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All investing involves risk.

Q1 2023

ESG impact report

Global engagement to deliver positive change

LGIM

Our mission

We aim to use our influence to ensure:

1. Companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking

2. Markets and regulators create an environment in which good management of ESG factors is valued and supported

In doing so, we seek to fulfil LGIM's purpose: to create a better future through responsible investing.

Our focus

Holding boards to account

To be successful, companies need to have people at the helm who are well-equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks while seeking to benefit from emerging opportunities. We aim to safeguard and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that seek to deliver long-term success.

Promoting market resilience

As a long-term investor for our clients, it is essential that markets (and, by extension, the companies within them) are able to generate sustainable value. In doing so, we believe companies should become more resilient amid change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues affecting the value of our clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change across markets as a whole.

Action and impact

In this report, we highlight some of our key activity in the Investment Stewardship team, including our latest Climate Impact Pledge updates, our collaboration with ShareAction on European chemical companies, and a selection of our significant votes.

Environmental | Social | Governance

ESG: Environment

Decarbonising European chemical companies: collaboration with ShareAction

As part of a collaboration of approximately 35 investors organised by Share Action, representing over US$7 trillion,[1] we have been engaging with a number of leading global chemical companies to encourage them to implement credible decarbonisation strategies. The engagements have included 13 of the largest European chemical companies, including Koninklijke DSM, Air Liquide and BASF. The collaboration has requested that the companies formulate strategies to electrify chemical production processes, increase their use of renewable energy sources, phase in non-petrochemical feedstocks, and set Scope 3 targets aligned with a 1.5°C pathway. Progress has been made, with some companies (for example, *BASF and LyondellBasell)[2] confirming plans to reach net zero by 2050. Nevertheless, there is still much progress to be made, and the collaboration will continue this year focusing on clear plans to make the transition happen. Letters have been sent out to targeted companies and engagements started to take place at the end of the first quarter.

At LGIM, we include the chemical sector within our Climate Impact Pledge as we believe that decarbonisation of the sector is a crucial part of the global journey to net zero, as the sector has links to and dependencies between many other industries and supply chains.

1. Source: Share Action, 04 April 2023
2. Chemical companies urged to present 'credible' decarbonisation plans - Sustainable Views

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

*Glencore: escalating our engagement

In 2022, we pledged to increase pressure on companies that fail to put suitably ambitious and credible transition plans to a shareholder vote, by filing shareholder resolutions. In light of our ongoing concerns at Glencore, we are putting our commitment into effect by co-filing a shareholder resolution at Glencore's 2023 AGM, requesting that the company disclose how its thermal coal production is aligned with the Paris Agreement objective of limiting the increase in global temperature to 1.5°C. As one of the world's largest diversified mining companies, with strong exposure to metals needed to decarbonise the global economy, we believe Glencore has a key role to play in the energy transition. We have been engaging with the company for a number of years under our Climate Impact Pledge, and this escalation reflects our unabated concerns about the company's trajectory to net zero. Filing a resolution puts pressure on companies and encourages them to discuss and resolve issues with us. Where we have filed or collaborated on select proposals in this way in the past, we have found that they have been an effective means of escalation – both at the individual company level and for market-wide change more broadly.

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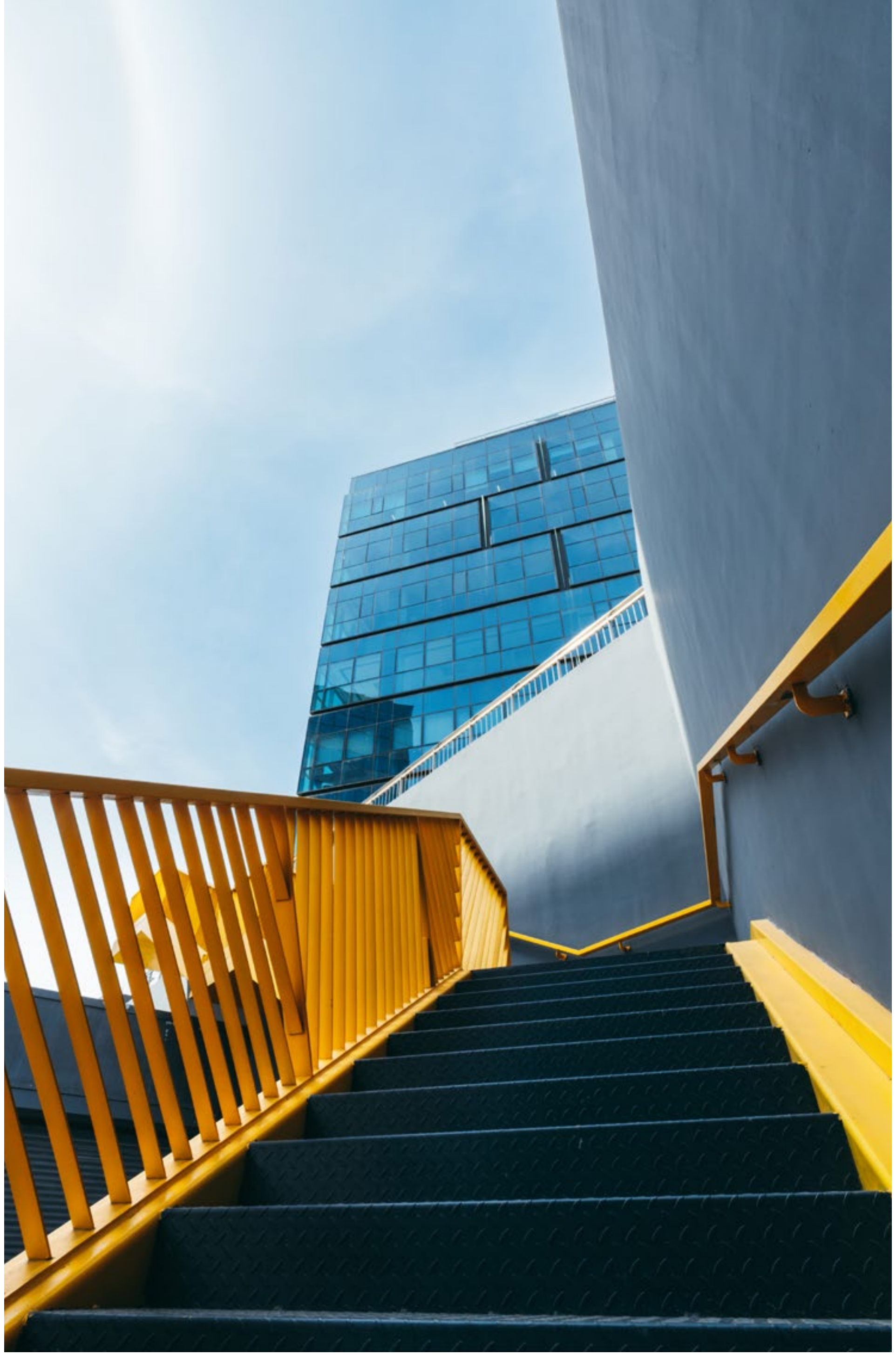
Climate Impact Pledge update

Having announced the expansion of our Climate Impact Pledge engagement programme in October 2022 to cover 5000+ companies, with 100+ in-depth engagements, we can report at the end of the first quarter of 2023 that we have sent a total of 250 letters to companies identified as not meeting our minimum standards, ahead of the main AGM season.

The letters outline our key expectations, the potential vote sanction, and our approach and assessment of companies via our dedicated website highlighting areas which may need addressing using a 'traffic light' system. We also request that companies address areas flagged as 'red', especially those considered as 'minimum standards', and engage with data providers to ensure correct information is captured on their platforms. With regards to disclosures, we encourage companies to disclose through CDP and have TCFD-aligned reporting, as well as setting science-based targets aligned to 1.5°C pathways. We will be reporting on our Climate Impact Pledge results in June 2023.



