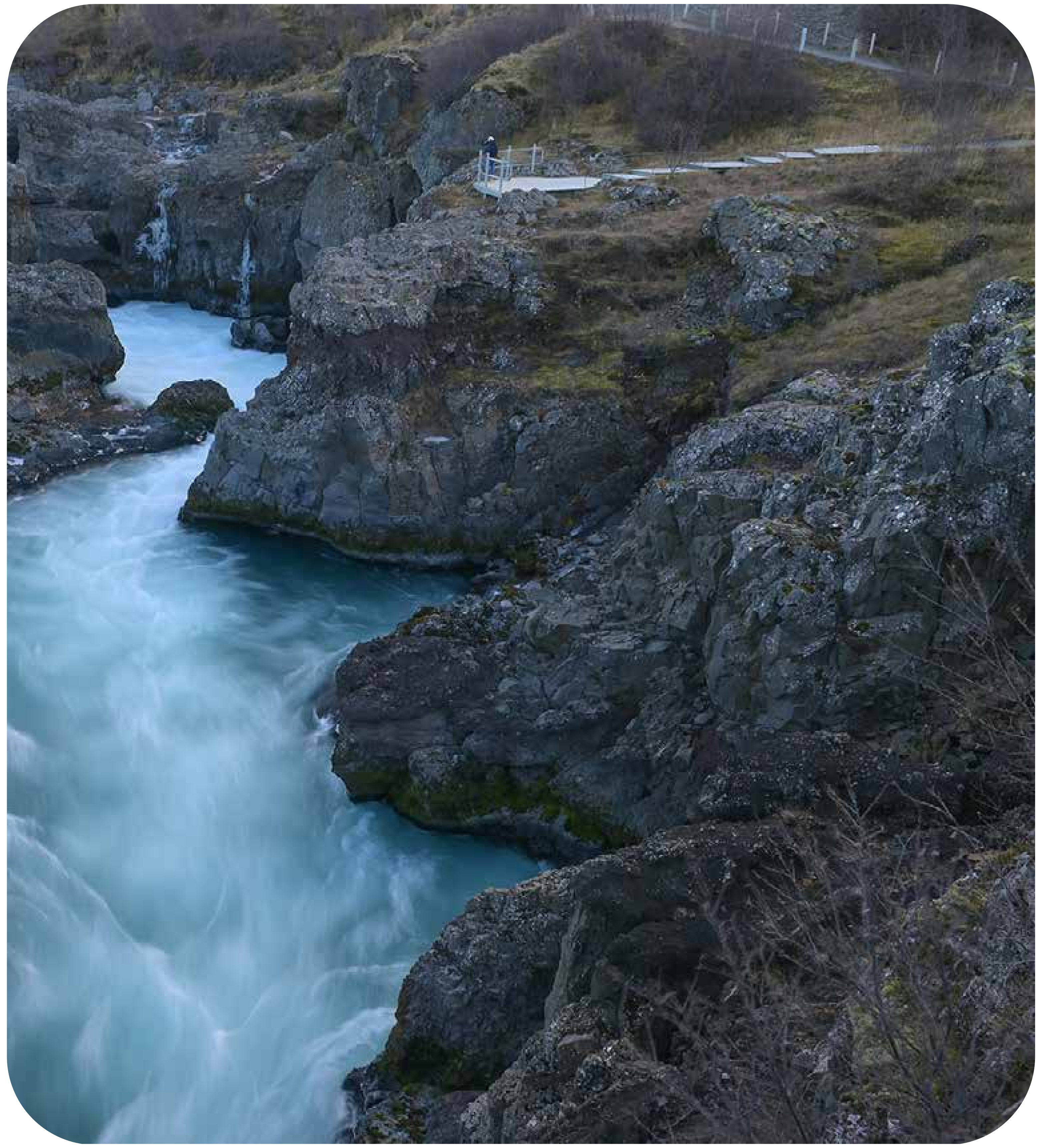
It was clear that BHP had made significant strides in improving its CTAP since it put the inaugural plan to the vote in 2021. It demonstrates substantial alignment with our assessment framework, and we believe it is important investors recognise progress when it occurs.

Outcome and next steps

Following our positive engagements with the company, we were able to support the updated CTAP at BHP's October 2024 AGM and we pre-declared our vote intentions via our blog. This is the first mining company transition plan that we have supported. The resolution achieved shareholder support of 92.2% at the AGM, a significant improvement over the 84.9% favourable votes cast on the 2021 CTAP.[46]

We will continue to monitor and engage with BHP on a number of areas, including:

- Disclosure of progress on BHP's plans for the development of a more targeted methane measurement, management, and mitigation strategy
- Plans to be executed in support of the decarbonisation of steelmaking
- Ensuring resilience while navigating the dynamic market for metallurgical coal



44. Our oil & gas sector principles: disclosure, commitments, and credibility, May 2024.
45. Our updated approach for assessing mining company transition plans, August 2024.
46. ISS vote results data; 2024.

E: Climate (continued)

Case study: collaborative engagement on methane

Identify

Since 2021, we have worked in partnership with the Environmental Defense Fund (EDF), a US-based NGO that cooperates with businesses to find market-based solutions to climate issues.[47] Our collaboration with the EDF[48] has been focused on transferred emissions and methane emissions, which have more than 80 times the warming power of carbon dioxide over a 20-year period,[49] making reduction crucial to achieving climate-change goals.

We believe that reducing methane emissions can be a powerful and cost-effective way for oil and gas companies to make progress towards climate goals and manage regulatory and reputational scrutiny.[50] We also believe in the importance of collaborative work on this front, working through the EDF with like-minded peers to urge oil and gas companies to be more transparent about the actions they are taking to measure and reduce methane emissions.

Engage

In 2024, the EDF helped facilitate engagement opportunities to uphold strong methane regulations in Canada and advocate support for climate disclosure regulations in the US.

Building on the momentum across global jurisdictions to increase standards on methane emissions monitoring and reporting in recent years, the Canadian government's environmental agency, Environment and Climate Change Canada (ECCC), released its draft methane emissions standards rules at the end of 2023.

Our US business signed a joint letter with other North American investors in January 2024, sent to the Minister of Environment and Climate Change, to support and strengthen the ECCC's draft methane emissions standard rules. While we supported the government's initial steps, we agreed that swift implementation, narrower exceptions, and broader compliance would help reduce methane emissions and limit the effects of climate change, thereby also helping us as investors to limit the impact of climate change on our portfolios.

Outcome

As of December 2024, the ECCC's proposed methane regulations had not yet been finalised. Given the resignation of Canada's prime minister at the beginning of 2025, the outcome of these regulations are not likely to be published until after federal elections are held.

47. About EDF+Business - EDF+Business
48. What Investors Can Do to Aid Climate Efforts, Amid COP26 Summit - Barron's
49. Methane: A crucial opportunity in the climate fight - Environmental Defense Fund
50. L&G -- Asset Management, America and EDF: A new kind of climate partnership - EDF+Business

E: Climate (continued)

Shareholder proposals on climate-related issues

2024 saw a reduction in the number of climate-related shareholder resolutions, with some of the focus moving away from pure climate management into the direction of nature- and social-related aspects.[51]

In 2024, we voted on 114 climate-related proposals (2023: 145), of which we supported 91 (79.8%). 83 of the 114 votes were filed in North America, 16 in Japan, 10 in Europe, four in Australia and only one in the UK.[52]

Of the shareholder resolutions we did not support, most were due to concerns with proposals being overly prescriptive or when the company had already provided appropriate reporting on such issues. A small number were related to climate risks in corporate retirement plans, which we considered were run by third parties in line with their fiduciary duties, with employees being given fund-election options.

Climate proposals: targeting the banking sector

The 2024 voting season again saw a significant number of shareholder resolutions in the banking sector. During 2024, we voted on 36 environmental shareholder proposals across some of the largest banks globally, including 25 in North America, six in Japan, and five resolutions at Scandinavian banks.[53] These proposals can broadly be divided into four categories:

1) **Additional reporting: advisory vote on transition plan and progress reporting**

   We supported resolutions at five Canadian banks.[54]

   At the same five banks, and three US ones[55], we voted against demands for additional reporting into the perceived risks of climate policies and actions, as the purpose of these proposals was deemed to be seeking to lock in financing support to oil and gas clients.

2) **Green finance ratio: requesting disclosure of the ratio of clean energy supply financing as a proportion of fossil-fuel energy finance**

   We supported resolutions at three US banks.[56]

   In a positive development, some of the targeted banks have since agreed to provide this disclosure and the proposals were withdrawn at JPMorgan Chase†, Citigroup† and Royal Bank of Canada†.

3) **Restrictions on financing of fossil fuels**

   We voted against these proposals at Skandinaviska Enskilda Banken† (SEB), Nordea Bank†, Danske Bank† and Swedbank†. While we considered the overall principles of these resolutions to be broadly supportable, the drafting of the proposals in such broad terms – demanding an immediately halt to new fossil fuel extraction – was deemed too prescriptive

4) **Requests for climate lobbying transparency**

   We supported two proposals at Bank of America† and Wells Fargo†.

Given the importance of these proposals, we pre-declared our voting intentions on a number of climate resolutions at the North American and Nordic banks – in addition, our vote rationale for each of the proposals is also available via our voting disclosure website.

Separately, our pre-declaration blog also highlighted our concerns over misleading shareholder resolutions at US oil and gas companies.

51. ShareAction's report, Voting Matters 2024, indicates that the number of shareholder resolutions addressing biodiversity loss remains low with investor support falling. The five biodiversity-related resolutions analysed by the NGO received only 11.6% support in 2024, compared to 22% support for similar resolutions in 2023.
52. Internal vote data, 2024. This included proposals on climate action and target setting, climate and GHG reporting, reports on climate lobbying, use or production of fossil fuels, renewable energy and disclosure of renewable to fossil fuel ratios, and alignment of director pay with climate targets, but excluded proposals on nuclear power and the Just Transition.
53. Internal vote data, 2024.
54. Bank of Nova Scotia†, Bank of Montreal†, National Bank of Canada†, Canadian Imperial Bank of Commerce†, Royal Bank of Canada† and The Toronto-Dominion Bank†
55. JPMorgan Chase†, Goldman Sachs† and Wells Fargo†
56. Bank of America †, Goldman Sachs † and Morgan Stanley †

E: Climate (continued)

Case study: housing associations and the EPC challenge

Identify

UK housing associations will be required to have a minimum Energy Performance Certificate (EPC) C rating on all of their stock by 2030,[57] a demand that will further strain their budgets. These cost pressures are already having an impact on the credit ratings of the associations, with the average currently sitting at A/A- in comparison to AA/A+ six years ago.

As management decisions and board quality become the centre of attention in weathering the impending storm, we have become increasingly concerned about the quality of discussions with management.

Engage

We embarked on a three-part project with the intention of improving visibility on management's level of preparation and the extent of each association's challenge, seeking to nudge the laggards in the field to do more and to improve the depth of analysis used in our relative value calculations.

Stage 1:

- Towards the end of 2022, we sent engagement questionnaires to 36 housing associations within our coverage, asking for information about their stock age distributions, the proportion of their stock currently in each of the EPC brackets and any budgets they had in place to tackle EPC upgrades

- We utilised the information sent to identify any potential threats to balance sheet and cashflow quality, as well as the companies with the biggest challenges ahead

Stage 2:

- We continued to communicate with 25 companies that participated in the questionnaire, to determine any public goals disclosed regarding their expected timeline for upgrades, their plans for any stock that will not be upgraded and their funding arrangements

- We also attempted to re-engage with those that did not participate in stage 1, noting some of the themes we uncovered and highlighting the importance of them following their peers' examples of getting involved

- The results of this stage allowed us to paint a better picture of management and the importance they are assigning to the topic, as well as how they are leading their companies to succeed in meeting the demands imposed on them

Stage 3:

- Following the completion of stage 2, we sought to consolidate the information gathered and combine it with some relative financials to understand where each housing association is positioned in relation to the sector

- The results of this analysis then fed into the relative value assigned to the company

Outcome and next steps

We intend to maintain communication with each of the housing associations, tracking their progress towards reaching the goal by 2030. We believe that this will be a critical differentiator between associations in the near to medium term and we will continue to update our ratings in this area to utilise this in our relative value analysis process.

57. How new EPC ratings impact landlords and commercial buildings (goughs.co.uk); information accessed as at 19 July 2024.

E: Climate (continued)

CS

Case study: GREGs deep dive: the auto industry and electric vehicles

As one of the ‘climate-critical’ sectors captured within the Climate Impact Pledge, and a sector to which we have exposure in our portfolios, our GREGs delved deeper into our investment and stewardship research on the transition to electric vehicles (EV), which have an important role to play in reaching net zero.

Identify

The global EV market has been facing several headwinds, including rising material costs, supply chain challenges, government policy uncertainty and inadequacies in charging infrastructure development. While growth continues, it is at a slower pace than observed in recent years.

At the same time, overcapacity, particularly in China, has led to pressure on margins: companies that were early adopters and moved heavily into EVs have been the most impacted, as have those with larger exposure to China, where EV pricing pressure is especially acute and the internal combustion engine (ICE) market is soon expected to be smaller than the EV market.[58]

Challenging conditions for EVs therefore favoured original equipment manufacturers (OEMs) that pursued more diversified vehicle strategies over 2024. Many OEMs are pushing hybrids, which are now expected to play a larger role as a transition technology than previously expected.

Overall, this may mean slower EV uptake and rollout (outside China), and an extended life for more hybrid-heavy strategies. It raises the question as to what the short-to-mid-term market environment means for the sector’s climate transition and for our expectations of companies in this regard.

Outcome and next steps

The GREGs team concluded that the long-term direction of travel remains intact – vehicle emissions standards are still on the tightening trajectory (albeit with uncertainty given the political dynamics in the US) and a pivot away from the corporate strategies and investments laid out for electrification over the long-term is unlikely to be the answer.

That said, a stronger hybrid market for longer in our view has the potential for positive and negative climate outcomes – and this very much depends on how cars are driven and their real-world emissions. Which is why, because of this deep-dive and to help inform our judgement on the future role of hybrids and plug-in hybrids specifically, we have been exploring with companies whether there is greater scope for disclosure of real-world emissions data. Our current expectations of the autos sector are set out in our net zero guide.

58. China’s EV sales set to overtake traditional cars years ahead of West; FT, 26 December 2024.

E: Climate (continued)

Case study: Volvo Car AB†

Identify

We selected Volvo Car† (ESG score: 57; unchanged) for engagement as we view the company as a technology leader within the European automotive landscape. We were seeking to understand the nuances of the regulatory backdrop and how this influences product strategy decisions. We wished to gain further understanding of Volvo's ability, and that of its peers, to provide detailed disclosures on plug-in hybrid emissions, which would improve transparency around this critical technology for achieving reduced vehicle emissions in Europe.

Engage

We began engagement with Volvo, making initial contact with the company with a view to arranging a more detailed walk-through of its views on the regulations around plug-in hybrid technology. We received initial responses from the company and are in the process of following up. Insights have provided a valuable benchmark for our climate-focused engagements with other large original equipment manufacturers (OEMs).

Outcome and next steps

We plan to follow up with the company to understand in greater detail the nuances of plug-in hybrid electric vehicle (PHEV) emissions regulations and the challenges of disclosing data transparently. Our objectives from this engagement are to:

(1) Gain an understanding of the current regulatory framework in a manner consistent with how it is viewed by the industry

(2) Understand the limitations around the disclosure of PHEV emissions data currently held by Volvo and other OEMs

(3) Discuss a framework for more proactive disclosure of real-world PHEV emissions to provide greater transparency to stakeholders, depending on the further responses

Case study: Land Securities†

Identify

Land Securities Group† (ESG score: 82; -2) is considered as one of the market leaders among listed UK property companies regarding its disclosure of sustainability data. By engaging with a management team that is willing to enter active discussions our aim is to create an industry standard that other companies will follow.

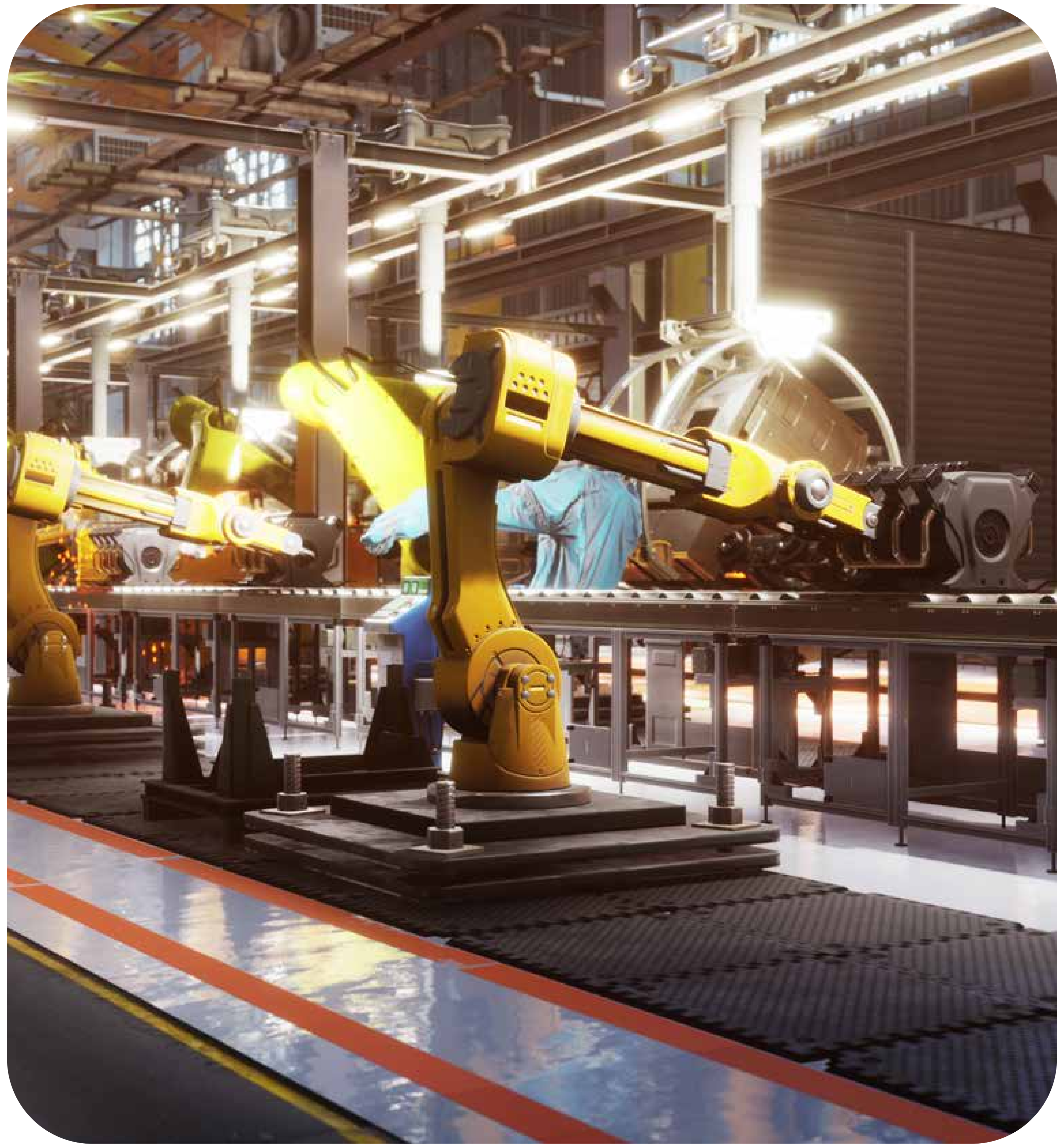
Engage

We engaged primarily with Land Securities' specialist teams that are responsible for carbon capture and EPC reporting for individual buildings within its portfolio. This has included a meeting with the board chair, who also sees this as an essential tool for the future of the company in terms of how its performance is externally reported.

Outcome and next steps

The engagement continues to be a work in progress, but it has already delivered tangible results. We have sought for greater disclosure while respecting that companies need to keep confidential sensitive market information such as rental agreements and landlord and tenant costs, as well as valuation assumptions that are very often regarded as proprietary because of market competition for highly desirable space. To date, our most significant achievement is the inclusion of a specific slide related to building carbon disclosure in the company's half-year results presentation after our specific requests for it to do so. This gives investors a much greater insight into reporting than had previously been the case. We have further meetings planned, with the intention of moving the company towards higher levels of disclosure amid fewer concerns over commercial sensitivity. The aim is to not only improve the quality of the company's proprietary reporting, but also to create a market standard around understanding building quality being the norm that people are prepared to occupy and pay for.

As the geopolitical landscape becomes more complex, we will increase our focus on corporate lobbying disclosure and activity, seeking transparency and alignment between climate commitments and action.



E: Climate (continued)

Case study: Integrated Energy Solution initiative

Identify

Delivery of photovoltaic (PV) solar energy projects across our real assets in private markets will be a key element of L&G's journey to net-zero carbon, with increasing demand driven by lower operational costs, green energy benefits and energy security.

These trends were key drivers for the launch of our Integrated Energy Solution (IES) framework in April 2024, aimed at delivering integrated on-site renewable energy generation, EV charging, microgrids and battery storage projects.

Engage

In 2024, we collaborated with 13 project managers, six sustainability consultants and 11 suppliers to develop guidance documents, playbooks and summary guides to support the framework rollout. It was presented to over 200 property and asset managers during the annual L&G Property Roadshow events.

We hosted a valuation workshop to understand low and zero carbon technologies. To grow the framework, our IES consultants continue to review technologies such as ground source heat pumps (GSHP) for inclusion in the framework in 2025. In 2025, we will host training sessions on PV and EV for asset managers to support framework implementation across the platform.

Outcome and next steps

As of February 2025, there are 34 assets with live IES projects, with the first project installation expected in Q1 2025. These pioneers have provided valuable learning opportunities to refine the implementation process. In collaboration with asset managers, we continue to identify priority assets and progress the rollout of installations, moving projects from concept to completion.

Case study: European chemicals decarbonisation – collaborative engagement with ShareAction

Identify

We have been a member of ShareAction's Chemical Decarbonisation Investor Coalition since 2021, a collaboration aiming to engage with 13 leading European chemical companies, to encourage them to align their decarbonisation strategies with the goal of limiting global warming to 1.5°C. The chemicals sector is responsible for over 6% of global GHG emissions[59] and is crucial to a multitude of manufactured goods and industrial processes with 95% of manufactured products relying on this sector.[60]

Engage and escalate

The collaborative engagement has been focused on the following objectives:

1. Set out plans over the short, medium and long term, with time-bound targets, to:

    a. phase-in electrified chemical production processes

    b. increase energy consumption from renewable energy sources

    c. transition to emissions-neutral feedstocks

    d. phase-out woody biomass from energy generation

2. Set scope 3 targets that are aligned with 1.5°C (covering all relevant upstream and downstream emissions)

3. Explicitly commit to align capital expenditure plans with the objective of limiting global warming to 1.5°C; and to disclose future capital spending on new and existing assets

Engagement has been through a combination of letters outlining key requests from the coalition (which we have co-signed over the years), followed by direct meetings with selected companies.

As part of this coalition, we have also provided a joint submission to the SBTi on its consultation for draft guidance for the chemicals industry, contributing to the development of the Chemicals Sector Target-Setting Criteria.

59. ShareAction | Investor Decarbonisation Initiative; accessed as at 25 February 2025.
60. Science Based Targets initiative; accessed as at February 2025.

E: Climate (continued)

Engagement focus: Yara International†
Yara International† (ESG score: 61; +4) produces and sells fertilizers. The production and use of nitrogen fertilizers leads to the release of some of the most potent greenhouse gases, with emissions linked to fertilizer production accounting for over 1% of global energy-related carbon emissions.[61]

Following a three-year engagement, in December 2024 we met (as part of the coalition) with Yara's CEO for the first time to discuss its transition plan and capex strategy. This engagement was in response to a shareholder resolution at its 2024 AGM filed by ShareAction and four coalition investors, which we voted in favour of.[62] The resolution received strong support with 17% of non-state investors voting for it and a further 8% abstaining.[63] The objective of the engagement was to continue dialogue with the company to include ambitious scope 3 targets and strong implementation plans in its upcoming climate transition plan, due to be published in 2025. The aim was to clearly convey the coalition's expectations to Yara's leading executive during a pivotal period of planning.

In terms of next steps, we will monitor Yara's progress and analyse its transition plan. This will determine the future direction and objectives of our engagement.

Climate disclosure: ISSB around the world

The financial materiality of climate and sustainability is acknowledged throughout the investment chain. Just as we recognise the need for this information to support investment decision-making, so too do our clients, as asset owners, and regulators in their supervision of financial markets.

What is our position?
We have long been supportive of ISSB standards as a member of the ISSB Investor Advisory Group, through which we provide input and feedback on draft standards and research projects. The ISSB standards are built on existing and established frameworks, such as TCFD and SASB. They are a milestone towards a global 'baseline' of sustainability disclosures, focused on the needs of investors and financial markets.

We have been calling on policymakers and regulators around the globe for full adoption, most recently in our responses to consultations in Japan and South Korea. We are encouraged by the take-up so far, involving more than 20 jurisdictions, accounting for nearly 55% of global GDP and more than 40% of global market capitalisation, taking steps to introduce ISSB standards in their legal or regulatory frameworks.[64]

For more detail, please read our full blog on the topic, here: To ISSB or not to ISSB? That is the question.

Policy engagement: collaborating on climate policy

Why do we join collaborations?
We believe that collaborating with like-minded investors on shared goals aligned with our published policies and expectations helps drive market-level change on sustainability themes.

We joined the Asia Investor Group on Climate Change (AIGCC) in August 2023 to increase our collaborative engagement and policy dialogue in the region through a well-established climate engagement platform.

Focus on Asia: collaborations and education

- **AIGCC: Korea working group**
  As members of the AIGCC Korea working group, building on our previous engagement in the region,[65] we co-signed a letter to the Korea Financial Services Commission (FSC) regarding the implementation of mandatory sustainability-related disclosures, which has been postponed until 2026. We asked for:
  - A clear roadmap for sustainability-related disclosures to be announced by the end of 2024
  - Mandatory climate-related disclosures for listed companies with total assets greater than 2 trillion Korean won by 2025
  - Publication of an English translation of the sustainability disclosure standards, and for the English translation of company disclosures to be mandatory
- **AIGCC: Singapore climate adaptation policy roundtable**
  As a co-lead on the Singapore climate adaptation policy engagement stream, we were joined by the Confederation of British Industry (CBI) to discuss its recently published climate-resilience taxonomy for bonds. Other participants included representatives from the Monetary Authority of Singapore, the national climate change secretariat, the Singapore Stock Exchange, and local and international financial institutions. The aim was to identify common language in financing climate adaptation and resilience, and to explore how financial institutions can use the taxonomy in engagement to go beyond mitigation, and work towards adaptation.
- **AIGCC: Malaysia climate and energy policy dialogue**
  Climate and energy policy in Malaysia is at a critical point. Having published its first National Adaptation Plan and National Energy Transition Roadmap in 2023, and with a National Gas Roadmap on the horizon, Malaysia stands at a turning point for financing the energy transition while protecting nature and biodiversity. As one of the most biodiverse countries in the world, 54% of companies on the Bursa Malaysia operate in sectors with high or moderate dependence on nature.[66]

61. IEA GHG, Feasibility Study on Achieving Deep Decarbonization in Worldwide Fertilizer Production, 2022.
62. At its 2024 AGM, co-filing investors asked the company to set comprehensive, science-based scope 3 emission reduction targets ahead of the AGM in 2025.
63. ShareAction, Yara International: AGM results, accessed as at 5 February 2025.
64. Jurisdictions representing over half the global economy by GDP take steps towards ISSB Standards; IFRS, 28 May 2024.
65. As detailed in our Q1 Quarterly Engagement Report.
66. Nature Risk in Asia Pacific Economies; AIGCC and PwC report, April 2024.

E: Climate (continued)

We participated in three roundtables, bringing together representatives from across the policy stakeholder spectrum, including the Securities Commission Malaysia, the Ministry of Energy Transition and Water Transformation, the Ministry of Economy, the Ministry of Natural Resources and Environmental Sustainability, and Bursa Malaysia, alongside representatives from international and local financial institutions, and Malaysian corporates. The roundtables covered topics including the energy transition, adaptation planning and nature and biodiversity.

- **GFANZ: Malaysia Joint Committee on Climate Change capacity building workshop**
  Attended by around 250 sustainability and risk practitioners from financial institutions, this session was part of a joint initiative between GFANZ APAC, the Bank Negara Malaysia, and the Securities Commission Malaysia, to educate participants about the challenges and opportunities arising from climate change and the country's transition to net zero. We shared our approach to integrating climate change into investment research, active and index strategies, and to providing stewardship reporting to our clients.

- **Bursa Malaysia: climate disclosure workshop**
  Ahead of the recent announcement of Bursa Malaysia's enhanced sustainability reporting framework with new climate change reporting,[67] we were invited to speak at the IR4U's programme, designed for investor relations personnel of listed companies in Malaysia and attended by over 200 online participants. We were involved in the discussion on improved climate disclosures and the connectivity of climate and nature. We were pleased to note the enthusiastic reception that these topics received during the day.

Policy engagement: a pivotal year for Japan

- **Collaborative engagement with government ministries**
  We are active associate members of the Japan Climate Leaders' Partnership (JCLP), a collaboration bringing together 252 businesses from a range of sectors to research and form policy recommendations on climate change, which are then brought to the Japanese government.[68] The JCLP supports the 'early realisation of a decarbonised society'.

  We contributed to the formation of the JCLP's policy statement on Japan's Nationally Determined Contribution (NDC) and 7th Basic Energy Plan, released in early July and subsequently updated (only available in Japanese) in November. The statement makes three core proposals:

i) At least a 75% reduction in GHG emissions by 2035 (compared to 2013 levels)

ii) Renewable energy to account for at least 60% of the electricity mix by 2035

iii) Improved policymaking process by increasing participation opportunities for demand-side actors

We also attended a meeting with the Bipartisan Group for Realizing Carbon Neutrality (a cross-party group composed of members from both the ruling and opposition parties in Japan's Diet) and held meetings with other relevant ministries (Ministry of Economy, Trade and Industry (METI), Ministry of Environment (MOE), and the Ministry of Foreign Affairs).

- **Collaborative work with peers**
  We contributed to the AIGCC Position Paper on Japan's Strategic Energy Plan, which was published in October 2024. We were given the opportunity to present the paper's 10 investor recommendations in a closed-door workshop and spoke on a panel alongside a policymaker and an academic.

  Through our membership of the AIGCC, we also participated in a roundtable discussion on 'Enabling Higher Private Sector Finance Through Japan's Energy Plan'. Attendees included, in addition to asset management peers, representatives from METI and MOE, as well as Japan's FSA.

  Some of our key points during the session included:

  - Emphasising the importance of enhanced grid decarbonisation
  - Calling for stronger public policies to restrict coal
  - The importance of transparent forward-looking policies aligned with a 1.5°C trajectory to enable companies to manage their energy transition adjustments

2024 was a pivotal year for climate policy in Japan, as the changes made to the Strategic Energy Plan will shape the country's future trajectory towards net zero. Having built on our previous engagements with various regulators and members of parliament,[69] our increased participation this year, both on policy engagement (including our work with the JCLP and AIGCC) and on the corporate side (e.g. our shareholder resolution at Nippon Steel), has sought to use our influence as an asset manager to help shape the journey towards net zero.

67. Bursa Malaysia, Consultation Paper No 1/2024, September 2024.
68. JCLP website; accessed as at 5 February 2025.
69. As detailed in our blog: Climate policy engagement: spotlight on Japan, December 2023.

E: Climate (continued)

Case study: climate risk strategy for real estate

Identify

With climate change presenting an increasing risk to L&G Private Markets' real estate portfolio, it is crucial to assess physical impacts and implement measures to improve the resilience of our assets. Flood risk has always been a key part of our investment strategy and our standard due diligence process with all property acquisitions throughout Private Markets.

We have been working closely with climate modelling providers XDI and specialist advisers Marsh, to conduct granular forward-looking physical climate-risk analysis across seven climate hazards, incorporating asset-level characteristics and adaptation measures to provide more accurate risk profiles.

Engage

We continuously evolve our approach to assessing and managing climate risk to align with industry best practice. In 2024, we focused on enhancing climate-risk considerations as a part of our due diligence approach and ongoing management of our real estate equity assets, by incorporating a broader range of climate hazards into the assessment process.

Our commercial and residential property businesses worked together to conduct an initial review of how physical and transitional risks may impact asset values under different scenarios.

Outcome and next steps

In 2024, we published our first Real Estate Equity Climate Report detailing our climate risk strategy, which will be updated annually to reflect our progress.

Enhancing our climate due diligence approach will help to ensure that climate perils and their future impacts are integrated into investment decisions.

We are also developing a climate adaptation playbook to support the review and prioritisation of risk mitigation measures for any assets identified to be exposed to physical risks, utilising a suite of adaptation considerations. This new process will be rolled out across the real estate equity platform this year.

Case study: SureStore York - operational self-storage development

Identify

The Industrial Property Investment Fund (IPIF) identified redevelopment opportunities in the UK self-storage market as a key growth area. A 35,000 square-foot self-storage facility was proposed at the fund's Clifton Moor site in York's principal employment district.

Engage

In line with the fund's strategy and the real estate equity net-zero carbon pathway, a whole life carbon assessment was conducted to target low embodied upfront carbon to align with the Royal Institution of Chartered Surveyors' standards and operational net-zero carbon from the early design stage.

The development achieved best-in-class sustainability credentials by utilising recycled materials where possible, generating significant onsite renewable power and future-proofing battery installations.

Outcome and next steps

Completed in 2023 and within budget, this project provided further exposure to high-quality operational self-storage assets, and is forecast to enhance income returns.

The asset significantly outperforms several industrial benchmarks, for both operational and embodied carbon. Within 12 months of use,[70] the asset achieved an annual operational Energy Use Intensity that outperformed the predicted Chartered Institution of Building Services Engineers target by 25% and our internal target by nearly 50%. The installation of 820m^2 of roof-mounted photovoltaics (PV) generates enough energy to offset the asset's operational energy consumption, with excess electricity returned to the grid.

This project has been reviewed by consultancy Cundall and is the first third-party verified net-zero carbon building to achieve net-zero operational and embodied carbon performance targets within our Private Markets business.

A further outcome of this project was the development of an innovative net zero 'shed modelling' toolkit, following collaboration with ESG consultants and technical teams. This enables the quick assessment of the energy performance of similar building projects.

70. April 2023 – March 2024.

E: Climate (continued)

CS

Case study: Porterbrook – green use of proceeds for electric trains

Identify

In November 2024, L&G's Infrastructure Debt team identified an opportunity to support green transportation in the UK through a transaction with Porterbrook, one of the UK's largest rolling train stock leasing companies. L&G has continued to be an investor in the rail space within the UK and Europe, with existing exposure of over £1 billion spread across multiple issuers.[71] We believe rail transport and its decarbonisation is crucial to support the UK's transition to becoming a net-zero carbon economy.

Engage and escalate

The loan was issued under Porterbrook's Green Financing Framework, whereby the funds were allocated to refinancing debt used to purchase zero direct (tailpipe) emission trains. These types of trains are electric or tri-modal, using electric, battery and diesel power. The expected allocation of proceeds had a target split of 84% for electric and 16% for tri-modal trains at origination.

Porterbrook's Green Financing Committee evaluates the allocation of all funds under the framework, meeting on a semi-annual basis and committing to both continuous monitoring and annual sustainability reporting.

Outcome

L&G was the anchor investor in the financing and was able to fund the fleet of 84% electric and 16% tri-modal trains.

Porterbrook Rail also achieved a Global Real Estate Sustainability Benchmark score of 100/100 in 2023, being named as the global transport sector leader. Outside of the assets funded in the deal, Porterbrook also has ambitions to remove all diesel-only exposure in its fleet by 2040, aiming to be net zero by 2050. L&G invested £70 million out of the total £250 million issuance to support the use of clean transportation through the funding of this fleet of electric and tri-modal trains.

