Climate Impact Pledge 2025:

Building momentum for the transition to net zero

L&G

Contents

Executive summary 03
Foreword 05
How it works: our two-fold approach 06
- Our quantitative engagement 07
- Our qualitative engagement 09

Engagement outcomes 10
Engagement insights 17
- Climate and nature 17
- Regional case studies 21
- Sector spotlight 28

The state of play 32
Appendix 33

Executive summary

Through our Climate Impact Pledge (CIP), L&G encourages companies to reduce the risks associated with climate change and nature degradation, and to transition to a net-zero economy. We ask companies to embed these considerations into their business strategy, helping to build resilience and drive long-term value creation for our clients.

- We believe climate change is a financially material issue for our clients' portfolios and that recognising the potential risks and opportunities presented in upscaling solutions to support a low-carbon transition is key to driving long-term value creation.
- As a universal owner[1] invested across value chains, sectors and geographies, we believe the economic, business, and societal imperative to act on the systemic and interlinked issues of climate change and nature degradation is becoming ever more pressing.
- This is why we increasingly embed nature considerations into our climate engagement programme. Net-zero requires both greenhouse gas (GHG) emission avoidance and sequestration: preserving natural carbon sinks, restoring degraded ecosystems, and enhancing their resilience are key to climate mitigation and adaptation.[2]
- We do not underestimate the scale of the challenges ahead, and through our engagements with investee companies over the course of the year, we have heard first-hand about the near-term constraints they face in meeting their climate and nature goals. We are aware that the pathway to net zero differs greatly across different regions, sectors, and companies and our approach to engagement takes this into account.
- At the same time, we are pleased to see improvements being made across the market; in the disclosures companies are making and their planning and management of approaches to climate change and nature degradation. This is reflected in the results of our quantitative assessments and our engagements with 'dial-mover' companies.[3]
- These improvements have contributed to a significant decrease of 46% in the number of companies identified for potential votes against the election or re-election of the chair of the board in the 2025 AGM season. This changed from 455 in 2024 to 245 in 2025, based on our quantitative assessment covering over 5,000 companies. This universe of companies across 20 sectors that are assessed by our CIP rating represents 82% of the total carbon emissions attributable to our corporate debt and equity holdings.[4]

1. Universal owners are investors (typically institutional asset owners and asset managers) who own such a representative slice of the economy as to find it impossible to diversify away from large system-wide risks.
2. This interconnectedness is reflected in the Kunming-Montreal Framework - the international agreement, adopted in 2022, to halt and reverse biodiversity loss.
3. Large companies we have identified as having the potential to galvanise action in their sectors.
4. As at 31 December 2024. 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.

- Tangible improvements following our engagement requests have led us to permit investment in COSCO Shipping Holdings* in applicable funds after being placed on our divestment list in 2023. The reinstatements (and divestments) as part of the CIP are applied to selected funds with £202 billion in assets collectively (as of 31 December 2024).[5]

- Progress observed at other 'dial-mover' companies has also led to 24% fewer companies being identified for a vote against the board chair than in 2024.

- Moving forward, we are highly conscious of the political and economic challenges and the policy and technological dependencies that will influence the ability of companies and sectors to deliver on net-zero pathways and protect and restore nature. Through our engagements, we gain further insights into these challenges, the bottlenecks that result, and how companies are navigating them.

- In turn, we will continue to evolve our approach, conduct pragmatic and impactful engagements that help unlock drivers of change, and that encourage long-term value creation and support real-world outcomes for our clients.

> "Through our written engagements, as of April 2025, we sent approximately 2,900 letters to our investee companies outlining our approach to climate and nature and our related policies. Of these letters, 980 included specific information on our deforestation policy and engagement campaign, where this may be applicable to the company. Since this campaign began in 2022, we have been pleased to see gradual improvements in the quantity and quality of deforestation policies set by investee companies within our CIP universe."

5. Companies are divested from or reinstated into selected funds with £202 billion in assets (as at 31 December 2024), including funds in the Future World fund range† our ESG fund ranges and all auto-enrolment default funds in L&G Workplace Pensions and the L&G Mastertrust†. Companies are divested up to a pre-specified tracking-error limit. If the tracking error limit is reached, holdings are reduced rather than fully divested. L&G's Asset Management business's total AUM was £1,118 billion as at 31 December 2024. The AUM disclosed aggregates the assets managed by L&G in the UK, US, and Asia in Hong Kong (2018-2019 only) and Singapore from July 2023. Excludes assets managed by associates (Pemberton, NTR, BTR). The AUM includes the value of securities and derivatives positions and may not total due to rounding.

*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.

Foreword

Our ambition to be a leader in responsible investment is rooted in our overarching objective to deliver long-term value for our clients.

That ambition remains as strong as ever. Key to fulfilling it is our approach of engaging with stakeholders, to push for progress on issues that we believe will have a material financial impact on the long-term value of assets.

For more than 40 years, we've worked with companies and policymakers to identify financially material risks, raise standards across markets and ultimately, create value for clients. Effective stewardship, of which our Climate Impact Pledge is an excellent example, is core to this important work.

Since 2016, we've encouraged companies to tackle the financially material risks that climate change presents and seize the long-term opportunities of transitioning to a low-carbon economy.

Over the coming pages, you'll see the detail on our most recent engagement as part of the pledge, including improvements across companies and sectors. This is a great testament to our Investment and Stewardship teams.

However, we must not be complacent; ambition alone is no longer enough. Progress has been made to mitigate against these risks, but much work still needs to be done against an increasingly challenging global backdrop.

Our ability to identify financially material risks, combined with our expertise in engaging at scale across global value chains and measuring outcomes to track progress, means we're well positioned to support investee companies to build their resilience through taking steps to mitigate climate change risks on their businesses.

We face a worldwide challenge that requires collaboration and commitment. At L&G, we remain determined to act as a partner to our clients and the companies in which we invest to navigate this transition, seize its opportunities, manage risk, and deliver long-term value for our clients.

Eric Adler,
CEO, Asset Management, L&G

How it works: our two-fold approach to engagement

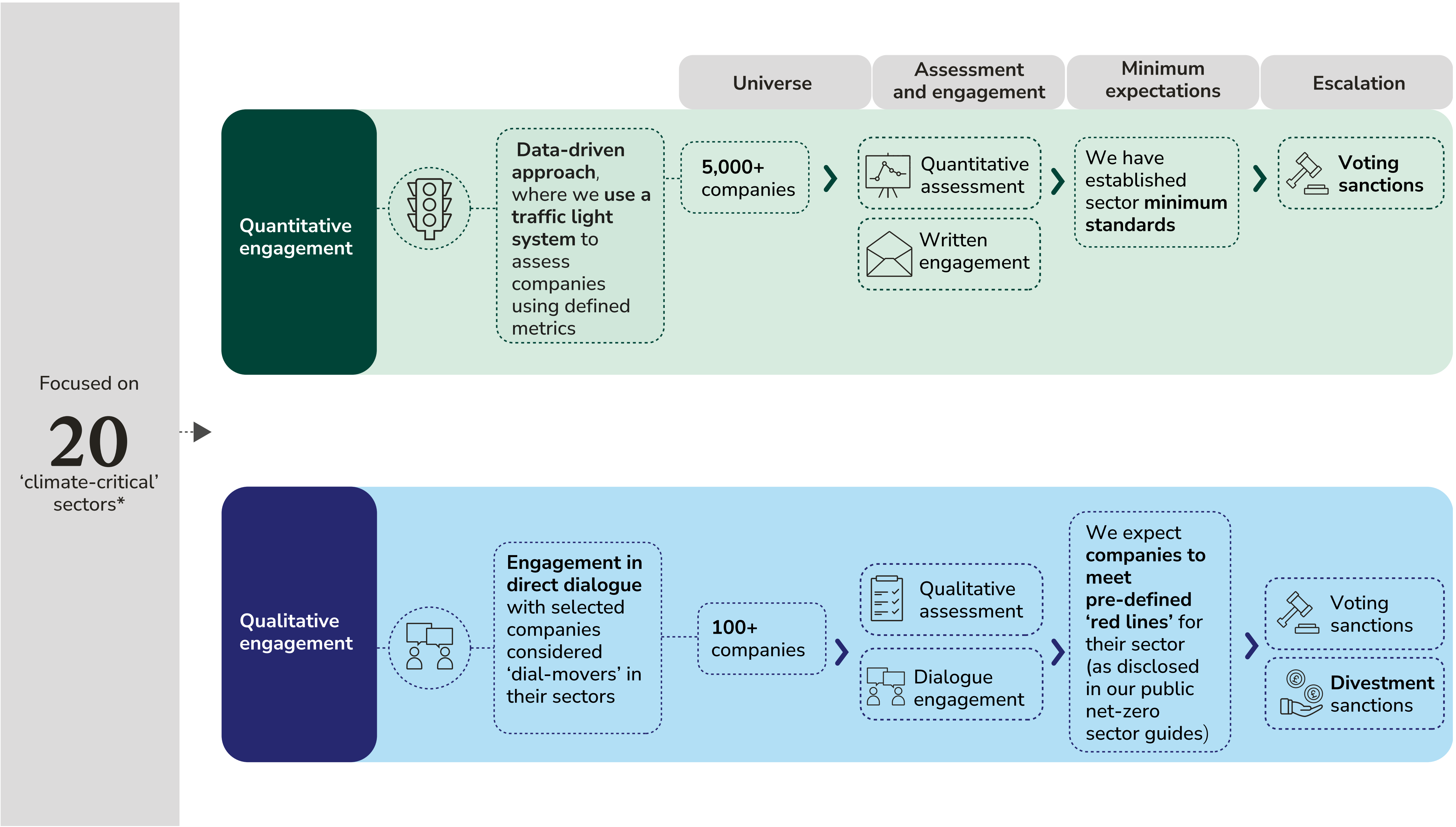
We focus on 20 'climate-critical' sectors[6], which are responsible for most global greenhouse gas emissions from listed companies.

As a universal owner on behalf of our clients, we invest in thousands of companies globally across sectors. We seek to raise market standards on issues that we consider to be systemic risks of financial materiality and hence relevant for most, if not all, companies.

Our CIP is a two-fold engagement programme through which we strive to promote best practices across a wide breadth of portfolio holdings, aiming to raise market standards on climate and nature strategies and disclosure, and to improve data availability and quality. Each stream (quantitative and qualitative) has different engagement approaches, expectations and potential escalations (see illustration).

We focus on 20 'climate-critical' sectors[6], which are responsible for most global GHG emissions from listed companies and those that we believe are vital to climate transition at scale, as well as being the most carbon-intensive sectors in L&G's portfolios.[7]

The CIP covers 55% of the total corporate securities by value that L&G's Asset Management business invests in on behalf of our clients, and 82% of the total carbon emissions attributable to our corporate and equity holdings as of 31 December 2024.



L&G, as at June 2025

Minimum standards refer to data points as part of quantitative assessment that we expect companies to meet to avoid a vote against; red lines refer to specific minimum expectations in each sector as part of qualitative assessment that we expect companies to meet to avoid a vote against and potential divestment.

6. Please see the Appendix for more information.
7. Through the sector selection process, we aim to cover as large of a share as possible of global sources of emissions, via the sectors that we as an investor will have exposure to. From an initial six sectors in 2016, we increased the number of sectors under the CIP in 2020 and 2022. As part of the sector selection process, we have used emission data to see which sectors (and sub-sectors) are most carbon-intensive to prioritise our engagement efforts among other consideration.

Quantitative engagement

5,000+ climate-critical companies

How it works

- We focus on 20 climate-critical sectors, creating a global universe of 5,000+ companies. These sectors often span different parts of the same value chain, meaning we cover companies across the demand and supply side – crucial to supporting market-wide transition and value creation.
- Company assessments focus on the key pillars in alignment with the TCFD framework, now incorporated as part of IFRS S2[8], developed by the International Sustainability Standards Board (ISSB).[9] The assessments consider the different characteristics of individual sectors and minimum standards, and key metrics are aligned to these.
- Some 80+ data points leverage our in-house climate modelling and third-party data.
- A traffic light system compares companies' climate disclosures and performance using defined metrics[10] with some highlighted as 'minimum standards' (linked to how we vote at company annual general meetings (AGMs).
- We write to companies to inform them of our assessments, encouraging them to identify and address areas for improvement, based on their performance against these metrics, and making them aware of how these could influence our AGM vote. In doing so we aim to support companies' efforts to meet IFRS S2 reporting standards.
- Our assessments are public. We publish information on our 'minimum standards' for each sector, data providers, indicators, and methodology on our dedicated microsite.
- We continue to integrate nature-related metrics into our quantitative assessment, as natural capital management is key to meeting the goal of net-zero. For further details, please see the Appendix.

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 come 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?

*Companies that derive revenues from low-carbon/sustainable products, services and/or technologies.

8. The requirements in IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board (ISSB) integrate, and are consistent with, the four core recommendations and 11 recommended disclosures published by the Task Force on Climate-related Financial Disclosures (TCFD).
9. International Sustainability Standards Board, June 2023.
10. Data is not always available; we highlight where this is the case.

Engagement with consequences: Our approach to climate voting

We write to companies at risk of a vote against the election or re-election of the chair in advance of their AGMs, directing them to our microsite, which sets out our climate assessment criteria.

