

Press release

LGIM partners with AP1 to launch an innovative ESG fossil-fuel free Emerging Market Equity (index) fund

London, 25 November 2020 - Legal & General Investment Management (LGIM) has today launched the L&G Emerging Market Equity Future Core [Index] Fund. The new proposition has been developed in collaboration with the Swedish public pension fund AP1 to meet the institutional needs of a passive investment solution addressing multiple ESG dimensions. The Fund is available to institutional and wholesale investors in Europe.

LGIM is a leading provider of passive investment solutions with index assets of €436bn¹. The firm is developing a new generation of index funds that integrates ESG and leverages LGIM's active ownership capability and engagement with the underlying companies in the index, including through the use of voting.

The capital will be allocated based on how well companies score on ESG criteria. Those with good scores will receive a higher weighting compared to their market capitalisation, while those with poor scores will be weighted down. The ESG scores companies receive are fully transparent, enabling them to be informed on what they need to do to improve.

The fund tracks the Solactive L&G Emerging Markets Future Core Index, which was developed by LGIM and is calculated by the Germany-based index provider Solactive. The index consists of large and mid-cap companies across 26 Emerging Markets, which in addition to energy and tobacco sector exclusions apply exclusion criteria in product involvement relating to nuclear power generation; assault and controversial weapons; coal and thermal coal; tobacco production and retailing; oil sand extraction; recreational cannabis; gambling; and repeated violation of the United Nations Global Compact (UNGC) principles.

Colm O'Brien, Head Index EMEA, Legal & General Investment Management (LGIM), commented:

"We recognise the needs and desire of investors to have a solution for their index allocations that removes fossil fuel exposure and integrates key elements of ESG while respecting the risk and return profile that they have via their current index products.

"We believe that changing the actions and behaviours of the underlying companies in the index is the only way to properly integrate ESG. LGIM's solution links engagement with voting, and in turn the allocation of capital is based on how well companies fare on key ESG metrics.

"We aim to prompt the underlying companies in the index to take ownership of their own actions and, by doing so, they will be able to affect their weight in our index."

Majdi Chammas and Tina Rönholm, External Partnerships & Innovation at AP1, commented:

"We are excited to see that our discussions with LGIM around passive investments, active ownership and sustainability have evolved into the development of this innovative new fund. We believe addressing multiple ESG dimensions in a transparent way will drive both change and shareholder

¹ As of 30 June 2020



value whilst providing us with the risk and return characteristics we seek from passive investments. We furthermore believe that long-term investors like ourselves have a responsibility to affect change by means of allocating our capital. We have therefore chosen to launch this strategy in a fund format so that like-minded investors have the opportunity to co-invest with us”.

Volker Kurr, Head of Europe Institutional, Legal & General Investment Management (LGIM), said:

“We are pleased to have joined forces with AP1 in combining our respective areas of expertise in responsible investment to bring this strong proposition to market.

“This index solution has been built with LGIM’s core belief that by exercising our rights and positions as one of the world’s leading asset managers, we can influence the actions and behaviours of the companies in which we invest on behalf of our clients. We believe that this will lead to positive change in the companies and markets in which we invest, ultimately resulting in long-term value for our clients.”

The Fund is an Irish ICAV that meets European UCITS standards. It is registered in Denmark, Finland, Germany, Ireland, Norway, Sweden, the UK and the Netherlands. The Fund will also be registered in Austria and Switzerland.

LGIM has a strong expertise in responsible investing and takes its investment stewardship seriously. As well as assessing over 16,000 companies under its ESG scoring methodology, LGIM has recently been recognised for being a top supporter of ‘climate-critical’ shareholder resolutions in 2020 compared to the world’s 12 largest asset managers². In 2020, independent NGO ShareAction ranked LGIM #1 among asset managers for its approach to climate change³. The firm was also selected by the UN Principles for Responsible Investment in October as part of its ‘leaders group’ on climate change⁴.

Key Risk Warning

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.

Ends

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² Majority Action, Climate in the Boardroom, How Asset Manager Voting Shaped Corporate Climate Action In 2020, available at https://static1.squarespace.com/static/5d4df99c531b6d0001b48264/t/5f6976e5f6b47e5e50c11430/1600747275103/MA_Climat eintheBoardroom_2020.pdf

³ <https://shareaction.org/research-resources/point-of-no-returns/>

⁴ <https://www.unpri.org/the-pri-leaders-group/4771.article>

Notes to editors

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 €1,4trn (£1,2trn)⁵. 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.

Första AP-fonden

Första AP-fonden (AP1) is one of five pension funds in the Swedish national income pension system (the AP Funds). AP1 has assets under management of SEK 355 billion (30 June 2020 in a portfolio consisting of listed equities, fixed income securities, currency, real estate, hedge funds, private equity funds, infrastructure and high yield. Investments are made worldwide. AP1 is a long-term investor and an active, engaged owner. As an owner the Fund imposes stringent demands in the areas of Environment, Social and Governance.

⁵ LGIM internal data as at 30 June 2020. These figures include assets managed by LGIMA, an SEC Registered Investment Advisor. Data includes derivative positions.