71. As at 31 December 2024.

E: Nature

- **In 2024, we published our Nature Framework, which outlines our approach to aligning with the five direct drivers of nature change that have the largest global impact[72]**
- **We updated our Deforestation Policy and 119 companies were identified for vote sanctions in 2024, due to not meeting our minimum deforestation expectations**

Our approach to nature

Societies and organisations across the globe depend on the value provided by nature and its capital. Due to the pressures exerted on nature and fragile ecosystems, they are degrading rapidly, putting at risk the provision of services and products on which we and our economies depend. This poses a systemic market risk that has the potential to cause sudden disruption to societies, economies and functioning financial markets, and to negatively impact the long-term value of our clients' assets.

We support the Kunming-Montreal Global Biodiversity Agreement's mission of taking urgent action to halt and reverse nature loss by 2030, and the vision of living in harmony with nature by 2050. Protecting and restoring nature across markets is hugely complex, requiring public and private sector commitment, collaboration and urgent action.

We have structured our Nature Framework across four key sub-themes: natural capital management; deforestation; circular economy; and water, with a highlight on 'agriculture'. These themes are focused on addressing the five direct drivers of nature loss,[73] as identified by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES).[74]

Our Nature Framework

Natural Capital Management | **Deforestation** | **Circular Economy** | **Water**

Deforestation

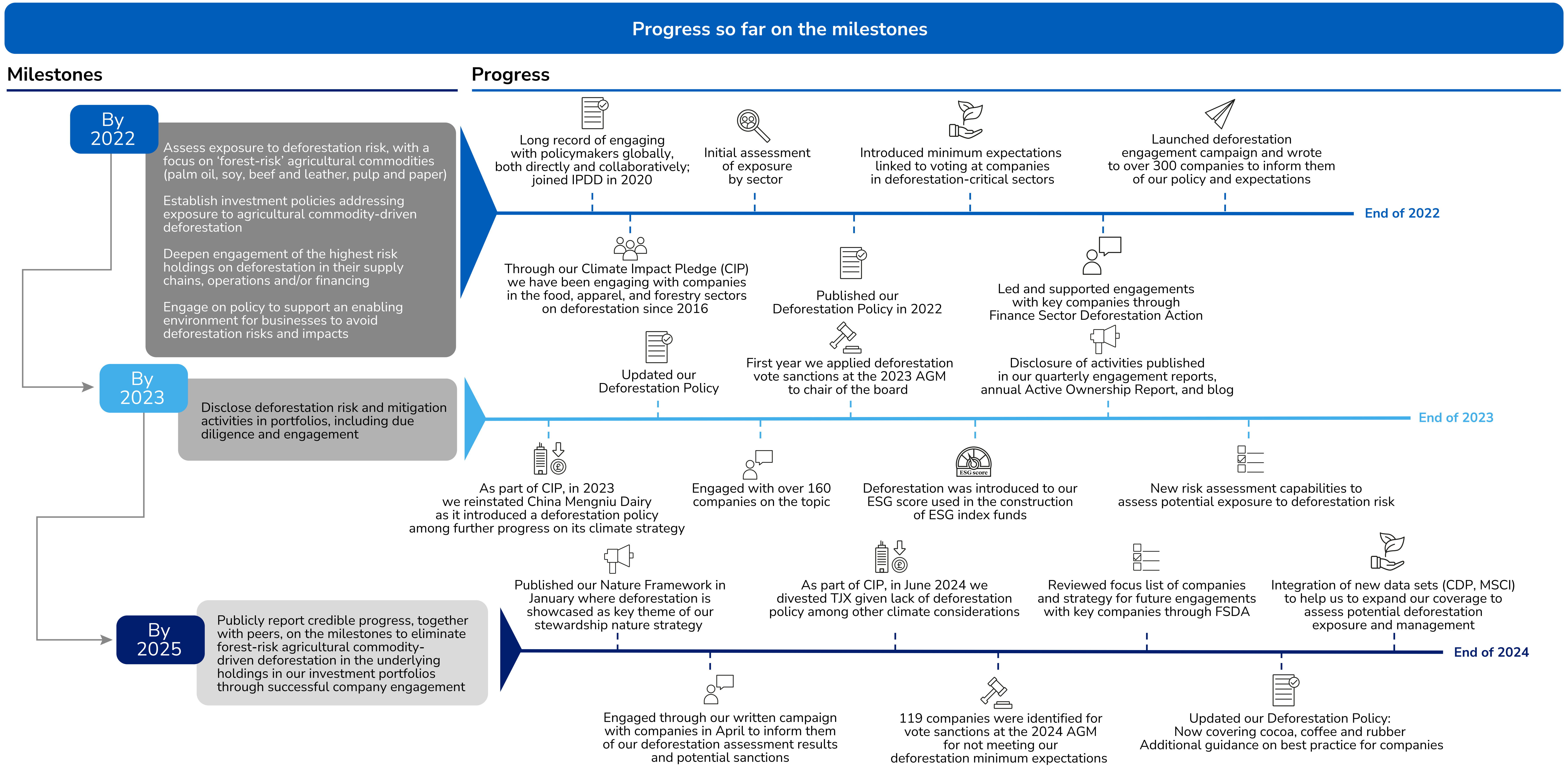
Deforestation is a key factor affecting land-use change, one of the direct drivers of biodiversity loss on land. Halting deforestation is a crucial part of protecting and restoring nature and combating climate change, two systemic risks for the global economy, with significant implications for our clients' assets if left unaddressed.

Our deforestation campaign and COP26 commitment

In 2021, our CEO signed the COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios. The commitment encourages a focus on active ownership and ongoing stewardship, to collectively work towards portfolios that are free from forest-risk agricultural commodity-driven deforestation activities. As a signatory, we commit to using best efforts to tackle commodity-driven deforestation impacts in investment portfolios by 2025 and working towards several milestones.

72. Climate change; land/freshwater/ocean use change; natural resource use; pollution; and invasive alien species; as identified by Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) and aligned with the TNFD.
73. Climate change; land/freshwater/ocean use change; natural resource use; pollution; and invasive alien species.
74. IPBES is an independent intergovernmental body established by UN member states to strengthen the science-policy interface for biodiversity and ecosystem services for the conservation and sustainable use of biodiversity, long-term human well-being and sustainable development. It was established 21 April 2012 by 94 governments (source: About | IPBES secretariat).

E: Nature (continued)



What's new?

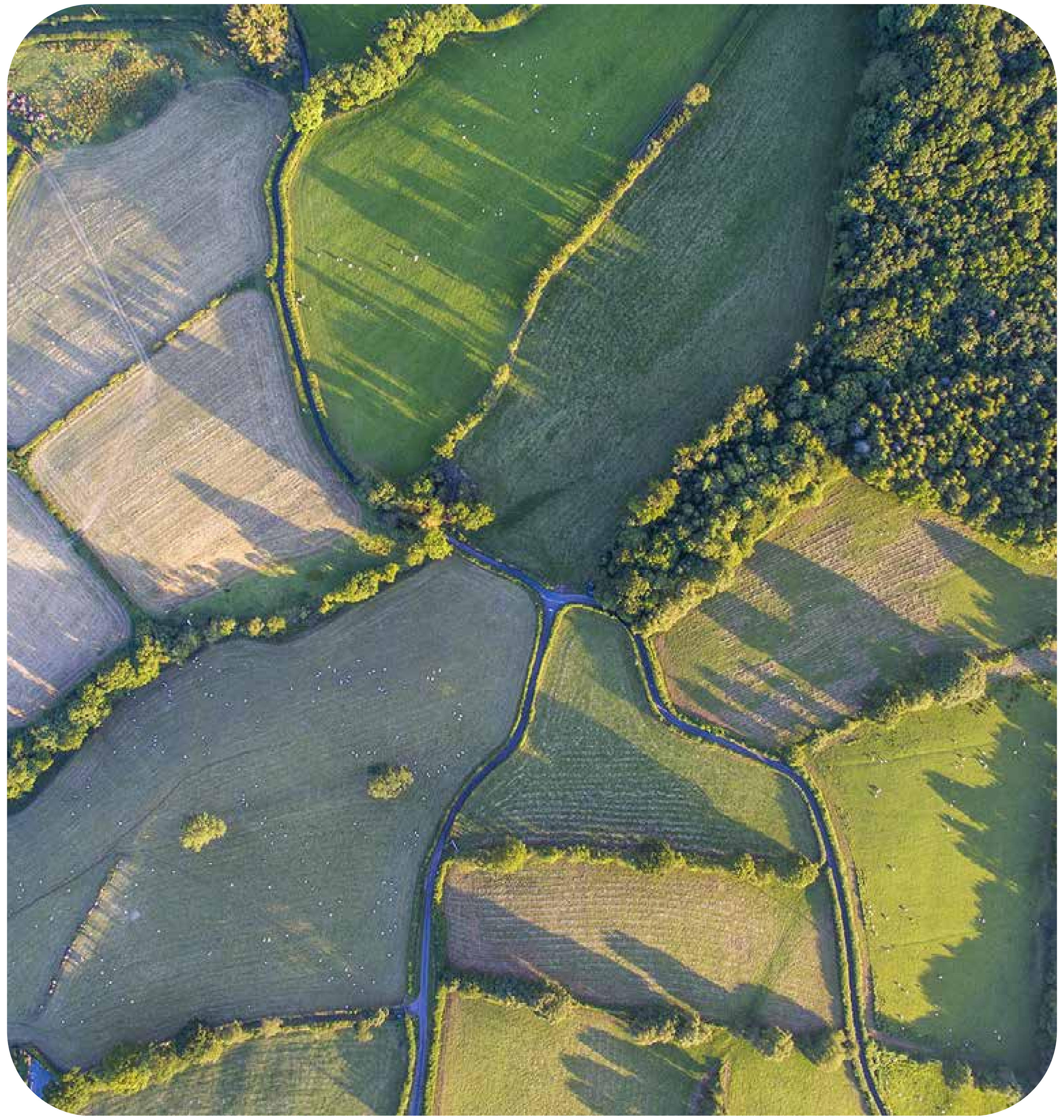
We updated our Deforestation Policy in September 2024 to reflect best practice guidance, follow the latest industry standards on deforestation[75], and ensure alignment with our broader global stewardship policies.[76]

We have expanded its scope to include cocoa, coffee, and rubber.[77] Improvements in data have enabled us to identify and assess companies involved with these commodities, allowing us to expand beyond our initial coverage of palm oil, soy, cattle products (beef and leather), and timber products (forestry, pulp and paper).

In this update we have outlined disclosure frameworks for companies to follow, listed useful tools, and included links to guidance that we believe can help companies achieve supply chains free from deforestation and land conversion. We also note key data providers for companies to collaborate with to increase the availability and accuracy of nature data. Further details can be found in our blog.

75. Informed by the following frameworks: Global Canopy, FSDA investor expectations, Accountability Framework Initiative, and WWF.
76. More details on our blog: Branching out in deforestation, 16 October 2024.
77. Integration of these commodities is informed by the Investor Guide to Deforestation and Climate Change. Ceres, 2020.

E: Nature (continued)



Case study: our 2024 deforestation campaign

Identify

We expect investee companies to proactively analyse, assess and address deforestation and land conversion risks within their operations and supply chains, and to provide relevant disclosures. In line with our deforestation campaign, which we initiated in 2022, we will vote against companies in 'deforestation-critical' sectors that fall short of our deforestation minimum expectations.[78]

We expect companies in 'deforestation-critical' sectors with exposure to forest-risk commodities[79] to have both:

- A public deforestation policy; and
- A programme of actions to deliver on that policy[80]

We also assess on a best efforts basis how robust the policies and plans are, including whether there is a commitment to zero deforestation exposure; inclusion of targets related to deforestation management; and development and adoption of traceability systems.[81]

Engage and escalate

Continuing our deforestation campaign from 2023, we wrote to companies again in April 2024 to inform them of our deforestation assessment results and potential sanctions and to call on them for greater action, referencing our Deforestation Policy and the Accountability Framework[82] as potentially useful guidance.

Through our CIP, we also engaged directly with several 'dial-mover' companies in sectors where deforestation is critical, such as apparel, food and forestry.

We identified 119 companies for sanctions. We will vote against the re-election of the board chair, where possible, at companies lagging our minimum expectations.

Outcome and next steps

The highest proportion of companies is in the packaged foods and meats, food retail and restaurants sub-industries. China, the US and Japan had the highest proportion of companies subject to vote sanctions (18%, 14% and 13%, respectively).

Through our CIP, we added TJX† (ESG score: 61; +2) to our divestment list for its lack of a deforestation policy, among other climate concerns. We will continue to engage with divested companies, seeking their improvement and eventual reintroduction into the relevant funds.

78. Sanction application is subject to data availability. The vote we apply is against the chair of the board.
79. 'Deforestation-critical' sectors or 'high-risk' sectors are defined using Ceres' Investor Guide to Deforestation and Climate Change. We also follow Deforestation Free Finance guidance on which GICS sub-industries to cover.
80. As assessed by Sustainalytics, using its criteria, companies in selected sectors, where we have data, scoring 0 on either deforestation policy or programme will receive a vote against. In addition, we may use data from CDP Forests or MSCI to inform us of the existence of a public policy. Subject to data availability.
81. We currently use data from Sustainalytics in these assessments, using its criteria.
82. Deforestation & Conversion - Accountability Framework.

E: Nature (continued)

Collaborative company engagement

Since 2022, we have participated in Finance Sector Deforestation Action (FSDA), an investor-led initiative representing more than 30 financial institutions that have committed to using best efforts to end commodity-driven deforestation in their investment and lending portfolios. We engage with a key set of companies as a lead and supporting investor and are part of the investor strategic working group. In June 2024, the FSDA released its updated progress report, and in September published investor expectations on deforestation for commercial and investment banks, for which we provided input.

Collaborative policy engagement

We are members of the Investor Policy Dialogue on Deforestation (IPDD) collaboration, which is supported by over 80 financial institutions from over 20 countries representing roughly $10 trillion in assets.[83]

The IPDD's goal is to stop deforestation in some of the most biodiverse and globally significant locations for nature in the world, by engaging with a range of stakeholders, including government authorities and associations, industry, and trade bodies.[84]

European Union

In November 2024, the IPDD issued a statement highlighting investor support for the European Union's (EU) Deforestation Regulation that came into effect in 2023. We were encouraged to see that the Level 1 text wasn't opened for significant renegotiation. With the decision to limit the delay to 12 months, we continue to encourage the European Commission to use this period effectively, ensuring that systems and guidance are in place to give clarity and certainty to all stakeholders – corporates and investors.

Brazil

Alongside 15 other signatories with collective assets of over $4 trillion,[85] we co-signed a letter to the Brazilian government in support of the ratification of the Escazú Agreement, which would strengthen sustainable development and help improve transparency and access to information about civil rights and environmental issues.

Case study: engaging on deforestation with Colgate-Palmolive†

Identify

Beyond our focus on 'laggards', within our deforestation campaign, we engage with companies identified as having high deforestation exposure, but which stand out as strategically prioritising and managing this topic. We have selected Colgate-Palmolive† (ESG score: 68; unchanged) for engagement, due to its potential to galvanise action in its sector, as well as for its significant exposure to forest-risk commodities such as palm oil, paper, cattle and soy.

Engage

We have been engaging with Colgate-Palmolive since November 2022, just after the initial publication of our Deforestation Policy. In addition to written communications, we have met with the company twice.

Our engagements have been focused on challenges and opportunities in meeting its deforestation commitments. We have engaged on supplier compliance and increased traceability across commodities, grievance mechanisms and escalations for non-compliance, board oversight and prioritisation within the company's risk management agenda.

Outcome and next steps

We note that the company meets our minimum expectations on deforestation and has demonstrated further progress. In addition to appreciating responsible sourcing as a critical issue, it has focused on engagement with its suppliers, including ending relationships for non-compliance. On monitoring, it has introduced satellite imaging, and is undertaking the complex process of mapping palm oil derivatives. Additionally, it has published a 'grievance log' for palm oil for 2023. We note that the frequency of board-level updates on deforestation has increased.

In our engagement with the company in 2025, we will focus on traceability on key commodities, collaborations, and addressing risks across the supply chain.

Circular economy

A circular economy is a way of using resources that minimises waste, pollution and environmental impacts and aims to decouple economic activity from the consumption of finite resources. Transitioning to a circular economy entails rethinking how products are designed, produced and discarded, with a view to optimising resource loops across the value chain. This is a key area of our work on addressing the direct drivers of nature change, particularly on natural resource use and pollution. It is also a focus of our climate engagement within relevant sectors, for example apparel and food.

While the circular economy covers a broad range of topics, plastic pollution is a matter of global concern due to the increasing amount of plastic waste, which is harming ecosystems. As well as our direct work with companies, we have engaged collaboratively, for example, with the As You Sow Plastics Alliance and the Petrol Chemical Initiative.

83. Investor Policy Dialogue on Deforestation (IPDD) Initiative as at 5 February 2025
84. Description paraphrased from the IPDD's own website, here: Investor Policy Dialogue on Deforestation (IPDD) Initiative as at 5 February 2025
85. Source: IPDD, September 2024.

E: Nature (continued)

Case study: policy engagement on the Global Plastics Treaty

Identify

The role of plastics in contributing to climate change and the destruction of nature and biodiversity is clear. In addition to being a source of toxic chemicals, plastic production is a significant source of oil demand, and is due to increase three-fold over the next 35 years.[86] Given the dependency of more than half of global GDP on nature[87] and the urgent need to tackle the systemic risk posed by climate change, we believe that plastics present a financially material risk for long-term investors.

Engage and escalate

We have been involved in the ongoing negotiations on the Global Plastics Treaty (GPT), including engaging with the UK government and the chair of the Intergovernmental Negotiating Committee. We strongly support an ambitious and legally binding GPT, including full lifecycle plastics across the value chain, and we have publicly backed an ambitious agreement. We also took part in a multistakeholder dialogue with the UK government, the chair of the negotiating committee, businesses and other investors.

As part of Planet Tracker's collective statement we joined 70 investors representing nearly $7 trillion[88] in calling on petrochemical companies to eliminate hazardous chemicals and reduce their dependency on fossil fuels.

Outcome and next steps

Roundtable discussions considered key elements that need to be included in the treaty text, focusing on the global rules and financing necessary to address plastic pollution. Businesses and investors involved signed an accompanying statement calling for a strong and effective treaty. The statement sends a clear message of our support for an ambitious agreement.

Case study: discussions with PepsiCo† on plastic packaging

Identify

PepsiCo† (ESG score: 58; unchanged) has ambitious commitments and targets related to plastics and sustainable packaging, but its progress has stalled for a few years.

Engage and escalate

We signed a joint letter with the Dutch Association of Investors for Sustainable Development (VBDO), calling on intensive users of plastic packaging to take urgent action, which was sent to PepsiCo in May 2023. We then followed this up in 2023 and 2024 with a collaborative engagement that we led alongside our peers to discuss the requests made.

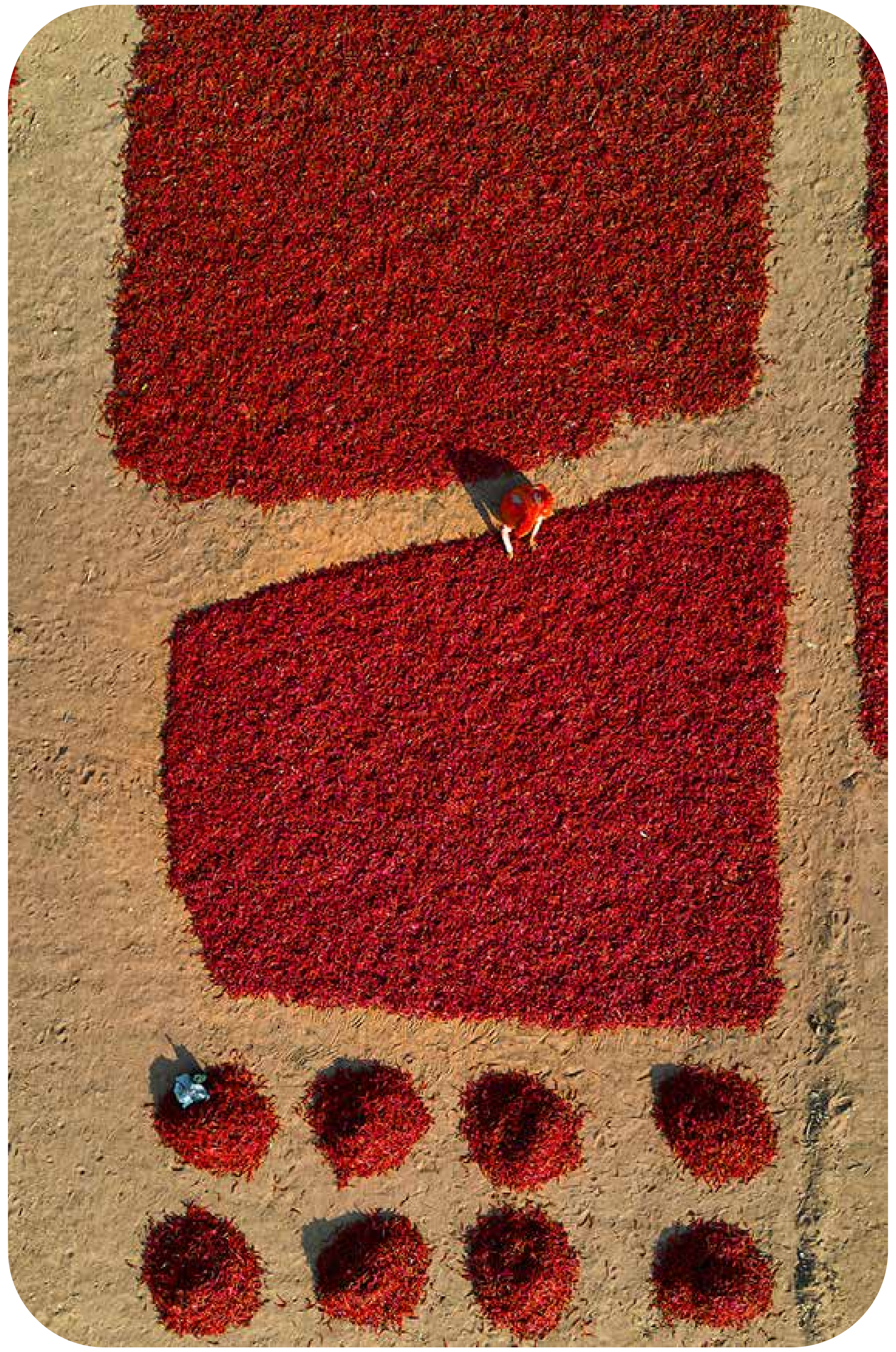
In 2024, as part of the Plastic Solutions Investor Alliance, convened by NGO As You Sow and comprising over 50 asset managers and asset owners[89], we co-led our engagement with PepsiCo to discuss its approach to plastics and the steps it is taking to transition to more sustainable packaging.

Our specific objective was for the company to transition away from single-use (fossil-fuel-based) plastics. We also expect it to support the GPT and refrain from negative lobbying regarding it or any other plastic-related regulations (e.g. Extended Producer Responsibility (EPR)).

We expect the company to disclose information on how it aims to transition away from single-use plastics by boosting sales of reusable products and concentrate (e.g. Sodastream), increasing recycled content in its packaging and reducing virgin plastics, tackling challenges related to flexible packaging, and advocating for a supportive regulatory backdrop.

Outcome and next steps

Although the company has not been able to decouple its business growth from its packaging waste yet, it communicated during our engagement that it is sharing regulatory best practice across markets, so that recycled food-grade packaging is accepted locally. While it remains difficult to recycle flexible packaging, PepsiCo has also committed to switching to paper packaging where possible and focusing on finding solutions at its R&D centre in Texas. We will continue to engage and monitor its progress.



86. Planet Tracker; Petchem Investor Statement.
87. Managing nature risks: From understanding to action; PwC, April 2023.
88. Planet Tracker; Petchem Investor Statement.
89. As You Sow; Declaration on Plastic Pollution Citing Plastic Pollution.

E: Nature (continued)

Natural capital management

Our sub-theme of natural capital management (NCM) encompasses our efforts to globally strengthen how companies integrate their interactions with nature and improve high quality, consistent and comparable data across the market. This is important for addressing the systemic risks posed by nature's degradation, and for understanding the material risks and opportunities presented at a company level.

While some company impacts and dependencies on nature are well understood, measured, and are being addressed, the breadth, consistency, comparability and accuracy of assessments is a long way from maturity. If investors are to leverage insights that can be used to make decisions at scale, various challenges relating to assessments, data and standardised reporting need addressing. We are therefore focusing our efforts on improving corporate integration and assessments of nature-related impacts, dependencies, risks, opportunities, disclosure and the availability of data.

Case study: NCM policy dialogue

Identify

Research from the AIGCC and PwC has highlighted that Asia-Pacific economies are particularly vulnerable to nature-related risks, including biodiversity loss, pollution, and freshwater availability.[90] Across Asia, many globally critical sensitive environments must be safeguarded, and investors do not yet have access to standardised nature-related disclosure from companies with operations and supply chains in these regions.

Engage

Stock exchanges play a critical role in supporting and driving the integration and disclosure of corporate nature-related risks and opportunities, impacts and dependencies. We set out to initiate constructive dialogue with Asian stock exchanges on the adoption of the Taskforce on Nature-related Financial Disclosures (TNFD) reporting requirements, to accelerate their global adoption and action on tackling nature change.

Outcome and next steps

Following a written outreach, we have had direct engagements with three of the following exchanges: Stock Exchange of Hong Kong (HKEX), Singapore Stock Exchange (SGX), Bursa Malaysia, and Stock Exchange of Thailand. We are encouraging them to align with the targets and goals of the Kunming-Montreal Global Biodiversity Framework, to set clear recommendations within disclosure expectations and listing rules during 2025, supported by clearly signposted implementation roadmaps.

Following written letters and direct engagements, we intend to expand our efforts beyond Asia into Latin American regions in 2025.[91]

Case study: engagement to further adoption of the TNFD

Identify

The TNFD aims to address the complex and pressing need to incorporate nature into financial and business decision-making. It was developed collaboratively with input from academia, civil society, governments and over 1,000 market participants, including L&G's Asset Management business. It has been formally endorsed by the G7 and G20 and aims to support a shift in global financial flows away from nature-negative and towards nature-positive outcomes by increasing transparency. The TNFD has emerged as the primary risk-management and disclosure framework that organisations will use to better understand, assess, and act on their nature-related dependencies, impacts, risks, and opportunities.

Engage and next steps

We have been a strong supporter of the development of the TNFD, both as a forum member and as an early adopter through L&G Group reporting. Given the rising expectations of governments, institutional investors and wider stakeholders, we believe the TNFD will become a market-leading framework for nature-related disclosures.

We have been unequivocal in our expectations that investee companies should leverage the TNFD to develop their understanding of how their businesses interact with natural environments ahead of expected regulatory implementation. We intend to scale up these efforts through 2025.

In addition to our policy level dialogue on the implementation of the TNFD, we are engaging corporates on its adoption and the challenges they face in developing credible disclosures. We intend to remain heavily engaged with the TNFD, most recently responding to its consultation on nature transition plan guidance.

90. 53%, or $18 trillion, of APAC's Gross Value Add (GVA) is in economic sectors that are moderately or highly directly dependent on nature. This includes reliance on fertile soils, clean water, pollination, and climate stability, all of which are in serious decline in many parts of the region.
91. For more information, see the Responsible Investor article, 15 August 2024.

E: Nature (continued)

Case study: Nature Action 100

Identify

We are a member of Nature Action 100 (NA100). NA100 is a global investor initiative co-led by Ceres and the IIGCC. Focused on corporate engagement, NA100 aims to encourage greater corporate ambition and action on nature and biodiversity loss, by setting a common agenda and offering a clear set of expectations for companies. More than 230 institutional investor participants – representing over $30 trillion in assets under management or advice – have joined NA100 and will be participating in direct engagement with 100 companies through the initiative.[92]

Engage

We are working collaboratively with other investors to dive into the detail of the NA100 expectations for each company, to better understand how these apply in context and what challenges exist to making meaningful progress. We hope to positively influence companies' impact assessments and risk management practices.

We are focusing our engagement on one company in the pharmaceuticals and agritech sector – Bayer AG† (ESG score: 71; unchanged) – acknowledging the complexities inherent in needing to transform the global food system to one that is more resilient, productive, and sustainable.

We have met with Bayer five times in the last 12 months, both collaboratively as part of NA100 and separately on broader topics.

Outcome and next steps

The dialogue has been constructive, and output has been valuable in informing the NA100 assessment processes across all its engagement targets. We are looking forward to diving further into the detail of specific objectives and expectations that the investor group has beyond the NA100 benchmark criteria through 2025.

Case study: Ecuador Amazon Biocorridor – debt conversion for nature

Identify

Since 2021, we have supported the financing of debt conversions for nature in developing countries. In December 2024, L&G participated in a debt conversion for nature in Ecuador, facilitated by The Nature Conservancy's (TNC) Nature Bonds Program, to advance the Republic of Ecuador's Amazon Biocorridor Program (BCA). This was the first land debt conversion for nature transaction, generating approximately $800 million in gross debt savings for Ecuador, with a portion of the savings secured for conservation efforts across the Ecuadorian Amazon.

Engage and escalate

The transaction will unlock about $460 million over the next 17 years to support terrestrial and freshwater conservation in the Ecuadorian Amazon. We actively engaged with TNC and the Ecuadorian government on the sustainability commitments, governance and reporting requirements and will continue to do so across the life of the investment.

This is our second debt conversion for nature in Ecuador, positioning us as one of the largest investors in these programmes globally. We continue to support innovative financial mechanisms like debt conversions for nature, which offer strong returns and positive environmental and social outcomes.

Outcome and next steps

The debt conversion for nature will support the BCA in targeting 11 key milestones aiming to improve the management of 4.6 million hectares of existing protected areas of the Amazon and safeguard an additional 1.8 million hectares of forests and wetlands, while also protecting 18,000 kilometres of rivers, bringing total BCA protection of Ecuador to 30%. In the event that it does not achieve these milestones, there will be financial penalties.

Water

Alongside causing public health issues, the degradation of our water ecosystems disrupts economic activities, resulting in declining asset values or lower profits at companies dependent on water directly or through their supply chain. In some regions, water-related impacts on agriculture, health and incomes could knock off as much as 6% of GDP by 2050.[93] The Network for Greening the Financial System (NGFS) found that water is the dominant nature-related risk, constituting 7-9% of global GDP.[94]

There are increasing pressures on the demand and supply side. By 2030, demand for fresh water is expected to outstrip supply by 40%.[95] It is also estimated that by 2050 about 46% of global GDP could come from areas facing high water risk, up from 10% today.[96]

In July 2024, we published our Water Policy. This covers two of the four realms in the natural world, cuts across the five direct drivers[97], and is interlinked with our other strategic themes such as climate and health. We are focusing our attention on addressing the risks facing marine and freshwater ecosystems, from both a quality and quantity perspective.

92. NA100 website; accessed as at 5 February 2025.
93. The World Bank, High and Dry: Climate Change, Water, and the Economy, 2016.
94. NGFS Occasional Paper, The Green Scorpion: the Macro-Criticality of Nature for Finance, 13 December 2023.
95. Water Commission; Turning the Tide report; March 2023.
96. Water Commission; Turning the Tide report; March 2023.
97. Climate change; land/freshwater/ocean use change; natural resource use; pollution; and invasive alien species.

◆ **Capital at risk.**

E: Nature (continued)

Case study: Ceres Valuing Water Finance Initiative

Identify

The Ceres Valuing Water Finance Initiative is a global investor-led effort to engage 72 companies with a high-water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems.[98]

Engage

We are involved in this collaborative initiative, which engages with large companies from four water intensive industries – apparel, beverage, food and technology – on how to address their broad water impacts.

The initiative calls on companies to meet the Corporate Expectations for Valuing Water, a set of six, science-based, actionable expectations that align with the United Nations' 2030 Sustainable Development Goal for Water (SDG6) and the actions laid out in the Ceres Roadmap 2030. The companies, while at different stages, have the potential to be better stewards and protect freshwater resources within their business operations and global supply chains to drive meaningful, global change.

Outcome and next steps

Ceres has created a benchmark of all the companies involved in the initiative. The report found that they must accelerate their efforts to advance their water stewardship strategies, while keeping the 2030 Corporate Expectations at the forefront of their initiatives. We have been part of the two engagement groups that are in ongoing dialogue with the corporates.

Case study: GREGs deep dive: the UK water industry

Identify

As a major lender in the UK sterling corporate bond market, we believe we have a responsibility to push for change in the UK water industry.

Engage and escalate

Turning a spotlight on our policy dialogue and collaborative engagements, having provided informal feedback to Ofwat's 2022 consultation on the financial resilience of the sector, in August 2024 we attended a roundtable event alongside over 50 other investors, to express our views directly; investor sentiment at the event was overwhelmingly negative.

Ofwat is the body responsible for economic regulation of the privatised water and sewerage industry in England and Wales. We also arranged a bilateral call in September with Ofwat to discuss market perceptions of the sector.

We have engaged bilaterally with civil servants at the UK government's Department for Environment, Food & Rural Affairs (Defra), mainly regarding bond market perception of the UK water sector and helping to connect Defra with the UK investor trade body, the Investment Association, and with credit rating agency Moody's. We took part in an investor roundtable in September with the environment secretary and financial secretary to the UK Treasury.

We also joined a collaborative working group led by the Investor Forum, focused on short-, medium- and long-term concerns with the UK water system. This collaborative engagement is approaching the topic at a corporate, policy and regulatory level. To date, exploratory meetings have been held with issuers such as United Utilities† (ESG score: 77; +1), Severn Trent† (ESG score: 75; unchanged) and Pennon Group† (ESG score: 78; -3). The topics discussed with these companies have included UK water infrastructure and investor concerns that have been voiced about the sector.

Outcome and next steps

Following the announcement by Thames Water† (ESG score: 46; +1) shareholders that they considered the draft regulatory proposals as 'uninvestable',[99] we joined three meetings of an informal bondholder forum at the Investment Association, which has been seeking to engage with Ofwat and the UK government. We joined a group of Thames Water bondholders, advised by Akin Gump Strauss Hauer & Feld LLP and Jefferies Financial Group, which is engaging on behalf of bondholders with the company, Ofwat and government departments.

We intend to continue engaging with our peers, Ofwat and Defra and other government departments on the formation of long-term solutions for the UK water industry.

Investigating water risks to the financial system

In December 2024, the OECD hosted a workshop on Investigating Water-Related Risks to the Financial System, bringing together experts from central banks, financial supervisors, academia, international organisations, investors, and governments.

The workshop tackled the challenges and opportunities at the intersection of water-related risks and financial systems. Topics that we focused on were i) methodological innovation and diverging approaches to assessing the variety of water-related risks; ii) assessments by central banks; and iii) the role of financial supervisors in guiding institutions to assess and address water-related risks.

Water risks are material and significant for financial systems, and collaboration across stakeholders is required to drive action at a corporate, policy and regulatory level. The OECD is undertaking further work in this area with a forthcoming publication on water-related risks to financial systems.

98. Ceres Valuing Water Finance Initiative website; accessed as at 5 February 2025.
99. Thames Water shareholders signal readiness to take £5bn hit; FT, 28 March 2024.