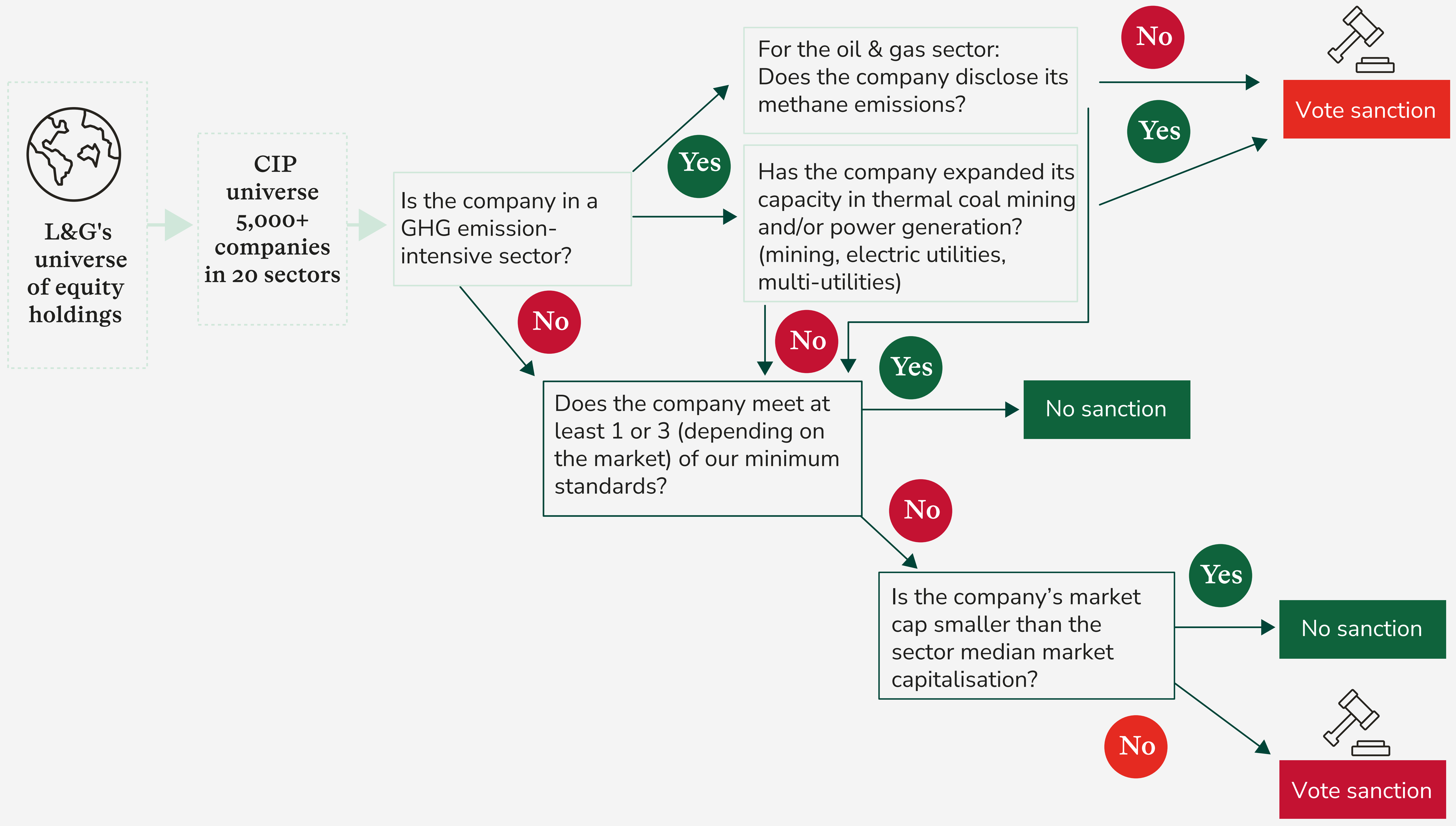
We apply a two-step screening process to identify companies that do not meet our minimum standards and therefore may be subject to a vote against at their next AGM (see illustration).

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

1. We may vote against the chair of companies in emission-intensive sectors[11] if they fail to meet our baseline expectations (please see the Appendix for more information).
2. We may vote against the chair of a company if it does not meet minimum standards on a sector and regional basis[12] and if the company is above the median market capitalisation for its sector.[13]

11. Emission-intensive sectors are defined as Oil & Gas, Mining, Electric Utilities and Multi-Utilities (except water and gas utilities) sectors.
12. Companies in emerging and frontier markets, as categorised by MSCI's market classification, are expected to meet at least one of our minimum standards, while companies in North America, Europe, the UK, Japan, and Asia-Pacific are expected to meet three.
13. 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.

Our approach to climate voting



For illustrative purposes only.

Qualitative engagement

100+ dial-movers

How it works

- 'Dial-movers' are chosen for their size and potential to galvanise action in their sectors. The way in which we select companies for engagement involves a systematic approach considering the data criteria listed below, as well as our teams' professional experience and judgement.
- We engage influential companies across regions and value chains that form a large part of our portfolio holdings, with a high emissions profile or indirect emissions impact, and with which we can engage. Key considerations include:
  - market capitalisation;
  - CIP rating;
  - sub-industry within a sector;
  - regional spread within a sector;
  - the size of our equity and debt holdings;
  - the percentage contribution to Asset Management's overall emissions profile and
  - ownership structure.
- We analyse each company in depth using publicly disclosed 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

Our engagement has consequences

- If a company does not meet the 'red lines' we set out for its sector, we may apply a vote against the chair or equivalent at its AGM. In making this decision, we also take into account overall progress on relevant climate and nature approaches. We may also publicise our voting intentions ahead of companies' AGMs.
- When we consider a company's progress has been insufficient over time, we may divest from it in applicable funds.[14] Where this is the case, the aim of our ongoing engagement is to encourage and support improvement, so we come to a position of being able to permit investment in the company in applicable funds.

Illustrative sector guides available on our website

14. Companies are divested from or reinstated into selected funds with £202 billion in assets (as at 31 December 2024), including funds in the Future World fund range† our ESG fund ranges and all auto-enrolment default funds in L&G Workplace Pensions and the L&G Mastertrust†. Companies are divested up to a pre-specified tracking-error limit. If the tracking error limit is reached, holdings are reduced rather than fully divested. L&G's Asset Management business's total AUM was £1,118 billion as at 31 December 2024. The AUM disclosed aggregates the assets managed by L&G in the UK, US, and Asia in Hong Kong (2018-2019 only) and Singapore. From July 2023. Excludes assets managed by associates (Pemberton, NTR, BTR). The AUM includes the value of securities and derivatives positions and may not total due to rounding.

Engagement outcomes

Overall, we have been pleased to see an improved performance across the market on our CIP ratings. This indicates significant improvements in disclosure, as well as in how companies are planning and managing their approach to climate change and nature risk. Helping drive market improvement is one of the aims of our 'wider' written engagement campaign. The results of these improvements have contributed to a 46% decrease in the number of companies identified for potential votes against the chair of the board in the 2025 AGM season.

We have also seen notable progress among 'dial-mover' companies with which we have directly engaged, and we provide select case study examples within the report. Progress here has led us to vote against 24% fewer dial-mover companies than last year, from 37 in 2024 to 28 in 2025 (please see the Appendix).

COSCO Shipping Holdings

We are delighted to permit investment in COSCO Shipping Holdings in relevant funds as of July 2025 as a result of its progress since being added to the divestment list in June 2023. COSCO was originally put on the list as it did not meet most of our expectations and red lines.

Since then, we have had constructive engagements with the company, and it has made several key improvements including:

- Announcing a net-zero ambition for its shipping operation for around 2050, and following the International Maritime Organization (IMO)'s GHG strategy update in summer 2023
- Improving disclosures on its use of biofuel
- Making investments in methanol-ready / dual-fuel ships and accelerated fleet renewal
- Launching a Hi ECO service, offering a low-carbon shipping option to its customers using biofuels (through the use of 'book and claim')

Progress has led us to vote against 24% fewer dial-mover companies from 37 in 2024 to 28 in 2025

While there remains room for improvement, for example on the ambition of the company's medium-term emission reduction target, its commitment to increase the use of low GHG emission fuels and disclosures on climate policy advocacy activities, we are also cognisant of the constraints associated with being a state-owned enterprise. Over the course of our engagements, we have seen positive steps taken by the company to elevate its commitment and to decarbonise its operations; recognising this progress, COSCO Shipping Holdings has been cleared for investment in applicable funds.

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

Fortum

In early 2022, the Nordic energy company Fortum* committed to become carbon-neutral by 2050,[15] and although the company had produced disclosures related to its plan to achieve this, we believed that it needed to go further in developing a resilient strategy that would support sustainable value creation. As a result, L&G's Asset Management business became a co-lead investor of the Fortum engagement within the Climate Action 100+ initiative (CA100+).

In March 2023, after a series of collaborative and constructive engagements, the company increased its climate change ambitions by:

- Bringing forward its carbon neutrality target (across scopes 1, 2 and 3), to 2030
- Committing to exit all coal generation by the end of 2027
- Committing to set a 1.5°C-aligned emission reduction target verified by the Science Based Targets Initiative (SBTi)[16]

These commitments were undeniably ambitious and incredibly welcome. However, we wanted to continue our engagement with Fortum to understand:

- How it would meet its emission reduction targets
- How it would facilitate its exit from coal
- How it was advocating for a policy environment that would support its own decarbonisation ambitions

In 2025, the SBTi approved Fortum's 1.5°C-aligned near- and long-term science-based emission reduction targets. Its targets are in fact more ambitious than those required for 1.5°C verification and include a commitment to reach net-zero GHG emissions across the value chain by 2040.[17] The company also disclosed its transition plan,[18] which included granular detail on how it would meet its direct and indirect emission reduction targets and exit coal on an asset-by-asset basis.

Furthermore, in April 2025, the company published its most recent Climate Lobbying Review.[19] It has taken our feedback into consideration since launching its inaugural report in 2021. In our view, a supportive policy environment is crucial to ensure that all sectors of the economy can transition smoothly to net-zero emissions by 2050, thereby helping promote an orderly transition, which we believe is in the interests of our clients' assets.

By undertaking this review and providing detailed disclosures of its climate-related lobbying activities, as well as committing to align these with the Paris Agreement, Fortum highlights its dedication to addressing the global climate crisis and the benefit that a net-zero aligned policy could bring to the delivery of its strategy. Our experience of engaging with the company demonstrates that, while external factors play a part in influencing the trajectory of a company's transition, ambitious action to accelerate decarbonisation of carbon-intensive assets is possible with strong leadership. We believe this is important for peers and the rest of the market.[20]

15. Fortum Sustainability 2021, 2022
16. Fortum renews strategy to drive clean transition; new financial targets and dividend policy and more ambitious environmental targets, March 2023
17. Fortum introduces ambitious climate targets validated by SBTi, sets a net-zero target by 2040, January 2025
18. Fortum Financials 2024
19. Climate Lobbying Review, April 2025
20. In recognising the progress that Fortum has made in its decarbonisation efforts, it is our intention to step back from our engagement with Fortum through both our co-lead position within the CA100+ initiative, and our Climate Impact Pledge.

*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.

Below are three summary case studies providing further examples of progress we have seen at other 'dial-mover' companies with which we have directly engaged. These are a small subset of our direct company engagements, and they provide a snapshot of specific objectives discussed, as well as some broader context, and insights into the evolution of our interactions with these companies over time. Select additional examples can be found in the Appendix, covering a mixture of both divested and non-divested companies.

Company	Sector	Country	Improvements/progress
China Hongqiao Group*	**Aluminium**	**China**	China Hongqiao Group is a vertically integrated business that operates across the entire aluminium production process, from bauxite mining to alumina refining and primary aluminium production to aluminium deep processing. With key operations in the Shandong and Yunnan provinces, it is one of the world's largest aluminium producers. Since we started our engagement in 2022, China Hongqiao Group has shown promising decarbonisation efforts. A key decarbonisation lever for the company is transferring aluminium production from Shandong to Yunnan Province, where there is greater renewable energy capacity. This will support the move away from relying on coal-fired power generation, to hydropower, which is more cost effective and has less price volatility. This has been very positive and contributed to the company's strong financial performance. It also means that 31% of aluminium production capacity is now expected in Yunnan by the end of 2025. The company is working on circularity and harder-to-abate initiatives like carbon anodes and carbon capture. We have outlined clear targets for the company for this year, which include further developing a supply chain cluster concept in Yunnan, providing more granularity on climate-related capex, and developing ISSB-aligned disclosures. All of these improvements resulted in us not applying a vote against the company in 2025, which we had done in previous years. This position also recognises the significant improvement in the company's openness to our engagement and perspectives, in a now constructive dialogue.

Company	Sector	Country	Improvements/progress
Nucor*	**Steel**	**USA**	With operations across the US, Canada and Mexico, Nucor is the largest steel producer in the US and a major recycler of scrap metal. When we first started engaging with Nucor via the CIP in 2020, the company did not have emission reduction targets in place. This contributed to our decision to vote against the chair in 2021, since this was one of our red lines at the time. We met with the company again in 2021, by which time it had set an emission reduction target – we welcomed this progress, and therefore did not vote against the company in 2022. In the summer of 2022, we increased our minimum expectations of steel companies to have set a net-zero operational emissions target, which unfortunately Nucor had not done; in 2023, we voted against the chair. In 2024, the company demonstrated significant progress in meeting our engagement requests, through committing to a net-zero emissions target, with interim targets and publishing a decarbonisation plan. Although our minimum expectations on climate-related lobbying disclosures had not been met, the very positive steps we had seen the company take led us to not apply a vote against the chair at the subsequent AGM. We did, however, make it clear in our engagement that we would like the company to disclose its climate-related lobbying activities, including trade association memberships, and to explain the action it will take if these are not aligned with a 1.5°C scenario. In 2025, we have been very happy to note Nucor's publication of a lobbying report that complies with our requests during our engagement in recent years. We have also been engaging extensively with the Global Steel Climate Council – which Nucor is a founding member of – to understand the implications of the new Steel Climate Standard. We plan to continue our engagement with the council, with the aim of accelerating and strengthening the development of the market for green steel.