Significant votes

Company name	Capricorn Energy Plc*
ISIN	GB00BN0SMB92
Market cap	£733 million *Source: London Stock Exchange, 31 March 2023
Sector	Oil and gas
Issue identified	As detailed in our Q4 2022 Quarterly Impact Report, our concerns included governance, process, conflicts, future strategy, executive compensation, environmental risks and valuation. LGIM's view had consistently been that the proposed combination with NewMed had weak strategic rationale and would not lead to meaningful synergies; rather, it would create significant new risks for Capricorn shareholders.
Summary of the resolution	• **EGM (management), 1 February 2023, 9am:** Resolution 1 – Approve NewMed Acquisition • **Shareholder requisitioned EGM, 1 February 2023, 2pm:** Resolution 1-7 – To remove the following current directors of Capricorn from office: Simon Thomson, James Smith, Nicoletta Giadrossi, Peter Kallos, Keith Lough, Luis Araujo and Alison Wood.
How LGIM voted	EGM (management), 1 February 2023, 9am: AGAINST Resolution 1, (against management recommendation) Shareholder-requisitioned EGM, 1 February 2023, 2pm: FOR Resolutions 1-7, (against management recommendation)
Rationale for the vote decision	LGIM has undertaken numerous engagements with the Capricorn board over the past nine months to express our widespread concerns with the transactions the board has proposed, including the NewMed transaction. Further detail can be found in our Q4 2022 Quarterly Impact Report. In particular, we noted the timing of the proposed meetings as a matter of grave concern. The decision to hold the company's meeting before the shareholder requisitioned meeting appeared to be a direct attempt to undermine due process. It was LGIM's view that meaningful board change was needed to restore investor confidence. The process to date has raised serious questions about the ongoing suitability and fitness of the entire board – and the chair and senior independent director in particular – to serve as directors of a listed company.
Outcome	The company announced the resignation of the seven directors who were proposed to be removed, and in the shareholder EGM held on 1 February 2023, all six directors proposed by the proponent were elected by an overwhelming majority of 99.2% of the votes cast. The newly constituted board intended to conduct a comprehensive strategic review of Capricorn's business and potential directions for the future, with a priority given to the NewMed transaction. Following the strategic review, and given shareholders' views, the board and NewMed have agreed to terminate the business combination.
Why is this vote 'significant'?	The overall engagement demonstrates how LGIM's Investment Stewardship, Investment and Climate Solutions teams work together in pushing for a better financial and environmental outcome for stakeholders, and the outcome of the vote demonstrates the power of combined shareholder action.

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Moving forward with Fortum*

Identify and engage

LGIM co-leads the Fortum engagement as part of CA100+. We also engage with them under our Climate Impact Pledge. We have a productive and collaborative relationship with the company, and throughout our tenure as a co-lead within CA100+ we have overseen some significant commitments from the company, including its December 2021 production of its first lobbying report, which helped the company to gain joint-first place in InfluenceMap's assessment of lobbying activities of CA100+ companies, and the update in December 2022, which can be found here.

During the quarter, following the company's exit from Uniper and ongoing exit from Russia, we were delighted to see that the company has further increased its climate change ambitions by:

- Brining forward its carbon neutrality target (across Scopes 1, 2 and 3), to 2030
- Exiting all coal generation by the end of 2027
- Committing to set a 1.5°C aligned Science-Based Target

Escalate

As always, the devil is in the detail, so we are currently arranging further meetings with the company (first with the investor relations and sustainability teams, and then with the CEO) with the aim of fully understanding how the company will exit coal (with particular interest regarding the company's Polish assets). We would also like to know more about the timelines and details of the company's exit from Russia, and to include additional disclosures within its lobbying report. Additionally, we will continue to emphasise the minimum standards that we expect of companies in the sector, as set out by LGIM's Climate Impact Pledge Sector Guide, and as reflected by the CA100+ indicators. We look forward to the next steps in our long-standing relationship with Fortum.

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Global Research & Engagement Groups focus: Water pollution in the UK

Background

UK water companies have attracted plenty of press attention and criticism in recent months.[3] There has been an increased focus on their environmental performance, which the UK Environment Agency described in its report covering 2021 as "the worst we have seen for years".[4] Lobbying groups such as Surfers Against Sewage[5] have also had an impact with high-profile campaigns tracking and highlighting pollution incidents.

It is noting that some water companies are more indebted than the sector regulator Ofwat assumes when it sets prices, despite a heavy future investment need.[6]

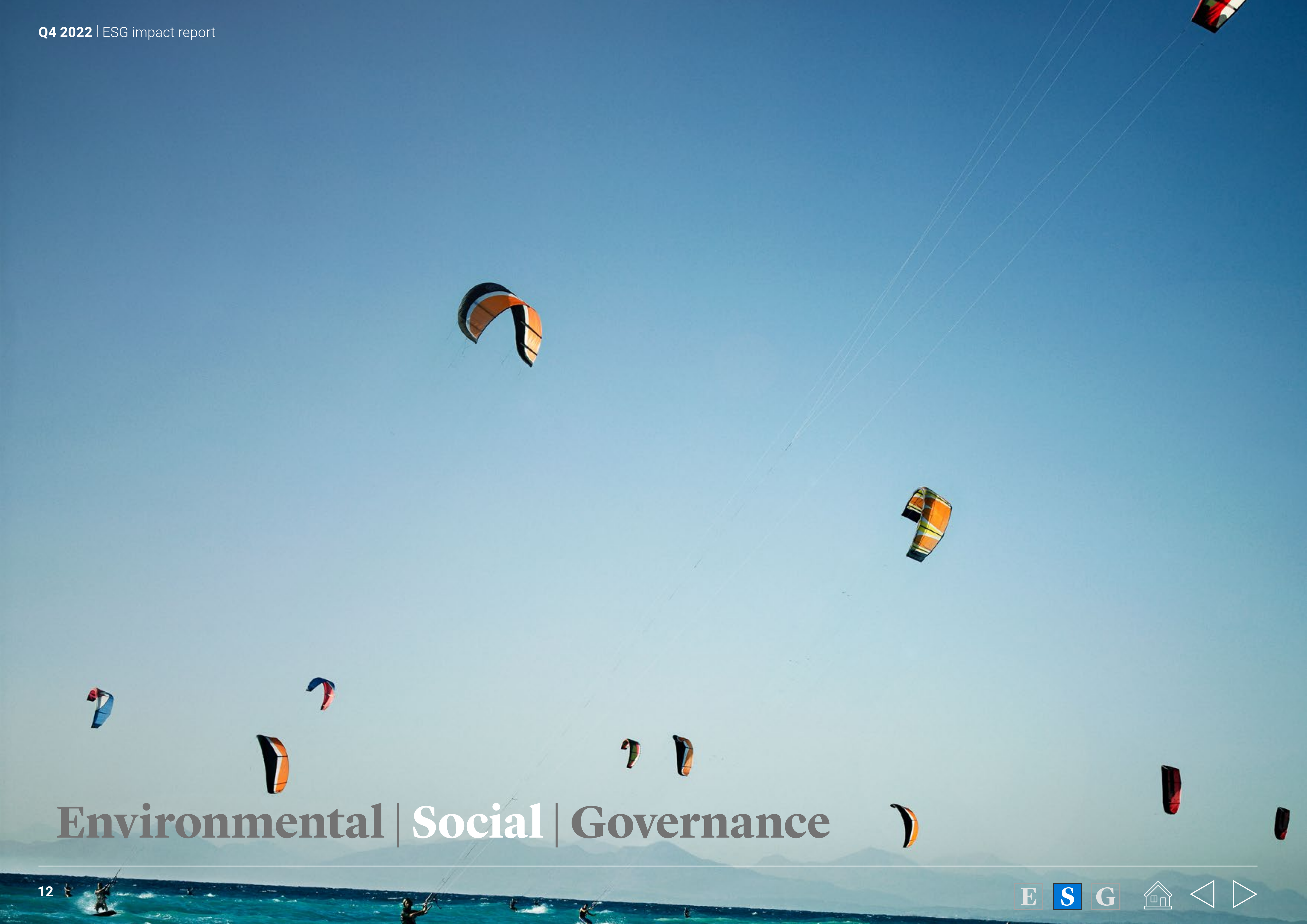
What LGIM did

During the quarter, LGIM arranged an engagement call with Macquarie Asset Management, Southern Water's majority shareholder, to share its views on the topic. This builds on LGIM's engagement over recent months, including with management at other companies in the sector such as Thames Water and with the regulator, Ofwat. In the first quarter of 2023, LGIM also signed up to the Ceres investor-led 'Valuing Water Finance Initiative', aimed at engaging water users and polluters to address water risks and protect this precious and essential natural resource.[7]

