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Climate Impact Pledge: Moving the needle on net zero

Expanding our engagement reach and introducing baseline expectations for emission-intensive sectors

LGIM

Interactive pdf

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Executive summary

Through our Climate Impact Pledge, we encourage companies to reduce climate change risks and transition to a net-zero economy.

We believe climate change is an important systemic risk to our clients' portfolios. Global progress to mitigate climate risk is still far too slow, increasing the likelihood that the average global temperature will rise by more than 2˚C, rather than well below that, as committed to by the Paris Agreement in 2015, and failing in the objective of limiting the rise to 1.5˚C by 2100. With the world recently experiencing its first annual average temperature overshoot of 1.5˚C,[1] it is now more important than ever to tackle the challenges of climate change.

We assess over **5,000** companies across 20 **'climate-critical' sectors**

Our Climate Impact Pledge (CIP) assessments and engagements show there is much more that companies can do to mitigate climate risks and achieve net-zero carbon emissions by 2050. Over the years since the CIP started in 2016, we have seen progress but overall consider that the transition must accelerate.

We assess over 5,000 companies across 20 'climate-critical' sectors (see Appendix) and we engage directly with over 100 'dial-mover' companies (large companies we have identified as having the potential to galvanise action in their sectors). We can apply CIP exclusions in LGIM funds representing almost £176 billion of assets.[2]

1. The period from February 2023 to January 2024 reached 1.5˚C of warming, according to the EU's Copernicus Climate Change Service. (Available here).
2. Companies are divested from selected funds with £176 billion in assets (as at 31 December 2023), including funds in the Future World fund range, LGIM's ESG fund ranges, and all auto-enrolment default funds in L&G Workplace Pensions and the L&G Mastertrust. Companies are divested up to a pre-specified tracking-error limit. If the tracking error limit is reached, holdings are reduced rather than fully divested. LGIM's total AUM was £1.159 trillion, LGIM internal data as at 31 December, 2023. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong (2018-2019 only) and LGIM Singapore from July 2023. The AUM includes the value of securities and derivatives positions.

Our CIP covers 53% of total corporate securities by value (assets where we have carbon data) that LGIM invests in on behalf of our clients. These companies cover 86% of the total carbon emissions attributable to LGIM's corporate debt and equity holdings.[3]

This year, we have engaged with more companies than ever before, holding them to account, including through potential voting sanctions or divestment when they do not sufficiently meet our expectations.

We have further raised the bar for companies in three emission-intensive sectors, signalling our baseline expectations for companies in the oil & gas, mining and utilities sectors, which if not met can trigger a vote sanction.

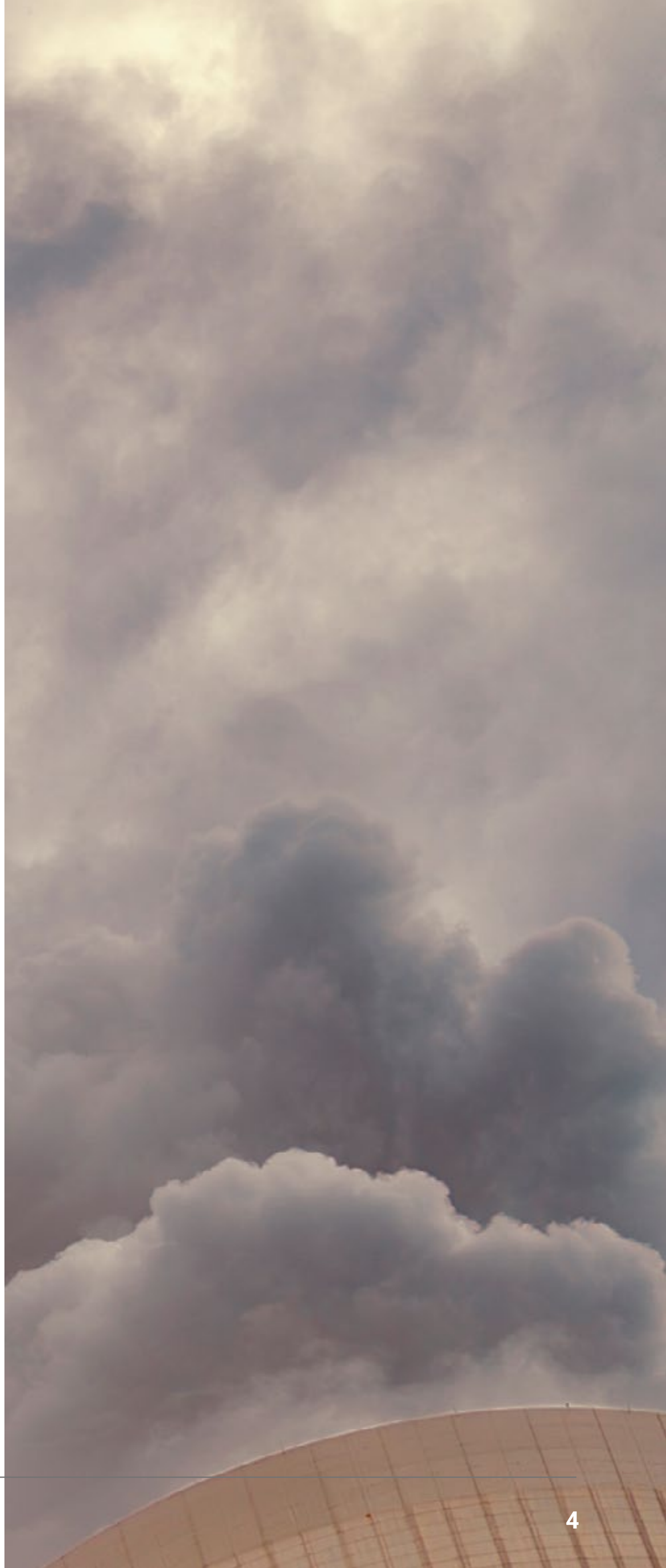
We continued to scrutinise companies' climate transition plans closely, and co-file or support relevant shareholder resolutions where appropriate. Following extensive engagement, we co-filed a shareholder resolution at **Nippon Steel***, our first in Japan, due to insufficient climate-related lobbying disclosures. We can declare our voting intentions ahead of annual general meetings (AGMs) to highlight concerns about companies' climate risk management. In the 2024 AGM season, this included **Woodside Energy*** and **Glencore***.

Engagement conversations are about business strategy

We engage as universal owners, aiming to reduce systemic risks across markets. When we engage with companies, we outline our expectations of disclosures and action on climate change to reduce those risks. We are keen to learn more about specific challenges companies face and potential opportunities ahead. As the world gets closer to key energy transition dates, harder choices must be made. The decisions required for transition by companies and wider society will be shown in stark relief. Our conversations with companies can therefore become harder-edged; not necessarily more difficult, but more focused. This is something we welcome.
We also welcome the positive changes we have seen, including in companies on our divestment list.

3. As at December 31 2023. Percentages are calculated by looking at corporate equity and debt holdings only. Percentages are calculated for the aforementioned holdings where carbon data can be found. Carbon data is from ISS, using ESG data and reporting enrichment to map to issuers of corporate bonds.

* 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 plays a vital role

Our company engagements continue to highlight the importance of policy and regulatory standards, at national and global levels. For example, utility company transition plans can be dependent on state or national energy policies, as well as the transition pace of other energy suppliers. Shipping company transitions are linked to International Maritime Organization policies and strategy, with the pace now picking up. Engagement on policy, which enables sectors to shift, is essential. More policy change is required for the world to meet its net-zero ambitions.

There is still insufficient disclosure of Scope 1 and 2 emissions

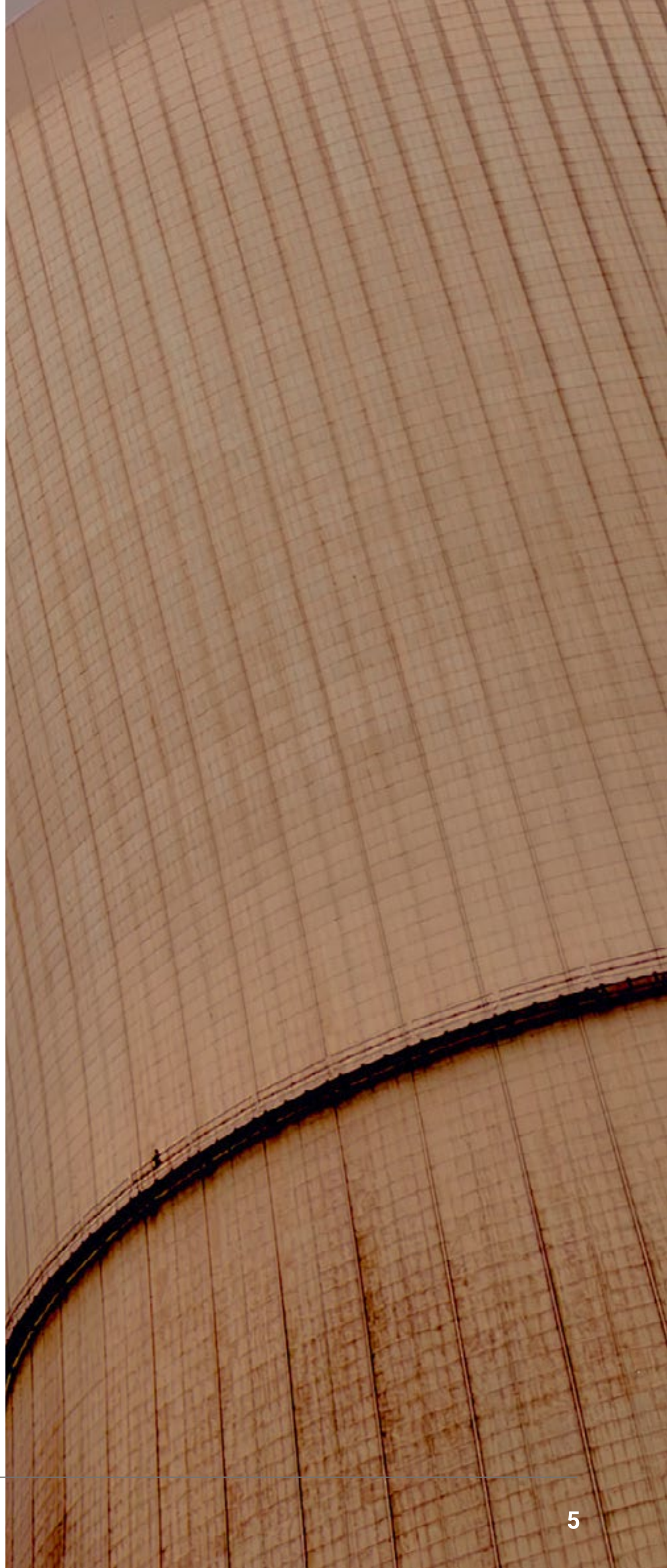
Disclosure of a company's greenhouse gas (GHG) emissions is a fundamental expectation. Without knowing the emissions generated, targets to reduce them are without context and investors cannot hold companies to account for reducing those emissions sufficiently. We were surprised to find that about one-third of the companies we assess did not appear to report Scope 1 and 2 emissions. It is likely that some companies report these in ways which are not straightforward to identify. Nevertheless, we have written to companies in our assessment to highlight the necessity to identify and disclose emissions. We are also engaging with data providers on this issue.

