

Future World Protection List Methodology

We believe that well-managed companies are more likely to deliver sustainable long-term returns. Assessing companies on their management of environmental, social and governance (ESG) issues is an important element of risk management, and therefore part of investors' fiduciary duty.

Companies are intrinsically linked to the economies and societies in which they operate. Investors are collective owners of companies and we therefore believe that we have a responsibility to the market as a whole. By incorporating ESG factors into investment decisions, we believe investors can gain an element of protection against future risks and the potential for better long-term financial outcomes.

As one of the world's largest investment companies, we believe we have a duty to both our clients and wider society to ensure the long-term success of the companies in which we invest.

The Future World Protection List has been specifically developed for our Future World fund range. Through this fund range companies are incentivised to operate more sustainably allowing clients to go further in integrating ESG factors into their investment strategy. The list may also be used in other investment strategies as determined by Legal & General Investment Management (LGIM).

Companies are incorporated into the list if they fail to meet minimum standards of globally accepted business practices. Across the LGIM-designed Future World funds, securities issued by such companies will not be held or exposure to them will be significantly reduced. The Future World Protection List includes companies which meet any of the following criteria:

- **Involvement in the manufacture and production of controversial weapons**
- **Perennial violators of the United Nations Global Compact, an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies.**
- **Pure coal miners – companies solely involved in the extraction of coal**

The methodology will be formally reviewed on an annual basis by the LGIM Corporate Governance team. Any changes to the methodology will be subject to a formal overview and approval by senior management.

METHODOLOGY OVERVIEW

Controversial weapons

Rationale

Controversial weapons are those that have an indiscriminate and disproportional humanitarian impact on civilian population, the effects of which can be felt long after military conflicts have ended and often result in multi-generational humanitarian suffering. These include antipersonnel landmines, cluster munitions, biological, chemical and nuclear weapons.

There are a number of international conventions and treaties that have been developed with a view to prohibiting or limiting the use and availability of these weapons. The manufacture or production of such weapons is illegal in a number of jurisdictions globally and the involvement of companies in such weapons brings reputational risk and censure.

Methodology

We use data for the identification of companies involved in the manufacture or production of controversial weapons provided by a well-known and highly respected ESG data provider.

Companies that are involved in the manufacture or production of cluster munitions, antipersonnel landmines, and biological and chemical weapons will be incorporated into the Future World Protection List. Companies incorporated into the list are involved in the core weapons system or components or services of the core weapons system considered to be tailor-made and essential for the lethal use of the weapon. Additionally, if companies are involved in the production, maintenance/service, sale/trade or research and development in relation to the core weapons system, they will also be incorporated into the list.

Further information is available on LGIM's controversial weapons policy on our website [here](#).

UN Global Compact

Rationale

The United Nations Global Compact (UNGC) is a set of globally agreed standards on human rights, labour, environment and corruption which was created for the purpose of encouraging businesses worldwide to adopt environmentally and socially responsible policies. Companies whose activities breach such principles present increased investment risks due to lax governance and management of their own operations, which can lead to grave reputational damage and potential future liabilities.

Methodology

We use data for the identification of companies in breach of the principles provided by a well-known and highly respected ESG data provider.

Companies that are in breach of at least one of the UNGC principles for a continuous period of three years (36 months) or more will be considered to be persistent violators of the UNGC principles and incorporated into the list.

Pure coal companies

Rationale

The use and extraction of coal produces significantly high levels of greenhouse gas (GHG) emissions, contributing to the accelerated warming of the planet. Pure coal companies present heightened investment risks due to the increasing regulatory pressure to limit GHG emissions globally, combined with technological advances such as renewables, which can reduce demand for coal. Due to the inability to diversify their business we therefore do not see a future for this business model.

Methodology

We use data for the identification of pure play coal companies provided by a well-known and highly respected ESG data provider.

Companies which derive a significant proportion of their revenues from the mining of bituminous or lignite coal, development of mining sites for bituminous or lignite coal, or the processing of bituminous or lignite coal are considered to be pure coal companies and will be incorporated into the Future World Protection List.

UPDATE AND PUBLICATION OF THE FUTURE WORLD PROTECTION LIST

The list is updated on a semi-annual basis on the first business day after 31 March and 30 September in accordance with the methodology stipulated above.

Important Information

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