



LGIM launches ESG Paris Aligned World Equity Index Fund with strong investors backing

The Fund integrates Paris-aligned reductions in carbon emissions and UN Sustainable Development Goal (SDG) principles, while also incorporating LGIM's proprietary ESG scores

London, 7 September 2021 - Legal & General Investment Management (LGIM) has today announced the launch of the L&G ESG Paris Aligned World Equity Index Fund for institutional investors in the UK and Europe.

By offering broad (ESG) exposure to developed market equities, while also integrating Paris-aligned reductions in carbon emissions and UN SDG principles, the product is aimed at those investors seeking to align their portfolios with climate outcomes and to maintain a robust societal and governance profile for their equity exposure.

The Fund has already gained support from some key institutional investors, including London Borough of Newham Pension Fund which has invested approximately £520m, and Irish pension investors. As part of its wider commitment to ESG principles, Legal & General's alternative asset platform, Legal & General Capital, has also invested £100m as it continues to strengthen its exposure to asset classes which will have a positive impact on climate outcomes.

The investment objective of the Fund is to provide low carbon emission exposure in view of achieving the long-term global warming objective of the Paris Agreement. Classified as Article 9 under the EU Sustainable Finance Disclosure Regulation (SFDR), the fund seeks to achieve this objective by tracking the performance of the Solactive L&G Developed Markets Paris Aligned ESG SDG Index, which has been constructed to meet the minimum requirements of the Paris-aligned Benchmark (PAB) Regulations.

It seeks to achieve alignment with the Paris goals by applying the following constraints and conditions:

- 50% reduction in greenhouse gas (GHG) emissions intensity
- 7% greenhouse gas (GHG) intensity reduction on average per annum
- Exposure to 'high impact sectors' aligned at least to the exposure of the parent index
- 100% increase in green revenues relative to the universe/parent index

The Fund also incorporates both PAB and UN SDG exclusions including exclusions on companies involved in activities such as controversial weapons and tobacco production, as well as companies whose revenues are disproportionately weighted towards coal mining and power generation, fossil fuels, and electrical power generation from fossil fuels.

The Fund does not only have a strong 'environmental' focus through its Paris-alignment, but also has tilts towards companies with better 'social' and 'governance' scores. LGIM's proprietary ESG scores are integrated into the Solactive index to improve ESG metrics relative to a traditional developed market equity fund. Its portfolio is tilted to increase the allocation to companies with high ESG scores and reduce the allocation of companies with low ESG scores, within certain constraints to ensure sustainable outcomes. The Fund benefits from LGIM's market leading investment stewardship activities.

Commenting on the launch, James Sparshott, Head of Local Authorities Distribution, Legal & General Investment Management (LGIM), said:

"We are delighted that the London Borough of Newham Pension Fund has decided to make such a significant investment into our strategy. We recognise the urgency of addressing climate change and continue to experience

demand for ESG investment strategies. In line with our own pledge to net zero emissions by 2050, we believe that taking action on climate is in the interest of long-term investors. This fund will benefit from LGIM's track record in working with the companies in which we invest to improve their resilience to climate risks."

Councillor Nareser Osei, Chair of the London Borough of Newham Pensions Committee added:

"ESG is a key consideration for us, as we look to contribute towards positive environmental change, while also ensuring that our investments avoid future risks. This is underlined by our investment in LGIM's Paris-Aligned fund, which is with a view to supporting the long-term future of our investments, as well as society and the planet."

LGIM has a strong expertise in responsible investing and takes its investment stewardship obligation seriously. As well as assessing 17,000 companies under its ESG scoring methodology, LGIM uses its [Climate Impact Pledge](#) programme of engagement to effect positive change on companies in which we invest and on society as a whole. Where companies continually breach the standards of our Pledge, the firm retains the discretion to divest in order to act in the best interests of our investors.

LGIM supported the most Climate Action 100+ key resolutions vs. peers in 2020. During the same year, independent NGO ShareAction ranked LGIM #1 among asset managers for its approach to climate change¹. The firm was also selected by the UN Principles for Responsible Investment in October last year as part of its 'leaders group' on climate change².

Councillor Terence Paul, Cabinet Member, Finance and Corporate Services, London Borough of Newham, said:

"This investment decision sends a strong signal that the Newham Pension Fund is a pioneering responsible investor committed to managing climate risks while at the same time exploiting the investment opportunities that it presents. In addition, this fund will help create better conditions for workers and promote better governance. This fund embraces the Council's values and will play a key role in delivering our climate action plan."

Notes to editors

Past performance is not a guide to the future.

The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

About Legal & General Investment Management

Legal & General Investment Management is one of Europe's largest asset managers and a major global investor, with total assets under management of £1.33 trillion³. We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

Throughout the past 40 years we have built our business through understanding what matters most to our clients and transforming this insight into valuable, accessible investment products and solutions. We provide investment expertise across the full spectrum of asset classes including fixed income, equities, commercial property and cash. Our capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions.

Further information

¹ <https://shareaction.org/research-resources/point-of-no-return>

² <https://www.unpri.org/the-pri-leaders-group/4771.article>

³ LGIM internal data as at 30 June 2021. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong. The AUM includes the value of securities and derivatives positions.

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