*Case studies shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Company	Sector	Country	Improvements/progress
Link REIT*	Property	Hong Kong	Link REIT owns and manages a diversified portfolio of retail facilities, car parks, offices and logistics assets across Hong Kong, mainland China, Australia, Singapore, and the UK. We have been engaging with Link REIT as part of the CIP since 2020. Notable improvements in reporting this year include a scope 3 disclosure breakdown, resilience reporting and sustainability capex disclosure – all topics we have discussed and asked for in previous meetings. This year, our objectives are on improving disclosure on climate lobbying and industry associations and on including climate metrics in remuneration. The company was very receptive, and we will continue to monitor and engage on these topics. We also wanted to shine a positive light on Link REIT's work on 'resilience as a competitive advantage' where it was able to demonstrate that the use of physical risk assessments and asset enhancements could lower insurance premiums. Across the company's Hong Kong portfolio, floods were identified as one of the risks to the portfolio. Link REIT assessed flood risk across the portfolio and as a result proactively instituted flood gates and better drainage systems. It conducted an ESG roadshow with insurance companies demonstrating the reduced risks, and in particular how these measures could lower potential losses by 10 to 20%, resulting in the company cutting its insurance premium by 11.7% from 2024 to 2025. This is a remarkable demonstration of physical risk analysis, adaptation and responding to increased climate risks. It has resulted in significant cost savings and enhanced asset protection, while also showcasing the company's proactive approach to climate resilience and its commitment to sustainable practices.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Improvements across all regions

Looking at our quantitative assessment tool, progress in our CIP ratings can be seen across all key markets, as reflected in the chart to the right. This illustrates that companies are improving not only in the disclosure of their approach to climate change and nature degradation but in making commitments, setting targets, outlining plans to deliver on these targets, and demonstrating real-world progress in sustainability performance.[21]

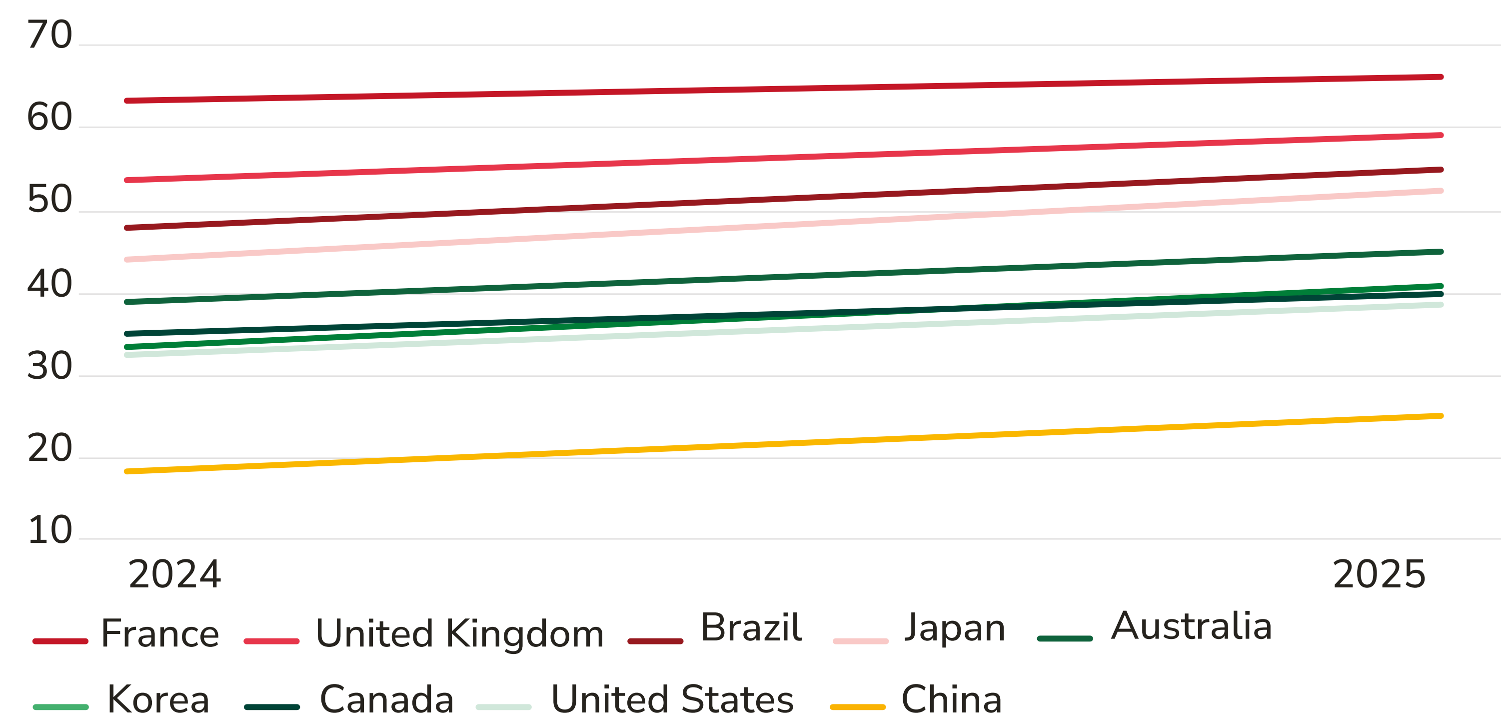
Of the markets assessed, France and the UK continue to have the strongest performance, while the US and China remain the lowest rated among key markets. Despite having one of the lowest average ratings, companies in China (followed by Japan and South Korea) had the highest rate of improvement during this period. These findings largely reflect those of our direct company engagements, as we have seen notable improvements from Chinese companies in recent years. China's conviction[22] to continue transitioning its economy despite some global pushback on climate indicates a supportive environment for further progress in our ratings. We believe it reinforces the importance of encouraging companies to be prepared for tighter national policies and to position themselves to thrive through the net-zero transition*.

Notable differences in average CIP scores between markets illustrate how companies are not operating in a vacuum, but instead are highly influenced by their regulatory environment and regional contexts.

*Net zero transition refers to the comprehensive shift from a high-carbon economy to one where greenhouse gas emissions are reduced to near zero ([World Economic Forum](), 2021).

Of the markets assessed, France and the UK continue to have the strongest performance, while the US and China remain the lowest rated among key markets.

Average CIP ratings in select countries (2024 - 2025)



Source: L&G, as at April 2025. The line chart shows how the average CIP score evolved from 2024 to 2025 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.

When it comes to our direct engagements with companies, incorporating a regional lens into our assessments is necessary, though not without its own challenges. We need to balance a focus on a global goal with a level of pragmatism that recognises the economic, policy and regulatory differences, if we are to effectively drive change. It is a balancing act we continually look to improve on, and one we touch on in our regional spotlights.

21. The methodology document for Climate Impact Pledge ratings can be found here
22. Xi addresses Leaders Meeting on Climate and the Just Transition, urging jointly advancing global climate governance

Climate policy advocacy

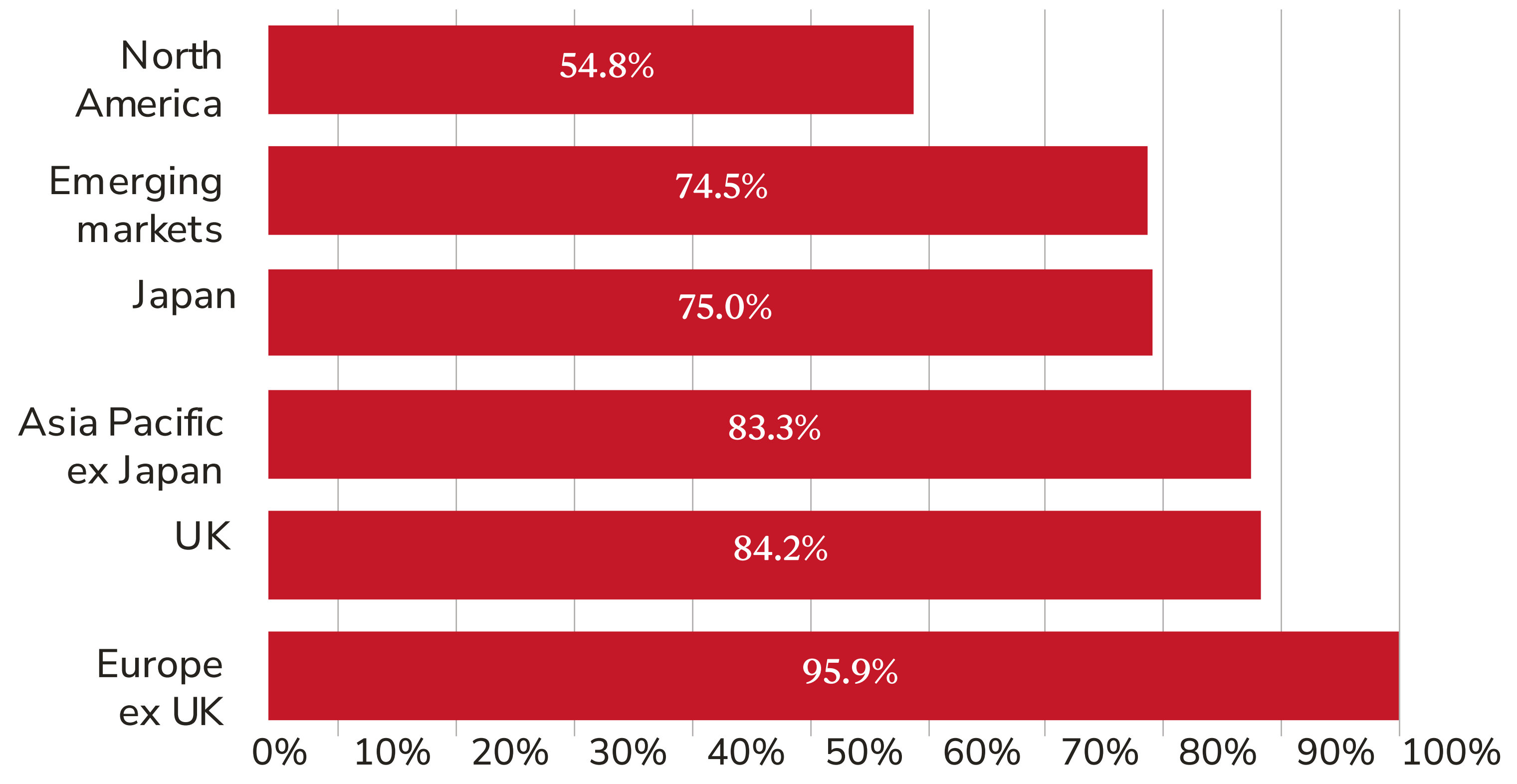
Companies can play an important role in influencing the direction of travel of government policy and regulation.[23] We think transparency on companies' policy advocacy activities is important. It helps investors identify whether individual companies are aligning their practices with public commitments and global goals and provides insights into the potential likelihood of market-wide progress.

Based on our data analysis, the share of companies that meet our minimum expectations on climate policy advocacy[24] within the CIP universe as of April 2025 has increased by 4.6 percentage points since April 2024 - making up 74.6% of companies in the applicable sectors (up from 70%). Among those improvers (that meet our expectations in 2025 but did not in 2024), we directly engaged with 38% of them, including Deutsche Lufthansa AG* and Stellantis NV*. The worst-performing sectors on our expectations oil & gas, multi-utilities and airlines.

Although the forms and avenues of public policy engagement may vary by region, we see that 96% of European companies for which we have data meet our minimum expectation on climate policy advocacy, compared to 55% of companies in North America, as of April 2025.[25]

Based on our direct engagement with companies, in addition to geography, we also noted that ownership structure can influence how much a company is able to disclose about its policy advocacy activities. It is often companies with diversified ownership structures that are more willing to do this than state-owned enterprises. We are cognisant of those nuances in our engagements and when assessing company performance against our expectations.

