



# Japan's Stewardship Code: L&G's response

For Professional clients only. Capital at risk.



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# Introduction

At L&G we take our stewardship responsibilities seriously and devote significant resources to our active ownership activities.

This document sets out the approach to stewardship by L&G's Asset Management business and its subsidiary companies that are in the institutional investment and/or asset management businesses. Any reference to "L&G" in this document includes L&G's Asset Management business and such subsidiaries.

We are active proponents of the benefits of stewardship codes globally to improve the quality of stewardship and ownership across the markets in which we invest.

As a strong supporter of Japan's Stewardship Code (Principles for Responsible Institutional Investors) from its inception, we feel it is our duty to be accountable for our clients' assets and ensure that we uphold the highest environmental, social, governance (ESG) and sustainability standards in the global financial market.

Below, we demonstrate how L&G complies with the principles and guidance of the 2025 Japan's Stewardship Code. In addition, further examples of our stewardship activities during the 2024 calendar year can be found in our latest [Active Ownership Report](#) and on our [website](#).

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“Stewardship responsibilities refer to the responsibilities of institutional investors to enhance the medium- to long-term investment return for their clients and beneficiaries by improving and fostering the investee companies' corporate value and sustainable growth through constructive engagement, or purposeful dialogue, based on in-depth knowledge on the companies and their business environment and consideration of sustainability (medium- to long-term sustainability including ESG factors) consistent with their investment management strategies.”

Japan's Stewardship Code, FSA, 2025

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# Principle 1

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“Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities and publicly disclose it.”

Japan's Stewardship Code, FSA, 2025

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## Stewardship policies

L&G's policies on corporate governance and responsible investment, voting and conflicts of interest are reviewed on a regular basis, with most policies updated annually. Any substantial changes undergo an internal review and detailed scrutiny and require the approval of the Investment Stewardship Committee. The committee is chaired by a non-executive director of L&G – Asset Management Ltd. and comprises four further independent non-executive directors, the CEO and the Chief Investment Officer.

L&G's Global Corporate Governance and Responsible Investment Principles set out our minimum expectations of investee companies in terms of corporate governance and other ESG and sustainability issues, and outline how L&G exercises its voting, engagement and monitoring activities. As this applies to companies globally, it should be read in conjunction with the region-specific policy for Japan.

Further information on our policies on engagements and voting are outlined under Principles 4 and 5, respectively.

All stewardship policies are publicly disclosed and can be found on L&G's [website](#).

## Scope of stewardship responsibilities

L&G's stewardship responsibilities extend to all assets globally, including equities, fixed income and real assets.

For further information on the ESG policies and initiatives undertaken in L&G's fixed income and real assets businesses, please refer to the annual Active Ownership Report (Principle 6), Engagement Policy (Principle 4), and [Insights publications](#).



# Principle 2

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“Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.”

Japan's Stewardship Code, FSA, 2025

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Managing both actual and perceived conflicts is essential to L&G's activities, so that clients understand their interests are always put first. Additionally, the management of conflicts is important in building long-term relationships with the companies in which L&G invests.

The [Stewardship: Conflicts of Interest document](#) provides further detail as to how we apply our [Conflict of Interest Policy](#) to our stewardship and engagement activities. Case studies of conflicts that have either been identified or arisen are available in our annual Active Ownership reports, which provide further explanation of how we have dealt with those risks and acted in the best interests of our clients.

## Identification of conflicts

Our strategies and processes, which include staff training and bi-annual reviews of controls and conflicts, enable the early identification of potential or actual conflicts of interests.

## Mitigation of conflicts

There are a number of structures and processes to avoid potential conflicts, to reduce the risk of an actual conflict arising, and to mitigate the impact of such conflicts where they do arise.

### Legal & General Group plc (L&G Group) equity and bonds

L&G Group shares are held externally and voted on independently. For L&G Group shares held by segregated funds, should any conflicts of interest arise, we would inform the client and seek instruction. We can purchase L&G bonds in our active fixed income portfolios up to benchmark weight. For index fixed income products, L&G bonds are held in accordance with their benchmark weight +/- tolerances.

### Transparent and fair implementation of policies

Our corporate governance & responsible investment policies (global and Japan), thematic stewardship policies and our conflicts of interest document are publicly available on our website. All policies have been approved by the executive team of L&G - Asset Management Ltd and are regularly reviewed. The transparency and governance of these policies ensures they are fairly and consistently applied, thereby assisting in the mitigation of potential conflicts.

All voting functions are centralised: this includes voting policy development, implementation process and governance, as well as proxy advisor management. Centrally managed voting processes and governance provides for a fair and consistent implementation of our policies across all the investments we manage (and are authorised for) on behalf of our clients.

Information on internal resources and team structure is outlined in our response to Principle 7.