We also expect companies to disclose and address material Scope 3 emissions.[5]

Transition pace

The pace of transition is neither fast enough nor smooth enough, in our view. That is clear from our assessments and engagements since we launched the CIP in 2016. The pace of companies' transition can vary significantly, influenced by public policies, geographies, economics and the nature of energy demand. However, change and in some cases, the energy transition is happening faster than many had expected[4]. A shift to clean energy, especially combined with energy storage solutions, will do more than affect demand for fossil fuels; it has the potential to substantially transform economies. Companies and policymakers need to be ready.

The pace of **transition** can vary significantly, **influenced by** public policies, **geographies**, **economics**, and the **nature** of energy demand.



4. See Challenges in a changing world: financial discipline and systemic risk – LGIM Blog
5. Our CIP methodology document and sector guides list our expectations. See also pages 34-36.

Highlights

This year, we have made some changes to our climate voting policy by shining a **spotlight** on companies' **methane emissions disclosure and new investments in thermal coal**

We had a **91% response rate** to our outreach, with 100+ dial-movers, and we met with **81% of the selected companies** (up from 75% in the last engagement cycle). We also **communicated with over half of the 5,000+ companies** assessed under our CIP quantitative assessment in April 2024, our **largest campaign to date.**

Although we continue to apply an approach of 'engagement with consequences', we are also highlighting **progress and improvements made by investee companies.**

As we get closer to the key 2030 milestone, outputs from our engagements emphasise the critical role of policy and regulation in boosting decarbonisation action. We have continued to engage with companies on their climate lobbying activities.

Our results

Quantitative: 5,000+ companies in climate-critical sectors

- During the 2024 proxy season, **455** companies were identified as subject to voting sanctions. Of these, **106** were companies in emission-intensive sectors that do not meet our new baseline expectations[6].
- The sectors with the highest proportion of companies that failed to meet our minimum standards were **oil & gas**, **electric utilities** and **property**
- Between 2023 and 2024, we saw an **upward trend** in average CIP ratings across most markets, except in China and the US. Overall, significant **improvements** were observed since 2023 in **climate disclosure and Scope 3 reporting (+41%)**, followed by **net-zero ambition (+38%)**.

Qualitative: 100+ dial-movers

- A further **37** companies are subject to vote sanctions
- **14** companies remain on our divestment list[7]
- Although we did not reinstate any companies this year, some have **demonstrated good progress**
- From 2024, we will divest from an additional two companies – **TJX*** and **Glencore*** – for failing to meet our expectations[8]

6. Voting sanctions apply to companies not meeting minimum standards, in 20 pre-determined climate-critical sectors. Voting sanctions are applied across LGIM's equity holdings.
7. Companies are divested from selected funds with £176 billion in assets (as at 31 December 2023), including funds in the Future World fund range, LGIM's ESG fund ranges and all auto-enrolment default funds in L&G Workplace Pensions and the L&G Mastertrust. Companies are divested up to a pre-specified tracking-error limit. If the tracking error limit is reached, holdings are reduced rather than fully divested. LGIM's total AUM was £1.159 trillion, LGIM internal data as at 31 December, 2023. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong (2018-2019 only) and LGIM Singapore from July 2023. The AUM includes the value of securities and derivatives positions.
8. See footnote 7.

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Foreword

Michelle Scrimgeour
CEO, Legal & General Investment Management, (LGIM)

Since 2016, the generation-defining challenge we sought to address when we launched our Climate Impact Pledge has only grown in scale.

In addition to the data cited in this report, there are manifold signs that the window for achieving a 1.5˚C outcome is closing fast. Scientists have confirmed that 2023 was the hottest year on record and extreme weather events across the world – from wildfires and storms, to cyclones, floods and droughts – are becoming increasingly frequent.

We believe policymakers and companies can still mitigate the systemic risks posed by climate change – if we act now. That's why, as a leading global investor,[9] it is critical that we actively communicate our expectations with both.

It is not the role of the asset management industry alone to tackle climate change: this is a whole of system transition, the pace of which is influenced by global public policy, regulatory standards and the nature of energy demand.

As you will read in the coming pages, we are engaging with more companies than ever before as part of our Pledge. We have also raised the bar for companies in emission-intensive industries, requiring them to disclose methane emissions and refrain from making new investments in thermal coal.

While more progress is needed, I have been particularly pleased to see so many of the companies that we have engaged with in recent years improve in key areas, including several of those on our divestment list. Active engagement and dialogue will remain core to the investment process at L&G's newly formed Asset Management division. We will also continue to support companies investing in the energy transition. Much more work remains to be done, though.

Climate change is increasingly part of the public discourse globally, given the risks it poses to our planet, and it can be a divisive issue. From our perspective, in addition to vast environmental damage, the worst climate outcomes would have dire economic and social consequences, harming the value of the investments we manage, for the long-term, on behalf of our clients.

Inaction is not an option.

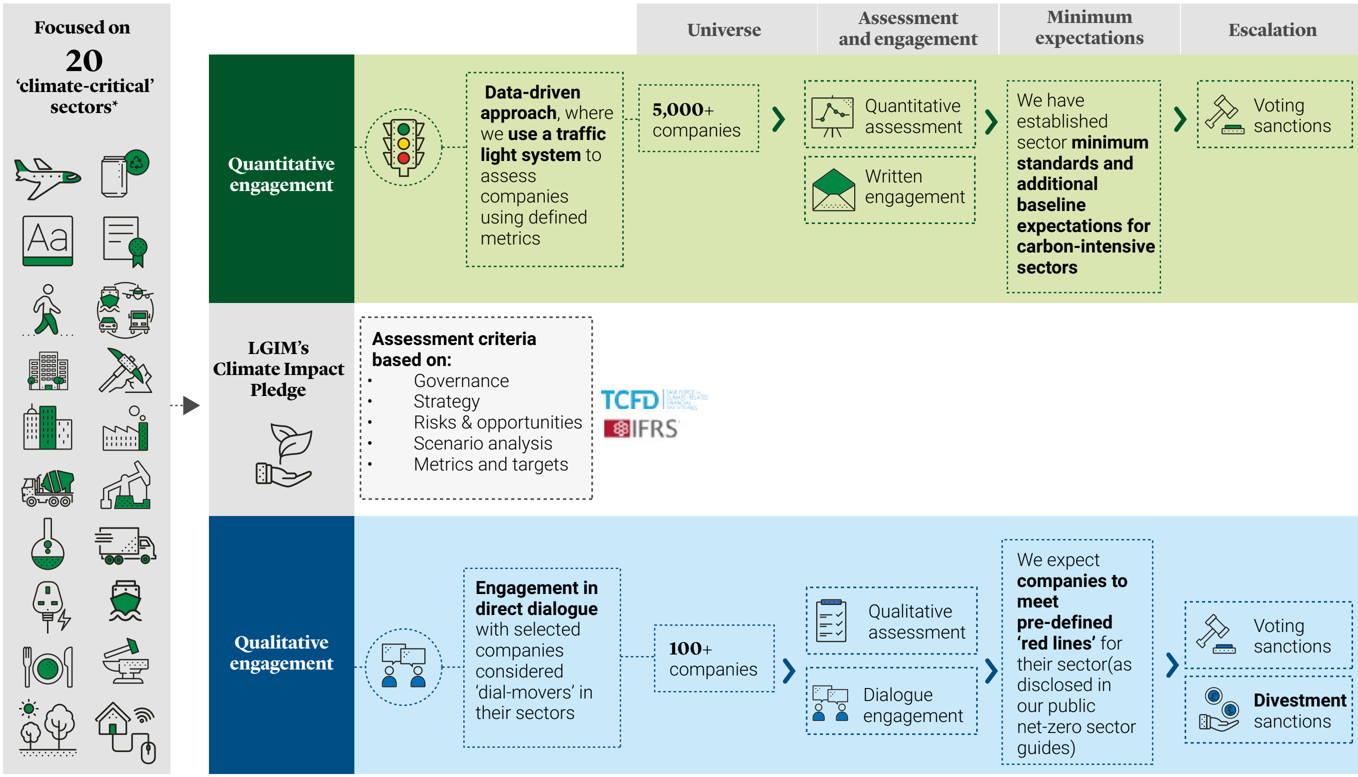
9. LGIM's total AUM was £1.159 trillion according to LGIM internal data as at 31 December, 2023. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong (2018-2019 only) and LGIM Singapore from July 2023. The AUM includes the value of securities and derivatives positions.

How it works: our two-fold approach

Our CIP is a two-fold engagement programme structured around the Task Force on Climate-related Financial Disclosures (TCFD) framework. Each stream (quantitative and qualitative) has different engagement approaches, expectations and potential escalations (see illustration).[10]

We focus on 20 'climate-critical' sectors,[11] which are responsible for most global greenhouse gas (GHG) emissions from listed companies and/or are vital to climate transition at scale, as well as being the most carbon-intensive sectors in LGIM's portfolios. The CIP covers 53% of total corporate securities by value that LGIM invests in on behalf of our clients, and covers 86% of the total carbon emissions attributable to LGIM's corporate and equity holdings.[12]

Our engagement campaign aims to support companies in their transition to net-zero carbon emissions, while also raising standards across and within sectors. To do this, we apply a model of 'engagement with consequences', meaning that there may be voting and/or divestment implications for companies failing to meet our sector-specific 'red lines' or minimum standards.