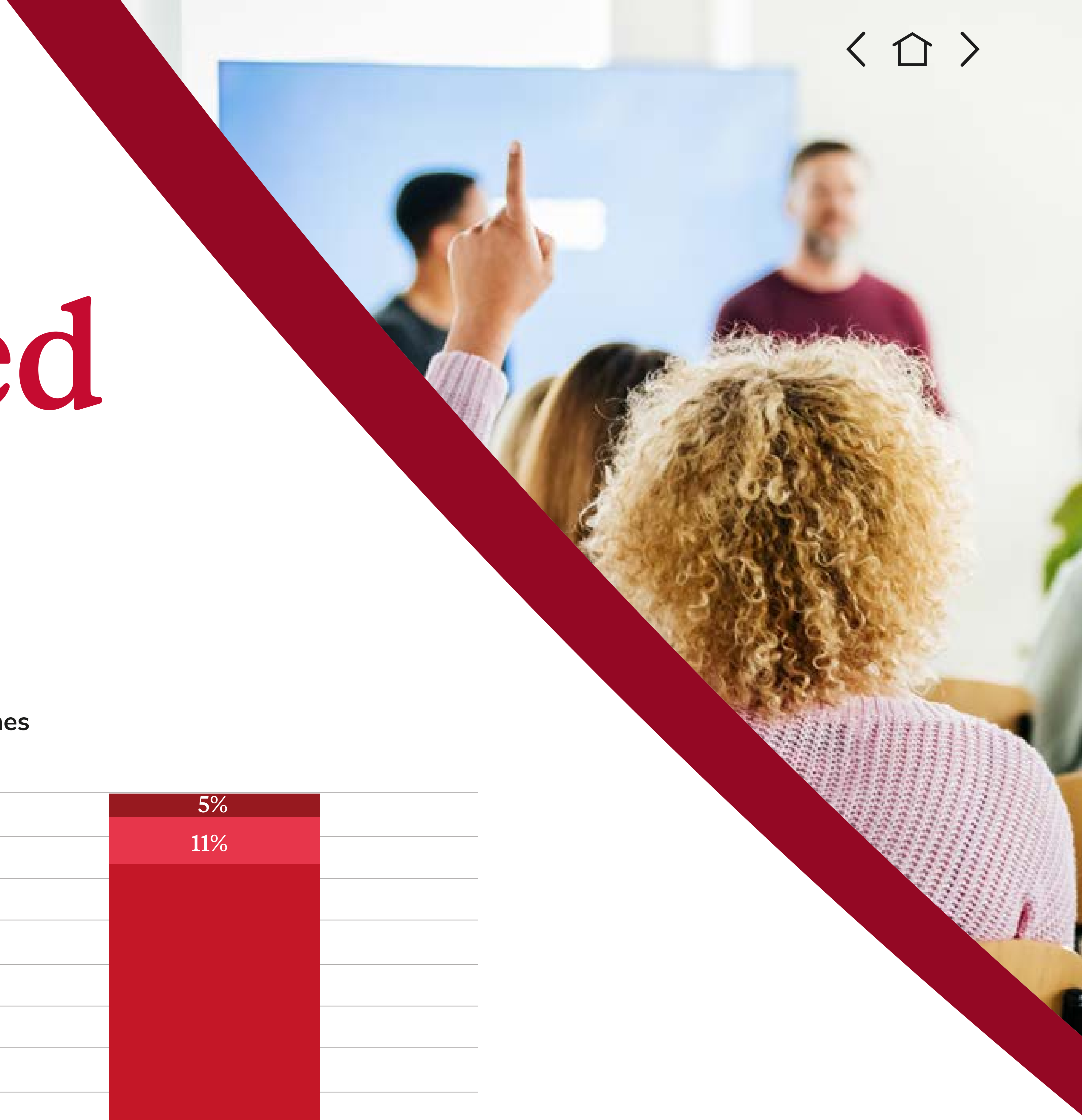
% of companies assessed on climate policy advocacy in each region that meet our minimum standard (2025)



Source: L&G, as at April 2025. The bar chart shows the percentage of companies in applicable sectors that have met our minimum standard on climate policy advocacy in 2025 in select regions. The selection of companies for this analysis is based on the data availability within the CIP universe consisting of over 5,000 companies. Asia-Pacific ex Japan in this chart cover Australia, New Zealand, Singapore and Hong Kong. The data is provided by InfluenceMap, covering over 230 companies. For illustrative purposes only.

***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.**

23. We recognise that this role may vary by region, sector and ownership structure.
24. The data is provided by InfluenceMap. The methodology is available here.
25. According to our methodology and analysis, based on the data provided by InfluenceMap, covering over 230 companies. The methodology is available here.



How improvements over the last year have influenced our voting at AGMs

In 2024, we identified 455 companies for a vote against the chair, based on their performance against sector and regional minimum standards, out of more than 5,000 companies in 20 climate critical sectors.

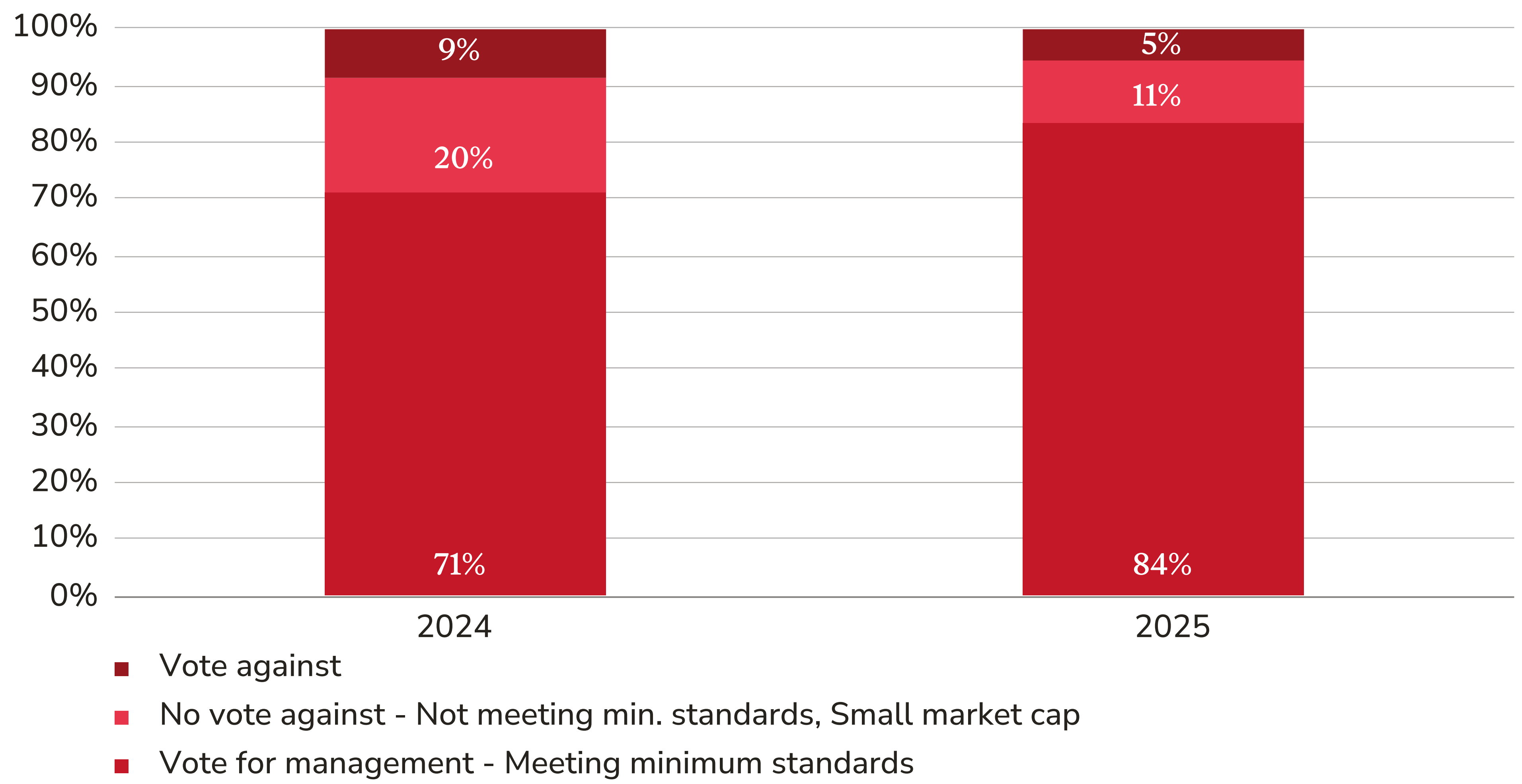
Since 2024's voting season, we have seen encouraging improvements in company performance. Within the CIP universe, we note an increase from 71% to 84% of companies that meet our required minimum standards in 2025 (and therefore are not subject to a vote against). Of the companies that improved, we had voiced our concern last year at 296 of these, through exercising our votes at the 2024 AGMs. In 2025, these improvements meant 245 companies have been identified for a vote against the chair, representing a 46% decrease since 2024.

This reflects a large number of companies now meeting our sector and regional minimum standards, which we believe to be an encouraging improvement. We will continuously revisit the right level of minimum standards across sectors and regions, and as in prior years, we will make adjustments when appropriate.

In 2023, for example, we introduced new baseline expectations for emission-intensive sectors, as well as new minimum standards on lobbying, the methane emission reduction trajectory for oil and gas companies, and the recycling of materials, among other things. We also tightened our minimum standard requirements for Japanese companies. These changes contributed to an increase in the number of companies identified for a vote against in the 2024 AGM season, versus the year before.

245 companies have been identified for a vote against the chair, representing a 46% decrease since 2024.

How improved ratings are influencing our voting outcomes



Source: L&G, as at April 2025. The stacked bar chart shows the % of companies identified for a vote against in 2024 and 2025 and those that are meeting our minimum standards. Companies in the "No vote against – Not meeting min. standards, Small market cap" category did not sufficiently meet our minimum standards but had a market capitalisation below the sector median market cap and were exempt from a vote against. For illustrative purposes only.

Engagement insights

Climate and nature spotlight

At L&G, we recognise the critical importance of preserving our natural environment, with nature loss being a systemic risk to our clients' portfolios, and the economy and society more broadly. We have long advocated for action on climate change, and we recognise that these efforts must be pursued alongside work to reduce environmental degradation. We believe the two issues are materially interdependent and inextricably linked. Climate change is one of the five direct drivers of nature change and achieving net zero requires both emission avoidance and sequestration. Over the years, we have been strengthening our focus on, and integration of, nature within the CIP and across our engagement activity.

The changing climate threatens natural ecosystems, and nature loss amplifies climate change by reducing the ability of ecosystems to store carbon. Where applicable to a specific sector, L&G's CIP assessment covers climate-related metrics, as well as 13 nature-related metrics, including circular economy, biodiversity, deforestation, and water (see Appendix for a full list). Nature degradation is particularly relevant to sectors such as apparel, food, forestry, cement and autos, among others. Approaches to managing nature risks, opportunities, impacts and dependencies have therefore increasingly formed part of our engagement discussions.

26. Which account for 22% of total human-caused greenhouse gas emissions

27. This is defined using Ceres' Investor Guide to Deforestation and Climate Change. We also follow Deforestation Free Finance guidance on which GICS sub-industries to cover.

Deforestation

Forests provide vital ecosystem services to the real economy; risks related to deforestation therefore permeate different economic sectors and markets on a global scale. Forests are vital to preserving and protecting nature, sequestering carbon, maintaining a healthy hydrological cycle and regulating the climate on which nature relies. To deliver on global climate goals we need to tackle emissions from forestry, agriculture, and other land use change.[26]

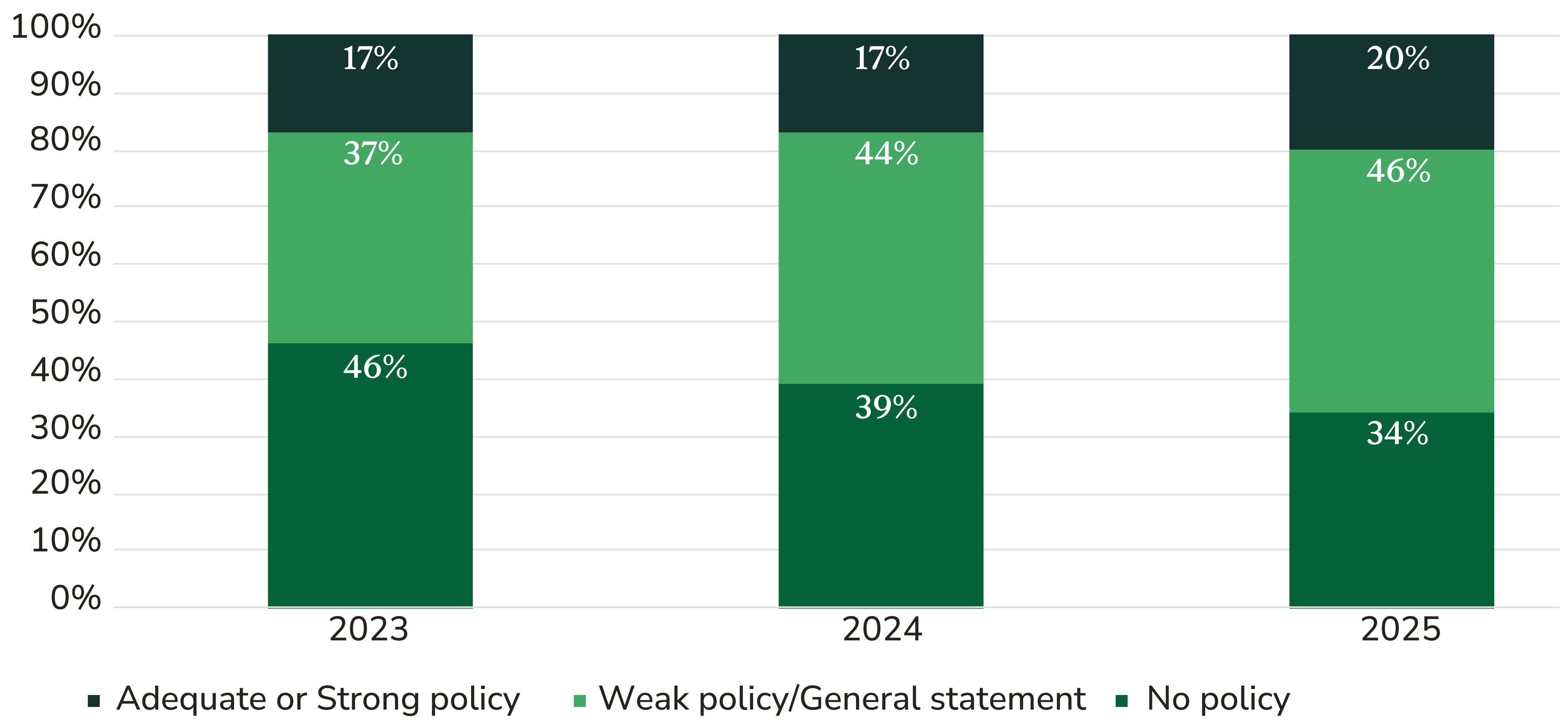
As part of our climate engagement, since 2016, we have asked companies in the food sector to adopt a deforestation policy, and the relevant data points have been part of our CIP rating since 2020. Specifically, we have focused on how companies are managing their impacts, dependencies, and risks in relation to deforestation.

