

Our role in the transition to a low carbon economy

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A prosperous society needs businesses that can create sustainable long-term value, so it makes sense that investors are thinking about climate change. Whilst adverse weather patterns and global warming are eroding some companies' bottom lines, investments can also be negatively affected by changes in regulation, technologies and consumer demands as the world wakes up to climate change.

In November 2016, governments around the world signed the historic Paris Agreement that seeks to limit global warming to below 2°C against pre-industrial levels. Legal & General Investment Management's own Climate Impact Pledge means that we are committed to engaging directly with the largest companies in the world to change their businesses, because we believe they hold the key to building a low carbon future.

As global investors who work with governments, regulators, companies and other investors, we don't underestimate how large an undertaking it is to move to a low carbon reality, however change must be encouraged.

We rigorously assess and rank the largest companies in six key sectors according to how robust and transparent their strategies are for transitioning to a low carbon future. We then have a direct dialogue with them to improve their scores.

If after that effort, companies still fail to meet our minimum standards, we will vote against the companies. Importantly, the use of voting power against chair of company boards as a result of the Pledge applies to the entire holding of equity assets that we manage on behalf of our clients.

We believe this combined approach of ranking, engaging voting and selected divestment sends a powerful message to companies: we are serious about tackling climate change and capturing the low carbon opportunity.