E: Nature (continued)

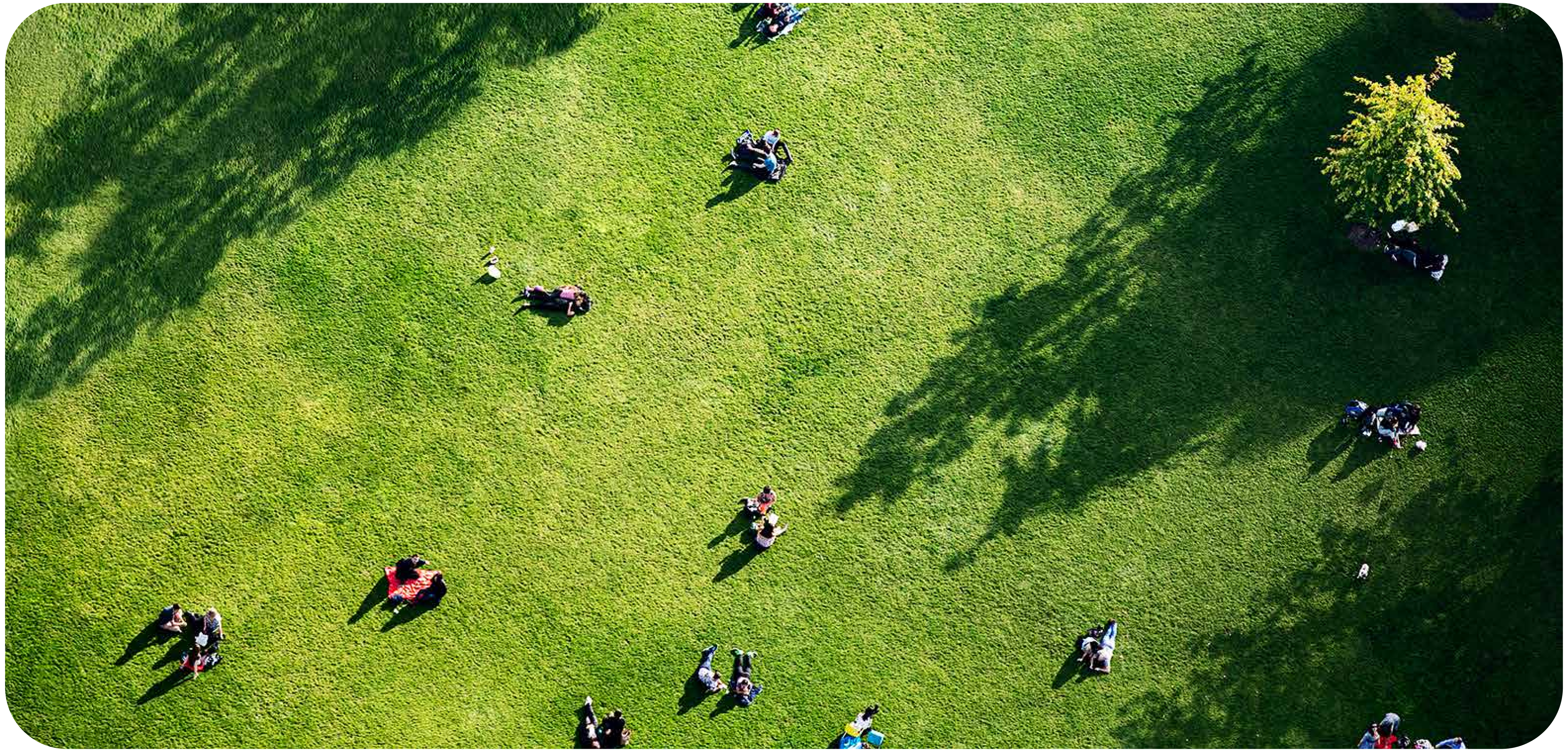
COP16 reflections

Two members of our Investment Stewardship team attended the COP16 Global Biodiversity Summit in Colombia, alongside our peers, global leaders, stakeholders across multiple industries, policymakers and regulatory representatives. We were at COP15 for the negotiations for the Global Biodiversity Framework (GBF) and, following a somewhat challenging but positive COP16 in Colombia, it is clear that we need to continue to accelerate public and private action.

At COP16, we joined over 70 global leaders from across civil society, indigenous peoples, business and finance in signing an open letter to presidents Gustavo Petro of Colombia and Luiz Inàcio Lula da Silva of Brazil, requesting that they take the following actions:

- Strengthen national climate plans to deliver a triple win for people, nature and food security
- Scale up investment for nature and food system transformation
- Support the full and effective participation of farmers, indigenous peoples and local communities across climate, food system and nature policy development, decision-making and monitoring

Recognising the role of the presidents of Colombia and Brazil in climate and nature leadership and the interconnectedness of these challenges with global food systems, we added our voice to the weight of global stakeholders emphasising the importance of action, and our support for the positive steps taken on these issues demonstrates our public commitment to collaborative engagement at the highest level.



S: People

- **In 2024, we co-filed shareholder resolutions at Walmart†, Target† and Kroger†, asking them to develop a policy on paying a living wage to their employees**
- **We launched our human rights engagement campaign, contacting 400 companies in 43 countries. Our outreach has resulted in engagement with 20 companies so far.[100]**
- **In November 2024, we published our Human Capital Management Policy, setting out our expectations of companies on how to manage their labour force**

Diversity

A diverse mix of skills, experience and perspectives is essential for a company and its board to function and perform optimally. Studies demonstrate that a good level of diversity can improve business resilience and decision-making, minimise risks, and improve the sustainability of profit growth which can maximise long-term returns for investors.

We have been engaging with companies on the topic of diversity since 2011 and have been actively voting on the issue since 2015. Our expectations continue to evolve over time as we respond to the changing landscape and companies' progress.

Our Diversity Policy sets out our expectations of companies in which we invest globally. We expect all companies to be transparent and disclose diversity and inclusion policies and representation data at four levels:

- Company board
- Executive committee/senior leadership team
- Management
- Entire workforce

Globally, we voted against over 2,000 companies based on failing our minimum expectations in 2024.[101] The vast majority of dissenting votes targeted the re-election of individual directors based on the company lacking female board members – our longest-standing diversity measure.

During the year, we engaged with 32 companies on gender diversity; of these, eight were collaborative engagements with the 30% Club (UK, Germany and France chapters) and MIDI in the US.

Gender diversity in executive leadership teams

In 2022, we set out our policy to vote against FTSE 100 and S&P 500 companies with all-male executive leadership teams, and we followed up with a letter campaign and engagement programme.[102]

At the end of 2023, refreshed data showed 87 companies as having all-male executive leadership teams, and after checks against a secondary data source, we wrote to 16 companies across the FTSE 100 and S&P 500 indices. We voted against 9 of these in 2024.[103]

We continue to engage with companies that we identified as not meeting our expectations in this area, and for the 2025 AGM season we expect to vote against a single FTSE 100 company and 17 S&P 500 companies if no improvements are evident by their upcoming AGMs.

Ethnic diversity on boards

Our initial focus was on ensuring that companies within the FTSE 100 and S&P 500 indices include at least one person from an ethnically-diverse background. We are broadening this over time because we believe that diversity of thought leads to better board discussions and decision-making.

In 2024, we voted against two UK companies due to a lack of board-level ethnic diversity: Diploma† (ESG score: 60; -6) and Howden Joinery Group† (ESG score: 54; unchanged); this compares to three companies voted against in 2023.[104]

Expansion of our ethnicity campaign
In 2023, we wrote to 49 FTSE 250 and 24 Russell 1000 companies that we considered did not meet our minimum expectations on ethnic diversity, which was to have at least one person from an ethnically-diverse background on the board. These companies were given until the end of 2024 to meet our expectations or face voting sanctions.

- We continued to engage with these companies in 2024 and, by the end of the year, we saw a 61% improvement, with 25 UK companies from the original list[105] now meeting our minimum expectations
- At the end of 2024, of the 24 Russell 1000 companies we wrote to, four had left the index and nine have since appointed an ethnically-diverse board member – a 45% improvement
- Going into the 2025 AGM season, three companies provided an explanation for not having an ethnically-diverse board. The 12 remaining UK companies and five new ones that entered the index will be subject to a vote against the board chair.
- In the Russell 1000 Index, 11 companies from the original target list will be subject to a vote against the nomination committee chair (or equivalent). However, changes in the index resulted in 15 additional companies emerging that do not have the requisite ethnically-diverse board. Therefore, 26 US companies are expected to be subject to a vote sanction in 2025.

100. Internal engagement data; as at 14 November 2024.
101. Internal vote data, 2024.
102. We released a blog on the topic and set out our expectations in our diversity policy.
103. Internal vote data, 2024.
104. Internal vote data, 2023 and 2024.
105. An additional 9 companies were no longer represented in the index.

S: People (continued)

Diversity in Japan

No changes were made to our diversity expectations in 2024. While fewer than 10% of prime market-listed companies have over 30% female representation on their boards[106], we continue to see progress relative to minimum standards in Japan. This is likely driven by the Tokyo Stock Exchange's listing rules on female 'officers' and growing investor pressure. For more details on our votes against re-elections based on diversity concerns, please see our reflections on the 2024 Japan AGM season.

From 2025, we will broaden our scope to vote against TOPIX 500 companies with boards having less than 15% women and require at least one woman to be on the board of all our investee companies in Japan.

Human capital management

A company's workforce is integral to its success and directly influences its performance, growth trajectory and resilience:

- The quality of human capital assets can play a pivotal role in driving opportunities through innovation, productivity and competitive advantage, and therefore may impact company performance[107]
- Workforce-related issues stemming from poor labour relations can lead to operational volatility from impacts to employee attendance and morale, increasing the risk of uncertain productivity and performance[108]
- A healthy and safe working environment can foster higher productivity, reduce absenteeism and lower turnover rates.[109] By investing in employee wellbeing initiatives, companies can enhance workforce morale, engagement and retention, leading to long-term cost savings and improved organisational resilience.[110]

As a global investor and universal owner, we are committed to assessing and addressing the risks and opportunities related to human capital management through raising market standards and best practice, which we consider to be firmly part of our fiduciary duty of managing our clients' assets to promote long-term value. We do so first through seeking corporate transparency, disclosure, and appropriate governance, and then through informed and targeted action to improve practices.

Accordingly, we published our approach on human capital management in late 2024, which sets out our expectations of companies to integrate human capital issues into their strategy and risk management.

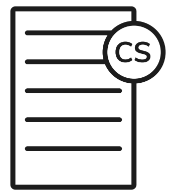
We also ask for disclosure of a number of workforce metrics that can help investors assess a company's management of related risks in this area, including:

- Workforce composition: numbers across worker type (e.g. employees and or supply chain workers), gender, ethnicity, and other workforce demographics
- Retention and turnover
- Wages and compensation: policy on wages and benefits (e.g. minimum wage, 'living' wage and benefits)

For more information see our Human Capital Management Policy.

106. SMTB Engagement Square 2024 AGM Season Review; August 2024.
107. Trading on Talent: Human Capital and Firm Performance; Fedyk & Hodson, 2022.
108. The Impact of Strike Action on Productivity: An analysis; Offordile Nosike & Asogwa, 2024.
109. Benefits and costs: Leading health and safety at work; HSE.GOV, accessed as at 5 February 2025.
110. Business benefits of boosting employee health and well-being; World Economic Forum, 2023.

S: People (continued)



Case study: Darling Ingredients

Identify

Darling Ingredients† (ESG score: 49; +3) is a US-based, animal by-products rendering business. Our Active Investment team engaged with the company due to its weak 'health and safety' score within our ESG Active View proprietary research tool. It scored poorly on some associated metrics and had two staff fatalities – one in 2022 and one in 2023. Sustainalytics rated the company as a level 2 for controversy. In our engagement, we wanted to gauge whether this is a systemic issue for the company, and to understand the steps it had undertaken to improve standards.

Engage

We first contacted Darling about this issue in September 2024, which led to a video conference call with a member of the investor relations team and the director of sustainability. From this meeting, we understood the company expanded during 2024, which led to the number of employee health and safety incidents recorded over the period exceeding the targeted goal.

Darling also indicated this number for the US was better than in the previous year, and that there is a meaningful difference if we separate the base business from the acquired one. The company has added a vice president of safety, refreshed its strategic safety operations plan, including implementing a stop work program – which allows for any employee to call for work to stop if they observe risky behaviour – and invested in safety management software.

Finally, the company shared that its executive compensation is linked to sustainability initiatives (which include health and safety). However, it did not explicitly disclose the breakdown of this compensation link and whether there are any ramifications if there is a fatality.

Outcome and next steps

We aim to follow up with the company in the third quarter of 2025 to track its progress towards improved metrics, examine the impact of hiring a safety manager, and see if there have been any further incidents.

Following our engagement, we were able to remove Darling from the restricted list for some ESG funds for two key reasons. Firstly, we saw an improvement in Darling's overall ESG score, which was the original trigger for the review. Secondly, following our conversations with the company, we are comfortable that its employee health and safety incident rates are not reflective of systemic issues. We understand that its acquisitions can skew the numbers and note the improvements it has made around dedicated personnel focused on the issue.

Income inequality

We believe that poverty and income inequality in the workplace are inextricably linked. The impact of income inequality and in-work poverty on workforce productivity, and the knock-on effect of low aggregate demand for goods and services relative to an economy's productive capacity, should be of significant concern to investors. Closing the living wage gap worldwide could potentially generate $4.56 trillion in GDP annually.[111]

Income inequality can take many forms, and we have focused our attention on addressing wages, more specifically, in ensuring workers earn a living wage. We engage on this important topic both directly and collaboratively with NGOs such as, ShareAction - Good Work Coalition; the Platform for Living Wage Financials, where we co-chair the food retail category; the Interfaith Center for Corporate Responsibility (ICCR) and Shareholder Commons (see below for our engagement and escalation through shareholder resolutions co-filed at three US retailers).

We undertook more than 30 engagements on income inequality and the living wage during 2024.[112]

111. From Fragmentation to Integration: Embedding Social Issues in Sustainable Finance | United Nations Development Programme; August 2023.
112. Internal engagement data, 2024.

S: People (continued)

Case study: our living wage engagement campaign

While higher wages may be seen as additional costs and a reduction to a company's bottom line, we believe there are hidden costs to the company of not paying a living wage. These may become manifest as additional recruitment expenses, loss of productivity because of strike action, or as the cost of absenteeism or presenteeism due to financial concerns.[113]

Identify

Given the potential consequences of income inequality to affect the value of our investments on behalf of our clients, we consider this to be a financial risk.

As a global investor, we aim to use our influence, through collaborative and individual engagements with companies, to encourage them to pay the living wage, not just to employees within their own operations, but also to workers within their supply chains.

Engage

During 2024, we continued to engage with some of the largest companies across the food and retail sector as part of our income inequality campaign.[114] This sector includes businesses with a high proportion of their workforce earning low wages, and it provides an essential community service.

Direct engagements with companies

- **Tesco†** (ESG score: 58; +1) (*UK*) – We had two engagement meetings with Tesco in 2024, including one at its headquarters. We talked about some of its initiatives to tackle pay issues and encouraged it to improve its disclosures as well as to be bold and lead in this area by setting out a formal policy on paying a living wage. We were pleased to hear during our second engagement that the retailer had listened and that improvements to disclosure would be made.
- **Woolworths Group†** (ESG score: 57; -2) (*Australia*) – We engaged with Woolworths on the payment of a living wage to its own employees and supply chain workers. We provided it with supporting information to help it to develop a formal living wage policy.
- **Coles Group†** (ESG score: 64; +5) (*Australia*) – We discussed the campaign's key asks with Coles' chairman in October 2023. During our engagement in 2024, we learned that the company had introduced the topic of a 'living wage' within its updated human rights policy. We believe Coles has taken an important step towards tackling poverty within its supply chains by making this change.

Outcome and next steps

The progress we have seen among some of our 15 target companies demonstrates that there are steps that large retailers can take towards paying the living wage. We believe that the role of leading companies in terms of raising the bar across their industry and supply chains will be crucial in terms of driving broader, market-wide improvements. We will continue to engage directly with these 15 companies and assess their progress ahead of the 2025 AGM season.

Collaborative engagement work with peers

- **ShareAction - Good Work Coalition –** During the year we engaged with five UK companies, Currys† (ESG score: 56; +4), Kingfisher† (ESG score: 63; -1), Ocado† (ESG score: 52; -2), Marks & Spencer† (ESG score: 60; unchanged) and Next† (ESG score: 67; -1), to encourage them to offer a real living wage, as defined by the Living Wage Foundation, to their own employees and third-party contracted staff who operate within their premises. We also encouraged them to become an accredited living wage employer. Of these companies, Kingfisher, Ocado and M&S are already paying their directly employed workers a real living wage. Kingfisher noted improvements in staff retention and employee scores following an increase to pay and training.
- **Interfaith Center on Corporate Responsibility (ICCR) –** We engaged with Dollar General† (ESG score: 46; +1), Hilton Worldwide† (ESG score: 52; -1) and O'Reilly Automotive† (ESG score: 45; +7) to discuss their pay policies and encourage them to pay a living wage. None of these companies appeared to view this an important consideration, as their policy is to remain competitive and focus on other benefits, such as training and rapid promotions to drive employees towards higher wages.
- **Platform for Living Wage Financials –** The focus of the group is on the garment and food agriculture and retail sectors and we co-chair the food retail segment. We held meetings with a number of companies[115] during the year to discuss their policies on ensuring their own employees and workers within their supply chains earn a living wage. At the end of the assessment year, the platform produced a report and held its annual conference in the Netherlands, where we presented the findings of the food retail group assessments.

113. The Centre for Economics and Business Research (CEBR) found that absenteeism due to financial worries is estimated to cost UK employers £3.7 billion annually, while presenteeism is projected to have an even higher annual cost of £6.6 billion. The combined total cost in the UK alone could be £10.3 billion (source: Financial wellbeing and productivity in the workplace, 25 October 2023).
114. See our 2023 Active Ownership report for a full list of the 15 companies we reached out to.
115. Carrefour SA†, The Gap Inc†, Burberry Group PLC†, Ahold Delhaize NV†, Fast Retailing Co†, Kering SA†

S: People (continued)

Case study: shareholder resolutions – collaborative engagement and escalation

Low pay is cited as the main cause of employees leaving their jobs in certain US sectors, such as retail and leisure/hospitality, causing additional costs to these companies from high turnover and hiring expenses.[116]

To raise the profile of the topic at three US retailers, we worked with Shareholder Commons to bring shareholder resolutions at Kroger† (ESG score: 48; +3), Target† (ESG score: 59; unchanged) and Walmart† (ESG score: 53; unchanged).

Identify

Walmart is the world's largest food retailer, with a turnover of $421.8 billion,[117] and the largest employer in the US. Its latest annual report states that it employs approximately 2.1 million staff globally, and about 1.6 million in the US. In the US, some 92% of store employees are paid hourly and about 69% of staff are full time. Walmart's minimum wage for store employees is $14 per hour, which compares to an overall US living wage of $25.30, noting that in some states the figure may be higher or lower.

Engage and escalate

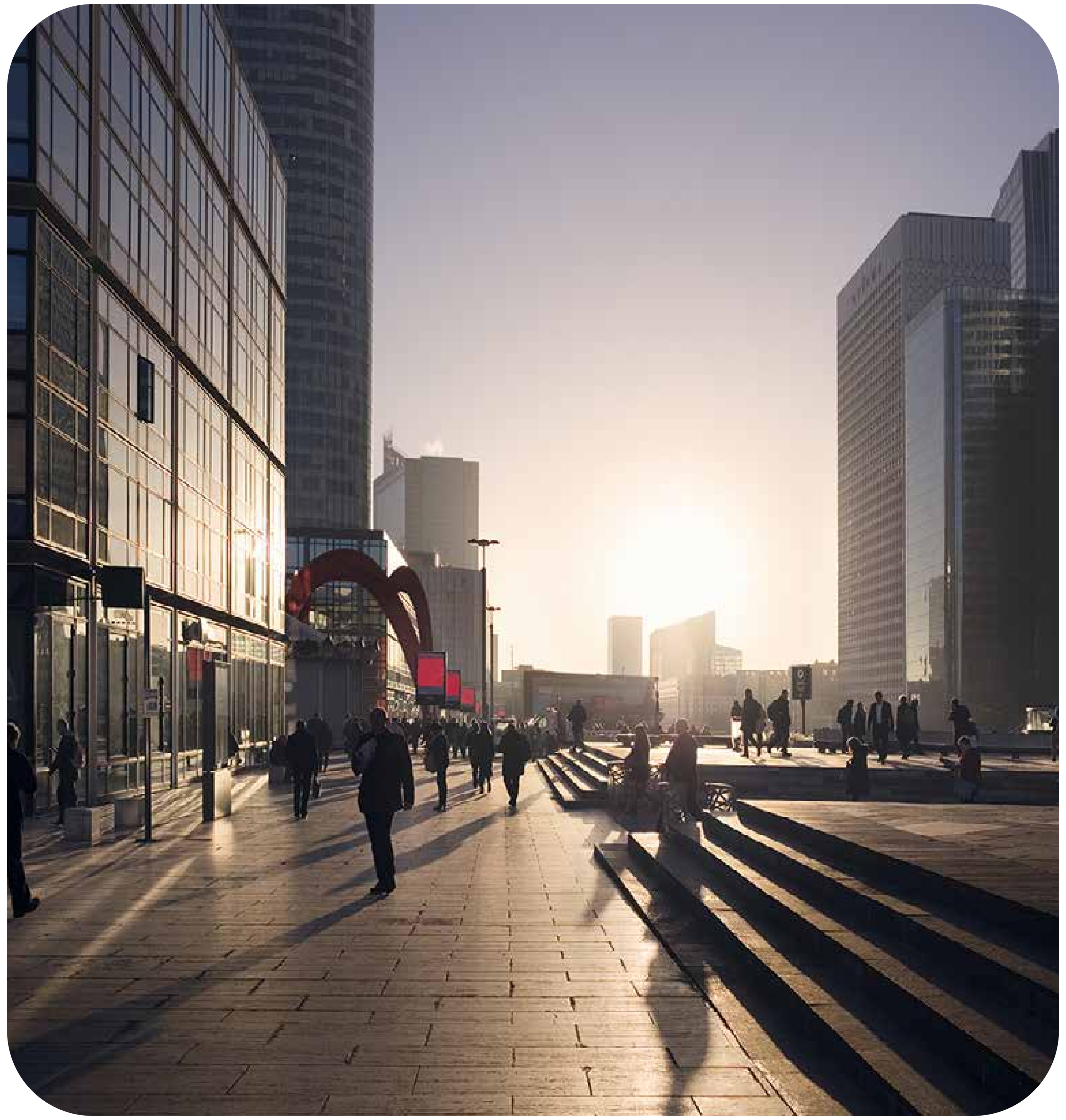
We have been engaging with Walmart over several years. It is one of 15 global food retailers that the Investment Stewardship team has specifically targeted for engagement, asking the company to set out a policy and time-bound plan to pay employees within its operations a living wage, and work with its suppliers to ensure the same. Walmart's policies on the living wage are also assessed by the Platform for Living Wage Financials (PLWF) and are rated as 'embryonic' – the lowest category under its assessment.[118]

We co-filed a shareholder resolution at Walmart's June 2024 AGM that asked the board and management to "exercise their discretion to establish company wage policies that are consistent with fiduciary duties and reasonably designed to provide workers with the minimum earnings necessary to meet a family's basic needs..." (Resolution 7).[119] We also highlighted our vote on our pre-declaration blog.

Outcome and next steps

Despite the flexible drafting of the resolution, proxy adviser ISS recommended voting against the approval of this proposal, as what was being asked did not yet represent industry standards in the US. Only 4.4% of shareholders voted to support the resolution (a further 0.5% abstained).[120] We acknowledge the low support of this resolution in light of the company's shareholder structure. We will review our approach and continue to engage with Walmart as part of our campaign.

Please refer to our blog: Beyond the minimum: why we believe Walmart should pay a living wage for more information on this campaign.



116. Improving U.S. labor standards and the quality of jobs to reduce the costs of employee turnover to U.S. companies; Equitable Growth, 21 December 2020.
117. Top 10 Supermarket Retail Chains in The United States; ESM Magazine, updated as at 6 September 2024.
118. Data supplied by PLWF.
119. Walmart Definitive Proxy Statement, 25 April 2024.
120. ISS vote results data, 2024.

S: People (continued)

Case study: our human rights campaign

As set out in our Human Rights Policy, we believe that human rights issues have the potential to be financially material for investors, and that managing the business elements of human rights within operations is essential for companies in minimising the risks from human rights violations (e.g. losing social license to operate; trade barriers; supply chain disruptions; reputational damage and legal liability).

Identify

The aim of our human rights letter campaign is to communicate our expectations, and to seek companies' views and information about their approach to these risks, by asking them to complete a survey. While this is a letter campaign, we are keen for it to be a two-way exchange, so that we can better inform our next steps.

Engage

A letter was drafted for each sector, addressed to the chair of each company, sharing our view on the fundamental importance of human rights within that sector, along with our expectations of companies. Additionally, we asked them to provide information and feedback about their human rights practices through a questionnaire.

Our campaign focuses on the high-risk sectors outlined in our policy, namely: utilities, energy, mining and minerals, apparel and textiles, technology and automotives. We reached out to around 400 companies in the second half of 2024, covering:

- Over 40 countries in both developed and emerging markets (the top five countries being the US, China, Canada, India and Japan)
- Mid-large cap companies by geography and sector

Outcome and next steps

We published initial findings in our Q4 Quarterly Engagement Report. Based on the collected results from the questionnaires, we plan to conduct further targeted engagements to drive meaningful dialogue with companies whose positive practices and developments have the potential to improve human rights standards across their industries and supply chains.

The graphic opposite summarises the campaign outline and next steps[121]:

Human rights engagement campaign

To expand our outreach to investee companies on human rights, further our understanding of investee companies' management of human rights and their challenges in meeting our expectations.

1 **December 2023** Published human rights policy

2 **Q1 2024 Established engagement plan**
Identified engagement targets, objectives, approaches and timeframe
- **6** sectors
- Top **20-30** mid-large companies by geography and sector
- Our equity holdings

3 **Q2 2024 Engagement commenced**
Human rights letter campaign outreach, including an engagement survey
- **400+** companies
- **43** countries
- **6** sectors: 55% labour intensive, 45% extractives and utility
- **8** FWPL - UNGC violators

4 **Q3 2024 Initial response**
Engagement survey responses received & scheduling direct engagements
- **17** countries, half from emerging markets

5 **Q3-Q4 2024 Engagement progress**
Review of survey responses and direct engagements
- **20** follow-up direct engagements
- 30% in labour-intensive industries, 40% in extractives, and 30% in utilities

6 **2025 Track progress and engagement completion**
- Follow-up engagements
- Progress tracking and objective evaluation

121. Internal engagement data; as at 14 November 2024.

S: People (continued)

Case study: investment in a US homeless shelter – Highbridge shelter

Identify

In April 2024, L&G's Private Credit team identified an investment opportunity in a yet- to-be-built homeless shelter and affordable housing project in the Bronx borough of New York City (NYC).

The project was set up to address the issues of increasing homeless populations in NYC. This was partly driven by lower housing supply and an influx of asylum seekers in recent years. Homelessness in the city has reached its highest levels since the Great Depression and as of February 2024[122], there were 19,538 families with children looking for shelter, which was an increase of 131% since February 2022.[123]

Engage

The $82.5 million transaction was structured by Samaritan Daytop Village and was contracted with the City of New York, through the Department of Homeless Services, to design, build, finance, operate and maintain the homeless shelter facility alongside the affordable housing development.

This included guarantees of the completed construction by Mega Contracting Group, a member of The New York State Association for Affordable Housing (NYSAFAH).

Outcome and next steps

The project will be a 26-storey building with 106 rooms for homeless families in the shelter portion, 316 affordable housing units in the residential portion, and a community space.

As such, L&G was able to support funding for homelessness and social housing in the city by investing $20.6 million out of the total $82.5 million issuance.

Case study: Chelmer Housing Partnership

Identify

In September 2024, L&G reached an agreement to provide financing to Chelmer Housing Partnership (CHP), the largest housing association in Essex, in the UK, with 11,780 homes under management.

CHP operates in an area with high demand for social and affordable housing, partly due to its proximity and transport connections to London. Over 90% of CHP's homes are classified as either social or affordable housing.

Engage

The £60 million transaction builds upon L&G's strong relationship with CHP, with Legal & General Affordable Homes (LGAH) using CHP as its management services provider in the Essex area.

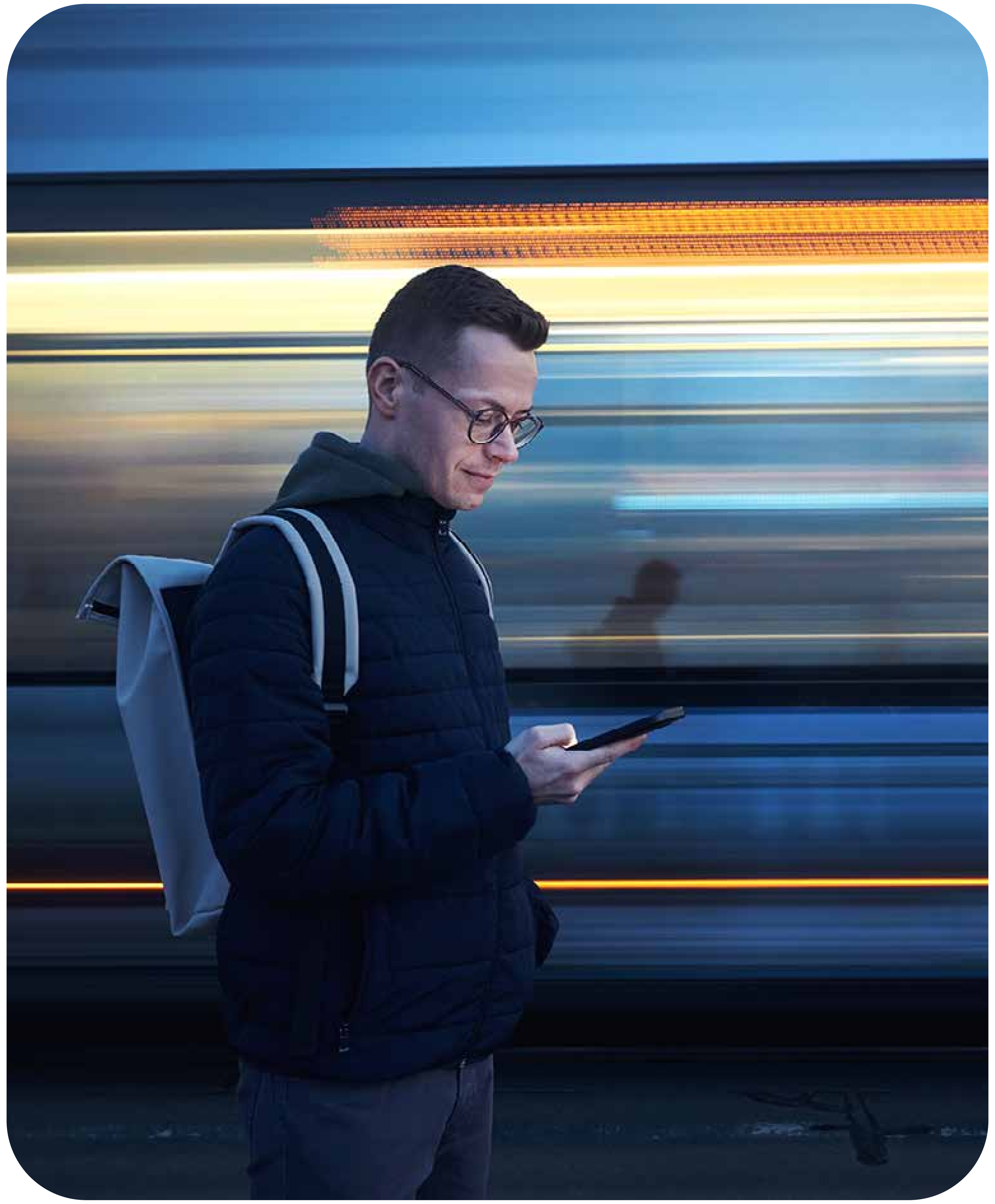
The loan was issued under CHP's sustainable finance framework, meaning the proceeds have to be used for eligible green and social projects across affordable housing, socio-economic advancement and improvement programmes to alleviate unemployment, or green buildings.

As part of this initiative, CHP will produce annual allocation reports within 12 months. Additionally, it will create an annual ESG impact report to highlight the projects funded by the transaction and their positive environmental or social impacts.

Outcome and next steps

One of CHP's key goals is to deliver over 250 new affordable homes annually and by investing £60 million out of the total £150 million issuance, we will be directly supporting it in achieving this goal.

CHP has also set a 2050 net-zero emissions goal and developed a transition roadmap to mitigate climate and carbon risk. It aims to reduce emissions from its housing stock by 5-10% annually, with the goal of having all its homes rated EPC C or above by 2030.



122. Coalition for the homeless, March 2025
123. Institute for Children, Poverty & Homelessness, March 2025

S: People (continued)

Case study: place-based social impact

Identify

As a real estate owner and investor, we have an important role to play in helping to address local needs and delivering meaningful societal outcomes for our stakeholders, including the wider communities in which we invest.

Developed in 2022 and rolled out in 2024, our place-based social impact framework supports asset management and development teams, partners, and portfolio companies in developing fund- and asset-level impact strategies to maximise the social benefits for stakeholders and wider communities.

Engage

We collaborated with social impact specialists Hatch to implement the framework and develop fund-level strategies and asset-specific initiatives.

We also conducted training sessions with development management and project and property management teams across the platform and established regional social impact ambassadors to provide specialised local support.

Outcome and next steps

In 2024, we developed social impact strategies for six property funds and expanded initiatives to cover a wide range of assets. Featured projects include:

- **Crayfields Park:** Facilitated and hosted various local events including student work experience, river clean-ups, and police dog training
- **New Acres, Wandsworth:** Established a new creative studio with the Royal College of Art, hosting community events and sustainability design workshops
- **Woodside Industrial Estate:** Transforming underused areas into a flexible learning studio and community garden for occupiers
- **Dolphin Shopping Centre:** New spaces developed for street food vendors to address local needs and offer local businesses permanent locations for expansion

We launched the Affordable Housing Fund in 2024 (only available in certain jurisdictions), with the investment strategy of delivering a positive social impact by providing high quality, well-managed affordable housing in areas of need.

Moving forward, we aim to continue developing and expanding our social impact strategies and enhance our performance benchmarking for data collection and reporting.

S: Health

- **We continued to raise awareness among policymakers and government officials across the globe about the risks posed by antimicrobial resistance (AMR)**
- **We seek to identify how asset managers can best use their influence as effective partners in the global battle against the rise of AMR**

Our Health Policy

We believe there is a strong link between social health and economic health. Every year, poor health costs approximately 15% of global GDP in the form of premature deaths and the lost productivity potential of workers.[124] The health-related, but often hidden, costs of the global food system, relating to the impacts of obesity and undernutrition, pollution, pesticides and antimicrobial resistance, are estimated to amount to $6.6 trillion[125] and, we believe, ultimately affect the long-term returns of our clients' assets.

At the beginning of the year, we published our inaugural Health Policy. We set out our approach to how we as investors aim to use our influence to mitigate risks in these important areas, including the sectors we focus on and the stakeholders with whom we seek to engage.

AMR around the world

How do we approach AMR?

AMR is the damaging effect of disease, causing microorganisms (e.g. bacteria, viruses, fungi, and parasites) to increase their resistance to antibiotics.

The World Health Organization (WHO) describes AMR as one of the top 10 global public health threats facing humanity today.[126] A Lancet study published in January 2022 confirmed that 1.27 million deaths globally in 2019 were directly attributable to bacterial AMR, with 4.95 million deaths indirectly linked to it.[127] Research published ahead of the UN high-level meeting on AMR in September posits that if no action is taken to stem the rise of AMR we could face a $1.7 trillion annual reduction in global economic output by 2050, and current annual direct healthcare costs of $66 billion could rising to $159 billion in 2050.[128]

We have identified AMR as a key issue that we deem to be a systemic risk; therefore, we have prioritised this topic as a sub-theme within our overall health theme.

In comparison to some of our other strategic stewardship themes, AMR is at a more nascent stage. This means that a significant part of our focus is dedicated to raising awareness with national and global institutions that can take the necessary steps to mitigate the systemic risk posed by AMR.

The last quarter of 2024 was a busy period for AMR discussions and event attendance. We summarise below the actions we have taken to evidence how we are using our position as a global investor to raise awareness about the risk AMR poses and the need for urgent action among stakeholders and policymakers.

UN General Assembly in New York

Through the Investor Action on AMR we called on government officials and policymakers to take concrete steps to mitigate AMR at the UN General Assembly's (UNGA) second High-Level Meeting on antimicrobial resistance, which took place in September 2024.