## Management of conflicts

Stewardship activity is overseen across formal committees, including our Executive Committee, as well as a specific board-level Investment Stewardship Committee. The Investment Stewardship Committee meets quarterly and has explicit responsibility to provide oversight in relation to potential conflicts of interests and contentious corporate governance issues. The committee is chaired by an independent non-executive director of L&G – Asset Management Ltd. Please see Principle 1 for information regarding this committee.

The Conflicts of Interest Committee is a committee of L&G – Asset Management Ltd. Its purpose is to provide independent oversight of the firms' identification, management and disclosure of conflicts of interest and potential conflicts of interest. The committee is chaired by a non-executive director of L&G – Asset Management Ltd.

Formal escalation process: where conflicts are identified and are unable to be resolved, they will be escalated firstly to the Head of Responsible Investment and Stewardship, then to the Chief Investment Officer and finally to the Executive Committee. This escalation approach ensures any conflict is always managed in the long-term interests of clients. Such escalation would be overseen by the Investment Stewardship Committee of L&G – Asset Management Ltd.



# Principle 3

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“Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards sustainable growth of the companies.”

Japan's Stewardship Code, FSA, 2025

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## Monitoring of investee companies

L&G actively monitors investee companies to ensure they are positioned for sustainable growth and in turn are able to create long-term value for clients.

L&G does not rely exclusively on corporate disclosures when monitoring companies. The resources which the Investment and Investment Stewardship teams draw on include company disclosures, external corporate governance and other ESG scores and networks, concerns raised by proxy voting advisers, collaborative engagement with other shareholders, market news, and meetings with the internal investment teams.

L&G also monitors companies objectively by using its proprietary and quantitative ESG assessment tools, the L&G ESG Scores<sup>1</sup> and the Active ESG View,<sup>2</sup> as well as assessing companies against their management of climate risks and opportunities through L&G's Climate Impact Pledge.<sup>3</sup>

## Tracking engagement outcomes

Engagement activity is recorded in a dedicated data management system to support the Investment Stewardship and Investment teams' work. This provides a clear audit trail of the engagement process and allows L&G to record successes in effecting positive change. The tracking of engagement outcomes assists in the evaluation of L&G's stewardship approach and performance.

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<sup>1</sup> L&G's ESG Scores combine an environmental score, a social score and a governance score, with adjustments made for a company's overall levels of transparency with regards to ESG issues. These scores are used to improve market standards globally and monitor ESG developments using quantitative measures, to create investment solutions (for example through use in index construction across many L&G funds, including the Future World ESG-tilted indices) and to incentivise companies to improve their ESG profile through a transparent methodology. L&G has applied this tool to score approximately 17,000 global companies. The score is a broad assessment of market-wide ESG issues that affect long-term returns and which we believe represent a risk if not addressed, and where we have determined the metrics to be of sufficiently available, quantifiable and reliable. The scores look across all sectors and regions (see [methodology document](#)). These scores are publicly available on L&G's [website](#).

<sup>2</sup> The Active ESG View tool is an internal tool, used for research and portfolio management by our Active Equity and Fixed Income Teams. It incorporates granular quantitative and qualitative inputs and assessments in order to provide a full picture of the ESG risks and opportunities embedded within each company.

<sup>3</sup> L&G's Climate Impact Pledge assesses over 5,000 companies worldwide, in 20 'climate-critical' sectors, against key indicators. Using quantitative and qualitative measures, L&G assesses them under a 'traffic light' system, drawing on independent data providers and in-house climate modelling tools. Companies that fail to meet our minimum expectations or demonstrate progress towards them may be subject to a vote against the chair at their AGM; for companies in the 'qualitative' assessment stream may additionally be divested from = applicable funds. Companies' Climate Impact Pledge scores are publicly available on L&G's [website](#).



# Principle 4

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“Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.”

Japan's Stewardship Code, FSA, 2025

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As a long-term shareholder, L&G aims, through our engagement, to build relationships grounded on trust and expertise with the management and boards of the companies in which we invest on behalf of our clients. L&G's approach to engagements is to have an open dialogue that is constructive and helpful and also aimed at deepening knowledge of investee companies.

L&G's engagement conversations involve high-level strategic discussions on sustainability and other matters that affect companies' long-term financial returns. L&G therefore expects engagement to take place with the board chair, independent lead non-executive director, or the chairs of the respective key board committees that are responsible for the topic under discussion.

## Collaboration with other investors

Collaboration with other like-minded investment institutions on specific topics is an important channel through which L&G aims to encourage investee companies to improve their management of ESG issues. Collaborative engagement with other investors may be on topics that are specific to a company or in response to an industry consultation. It should not, however, be confused with consortiums, as each investment house would retain the decision-making power to act in the best interests of its own clients.

## Escalation

Escalation is a vital component in making engagements effective. If constructive engagements fail to result in improved practices, or if L&G's concerns fail to be addressed, then L&G will usually escalate the issue.