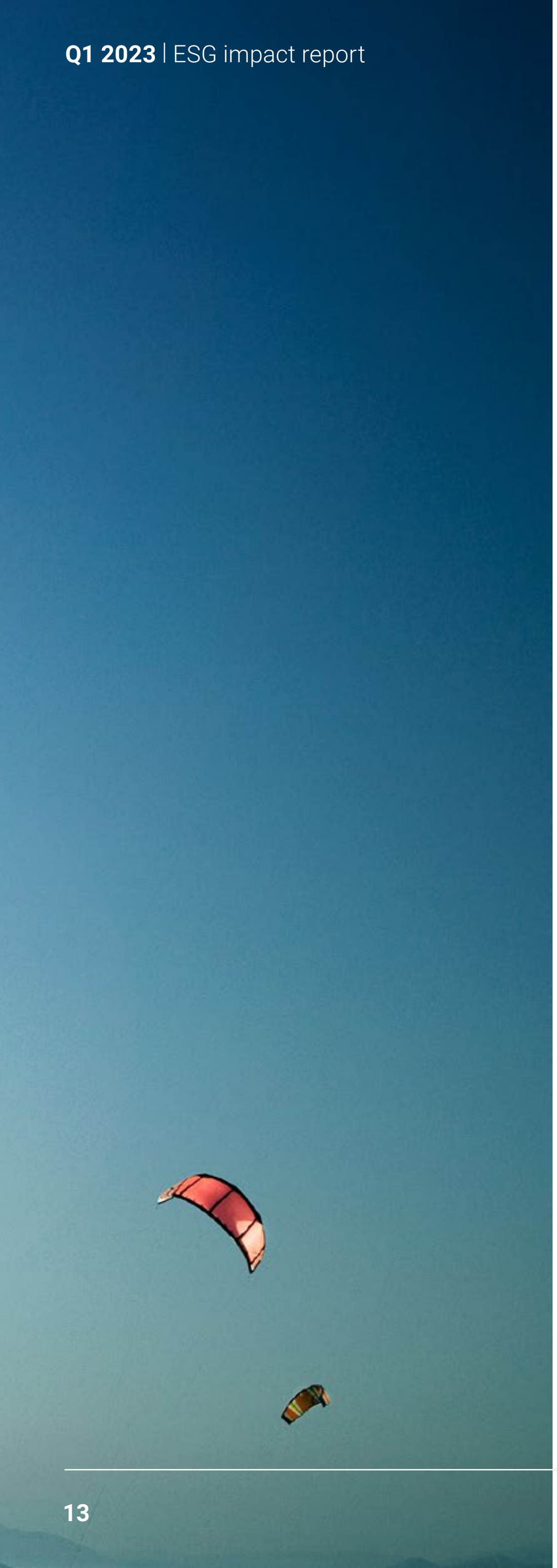
Outcome

LGIM continues to limit its exposure to the bonds of weaker companies in the sector, pending evidence on progress on operational and financial issues. Press reports indicate that Thames Water has hired advisors to explore financing options.[8] As one of the largest lenders in the sterling corporate bond market,[9] LGIM directly engages when companies are marketing bonds, and also amplifies its voice through its leading role at ages with other sector stakeholders such as regulators and industry bodies as part of our broader aim not just to improve ESG factors at individual companies, but across the global markets in which our clients are invested. Further updates on our policy engagement on the topic of water can be found in the policy section of this report.

3. Watchdog to block shareholder payouts if water companies in England and Wales miss targets | Water | The Guardian
4. Water and sewerage companies in England: environmental performance report 2021 - GOV.UK (www.gov.uk)
5. Surfers Against Sewage - UK charity campaigning for the ocean (sas.org.uk)
6. LGIM Blog: How active credit investors can help flush out UK sewage pollution
7. Ceres launches new investor-led effort to move corporate water users and polluters to value and act on water as a financial risk | Ceres
8. Thames Water braced for crunch talks over £14bn debt-pile | Business News | Sky News
9. Source: LGIM data as at 22 March 2023



Environmental | Social | Governance



ESG: Social

Driving diversity: expanding our campaigns

Ethnic diversity: broadening the scope

In our last quarterly report, we talked about our plans to widen our ethnicity engagement campaign to tackle the lagging UK and US mid-cap companies of the FTSE 250 and the Russell 1000 indices. In January, we wrote to 95 companies across these indices which currently don't have any ethnicity at board level, setting out our expectation that they should have at least one person of ethnic background on their board by the end of 2024. The sanctions remain consistent with the larger companies, and we will vote against companies within these indices that don't meet these red lines from 2025. We have seen significant progress with this approach in the larger indices,[10] and we are hopeful that this approach will result in similar progress for these smaller companies.

Gender diversity: beyond board level

Many studies show that higher levels of diversity throughout an organisation is linked to higher performance in terms of both profitability and long-term value creation.[11] Furthermore, the strategic rationale for diverse executive teams is straightforward; there is greater potential to attract top talent, broaden the customer base and limit 'groupthink'. Historically we have focused on gender diversity at the board level, but we decided to expand this focus as we believe diversity at the executive and strategic decision-making level is imperative.

Since 2022, our policy has stated that we will vote against FTSE 100 and S&P 500 companies that have all-male executive teams. In 2022, we voted against 70 companies within these indices on these grounds.

As we approach the 2023 AGM season, we currently expect to vote against 79 companies for having all-male executive teams. When comparing the 2023 list of votes against to the 2022 list, there are 49 companies that overlap. Of those 49 laggards, 45 are within the S&P 500, with only four in the FTSE 100. Of the 30 new laggards in 2023, 16 are listed on the S&P 500 and 14 are listed on the FTSE 100 – of these, we illustrate Hewlett Packard Enterprises* in our 'Significant votes' examples, below.

This illustrates that much more change is needed to improve gender diversity levels of these all-important decision-making teams. We will continue to explore how we can make a greater impact on this issue going forward, including through our collaborative work with the 30% Club in different parts of the world, but our voting stance will continue into 2023 and beyond.

Emerging markets diversity: our new research!

We have recently published our research and findings from expanding our emerging markets diversity campaign work into Brazil, India, China and South Africa. Read more about our in-depth findings here: Globalising our diversity engagement | LGIM Institutional

10. LGIM Blog - Ethnic diversity on boards: results and reflections
11. For example: Delivering through diversity

Unwanted celebrity: Novo Nordisk* and Eli Lilly*

Identify and engage

Wegovy, Ozempic and Mounjaro . This time last year, these names could have been mistaken for far-flung planets in the latest Star Wars spin-off series. But they've hit the headlines recently for all the wrong reasons: the first two are brand names for Novo Nordisk's anti-obesity and diabetes drugs, respectively, the third is the brand name for Eli Lilly's diabetic drug for which the pharma company is awaiting FDA approval for to also be used as a weight loss drug. But how did legitimate, ground-breaking diabetes and obesity drugs become embroiled in a social media storm, and what can pharmaceutical companies do about it?

Deriving from effective, ground-breaking drugs originally developed by Eli Lilly and Novo Nordisk to treat Type II diabetes, it was noticed that semaglutide and tirzepatide also caused significant weight loss in the patients who took it. The pharmaceutical companies then decided to develop specific weight-loss drugs, designed to reduce obesity. These new anti-obesity drugs are in different stages of approvals: Wegovy has already hit the market, and Mounjaro is waiting at the starting line.

However, a disturbing trend has gathered pace, with celebrities such as Elon Musk[12] and David Aaronovitch[13] having obtained these drugs (which are designed for obese and seriously overweight people) and advertised their benefits as weight-loss drugs on social media and in the press, with the result that they are being publicised as 'lifestyle' drugs, rather than as the serious medication that it really is (and designed to be). Headlines such as The Evening Standard's 'Could celebrity diet drugs give you the body you've always wanted?'[14] show the infiltration of these social media statements and videos into the mainstream press.

Novo Nordisk and Eli Lilly have both followed all procedures and requirements for their own production and marketing of their drugs. The issue identified here has been brought about by casual yet pervasive misinformation on social media, and what pharma companies could or should do to attempt to counter that misinformation. With both a

social aspect and a clear financial risk of litigation, this was an issue the Investment Stewardship and Investment team, working jointly through our Global Research & Engagement Group on Healthcare, we felt we should raise with these two investee companies.