We view the UNGA declaration[129] as a positive step forward and welcome the establishment of an independent scientific panel by 2025. However, we were disappointed that the target of a 30% reduction of antimicrobials used in livestock was diluted in the final declaration to a 'meaningful reduction'.

AMR in the Middle East

Following the UNGA declaration, November saw a flurry of AMR policy activity. We were delighted to be invited to speak at the fourth Global High-Level Ministerial Conference on AMR in Jeddah, Saudi Arabia. There, we discussed *The Future Economic Impact of AMR & Sustainable Financing Initiatives in Containing AMR for the Health of our Ecosystem*. Other attendees included representatives from the Ministry of Health, the Kingdom of Saudi Arabia, the AMR Action Fund, CARB-X, the World Bank and the Center for Global Development.

AMR online: annual World AMR Awareness Week

We were invited to speak alongside representatives from the World Health Organization (WHO), Sandoz and mPharma on a webinar organised by the Access to Medicine Foundation (ATMF) and WHO on *Mobilising Pharma to Act on the AMR Political Declaration*.

AMR in Europe

Along with FAIRR, we were invited to participate in and present at the UK-Northern Europe AMR Workshop organised by the UK Science Innovation Network at the UK Embassy in Stockholm. Government representatives from Sweden, Finland, Norway, Denmark, Latvia, Estonia and The Netherlands participated, as well as representatives from GSK†, Pfizer†, Novo Nordisk Foundation, Trill Impact, ReAct, Pharmadanmark, Innovate UK, ARMoR and the World Bank. Dame Sally Davies, UK Special Envoy on AMR, and Otto Cars, Professor and Founder of ReAct, chaired sessions.

124. Prioritizing health: A prescription for prosperity; McKinsey Global Institute, July 2020.
125. Growing Better: Ten Critical Transitions to Transform Food and Land Use; The Global Consultation Report of the Food and Land Use Coalition, September 2019.
126. World Health Organization; Antimicrobial resistance, November 2023.
127. The Lancet; Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis, 2022.
128. Forecasting the Fallout from AMR: Economic Impacts of Antimicrobial Resistance in Humans; World Organisation for Animal Health and World Bank, September 2024.
129. See UN General Assembly High-Level Meeting on Antimicrobial Resistance 2024

S: Health (continued)

Why do we participate in industry policy setting meetings?
Our participation in such events and meetings has two aims:

i. Raise and improve the awareness of policymakers and government officials regarding the fact that the asset management industry considers AMR to be a systemic and financially material risk

ii. Work with a broad set of stakeholders to identify how asset managers can best use their influence as effective partner in the global battle against the rise of AMR

The development of national and international strategies to combat AMR is vital to provide the impetus for effective action. While policy engagement remains a core focus of our work on AMR, it is also supported by corporate engagements and our voting activity.

This includes collaborative work in the restaurant sector with FAIRR[130], our co-filing of shareholder resolutions at McDonald's†[131] (ESG score: 68; +1), and our voting in support of AMR-related shareholder resolutions at other companies.[132]

Our approach will continue to be based on these two strategies: raising awareness among policymakers and international stakeholders with the power to drive change, and supporting these activities through our voting and company engagement. Further details on this theme can be found in our Health Policy.

Nutrition

Nutrition continues to be an important topic for investors because it can have a significant impact on the health and wellbeing of individuals, communities, and societies. Poor diets generate more disease worldwide than physical inactivity, alcohol and smoking combined.[133] There is a clear link between poor diets/malnutrition and chronic health conditions, such as obesity, heart disease and diabetes (non-communicable diseases). These conditions can in turn lead to increased healthcare costs and decreased productivity, both of which will have negative impacts on the economy.[134]

Engagement updates:

Grupo Bimbo†
We are members of the Access to Nutrition initiative (ATNi) which, via its Global Index, assesses how the world's food and beverage manufacturers seek to address malnutrition in all its forms. The Index ranks companies on governance and management; the production and distribution of healthy, affordable, accessible products; and how they influence consumer choices and behaviour.

During 2022 to late 2023 we, together with Achmea Investment Management, co-led the engagement with Grupo Bimbo† (ESG score: 40; +1) under the auspices of ATNi.[135]

Grupo Bimbo is a Mexican multinational and one of the 30 largest food and beverage companies globally assessed by ATNi. The company produces and sells bakery products and operates in the Americas and Europe.

In our engagements with the company, we flagged that it was not reporting against an independently developed and governed nutrient profiling model (NPM), such as the Health Star Rating (HSR) or NutriScore, but rather used its own internal NPM. We also noted that the company was not reporting the percentage of sales attributable to healthy products as defined by an NPM.

We were pleased to note that the company is now using HSR, that it is reporting that percentage of sales and it is undertaking a third-party audit of the nutrition aspects in its annual report. In ATNi's recent Global Index, published in November 2024, Grupo Bimbo's score had increased from 4.2 to 5.4 and moved from the 9th ranking to 4th.

Nestlé SA†
In 2023, we announced that we were co-filing a shareholder resolution at Nestlé's (ESG score: 63; +1) April 2024 AGM under the umbrella of ShareAction's Healthy Markets Initiative. We asked the company to publish more effective targets to increase healthier food choices.[136]

We noted our vote in our pre-declaration blog. The resolution received support from approximately 11% of shareholders,[137] which was lower than what we had hoped for.

We have continued to engage positively with the company on nutrition, together with other investors in the Healthy Markets Initiative, and met its newly appointed CEO in December. We were pleased with the frank discussions and positive exchange of ideas during our meeting, and we look forward to continuing the dialogue with the company during 2025.

130. As detailed in our Q4 2023 Quarterly Engagement report.
131. As detailed in our Q2 2024 Quarterly Engagement report.
132. For example, Darden Restaurants† and Restaurant Brands International† (see our pre-declaration blog), as detailed in our Q3 2024 Quarterly Engagement report.
133. Access to Nutrition Initiative, 'Investor Expectations on Nutrition, Diets & Health', June 2020.
134. GBD 2017 Diet Collaborators, Health effects of dietary risks in 195 countries, 1990–2017: a systematic analysis for the Global Burden of Disease Study, 2017.
135. See our 2022 Active Ownership report for more information on this engagement.
136. See our 2023 active ownership report for more information on this co-filing.
137. ISS vote results data, 2024.

S: Health (continued)

Case study: engaging with data providers on Endo International†

Identify

Endo International† (ESG score: 59; unchanged) is a specialty pharma company that was named as a key defendant in multidistrict US opioid litigation concerning controversial marketing practices between 2012 and 2017. In 2022, the company also lost an appeal to revive a lawsuit seeking to block Eagle Pharmaceuticals from selling a generic version of its blood-pressure drug, Vasostrict. These developments prompted Endo to file for Chapter 11 bankruptcy protection in August 2022.

As part of its reorganisation, all the outstanding lawsuits were settled and a new $550 million voluntary trust was set up to pay claimants over the next 10 years. The company emerged from bankruptcy in April 2024 with a cleaned-up balance sheet and no outstanding legal exposure. Despite the comprehensive and final opioid settlement, Sustainalytics maintained its controversy assessment rating for the company. This rating imposes investment restrictions on new bonds issued by Endo for funds adopting some of our ESG methodologies.

We were concerned that these restrictions were based on administrative considerations and the result of old ratings and analysis from Sustainalytics, rather than current issues related to the company.

Engage

We reached out to Sustainalytics in July 2024 asking why its controversy assessment had been left unchanged, even though its global standards screening of Endo had been upgraded following the company's exit from Chapter 11 and the resolution of all its legal liabilities.

Sustainalytics explained it still needed evidence of the new Endo entity successfully funding the voluntary settlements trusts. We shared this feedback with Endo's investor relations team to make it aware of the issue and the investment restrictions on our funds. Endo said it would be following up with Sustainalytics directly to ensure it has all the relevant information.

Outcome and next steps

Since our engagement, all of the controversy assessment ratings on Endo at Sustainalytics have been removed, thus lifting the investment restrictions on relevant funds.

G: Governance

- **In 2024, we voted against almost 260 US companies with dual-class share structures[138]**
- **On executive pay, we apply flexibility when considering pay quantum and alternative structures, where these are aligned to long-term performance and stakeholder experience**

Executive remuneration: best practice

Our guidelines on directors' pay within our Global Corporate Governance and Responsible Investment Policy and our separate principles of executive pay documents for the UK and US markets are detailed and provide a clear picture of our expectations on pay practices globally.

These documents are updated regularly, and changes to the UK principles are discussed with various remuneration advisers to socialise these across the market and provide context.

The Investment Stewardship team also participates in industry working groups to develop market guidelines for best practices on executive pay in the UK, including via the Investment Association and the GC100 and Investor Group (the association of general counsel and company secretaries of FTSE 100 companies, also including members from institutional investors).

We believe that our pay principles and voting policies allow the necessary flexibility to facilitate effective discussion with remuneration committees in implementing the pay structures aligned to their companies' strategies.

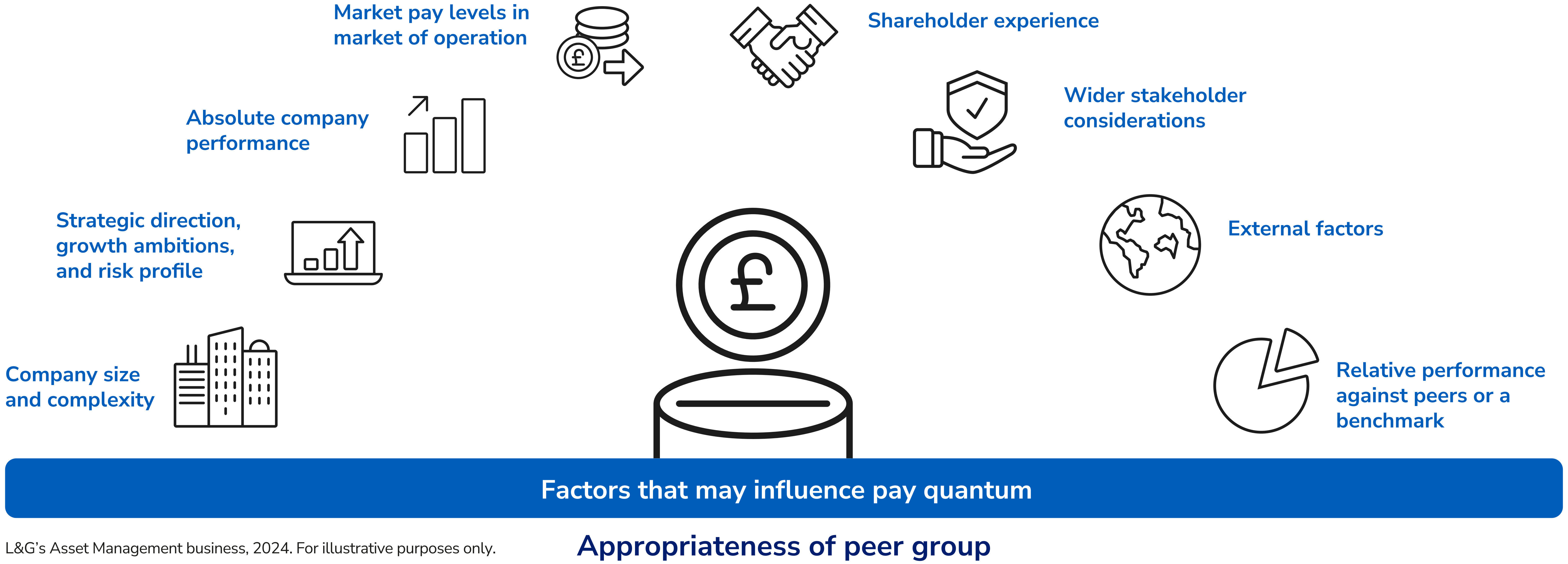
UK pay stays in the spotlight

Discussions around UK executive pay competitiveness have gathered pace, predominantly highlighting differences with pay practices and quantum available in the US. Companies, investors, and various government bodies have weighed into the debate with often divergent viewpoints.

Following consultations on proposed pay structures with investors and other stakeholders involved in the vote decision-making chain, 2024 saw some of these discussions play themselves out over the AGM voting season.

In our view, upper quartile total pay should only be earned for outperforming peers and meeting stretch performance targets. Equally, we do not expect minimum performance outcomes to result in significant pay awards.

> “When considering proposals to increase pay quantum in light of market competitiveness and recruitment/ retention issues, our assessment takes into account the appropriateness of the peer group used in determining the targeted pay levels and the strategic rationale behind the proposed change.”



L&G's Asset Management business, 2024. For illustrative purposes only.

138. Internal vote data, 2024.

G: Governance (continued)

Voting on UK pay in 2024

In 2024, we supported a number of well-argued pay increases for sought-after management at outperforming companies where the talent pool was likely to compete for US-style pay.[139]

Proposed changes included substantial increases to total pay, as well as the introduction of alternative or hybrid pay structures more aligned with strategy or the market in which the companies operated.

Where we did exceptionally vote in favour of such highly-geared pay packages or schemes that were not fully aligned with our remuneration guidelines, this was often done following discussions with the company during an investor consultation period and may have included amended proposals to take account of shareholder feedback.

Our support tended to be in recognition of well-performing management teams or individual directors and followed a strong strategic rationale provided by the company on why such a change in pay was considered appropriate.

We did not support companies that failed to persuade us of their strategic rationale for a change, the absolute need of a particular award structure or magnitude of pay, or the appropriateness of their chosen pay benchmark.

Over the course of 2024, we voted on 174 remuneration policy resolutions at UK companies, a substantial reduction over 2023 – a 'policy year' – which saw us vote on 314 such proposals. In 2024, we were able to support 109 of these (62.6%), reflecting a reduction in the level of support compared to 2023 (75.8%).

We voted against 86 (15.7%) of the 548 remuneration reports proposed, a meaningful reduction in dissenting votes compared to 2023 (20.3%). We also opposed the election of 62 remuneration committee members in the UK, due to our persistent concerns over their pay practices (2023: 61; 2022: 82).[140]

Below are examples of some high-profile company proposals and our voting instructions during the 2024 AGM season – rationales for these can be viewed on our vote disclosure website.

	AGM date	Resolution	Our vote	Result	Rationale
AstraZeneca† (ESG score: 80; +3)	11 April 2024	6 - Pay Policy 7 - Performance Share Plan	For	64.4%/65.3% in favour	Well-performing management Global operations
London Stock Exchange Group† (ESG score: 77; +4)	25 April 2024	4 - Pay Policy 20 - Equity Incentive Plan	For	89.0%/96.1% in favour	Well-performing CEO US exposure Receptiveness to feedback
Pearson† (ESG score: 87; +1)	26 April 2024	6 - Re-elect Remuneration Committee Chair 13 - Pay Report	Against	71.8%/69.8% in favour	Picking-and-choosing market practice Investor concerns remained
Smith & Nephew† (ESG score: 67; +2)	1 May 2024	2 - Pay Policy 19 - Restricted Share Plan	Against	56.8%/55.9% in favour	Insufficient reasoning provided
Centrica† (ESG score: 57; -6)	5 June 2024	2 - Pay Report	For	90.1% in favour	Phased salary increase US exposure
Ashtead Group† (ESG score: 58; -1)	4 September 2024	3 - Pay Policy 16 - Long-term Incentive Plan	For	63.2%/62.5% in favour	Outperforming management US exposure

The relative success (or otherwise) of non-standard pay proposals put to shareholders during the 2024 voting season will likely shape future ambitions for proposed pay structures in light of the very active debate on UK pay competitiveness and alternative reward structures.

High pay that is not linked to commensurate outperformance has not been reliably shown to lift company valuations. Research studies by not-for-profit foundation As You Sow have shown that companies with highly paid CEOs do not necessarily perform better; in fact, over the years, it is evidenced that their total shareholder return is lower than those of other companies.[141]

Significant changes to pay structures at individual companies therefore need to be considered closely and in the round. While our policies allow for flexibility about what is considered an appropriate pay structure, the burden of proof lies with remuneration committees to ensure that these are clearly aligned to strategic direction and potential long-term shareholder value creation.

139. Including at London Stock Exchange Group PLC, AstraZeneca PLC, Centrica PLC and Ashtead Group PLC.
140. Internal vote data, 2024.
141. The 100 Most Overpaid CEOs; As You Sow, 15 November 2023.

G: Governance (continued)

Case study: executive pay at Deutsche Bank AG†

Identify

We expect a sufficient proportion of long-term incentive plans (LTIPs) to be subject to appropriate performance conditions that are aligned to the company's long-term strategy and measured over a period of at least three years.

As part of our assessment of companies' performance pay, we expect that no reward should vest for performance that is below the median of a peer group or benchmark, as this would allow for incentive payments for what is essentially underperformance against this comparator.

Engage and escalate

We have been engaging with Deutsche Bank† (ESG score: 62; -3) on the topic of remuneration for a number of years. Our negative votes lodged at its 2022 and 2023 AGMs led to detailed and valuable engagements, enabling us to explain our expectations and understand the company's position.

Engagements have encompassed both detailed email exchanges and meetings with the head of investor relations and the reward team.

While some improvements were made to its remuneration practices by the 2023 AGM and the bank improved its disclosures on pay, we were still unable to vote in favour, as we required demonstrable alignment between the vesting of pay rewards and long-term performance. Nevertheless, we noted year-on-year improvements in the transparency and structure of pay awards.

Outcome

Following further engagements, we were pleased the remuneration committee listened to investors in evolving its remuneration structures to ensure that, from 2024, all LTIP awards are made in the form of shares and measured over a three-year period, with any vesting starting at median or above relative performance outcomes. The remuneration report resolution received almost 87% shareholder support.

2024 pay structures at Deutsche Bank provide a positive example to other companies in the region on what is possible in aligning pay to performance and the experience of shareholders. We will continue to review the bank's pay outcomes against its performance.

Voting on pay practices in North America

We have continued to strengthen our policy stance in this region to improve pay practices and better align compensation with long-term performance. After several years of refining our policy in this market, we needed to make very few substantial changes for 2024 and beyond.

Changes to our voting policy for 2024, as indicated last year[142], reflected our concerns with:

- Corporate jet use for private purposes by US executives – this perk represents a particular issue for us given the combination of an increasing gap of income inequality between executives and the rest of the workforce, as well as the CO2 emissions that this mode of transport creates
- CEO pay ratios exceeding 300 times that of the average worker, despite multi-year underperformance against the S&P 500 index

In 2024, these changes resulted in votes against almost 380 companies for the use of corporate jets, and 60 companies were targeted for income inequality concerns when their three-year total shareholder return underperformed the index.[143]

Overall, we voted against 82% (2023: 86.5%) of all management-proposed pay proposals at US and Canadian companies.[144] Many of these continue to relate to performance conditions not being measured over a three-year period, a majority of long-term incentives not being linked to any performance conditions at all or becoming payable for below median relative performance.

In 2024, only four companies[145] in the S&P 500 failed their 'say on pay' vote, compared to 13 in 2023, representing an all-time low for significant pay dissent in the US.

We voted against each of these[146]: Norfolk Southern† (ESG score: 54; -1) due to one-off awards and inappropriate use of discretion; Zebra Technologies† (ESG score: 74; +4) due to one-off awards; 3M Company† (ESG score: 55; unchanged) due to limited long-term performance linkage; and Salesforce† (ESG score: 67; +2) due to one-off awards and vesting for below-median performance. We also noted the use of corporate jets for private purposes at Norfolk Southern, 3M and Salesforce.

Globally, we opposed 50% (2023: 52%) of all management-proposed pay-related proposals in 2024, due to companies not meeting our minimum standards for fair and appropriate long-term performance-based pay.[147]

142. See our 2023 Active Ownership report; page 74.
143. Internal vote data, 2024.
144. Internal vote data, 2024.
145. Norfolk Southern (27.9% of votes cast in favour), Zebra Technologies (40.2% for), 3M Company (45.0% for) and Salesforce (45.6% for); all industrial and technology companies. Source: Companies see strong support for executive pay programs in 2024; Mercer, 21 August 2024.
146. Internal vote data, 2024.
147. Internal vote data, 2024.

G: Governance (continued)

Our stance on consultations

We have long-established, publicly available guidelines on our minimum expectations of pay proposals. Our experts meet with remuneration consultants annually to discuss any changes to our policies and market developments. We also regularly meet with other investors to ensure our guidelines continue to be some of the most detailed in the market.

Given the discussions on UK pay competitiveness, as well as companies wishing to review and benchmark executive pay packages that had not been substantially adjusted for a number of years in a difficult environment, we continued to see significant pay rises being proposed in 2024, across most pay elements (e.g. salary, bonus and LTIP), and often simultaneously.

We also saw a small number of companies considering changes to their executive pay structures to align them more closely with compensation provided across the organisation below-board. This included the flexibility to introduce hybrid schemes that comprise both time-based restricted shares and performance share awards. Some companies also sought to reduce the deferral element under the annual bonus, in line with a perceived loosening of institutional guidelines. Under certain scenarios, we now support such proposals and have included a separate section on our expectations in our UK Executive Pay Principles.

In 2024, we were involved in over 100 separate remuneration consultations, broadly in line with previous years outside a 'policy year'. This represents a reduction compared to 2023 (150), reflecting the three-year policy renewal cycle in the UK.

Incentivising the management of climate risks and opportunities

In 2022, we set out time-bound expectations for climate-critical companies to have at least 20% of their LTIP awards linked to GHG emissions reduction targets. Metrics should be linked to SBTi-approved or equivalent transition plans aimed at achieving net zero by 2050 or sooner. Targets should also be set to create new opportunities that not only aim to improve revenue, but also have a positive impact on climate.

These expectations will come into effect for remuneration policies from the first quarter of 2025 and vote sanctions may be levied against companies in 20 climate-critical sectors, where data allows, in line with our Climate Impact Pledge campaign.[148]

See our 2023 Active Ownership report for information on our expectations of ESG metrics in remuneration, covering additional topics such as health and safety and the metrics used in the oil and gas sector.[149]

148. This will apply to companies covered under our CIP within the following sectors: aluminium, apparel, autos, aviation, banks, cement, chemicals, food, forestry, glass, insurance, logistics, mining, oil and gas, REITs, shipping, steel, technology and telecoms, multi-utilities and utilities.
149. See our 2023 Active Ownership report, our expectations on ESG metrics; page 76.

G: Governance (continued)

Investor rights: continuing the push for 'one share, one vote'

We believe that voting is an essential right of shareholders; to promote market efficiency and to hold company boards to account.

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.

This basic shareholder right continues to be undermined by the existence of unequal share classes, or 'dual class' share structures (DCSS) - i.e. where two or more types of share class exist, each with different voting rights.

Using our vote to highlight concerns
We have been a long-standing advocate of equal voting rights and published a blog post on this topic in 2022, ahead of a renewed engagement push in the US to highlight our concerns with these unequal voting rights.[150]

Since then, we have maintained our voting escalation for US companies that present with dual-class share structures without a timeline for their removal, or a regular shareholder vote on their continuation.

Given the level of concern, our vote sanction targets the board chair or CEO at these companies. In 2024, we voted against 258 companies with DCSS in line with this voting policy, broadly unchanged from last year (265 companies sanctioned).[151]

This policy currently applies only in the US, where notable companies continue to list with dual class share structures.

In line with our voting stance on the reduction of shareholder rights, we also do not support the introduction of dual-class shares globally, and would vote against any such proposals where they are put to a separate shareholder vote.

Joining forces with peers
To amplify our voice and pool our resources, we may join collaborative efforts with peers on issues that affect a broad representation of the market.

In 2024, we joined the Investor Coalition for Equal Votes (ICEV), which was co-founded in 2022 by UK asset owner Railpen and the Council of Institutional Investors (CII) to advocate for one share, one vote structures. Its steadily growing membership now includes US, UK, and global investors with a combined $4 trillion assets under management.[152]

To educate the stakeholders involved in companies listing their shares on public markets, including pre-IPO companies and their advisers, in November 2024 the coalition published a report on the expectations and voting stances of institutional investors globally regarding unequal voting rights.[153]

The coalition's work has already received good exposure, in industry forums and via social media, adding voices to our undertaking. At this early stage of our involvement, we are considering how we could further bring our size and reputation to bear, across our equity holdings and through our private credit exposure.

150. See our 2023 Active Ownership report (p.77) for more information on this engagement campaign and resulting voting sanctions during the 2023 AGM season.
151. Internal vote data, 2024.
152. ICEV; as at 5 February 2025.
153. Voting on voting rights – How the world's largest investors sanction companies with unequal voting rights; ICEV, November 2024.

G: Governance (continued)

Changes to regulation and listing rules: working with reduced shareholder protections

As disclosed in our 2023 Active Ownership report, L&G's Asset Management business has participated in a number of significant consultations on proposed regulatory changes and updated best practice guidelines in the UK, both in conjunction with industry bodies and individually.[154]

This includes the FCA's changes to the listing rules to combine the 'standard' and 'premium' listing segments. A renewed consultation into the effectiveness of the UK capital market closed in March 2024, with the new listing regime coming into effect in July 2024, including a more permissive regime around DCSS and the loss of shareholders' rights to vote on significant transactions.

Some of the first significant transactions to go through without shareholder approval being required included corporate transactions at Tate & Lyle† (ESG score: 60; +22), Hammerson† (ESG score: 65; -6) and Capita† (ESG score: 70; +3), some of which announced the adjournment of previously called general meetings scheduled for a date after the changes became effective.

Our concerns broadly relate to the combined effect of deregulation and the impact upon corporate accountability versus investors' ability to monitor and influence. We will continue to monitor market participants' actions in this area and seek to petition policymakers and regulators where opportunities arise.

ACGA Korea Working Group delegation

As a member of the Asian Corporate Governance Association (ACGA), we attended the Korea Working Group delegation visit to Seoul in March 2024.

Our membership enables us to broaden our stewardship reach in countries and regions where, historically, corporate governance has taken place behind closed doors, and where the number of controlling shareholders is high. Here, we provide a high-level summary of activities and discussions, demonstrating the value of collaborative engagements with corporates, regulators, and other stakeholders.

AGM attendance
For international investors, in-person attendance at South Korean AGMs is challenging: paperwork, attendance formalities and permissions are complex, and instructions on how to attend often lack necessary details. Meetings have been traditionally held in Korean and often with no interpreter present, unless a large delegation of foreign investors has requested to attend, adding to the potential challenges for international investors to exercise shareholder rights during AGMs.

Through this delegation, we were able to secure attendance at some Korean company AGMs, a new experience for us, and one that provided valuable insights into governance behaviour and the relationship between companies and their shareholders.

Corporate Value-up Program
The South Korean government's Corporate Value-up Program is intended to enhance the value of listed companies by improving market transparency, improving accessibility to capital markets and strengthening protections for shareholders.[155] As part of the ACGA delegation, we were able to witness how companies are implementing their own 'value-up' programmes as part of this initiative, and to better understand the hurdles impeding progress in areas such as disclosures and having high levels of family ownership of corporates.

Policy and regulatory engagement
After two days of meetings with industrial associations, NGOs and academics discussing capital market reform in South Korea and the Corporate Value-up Program, we met with various government authorities, including:

- The Financial Supervisory Service (FSS): established in 1999, it oversees financial supervision across the entire sector
- The Financial Services Commission (FSC): a government agency with authority over financial policy and regulatory supervision
- The Commercial Legal Affairs Division of the Ministry of Justice (MOJ): it works with the FSC to implement and enforce financial policies and regulations
- The Korea Exchange (KRX): it leads the Corporate Value-up Program and sets ESG disclosure guidance for the listed market

Company engagements
During the delegation trip, we also took the opportunity to schedule collaborative engagements with two South Korea-listed companies: POSCO† and Sk Hynix†. The opportunity to meet with them in person provided us with not only the chance to further our engagement discussions, but also an avenue for us to strengthen our relationship with the companies. We believe a solid relationship is essential, in particular to enhance the 'engageability' of our investee companies in the region.

154. For more information, see our 2023 Active Ownership report; page 80.
155. Press Releases - Financial Services Commission (fsc.go.kr)

G: Governance (continued)

Case study: policy advocacy and collaboration on corporate governance in Japan

Identify

Areas of focus in Japan have included gender diversity, board independence and cross-shareholdings. In addition to addressing these topics in our individual company engagements, we believe in the power of collaborative initiatives in driving the nationwide developments we seek, and therefore place great emphasis on our targeted regulatory and stakeholder engagements. Our local presence in Japan is vital in attending these collaborative meetings and demonstrating our commitment.

Engage

In February 2024, we provided formal written comments on the Tokyo Stock Exchange's (TSE) proposed revision to its listing rules to introduce mandatory disclosure of certain Japanese and English corporate documents. We also attended a meeting with TSE representatives in London to provide feedback on this issue directly. In our meeting we also took the opportunity to discuss other topics in the spotlight for us in Japan, including gender diversity, board independence and tenure, and climate change.

As a member of the ACGA, we attended a delegation in late September in Japan at which, among other topics, diversity was an area of focus with the Cabinet Office Gender Bureau Department and the TSE.

We were pleased to be named in ACGA's open letter to regulators sent specifically to the TSE, FSA, METI, the Cabinet Office and the Keidanren (the Japanese Business Federation).

In the letter, we are named in the sections providing recommendations on strategic shareholdings, the timely provision of information during AGM season, board effectiveness, diversity targets and board structure.

We also continue to work closely with the ICGN, with a recent example being our input into the ICGN statement that was shared at the Japan FSA's Expert Panel on the Stewardship Code meetings, held in October and November. Our input included governance-related calls for companies to:

- Provide timely disclosures of information ahead of the AGM and allow better board access (and board training where needed)
- Publicly disclose investor relations email addresses
- Make AGMs more accessible and inclusive

Outcome and next steps

Nationwide changes in corporate governance require time, consideration and support from a broad set of stakeholders. We have seen progress over the years, which encourages us in terms of future developments. Our collaborative work with these stakeholders will remain pivotal to our efforts in this market, along with direct company meetings.

Reflections on the 2024 Japan AGM season

We summarise below some of the key trends we observed across climate, social and governance themes at Japanese AGMs held between April and June of 2024.

Board composition – diversity and independence
The trend of low support for senior board members at companies with issues related to board composition and capital management, which began last year, has continued.

- While across all companies, one in four does not meet our independence criteria[156], board independence on Prime Market-listed companies has improved significantly, with 98.2% having at least one-third of the board made up of independent directors (compared to 73.1% in 2021, or 9.6% in 2014)[157]
- Regarding diversity, we voted against 27 Japanese companies[158] for lagging our minimum diversity expectations[159], compared to 75 over the same period in 2023

Cross-shareholdings
Cross-shareholdings remain a major concern, often leading to poor corporate governance, inefficient capital use and potential anti-competitive behaviour.

Based on our policies, we vote against top executives if a company allocates 20% or more of its net assets to cross-shareholdings without clear justification or a strong reduction policy. In June, we voted against 65 companies for this reason, down from 96 last year.[160] We view this threshold as a temporary benchmark, with the expectation of an ongoing reduction and eventually reaching zero.

Climate-related shareholder resolutions
Support for climate-related proposals has grown, with 10 receiving over 20% backing at Japan's top 500 companies, up from four in 2023.[161] Against this backdrop, the shareholder proposal that we co-filed at Nippon Steel† (ESG score: 21; +1) on climate lobbying transparency received 28% backing, one of the highest levels of support ever recorded for a climate-related shareholder proposal in Japan.[162] For more information on our engagement with Nippon Steel, see the case study.

156. SMTB, August 2024
157. Japan Association of Corporate Directors, Corporate Governance Report 2024 (in Japanese only), August 2024.
158. Internal vote data, to end of June 2024.
159. From 2025, we will broaden our scope to vote against TOPIX 500 companies with boards having less than 15% women and require at least one woman on the boards of all our investee companies in Japan.
160. Internal vote data, to end of June 2024.
161. Internal analysis based on ISS vote results data, 2024.
162. Nippon Steel: shareholders deliver Japan's largest ever vote in support of climate lobbying resolution; ACCR, 25 June 2024.

G: Governance (continued)

Governance and diversity: consultation on HKEX Corporate Governance Code

In June, the Hong Kong Stock Exchange published a consultation paper on corporate governance code enhancements.

Through our membership of the ACGA, we provided the following feedback:

- Over-boarding: there should be a maximum of four or five directorships, and counting the role of chair or CEO as two mandates, given the extra complexity, oversight and time commitment this entails[163]
- Director training: it should be more formal and structured. An additional way for directors to develop relevant competencies and awareness is to meet regularly with investors to gain fresh knowledge and different perspectives.
- Board diversity: a 30% target would strengthen board diversity expectations in line with our Diversity Policy
- Board evaluation: external evaluations should be conducted by independent third parties on the board, board committees and individual directors

We believe that responding to such consultations is an important mechanism for feeding into the improvement of corporate governance standards around the world. A copy of the final consultation responses submitted by ACGA was published in August 2024.

Case study: governance discussions with Qantas Airways

Identify

Our engagement with Qantas Airways† (ESG score: 49; unchanged) dates back to 2020, when the Australian airline faced a number of controversies over its treatment of customers and staff during the COVID-19 pandemic (for both of which the company has been ordered, through legal action, to provide redress).

These controversies highlighted governance issues that have been a regular topic of engagement with the company (alongside climate change). On governance, the specific issues we discussed in 2024 were:

- Over-boarding (time commitment of directors)
- Succession
- Remuneration

Engage and escalate

We met with Qantas four times during 2024, including discussions with the new chair. Since the controversies mentioned above, both the board chair and the chair of the remuneration committee have been replaced and the board has undergone a degree of refreshment. Our discussions with the company helped us gain a closer understanding of stability on the board, the timeframe for correcting the over-boarding of the chair, and the steps taken by the remuneration committee to hold directors and executives accountable for their actions.

This was reflected in our voting decisions at the company's AGM at the end of October. While over-boarding was a concern for the new board chair, we understand that he cannot abruptly end his tenure at the other companies where he serves. Therefore, we supported his election as chair at Qantas (but we will vote against his re-election at other companies where he serves on the board).

The other director election that became a focus for us was of a non-executive director (NED) who was serving on the board at the time of the COVID controversies. Failure to provide oversight of the board at that time and the mishandling of executive compensation were the prime considerations in assessing our vote. However, given the significant refreshment of the board since then, the departure of many culpable directors, and the actions of the new remuneration committee chair (discussed below), we voted for the re-election on account of the need for some stability on the board at a turbulent time. We would note that this NED also brings significant industry experience.