LGIM, as at June 2024

10. www.fsb-tcfd.org/recommendations. LGIM also supports the climate disclosure rules published by IFRS International Sustainability Standards Board (ISSB). IFRS - IFRS S2 Climate-related Disclosures.
11. Please see the Appendix for more information.
12. As at December 31 2023. Percentages are calculated by looking at corporate equity and debt holdings only. Percentages are calculated for holdings where carbon data can be found. Carbon data is from ISS, using ESG data and reporting enrichment to map to issuers of corporate bonds.

Quantitative

Our quantitative engagement

5,000+ climate-critical companies

Our data-driven approach: how it works

Within LGIM's entire corporate holdings we focus on 20 climate-critical sectors, creating a universe of 5,000+ companies.

Company assessments focus on the key pillars in alignment with the TCFD framework, now incorporated as part of IFRS S1 and S2, developed by the International Sustainability Standards Board (ISSB).[13]

80+ data points leveraging LGIM's proprietary climate modelling and third-party data.

A traffic light system compares companies' climate disclosures and performance using defined metrics[14] with some highlighted as 'minimum standards' (linked to voting).

We write to companies to inform them of our assessments, allowing them to identify and address areas of improvement, based on their performance against these metrics.

Our assessment is public. We publish company ratings, information on our 'minimum standards' for each sector, data providers, indicators and methodology on our dedicated microsite.

1	2	3	4	5
Governance	**Strategy**	**Risks and opportunities**	**Scenario analysis**	**Metrics and targets**
How is the oversight of climate issues exercised at the board level and communicated to investors?	What policies do companies have in place, and what policies are they lobbying governments for?	How much of companies' current earnings comes from 'green' activities, and how much of potential future earnings is at risk in the low-carbon transition?	What level of global warming are companies' plans aligned to?	How ambitious are companies' emission targets, and how do they compare to past performance?
Climate governance	**Company policies**	**Climate value at risk**	**Paris alignment**	**Net-zero ambition**
Disclosure - TCFD reporting and Scope 3 emissions	**Climate lobbying**	**Green opportunities**		**Emissions intensity and trajectory**

13. IFRS - ISSB issues inaugural global sustainability disclosure standards.
14. Data is not always available; we highlight where this is the case.

Our expectations and standards: what's new in 2024

- As of 2024, we now publish 'changes from last period' to our ratings on our microsite. This signals where we believe there has been progress in the traffic light assessment.

Climate Governance	Change from last period	Data provider	See definition
Board members with responsibility for climate-related issues	—	CDP	
Integration of climate issues into governance mechanisms	↑	CDP	
Disclosure & Reporting			
CDP letter score	↑	CDP	
Disclosure of Scope 3 emissions from purchased goods and services	↓	CDP	

- We have added new minimum standards linked to our voting:
  - We introduced baseline expectations that drive our climate-related voting for emission-intensive sectors. These expectations apply to the following sectors:

Sector	Baseline expectations
Oil & gas[15]	Disclosure of methane emissions
Mining	No expansion of thermal coal mining capacity
Utilities[16]	No expansion of thermal coal power generation capacity

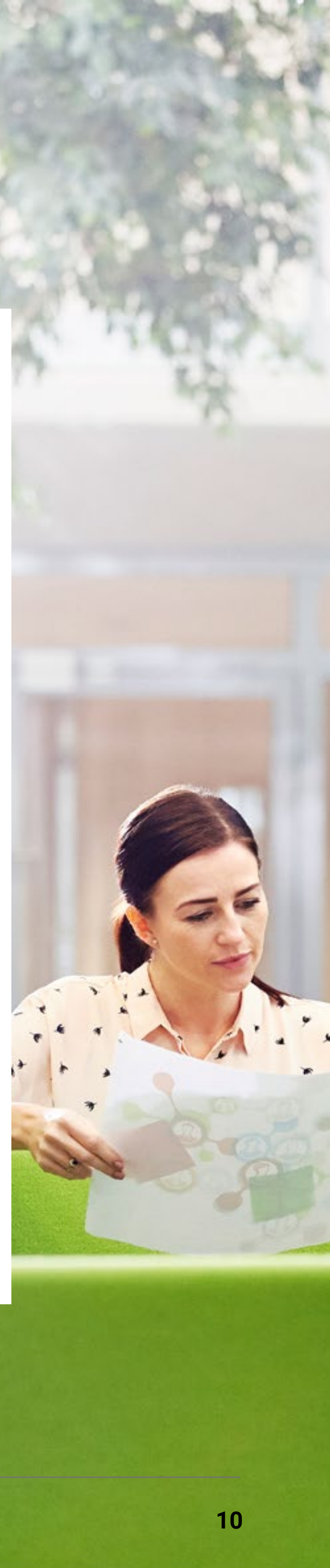
  - We added new minimum standards to ensure alignment with our expectations in our sector guides, on which our direct engagement is based. New additions include the assessment of climate lobbying activities for all companies and the methane emissions reduction trajectory for oil and gas companies, among other metrics, including the recycling of materials. (Please see the Appendix for the full list).

- We have added additional new metrics:
  - We expect all companies to calculate and disclose their Scope 1 and 2 GHG emissions.
  - We expect banks to restrict financing related to unabated thermal coal, new oil and gas fields and commodity-driven deforestation.

- With the rate of progress in Japan having accelerated over the past few years, we raised our expectations of the number of minimum standards Japanese companies need to meet from one to three.

- We continue to integrate nature-related metrics into our quantitative assessment, as natural capital management is key to meeting net zero. Please see the Appendix for more information.

For further details please see our public methodology document.



15. CIP Oil & Gas sector except Oil & Gas refining and marketing sub-industry.
16. CIP Electric Utilities and CIP Multi-utilities sectors except water and gas utilities sub-industries.

Our engagement has consequences:

- We write to companies at risk of a vote against well in advance of their AGM, directing them to our microsite which sets out the areas where they have not met our climate expectations.

- The consequences of a lack of action may include LGIM voting against the re-election of the chair of the board at the company's next AGM if it:

    - Fails to meet at least one of our minimum standards (for companies in emerging and frontier markets), or three (for companies in North America, Europe, the UK, Japan and Asia Pacific)[17]

    - Has a market capitalisation above the relevant sector median

Our approach to climate voting

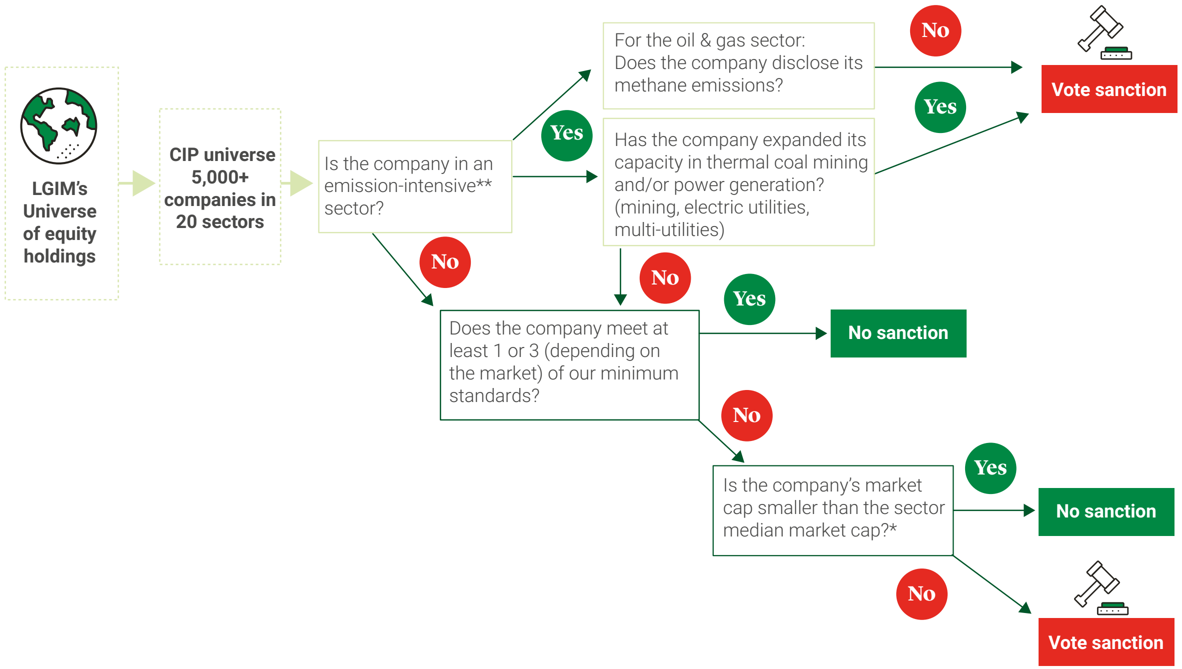
Since we expanded the universe of companies we assess under the CIP framework in late 2022, we have applied a two-step screening to identify companies that fail to meet our minimum standards and therefore may be subject to vote sanctions.

From the universe of 5,000+ companies in 20'climate-critical' sectors:

Companies in emission-intensive sectors may automatically get a vote against if they fail to meet our baseline expectations (please see the Appendix for more information).

We may apply a vote sanction against a company if it does not sufficiently meet our minimum standards, depending on which region it is listed in and whether it is above the median market cap size of its sector*.

2024 and beyond: Our new approach to climate voting



LGIM, as at June 2024. Subject to change.

*We recognise that relatively smaller companies may have resource constraints and are yet to disclose sufficient climate-related information. We write to them highlighting our published assessment, with our expectations and suggested areas for improvement.
**Emission-intensive sectors are defined as Oil & Gas, Mining, Electric Utilities, and Multi-Utilities (except water and gas utilities) sectors.

17. Regional categorisations follow MSCI's market classification.

Our qualitative engagement

100+ dial-movers

We engage in direct dialogue with a select number of dial-mover companies.