Escalation can take the form of voting against the company (Principle 5), filing or supporting shareholder-requisitioned resolutions, the use of public pressure, adjustments to capital allocation in certain funds, and engaging with policymakers and regulators. The escalation of engagement can also result in a collaborative initiative, which allows L&G to forge alliances with other investors on common goals, as mentioned above.

## Transparency as a beneficial shareholder

To support constructive dialogue, L&G will disclose its shareholdings to investee companies upon direct request on a best endeavours basis.

## Internal communication

Please see Principle 7 for further information on internal resources and skills.



# Principle 5

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“Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist: it should be designed to contribute to sustainable growth of investee companies.”

Japan's Stewardship Code, FSA, 2025

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## Voting policy

L&G has put in place a global custom voting policy with specific instructions. These instructions apply to all markets globally and seek to uphold what L&G considers to be the minimum best-practice standards.

In addition, L&G has set specific custom voting policies at an individual market level for those markets in which L&G adopts a stricter stance. L&G's voting policy has been developed to reflect the economic, political and cultural differences in corporate governance and other sustainability practices.

## Disclosure of voting activity

L&G discloses country-level aggregate voting records through its annual Active Ownership Report and more granularly at issuer level on the public website.

L&G publishes its voting decisions, including the rationale for each resolution where an instruction has been cast against management. This information is accessible one day after the shareholder meeting, on the following [webpage](#). A link to this webpage is also available on the [LGIM Japan website](#).

L&G is committed to providing its clients with access to “significant vote” information in alignment with the EU Shareholder Rights Directive II. In addition, L&G will provide information on significant votes in the format of detailed case studies in its Quarterly Engagement Reports published on its website and through annual Active Ownership publications.

Additionally, in 2021 L&G began pre-declaring voting intentions ahead of a company's shareholder meeting in a centralised, transparent and easily-accessible format via L&G's [blog](#). These pre-declarations highlight the companies and resolutions we believe require additional scrutiny by the market, and form part of our escalation strategy under specific engagement topics.

## Proxy voting advisers

Given the scale of L&G's holdings, L&G cannot be physically present at every company shareholder meeting to cast these votes. L&G instead votes by proxy through the Institutional Shareholder Services (ISS) voting platform. L&G's custom voting policy, with specific instructions (details above), ensures that the proxy provider votes in accordance with L&G's position on relevant issues. All of the decisions are made by L&G's Investment Stewardship team and in accordance with L&G's relevant Corporate Governance & Responsible Investment Policy documents.



# Principle 6

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“Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.”

Japan's Stewardship Code, FSA, 2025

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## Keeping clients informed

L&G believes it is important to keep clients informed about ESG matters that may affect their portfolios.

L&G discloses its stewardship activities through the annual Active Ownership Report, Quarterly Engagement Reports, [thought pieces](#) on engagement-related topics and via [blogs](#) and [podcasts](#). These are all publicly disclosed and can be found on L&G's website.

For details on how L&G discloses its voting activity, please refer to Principle 5.

In addition, L&G provides trustee education seminars and stakeholder events throughout the year to help clients, investee companies and other market participants better understand current issues and to highlight what L&G is doing to reduce risks and promote best practices.



# Principle 7

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“To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.”

Japan's Stewardship Code, FSA, 2025

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## External resources

Please see Principle 3 for details on information sources and Principle 4 for information on constructive engagements with investee companies.

## Internal resources and skills

When building the Responsible Investment and Stewardship team, L&G deliberately hired members with diverse experience and expertise: the result is a strong and cohesive set of professionals who possess complementary skills and experience in areas including stewardship, fund management, responsible investment, financial analysis, corporate governance, ESG, sustainability, public policy and regulation.

The Responsible Investment and Stewardship team is predominantly based in London, but it has a global remit with staff also based in Japan, the US, and Singapore. The Responsible Investment and Stewardship team is part of our overall investment team and communication is maintained to share knowledge and information.

## Policies and compliance

Details on L&G's stewardship policies are provided under Principle 1.

L&G has strengthened its internal review processes in response to increasing client requirements, to ensure that stewardship processes and disclosures remain balanced and complete. We also work alongside our internal auditors to set suitable frameworks and standards against which an independent assessment could be effectively completed.



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### Key Risks

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.

### Important Information

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Unless otherwise stated, references herein to "L&G", "we" and "us" are meant to capture the global conglomerate that includes:

- **European Economic Area:** LGIM Managers (Europe) Limited, authorised and regulated by the Central Bank of Ireland as a UCITS management company (pursuant to European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) and as an



alternative investment fund manager (pursuant to the European Union (Alternative Investment Fund Managers) Regulations 2013 (as amended)).

- **Japan:** Legal & General Investment Management Japan KK (a Japan FSA registered investment management company).
- **Hong Kong:** issued by Legal & General Investment Management Asia Limited which is licensed by the Securities and Futures Commission.
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The L&G Stewardship Team acts on behalf of all such locally authorised entities. D009787