As set out in our Deforestation Policy, our minimum expectation for companies in 'deforestation-critical sectors'[27] is that they have a public deforestation policy and a programme of actions to deliver on it.

Since our deforestation voting policy took effect in 2023, we have seen gradual improvements in the quantity and quality of deforestation policies set by investee companies within our CIP universe.

The chart below shows how the performance of companies assessed against our policy, within the CIP universe, has evolved over the past three years. It looks at the share of companies with no policy, versus the share of companies with weak and strong policies. What it shows is that, where data is available, there has been an increase in the share of companies that have a deforestation policy in place, either weak or strong, and a decrease of 12 percentage points in the share of companies with no deforestation policy.

Breakdown of companies by strength of deforestation policy (2023-2025)



Source: L&G, as at April 2025. The bar chart shows the % of companies with no deforestation policy, a weak deforestation policy and an adequate or strong policy between 2023 and 2025, as defined by Sustainalytics. Companies that have no deforestation policy may receive a vote against. For illustrative purposes only.

We are also encouraging alignment with the Science Based Target's (SBTi) Forest, Land and Agriculture (FLAG) guidance, which companies like Domino's Pizza Inc. and Hormel have committed to.

However, while we have seen progress over the last few years,[28] we recognise that more needs to be done to drive improved practices around deforestation and reforestation that support climate mitigation and adaptation, and help drive nature protection and restoration.

We will continue to engage on this issue where we believe it is material to the business and the sector and as we deliver on best efforts to eliminate deforestation risks from our portfolios. In March and April 2025, we wrote to over 950 companies to make them aware of our approach and assessment on deforestation and how this links to our votes, and to encourage improved practices.[29]

Sustainable agriculture practices

Reforming current agricultural practices is required if global climate and nature goals are to be met. Regenerative agriculture is often cited as a solution. While there is no universally accepted definition of the term 'regenerative agriculture', as outlined in our blog, a core focus is on rebuilding and enhancing ecosystems, restoring soil health and nature, sequestering carbon and improving livelihoods.

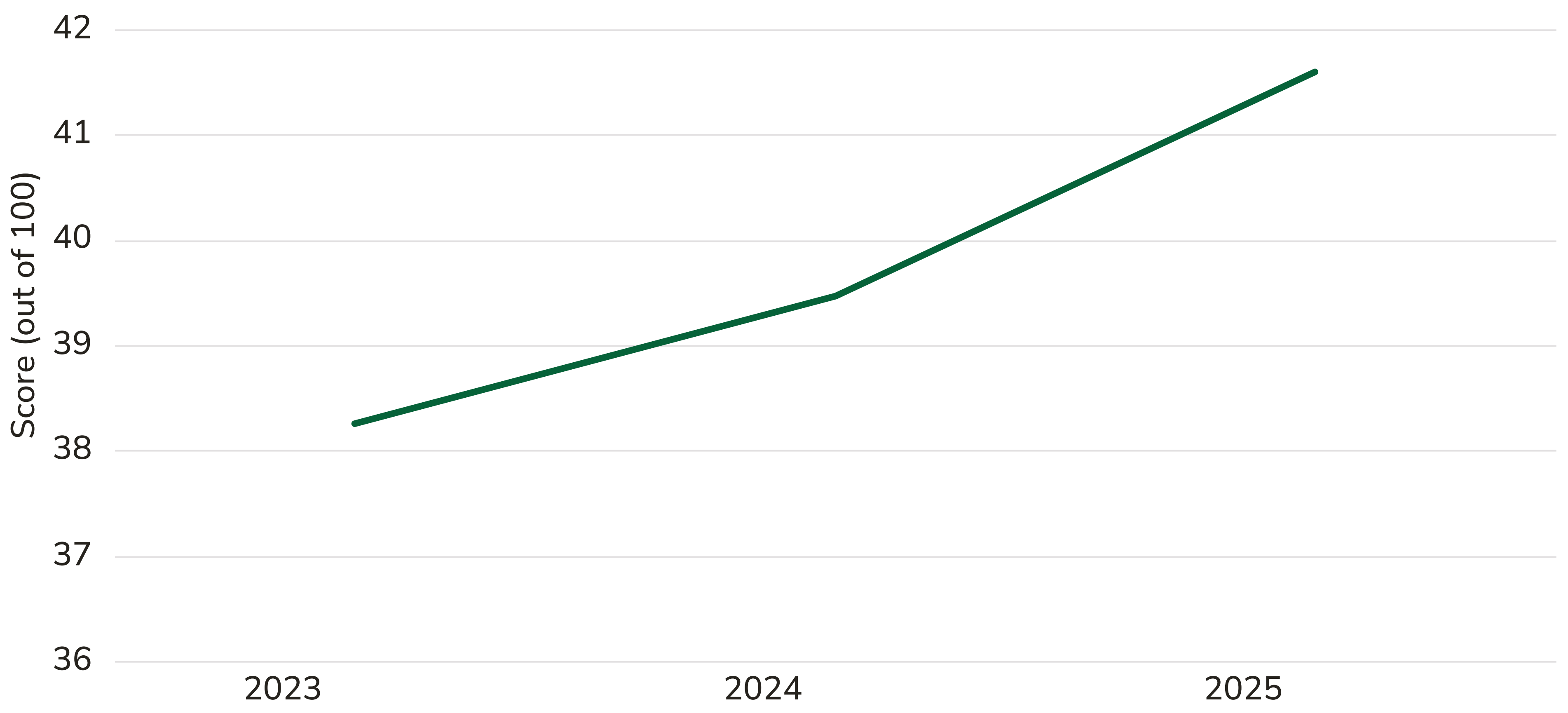
Regenerative agriculture is one of the levers companies within the food sector have to reduce emissions in their supply chain, as well as to prevent biodiversity loss and restore ecosystems, thereby helping reduce risks and supporting the transition. Through our engagements, we encourage companies, where relevant, to integrate regenerative agriculture practices into their climate and nature strategies.

28. We were also pleased to see China Mengniu Dairy publish its first nature report, in line with the recommendations of the Taskforce on Nature-related Financial Disclosures in 2023. This report outlined how its "Forest Protection Policy" fits into the wider forest protection strategy, which is one of several nature-related initiatives aimed at improving the company's strategic resilience. China Mengniu Dairy was reinstated through our CIP in 2023, following progress that resulted in the development of a deforestation policy and programme.

29. Of which over 550 were companies covered under our CIP assessment and the letter therefore also addressed this. In total in 2025, we sent 2,900 letters outlining our approach to climate and nature, including deforestation - and our related policies.

Several of the companies we engaged with have outlined the importance of the topic and are investing in adoption across supply chains. For example, RBI* is investing US$10 million in regenerative agriculture, while Coles Group* has a AUD$50 million 'Nature Fund' to support small to medium-sized businesses involved in sustainable agricultural practices. Loblaw*, Dominos*, SLC Agricola*, Hormel*, KLK* and Sysco* have all referenced their focus on sustainable or regenerative agricultural methods.

Our quantitative analysis also indicates improvements in the quality of sustainable agriculture programmes – a closely related concept to regenerative agriculture – within the food sector.



Source: L&G, as at April 2025. The line chart shows the average score on sustainable agriculture programme of companies covered by CIP between 2023 and 2025, as defined by Sustainalytics, covering around 40 companies.

*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.

The sustainable agriculture programme indicator measures whether a company has a programme in place to minimise the impact of farming on natural resources and biodiversity – and the robustness of any such programme. Therefore, the improvements in this score from 2023-2025 indicate that companies within our CIP universe for which there is data, have been taking steps to sustain the natural ecosystems affected by farming, enabling them to continue providing valuable climate and nature benefits such as carbon sequestration.

To build on this momentum, we will continue to encourage, through our engagement, efforts to extend and improve sustainable agricultural practices, including regenerative ones. We will also promote transparency in relation to the practices and methods being used, so as to provide improved measurability and accountability. We believe there are benefits to agreeing a clear, measurable and outcomes-based definition of regenerative agriculture.

Our ongoing commitment to the nature data challenge

As outlined in our blog 'To ISSB or not to ISSB – that is the question, it is our view that consistent and comparable data allows investors to accurately assess a company's exposure to and management of sustainability-related risks and opportunities. This information is crucial for making informed investment decisions.

While both nature and climate data face challenges, emissions data has a single point of measurement; this is lacking in nature, where data is immensely varied, and measurement and comparability can therefore be even more complex. Climate data benefits from more standardised measurement techniques and models, which can enhance data quality.

Since 2022, we have incorporated biodiversity and nature considerations into our CIP sector guides, encouraging companies in the most relevant sectors to integrate an assessment of the related-nature risks and opportunities, impacts and dependencies into their transition plans.

To support companies in this process and provide decision-useful data points, we encourage disclosing in line with the Taskforce for Nature-related Financial Disclosures (TNFD). The TNFD presents a standardised approach and framework that supports companies in assessing their risk and opportunity exposures. It builds on the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations in detailing four pillars – governance, strategy, risk and impact management, and metrics and targets – and 14 recommended disclosures. The TNFD also provides core global, and a range of additional metrics that are relevant across sectors and cover the main drivers of nature change.[30]

We are pleased to see that 12% of 'dial-mover' companies have signed up as 'early-adopters'[31] of TNFD. That means they have committed to start making disclosures in their corporate reporting that are aligned with the TNFD recommendations.[32]

30. More information on our view can be found in L&G's Natural Capital Management policy.

31. Taskforce on Nature-related Financial Disclosures, 2025

32. In 2024 L&G Group joined a large group of global organisations by formally committing to be an early adopter of the TNFD framework, and in its recent 2025 Climate & Nature Report, began making TNFD-aligned disclosures.

Vedanta

Among others, we are encouraged by the proactive approach taken by Vedanta*, India's largest diversified natural resources company, with which we have been engaging through CIP since 2022. The company has produced a TNFD report and begun integrating nature into its climate transition strategy. It acknowledges the importance of biodiversity and natural capital as a basis for economic activity – as well as life – on earth. It recognises and has assessed its own nature dependencies and is taking steps to assess and disclose nature-related risks and opportunities, minimise impacts and restore affected areas.

Alcoa

Alcoa* – a global aluminium and energy company, also demonstrates in its reporting a clear understanding of how its business is connected at a system level to nature. The company is assessing how its supply chains impact biodiversity, identifying high-risk areas and working with suppliers through audits, training, and risk assessments. It is also updating its biodiversity standards and policies to better integrate ecosystem and climate-related considerations across operations. These efforts aim to align with global frameworks like the TNFD in 2025, recognising that biodiversity loss and climate change are interconnected challenges requiring coordinated action.

To support market-wide uptake, we have also been engaging with stock exchanges on the adoption of TNFD, as they play a critical role in supporting and driving the integration and disclosure of corporate nature-related risks and opportunities. So far, our dialogue has focused on Asia, namely with the Stock Exchange of Hong Kong (HKEX), Singapore Stock Exchange (SGX), Bursa Malaysia and the Stock Exchange of Thailand.

* 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.

Regional case study North America

Climate reporting uncertainty

Prior to the changing political and policy priorities, there had been a significant evolution in North American climate-related reporting requirements in the last few years, alongside global momentum for mandatory sustainability-related disclosures, underpinned by the work of the IFRS Foundation's International Sustainability Standards Board (ISSB). In the early 2020s, the US and Canada introduced proposals for voluntary or mandatory national climate disclosure approaches, kickstarting domestic efforts to prepare for compliance if issuers were not already taking steps forward or subject to similar requirements in other jurisdictions. Changing political and policy priorities could result in the rollback of progress on voluntary and mandated climate-related disclosures.

Companies in context

In the US, the planned SEC climate disclosure rule and California's package of climate-related disclosure laws had prompted many US issuers to begin preparing for reporting requirements. While there were plenty of voluntary disclosure efforts prior to this, they remained fragmented and incomplete. Further, many companies were waiting for detail from the SEC climate disclosure rule on scope 3 reporting guidance. While scope 3 did not make it into the final rule – and now that rule is unlikely to come into force – some companies have expressed that this as an opportunity to improve scope 3 data quality without the pressure of mandatory disclosure. For example, we heard from one US utility company that over the next few years it will seek to refine methodologies for more complex scope 3 categories and that despite this near-term reprieve in reporting requirements, being prepared for further changes in the regulatory landscape is also necessary and prudent. The disclosure of material Scope 3 emissions is part of our minimum standards, and our data analysis showed improvements globally and in the US within the CIP universe between 2024 and 2025, though the share of companies in the US that disclosed material scope 3 emissions remains lower at 24.6% than the global average of 33.1% as of 2025.

In Canada, while its mandatory climate disclosure regulation has also been put on hold,[33] the Canadian Sustainability Standards Board (CSSB) has set in motion voluntary climate-related disclosure standards to support issuers with disclosure adoption largely in line with the ISSB's global standards.[34] However, changes to competition legislation in Canada (Bill C-59) have impacted some Canadian companies that we spoke with, and the extent to which they are disclosing forward-looking information related to their climate strategies. As an example, in our engagement with Canadian Utilities*, we requested more detailed disclosure on the dependencies related to its hydrogen strategy, which if successfully rolled out, could support low-carbon fuel markets. The company shared that it continues to pursue the development of renewable energy and cleaner fuels as part of its climate strategy and net-zero ambition, but indicated that the pace of development is dependent on regulatory support and market factors. In addition, the company mentioned that uncertainties introduced by the legislation have increased potential litigation risk with respect to certain forward-looking statements at this time. Ultimately, this legislation has the potential to cause a reduction in reporting and transparency in Canada.