Seeking to influence the influential: how it works

- Dial-movers are chosen for their size and potential to galvanise action in their sectors
- Our Investment Stewardship team analyses each company in depth using public information, based on the framework and expectations set out in our sector guides that are published on our website
- We encourage companies to align their strategy with net zero and to build climate resilience

Illustrative sector guides available on our website

Qualitative

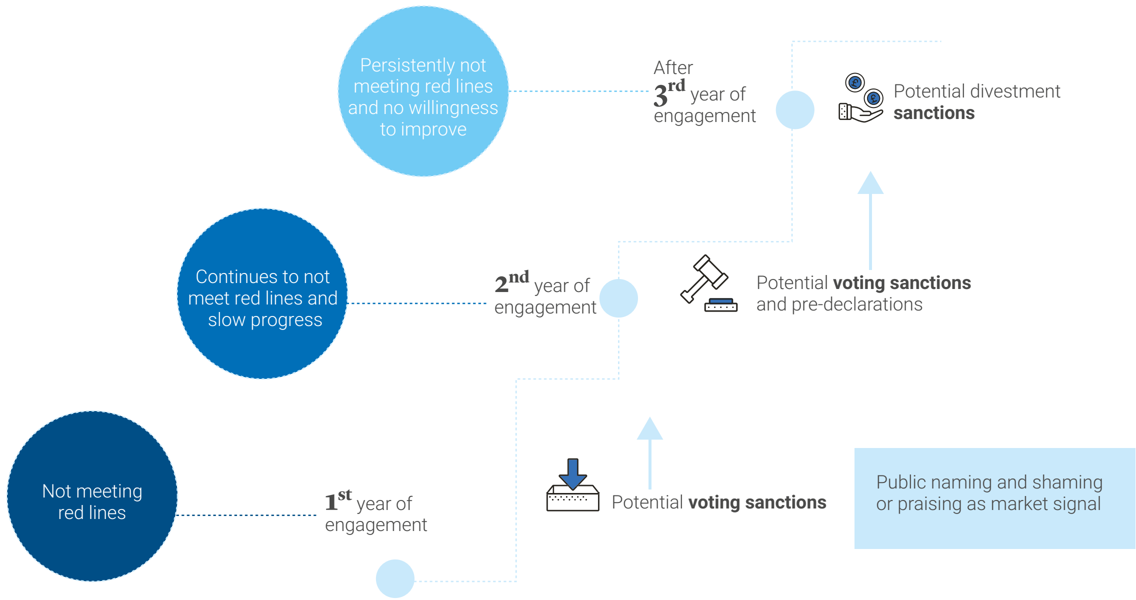
Evolving our process: what's new in 2024

- We focused our assessments on how companies have improved in key areas since we last engaged with them, as well as their performance against our expectations set out in our sector guides.
- Historically, response rates from companies have varied by region. Since the last engagement cycle, we further expanded our team globally, hiring a head of investment stewardship for Asia ex-Japan based in Singapore, and we have improved the frequency and quality of our engagement with Asia-listed companies.

Our engagement has consequences:

- If a company fails to meet our red line expectations for its sector, we may apply a vote sanction at its AGM (please see the Appendix for the list of red lines). We may also publicise our voting intentions ahead of companies' AGMs.
- When we believe change has been insufficient over time, we may divest from that company in applicable funds.[18]
- The purpose of divestment under the CIP:
  - It can be used to encourage companies to meet our expectations, including disclosures;
  - It can act as a clear signal to the company and to the wider market about our expectations with regard to net-zero emissions and the energy transition.
- Companies that demonstrate sufficient progress in line with our expectations and also meet our red lines will be reinstated in the applicable funds.

Escalation process and sanctions



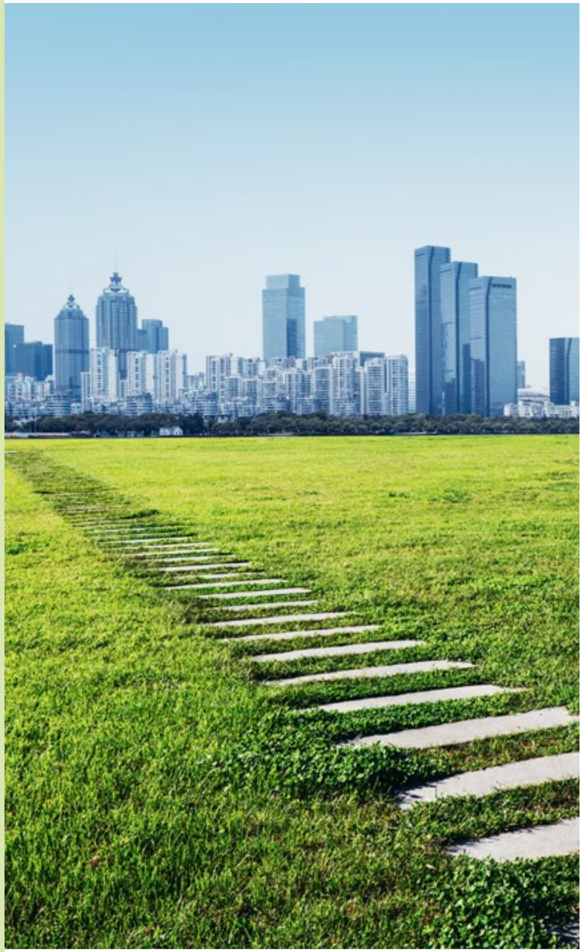
LGIM, as at June 2024. Subject to change.

18. Companies are divested from selected funds with £176 billion in assets (as at 31 December 2023), including funds in the Future World fund range, LGIM's ESG fund ranges and all auto-enrolment default funds in L&G Workplace Pensions and the L&G Mastertrust.

Companies are divested up to a pre-specified tracking-error limit. If the tracking error limit is reached, holdings are reduced rather than fully divested. For illustrative purposes only

Our quantitative engagement results

Increasing our engagement outreach: our largest written campaign to date



As a universal owner, we invest in thousands of companies globally across sectors, and we seek to raise market standards on issues that we consider to be systemic risks, including climate change. While we cannot engage with all investee companies, we strive to communicate our expectations on climate transition as broadly as possible, and engage with companies in 'climate-critical' sectors, using our CIP ratings.

Where possible, we communicate with companies covered by the CIP. In April 2024, **we wrote to the chair of the board of over 2,800 companies** assessed under our CIP quantitative assessment tool, compared with over 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:

- Outlined our commitment to helping them transition to a low-carbon world
- Pointed to our CIP ratings website, where we publish our assessments of companies using a traffic light system
- Called on them to take action and improve areas flagged as red in our assessment, as well as improve performance against our minimum standards
- Communicated our new approach to climate voting and potential time-bound voting implications where minimum climate standards are not met
- Highlighted our expectation that they should disclose Scope 1 and 2 emissions, noting we are examining the potential for vote sanctions in future years if not met

Key outputs of the outreach included:

- Companies noted areas we flagged for improvement, highlighted in red or amber, and expressed an intention to address them where possible (some provided further information directly to us)
- Companies indicated that they plan to engage with relevant data providers to ensure accurate and up-to-date information is captured and to correct inaccuracies where applicable

We believe this outreach will not only help raise market standards with regards to climate strategies and disclosure, but also improve climate data availability and accuracy across our holdings.

How our ratings are evolving

Our CIP ratings consist of indicators that are aggregated to form a theme score, which in turn are aggregated to form average pillar scores aligned with the TCFD framework. Since the expansion of the CIP universe in 2023, the changes in the underlying theme scores of the 5,000+ companies in our universe indicate that the most significant improvements were observed in:

- Climate disclosure and Scope 3 reporting **(+41%)**
- Net-zero ambition **(+38%)**
- Climate governance **(+25%)**
- Climate lobbying **(+25%)**

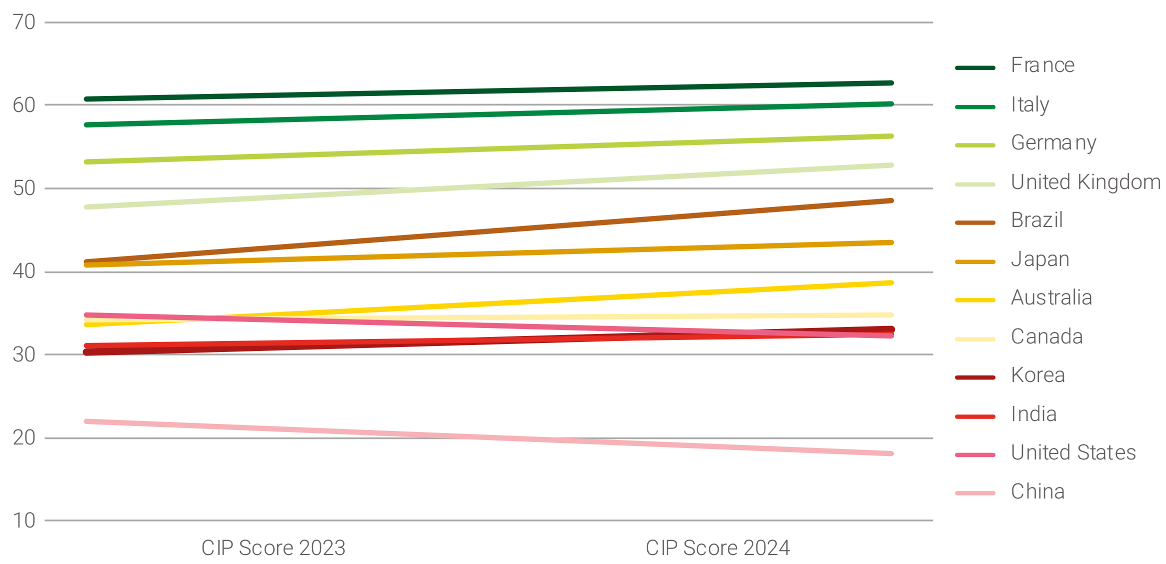
In terms of pillars, the ones with the most improvement in the past year across our universe were **Governance**, followed by the **Metrics and Targets** pillar with **+32%** and **+20%** positive change, respectively.[19]

Trends in select countries

In the chart, we have 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 select countries shown on the chart, Brazilian and Australian companies have seen the most significant improvements. The US and China are now the lowest-rated markets, after India. The average score for the Risk and Opportunity pillar has decreased for China-listed companies, while average pillar scores for three categories (Strategy, Risk and Opportunity, and Metrics and Targets) have decreased for US-listed companies.