We spoke directly to Novo Nordisk and to Eli Lilly about this issue. The companies both emphasised the fact that they had done everything 'by the book'. As our engagements progressed, however, and we explained not only the broader issues for society, but also the impact for potentially damaging lawsuits, our conversations began to gain ground.

In an age where in the realm of social media, the value of 'influence' over expertise clearly cannot be overestimated, this has implications across society, especially among the young and the vulnerable. We believe that pharmaceutical companies should aim to demonstrate that they are taking actions to counter misinformation and to attempt to mitigate misuse of their drugs.

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We asked Novo Nordisk and Eli Lilly to take more steps to try and educate people about the purpose of these drugs, and to encourage monitoring their use. We asked them to:

- Ensure information about the purpose of the drug and its risks are included as extensively as possible on labelling
- Speak to eating disorder charities to enhance awareness and understanding of these drugs and how they are or may be misused
- In the US, ensure that advertising for these drugs includes appropriate information about their purpose and risks
- Set a clear programme for sales and collecting monitoring data on prescriptions
- Publish clear information about the purpose of these weight loss drugs on their websites

Escalate

New pharmaceuticals can herald ground-breaking treatments and have far-reaching social benefits. The misuse of these drugs and the role played by social media is a relatively new phenomenon that we want to help pharmaceutical companies navigate, so that they can continue to undertake their ground-breaking research and development. We believe that there are actions that pharmaceuticals companies can, and should, take beyond established requirements to mitigate against these new risks, and we believe that it's increasingly urgent that drug manufacturers and distributors take extra steps to avoid damaging health consequences for untold numbers of (often younger and more vulnerable) people, and to mitigate against the potential for negative financial implications for their firms and their investors. We will continue to engage with both pharmaceutical companies on this topic and to monitor the actions they take, and also to be aware of this issue more broadly within the pharmaceuticals sector.

12. Elon Musk on Twitter: "@EvasTeslaSPlaid And Wegovy" / Twitter
13. tried Ozempic, the 'miracle' weight-loss jab. This is what happened (thetimes.co.uk)
14. Could celebrity diet drugs give you the body you've always wanted? | Evening Standard

Significant votes

Company name	Air Products and Chemicals, Inc*
ISIN	US0091581068
Market cap	US$63.35 billion (Source: APD | Air Products & Chemicals Inc. Stock Price & News - WSJ, 06 April 2023)
Sector	Chemicals
Issue identified	A lack of gender diversity on the executive committee. LGIM has expanded its gender diversity policy in the UK and US to include the executive committee, as well as the company board.
Summary of the resolution	1f – Elect Director Edward L Monser
How LGIM voted	Against the resolution, i.e. against management recommendation.
Rationale for the vote decision	Diversity: A vote against was applied as the company has an all-male executive committee. From 2022, we have applied voting sanctions to the FTSE 100 companies and S&P 500 companies that do not have at least one woman on their executive committee, with the expectation that there should be a minimum of 33% over time.
Outcome	90% of shareholders voted for the resolution. LGIM will continue to engage with companies on gender diversity, and to implement our global and regional voting policies on this issue.
Why is this vote 'significant'?	This vote is significant as it relates to the escalation of our activities on one of our core stewardship themes, gender diversity.

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Full steam ahead: paid sick leave in the US

Identify

Human capital issues have been a point of focus for LGIM for quite some time. We understand human capital issues represent risk to a company's operations, whether it be through heightened attrition or decreased productivity. In 2022, we held a series of engagements and signed investor letters directed at companies that lacked paid sick leave and could benefit from providing it. In the latter half of that year, we zeroed in on the railway industry given the unique situation that the industry was facing.

Throughout 2022, hundreds of thousands of railway workers were in the midst of negotiating contract terms with the largest railway companies in the US to improve working conditions. The salient point of contention was that around the lack of paid sick leave. However, those negotiations fell flat. This was relevant to us as investors because the contention nearly led to a nationwide strike that would have crippled the nation's supply chain and posed a material systemic risk. While Congress and the Executive Branch has the authority to mediate the negotiation and did ultimately avoid a strike, the reliance on government intervention over a basic benefit to stave off market calamity did not seem like a sensible risk-return dynamic worth maintaining.

Engage and Escalate

Since the government-mediated deal excluded sick leave, LGIM took charge by writing a letter to the four largest railway carriers in the US – Norfolk Southern*, Union Pacific*, BNSF*, and CSX*. We aggregated approximately 146 to 148 other investors per letter, with around US$1 trillion in additional assets under management, to come on board as signatories. In the letter we specified the importance of paid sick leave in the face of post-pandemic labour dynamics as well the types of disclosures investors would find helpful, such as the types of benefits available, the usage of such benefits, employee eligibility criteria, and others. We had correspondence with CSX and Norfolk Southern via email and have maintained an ongoing dialogue.

Eventually, one by one, the companies we contacted re-ignited negotiations with their workforces. Those negotiations led to deals being struck by three out of the four railways – CSX, Union Pacific, and Norfolk Southern – leading to thousands of railway workers obtaining paid sick leave as a benefit. We intend to continue engaging with the holdout railway carrier, BNSF, to understand how worker conditions can be improved so that future strikes and service disruptions are less likely.

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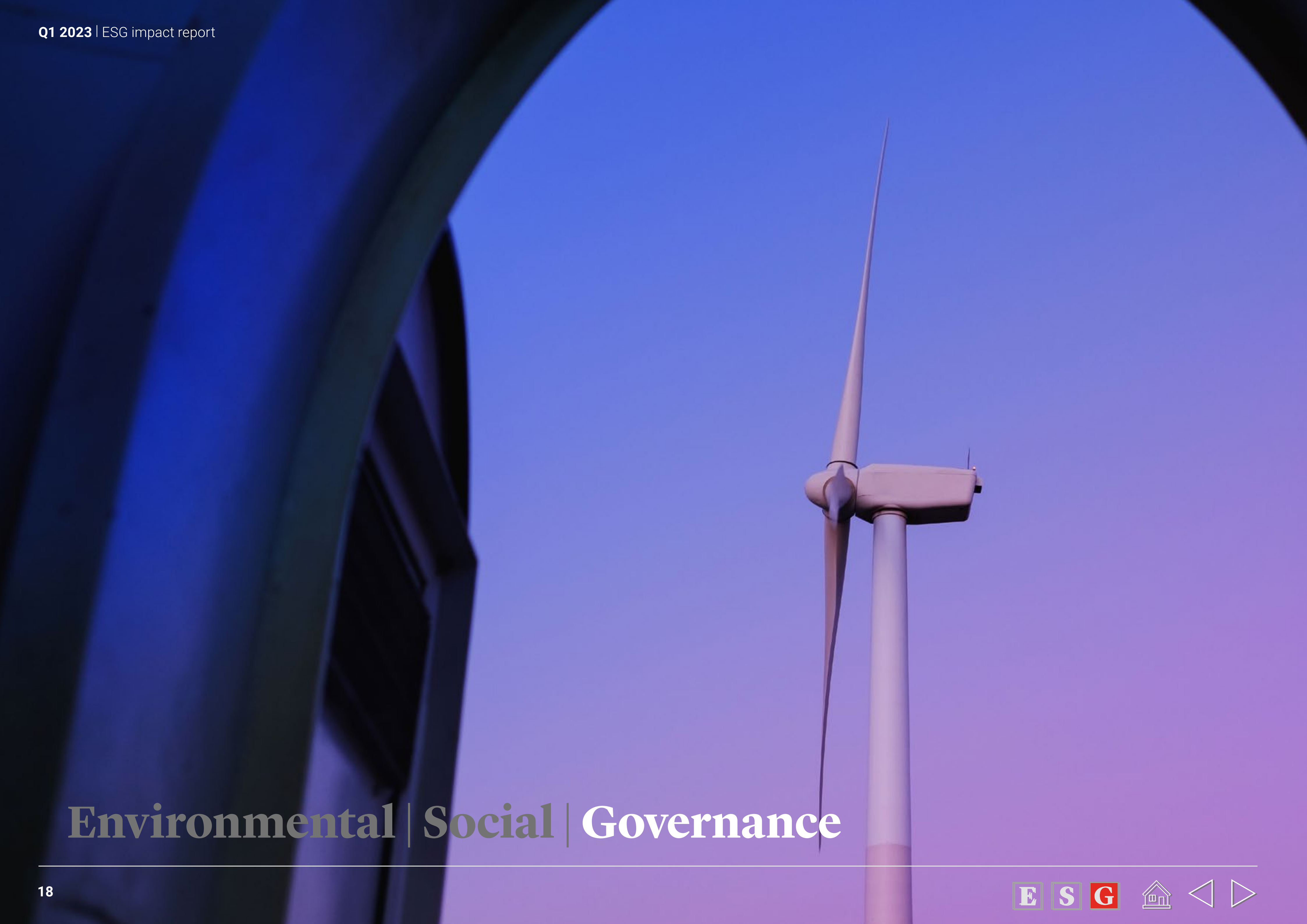