33. Canadian Securities Administration, 'CSA updates market on approach to climate-related and diversity-related disclosure projects' , April 2025

34. Gowling WG, 'Unlocking transparency: Navigating Canada's new Sustainability Disclosure Standards', February 2025.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

What this means for our engagement and assessment

Firstly, we recognise the challenges that an evolving political and regulatory backdrop present to companies. We believe that improved climate-related reporting is valuable for investors and companies and in the absence of mandatory reporting, we continue to encourage progress on a voluntary basis. When it comes to GHG emissions disclosure, particularly scope 3, we also understand the challenges of data integrity, as referenced in our recent blog, and therefore encourage an ongoing focus on improvement in data quality, as well as transparency, across markets.

More broadly, shifting political landscapes and nuanced state- and provincial-level policies create market uncertainty. Beyond the impacts on transparent reporting, this can also make it difficult for companies to confidently act on long-term decarbonisation strategies, as supportive policies and incentives for low-carbon opportunities become less certain. We have learned from our CIP engagements that many companies are taking a pragmatic approach to hedge against different policy and regulatory scenarios. This can be a financially prudent path to tread; however, it could also lead to a slower pace and scale of required investment in the transition if companies are not confident in the stability of supportive policies. Such regional policy variances may also affect future competitiveness with global peers. A difficulty for investors is to identify whether a lack of disclosure stems from a lack of action, or from a reluctance to publicly commit and report in current market conditions. We believe this makes our discussions with companies and the direct insights we gain ever more important, though we acknowledge that climate disclosure is not synonymous with action to address climate risks. We will continue to call for consistent disclosure that provides this information to all stakeholders and helps build a picture of how the transition is progressing across the market.

The backdrop may also provide some context to the findings from our quantitative analysis. While we have seen positive movement within some of our qualitative engagements, US and Canadian companies' average CIP scores are still among the lowest of the selected countries we have assessed (see page 14), with China being the only country with a lower average score. The rate of progress in North America between 2024 and 2025 has been slower than in China, with a 6.1% year-on-year increase in the US and 4.6% in Canada, versus 6.8% in China.

We will continue to call for consistent disclosure that provides this information to all stakeholders and helps build a picture of how the transition is progressing across the market.

Regional case study Europe

Norsk Hydro: regulatory challenges for the aluminium sector

The Carbon Border Adjustment Mechanism (CBAM) is a carbon border tax, operating in the European Union, designed to match the carbon prices of imported and domestically produced goods.[35]

Our engagement with Norsk Hydro*, an aluminium company at the forefront of the sector's decarbonisation agenda, highlighted the challenges of the CBAM – which in our view does not adequately differentiate between grades of low emission products - and the impacts of this on the sector's decarbonisation efforts. CBAM does not distinguish between using processed scrap metal inputs, which are much more emission intensive, and using post-consumer scrap, which is less so. Not differentiating between the two penalises companies investing in the complex processes to collect post-consumer scrap and inhibits the development of a credible low carbon product market, slowing the rate of decarbonisation within the sector. It is in Norsk's financial and broader decarbonisation interests that CBAM regulations appropriately consider this with more granularity. An amendment to the carbon accounting principles of CBAM could support the development of a more credible low carbon aluminium product market and allow companies at the forefront of decarbonisation to realise associated premiums. We are therefore supportive of Norsk Hydro's efforts to make product labelling stricter.

35. Carbon Trust, October 2023.

36. From our engagements with shipping companies, for example, we understand that the pace of fleet transition is moving at a faster pace for ships operating at European ports, where regulatory requirements are more stringent, than those operating outside these ports.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

What this means for our engagement

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 risks undermining the global transition to a sustainable future.

While we are cognisant of the challenges of fragmented regional climate policies and changing political landscapes, we have also seen evidence that ambitious climate policy in one region can encourage companies in another to invest more in decarbonisation.[36] We will continue our dialogue with companies, industry associations and relevant policy and regulatory entities in support of closing the green premium gap, where this is an obstacle to investment and decarbonisation opportunities, and to encourage companies to advocate for supportive policies to enable this in the real economy.

Regional case study Asia ex Japan: powering the transition

We believe healthy energy systems are secure, equitable, and environmentally sustainable – carefully managing these three dimensions can be a trilemma at the best of times. Maintaining the balance in the context of rapid transition to decentralised, decarbonised, and digital systems can mean trade-offs between equally critical priorities. This is especially true for a growing regional economy like Southeast Asia's. In our engagements with companies in Asia (excluding Japan), the following three factors play a defining role in the energy trilemma, as utility companies navigate their journey to net zero:

i) Fossil fuel dependency: fossil fuels, dominated by coal, have met nearly 80% of Southeast Asia's rising energy demand since 2010.[37] The region relies heavily on a young fleet of coal-fired plants and other fossil fuels.[38] While this has so far served the priorities of energy security and affordability, the environmental impact has been stark.[39]

ii) Dynamics of a mixed economy: in many countries in the region, the utility sector is state controlled, meaning company-level decision-making may not be fully driven by open-market forces.[40]

iii) Misalignment between national infrastructure and policy: Despite commitments to Nationally Determined Contributions (NDCs) in the region,[41] it is often national energy plans that dictate the pace and constraints for a company's transition.

These are complexities we must navigate as we seek to engage productively and pragmatically with investee companies in the region.

Companies in context

One of the ways we do this is through policy dialogue, in addition to company engagement. We have put our efforts into collaborative policy engagement with associations, such as one with AIGCC on its 2024 Malaysian climate and energy policy dialogue.[42] Tenaga Nasional Berhad (TNB)*, the primary electric utility company in Malaysia and a 'dial-mover' in our CIP engagement, has committed to reaching net zero by 2050; as a national utility company, energy security and affordability must also be balanced.[43] Although TNB is a publicly listed company, its top five shareholders (accounting for 62%) are represented by Malaysian institutional investors. Sovereign wealth funds in Malaysia are an important part of the institutional investor landscape - indicating additional sovereign influence in the case of TNB.[44] Malaysia's National Energy Transition Roadmap includes a commitment to an almost complete phase out of coal-fired power generation by 2045.[45] However, many international investors expect companies in non-OECD countries to phase out unabated coal-fired power generation by 2040, as recommended by the IEA.[46]

37. International Energy Agency, 2024
38. International Energy Agency, 2024
39. From 2010 to 2020, Southeast Asia's energy-related carbon dioxide (CO_2) emissions increased by approximately 35% (International Energy Agency, 2024)
40. Recessary, 'ASEAN's energy evolution: market liberalization vs . state control', July 2024
41. Eight (out of 10) Southeast Asian countries have set net-zero targets, but only six of these are for net zero by 2050.
42. L&G, Active Ownership 2024
43. Tenaga Nasional Berhad, Sustainability Report 2023
44. ISS proxy advisory research, April 2025
45. Ministry of Economic, Malaysia, 'National Energy Transition Roadmap', September 2023.
46. Organisation for Economic Co-operation and Development, 'Phasing Out Unabated Coal', November 2021;International Energy Agency, 'World Energy Outlook 2021', 2021.

***Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.**

In our engagements with companies where national energy policy is among the most influential factors on their energy transition strategy, we seek to understand how they are anticipating changes from policymakers and other stakeholders to prepare for opportunities in the transition. In the case of TNB, we believe the company has an important role to play in supporting the development of the ASEAN power grid, both to enable energy accessibility between East Malaysia and Peninsula Malaysia, and to facilitate lower carbon power to neighbouring regions where there is demand for clean energy. We encouraged TNB to continue participating in regional engagement and partnerships aimed at developing interregional opportunities for grid enhancements and renewable capacity, including direct engagement with policymakers. We also urged the company to initiate early-stage preliminary assessments to explore feasible solutions for cross-region transmission despite the physical, technological and regulatory constraints, and in anticipation of the rollout of the ASEAN power grid development, which is currently contingent on policy developments and subject to successful multilateral negotiations.

What this means for our engagement and assessment

While we have set global expectations, companies in emerging markets are expected to meet one of our minimum expectations (rather than three, as in developed markets) for our quantitative assessment, reflecting the concept of ‘common and differentiated responsibility’ embedded in the Paris Agreement, and the different timeframes for reaching net zero set by national policies. Through our ‘dial-mover’ engagements, we consider local context and make an evaluation on a case-by-case basis.

We also focus on how companies work with regulators and policymakers in their region alongside other stakeholders, such as supply networks between countries. We believe this will help companies build resilience and adaptability and position themselves well for future opportunities as the energy system continues to evolve.

Regional case study – Japan

2024 was critical in terms of policy development in Japan, forming the key and final consultation period for the update of the country's seventh Strategic Energy Plan, the Nationally Determined Contribution (NDC) and the Green Transformation (GX) policy.

Meanwhile, analysis derived from data released by the Network for Greening the Financial System (NGFS)[47] highlighted that Japan and the rest of Asia are highly susceptible to economic impacts from the heightened physical risks resulting from inadequate climate policy, more so than the US and Europe. The study predicted that Japan's economy could face an annual loss of nearly 10%, totalling around JPY 952 trillion (USD 9.2 trillion) by 2050.

As a universal owner, we employ policy dialogue and company engagement, driven by the belief that ambitious emission reduction targets and accelerating renewable energy adoption could unlock substantial economic opportunities and avoid severe consequences. We have put our efforts into collaborative policy engagement with associations such as the Japan Climate Leaders' Partnership (JCLP) and AIGCC.

While the changes announced in the February 2025 updates to the 7th Strategic Energy Plan and the NDC fall short of what we would like to have seen in terms of scale and speed, one encouraging development is the introduction of phase 2 of the GX emissions trading system (GX-ETS), which will be mandatory for large emitters from 2026 onwards.

In addition, recognising the significant influence of corporations and industries on climate and energy policy in Japan, our 'red line' expectation regarding climate policy advocacy has also been a focus in our engagements with a number of Japanese companies. Within the CIP universe, we found that around 75% of Japanese companies in applicable sectors now meet our minimum standard on climate policy advocacy (see Appendix for a full list of minimum standards).

47. Asia Investor Group on Climate Change, 'Climate Damage and Physical Impacts Likely to Wipe Out USD 9.2 trillion from Japan's Economy if Current Global Policy Trajectories Continue', December 2024.

***Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.**

Companies in context

As was well-publicised, in 2024 we co-filed a shareholder resolution at Nippon Steel* requiring greater transparency on its corporate advocacy activities and its alignment to net zero. The resolution received support from 28% of shareholders. Subsequently, we have seen signs that the company is beginning to take shareholder concerns about this issue seriously, with improved willingness to engage, and evidence of taking feedback on board. We welcome improved disclosures from the company since our engagement began, and we will continue to address this topic as well as a wider decarbonisation strategy.

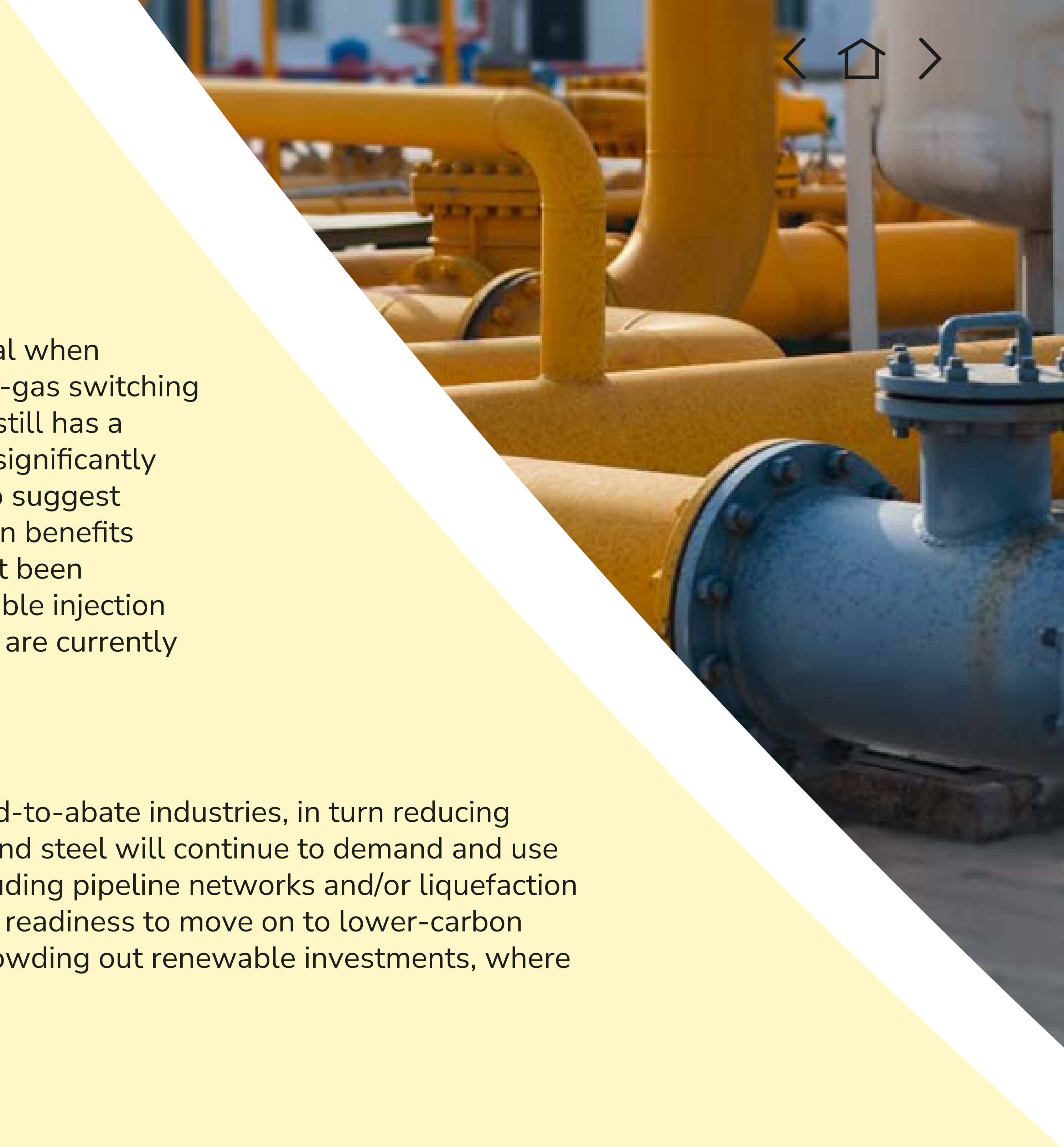
In addition, climate advocacy transparency has also formed a fundamental part of our engagement with Toyota Motor Corporation* (Toyota). Our longstanding engagement with Toyota saw the addition of climate advocacy disclosures as a discussion point in 2021. Since then, Toyota has made progress on such disclosures, and we are encouraged that it has proactively responded to investor feedback and expectations in various iterations of its climate public policies report. We would welcome further clarity on Toyota's position on specific climate policies in key markets and how they align with Toyota's decarbonisation and multi-pathway strategy, supported by more complete oversight of the governance and process concerning climate advocacy positions and assessments. The news in February 2025 of the Keidanren's (Japanese Business Federation) plans to appoint Toyota's president as the next chair,[48] and the latest board appointment of a former government official makes this issue even more pertinent. We hope to see continued improvement from Toyota through the very constructive and open dialogue we have developed.