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



Source: LGIM, as at April 2024. The line chart shows how the average CIP score evolved from 2023 to 2024 in select countries. The selection of companies remains consistent across two years for comparability purposes, covering over 5,000 companies. With climate data becoming more available, our CIP scores have evolved to integrate new data points. For illustrative purposes only.

19. Source: LGIM, as at April 2024.

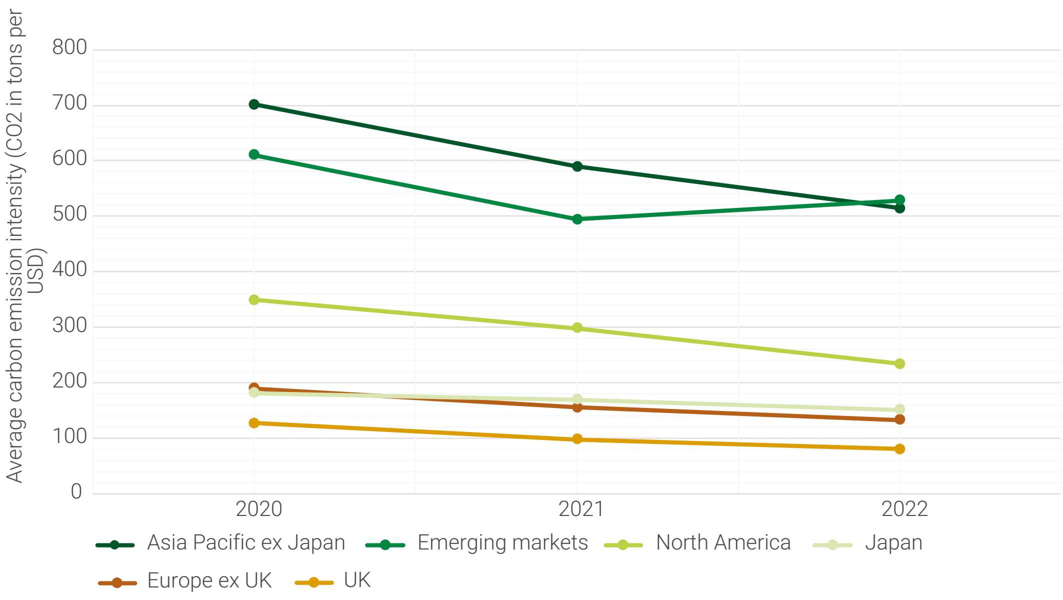
Historical GHG emission intensity by region

In the chart, we compare CIP-assessed companies' emission intensity in selected regions between 31 December 2020 and 31 December 2022, focusing on the universe of the largest companies globally (as defined by MSCI ACWI) across 15 sectors. The year-on-year reduction of emission intensity is one of our minimum standards for all sectors, which is linked to voting (see the Appendix for more details).

Overall, we see a downward trend in most markets, except for emerging markets. Total carbon emission intensity for the same scope of companies globally decreased by 27% during the three years. In developed markets such as Europe and North America, we observed the decoupling of emissions and revenue growth. This highlights the need for us to ramp up our engagement in emerging markets.

We also examined CIP-assessed companies for GHG reduction targets in selected regions over the latest two years for which there is data. We saw improvements on a regional average basis, except for companies that were listed in Asia Pacific ex Japan. Overall, we look for more progress.[20]

Scope 1 & 2 intensity USD (2020-2022) by region



Source: LGIM, as at April 2024. The line chart shows how the average emission intensity (Scope 1 and 2, divided by revenue in USD using data provided by ISS) has evolved between 2020 and 2022 by region. The selection of companies remains consistent across three years for comparability purposes (i.e. MSCI ACWI Universe, 15 original sectors) and the scope does not include the expanded universe. Regional categorisations follow MSCI's market classification. For illustrative purposes only.

20. Source: LGIM, as at April 2024, and using same universe as for carbon intensity chart. Data source and categorisation of targets: ISS.

Translating engagement dynamics into voting sanctions

In total, we identified over 450 companies as targets for AGM voting sanctions. The proportion of companies not meeting our threshold minimum standards[21] was higher than in previous years due to:

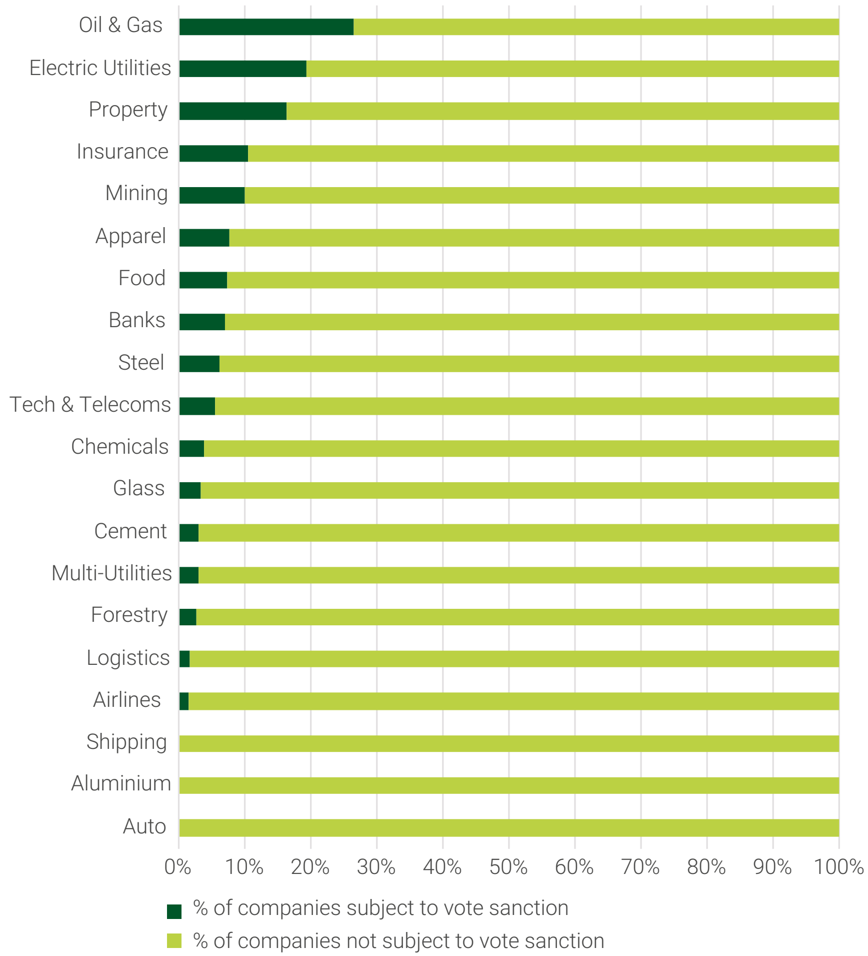
- The addition of our baseline expectations for companies in emission-intensive sectors
- The raised minimum standard threshold for Japanese companies

We will vote against the re-election of the chair of these companies' boards where possible. We have written to a majority of CIP-assessed companies to inform them of our approach and expectations and will continue to engage with them.

The sectors with the highest proportion of companies subject to vote sanctions are oil & gas, electric utilities, property, insurance and mining.

The introduction of baseline expectations led to more companies identified as subject to vote sanctions in the oil & gas and mining sectors. However, a majority of companies in these sectors with vote sanctions last year, improved sufficiently to avoid a vote sanction in 2024.

Companies subject to CIP vote sanction by sector



Source: LGIM, as at April 2024. The stacked bar chart shows the % of companies that are subject to vote sanctions and those that are meeting our minimum standards in 2024. Companies in the Shipping, Aluminium and Auto sectors sufficiently met our minimum standards (based on our quantitative assessment) or, where they did not, had a market capitalisation below the sector median market cap. For illustrative purposes only.

21. We apply different thresholds of minimum standards depending on the market; North America, the UK, Europe, Asia Pacific and Japan must meet three and emerging markets must meet one of our minimum standards. At present, companies may be exempt from voting sanctions if their market capitalisation is below its relevant sector median market cap. Please refer to page 9 for full details on our approach to climate voting.

Our qualitative engagement results

As a result of our in-depth engagement, we are voting against 37 companies and divesting from 16 companies that failed to meet our red lines (please see the Appendix).

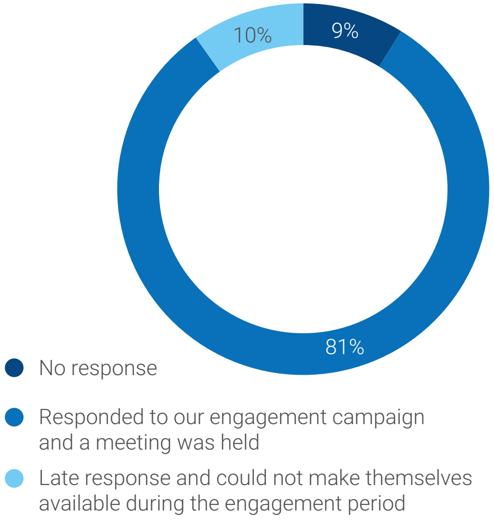
100+ dial-movers: responses

We continued to see positive response rates to our engagements. We had a 91% response rate this year, up from 80% in 2023. Additional efforts engaging with companies in emerging markets (including China) and Asia Pacific ex Japan helped improve the response rate in these regions from 80% and 70% in 2023 to 100% and 87% in 2024, respectively.

We continue to explore ways to improve our dialogue with companies. When companies are unresponsive to our engagement requests, we base our assessment on public disclosures and external sources.

The following companies did not respond to our climate engagement requests over the past two years: **Press Metal Aluminium*, Pidilite Industries*, O-I Glass Inc*, and Kuehne & Nagel***. We will continue to seek engagement with these companies.

2023/24 engagement response rate



Source: LGIM, as of April 2024. Each coloured portion of this chart represents the % of companies that did not respond, those that responded and a meeting was held, or those that gave a late response and were unavailable for a meeting.

*For illustrative purposes only. Reference to a particular security is on a historical basis. The above information does not constitute a recommendation to buy or sell any security.