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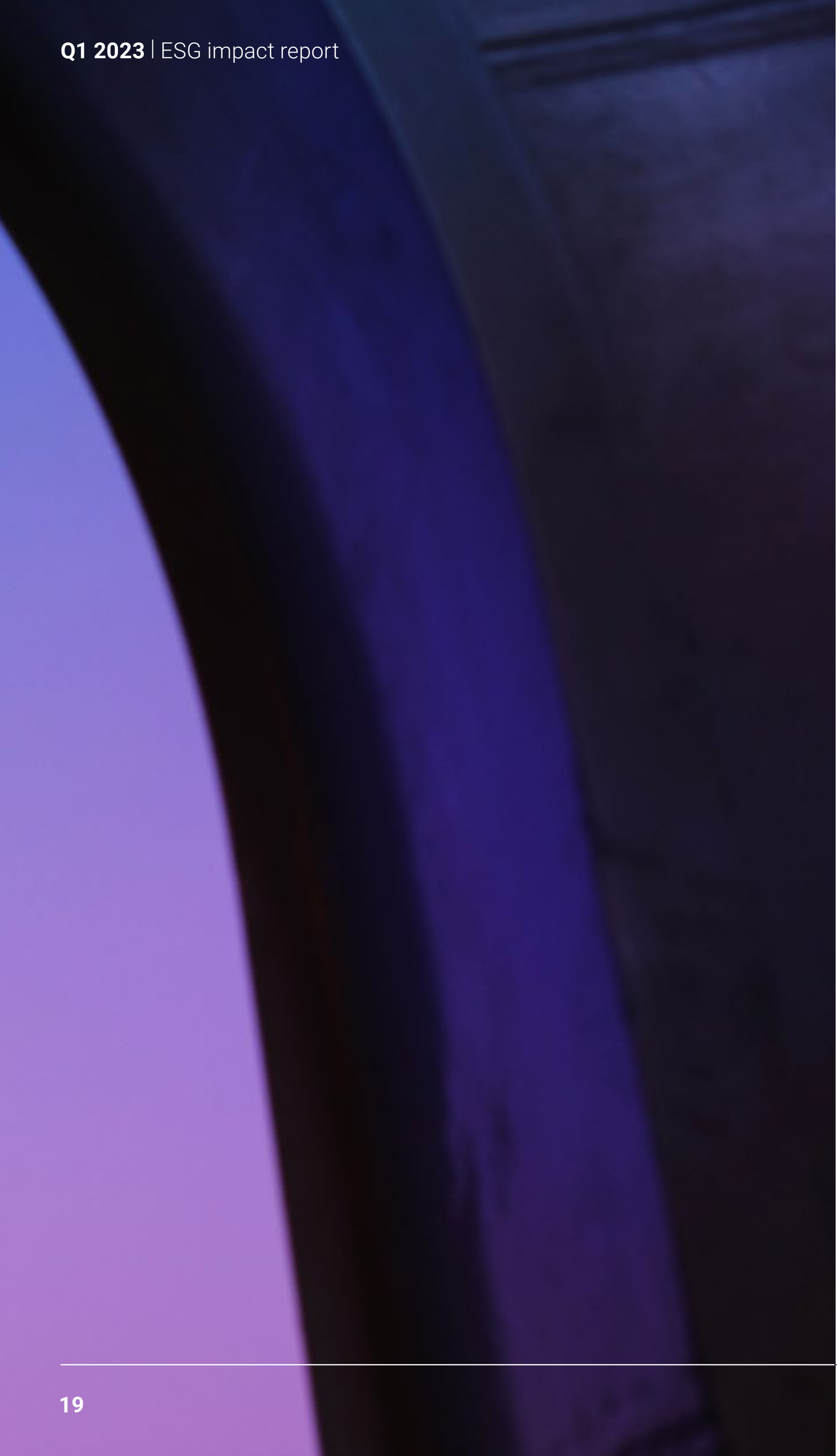

ESG: Governance

Kansai Electric Power*: governance and climate

Identify and engage

Kansai Electric Power is one of the largest electric utilities companies in Japan. We identified several governance areas for improvement and the company appears to lag some of our minimum expectations on board composition. We believe that through its improvement, it could have a positive influence more broadly upon its sector in Japan.

Following a bribery scandal in 2020 involving former directors, the company underwent significant changes to improve governance. These changes have been positive but we still observe some areas where we think improvements could be made, relative to our minimum expectations.

Specifically, these include:

- Director independence and the presence of executives on committee which we think should be fully independent (e.g. the Remuneration Committee)
- Cross-shareholdings
- Limits to tenure of senior advisors to the board ('Komon')

We are pleased to note that the company meets our expectations for gender diversity in Japan of 15% female representation on the board, which we also expect to increase over time.

Regarding climate change and our expectations under the Climate Impact Pledge, we noted its lack of interim emissions targets and lack of time-bound commitment to exit coal-fired power generation as an area for discussion.

In our meeting with Kansai Electric Power, we were able to discuss these areas in detail to better understand its approaches to governance and climate, and to talk in-depth about related areas such as responsibility for executing the net zero transition plan.