What this means for our engagement and assessment

Through coordinated engagement with policymakers in collaboration with industry peers, accompanied by continued corporate engagement through our CIP with a focus on corporate climate lobbying, we have strived to demonstrate the expectations of global investors regarding climate change and maintaining a net-zero trajectory. We will continue to conduct public policy and corporate engagements on this subject.

48. The Japan News, 'Japan Business Federation Keidanren Picks Toyota Motor President As Next Vice Chair', February 2025.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.



The role of gas in the transition

There has been a surge in interest in the role of gas in the energy transition. Several oil and gas producers have been shifting their strategies to rapidly increase their production of gas, particularly liquified natural gas (LNG). Through our company engagements, we have heard many reasons for this, including those related to energy security; demand for artificial intelligence (AI); coal-to-gas switching; decarbonisation of heavy industry; pragmatism regarding the speed of the transition; and the higher internal rate of returns (IRRs) associated with traditional fossil fuels compared to low-carbon alternatives.

Background

In a 1.5°C scenario with no or limited overshoot, global aggregated demand for natural gas needs to decline immediately and rapidly. As it stands, the world is not on track to meet a 1.5°C scenario and demand for natural gas remains too high to reach that goal – the events of 2022 demonstrated the impacts of supply falling short of demand. Listed oil and gas producers represent less than half of total oil and gas supply, while the remainder comes from state-owned or private entities. We are mindful of ensuring that the companies we own and can engage with are supplying the lowest-carbon products into the market. We are also cognisant of the possibility of a natural gas glut in the late 2020s, which could erode returns on gas investments.[49] In an oversupplied, low-price market, demand for natural gas could increase as it becomes a viable alternative for incumbent energy sources. However, policy settings favouring renewables and energy efficiency could also constrain this.

Emission considerations

Natural gas produces approximately half of the carbon dioxide emissions of coal when burned, as well as significantly less pollutants such as sulphur dioxide. Coal-to-gas switching therefore has the potential to reduce emissions. However, burning natural gas still has a significant carbon footprint, and methane leakage, venting and flaring can add significantly to the overall GHG emissions profile of a gas project. There is some evidence to suggest that adding CCUS and blending with biogas can enhance the emission reduction benefits of natural gas. However, a 90% capture rate from CCS technologies has not yet been demonstrated at scale[50][51][52], while there is significant uncertainty over the feasible injection rates of CO2 for storage, and biogas blending capacity is limited - both options are currently very expensive.

Technology consideration

The use of gas could be considered a short-term, low-carbon alternative in hard-to-abate industries, in turn reducing emissions. Some industries such as petrochemicals and (potentially) shipping and steel will continue to demand and use natural gas throughout the energy transition. However, gas infrastructure (including pipeline networks and/or liquefaction facilities if transported by ship) has a long lifetime that may exceed the world's readiness to move on to lower-carbon energy sources. Moreover, gas investments today could be considered to be crowding out renewable investments, where it is that these are a viable alternative -for the specific use case and location.

49. However, project delays may disrupt this possibility.
50. To date, capture technology developers have largely focused on designing plant for CO_2 capture rates of 85% to 90%, leaving 10-15% of the emissions
51. IEAGHG, 'Towards Zero Emissions CCS from Power Stations using Higher Capture Rates or Biomass', 2019.
52. International Energy Agency, 'CCUS projects around the world are reaching new milestones, 2025.

Energy security and economics

Energy demand is increasing, driven by a variety of global and regional factors. Depending on the region, gas can be a cost-competitive energy source. However, some regions that currently lack energy security may face increased energy price fluctuations if they rely on gas imports, due to the volatility in gas prices. Natural gas can be stored cheaply and is fully dispatchable for power generation, especially in land-constrained areas that would struggle to deploy renewables. As the costs of renewables continue to fall, and the learning rate and associated cost declines of batteries are proving to be even greater than those of solar and wind, new energy projects need to be evaluated on their merits, including the costs of fully integrating the new supply and how it affects the balance of the respective grid.

Key uncertainties:

AI and data centres have the potential to be a significant source of energy demand growth, yet the level of impact is uncertain. Changes in the rate of energy efficiency improvements can also impact demand, though history tells us that when energy becomes more efficient, people demand more of it. The rate of renewables adoption can be constrained by grid capacity and intermittency, among other things, while energy security considerations create non-economic incentives to use less energy from imported sources.

Sector and company engagements in context

We recognise there is a role for gas in the energy transition, but burning natural gas has a significant carbon footprint, particularly in relation to methane. While we continue to engage with our holdings across relevant industries and value chains on the complexities of the role of gas and the coherence of their transition strategies in this regard, we are keeping our heightened focus on companies' actions on methane emissions and leakage. This is a red line for the oil and gas sector.

We have acknowledged progress over the course of our engagements with Exxon Mobil*, including its recently updated methane disclosure. More broadly across the market, we have seen improvements at Total*, Chevron*, and PEMEX* - a company for which methane is a very important decarbonisation lever. While much remains to be done, we are encouraged by the findings of the recent report published by the Environmental Defense Fund (EDF), which outlines substantive progress in the sector on reporting quality and methane intensity levels. We have worked closely with EDF over recent years to encourage action from companies and regulators on this issue.

* 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.

What this means for our engagement and assessment

Where using gas is not avoidable and could act as a transition fuel, we will continue to advocate across regions for better management of methane leakage and accurate methane emissions disclosure.

In the case of the US, we note the disapproval of the US Environmental Protection Agency's (EPA) Waste Emissions Charge (WEC) rule (i.e., methane fee) on methane emissions from oil and gas producers, which we view as concerning, in particular as it may also have an impact outside the US. We will continue our focus on this important issue across geographies.

More generally, where a company's strategy is strongly linked to gas and LNG, we ask companies for detailed disclosures on the assumptions and risks behind their strategies, and on their financial resilience in face of different transition scenarios.

Scaling up biofuels in transport sectors

Background

Biofuels can be used as ‘drop-in’ fuels, meaning they can be blended with conventional fossil-derived fuels and used in existing engines without major modifications. This makes them an attractive option for supporting the decarbonisation of hard-to-abate sectors such as aviation and shipping,[53] and provides a flexible transition pathway that helps meet evolving regulatory requirements. Although the decarbonisation impact varies by the feedstock and production process, generally biofuels can reduce GHG emissions by 50-90% compared to conventional marine fuels, and up to 70% compared to conventional jet fuel on a lifecycle basis.[54]

While regional variations exist, biofuels are the most immediately viable solution to reduce emissions and comply with relevant regulations, such as Sustainable Aviation Fuel (SAF) mandates in the EU or International Maritime Organization (IMO) requirements, making them crucial for the sectors' decarbonisation efforts.

53. While these are not the only sectors relevant to the use of biofuels, they are the focus of this case study, as a topic and decarbonisation lever that frequently came up in our engagements with companies in these sectors.

54. Biofuels in Shipping – Current market and guidance on use and reporting; Life Cycle Emissions of Sustainable Aviation Fuels Lifecycle emission calculation methods may also vary.

Sector and company engagements in context

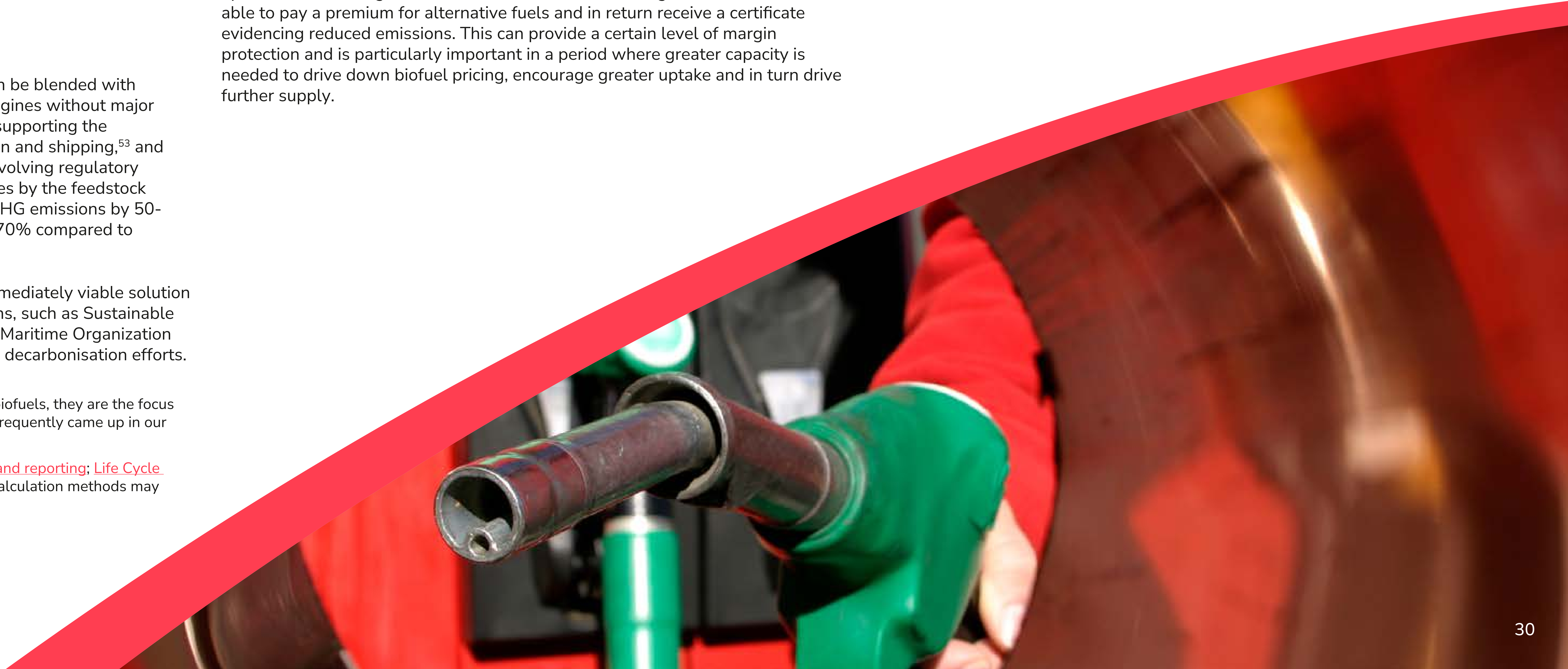
Limited supply and high prices are a constraint on companies’ biofuel targets and plans. Their ability to pass on costs to customers varies, but in general this is a limiting factor to the necessary scale of rollout. And while there have been examples of government incentives boosting supply – for example through the Inflation Reduction Act (IRA) in the US – more is required, especially when suppliers hesitate to invest in increased production because of insufficient demand.

Our engagements with demand-side companies in shipping, aviation, and logistics provided some positive examples of biofuels strategies supporting decarbonisation goals and regulatory compliance and companies seeking to address some of the related challenges.

Retail and automotive sector customers, primarily in Europe, were mentioned frequently in our meetings as requesting or requiring lower emission transport solutions from shipping providers. These customers are seeking to reduce downstream emissions, and they are often in a better position than some sectors to absorb and pass on premiums, to an extent. The rollout of book and claim systems is increasing as a custodian mechanism, allowing customers that are able to pay a premium for alternative fuels and in return receive a certificate evidencing reduced emissions. This can provide a certain level of margin protection and is particularly important in a period where greater capacity is needed to drive down biofuel pricing, encourage greater uptake and in turn drive further supply.

Government incentives are another avenue for supporting scaled up capacity. The US state and federal-level SAF incentives, in the form of tax credits (and as part of IRA) have helped boost production and bring down costs. We welcome the work of some of the airlines we spoke with to positively engage with policymakers on the subject.

On the supply side, we were also encouraged to learn from discussions with oil and gas companies (fuel suppliers) that biofuels are considered a tangible and profitable growth area for their businesses, and as such there has been a strong focus by some in securing sustainable supplies of feedstock. Nonetheless, they are also facing challenges of securing agreements with customers for the supply of sustainable aviation fuels, given the high cost relative to jet fuels.