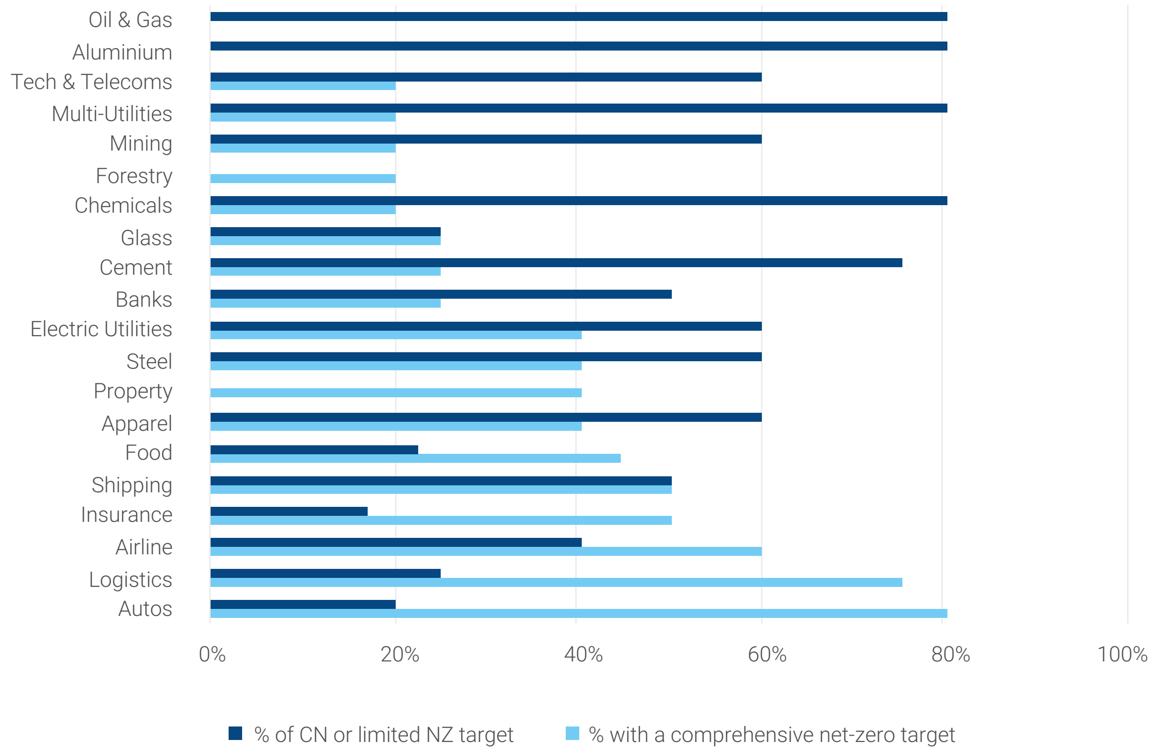
Net-zero targets of 100+ dial-mover companies

While many companies partially meet our red lines, the percentage meeting them all remains low. Improvements seen since last year mean that we have identified 37 companies subject to voting sanctions in 2024 as a result of our direct engagement, down from 43 in 2023.[22]

Out of the 102 dial-mover companies, **36%** disclosed a net-zero commitment[23] or target which covers all material scopes of GHG emissions. This number increases to **81%** if we include companies with a carbon neutrality[24] or net-zero commitment which is not as comprehensive (2023:71%). Our expectation is that all companies set a long-term net-zero emissions target that covers Scope 1, 2 and material Scope 3 emissions.

Progress varies by sector. On one hand, none of the companies we engaged with in oil & gas and aluminium sectors have a comprehensive net-zero target, but 80% have a carbon neutrality or net-zero emissions target covering only operational emissions. On the other hand, a majority of companies in the transport sectors (autos, logistics, airline) have a comprehensive net-zero target.

% of companies with net-zero or carbon neutral targets in 2024 by sector



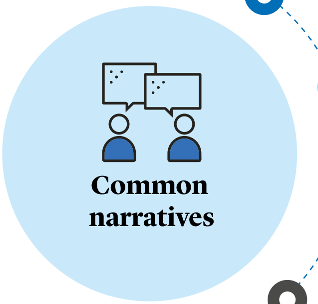
Source: LGIM, as of April 2024. The chart shows the % of companies within each sector with a comprehensive net-zero target, covering Scope 1, 2 and material Scope 3 emissions and those that have a carbon neutrality target or a net-zero emission target that only covers operational emissions. The number of companies targeted for in-depth engagement is 102 (on average five companies per sector).

22. The list of companies subject to voting sanctions as result of our direct engagement can be found in the Appendix.
23. Net Zero: means balancing anthropogenic Scope 1, 2 & 3 GHG emissions with GHG emission reduction actions so that there is no net increase in atmospheric GHG. This is aligned with the Paris Agreement and limiting warming to 1.5°C.
24.Carbon Neutrality: involves balancing human-made Scope 1 & 2 carbon emissions by typically introducing carbon offsets where emissions continue to produce no net increase to atmospheric carbon. Carbon neutral and net zero – what do these words mean? | World Economic Forum (weforum.org)

Insights from our 2023-2024 engagements

Common narratives across sectors

While we see different challenges and opportunities in each sector, we have identified the following common narratives across all 20 'climate-critical' sectors. We will continue to evolve our engagement approach in line with what we have learned.



- Methane disclosures have increased across key sectors
- While work on Scope 3 calculation is improving, there appears to be a slow progress on setting targets for decarbonisation of Scope 3 emissions and little engagement with value chain
- Many companies are integrating low-carbon practices and have started research and development efforts on alternative technologies. However, infrastructure to support decarbonisation and circularity remains insufficient.
- Carbon intensive assets are often being phased out, according to their end-of-life timeliness, as opposed to in line with decarbonisation needs
- Although regulation and carbon taxes seem to be aiding decarbonisation progress across sectors, in some jurisdictions a company's transition progress (especially where state ownership is a factor) may vary depending on the policy environment
- We have seen an increased focus on recruitment and development of ESG specialists and the board's climate expertise, especially compared to prior engagements

Looking ahead...

- Further understanding and incorporating regional market-specific considerations
- Continued focus on climate transition plans and investments
- Continue to push for direct and indirect corporate climate lobbying disclosures and alignment with 1.5C
- A supply chain engagement approach remains key to make progress, looking across most stages of sectors' supply chain (supply/demand)

LGIM, as at June 2024. Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

Qualitative

Spotlight on 10 'climate-critical' sectors

The following tables describe the common narratives and key challenges we see in the subset of sectors we have engaged with and what we would like to focus our engagement on from next year.

Sectors – Supply side

- **Oil & gas**
- **Mining**
- **Electric utilities**

Common narrative

- There is little quantifiable disclosure from companies on climate-related risks against a range of relevant net-zero scenarios
- Methane reduction targets and zero routine flaring becoming more common among Oil & Gas companies
- Continued reliance on thermal coal (Mining and Utilities) and gas

Key challenges

- “Lucrative decline” – continued explorations when economically viable in the short term
- Government-led energy mix plans which may not be aligned to the Paris Agreement goals
- These industries are facing a period of potential consolidation

Looking ahead

- Engaging on corporate lobbying practices
- Improved disclosures on potential climate-related costs regarding decommissioning assets and climate-related risks
- Effective expansion of low-carbon solutions
- Responsible divestment, reliable production
- Responsible mining of critical minerals
- Improvements in grid connections
- Role of gas compared to renewables with storage

LGIM, as at June 2024.
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Qualitative

Sectors – Demand side

Airlines

Shipping

Logistics

Common narrative

- Net-zero commitments are becoming more common among transport companies as international regulators set long-term targets (e.g. International Civil Aviation Organization; International Maritime Organization) disclosure from companies on climate-related risks against a range of relevant net-zero scenarios
- Fleet renewal and fuel efficiency in medium term and low-emission fuel (and electrification) in the long run are critical to meet net zero

Key challenges

- Low-emission fuel availability (supply), affordability (high cost), and accessibility (at airports and ports)
- Patchwork of regional sustainable fuel mandates and emission trade schemes

Looking ahead

- Companies should disclose: 1) fleet renewal plan or trajectory, including fuel choice, and 2) how the procurement of low-emission fuel will impact their costs and their plans to offset them

Sectors – Demand side

Food

Forestry

Common narrative

- Companies' approach towards deforestation is nascent, but emerging and developing
- Scope 3 calculation in progress for some and not fully prioritised by others

Key challenges

- Sustainable and regenerative agriculture is not common, and company policies on this topic are at an early stage
- Complex supply chains leading to traceability and Scope 3 calculation issues

Looking ahead

- Focus stays on ensuring companies are setting a net-zero target and zero-deforestation and no-land-conversion policies
- Keeping the spotlight on Scope 3 calculations and continue to encourage regenerative agriculture and sustainable forestry management practices

LGIM, as at June 2024. Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

Qualitative

Sectors – Enabler / Facilitator

Banks

Insurance

Common narrative

- More European companies disclose finance-related Scope 3 emissions, but further progress is needed in some markets, such as North America and China
- Coal-related financing restrictions are becoming more common in developed markets, while clear restrictions on Oil & Gas and deforestation remain mostly unaddressed

Key challenges

- Material Scope 3 emission disclosure and targets
- Little support and uptake of financing restrictions (e.g. exclusion policy) related to Oil & Gas and deforestation
- Anti-competition concerns hindering collaboration in the sector's net-zero transition

Looking ahead

- Monitoring of client engagement and progress in key sectors
- Engagement on financing restrictions and their feasibility as well as limitations

LGIM, as at June 2024. Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

Qualitative

Spotlight on progress

Improver list 2023-24

We have highlighted the dial mover companies that have significantly improved their practices and disclosure in the past 12 months in the table below. We will continue to engage with these companies to push for further progress.

Company	Sector	Country	Improvements/Progress
Fortum*	Electric utilities	Finland	Fortum has committed to SBTi certification and produced an annual Climate Lobbying Review after our engagement to provide transparency on its advocacy related to climate change. We will continue to engage with the company and advocate for improved disclosure (e.g. full mapping of all of Fortum's industry association memberships).
Nucor*	Steel	USA	As of 2023, Nucor set net-zero science-based GHG emission targets for 2050, covering all scopes of emissions. In addition, interim 2030 targets have been introduced. This has been a focal engagement point and has resulted in a vote against the chair in previous years.
Ultratech Cement*	Cement	India	Ultratech Cement has expanded its emissions reduction targets for both Scope 1 and 2 and validated them by SBTi. As a founding member of Global Cement and Concrete Association (GCCA), the company is a key driver of emerging market cement decarbonisation.
Mizuho Financial Group*	Bank	Japan	Mizuho discloses its Scope 3 financed emissions and this covers all key sectors, with Telecom, Finance and Retail & Services added this year. Mizuho has also set a series of sector-level reduction targets for Scope 3 (emissions from financing and investment) in accordance with the NZBA Guidelines. New targets have now been set for the Steel and Property sectors.
Broadcom*	Tech & Telecom	USA	Broadcom sent a commitment letter to SBTi in February 2024 and expects to present its targets for validation covering all Scope 1, 2 and 3 emissions after integration of VMware. Broadcom has also disclosed two more categories for Scope 3 emissions, including purchased goods and services.