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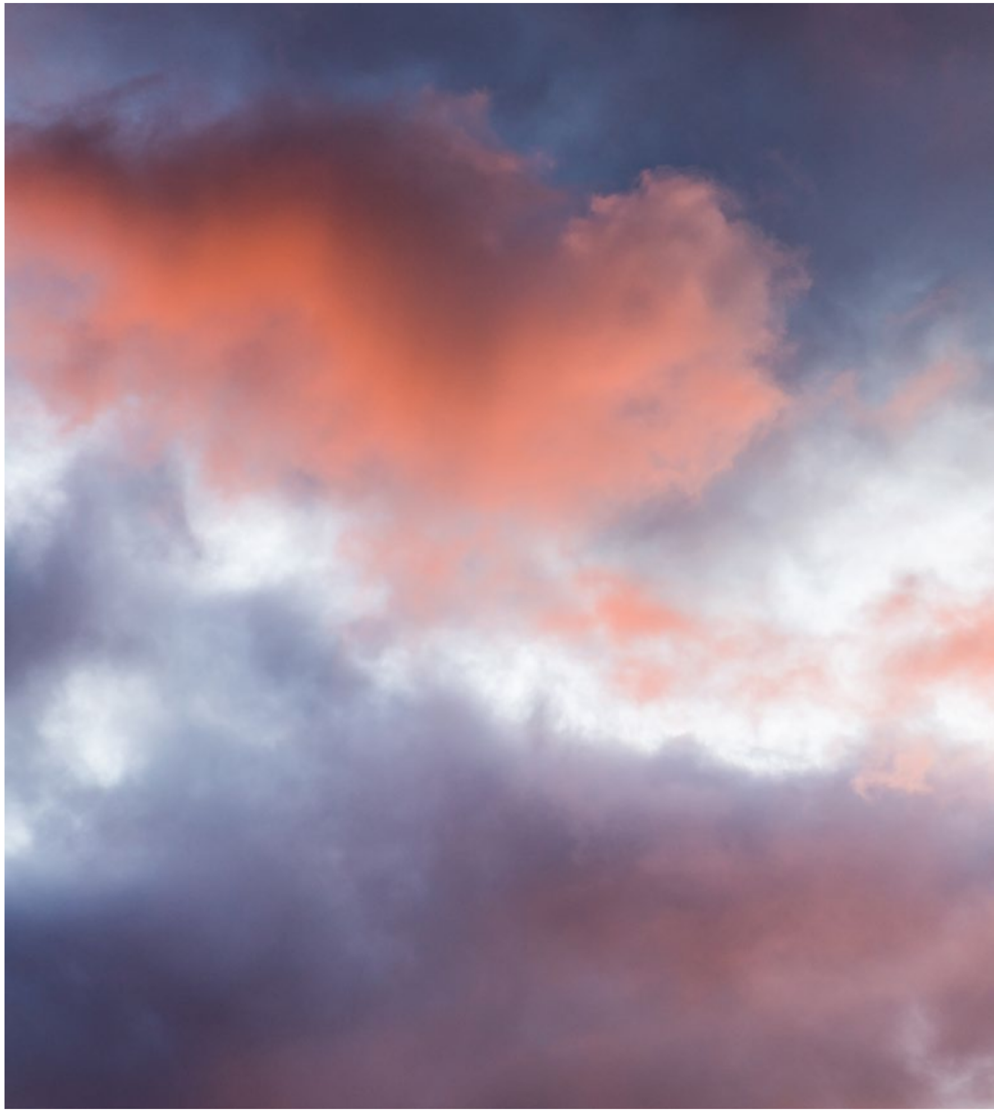
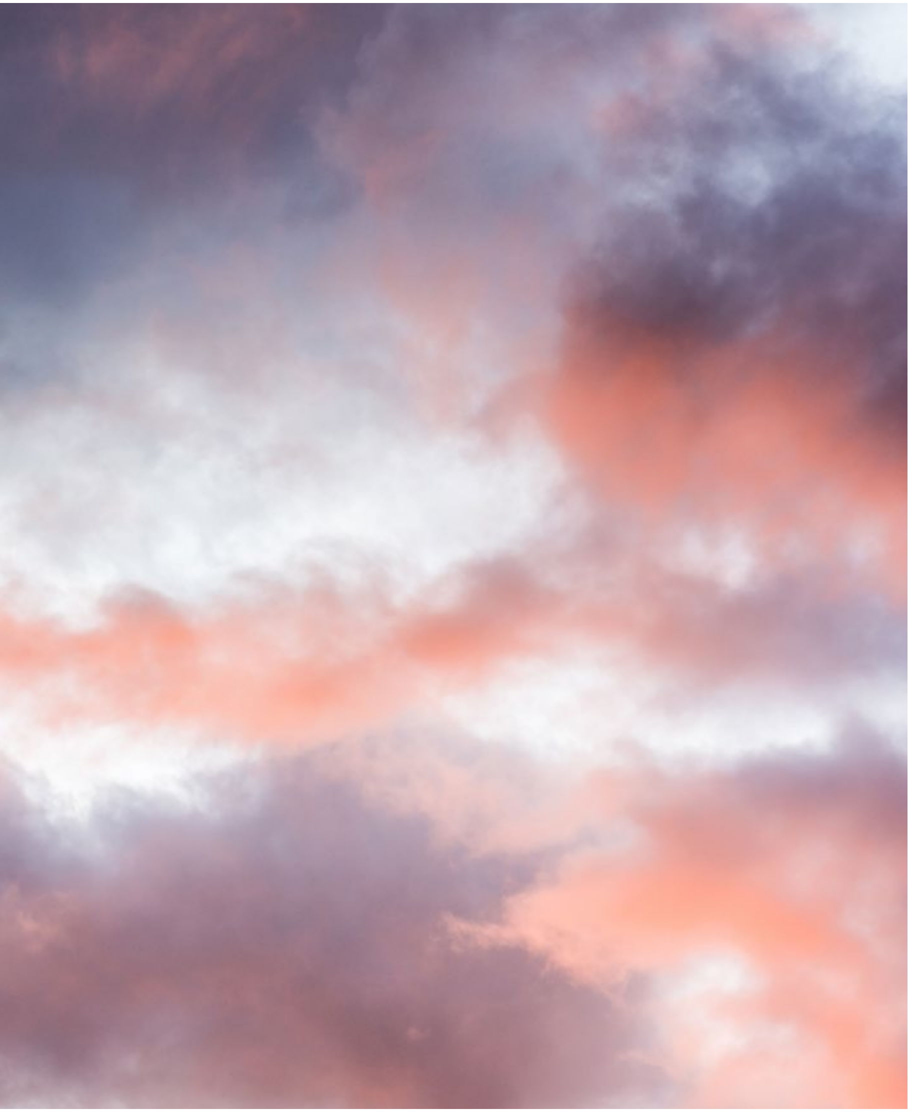
Escalate

In its 2022 AGM, in the governance sphere, we had supported shareholder resolutions relating to remuneration transparency and diversity. We had also voted against the re-election of a director who also sat on both remuneration and nomination committees, the former of which we would expect to contain only independent directors.

In terms of climate change, we have explained our expectations under the Climate Impact Pledge regarding verification of interim targets, and in its 2022 AGM we had supported shareholder proposals relating to disclosure of a Paris-aligned net zero transition plan and to linking remuneration to ESG factors. While the company does disclose its CO2 emissions in its reporting, we would still note the lack of published and independently verified interim emissions targets as an area which falls behind our minimum expectations for the electric utilities sector.

Our meeting with the company was productive and we look forward to working with management more closely on both governance and climate change, and gaining a deeper understanding of the reasons behind its decisions and actions.





Significant votes

Company name	Fujitec Co., Ltd*
ISIN	JP3818800009
Market cap	¥254 billion (Source)
Sector	Industrials: Machinery
Issue identified	Following successive governance failures at Fujitec and concerns about undue levels of family influence, significant shareholder Oasis proposed a proxy contest to replace six directors.
Summary of the resolution	A proxy contest proposing the replacement of six incumbent directors. EGM date: 24 February 2023
How LGIM voted	LGIM voted against management recommendations (i.e. supported the shareholder-proposed board) LGIM also intended to vote against the re-election of Mr.Uchiyama at its AGM in 2022, but this was withdrawn.
Rationale for the vote decision	Our rationale for supporting the activist proposals stemmed from our concerns about the firm's flawed governance processes and its conduct at the last AGM, which resulted in an irreparable loss of faith in the leadership and in the incumbent outside directors' ability to overcome the family's strong influence on the board.
Outcome	Investors voted to replace three incumbent directors with four new independent directors.
Why is this vote 'significant'?	Successful shareholder activism of this kind is rare in Japan, and director independence and board composition is an important area of governance for LGIM, making this a significant vote.

For illustrative purposes only. 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. The above information does not constitute a recommendation to buy or sell any security.

Public policy update

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

Climate: FCA response on UK Sustainable Disclosure Requirements ('SDR')

The creation of a coherent, consistent and meaningful reporting regime for corporations on climate change remains firmly on our list of priorities, along with our policy work with the ISSB.

Recently, along with our parent company Legal & General, we responded to the FCA's consultation on the proposed SDR regulations regarding labelling, naming and marketing for the financial sector. We have long been supporters of the FCA's goal of developing an ambitious, appropriate and robust regime, we believe that we must also use our voice as an asset manager to identify those areas of the proposals which we believe to be incompatible with how the sustainable investment market currently operates, and with our clients' objectives. We are particularly keen to promote international alignment of regulations. Through our continued collaboration with the Aldersgate Group, we also maintain our pressure on the UK government for the updated Green Finance Strategy to include mandatory climate transition plans for large UK companies.

Climate: US focus

The big policy news in the US over the quarter pertains to the Department of Labor's (DOL) rule determining whether ESG factors can be considered in retirement account investment decisions. This issue has been meeting significant resistance as it makes its way through the legal processes. At LGIM, we expect legal headwinds for many ESG-related regulations that were introduced in the recent past. We will continue to monitor these developments and what they mean for our stewardship activities in the US.

Continuing our action on methane emissions, we submitted a supportive comment to the US Environmental Protection Agency (EPA) on its proposed rules seeking to reduce methane via improved disclosures and measurements. This is a follow-on to a prior comment we submitted last year on this same rule.