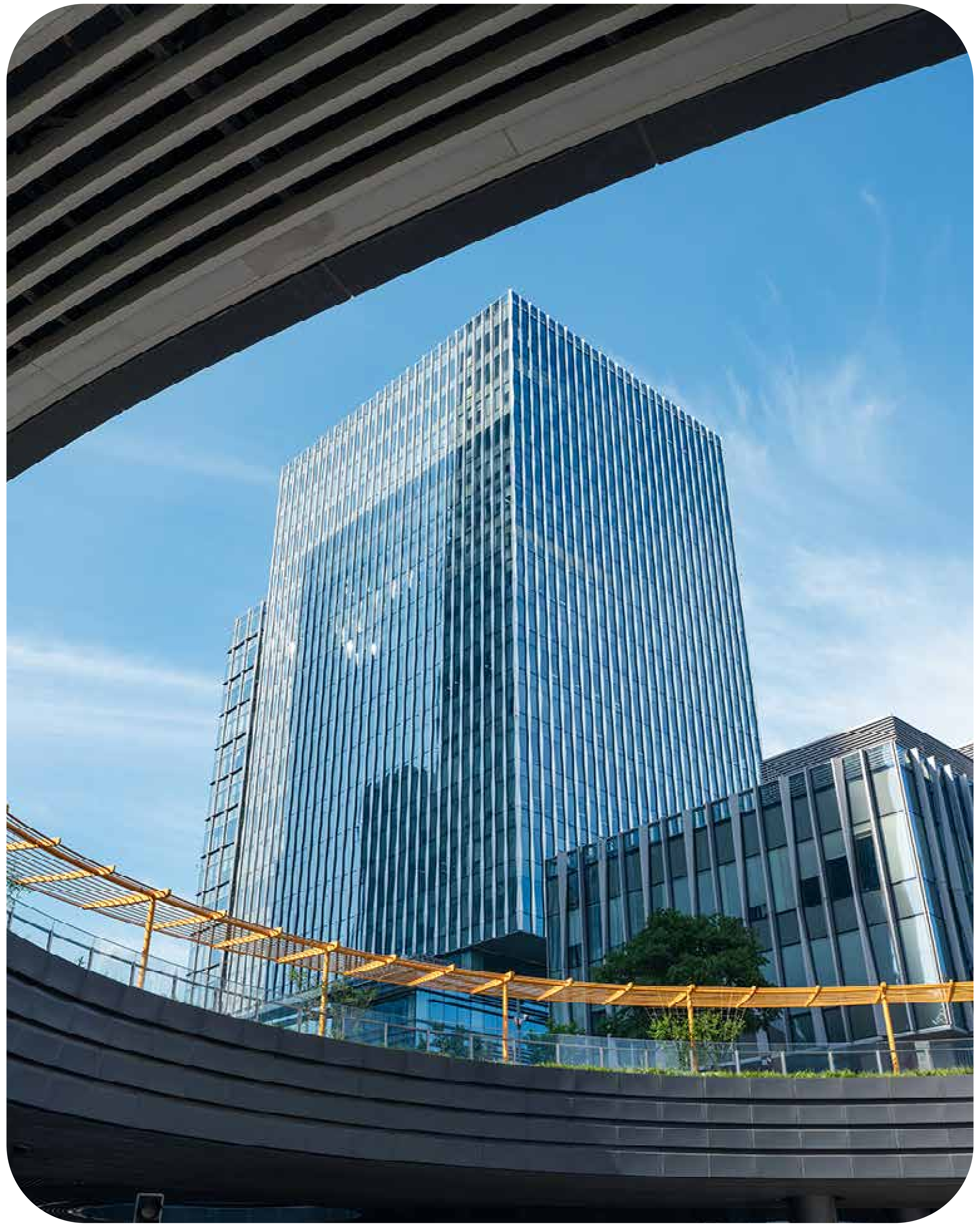
The final vote of significance was on the remuneration report which, after consideration, we supported. The new remuneration committee chair has taken what we consider to be sufficient action against the directors responsible for previous misconduct at the company, including a notable and highly publicised clawback of over AUD$9 million from the former CEO.[164] Despite some concerns, we considered that in light of the steps taken and the explanations we received during our engagements with the company, support for these actions by the remuneration committee was warranted.

Outcome and next steps

While there are a number of areas that we will continue to monitor, we believe the significant changes to the board and the new steps being taken are encouraging. In addition to our focus on governance, we will also continue our engagements on climate change with the company, under our Climate Impact Pledge.

163. For more information, please see our Global Corporate Governance & Responsible Investment Policy; January 2025.
164. Qantas cuts Alan Joyce final pay packet by $9.3m after review finds 'considerable harm' to brand; The Guardian, 8 August 2024.

G: Digitisation



- **We published our initial expectations of companies on artificial intelligence (AI) in 2023 and have continued to engage with the four largest US tech firms[165] that are building AI systems as products**

Our expectations of companies

We believe AI should drive long-term innovation, productivity, and value creation. To secure these gains, we believe investors must engage with companies and policymakers on baseline expectations for governance, risk management and transparency. Digitisation is one of our six stewardship 'super themes' and our focus is on the governance aspects of AI, particularly how companies manage risks and opportunities, and improve transparency.

Our expectations centre around: governance structures and board accountabilities; risk management, internal and external assessments, and risk mitigation; and the transparency of policies and processes around the uses of AI systems.

For more information about our views on AI and a summary of our expectations, please see our 2023 Active Ownership report.

Case study: Apple Inc†

Identify

Apple† (ESG score: 67; +1) is among several companies that have outsized influence on the integration of AI into our economy. We believe companies like Apple should be transparent in their use of AI and risk management processes. We are concerned that Apple discloses very little about its approach to managing AI risk, and that it is behind its peers on the disclosure of policies and guidelines.

Engage and escalate

We engaged with Apple twice in 2024; once before the AGM to discuss a shareholder resolution that had been filed, asking it to produce a transparency report on the company's use of AI in its business operations, and also to disclose any ethical guidelines that it has adopted regarding the use of AI technology.

While Apple has announced general plans to further develop its use of generative AI and other capabilities, it provides very little about its approach to managing AI-related risks or principles and guidelines on their use, putting the company behind its peers and increasing its exposure to potential regulatory and other risks. The company did not commit to increasing transparency and disclosures around AI at the time.

Given the significance of this topic and Apple's position as a market leader in the tech industry, we pre-declared our voting intention on our blog.

Outcome and next steps

Shareholder support for the resolution was substantial, with 37.5% voting in favour of this proposal.

In the months following the AGM, Apple published its responsible AI principles. We held a subsequent meeting with the company to better understand its approach to AI governance and risk management. While we found the principles to be a helpful start, the disclosures did not fully align with our expectations, particularly with regard to risk management.

AI risks and opportunities vary with each company and we value these engagements in helping us understand the hurdles companies face in meeting our expectations. We look forward to future engagements on this topic and will monitor Apple's progress on our expectations ahead of its AGM in early 2025.

165. Alphabet† (ESG score: 56; unchanged), Apple† (ESG score: 67; +1), Meta† (ESG score: 65; +3), Microsoft† (ESG score: 73; unchanged).

G: Digitisation (continued)

CS

Case study: PQShield

Identify

PQShield is an early-stage company selling cryptography intellectual property products that offer high-performance protection against quantum-based cybersecurity threats.

As a Series B spinout, PQShield is only beginning to explore its sustainability and impact baseline, and as an early-stage investor, L&G believes investees should adopt a proportionate and considered approach that supports the company's growth strategy and enhances its future financial prospects.

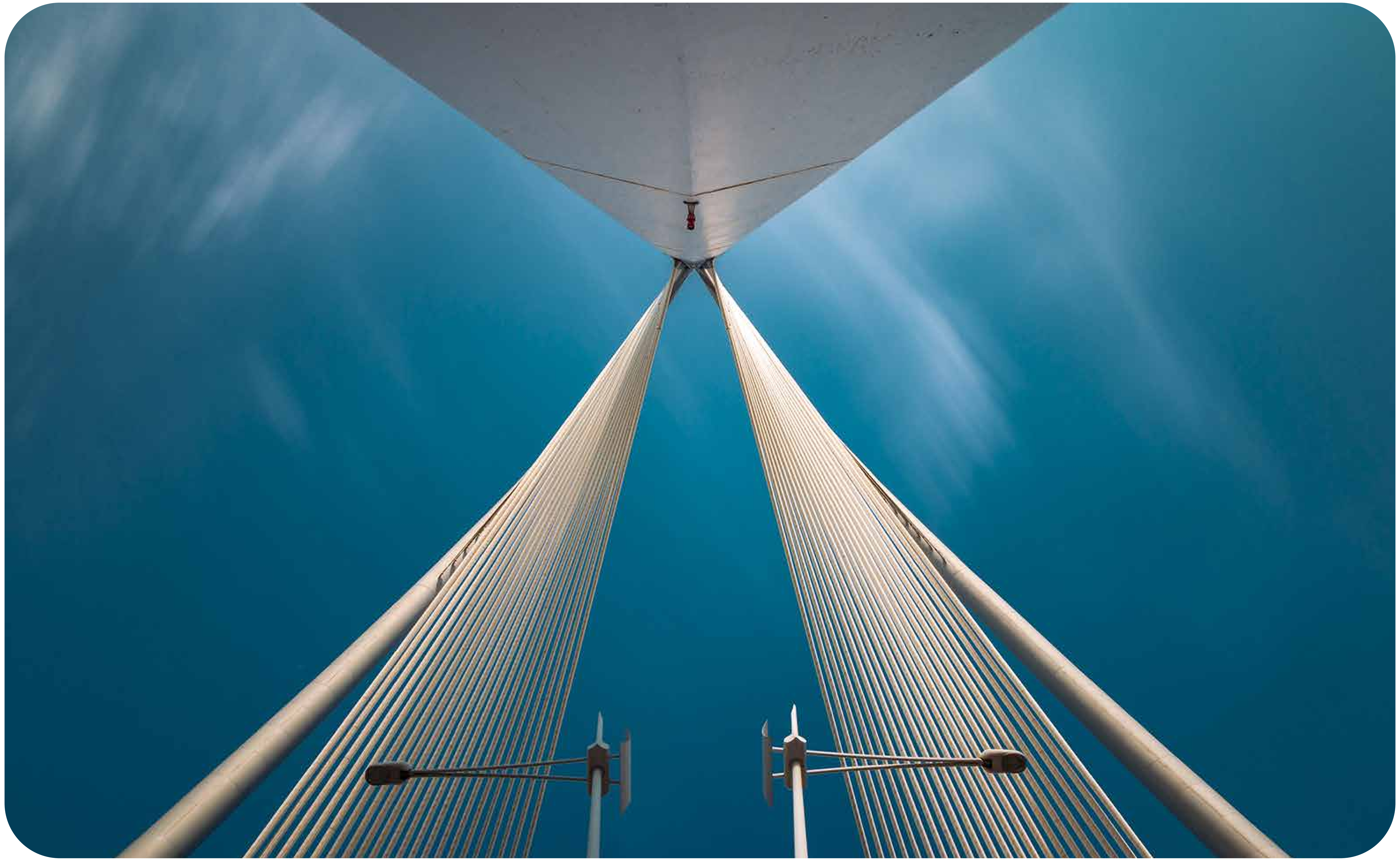
Engage

In collaboration with our co-investment partner, Oxford Science Enterprises (OSE), PQShield hosted a sustainability and impact workshop in July 2024 to identify material ESG considerations and outline areas for incremental improvement. The workshop identified key areas for ongoing monitoring and put forward a sustainability action plan that included a refresh of PQShield's corporate governance framework and a commitment to establishing a carbon baseline for the first time, including the reporting of absolute and relative carbon intensity to shareholders.

Outcome and next steps

Since our engagement, L&G and OSE have provided access to ESG_VC resources and guidance documentation that provides entrepreneurs and early-stage investors with frameworks to help kickstart and accelerate their sustainability journey.

The partnership will aim to host a six-monthly sustainability roundtable to assist in the delivery of PQShield's sustainability ambitions, while L&G has committed to support PQShield as an active steward via its possession of a NED board seat and the provision of resource across sustainability, finance and human resources.



Active engagement: the numbers

- 2024 saw our largest written engagement campaign to date as we reached out to yet more companies as part of our Climate Impact Pledge, aiming to maintain a dialogue with the 5,000+ companies in the programme[166]
- Our Investment and Investment Stewardship teams held a combined 679 meetings/calls and 3,720 written engagements in 2024[167]
- Climate change continued to be the most frequently discussed topic

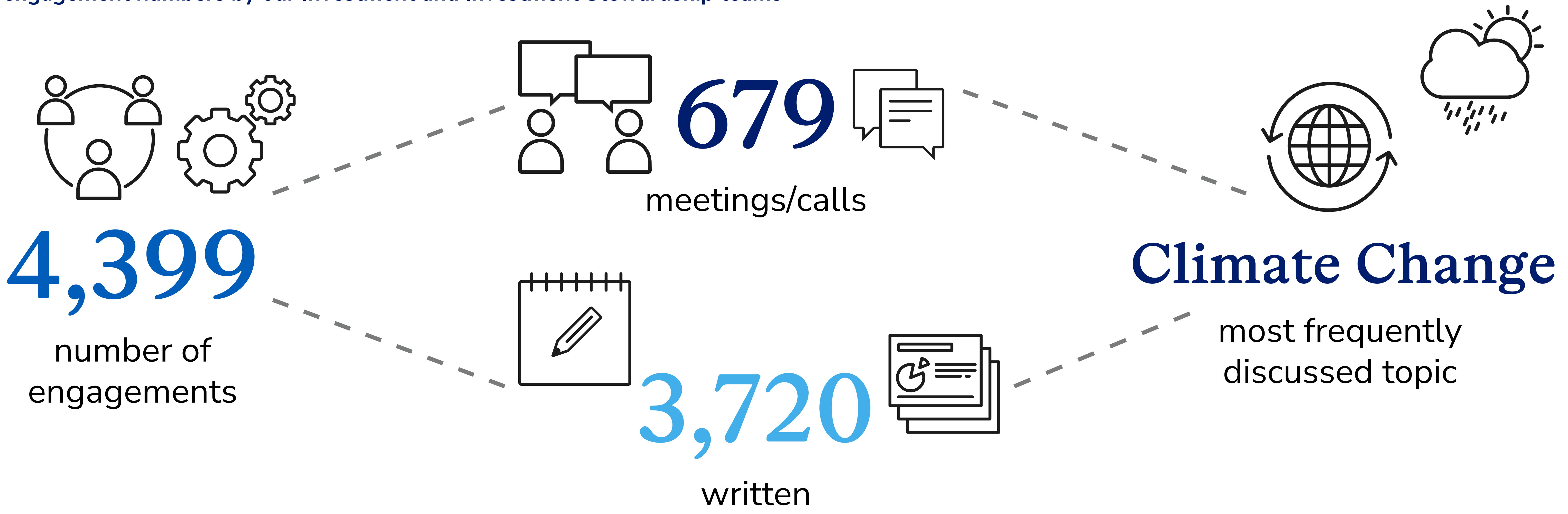
Our Investment Stewardship and Investment teams engage with companies to address company-specific and market-wide risks and opportunities. Our engagement processes are based on targeting specific outcomes and leveraging influence to achieve them.

We do this by applying a set of measures that we can escalate in a structured manner. They start with publicly sharing our minimum expectations of investee companies in published policies and guidelines. This may be followed by voting sanctions, collaborative engagement activities, pre-declaration of our views and the possibility of us filing shareholder proposals or divesting as a last resort.

We regularly engage with management and NEDs, although our initial contact is usually with the board chair. In 2024, the teams' engagements took the form of calls and video conferences, as well as email communications and email-based engagement campaigns to inform and drive outcomes in line with our thematic priorities. In-person meetings are also requested on a more frequent basis, but they remain limited (at below 10% of all engagements) as the way of communicating has significantly changed since the pandemic.

Meetings and calls are normally attended by the stewardship sector lead and may include portfolio managers and research analysts across asset classes. Depending on the topic, a thematic expert may also be present, for example, on remuneration, health and people matters, or climate change.

2024 engagement numbers by our Investment and Investment Stewardship teams



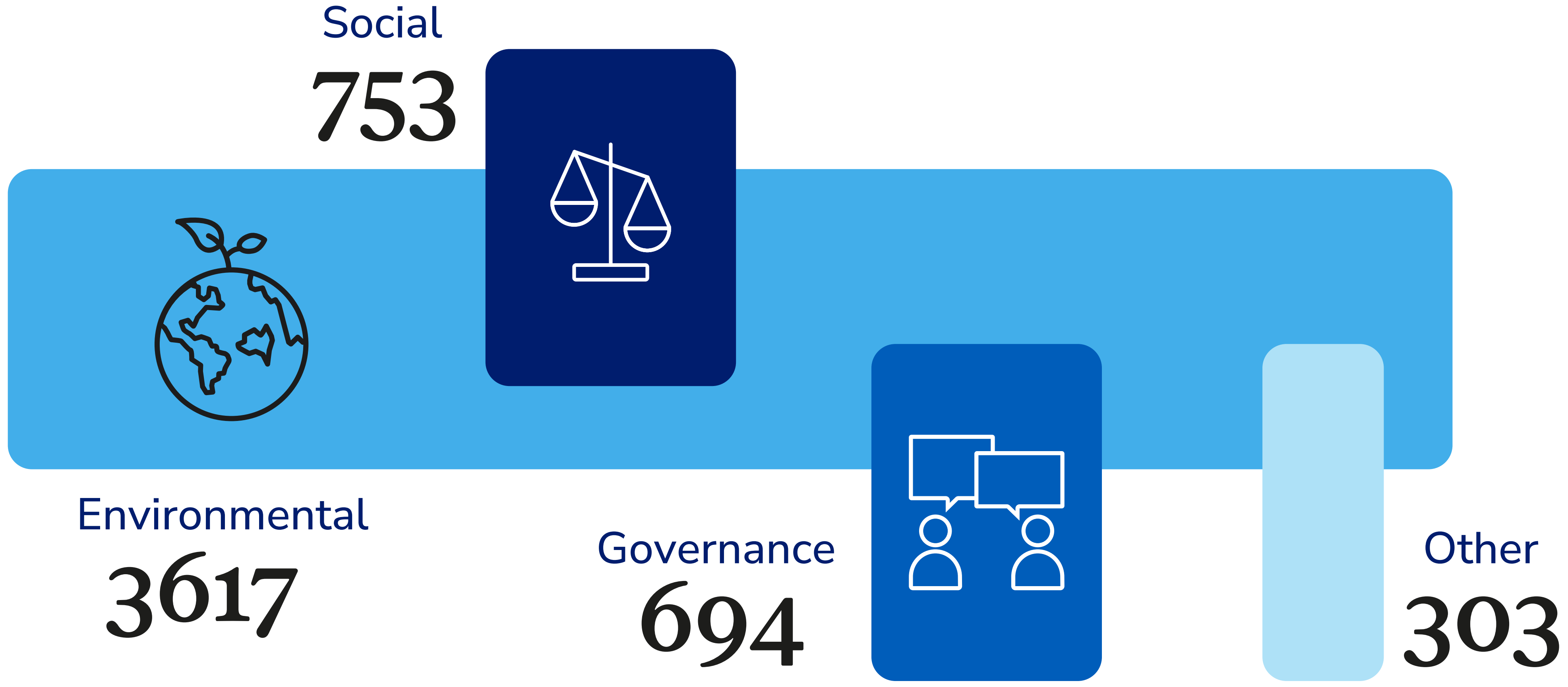
166. In April 2024, we wrote to the chair of the board of over 2,800 companies assessed under our CIP ratings, up from 1,500 companies contacted in 2023. This is the largest outreach we have undertaken to date on any engagement topic.
167. 2024 was the first year in which we were able to combine engagement records for both the Investment and Investment Stewardship teams in a single platform. We are developing our engagement records further to be able to provide clear disclosures on objectives and outcomes over time.

Capital at risk.

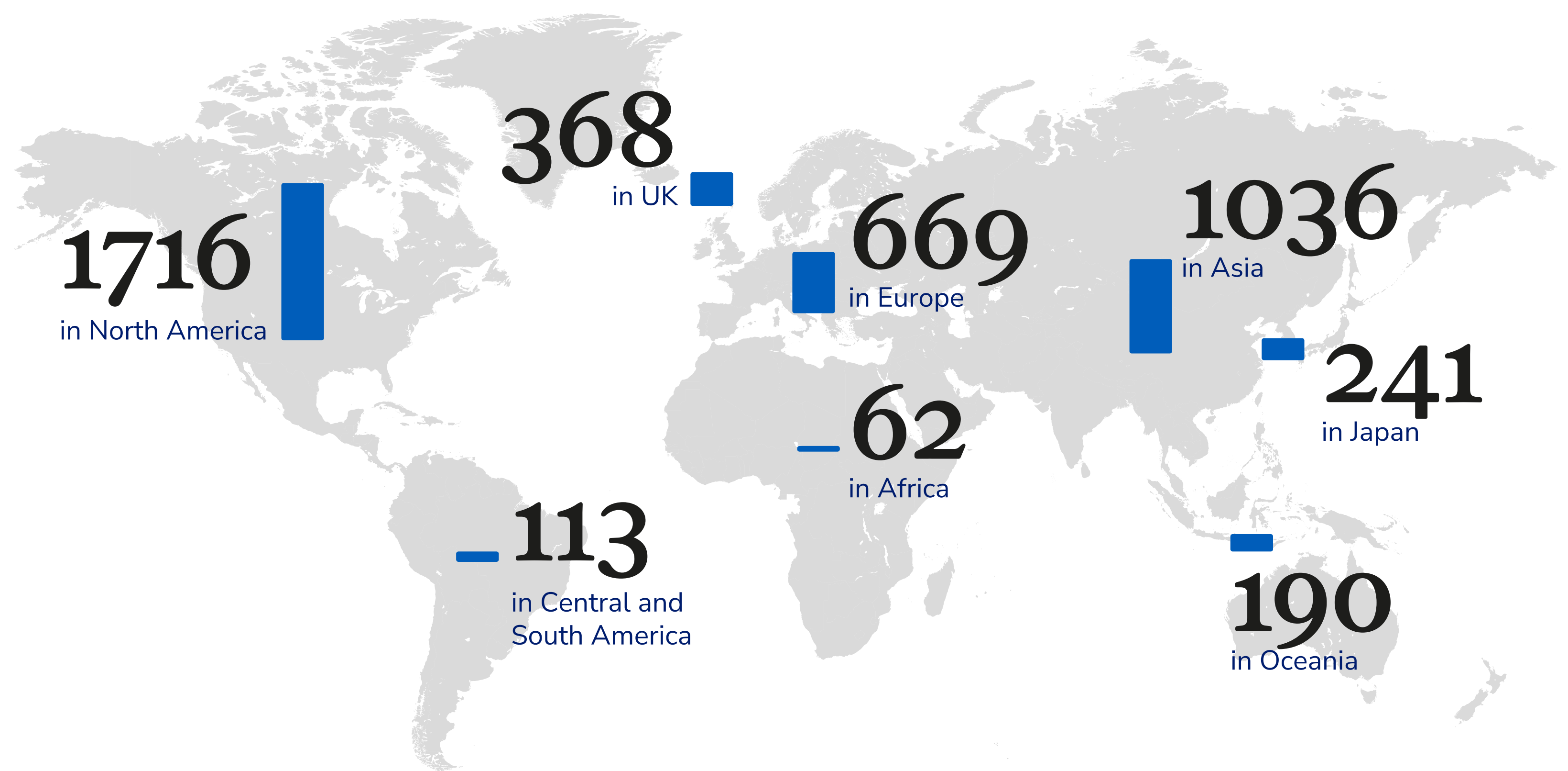
Active engagement: the numbers (continued)

Breaking down the engagement numbers

Breakdown of engagements by themes*



Regional breakdown of engagements



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

Top five engagement topics

3174
Climate change

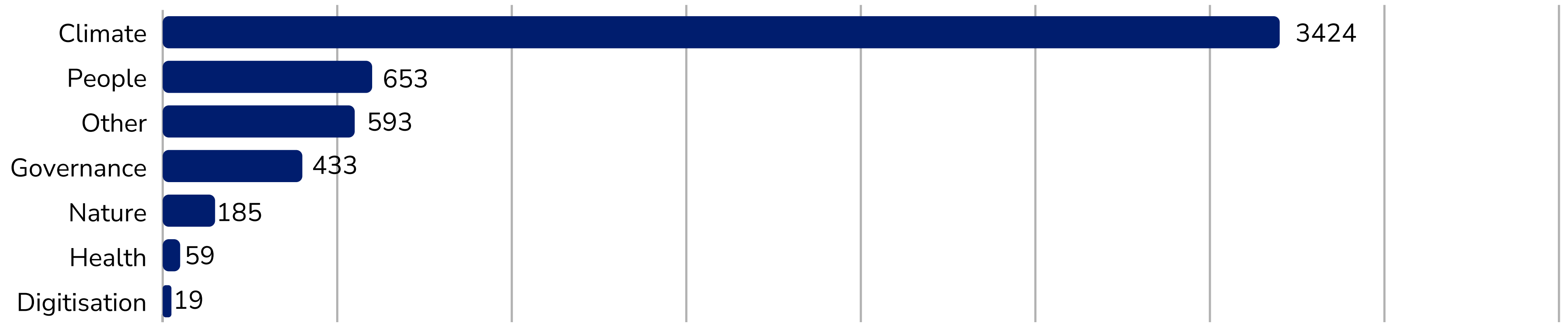
440
Human rights

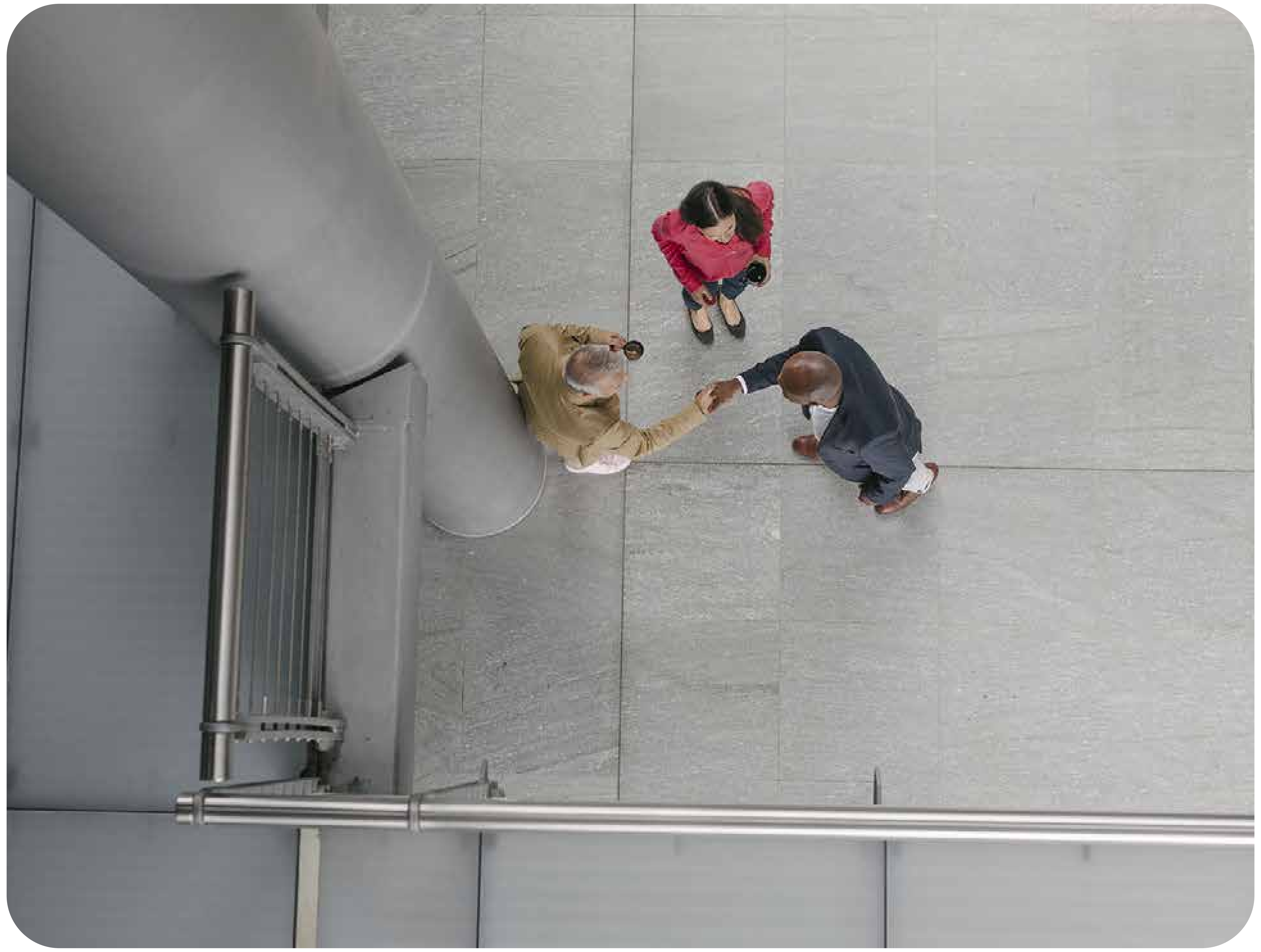
245
Capital management

201
Strategy

167
Remuneration

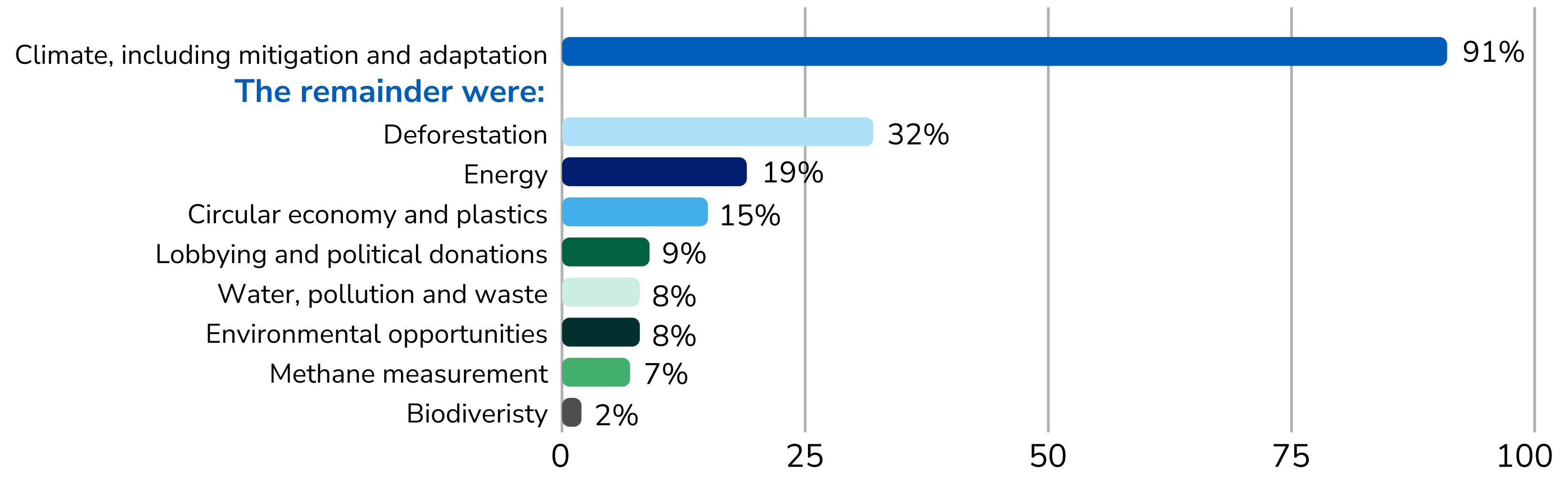
Breakdown of engagements by super themes



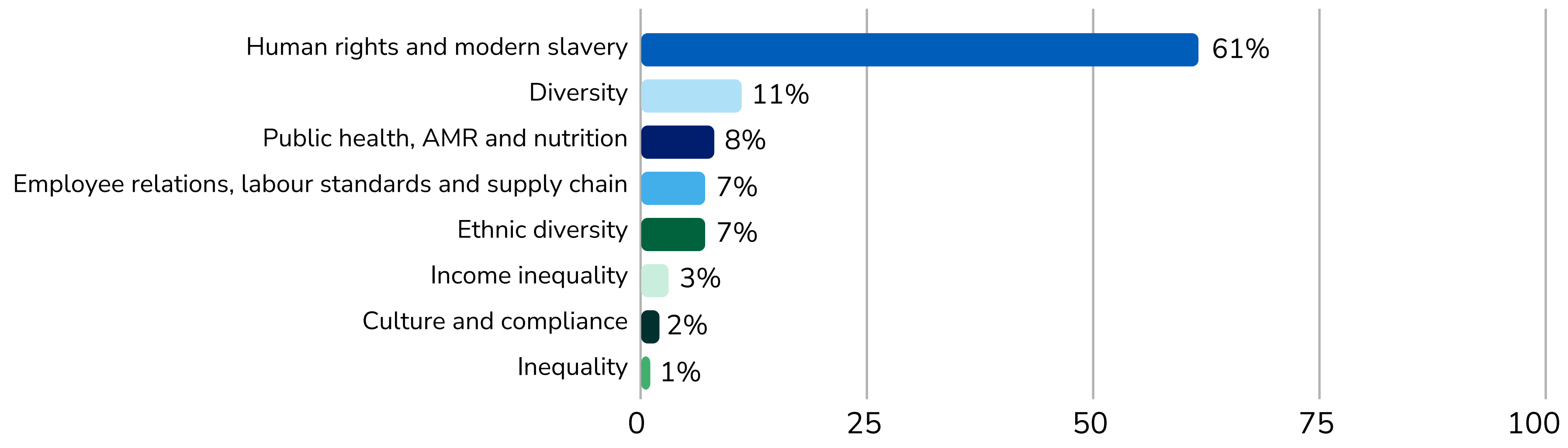


Active engagement: the numbers (continued)