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Qualitative

Outcomes related to divestments

We engage with consequences, to encourage the mitigation of climate change risks and raise market standards.

We want to see companies make progress. While divestment is one of the many stewardship tools we use, we see it as a last resort and continue to engage with divested companies – therefore divestment is not the end goal for the CIP. This year, no companies made sufficient progress to be taken off our divestment list. The table below notes those companies we have previously divested from in applicable funds that have made some progress as we continue our engagement.

Company	Sector	Years on divestment list	Progress since divestment	Highlighted improvement in CIP pillar score (2022 - 2024)
Loblaw*	Food	6	Loblaw has set comprehensive 1.5˚C aligned medium-term science-based targets certified by SBTi for Scope 1 and 2, and an engagement target for Scope 3. It also has a net-zero target in place covering all scopes. It has substantially improved its climate disclosure over the years by participating in CDP Climate and Forest questionnaires and most recently publishing a net-zero action plan outlining actions focused on key aspects of its carbon footprint. It is actively incentivising the adoption of regenerative agriculture and low carbon farming practices through its work with the Canadian Alliance for Net-Zero Agri-food (CANZA).	Strategy
Invitation Homes*	Property	2	Invitation Homes has invested in more internal resources to implement various decarbonisation initiatives and to improve its disclosures. We noted the company now discloses Scope 1 and 2 emissions and the inclusion of 'continued development of ESG and climate strategy' in its remuneration.	Governance
COSCO Shipping Holdings*	Shipping	1	We've held constructive meetings with the company, and its disclosure on the use of low-emission fuel and technology has improved. COSCO Shipping has halved its GHG emissions in its port business since 2022 and the company has also committed to meet net zero for its shipping operation by around 2050, in line with IMO's updated GHG strategy announced in summer 2023.	Metrics and Targets

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Qualitative

Climate Impact Pledge divestment list as of June 2024

We are keeping 14 companies on our divestment list from previous years and adding two more

This year, we are divesting from Glencore* and TJX* as they have not sufficiently addressed our concerns in the past few years.[25] We will continue to engage with the companies and closely monitor their practices.

Sector	Company	Rationale	Divested since:
Apparel	TJX*	We remain concerned that TJX does not have a zero deforestation policy in place and has not shown a clear intention to analyse its potential exposure to commodity-driven deforestation. TJX does not provide comprehensive disclosure of material Scope 3 emissions (particularly category 1: purchased goods and services). Its net-zero target and decarbonisation efforts are limited to reducing operational emissions, leaving value chain emissions unaddressed. Lack of disclosure on climate-lobbying activities and monitoring trade associations through engagement to be aligned with the Paris Agreement goals.	2024
Mining	Glencore*	We remain concerned that Glencore does not meet our red line asking mining companies to disclose whether they plan to increase thermal coal capacity. The decision to divest came after we filed a shareholder resolution at Glencore last year requesting that the company disclose how its projected thermal coal production aligns with the Paris Agreement's objective to pursue efforts to limit the global temperature increase to 1.5°C.	2024
Airlines	Air China*	No operational emissions reduction target is in place and the company has not made material progress since last year.	2023
Shipping	COSCO Shipping Holdings*	A medium-term operational emissions target is in place, but the level of ambition for this target appears to be insufficient. There is no commitment or target to increase the adoption of low-carbon fuels, which is key to sector decarbonisation.	2023

25. Where exclusions cannot be applied, we vote against the chair.

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Qualitative

Sector	Company	Rationale	Divested since:
Electric Utilities	KEPCO*	Plans to use coal until 2050 which is misaligned with net-zero on a global basis.	2019
	PPL*	Plans to use coal until 2050 which is misaligned with net-zero on a global basis.	2021
Oil & Gas	Exxon Mobil*	There are gaps in climate-related disclosures and we regard the company's interim operational emission reduction targets as insufficiently robust to reach the ambition expected of a net-zero trajectory.	2019
Food	Sysco*	No net-zero commitment in place and the company does not have a public comprehensive zero deforestation policy. Lack of disclosure on climate-lobbying activities and monitoring trade associations through engagement to be aligned with the Paris Agreement goals.	2018
	Hormel*	No net-zero target in place, and lack of upstream Scope 3 emissions disclosure. Lack of disclosure on climate-lobbying activities and monitoring trade associations through engagement to be aligned with the Paris Agreement goals.	2019
	Loblaw*	The company does not publicly disclose a comprehensive zero-deforestation policy covering all material commodities.	2018
Banks	China Construction Bank*	No thermal coal policy in place and no disclosure of Scope 3 emissions associated with the company's financing activities.	2018
	Industrial & Commercial Bank of China*	No thermal-coal policy in place and no disclosure of Scope 3 emissions associated with its financing activities.	2021
Insurance	MetLife*	No material Scope 3 emissions disclosure and no net-zero commitment for all of the company's underlying investments.	2019
	AIG*	Material Scope 3 emissions data related to insurance has not been disclosed.	2021
Cement	China Resources Cement*	No operational GHG emissions reduction target is in place, and it does not fully meet our expectations.	2022
Property	Invitation Homes*	There has been no disclosure of emissions from its property portfolio, or an emissions target covering the property portfolio's operational emissions.	2022

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Engaging amid disruption

The UN Global Stocktake, which assessed the progress made by countries and stakeholders towards the Paris Agreement objective, concluded at COP28 in 2023.

The process highlighted just how far the world is from limiting the average global temperature rise to 1.5˚C by 2050. Key parts of the energy economy need to shift significantly and quickly towards a timely energy transition. Without this, the world will be much warmer and the physical outcomes outlined in IPCC reports will be more likely, with associated financial costs to countries, companies, communities, and individuals. Yet at the same time, the pace of transition in some parts of the global economy is fast and has been exceeding expectations.

While we continued to see improvements from some 'dial-mover' companies with which we engaged directly, for example on the issue of Scope 3 disclosure, we also hope to see more transparency on companies' climate lobbying activities. Public policy and robust regulations play a crucial role in aligning corporate actions with global climate goals, potentially fostering a cohesive and comprehensive approach across sectors and borders.

Without consistent and sufficiently stringent regulatory frameworks, a fragmentation in efforts risk undermining the global transition to a sustainable future.

Companies make choices amid uncertainty about the future. We will continue to focus our engagement conversations on the real challenges of integrating climate change concerns into business reporting and strategy. Our hope is that we continue to see engagement encourage action.

Climate change and energy transition efforts are occurring alongside other disruptions to economies and societies such as demographic changes and innovation in digital technology. The interactions are complex and can lead to both risks and opportunities. In the case of climate, pursuing a 'just transition' can help improve co-operation between both countries and communities, facilitate a timely energy transition, and unleash potential for future sustainable wealth creation. The progress companies have made to mitigate climate risks is encouraging but more action is required. We will continue to encourage companies to do more to mitigate the systemic risks to our clients' assets from climate change.

Source: LGIM, June 2024. Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

Appendix

Sector coverage:

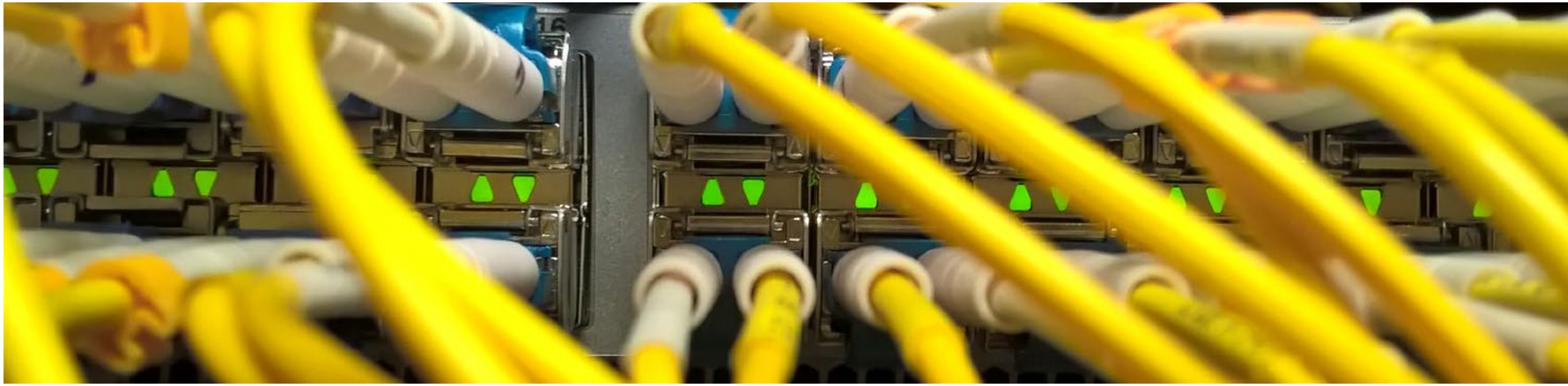
Starting from LGIM's holdings universe, we have selected 20 'climate-critical' sectors – those deemed to be key in the global transition to a low-carbon economy and identified as most carbon intensive within our portfolios. The mapping of our sectors to the GICS international classification is outlined below.