Climate: Water

In February, in an initiative co-ordinated by the Carbon Disclosure Project ('CDP'), we co-signed an open letter to governments on the water crisis, ahead of the UN 2023 Water Conference. This letter, signed by investors with over US$3 trillion in assets under management, highlights the severity of the global water crisis, the hurdles presented by a lack of global commitments, investment and standardised disclosures, and set out recommendations for action, including implementation of domestic policies to incentivise investment in water solutions, and alignment with target 15 of the new Global Biodiversity Framework. The UN Water Conference at the end of March was the first such conference since 1977 and, we hope, an opportunity for much-needed international action and coordination on these vital issues, and for making progress towards the goal of living in harmony with nature by 2050. By increasing public pressure on governments strategically and in collaboration with our peers, we aim to drive the development of a regulatory backdrop which enables and encourages water security around the world.

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Health: Obesity

Obesity is thought to cost the UK economy nearly £30 billion a year in lost productivity and is regularly cited as a 'health ticking time bomb'.[15] Under our 'health' theme and our work on nutrition, obesity remains a core area of focus for us on account of its potential financial impact upon a number of sectors in which our clients are invested, and on economies more broadly.

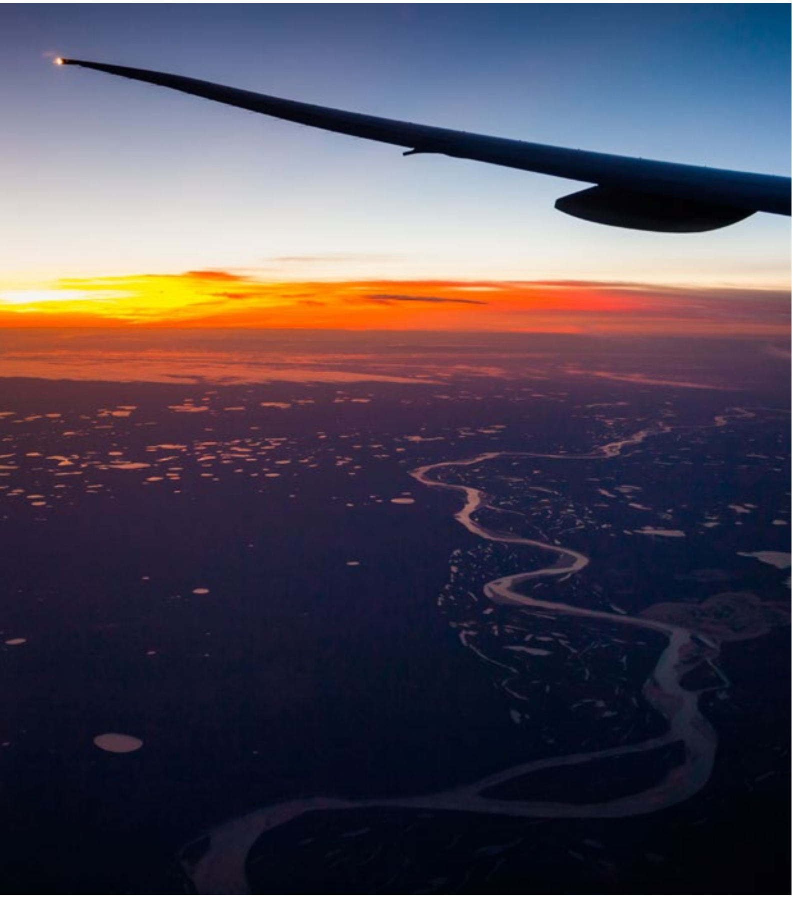
Government regulation is crucial in terms of providing the necessary impetus and backdrop to improving nutrition. We continue our collaborative work with the Food Foundation in the UK to put pressure on ministers regarding food reporting standards; the Food Foundation's mission is 'a sustainable food system which delivers health and wellbeing for all'.[16] We believe that mandatory food reporting by companies and retailers regarding, for example, sales of fruit and vegetables and percentage of revenues derived from 'healthy products', would provide not only valuable data about some of the drivers of obesity, but also help to develop appropriately targeted regulation to tackle these challenges.

In the US, LGIMA responded to the FDA's consultation on food labelling and the definition of the term 'healthy'. We are supportive of the move by the FDA to improve its definition for 'healthy' and we strongly encourage alignment with classifications from, for example, Health Star Rating (HSR), NutriScore and the World Health Organization models, in order to promote global consistency and transparency. Regular readers of our Quarterly Impact Reports will notice the parallels between this policy-driven work and our collaborations with the Access to Nutrition Initiative and the ShareAction Healthy Markets initiative, which have been focused on the corporate engagement side.

15. Higher obesity levels linked to lower productivity in England, research shows | Health | The Guardian
16. Home (foodfoundation.org.uk)

Regional updates

Global - Q1 2023 voting summary



Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Management (total)	**14563**	**4252**	**210**	**77%**	**22%**	**1%**
Routine Business	2035	626	1	76%	24%	0%
Miscellaneous	107	28	1	79%	21%	1%
Company Articles	791	161	0	83%	17%	0%
Capitalization	1669	129	0	93%	7%	0%
Strategic Transactions	631	205	0	75%	25%	0%
Director Related	1786	281	1	86%	14%	0%
Compensation	1294	1027	0	56%	44%	0%
Director Election	5024	1374	194	76%	21%	3%
Audit Related	656	125	13	83%	16%	2%
No Research	8	182	0	4%	96%	0%
Mutual Funds	10	0	0	100%	0%	0%
Takeover Related	96	16	0	86%	14%	0%
Non-Routine Business	382	59	0	87%	13%	0%
Social	55	38	0	59%	41%	0%
E&S Blended	19	0	0	100%	0%	0%
Environmental	0	1	0	0%	100%	0%

Global - Q1 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For %**	**Against %**	**Abstain %**
Shareholder (total)	**348**	**157**	**10**	**68%**	**30%**	**2%**
Social	9	5	0	64%	36%	0%
Miscellaneous	52	22	0	70%	30%	0%
Director Election	177	83	10	66%	31%	4%
Compensation	8	4	0	67%	33%	0%
Director Related	13	10	0	57%	43%	0%
Audit Related	62	3	0	95%	5%	0%
E&S Blended	2	2	0	50%	50%	0%
Corporate Governance	2	0	0	100%	0%	0%
Non-Routine Business	9	8	0	53%	47%	0%
Environmental	1	6	0	14%	86%	0%
Company Articles	7	11	0	39%	61%	0%
Routine Business	6	3	0	67%	33%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	14911	76%
Against	4409	77%
Abstain	220	86%

Number of	Values
Resolutions	19540
AGMs	15027
EGMs	4500

Number of companies where LGIM voted:	Values
In Total	2107
For in all resolutions	551
Against or Abstain in at least one resolution	1556

UK - Q1 2023 voting summary

Management proposed resolutions:

Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Management (total)	**1213**	**66**	**0**	**95%**	**5%**	**0%**
Routine Business	138	2	0	99%	1%	0%
Compensation	129	22	0	85%	15%	0%
Director Election	436	23	0	95%	5%	0%
Audit Related	144	2	0	99%	1%	0%
Mutual Funds	10	0	0	100%	0%	0%
Capitalization	267	10	0	96%	4%	0%
Social	20	0	0	100%	0%	0%
Takeover Related	51	0	0	100%	0%	0%
Strategic Transactions	13	5	0	72%	28%	0%
Company Articles	3	0	0	100%	0%	0%
Miscellaneous	2	2	0	50%	50%	0%

Shareholder proposed resolutions:

Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Shareholder (total)	**13**	**3**	**0**	**81%**	**19%**	**0%**
Director Election	13	3	0	81%	19%	0%

EU - Q1 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For**	**Against %**	**Abstain %**
Management (total)	**2552**	**691**	**66**	**77%**	**21%**	**2%**
Audit Related	174	13	9	89%	7%	5%
Capitalization	242	38	0	86%	14%	0%
Company Articles	147	26	0	85%	15%	0%
Compensation	268	237	0	53%	47%	0%
Director Election	479	211	55	64%	28%	7%
Director Related	616	76	1	89%	11%	0%
Miscellaneous	13	4	0	76%	24%	0%
Non-Routine Business	12	2	0	86%	14%	0%
Routine Business	572	76	1	88%	12%	0%
Social	9	0	0	100%	0%	0%
Strategic Transactions	11	2	0	85%	15%	0%
Takeover Related	0	6	0	0%	100%	0%
No Research	7	0	0	100%	0%	0%
E&S Blended	2	0	0	100%	0%	0%