Nature consideration

Despite the emissions benefits, we deem it essential for biofuels to meet stringent sustainability criteria and certifications to ensure they do not cause other negative environmental impacts. These include nature-related impacts linked to land and water resource requirements and the risk to deforestation in the production process.

We therefore welcome the work carried out by Southwest Airlines* to set up a SAF policy that explicitly calls for the safeguards necessary to avoid the potential negative nature-related impacts of biofuel production. Hapag-Lloyd*, along with other shipping companies and NGOs, has called on the IMO to exclude unsustainable biofuels, including crop-based biofuels such as palm and soy oils, from its list of green alternatives to traditional fossil fuel.

* 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.

What this means for our engagement and assessment

While we emphasise the importance of broader environmental safeguards and of life-cycle assessment of the associated emissions, overall we view the use of biofuels positively as a bridge fuel that allows emission reduction in the short-to-medium term ahead of e-fuels and other technologies becoming more widely available at a competitive price.

We will continue to encourage transport companies on the demand side to adopt sustainable fuels to reduce their emissions and to work together with suppliers, policymakers and customers to broach the challenges of the affordability, accessibility and availability of these fuels.

The state of play

As companies progress from making commitments and setting targets to implementing them and investing in the transition to net zero, the challenges of doing so and the resulting bottlenecks are increasingly evident. Some of the issues that have consistently come out in our engagements include:

- Technological readiness, with, for example, hydrogen and CCUS technical and financial viability a frequent dependency cited within transition plans across sectors, while the likelihood of timely and scaled rollout remains unclear
- Customer and consumer willingness to pay 'green premiums' for products and services where scale is not yet at the level to bring down prices and drive further demand, for example in the steel, aluminium and transportation sectors
- Government policy and regulation – where inadequate, inconsistent, or uncertain policies hinder the willingness and ability of companies to scale up climate solutions and lean firmly into transition strategies

As we move towards the United Nation's Climate Change Conference – COP 30[55] – taking place in Brazil in November 2025, global and national leadership matters. Public policy and robust regulations play a crucial role in aligning corporate actions with global climate and nature goals. The setting of new and ambitious Nationally Determined Contributions (NDCs)[56] will frame the subsequent speed and direction of travel. The global political and economic backdrop is challenging, and the energy landscape is fast evolving, yet NDC progress is so far insufficient and greater government urgency is needed. At the same time, it is a collective effort from state and non-state actors, including from companies, across regions, sectors and value chains, which will determine climate, nature and financial outcomes.

We are encouraged by the overall progress we have seen in how investee companies are planning, disclosing, mitigating risks, and seeking opportunities through the transition. The headwinds, however, are clear and the bottlenecks preventing further progress, apparent. We will continue to work with investee companies, policymakers and other industry stakeholders to help unblock bottlenecks and drive the change needed to deliver societal outcomes and long-term value creation for our clients.

While optimism may appear more muted 10 years on from the Paris Agreement, the urgency to act does not. This urgency needs to translate into action, not only on climate mitigation, but on adapting to a changing climate, transitioning business strategies and mobilising capital to finance the transition. It's a transition that will require a focus on restoring and protecting nature and on the societies and communities that will need to undergo significant change as economies shift. 10 years on, we remain ever dedicated to the action we can take to help deliver on these goals, which we believe will help build resilience and drive long-term value creation for our clients.

55. COP30, the 30th Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC), is set to take place in November 2025 in Belém, Brazil.

56. NDCs outline each country's plans for reducing GHG emissions. In line with the Paris Agreement.

Appendix

Sector coverage:

Starting from L&G's Asset Management business's corporate holdings universe, we have selected 20 'climate-critical' sectors – those we 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 can be found in our methodology document.

CIP sectors	
Aluminium	Insurance
Apparel	Logistics
Autos	Mining
Aviation	Multi-utilities
Banks	Electric utilities
Cement	Oil and gas
Chemicals	Shipping
Food	Steel
Forestry	Property
Glass	Tech and telecom(T&T)

Additional summary case studies: examples of progress we have seen at other 'dial-mover' companies with which we have directly engaged

Company	Sector	Country	Improvements/progress
Ivanhoe Mines Limited*	Mining	Canada	Ivanhoe Mines focuses on the exploration, development, and production of critical minerals like copper, nickel and platinum group metals, with key operations in the Democratic Republic of Congo and South Africa. Ivanhoe was added to the CIP 'dial movers' list in 2022; we met the company for the first time in February 2023. At the time, Ivanhoe was clearly at the beginning of its decarbonisation journey and did not meet our baseline (red line) expectations for the sector. Nonetheless, our first meeting proved insightful, and the company described some promising plans to decarbonise its mines, as well as develop its approach to social issues. However, overall progress remained insufficient, and we therefore voted against the chair in 2023. At our meeting later in the year, the company disclosed its short-term priorities and discussed its climate strategy. These were again welcome developments, however we were looking for more tangible progress, given the company still did not meet our sector red lines, and we therefore again voted against the chair in 2024. Ivanhoe's 2024 sustainability report has shown significant progress in meeting our minimum expectations. The company has undertaken a comprehensive assessment of its scope 3 emissions and disclosed the results, which we had been requesting. Furthermore, it has committed to "actively seek to align with additional industry associates to drive the net-zero objective, as well as progress on our own decarbonisation strategy with the support of industry experts". This is a very welcome statement and although it falls short of our request for companies to disclose their climate-related lobbying activities, including trade association memberships, and to explain the action it will take if the company is not aligned to a 1.5°C scenario, we are nevertheless encouraged by this commitment. In terms of the sector-specific red lines, the company still falls short of a net-zero operational emissions commitment. However, given the delivery of progress to date and the stated intention of the company to set scope 1, 2 and 3 targets moving forward, we are delighted to vote for the management in 2025, and to recognise this positive progress and direction of travel.
China Resources Building Materials Technology Holdings*	Cement	China	China Resources Building Materials (CR) is a cement company that operates a vertically integrated business model, covering the entire production process from limestone excavation to the manufacturing and sale of cement, clinker, concrete, and aggregates in China. This is the fifth year of engaging with the company, although only the second in which we have established an open dialogue since being divested in 2022. Recent market conditions in China have presented a challenging operating environment for cement producers, however we believe that national policy developments, including the 15th Five Year Plan, the introduction of China's Emission Trading Scheme (ETS), and national production capacity caps, provide an opportunity for companies that develop credible and ambitious climate transition strategies. Over the course of our engagement, CR has demonstrated improvements in its approach. As a state-owned enterprise (SOE), the company has aligned itself with national climate policy, acknowledging a 2060 carbon neutrality ambition and a peaking of emissions in 2030. It has also been focusing efforts on near-term decarbonisation, with emission intensity per tonne of clinker having shown a steady decline into 2025. We have also seen steady increases in recent years in the climate-related R&D budget, while plans to consolidate production in fewer locations – driven by national industrial policies – and to have key production locations closer to customer demands, should result in a reduction in the carbon footprint. Despite these improvements and CR's receptiveness to our engagement, it falls short of our minimum expectations that would warrant re-investment, including within its recent April 2025 sustainability report. We have communicated to CR's board that we would like to see the following improvements: acknowledge carbon peaking has been reached ahead of the 2030 commitment, align carbon neutrality ambition to 2050 instead of 2060, given the accelerated decarbonisation trajectory, develop a credible transition plan that includes short-term intensity targets, greater transparency on decarbonisation-related capex and climate and energy policy engagement activities. We are encouraged by the pace of change and look forward to continuing to work with CR and hope to see further improvements.

Company	Sector	Country	Improvements/progress
Mizuho Financial Group*	Banks	Japan	Investor discussions with banks have shifted from net-zero commitments and sector-specific exclusion policies to real-world changes at banks' clients and portfolio companies to demonstrate progress towards net zero in the current dynamic political and policy environment. Mizuho Financial Group operates as a diversified Japanese financial-services provider, offering banking, trust banking, securities, and other financial services through its subsidiaries. Since 2019, we have engaged with Mizuho Financial Group on climate issues. The bank has disclosed its progress, sorting clients into four categories based on its transition plans and strategies. These categories range from having no policy to having externally verified transition plans. Mizuho's disclosures provide a good example in the industry – including for companies domiciled in jurisdictions where government commitments do not align with net zero by 2050 – of what can be done to demonstrate working with clients to bring about real-world change, without necessarily requiring an exit or divestment. We will continue to monitor Mizuho's disclosures on methodology and framework, and its progress with regards to client engagement and transition finance. Recognising in some other parts of Asia that banks will take their lead from national climate policy and commitments, it is again important to evolve an approach of engaging on sector-specific exclusion policies to one of also focusing on the role banks are playing in financing the transition in emerging markets. We are learning from our experience of engaging with Japanese banks such as Mizuho that there is much to take forward with other Asian banks.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Quantitative assessment:

Nature-related indicators in the 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 and circularity	CIP Apparel	Fashion revolution
Deforestation and circular economy	Sustainable sourcing and materials	CIP Apparel	Fashion revolution
Deforestation	End deforestation-related financing activities and related policy	CIP Banks	TPI
Deforestation / regenerative agriculture	Agriculture / forest management practices	Packaged Foods & Meats, Agricultural Products and Services, CIP Forestry	CDP

*As of June 2025, subject to change

Quantitative assessment:

Minimum standards for 5,000+ companies*

More information can be found in [the methodology document].

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 the organisation?	All	CDP
Have comprehensive climate disclosures?	All	CDP
Disclose Scope 1 and 2 GHG emissions?	All	Institutional Shareholder Services (ISS)
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 a sustainable agricultural programme or commitment?	Food	Sustainalytics
Have a deforestation policy?	Food, Forestry, Apparel	Sustainalytics

* These are considered baseline expectations for emission-intensive sectors

Does the company:	Sector	Data provider
Have a deforestation programme?	Food, Forestry, Apparel	Sustainalytics
Have underwriting standards?	Insurance (except life insurance)	Sustainalytics
Have a responsible investment programme?	Insurance	Sustainalytics
Have credit and loan standards?	Banks	Sustainalytics
Adopt eco-design for its products?	Apparel, Autos, Glass	Sustainalytics
Conduct real estate life-cycle assessments?	Property	Sustainalytics
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 policymakers 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)	Climate Action 100+
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

*As of June 2025, subject to change

Qualitative assessment:

Sector-specific red lines for 100+ dial-movers*

Sector-specific red lines	Sectors
Disclosure of climate lobbying activities and company's actions 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[57]	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

* As of June 2025, subject to change

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

Qualitative assessment:

Vote 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 28 companies as eligible for a vote against the chair where possible, compared with 37 in 2024.[58]

CIP Sector	Company
Airlines	Air China Ltd**
Aluminium	Hindalco Industries*
Apparel	TJX Companies**
Banks	China Construction Bank**
Banks	Industrial & Commercial Bank of China**
Cement	China Resources Cement Holdings**
Cement	Conch Cement Co Ltd*
Electric Utilities	Chubu Electric Power Co*
Electric Utilities	Korea Electric Power Corp**
Electric Utilities	PPL Corp**
Electric Utilities	Tenaga Nasional Bhd*
Food	Hormel Foods Corp**
Food	Loblaw Companies Ltd.**
Food	Sysco Corp**

CIP Sector	Company
Forestry	Louisiana-Pacific Corp*
Glass	O-I Glass Inc*
Glass	Vetropack Holding*
Insurance	American International Group Inc**
Insurance	Metlife Inc**
Mining	Glencore Plc**
Multi-utilities	Petronas Gas*
Oil and Gas	Exxon Mobil Corp**
Oil and Gas	Petroleo Brasileiro SA*
Oil and Gas	Woodside Energy Group Ltd*
Property	Invitation Homes Inc**
Shipping	Cosco Shipping Holdings Co Ltd*
T&T	Broadcom*
T&T	Snowflake*

58. Companies on the divestment list may still receive a vote against as divestments are made from funds where we have the mandate to do so. In other funds where we may maintain a position, we exercise our voting rights at these companies with a vote against the chair of the board.

* 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.
** Currently on our divestment list. Companies are divested from or reinstated into selected funds with £202 billion in assets (as at 31 December 2024), including funds in the Future World fund range, our ESG fund ranges, and all auto-enrolment default funds in L&G Workplace Pensions and the L&G Mastertrust. Companies are divested up to a pre-specified tracking-error limit. If the tracking error limit is reached, holdings are reduced rather than fully divested.

Climate Impact Pledge divestment list as of June 2025

We are keeping 15 companies on our divestment list from previous years.

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,[59] we see it as a last resort and continue to engage with divested companies – therefore divestment is not the end goal for the CIP.

Sector	Company	Country	Divested since:
Airlines	Air China*	China	2023
Electric Utilities	Korea Electric Power Corporation (KEPCO)*	South Korea	2019
	PPL*	United States	2021
Oil & Gas	Exxon Mobil*	United States	2019
Mining	Glencore*	United Kingdom	2024
Apparel	TJX Companies*	United States	2024
Food	Sysco*	United States	2018
	Hormel*	United States	2019
	Loblaw*	Canada	2018
Banks	China Construction Bank (CCB)*	China	2018
	Industrial & Commercial Bank of China (ICBC)*	China	2021
Insurance	MetLife*	United States	2019
	American International Group (AIG)*	United States	2021
Cement	China Resources Cement*	China	2022
Property	Invitation Homes*	United States	2022

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

* 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.

Contact us:

For further information about the Asset Management business of L&G, please visit **am.landg.com** or contact your usual L&G representative.

L&G Talks Asset Management

L&G Blogs Asset Management

Key risk

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested.