

Press release

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LGIM steps up sustainability and governance efforts

Continued focus on issues including climate change, diversity, remuneration and board independence, to ensure benefit to shareholders and broader stakeholders for the long-term

- Opposed the election of more than 4,000 company directors globally in 2019
- Took sanctions against 11 companies named as laggards under Legal & General Investment Management Limited's (LGIM) Climate Impact Pledge
- Opposed 35% of pay packages globally and voted against at least one resolution at 71% of companies, due to concerns about the suitability of directors or auditors, pay or company strategy
- Continued successful work with regulators and policy-makers to raise market standards on stewardship and sustainability

Legal & General Investment Management (LGIM), one of the world's largest asset managers, has continued to strengthen its stewardship efforts, stepping up pressure on corporate boards around the world, on a range of issues including climate change, remuneration, diversity and board governance.

LGIM's ninth annual 'Active Ownership' report, released today, reveals that over the course of 2019, it continued to vote globally, opposing the election of more than 4,000 company directors, as it seeks to effect long-term positive change within the companies and markets in which it invests.

Sacha Sadan, Director of Investment Stewardship at LGIM, commented, "In these unprecedented times, we are reminded of how interconnected the world is – but also that sustainability, good governance, and fair treatment of employees will be the building blocks of a better future. LGIM will continue to support and hold companies to account for their stakeholder responsibilities, taking a strong stance with regulators in support of improved market standards, and seeking collaboration to drive progress on the issues that matter to our clients and society at large".

Addressing climate change through forceful stewardship

Climate change was the topic on which LGIM engaged most frequently with companies in 2019. Recognised as 'one of the most outspoken fund managers over the climate crisis'¹, during the year LGIM supported more shareholder resolutions on climate change than any of the world's largest asset managers², even co-filing a climate resolution at oil major BP, which helped to support the company in adopting industry-leading emissions targets.

In June, LGIM published its second annual ranking of corporate leaders and laggards under its Climate Impact Pledge engagement programme, taking voting and investment action against 11 companies that had failed to demonstrate sufficient action in addressing climate change, including Exxon Mobil and China Construction Bank. The report also highlighted examples of best practices – as well as examples of stewardship driving positive change with two companies which were divested from select funds in 2018 having made sufficient progress to warrant reinvestment in 2019.

¹ Source: The Guardian

² Source: ShareAction

Validating LGIM's approach, independent analysis of large asset managers' responsible investment capabilities found LGIM was one of only five worldwide to receive an A rating, with LGIM the highest-rated among UK, index and the 15 largest global asset managers³.

Testimony to increased climate ambition across the L&G Group, LGIM Real Assets has also committed to achieve net zero carbon emissions for all its real estate properties by 2050⁴.

Supporting financial inclusion

LGIM is committed to improving executive pay practices and reducing income inequality at investee companies. Last year it opposed 35% of pay packages globally and voted against many remuneration committee chairs for failing to address persistent concerns. LGIM has also continued to encourage companies to introduce a living wage.

As part of strengthened policies, LGIM will vote against companies where the pensions of newly appointed executive directors are not aligned with the workforce, and against companies where executive directors do not retain a significant amount of company shares for two years following their departure.

Sacha Sadan continued, "The longer executives continue to have a stake in the business, the lower the risk of short-term management decisions. Our updated principles on shareholding requirements aim to achieve this, whilst encouraging more alignment with stakeholders."

Pursuing good governance and diversity

As the cornerstone of long-term value creation, LGIM has continued to encourage companies to implement robust governance structures. In 2019 LGIM opposed 15% of director-related proposals globally, including:

- 776 cases of directors holding too many simultaneous board roles ('overboarding')
- 530 directors of Japanese companies and 365 resolutions at European companies due to concerns around independence
- 199 resolutions at North American companies due to excessive auditor tenure

In January, LGIM announced that it would vote against all companies where the CEO also serves as board chair, having long advocated for the separation of the roles. Last year, it supported 51 shareholder resolutions in the US asking for a split of the functions and cast 40 votes against directors where the board's decision to combine the roles was done without the prior approval of their shareholders.

LGIM has long promoted the importance of diverse viewpoints and skills for company success. In 2019 it continued to expand its global focus on this issue, targeting companies with low levels of gender diversity.

- 51 US and 19 Japanese companies saw improvements in diversity following engagement
- LGIM voted against 76 directors in the UK, 41 companies in emerging markets and 56 directors in Asia Pacific for lack of diversity.

³ Source: ShareAction – Point of No Returns (2020)

⁴ For more information on L&G Group's approach to climate, please see its TCFD report https://www.legalandgeneralgroup.com/media/17720/lg_tcfd_100320-finalpdf-with-link-2-pdf-with-link.pdf

Sacha Sadan continued, “Especially in testing circumstances, diverse boards can better challenge and support companies. We need directors to be able to focus on the significant responsibilities of their roles by not serving on too many boards, and to have the right checks and balances – including, crucially, not self-regulating as joint chair/CEO”.

Deepening environmental, social and governance (ESG) integration into investments

LGIM’s stewardship efforts work in tandem with the growing importance of ESG criteria in the overall investment process. During 2019, LGIM established an integrated framework for responsible investing, across both public and private assets. LGIM continued to develop its proprietary ESG scoring, launching 14 new funds with ESG-linked objectives, whilst taking further action on poor-scoring companies. LGIM wrote to the board chairs of 98 companies identified as having poor social and governance scores – for example, unfair treatment of employees and suppliers or lack of transparency - with constructive suggestions for improvement.

Driving the industry forward through policy advocacy

LGIM continues to work closely with policy-makers: in 2019 it participated in around 30 engagements with regulators worldwide, whilst also collaborating with other investors and taking public positions where appropriate. From improving the quality of audit and stewardship in the UK and strengthening the rights of investors in Japan and the US, to advocating for sustainable finance in the EU and upgrading the corporate governance code in Germany, LGIM continues strengthening policy advocacy, as part of its ongoing work to promote a sustainable financial system.

To read LGIM’s ninth Active Ownership report in full, please click [here](#)

-ENDS-

Key Risk Warnings

The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

Reference to a particular security is on a historic basis and does not mean that the security is currently held or will be held within an LGIM portfolio and is for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

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Notes to editors

Legal & General Investment Management:

Legal & General Investment Management is one of Europe's largest asset managers and a major global investor, with total assets under management of £1.2 trillion⁵. (€1.4 trillion; JPY 172 trillion) We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

Throughout the past 40 years we have built our business through understanding what matters most to our clients and transforming this insight into valuable, accessible investment products and solutions. We provide investment expertise across the full spectrum of asset classes including fixed income, equities, commercial property and cash. Our capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions.

⁵ LGIM internal data as at 31 December 2019. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong. The AUM includes the value of securities and derivatives positions.