Breakdown of Environmental Engagements

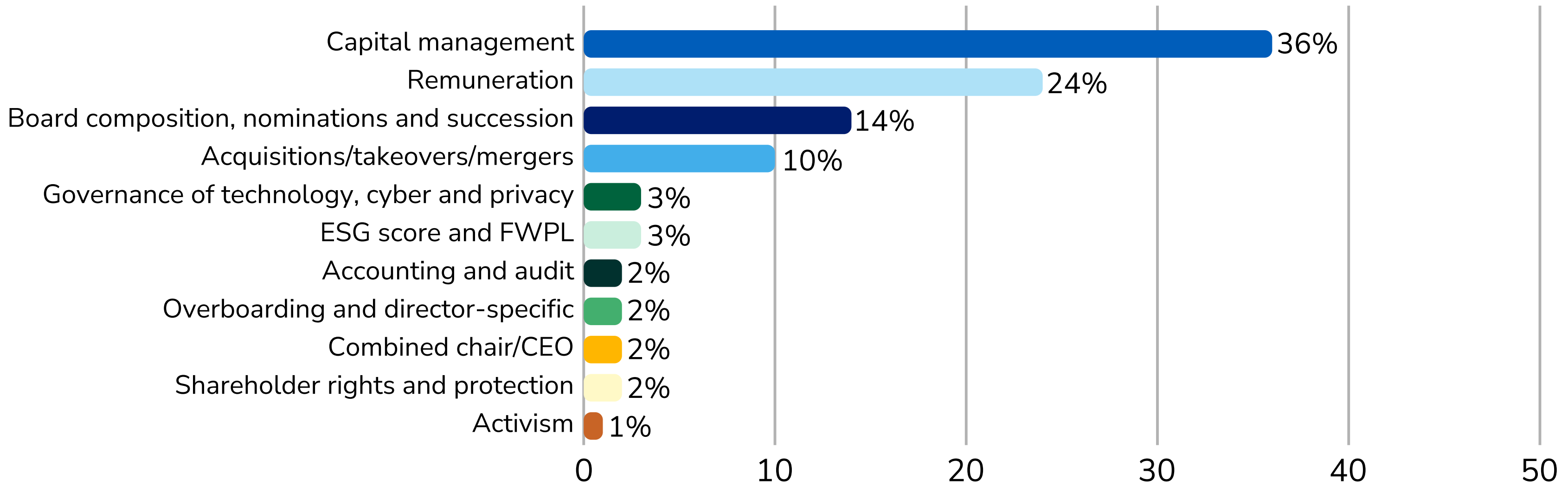


Breakdown of Social Engagements

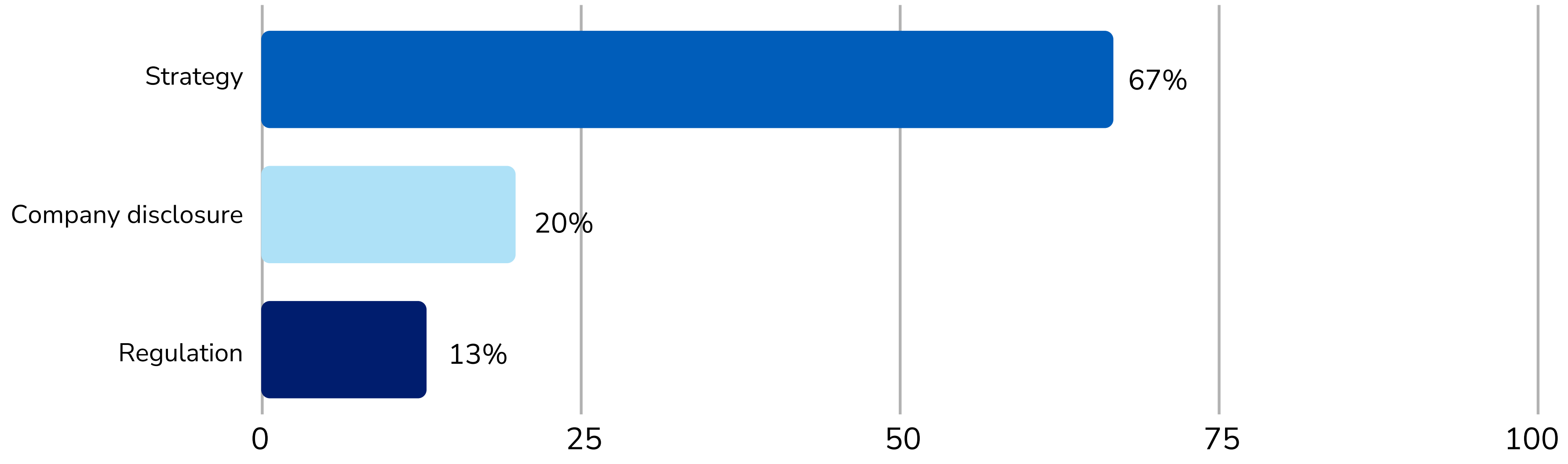


Top 10 companies based on the numbers of engagements

Breakdown of Governance Engagements



Breakdown of Other Engagements



Voting statistics by region

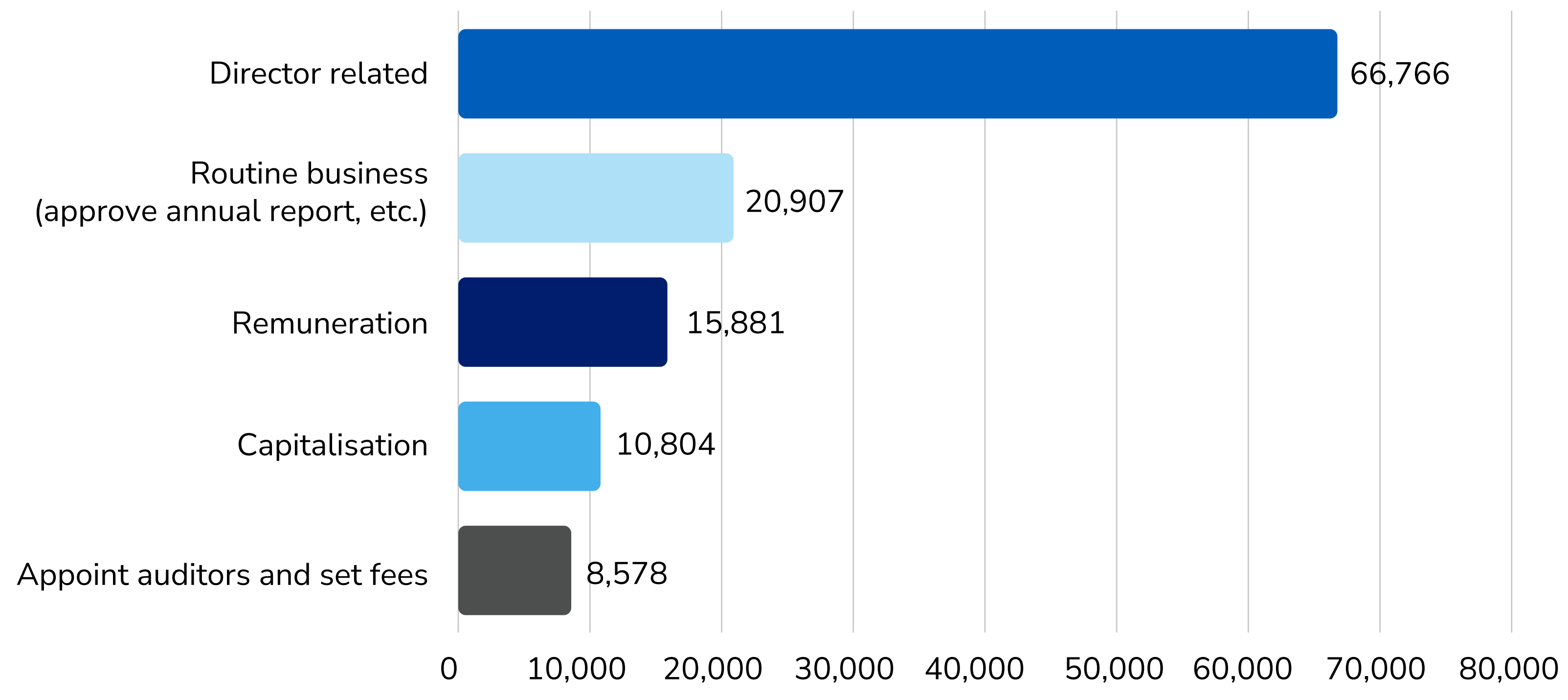
Global

Proposal category	Total for	Total against	Total abstentions	Total
Management - Director related	49399	16123	1244	66766
Management - Routine business	26077	3401	7	29485
Management - Compensation	7948	7932	1	15881
Management - Capitalisation	9188	1616	0	10804
Management - Transactions and non-routine business	6865	1510	1	8376
Management - Company articles	3354	912	0	4266
Management - Environmental	16	14	0	30
Management - Social	324	104	0	428
Management - E&S blended	177	2	0	179
Management - Miscellaneous/No research	1006	745	4	1755
Total resolutions - Management	**104354**	**32359**	**1257**	**137970**
Shareholder - Director related	1444	587	5	2036
Shareholder - Audit related	479	40	0	519
Shareholder - Routine business	24	75	0	99
Shareholder - Compensation	65	65	0	130
Shareholder - Capitalisation	0	0	0	0
Shareholder - Non-routine business	33	26	0	59
Shareholder - Company articles	44	44	0	88
Shareholder - Environmental	104	86	0	190
Shareholder - Social	197	52	0	249
Shareholder - E&S blended	40	56	0	96
Shareholder - Governance	77	5	0	82
Shareholder - Miscellaneous	370	110	0	480
Total resolutions - Shareholder	**2877**	**1146**	**5**	**4028**
No. resolutions				**141998**
No. AGMs				**10723**
No. EGMs				**4555**
No. companies voted				**10572**
No. companies where voted against management/abstained on at least one resolution				**9096**
% companies where at least one vote against management (includes abstentions)				**86.0%**

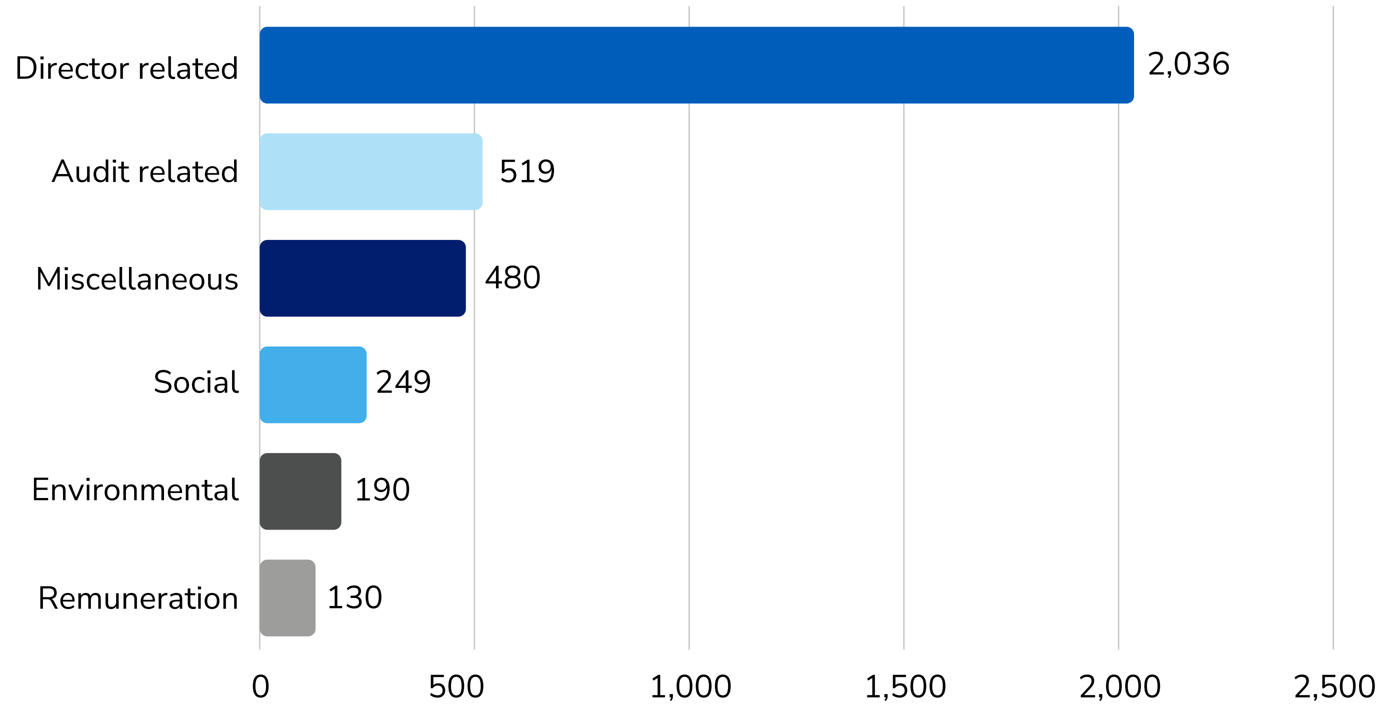
* Resolutions voted exclude do-not-vote instructions.

As at 31 December 2024.

Most popular management resolutions



Most popular shareholder resolutions



Capital at risk.

Voting statistics by region (continued)

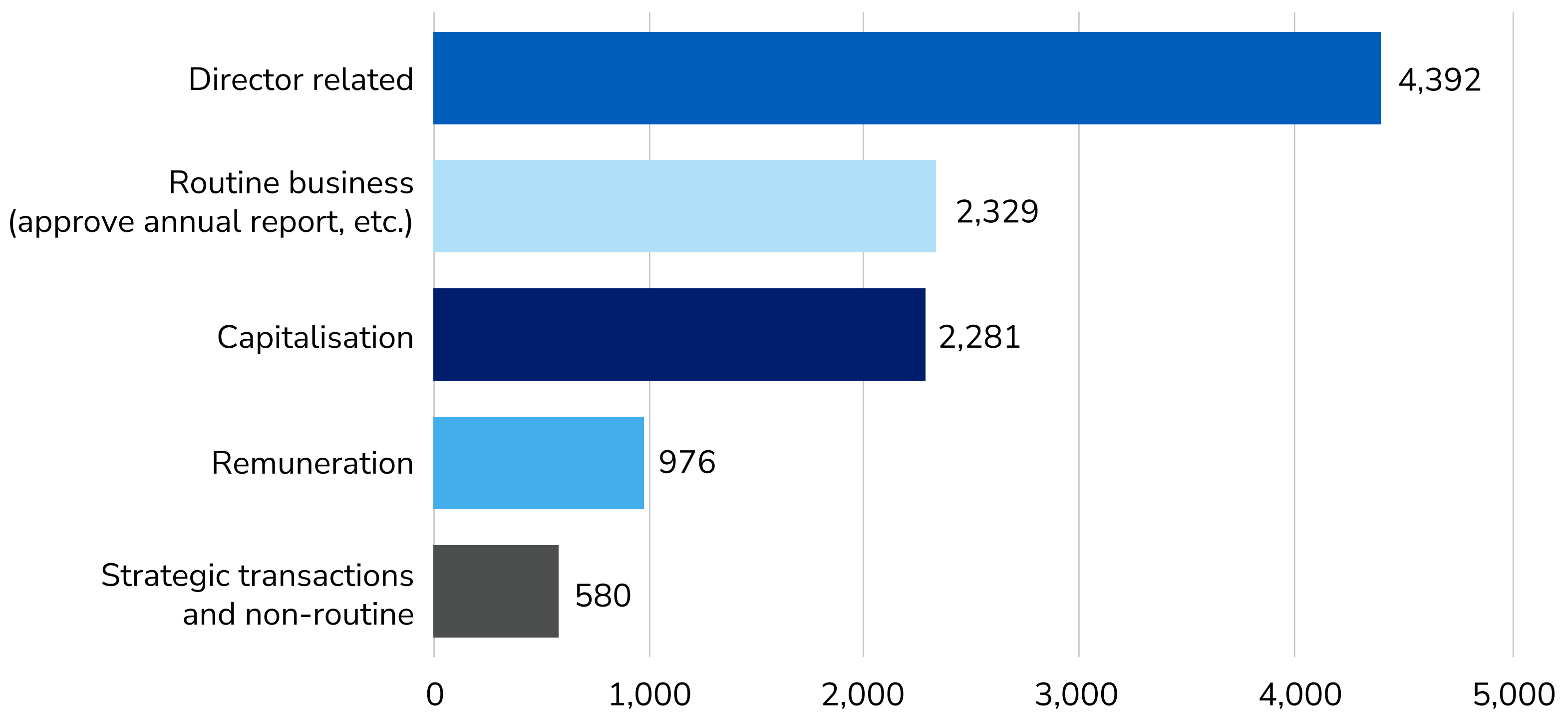
UK

Proposal category	Total for	Total against	Total abstentions	Total
Management - Director related	4099	288	5	4392
Management - Routine business	2320	9	0	2329
Management - Compensation	787	188	1	976
Management - Capitalisation	2159	122	0	2281
Management - Transactions and non-routine business	551	29	0	580
Management - Company articles	64	4	0	68
Management - Environmental	5	5	0	10
Management - Social	206	0	0	206
Management - E&S blended	0	0	0	0
Management - Miscellaneous/No research	75	4	0	79
Total resolutions - Management	**10266**	**649**	**6**	**10921**
Shareholder - Director related	0	2	0	2
Shareholder - Audit related	0	0	0	0
Shareholder - Routine business	0	0	0	0
Shareholder - Compensation	0	0	0	0
Shareholder - Capitalisation	0	0	0	0
Shareholder - Non-routine business	0	0	0	0
Shareholder - Company articles	0	0	0	0
Shareholder - Environmental	0	1	0	1
Shareholder - Social	0	1	0	1
Shareholder - E&S blended	0	0	0	0
Shareholder - Governance	0	0	0	0
Shareholder - Miscellaneous	0	1	0	1
Total resolutions - Shareholder	**0**	**5**	**0**	**5**
No. resolutions				**10926**
No. AGMs				**623**
No. EGMs				**173**
No. companies voted				**647**
No. companies where voted against management/abstained on at least one resolution				**300**
% companies where at least one vote against management (includes abstentions)				**46.4%**

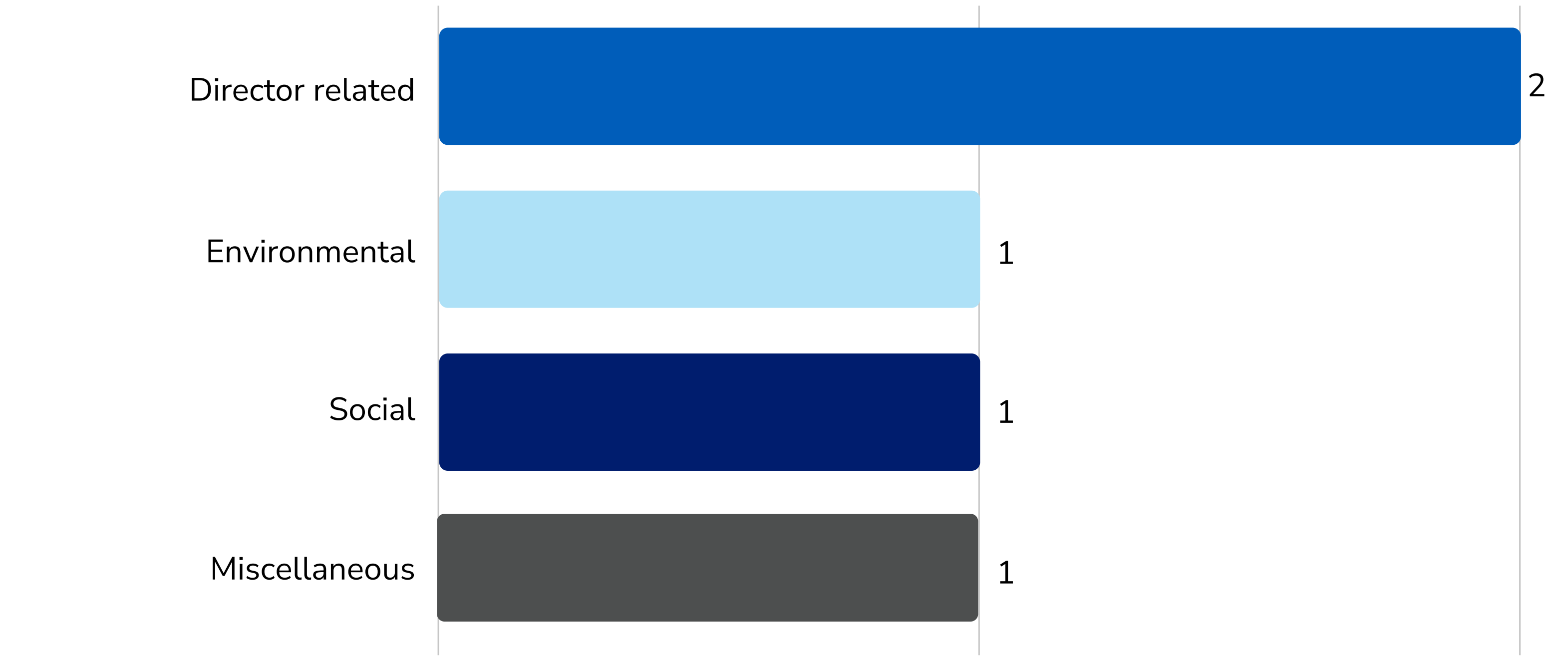
* Resolutions voted exclude do-not-vote instructions.

As at 31 December 2024.

Most popular management resolutions



Most popular shareholder resolutions



Voting statistics by region (continued)

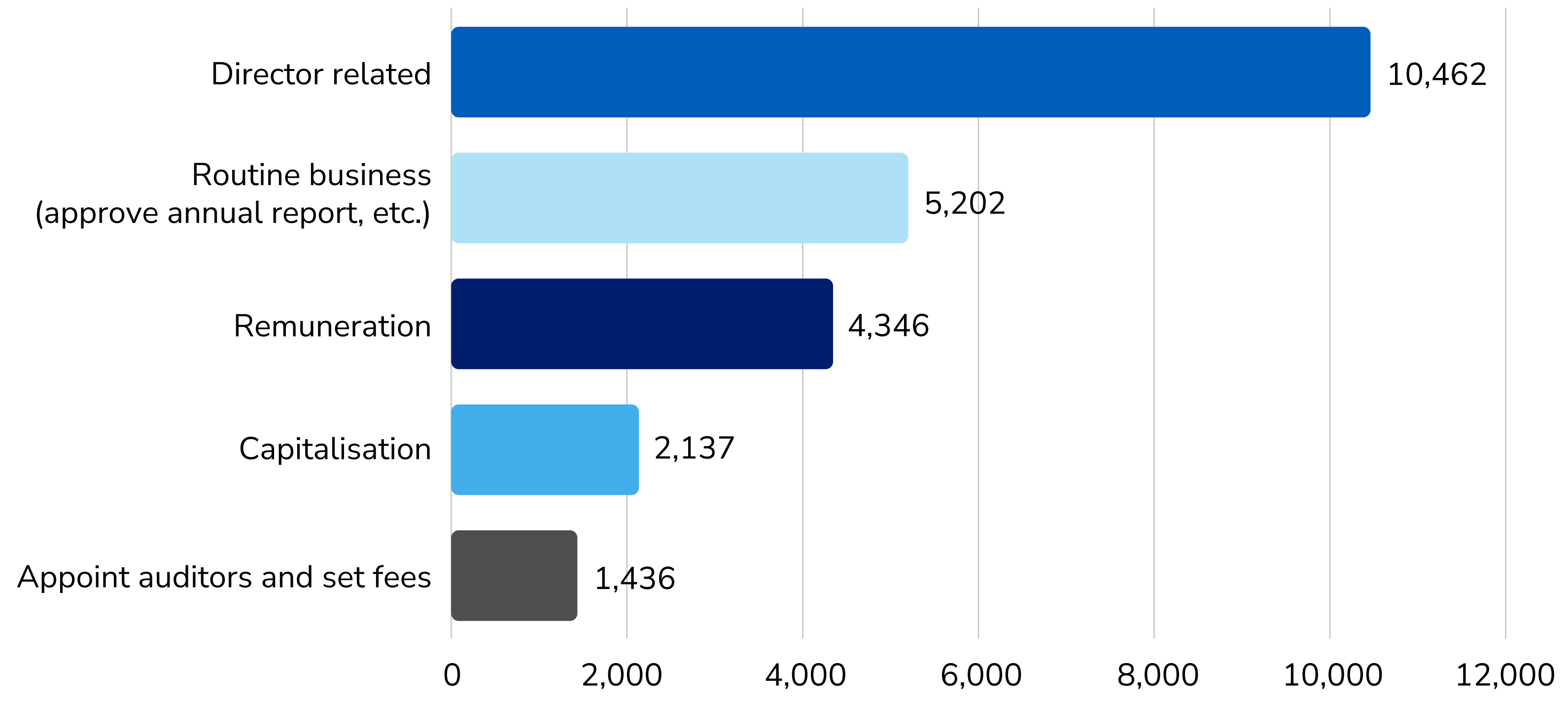
Europe ex UK

Proposal category	Total for	Total against	Total abstentions	Total
Management - Director related	8192	2178	92	10462
Management - Routine business	6194	437	7	6638
Management - Compensation	2077	2269	0	4346
Management - Capitalisation	1800	337	0	2137
Management - Transactions and non-routine business	449	70	0	519
Management - Company articles	439	78	0	517
Management - Environmental	8	6	0	14
Management - Social	41	90	0	131
Management - E&S blended	166	0	0	166
Management - Miscellaneous/No research	526	601	0	1127
Total resolutions - Management	**19892**	**6066**	**99**	**26057**
Shareholder - Director related	192	179	0	371
Shareholder - Audit related	53	29	0	82
Shareholder - Routine business	0	1	0	1
Shareholder - Compensation	0	4	0	4
Shareholder - Capitalisation	0	0	0	0
Shareholder - Non-routine business	0	7	0	7
Shareholder - Company articles	5	9	0	14
Shareholder - Environmental	2	11	0	13
Shareholder - Social	3	2	0	5
Shareholder - E&S blended	1	0	0	1
Shareholder - Governance	0	0	0	0
Shareholder - Miscellaneous	42	65	0	107
Total resolutions - Shareholder	**298**	**307**	**0**	**605**
No. resolutions				**26662**
No. AGMs				**1544**
No. EGMs				**362**
No. companies voted				**1463**
No. companies where voted against management/abstained on at least one resolution				**1367**
% companies where at least one vote against management (includes abstentions)				**93.4%**

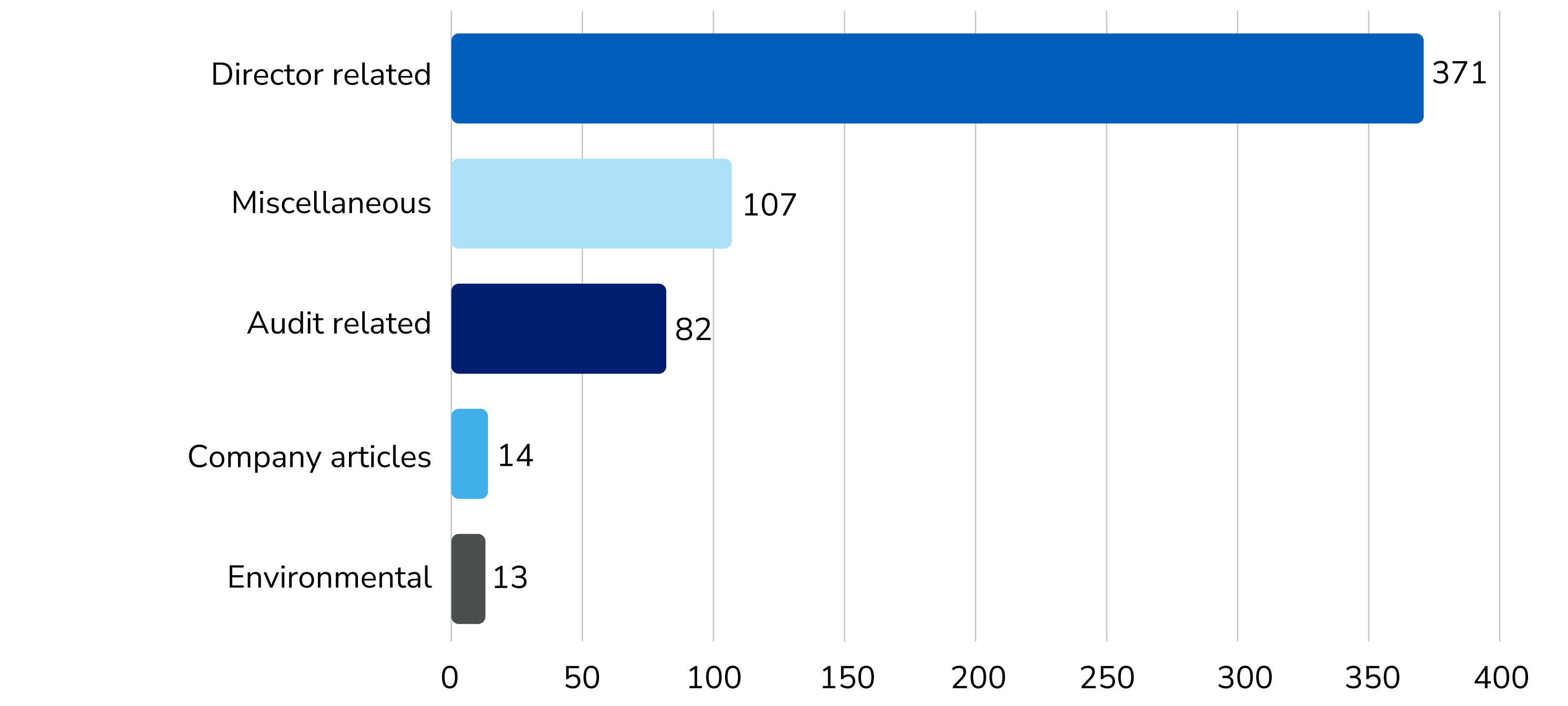
* Resolutions voted exclude do-not-vote instructions.

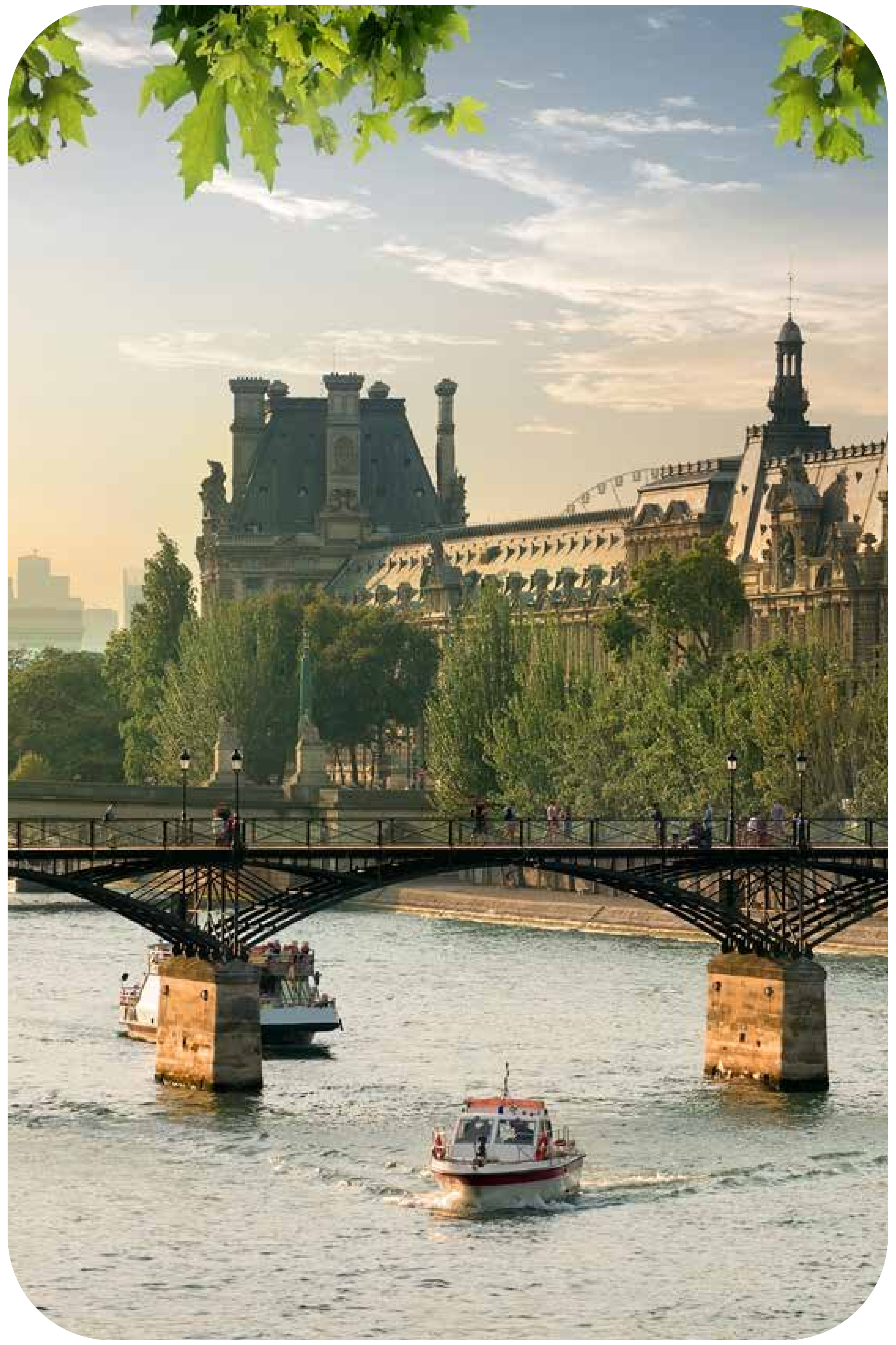
As at 31 December 2024.

Most popular management resolutions



Most popular shareholder resolutions





Voting statistics by region (continued)

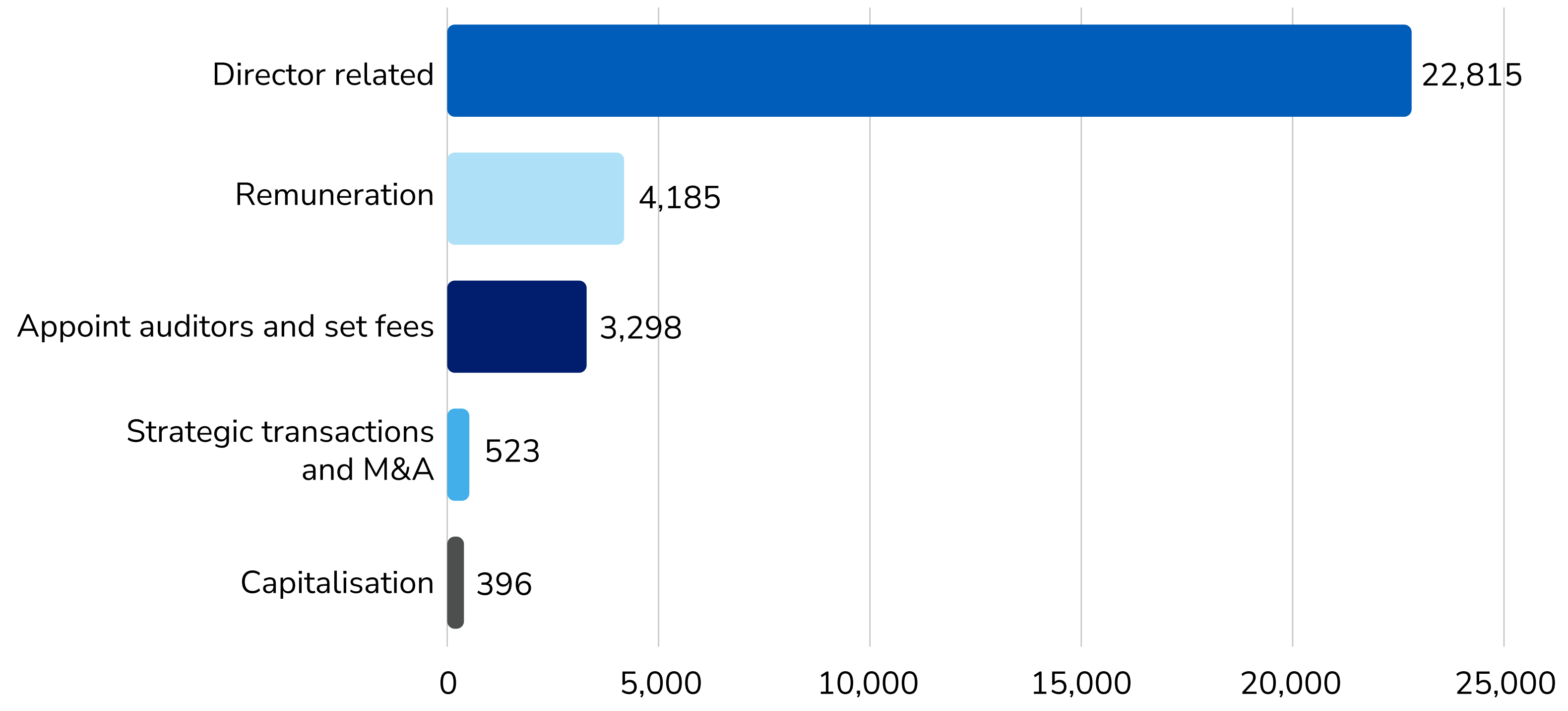
North America

Proposal category	Total for	Total against	Total abstentions	Total
Management - Director related	15232	7578	5	22815
Management - Routine business	2280	1162	0	3442
Management - Compensation	728	3457	0	4185
Management - Capitalisation	325	71	0	396
Management - Transactions and non-routine business	477	45	1	523
Management - Company articles	86	11	0	97
Management - Environmental	2	0	0	2
Management - Social	4	0	0	4
Management - E&S blended	3	2	0	5
Management - Miscellaneous/No research	23	16	4	43
Total resolutions - Management	**19160**	**12342**	**10**	**31512**
Shareholder - Director related	80	30	0	110
Shareholder - Audit related	3	0	0	3
Shareholder - Routine business	14	7	0	21
Shareholder - Compensation	27	33	0	60
Shareholder - Capitalisation	0	0	0	0
Shareholder - Non-routine business	6	3	0	9
Shareholder - Company articles	0	15	0	15
Shareholder - Environmental	93	30	0	123
Shareholder - Social	191	49	0	240
Shareholder - E&S blended	32	56	0	88
Shareholder - Governance	76	5	0	81
Shareholder - Miscellaneous	1	8	0	9
Total resolutions - Shareholder	**523**	**236**	**0**	**759**
No. resolutions				**32271**
No. AGMs				**3284**
No. EGMs				**237**
No. companies voted				**3351**
No. companies where voted against management/abstained on at least one resolution				**3305**
% companies where at least one vote against management (includes abstentions)				**98.6%**

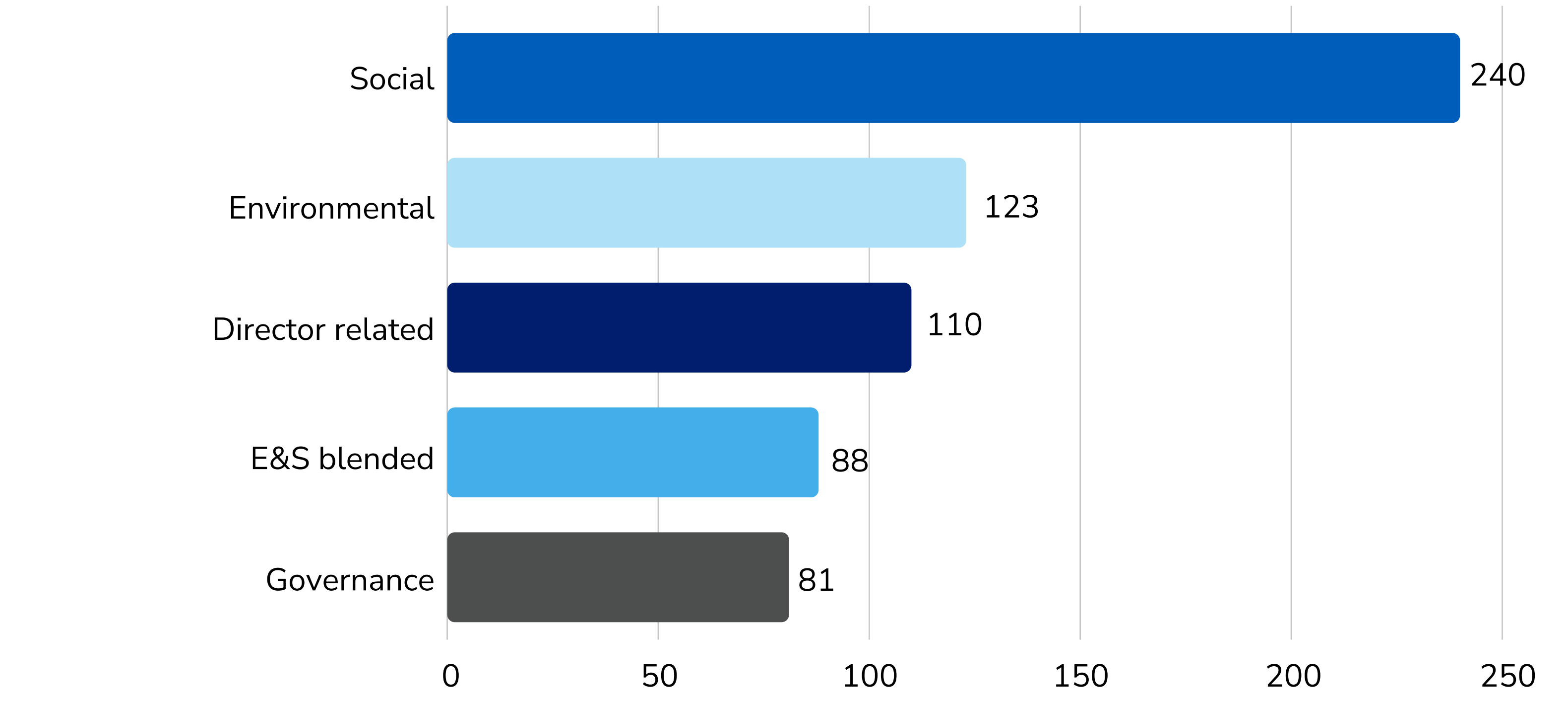
* Resolutions voted exclude do-not-vote instructions.

