



Shareholder Rights Directive (SRD) II as onshored in the UK via the European Union (Withdrawal) Act 2018

Disclosure requirements from Legal and General Assurance (Pensions Management) Limited as an Institutional Investor under UK onshored SRD

September 2022

Introduction

The Shareholder Rights Directive 2017/828 (SRD II) amends Directive 2007/36 (SRD I) and imposes transparency obligations on 'institutional investors' (life insurers, reinsurers with life-insurance obligations and occupational pension schemes) and 'asset managers' (including investment firms providing discretionary portfolio management services) to the extent investments are made in shares traded on a regulated market to strengthen the position of shareholders and to reduce short termism and excessive risk taking by companies. In the UK, SRD II has been onshored in the UK via the European Union (Withdrawal) Act 2018 and its requirements for insurers are reflected in the FCA Handbook under Senior Management Arrangements, Systems and Controls sourcebook (SYSC) and Conduct of Business sourcebook (COBS).

Legal and General Assurance (Pensions Management) Limited ('PMC') is an institutional investor in various EU markets and complies fully with the requirements of SRD II as onshored in the UK. PMC is an institutional investor as defined by UK onshored SRD and this document seeks to set out PMC's disclosure requirements to its policyholders.

Institutional investors (PMC) and asset managers (Legal & General Investment Management Limited ('LGIM')) are required to develop a policy on shareholder engagement, to make the policy available on our website as well as to annually disclose how we have implemented the policy and how we cast votes at general meetings.

This document aims to increase transparency for policyholders and fulfil the disclosure requirements on engagement and investment strategies as required under UK onshored SRD.

Delegation of Asset Management

PMC has appointed LGIM, Legal & General Property Limited ('LGP') and LGIM Commercial Lending Limited ('LGIM CLL') to manage its assets. Investment management of specific US assets is sub-delegated to Legal & General Investment Management America Inc ('LGIMA'). LGIM, LGIMA, LGP and LGIM CLL are all subsidiaries of the same ultimate parent company as PMC- Legal & General Group Plc.

PMC's use of L&G Group companies as its investment managers is a long-standing arrangement. These services are primarily charged to PMC on a cost recovery basis, and PMC accepts and will bear ultimate economic responsibility for all operational errors (including fund management errors) within PMC.



LGIM's Engagement policy

Our Investment Stewardship team engages with companies, alongside LGIM's investment teams, to address company-specific and market-wide risks and opportunities. The team exercises voting rights globally, holding companies to account. At the same time, the team works with regulators, policy makers and our peers to tackle systemic issues.

LGIM's Investment Stewardship policies, including LGIM's Approach to Corporate Governance and Responsible Investment, can be [found here](#).

LGIM's Investment Strategy

As active equity investors, LGIM manages concentrated portfolios through bottom-up fundamental analysis, comprised of high conviction ideas driving high active share. We are committed to providing long-term value for our investors, typically investing for 3-5 years, which we believe allows us to potentially benefit from compounding growth and to capture value creation. We can do this effectively by engaging with management of investee companies to encourage them to adopt business practices which align with consistent and sustainable value creation. ESG investing is a core part of LGIM's approach from investment integration to our global cross-asset research and investment stewardship teams, with a firm level commitment.

As index tracking investors we have developed our own philosophy on the management of index funds that we call 'pragmatic replication', an approach that is focused on delivering the best value for our investors. The overarching objective is to track the benchmark index as tightly as possible, using our in-house expertise, resources and technology to undertake comprehensive research aimed at enhancing investor returns when managing index changes.

Through such techniques, we believe we can reduce fund turnover and costs when trading and seek to maximise returns by exploiting any short-term mispricing or inefficiencies. Information on ESG integration in index strategies is available in our [research paper on ESG integration](#).

Monitoring

PMC's board and Executive Committee regularly monitors its investment managers, and the above delegations, via consideration of MI and reporting from appropriate forums. In addition to this, PMC's Executive Committee also review policies and frameworks ensuring considerations have been made for treating customers fairly and that all entity risks have been appropriately managed.