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For**	**Against %**	**Abstain %**
Shareholder (total)	**20**	**54**	**0**	**27%**	**73%**	**0%**
Audit Related	2	1	0	67%	33%	0%
Compensation	0	1	0	0%	100%	0%
Director Election	6	25	0	19%	81%	0%
Director Related	7	9	0	44%	56%	0%
Environmental	0	5	0	0%	100%	0%
Miscellaneous	1	13	0	7%	93%	0%
Social	4	0	0	100%	0%	0%

Japan - Q1 2023 voting summary

Management proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For**	**Against %**	**Abstain %**
Management (total)	**1838**	**296**	**0**	**86%**	**14%**	**0%**
Company Articles	60	17	0	78%	22%	0%
Routine Business	131	1	0	99%	1%	0%
Director Election	1380	214	0	87%	13%	0%
Director Related	188	47	0	80%	20%	0%
Audit Related	6	0	0	100%	0%	0%
Takeover Related	0	7	0	0%	100%	0%
Compensation	60	8	0	88%	12%	0%
Miscellaneous	1	1	0	50%	50%	0%
Non-Routine Business	2	0	0	100%	0%	0%
Strategic Transactions	5	1	0	83%	17%	0%
Capitalization	5	0	0	100%	0%	0%

Japan - Q1 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For**	**Against %**	**Abstain %**
Shareholder (total)	**31**	**4**	**0**	**89%**	**11%**	**0%**
Director Election	12	0	0	100%	0%	0%
Compensation	6	0	0	100%	0%	0%
Routine Business	6	3	0	67%	33%	0%
Non-Routine Business	6	1	0	86%	14%	0%
Corporate Governance	1	0	0	100%	0%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1869	85%
Against	300	86%
Abstain	0	0%

Number of	Values
Resolutions	2169
AGMs	2096
EGMs	73

Number of companies where LGIM voted:	Value
In Total	217
For in all resolutions	57
Against or Abstain in at least one resolution	160

USA - Q1 2023 voting summary

Management proposed resolutions:

Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Management (total)	**1089**	**645**	**1**	**63%**	**37%**	**0%**
Routine Business	12	0	0	100%	0%	0%
Miscellaneous	3	0	1	75%	0%	25%
Company Articles	13	0	0	100%	0%	0%
Director Election	725	372	0	66%	34%	0%
Compensation	109	194	0	36%	64%	0%
Audit Related	96	70	0	58%	42%	0%
Capitalization	41	3	0	93%	7%	0%
Strategic Transactions	34	1	0	97%	3%	0%
Takeover Related	38	3	0	93%	7%	0%
Director Related	17	2	0	89%	11%	0%
Non-Routine Business	1	0	0	100%	0%	0%

USA - Q1 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	**Total for**	**Total against**	**Total abstentions**	**For**	**Against %**	**Abstain %**
Shareholder (total)	**11**	**11**	**0**	**50%**	**50%**	**0%**
Compensation	2	3	0	40%	60%	0%
E&S Blended	2	2	0	50%	50%	0%
Social	2	4	0	33%	67%	0%
Miscellaneous	0	1	0	0%	100%	0%
Director Related	3	0	0	100%	0%	0%
Corporate Governance	1	0	0	100%	0%	0%
Non-Routine Business	1	0	0	100%	0%	0%
Environmental	0	1	0	0%	100%	0%

Number of	Values
Resolutions	1757
AGMs	1628
EGMs	126

Number of companies where LGIM voted:	Value
In Total	211
For in all resolutions	25
Against or Abstain in at least one resolution	186

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1100	62%
Against	656	61%
Abstain	1	100%

Global engagement summary

In Q1 2023, the Investment Stewardship team held

535 engagements with **491** companies

(vs. 294 engagements with 242 companies last quarter)

Breaking down the engagement numbers - Q1 2023

Breakdown of engagement by themes

347 Environmental

145 Social

163 Governance

54 Other

Engagement type

121 Company meetings

414 Emails / letters

Top five engagement topics*

275 Climate Impact Pledge

96 Ethnic diversity

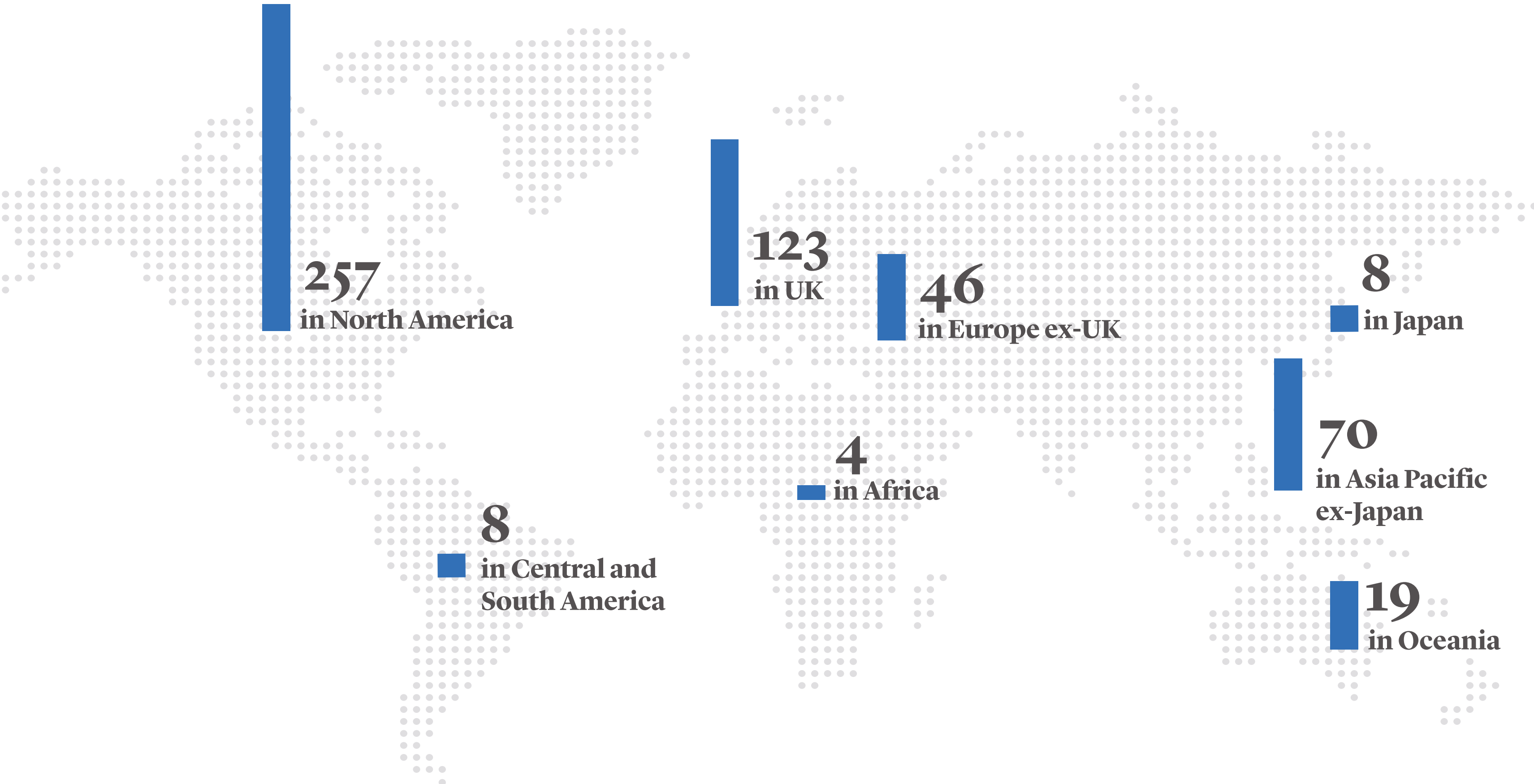
72 Remuneration

35 Climate change

31 Strategy

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

Regional breakdown of engagements



Contact us

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

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Key Risks

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. Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass. 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. The above information does not constitute a recommendation to buy or sell any security.

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