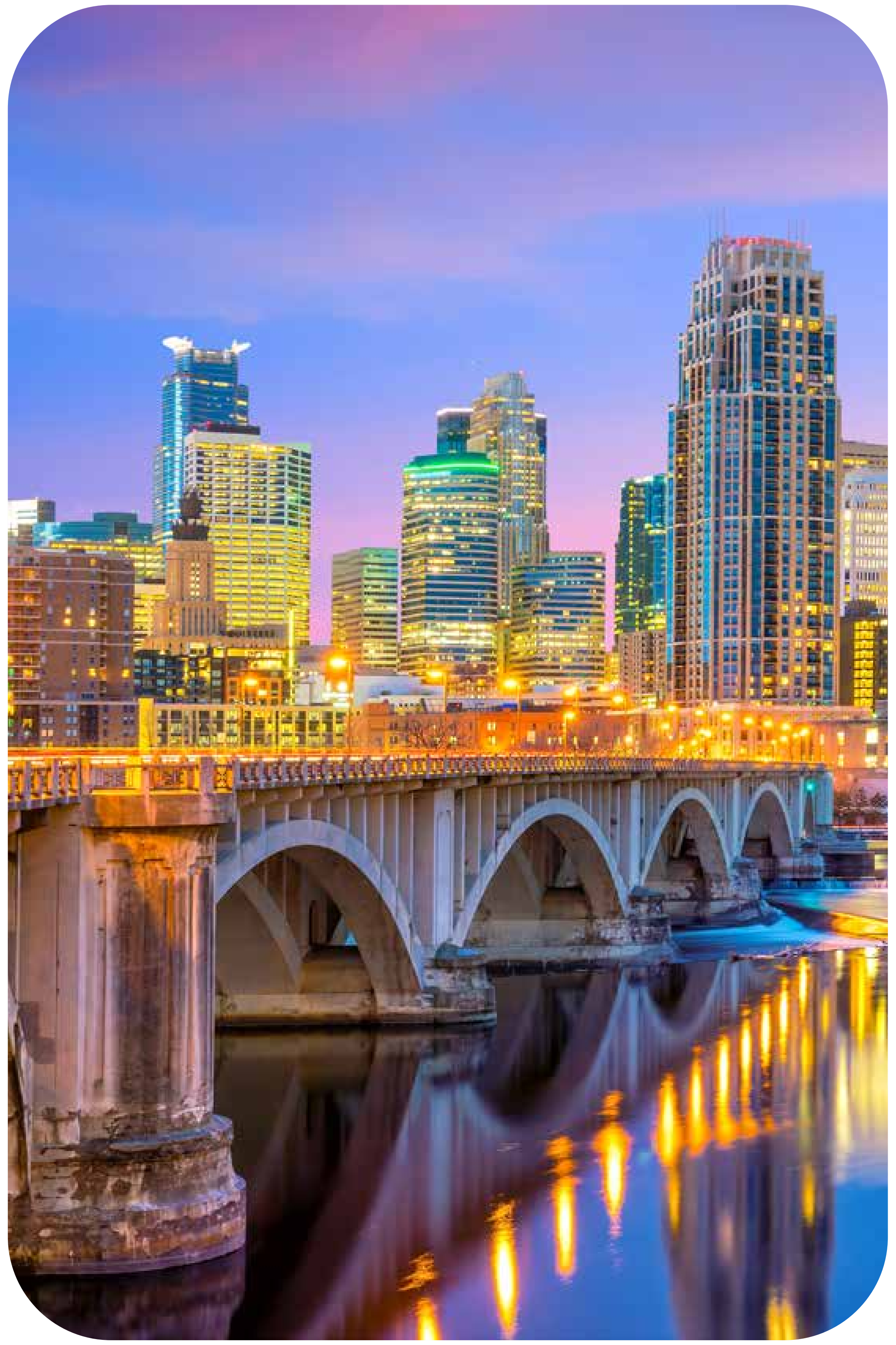
As at 31 December 2024.

Most popular management resolutions



Most popular shareholder resolutions





Voting statistics by region (continued)

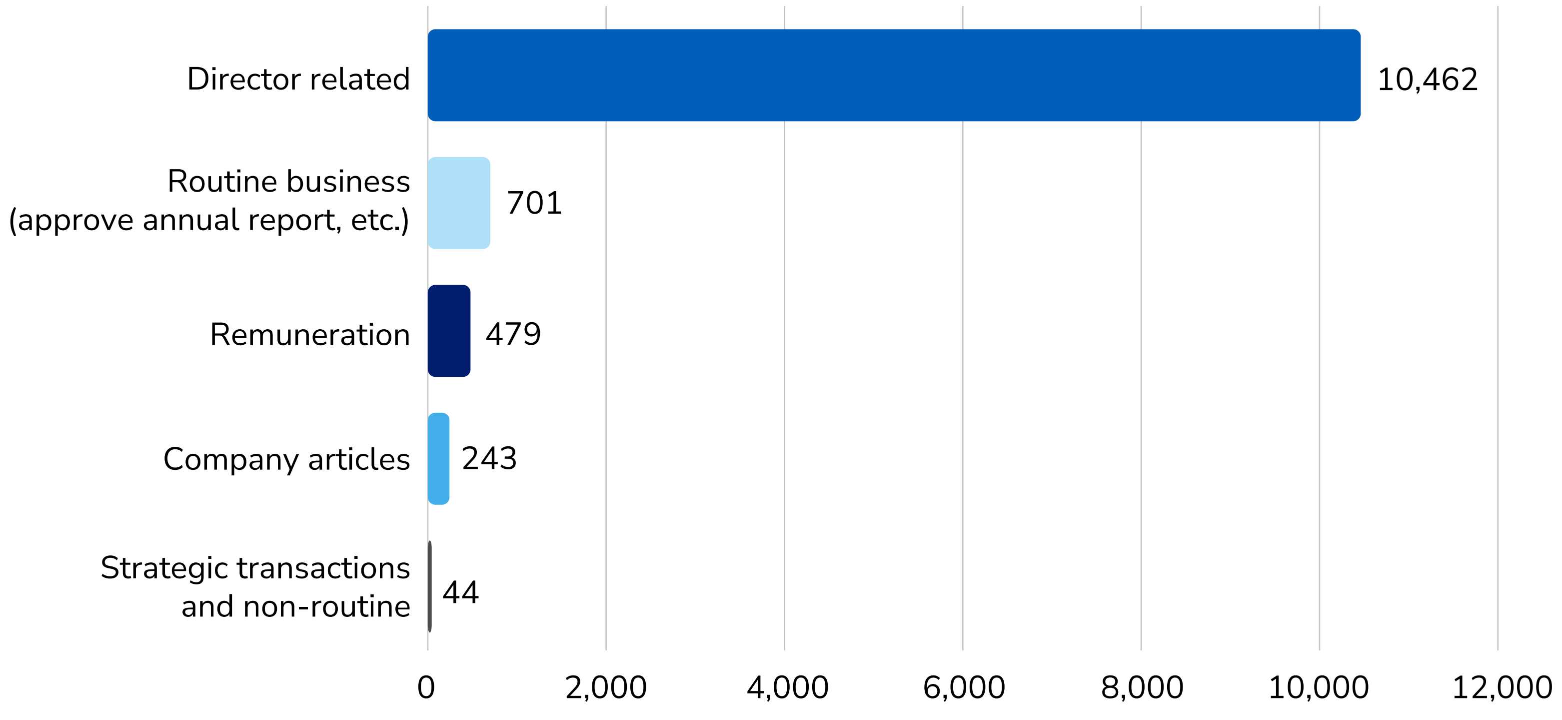
Japan

Proposal category	Total for	Total against	Total abstentions	Total
Management - Director related	9114	1347	1	10462
Management - Routine business	716	7	0	723
Management - Compensation	402	77	0	479
Management - Capitalisation	5	3	0	8
Management - Transactions and non-routine business	24	20	0	44
Management - Company articles	217	26	0	243
Management - Environmental	0	0	0	0
Management - Social	0	0	0	0
Management - E&S blended	0	0	0	0
Management - Miscellaneous/No research	1	1	0	2
Total resolutions - Management	**10479**	**1481**	**1**	**11961**
Shareholder - Director related	21	52	0	73
Shareholder - Audit related	1	1	0	2
Shareholder - Routine business	9	67	0	76
Shareholder - Compensation	18	11	0	29
Shareholder - Capitalisation	0	0	0	0
Shareholder - Non-routine business	19	15	0	34
Shareholder - Company articles	0	0	0	0
Shareholder - Environmental	5	40	0	45
Shareholder - Social	3	0	0	3
Shareholder - E&S blended	7	0	0	7
Shareholder - Governance	0	0	0	0
Shareholder - Miscellaneous	4	2	0	6
Total resolutions - Shareholder	**87**	**188**	**0**	**275**
No. resolutions				**12236**
No. AGMs				**1082**
No. EGMs				**32**
No. companies voted				**1104**
No. companies where voted against management/abstained on at least one resolution				**824**
% companies where at least one vote against management (includes abstentions)				**74.6%**

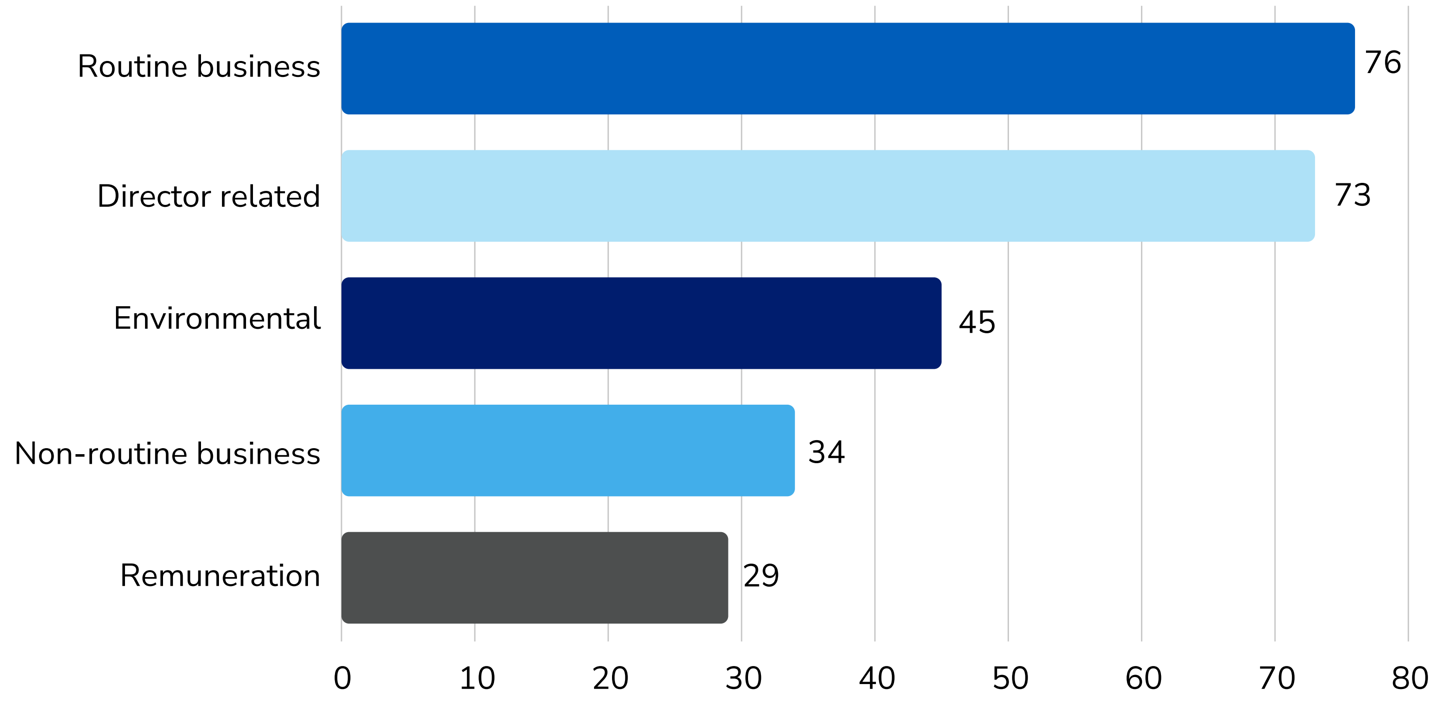
* Resolutions voted exclude do-not-vote instructions.

As at 31 December 2024.

Most popular management resolutions



Most popular shareholder resolutions



Voting statistics by region (continued)

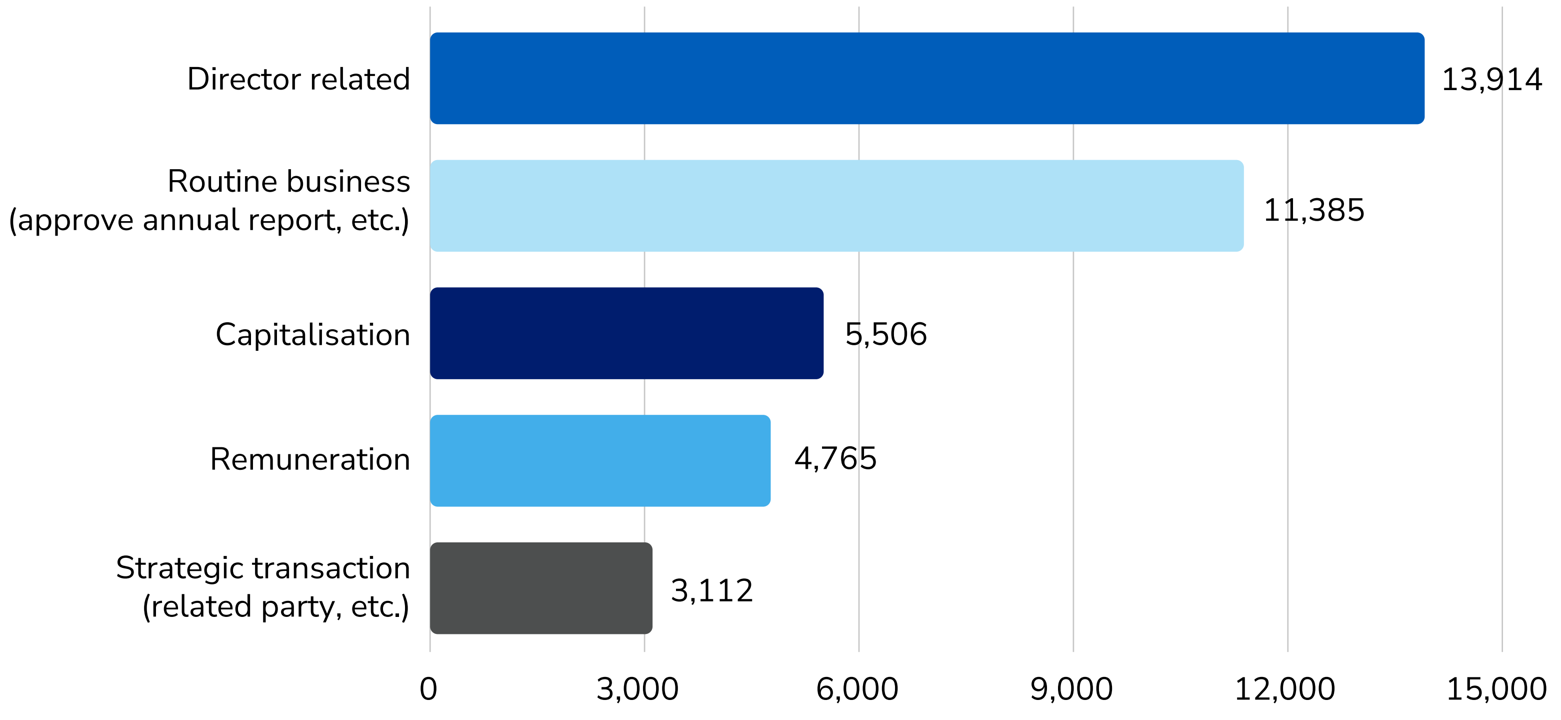
APAC ex Japan

Proposal category	Total for	Total against	Total abstentions	Total
Management - Director related	10437	3420	57	13914
Management - Routine business	12025	1593	0	13618
Management - Compensation	3096	1669	0	4765
Management - Capitalisation	4479	1027	0	5506
Management - Transactions and non-routine business	4283	1234	0	5517
Management - Company articles	1814	702	0	2516
Management - Environmental	1	1	0	2
Management - Social	32	13	0	45
Management - E&S blended	0	0	0	0
Management - Miscellaneous/No research	305	90	0	395
Total resolutions - Management	**36472**	**9749**	**57**	**46278**
Shareholder - Director related	1085	272	0	1357
Shareholder - Audit related	368	2	0	370
Shareholder - Routine business	1	0	0	1
Shareholder - Compensation	20	17	0	37
Shareholder - Capitalisation	0	0	0	0
Shareholder - Non-routine business	8	1	0	9
Shareholder - Company articles	38	10	0	48
Shareholder - Environmental	4	4	0	8
Shareholder - Social	0	0	0	0
Shareholder - E&S blended	0	0	0	0
Shareholder - Governance	0	0	0	0
Shareholder - Miscellaneous	315	32	0	347
Total resolutions - Shareholder	**1839**	**338**	**0**	**2177**
No. resolutions				**48455**
No. AGMs				**3563**
No. EGMs				**3420**
No. companies voted				**3462**
No. companies where voted against management/abstained on at least one resolution				**2823**
% companies where at least one vote against management (includes abstentions)				**81.5%**

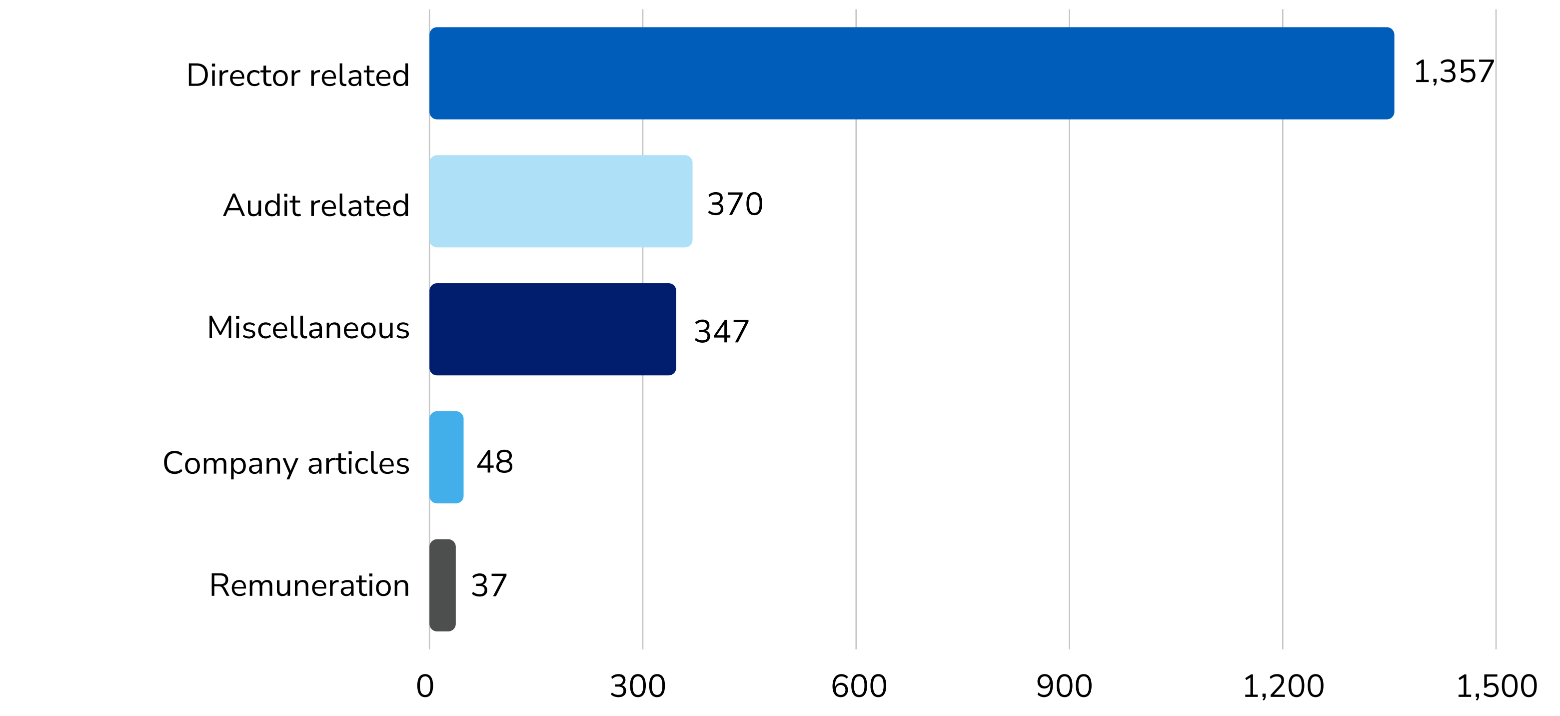
* Resolutions voted exclude do-not-vote instructions.

As at 31 December 2024.

Most popular management resolutions



Most popular shareholder resolutions



Voting statistics by region (continued)

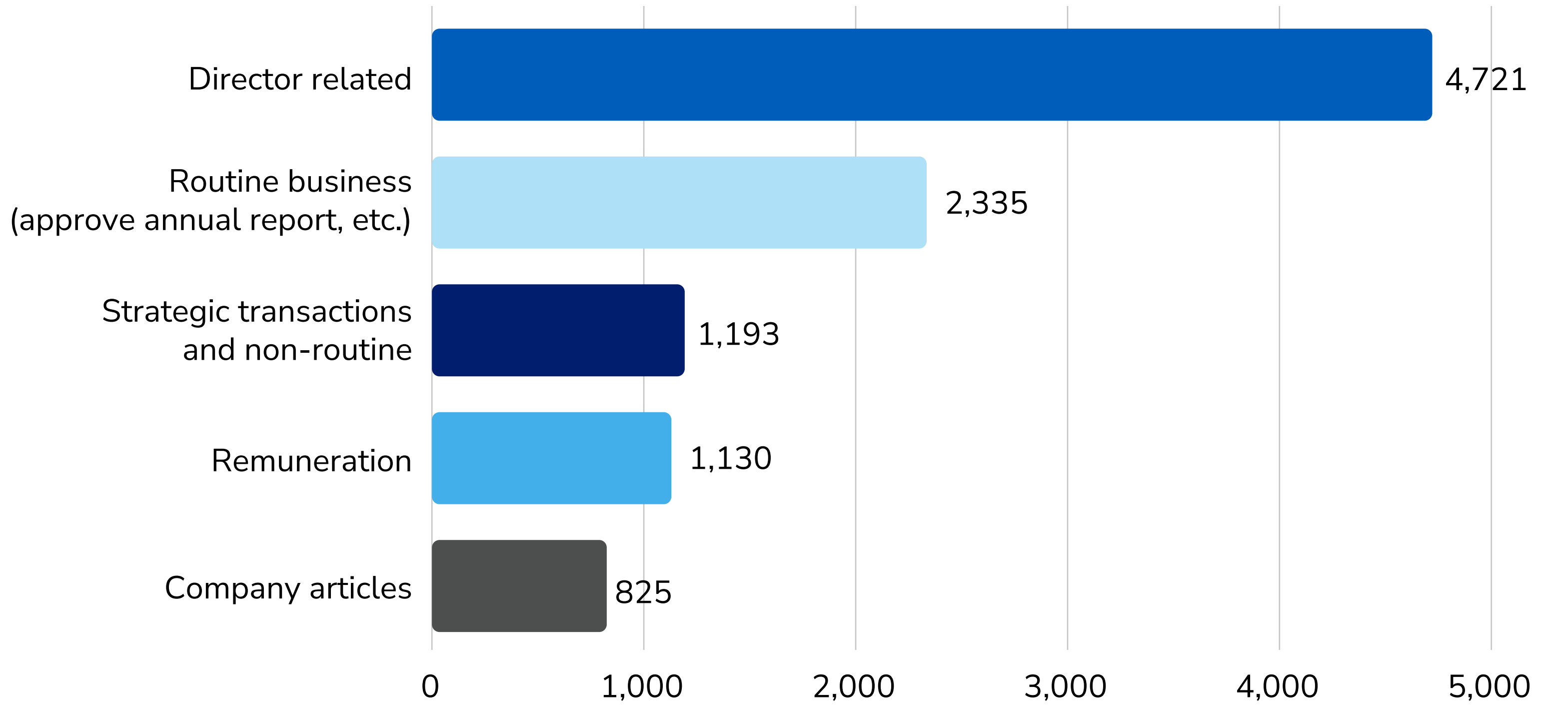
Rest of the World

Proposal category	Total for	Total against	Total abstentions	Total
Management - Director related	2325	1312	1084	4721
Management - Routine business	2542	193	0	2735
Management - Compensation	858	272	0	1130
Management - Capitalisation	420	56	0	476
Management - Transactions and non-routine business	1081	112	0	1193
Management - Company articles	734	91	0	825
Management - Environmental	0	2	0	2
Management - Social	41	1	0	42
Management - E&S blended	8	0	0	8
Management - Miscellaneous/No research	76	33	0	109
Total resolutions - Management	**8085**	**2072**	**1084**	**11241**
Shareholder - Director related	66	52	5	123
Shareholder - Audit related	54	8	0	62
Shareholder - Routine business	0	0	0	0
Shareholder - Compensation	0	0	0	0
Shareholder - Capitalisation	0	0	0	0
Shareholder - Non-routine business	0	0	0	0
Shareholder - Company articles	1	10	0	11
Shareholder - Environmental	0	0	0	0
Shareholder - Social	0	0	0	0
Shareholder - E&S blended	0	0	0	0
Shareholder - Governance	1	0	0	1
Shareholder - Miscellaneous	8	2	0	10
Total resolutions - Shareholder	**130**	**72**	**5**	**207**
No. resolutions				**11448**
No. AGMs				**629**
No. EGMs				**331**
No. companies voted				**547**
No. companies where voted against management/abstained on at least one resolution				**477**
% companies where at least one vote against management (includes abstentions)				**87.2%**

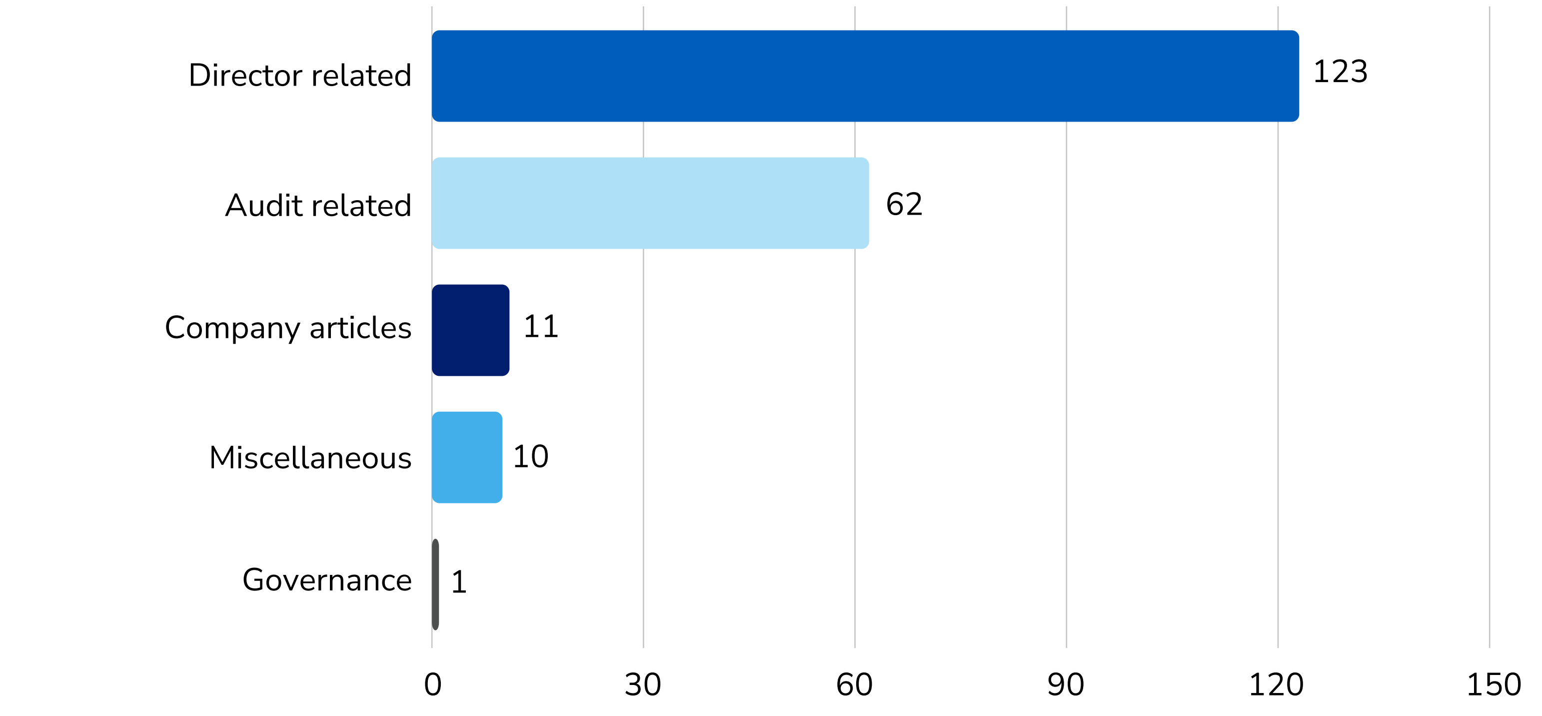
* Resolutions voted exclude do-not-vote instructions.

As at 31 December 2024.

Most popular management resolutions



Most popular shareholder resolutions



Voting and reporting

- **In 2024, L&G's Asset Management business cast 142,000 votes at close to 15,300 meetings[168]**
- **We provide historical voting decisions and rationales on our vote disclosure webpage within one day of the shareholder meeting**

Voting is a fundamental engagement tool used by investors to signal support for, or concern with, management actions, so that we may promote good corporate governance in the marketplace. The Investment Stewardship team exercises our voting rights globally, holding directors and companies to account.

The majority of our clients' shares are held in pooled funds. As such, we vote with one voice on all shares for which we have the authority to do so. Where there are no legal or practical impediments, we vote on our clients' investments across all developed and emerging markets globally.

While L&G's Asset Management business has a high proportion of equity investments in Index strategies, this does not absolve us from making voting decisions; in fact, it makes informed voting on key topics more important and underlies our universal owner approach to improving the market as a whole.

In its Voting Matters 2024 report, ShareAction cited L&G's Asset Management business as a positive example, ranking us in the top third of its sample of 70 global asset managers in terms of our voting record on shareholder proposals. In 2024, we backed 90% of shareholder resolutions reviewed by ShareAction, broadly unchanged from our voting record on such proposals in 2023 (92%), putting us top of the index providers. ShareAction said of L&G's Asset Management business: "Such varying levels of support between passive investment managers highlight how positive voting performance is not limited by firms' investment strategy, but rather by their willingness to use the stewardship levers available to them."[169]

We aim to keep abstentions to a minimum. We use ProxyExchange, the voting platform from proxy advisory firm Institutional Shareholder Services (ISS), to vote electronically and to ensure, in markets where we have unimpeded voting rights, that no votes remain unexercised.

Share position data is updated, based on the settled positions provided by custodians. Only eligible share positions are reflected against expected upcoming voting events across our portfolio of companies within ProxyExchange. Any additional trading that takes place on the receipt of the electronic ballot is updated per trade settlement based on the holdings update by the custodian.

Our historical voting decisions, including the rationale for any votes against management, can be found on our disclosure website. We also pre-declare votes on key issues ahead of the shareholder meeting as part of our escalation process.

Voting in Russia

Our voting provider, ISS, continues to 'block' voting activity at the general meetings of sanctioned companies or on the election of sanctioned individuals in line with US, UK and EU regulations.

Vote transparency

We believe that the transparency of our voting activity is critical for investee companies, clients and other interested parties to be able to hold us to account. As such, we provide historic voting decisions and rationales on our vote disclosure webpage, which aims to:

- Provide daily updates of our vote instructions and disclosures of all votes with a lag of just 24 hours following the shareholder meeting[170]
- Disclose voting rationales for all votes against management
- Include historical voting data from 1 January 2017

We also provide detailed information to our clients on significant votes on a quarterly basis, to allow them to hold us to account over our stewardship of their assets. To help clients fulfil their own regulatory reporting requirements, our fund-level vote reporting is consistent with the UK Pensions & Lifetime Savings Association's (PLSA) guidance and the EU Shareholder Rights Directive II.[171]

In the US, 2024 was the first year we provided public filings on 'say-on-pay' proxy voting on all equities managed or owned by a L&G Group company globally via Form N-PX, in line with new regulatory requirements.[172] The first such filing was made in August 2024 and covers votes cast over the period from 1 July 2023 to 30 June 2024.

Pre-declaring our voting intentions

Since 2021, we have been publishing voting intentions in a centralised and transparent format in advance of an upcoming shareholder meeting. These intentions – via our blog posts – highlight the companies and resolutions we believe require additional scrutiny. We may pre-declare to clarify our views to the market, clients and companies, where we consider the vote to be on a critical issue, or as part of an escalation strategy or specific engagement programme.

Our securities lending policy

We have procedures in place that only allow shares to be lent up to agreed thresholds and we have always retained a number of shares in each voteable stock to be able to note our approval, or dissent, through a vote via the shareholder meeting. Moreover, we retain the right of recall of our shares, should we deem this necessary or expedient.

In practice, we do not typically recall lent stock for voting on routine company meetings. However, if there were a material vote – for example, a potential takeover situation on unfavourable terms – we will recall stock out on loan to apply the full voting power towards a positive outcome for our clients.