GICS sector	GICS sub-industry	CIP sector
Materials	Aluminium	Aluminium
Consumer discretionary	Apparel retail	Apparel
Consumer discretionary	Apparel accessories & luxury goods	
Consumer discretionary	Footwear	
Consumer discretionary	Textiles	
Consumer discretionary	Automobile manufacturers	Autos
Industrials	Passenger Airlines	Aviation
Financials	Diversified banks	Banks
Financials	Regional banks	
Financials	Diversified capital markets	
Industrials	Passenger Airlines	Aviation
Materials	Construction materials	Cement
Chemicals	Commodity chemicals	Chemicals
Chemicals	Diversified chemicals	
Chemicals	Specialty chemicals	Chemicals
Chemicals	Fertilizers & agricultural chemicals	

GICS sector	GICS sub-industry	CIP sector
Consumer staples	Packaged foods & meats	Food
Consumer discretionary	Food retail	
Consumer discretionary	Restaurants	
Consumer discretionary	Food distributors	
Consumer staples	Consumer staples merchandise retail	
Consumer staples	Agricultural products & services	
Materials	Forest products	Forestry
Materials	Paper & plastic packaging products & materials	
Materials	Paper products	
Materials	Metal glass & plastic containers	Glass
Financials	Multi-line insurance	Insurance
Financials	Property & casualty insurance	
Financials	Life & health insurance	
Financials	Reinsurance	
Industrials	Air freight & logistics	Logistics
Materials	Diversified metals & mining	Mining
Energy	Coal & consumable fuels	
Utilities	Gas utilities	Multi-utilities
Utilities	Multi-utilities	
Utilities	Water utilities	
Electric utilities	Electric utilities	Electric Utilities
Utilities	Independent power producers & energy traders	

GICS sector	GICS sub-industry	CIP sector
Energy	Integrated oil & gas	Oil & Gas
Energy	Oil & gas exploration & production	
Energy	Oil & gas refining & marketing	
Industrials	Marine Transportation	Shipping
Materials	Steel	Steel
Real estate	Other specialised REITs	Property
Real estate	Data Center REITs	
Real estate	Telecom Tower REITs	
Real estate	Timber REITs	
Real estate	Self storage REITs	
Real estate	Industrial REITs	
Real estate	Office REITs	
Real estate	Diversified REITs	
Real estate	Residential REITs	
Real estate	Multi-Family Residential REITs	
Real estate	Single-Family Residential REITs	
Real estate	Retail REITs	
Real estate	Hotel & resort REITs	
Real estate	Diversified real estate activities	
Real estate	Real estate development	
Real estate	Real estate operating companies	

GICS sector	GICS sub-industry	CIP sector
Communications services	Interactive media & services	Tech & telecoms
Communications services	Integrated telecommunication services	
Information technology	Technology hardware, storage & peripherals	
Information technology	Systems software	
Information technology	Semiconductors	
Information technology	Semiconductor materials & equipment	
Information technology	Internet services & infrastructure	
Information technology	Electronic manufacturing Services	
Information technology	Electronic equipment & instruments	
Information technology	Electronic components	
Information technology	Communications equipment	
Information technology	Application software	
Information technology	Wireless telecommunication services	



Nature-related indicators that are part of CIP ratings

The following indicators are related to nature themes* and form part of LGIM's CIP ratings.
More information can be found in the methodology document.

Nature-related theme	Indicator	Sector	Data provider
Deforestation	CDP forest questionnaire letter score	CIP Apparel, CIP Food, CIP Forestry	CDP
Biodiversity	Biodiversity Programmes	All except for CIP Banks, CIP Insurance, CIP T&T, CIP Chemicals, CIP Shipping, CIP Steel and CIP Aluminium	Sustainalytics
Regenerative Agriculture	Sustainable agriculture programme/commitment	CIP Food	Sustainalytics
Deforestation	Deforestation Policy	CIP Apparel, CIP Food, CIP Forestry, CIP Autos	Sustainalytics
Deforestation	Deforestation Programme	CIP Apparel, CIP Food, CIP Forestry, CIP Autos	Sustainalytics
Deforestation	Forest certifications	CIP Forestry	Sustainalytics
Deforestation	FSC certified sourcing	CIP Forestry	Sustainalytics
Circular economy	Eco-design	CIP Apparel, CIP Autos, CIP Glass, Technology hardware, Semiconductor, Semiconductor Equipment, Electronics Equipment, Integrated Telecommunication services (T&T)	Sustainalytics
Circular economy	Recycled material use	CIP Steel, CIP Aluminium, CIP Glass, CIP Forestry, CIP Cement, Communications Equipment, Technology hardware, Electronics equipment, Electronics components, Electronics Manufacturing, Semiconductor equipment (T&T)	Sustainalytics
Circular economy	Overconsumption, waste & circularity	CIP Apparel	Fashion revolution
Deforestation & Circular economy	Sustainable sourcing & materials	CIP Apparel	Fashion revolution
Deforestation	End deforestation-related financing activities and related policy	CIP Banks	TPI
Deforestation & Regenerative Agriculture	Agriculture/ Forest Management Practices	CIP Forestry, Packaged Foods & Meats, Agricultural products and services	CPD

*For more information, see our Nature Framework.

Minimum standards for 5,000+ companies

Does the company...	Sector	Data provider
Disclose its methane emissions?*	Oil & Gas	Bloomberg
Plan to expand its thermal coal mining capacity?*	Mining	Urgewald
Plan to expand its thermal coal power generation capacity?*	Electric Utilities and Multi-Utilities (except gas and water utilities)	Urgewald
Have board-level oversight of climate-related issues within your organisation?	All	CDP
Have comprehensive climate disclosures?	All	CDP
Disclose Scope 3 emissions - Purchased goods and services?	Apparel, Autos, Chemicals, Food, Forestry, Tech &Telecoms	CDP
Disclose Scope 3 - Use of sold products?	Autos, Chemicals, Mining, Oil & Gas (except for O&G exploration & production)	CDP
Disclose portfolio emissions in the reporting year?	Banks and Insurance	CDP
Disclose emissions from downstream leased assets?	Property	CDP
Have an environmental policy?	All except financials	Sustainalytics
Have a GHG reduction programme?	All except financials	Sustainalytics
Have sustainable agricultural programme or commitment?	Food	Sustainalytics
Have deforestation policy?	Food, Forestry, Apparel	Sustainalytics
Have deforestation programme?	Food, Forestry, Apparel	Sustainalytics
Have underwriting standards?	Insurance (except life insurance)	Sustainalytics
Have responsible investment programme?	Insurance	Sustainalytics
Have credit & loan standards?	Banks	Sustainalytics
Adopt eco-design for its products?	Apparel, Autos, Glass	Sustainalytics
Conduct real estate life-cycle assessment?	Property	Sustainalytics

* These are considered baseline expectations for emission-intensive sectors.

Does the company...	Sector	Data provider
Use any recycled material in its products?	Steel, Aluminium, Glass, Forestry, Cement, (T&T)	Sustainalytics
Have green logistics programmes?	Shipping, Airlines, Logistics	Sustainalytics
Engage with regulators and policy-makers directly and indirectly in a climate-positive manner?	All (except Apparel, Food, Insurance, Property, water utilities, Aluminium, Forestry, Logistics or Glass)	InfluenceMap
Commit to phasing out its thermal coal assets?	Electric Utilities, Multi-utilities (except water and gas utilities)	CA100+
Demonstrate a year-on-year reduction in emissions intensity?	All	ISS
Demonstrate a year-on-year reduction in methane emissions?	Oil & Gas (except Oil & Gas refining and marketing)	Bloomberg

Sector-specific red lines for 100+ dial-movers

Sector-specific red lines	Sectors
No disclosure of climate-related lobbying activities, including trade association memberships, and no explanation provided on the action the company will take if these are not aligned with a 1.5°C scenario	All sectors
No net-zero operational emissions target	Apparel, Chemical, Glass, Steel, Aluminium, Cement, Shipping, Logistics, Auto, Airlines, Multi-Utilities, Oil & Gas, Mining, Tech & Telecom
No disclosure/targets to reduce operational emissions from property portfolio	Property
No disclosure of material Scope 3 emissions[26]	Forestry, Apparel, Chemical, Banks, Insurance, Multi-Utilities, Electric Utilities, Mining, Tech & Telecom
Plan to increase thermal coal capacity	Mining
No restrictions around coal underwriting/financing/investing	Banks, Insurance
No plans for coal phase-out (by 2030 in advanced economies and by 2040 globally)	Electric Utilities
Lack of a comprehensive deforestation policy (covering no-land conversion policy)	Forestry, Food, Apparel
Lack of time-bound methane reduction/zero flaring targets	Oil & Gas

26. With regard to our red line on Scope 3 emissions, please see more information here.

Sanctions list

100+ dial movers

In addition to the vote sanctions on our 5,000+ companies across 20 'climate-critical' sectors, our direct engagement with 100+ dial movers has led us to identify 37 companies as eligible for vote sanctions against the chair where possible, compared with 43 in 2023. Companies with a double asterisk (**) are subject to divestment, where applicable, and voting sanctions elsewhere.

Voting sanction list

CIP Sector	Company
Aluminium	Press Metal Aluminium*
Aluminium	Hindalco Industries*
Aluminium	China Hongqiao Group*
Auto	Toyota Motors Corp*
Apparel	TJX**
Apparel	PouChen*
Aviation	Air China**
Shipping	COSCO Shipping Holdings**
Banks	China Construction Bank**
Banks	Industrial & Commercial Bank of China*
Insurance	MetLife**
Insurance	AIG**
Property	Invitation Homes**
Property	Realty Income Corp*
Electric Utilities	KEPCO**
Electric Utilities	PPL**
Electric Utilities	Chubu Electric Power*
Electric Utilities	Tenaga Nasional bhd*

*For illustrative purposes only. Reference to a particular security is on a historical basis. The above information does not constitute a recommendation to buy or sell any security.

CIP Sector	Company
Multi-Utilities	Petronas Gas*
Oil & Gas	Exxon Mobil**
Oil & Gas	Petroleo Brasileiro*
Oil & Gas	Woodside Energy group*
Food	Sysco Corp.**
Food	Hormel Foods **
Food	Loblaw Companies**
Food	Domino's Pizza Inc*
Steel	Nippon Steel*
Steel	Tata steel*
Mining	Glencore **
Mining	Ivanhoe*
Mining	Vedanta*
Chemical	Pidilite Industries*
Forestry	Louisiana Pacific Corp*
Tech & Telecom	Broadcom*
Tech & Telecom	Snowflake*
Cement	China Resources Cement**
Cement	Conch Cement*

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.

Important information

LGIM Global

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

- 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.
- Singapore: issued by LGIM Singapore Pte. Ltd. (Company Registration No. 202231876W) which is regulated by the Monetary Authority of Singapore.

The LGIM Stewardship Team acts on behalf of all such locally authorized entities.

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