168. Internal vote data, 2024. Resolutions voted exclude do-not-vote instructions.
169. Voting Matters 2024, p.19; ShareAction, February 2025.
170. Excludes all funds not voting in line with our vote policy and that are subject to their own voting instructions.
171. Department for Work & Pensions, October 2019.
172. See US Securities and Exchange Commission document Amendments to Form N-PX and Say-on-Pay Vote Disclosure and related press release.

Voting and reporting (continued)

Client-directed voting

We have long believed in the power of investment stewardship to engender positive change and drive value in the companies in which we invest on behalf of our clients. Exercising voting rights is a powerful engagement tool with which to hold company boards to account and raise market standards. It is used extensively by our Investment Stewardship team which votes with one voice, across all of our clients' investments where we have discretion, to maximise our influence.

A small number of clients wish to vote in line with their chosen in-house policies. In addition to the ['Expression of Wish'] services, in partnership with Tumelo, we have therefore developed a solution for pass-through voting for our clients. This solution allows electing pooled-fund investors to vote their shares in proportion to the value of their investment in the fund, giving them the choice of either actively voting their own shares or continuing to delegate voting activity to their fund manager.

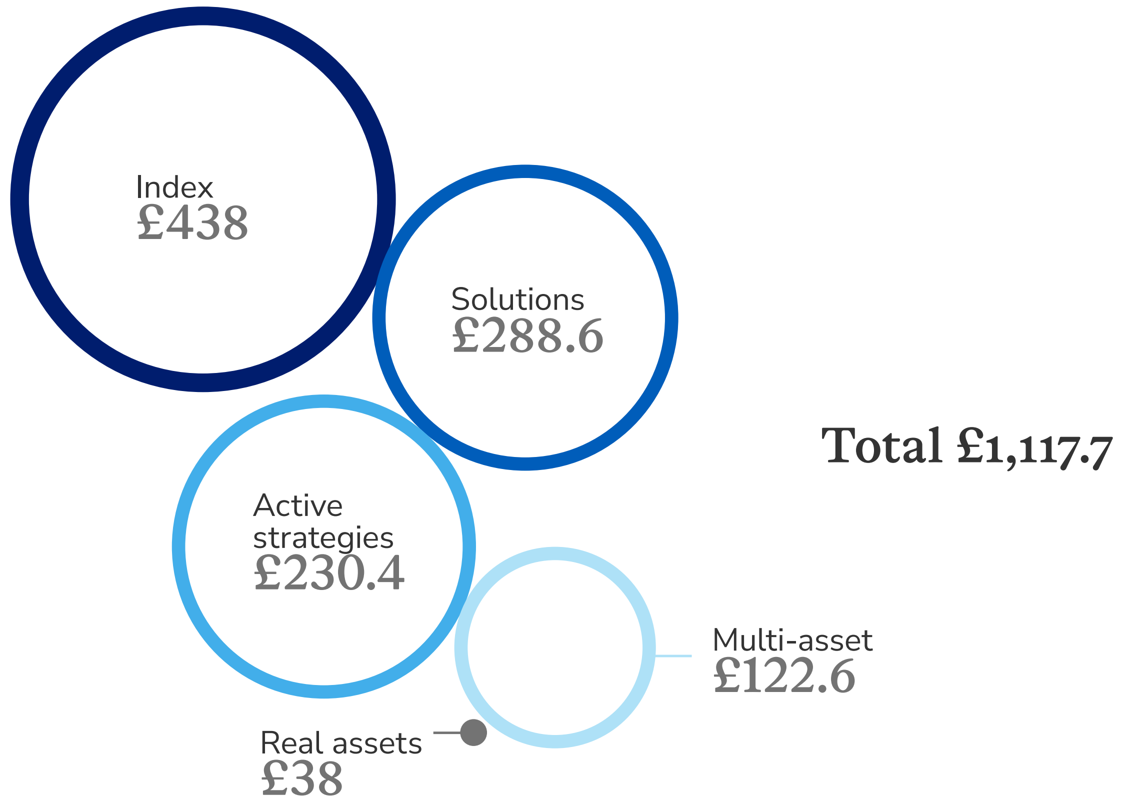
Review and auditing processes

We have comprehensive internal review processes in place in response to client requirements and additional regulatory expectations in the US[173], to ensure that our stewardship processes and disclosures remain balanced and complete.

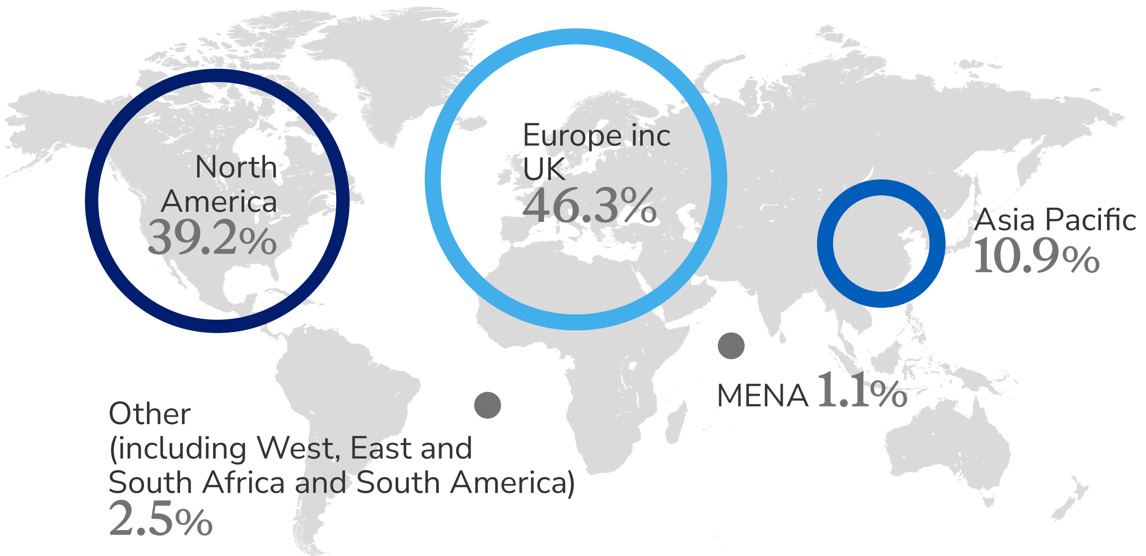
As part of our risk-based Compliance Monitoring Programme, a detailed internal review was undertaken in 2023 to assess how we apply the 12 Principles of the 2020 UK Stewardship Code. This review considered internal stewardship actions, assessment processes and proof points, with a satisfactory outcome and minor action points seeking to enhance the governance framework.

The assets we manage

Asset class: £ billion

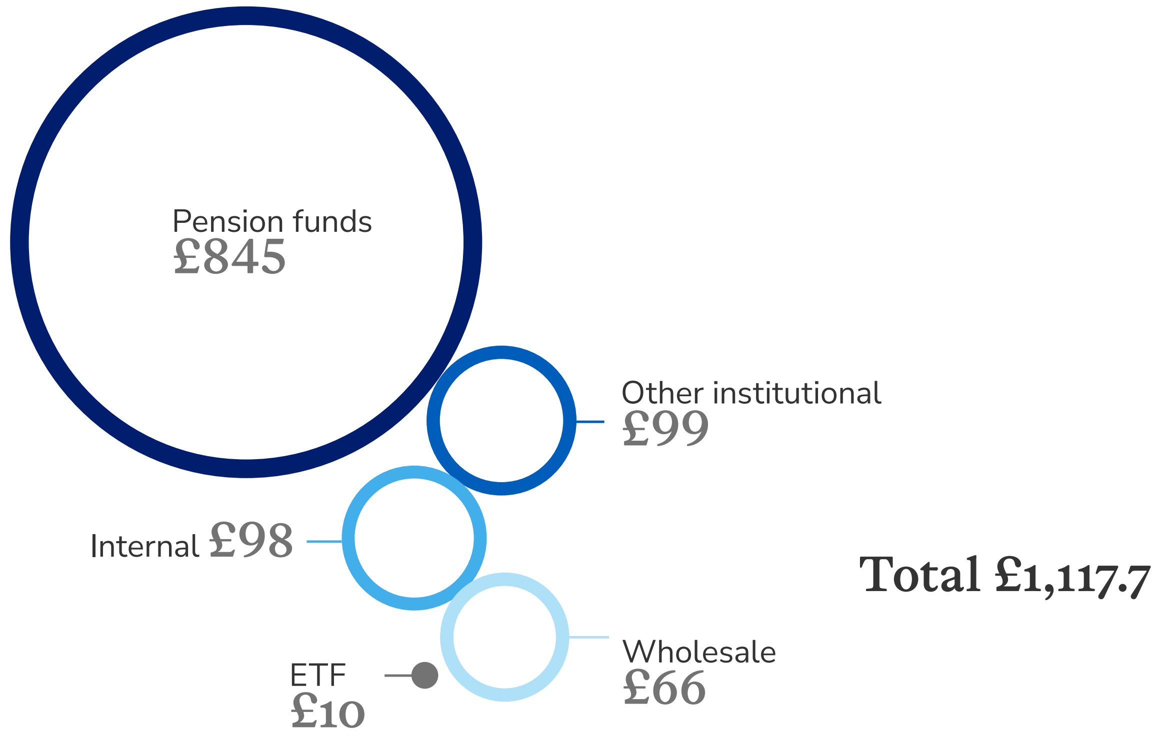


Assets under management: Regional breakdown

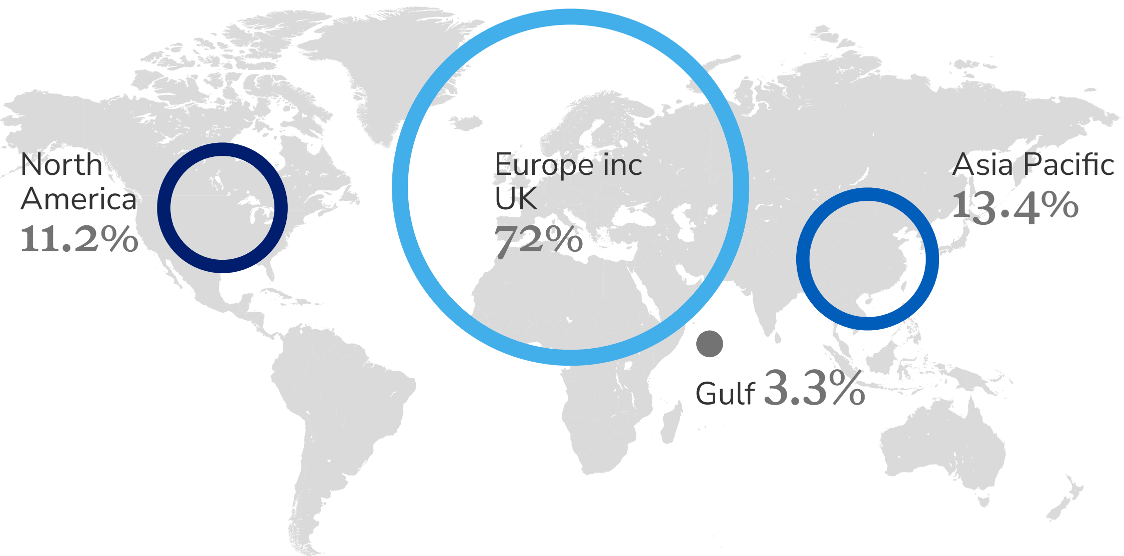


Our clients

Client type: £ billion



Client domicile: Regional breakdown



As at 31 December 2024. The AUM figure disclosed aggregates the assets managed by L&G's Asset Management business in the UK, Legal and General Investment Management, Inc in the US, and Legal and General Investment Management Asia Limited in Hong Kong.

The AUM includes the value of securities and derivatives and may not total due to rounding.

For the assets under management: regional breakdown figures - Regional exposure is based on the country of risk of the underlying holdings. Data disclosed excludes derivative overlays

173. Securities and Exchange Commission; Supplementary Guidance Regarding Proxy Voting Responsibilities of Investment Advisers, September 2020.

Policies and processes

- **We continue to assess our voting policies to make sure our approach is both consistent and transparent**
- **We use client feedback loops to inform our policy development**

We believe ongoing scrutiny of, and improvements to, our voting processes are key to meeting our goals as a long-term, responsible investor.

Our voting decisions are guided by policies that are researched and fine-tuned every year. They incorporate specific market policies that allow for local nuances to align with best practices.

Our voting policies range from minimum expectations, such as requiring financial expertise on the audit committee or having climate transition plans aligned with a 1.5°C global temperature increase, to clarifications around incentive pay performance targets, links to stakeholder experiences and ESG measures, alongside voting stances to oppose combined chair/CEO roles[174] and all-male boards globally.

As part of the annual review process, in addition to reviewing and updating our global and regional corporate governance and responsible investment policies, we also refreshed and published separate thematic policy documents to elaborate on individual policy stances and thought pieces. In particular, we have:

- Published our Nature Framework at the beginning of 2024, and separate Nature Capital Management and Water policies, including our approach and expectations around how companies integrate their interactions with nature and improve available disclosures in this area
- Updated our Deforestation Policy to reflect best practice guidance and to follow the latest industry standards on deforestation[175]
- Published new Health and Human Capital Management policy documents

Our timebound engagement approach allows companies a period to implement our expectations before voting sanctions may be levied at a future AGM.

For 2025, we implemented stricter director independence criteria across the US and Japanese markets beyond the independence assessment undertaken by our proxy adviser, ISS. In particular, we now consider director independence in light of their tenure on the board. Non-executive directors in both markets who have been on the board for over 12 years will not be considered independent. Additionally, directors on the boards of US companies with a tenure in excess of 25 years may also receive a vote against.

We have also further tightened voting thresholds as part of our Diversity Policy, in line with global expectations that the underrepresented gender on the board should reach at least 40%, and we have removed some size considerations to achieve this across European companies, with policy votes applied from 2026. From 2025, we will extend voting sanctions for a lack of ethnically-diverse representation on the boards of UK and, where appropriate, US companies in the FTSE 250 and Russell 1000 indices and seek to ensure women make up at least 15% of boards at TOPIX 500 companies in Japan.

It is essential that our votes are based on accurate, reliable data. This means championing the cause of transparency in our own processes and within investee companies' reporting.

Our Global Corporate Governance and Responsible Investment Policy sets out our expectations of investee companies and outlines our approach to voting and engagement. All of our policies are fully compliant with the Shareholder Rights Directive II and available on our Investment Stewardship website.

In updating our policies, feedback on specific topics is sought from internal subject matter experts and the Investment Stewardship team more broadly. We also consider the views of clients and other external stakeholders.

Material changes to our custom voting policy are peer-reviewed and are subject to challenge from our independent non-executive directors on the Investment Stewardship Committee.

Our internal custom voting policy

Votes are cast according to our instructions, guided by our voting policies and effected through an electronic voting platform called 'ProxyExchange', which is managed by Institutional Shareholder Services (ISS).

We do not automatically follow the recommendations of proxy advisers. Over many years we have developed a granular custom voting policy with specific voting instructions driven by our expectations. These instructions apply to all markets globally, with minimum best practice standards that we believe all companies should observe, irrespective of local regulations or practices.

In addition, we have also set country-specific expectations for those markets in which we adopt a differentiated stance. All our custom voting policies are developed in accordance with our publicly disclosed position on good governance and sustainability-related criteria in our guideline documents and country-specific policies.

We retain the ability in all markets to override any voting decisions that are based on our custom voting policy. This may happen when a company has provided additional insight that allows us to apply a qualitative overlay to our assessment.

Our analysis shows that, globally, our voting stance differed from ISS recommendations in around 12.9% of votes in 2024[176]. Where our stance differs, the majority of our votes cast are usually against management – particularly around issues of audit, independence, remuneration and on the level of support provided for 'say on climate' and shareholder proposals.

174. Currently excluding Japan, due to the unique features of this particular market.
175. Informed by the following frameworks: Global Canopy, FSDA investor expectations, Accountability Framework Initiative, and WWF.
176. Internal vote data, 2024.

Policies and processes (continued)

How we take client views into account

To ensure that our voting decisions are aligned with the wishes of our clients, we undertake regular consultations with asset owners. These are important opportunities to provide our clients with assurance and knowledge, as well as to receive direct feedback on their experiences and expectations. We will continue to review these client responses to determine the level of overlap between our policies and the expectations of clients in developing future engagement topics and voting policies.

Feedback loop and 'Expression of Wish'

For the last five years, we have worked with fintech firm Tumelo to run client feedback loops that have been gradually expanded to cover a broader representation of our client base.

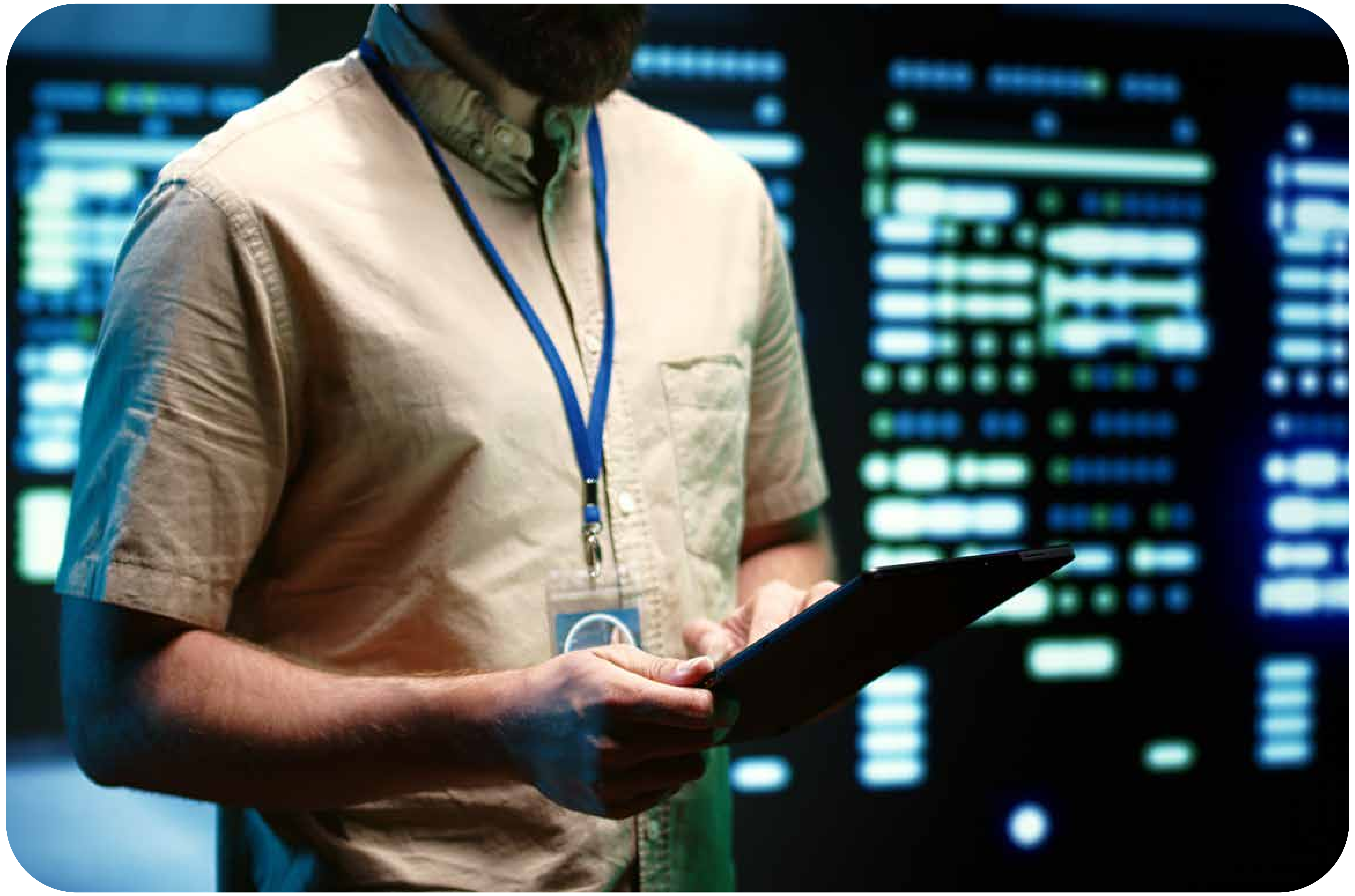
Aim: To better understand the alignment of our engagement topics and resulting voting stance with the voting intentions of our clients. A significant number of end members of our UK clients' corporate pension plans undertake regular elections on their intentions on certain high-profile votes at global company meetings. This provides insight on topics that matter most to end members.

Examples: There have been about 127,500 participant votes (including for and against) over the last five years.[177] The top three themes were executive remuneration, environment and lobbying, and equality and human rights.

The most interest was again noted on executive pay at several companies, including Walt Disney†, Broadcom† and Apple†, as well as UK high-street names NatWest†, Shell† and BP†. Apple† also received several shareholder resolutions on its use of AI, pay-gap reporting and discrimination concerns. Microsoft† again received a large number of shareholder resolutions on its use of AI, operations in human rights hotspots, and weapons development that garnered much attention from our clients' end members. Other shareholder proposals of interest were noted at McDonald's† on its use of antibiotics in its meat supply chains and at Amazon† on its reporting on reductions to plastic packaging.

Outcome: This system helps establish a two-way engagement that enables us to better understand consumer views and encourages savers to become more engaged with their investments. In the vast majority of meetings, we were able to determine an alignment between our votes and those placed by our clients via Tumelo's platform.

The implementation of this service has been driven by a combination of clients' increasing interest in the underlying holdings of their pensions, and UK regulations[178] that require pension schemes and their trustees to have access to better oversight of the voting implementation process. We believe 'Expression of Wish' can make feedback seamless and that it will support pension scheme trustees with their additional regulatory reporting and decision-making responsibilities.



177. Since launching the platform in June 2020 as a pilot, up to January 2025.
178. UK government; The report of the Taskforce on Pension Scheme Voting Implementation: Recommendations to government, regulators and industry, September 2021.

Working with third-party service providers

- **Third-party research brings additional insight to our own analysis, enabling us to make best use of our resources**
- **We continuously monitor the quality of third-party research to ensure it meets our requirements and offers value for money**

In parallel to applying our custom voting policy, we use the voting information services of Institutional Shareholder Services (ISS) and receive research reports for all companies in our equity portfolios.

We also receive research reports on UK companies in the FTSE All-Share index from IVIS, the research team of the UK Investment Association, and took global voting research from proxy adviser Glass Lewis.

We use this analysis to augment our own research and proprietary ESG assessment tools, as well as data from providers including Refinitiv, Sustainalytics and Bloomberg. We regularly review the quality and timeliness of services offered by our data providers, to ensure that the quality of the data on which we base our voting decisions remains high and offers value for money.[179]

We undertake quarterly performance management reviews with ISS in which we discuss issues such as timeliness, the quality of their research and the application of our voting policy. During these meetings, we receive delivery statistics and discuss changes to team resources. We deliberate on specific instances where our expectations have not been met and review possible solutions to avoid future repetition. We escalate issues to senior individuals at ISS where necessary.

We also have regular meetings with ISS to discuss the implementation and evolution of our policies, as part of our process to ensure that our voting decisions remain aligned to market best practices and evolving regulations.

We regularly monitor the votes cast on our behalf to ensure they are executed in accordance with our policy intentions. We also undertake additional quality checks on short-notice vote instructions and rejected votes.

We engage with proxy advisers on their policy development. We attend their annual client events and participate in policy surveys to seek to influence their voting stance on important topics and voting items globally. An example of collaborative engagement as part of an investor working group has been provided in the **stakeholder engagement** section of this report above.

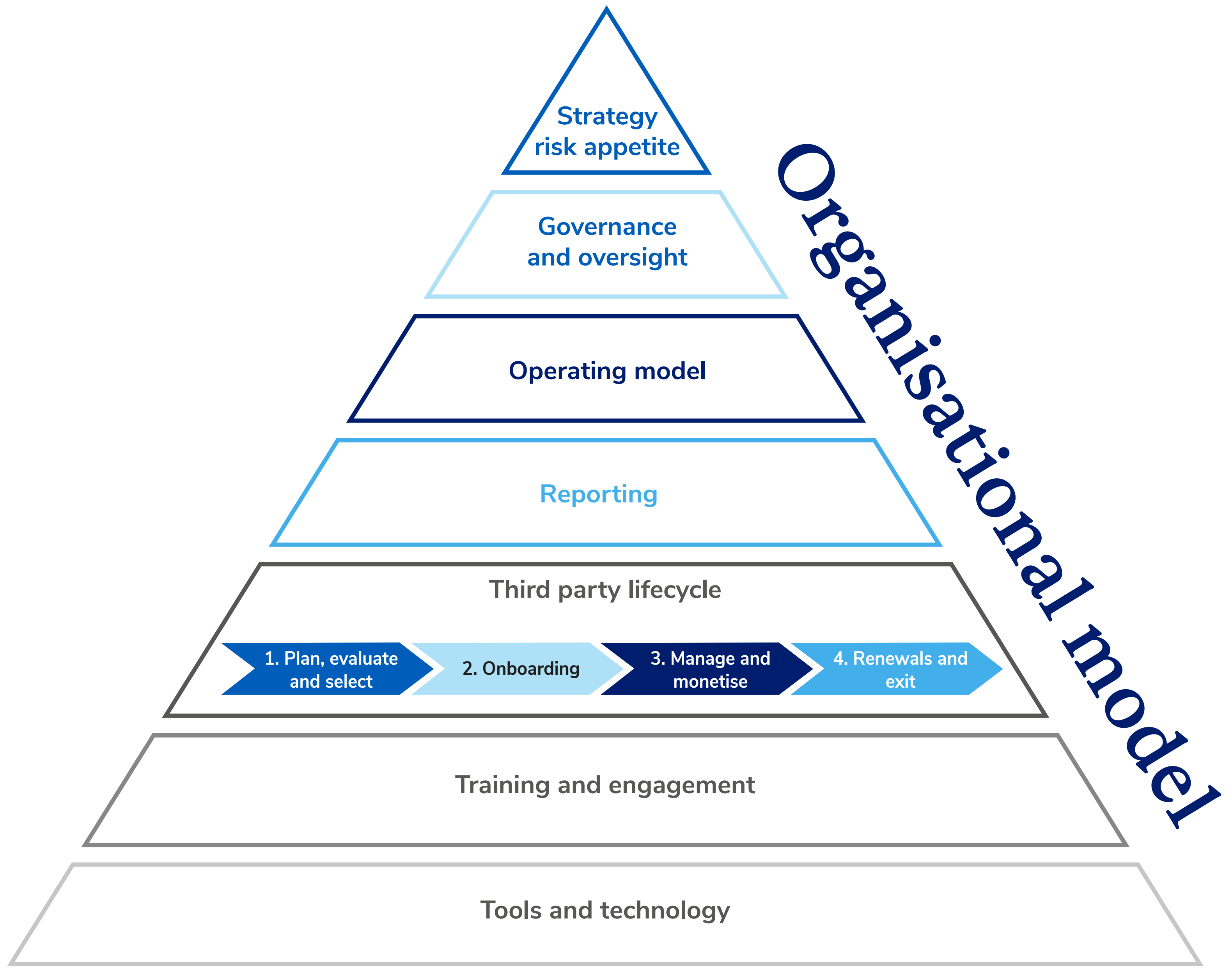
We also review ISS's policy alignment with our own public stance and take into account third-party research on ISS's voting recommendations. For example, ShareAction has assessed the strength of proxy adviser vote recommendations on shareholder resolutions, which tend to be decided on a case-by-case basis. ISS is noted to have supported just over 70% of environmental and social proposals, slightly down from the previous year (2023: 78%).[180]

For further information on how we use proxy advisory services, please see our policy.

Oversight and management of service providers

L&G's Asset Management business's Global Outsourcing and Third-Party Management Framework sits under an L&G Group Third Party Risk Management (TPRM) Policy and sets out how to manage and oversee new, renewed, materially changed, and existing service providers.

The L&G – Asset Management Limited Board has the ultimate responsibility for the selection of service providers and the management of risks associated with their use. This responsibility is delegated to the Operations Committee down to the Supplier Management Committee. Where necessary, third-party risks are escalated to the Group TPRM Committee.



In early 2024, the process of refreshing the exit plan covering the services provided by ISS was concluded. The plan considers the feasibility, risks, alternatives and likely timelines for any potential 'non-stressed' or 'stressed' exit from these services. We will review the plans at least annually and test them on a cyclical basis.

179. This is done through quarterly performance management reviews with ISS and annually for other providers.
180. This is higher than Glass Lewis's support of just under 40% of 279 resolutions considered in the ShareAction report and closer to our level of agreement with these proposals, which stood at 90% (broadly unchanged from 2023 at 92%). Source: ShareAction, 'Voting Matters 2024', February 2025.

Conflicts of interest

- **Our approach to conflicts of interest aims to safeguard the best interests of our clients**
- **Our strong, principles-based voting policies provide additional safeguards in the management of potential conflicts of interest**

In our approach to responsible investing in general, and to voting and engagement in particular, we aim to act in a manner consistent with the best interests of all our clients. As a result, our Investment Stewardship team sets out publicly our approach to conflicts of interest covering, among other things, the following areas:

- **Our listed parent company:** reputational conflicts, commercial relationships, seeking to influence corporate governance activities
- **Our clients:** corporate sponsored pension schemes associated with portfolio companies, conflicts between client resource allocation
- **Internal conflicts:** differing investment strategies and interests between asset classes, listed group products and significant investments, differing views between portfolio managers and the Investment Stewardship team
- **Portfolio companies:** commercially and price-sensitive information, direct competitors, common cross-directorships, personal contacts and connections

For each of the conflicts listed above, we have established rigorous controls to manage them. The Investment Stewardship team retains an appropriate degree of independence, through robust escalation mechanisms and clearly defined responsibilities.

In addition, the L&G – Asset Management Limited Board has delegated responsibility for the oversight of conflicts of interest to its Investment Stewardship Committee and a separate Conflicts of Interest Committee that includes five independent non-executive directors.

Our strong, principles-based voting policies provide additional safeguards in the management of potential conflicts of interest.

Changes to policy-driven voting decisions are discussed in the Investment Stewardship team's Voting Forum and made within documented internal controls processes.[181]

To ensure independent voting on in-house interests, all voting rights associated with L&G Group shares, and trusts and funds owned by L&G's Asset Management business, are delegated to third parties.

We provide annual training to all employees to identify and deal with potential conflicts of interest. We undertake an annual review to ensure the completeness of the conflicts register and to monitor controls around existing conflicts.

Case study: offer for Anglo American by BHP Group

Anglo American† (ESG score: 39; +1) is a UK-listed global mining company. BHP Group† (ESG score: 40; +3) is the largest mining company (by market cap) and has its primary listing in Australia.

What was the issue?

L&G first presented ideas around portfolio restructuring to Anglo American in April 2024. However, days later, and before the proposal could be circulated to the management team more broadly, BHP made an offer to buy Anglo American. L&G determined that the offer did not constitute good value for money for Anglo American shareholders and could threaten to slow down the pace of copper growth globally, an important commodity for the climate transition.[182]

Why was this a potential conflict?

L&G's Asset Management business holds equity and credit in both Anglo American and BHP on behalf of our clients. We recognise that clients may have different exposures to each of these companies; individual funds that we manage will also have different exposures to the two companies; and individual portfolio managers investing in either company may also take a different perspective on relative valuations.

How was the potential conflict managed?

When making decisions on M&A activity, we will consider the perspective of each individual company and engage and vote from that viewpoint. Internally, views were sought within the Investment Stewardship and Investment teams regarding the valuation of the transaction and the potential impact on the supply of copper. We explained to the management of both companies our approach to managing corporate activity where we hold both companies involved. The escalation of the engagement into the public domain was overseen by executive members of L&G to ensure appropriate management of any conflicts.

By keeping information channels open, any potential conflicts of interest were managed appropriately, safeguarding relationships with both companies and without compromising the ability to speak with one unified voice.

All case studies are for illustrative purposes only and do not constitute a recommendation to buy or sell a security.

181. These are discussed in weekly vote meetings and whenever else it is considered necessary.
182. BHP plans £31bn bid for Anglo American but attracts ire from South Africa and shareholders (ft.com); FT, 25 April 2024.

Awards and recognition

Achieving industry and peer approval

We always aim to produce industry-leading work, but we are not complacent about our achievements. External validation and oversight keep us on our toes and propels us forward to keep improving.

Recognition from third parties in 2024:

- Received a 5* ranking from the UN PRI for five modules: Policy governance and strategy, Passive equity, Real estate, Fixed income (SSA) and Fixed income (corporate)[183]
- A+ stewardship score from InfluenceMap[184]
- A rating from ShareAction for our approach to responsible investment
- Recognised by ShareAction for our proactive voting, despite being predominantly an index manager[185]

We also won the following industry awards for our efforts in responsible investing:

- Pensions Age Awards (UK) - Sustainability Provider of the Year
- Professional Pensions (UK) - ESG Manager of the Year
- Pensions Expert (UK) - ESG Impact Manager of the Year
- ESG Identity Awards (Italy) - ESG Asset Management
- Hirschel & Kramer (EU) - Responsible Investment Brand Index
- IEX Golden Bull Awards (NL) - Responsible ETFs

Awards should not be considered a recommendation. Past performance is not a guide to the future

183. PRI, November 2024
184. Influence Map, March 2025
185. ShareAction, Voting Matters 2024, February 2025

UK Stewardship Code Index

This report should be read in its entirety to obtain the fullest picture of our active ownership activities during 2024.

For examples of our work during the year, please see our E, S and G sections in this report and the report's landing page.

In addition, the table below provides links to the sections that demonstrate how we apply the 12 Principles of the 2020 UK Stewardship Code. We consider that we have fully applied each of the principles in its investment stewardship activities during 2024.

Stewardship Code Principles	Section within document	Pages
Principle 1 – Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society	Foreword | Responsible investment | Awards	3, 7-13, 16, 89
Principle 2 – Signatories' governance, resources and incentives support stewardship	Responsible investment | Voting and reporting | Policies and processes | Third-party service providers | Conflicts of interest	8, 11, 14-16, 83-88
Principle 3 – Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first	Conflicts of interest	88
Principle 4 – Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system	Foreword | Responsible investment | How we engage | Policy advocacy and collaboration | Case studies	3, 7-13, 17-23 See ESG sections and case studies: 24-51, 54-56, 58, 60/61, 67-70
Principle 5 – Signatories review their policies, assure their processes and assess the effectiveness of their activities	Stakeholder engagement | Voting and reporting | Policies and processes | Third-party service providers | Awards	23, 83-87, 89
Principle 6 – Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them	Responsible investment | Stakeholder engagement | Voting and reporting | Policies and processes | AUM and client breakdown	7-9, 23, 83-86
Principle 7 – Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities	Q&A | Responsible investment | How we engage | Policies and processes | Third-party service providers | Case studies	5-13, 17, 23, 24-27, 35-38, 41/42, 49/50, 54, 58/59, 62, 85, 87
Principle 8 – Signatories monitor and hold to account managers and/or service providers	Third-party service providers	87
Principle 9 – Signatories engage with issuers to maintain or enhance the value of assets	Responsible investment | How we engage | Active engagement | Case studies	8-12, 17/18 See ESG sections and case studies: 24-39, 44-47, 50, 52, 54-58, 61/62, 64-66, 70-75
Principle 10 – Signatories, where necessary, participate in collaborative engagement to influence issuers	How we engage | Policy advocacy and collaboration | Case studies	17-21, 28-30, 33, 38-40, 46-50, 55/56, 61, 67-69
Principle 11 – Signatories, where necessary, escalate stewardship activities to influence issuers	Responsible investment | How we engage | Case studies	9, 17/18, 28-32, 45-47, 49/50, 56, 65, 70/71
Principle 12 – Signatories actively exercise their rights and responsibilities	Responsible investment | How we engage | Active engagement | Voting statistics | Voting and reporting | Policies and processes | Case studies	7-10, 17/18, 73-86 Across case studies 24-71

Key risk

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested.

Net-zero commitments and targets are not guaranteed to be met.