

# Legal & General Future World ESG Index Funds (Unit Trust)

Investing for the world you want to live in

The Future World index funds offer investors broad equity market exposure while incorporating environmental, social and governance (ESG) 'tilts' to LGIM-designed indices. The tilting mechanism aims to reduce exposure to companies associated with poor ESG practices and provides greater exposure to those that are better positioned from an ESG perspective.

## Why invest?



### Choice of index solutions

This range of LGIM-designed indices offers the chance to gain ESG-tilted index exposure across UK and global equities. We believe in providing investors with the choice of investment solutions that best expresses their investment beliefs.

These efficient, low-cost index funds also form some of the building blocks of our Future World Multi-Index Funds.



### Efficient index investments with ESG 'tilts'

We have developed a rules-based approach to scoring companies on the basis of ESG factors.

The index weightings are 'tilted' according to these scores to allocate more money towards companies that score well from an ESG perspective, and away from low-scoring companies.



### Meaningful ESG impact

The funds go further than just congratulating the companies with the highest ESG scores. The scores are generated from public information and are aligned with LGIM's engagement and voting activities. They will also be public, creating a powerful incentive for companies to improve their behaviour.

We also incorporate LGIM's targeted environmental engagement process, the Climate Impact Pledge.

## What are the future world funds?

The Future World philosophy encapsulates how we view our responsibilities as a large asset manager and a steward of our clients' investments, by considering ESG factors. It incorporates how we engage with companies, develop innovative products, evolve our investment process and manage risk to deliver sustainable long-term value.

The Future World funds are for clients who want to express a conviction on ESG themes, depending on their different investment styles. The funds extend our approach to responsible investing across a broad array of asset classes and strategies.

## Funds available

Fund name	Benchmark index	ISIN	OCF*
Legal & General Future World ESG Developed Markets Index Fund	Solactive L&G Enhanced ESG Developed Index	I class (Acc): GB00BYWQWW93 I class (Inc): GB00BYWQWX01	0.25% 0.25%
Legal & General Future World ESG UK Index Fund	Solactive L&G ESG UK Index	I class (Acc): GB00BJH4XV95 I class (Inc): GB00BJH4X975	0.25% 0.25%

\*OCF is Ongoing Charges Figure

## Why incorporate ESG factors?

We believe integrating ESG considerations into investment processes can help mitigate risk and has the potential to improve long-term financial outcomes.

Companies with strong governance are less likely to provide unpleasant surprises; equally, companies that are aware of their impact on wider stakeholders are less likely to face political or regulatory pressure. Such companies are also better positioned to withstand – and even benefit from – shifts in the market environment.

## Index construction

By helping to design indices ourselves, we can deliver an index based on clients' requirements while still controlling costs for clients.

The process also enables us to deploy intellectual property we have accrued as a leading provider of index funds for decades – in addition to the expertise of the Corporate Governance team, whose ESG principles underpin our current index-design activity.

We work with an index provider, Solactive, to construct these indices for the Future World funds.



For illustrative purposes only. Please note that data is received from a number of external sources. As such, LGIM cannot guarantee the full accuracy of the ESG data received.

The indices are alternatively weighted to give greater weight to companies that score well against ESG criteria. This means the funds will invest more in companies that score well against these criteria, and less in those that do not.

Relative to the comparable non-tilted market indices, individual stock weights are constrained to be no greater or less than 3%. In parallel, relative sector weights are constrained to no more than 2% and no less than 3%. The indices will be rebalanced twice a year.

## Fund objectives

These funds aim to track their respective LGIM-designed benchmark indices which explicitly incorporate environmental, social and governance considerations into the investment strategy.

## Fund team

The Global Index Fund Management team consists of 23 dedicated index portfolio managers, supported by four strategists located between London, Chicago & Hong Kong. Management oversight is collectively provided by the Global Head of Index funds and the regional heads. Underpinning the team's philosophy and processes are two important objectives: close tracking of indices and aiming to maximise returns for our clients.

## Legal & General Investment Management

LGIM is the investment management arm of Legal & General Group, a FTSE 100 company. We are one of Europe's largest asset managers and a major global investor, with assets under management of £1,135 trillion.\* Our success has been built by focusing on clients and providing them with services and solutions that meet their needs.

\*Source: LGIM internal data as at 30 June 2019. These figures include assets managed by LGIMA, an SEC Registered Investment Advisor.

## What ESG factors are assessed?

The ESG scores are based on the factors we believe to be most significant for long-term investors. They are grouped under the following themes:

- **Environmental** – the potential negative impact on companies exposed to climate change and the shift to a low-carbon economy; companies with 'green' revenues receive a higher score
- **Social** – comprising diversity (representation of women in company boards, executive, management and workforce); and human capital (policies to ensure companies have the right culture and treat workers fairly)
- **Governance** – a range of criteria that indicate 'best practice' in terms of investor rights, board diversity and high-quality audits

We also assess transparency, by examining the quality of ESG information available in the public domain.

The LGIM-designed ESG indices require companies to meet certain minimum global criteria in order to be included within index construction. 'Pure' coal miners, manufacturers of controversial weapons and certain companies that consistently do not comply with the UN Global Compact are not included in the investment universe prior to this process.

## LGIM's climate impact pledge

This is a targeted engagement process with the world's largest companies that are crucial to the transition to the low-carbon economy. Companies that fail to meet our minimum standards after a period of engagement may be divested from within the Future World index funds; in all other LGIM-managed funds we will vote against re-electing the chair of their boards.

## Contact us

For further information please contact your usual LGIM representative



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### Important information

This document should not be taken as an invitation to deal in any Legal & General investments. Investing in financial markets exposes investors to risk. The value of investments and any income from them may fall as well as rise and investors may get back less than they invest. Past performance is not a guide to future performance. Funds investing in equity markets have a greater risk of being volatile than Funds which invest in most other asset types, particularly in the short term. An increase in medium to long-term interest rates may reduce the value of investment in funds sensitive to interest rate changes. Exchange rate changes may cause the value of any overseas investments to rise or fall. The value of property is generally a matter of valuer's opinion rather than fact.

\*Call charges will vary and calls will be monitored and recorded.

Details of the specific and general risks associated with Legal & General's range of unit trusts are contained within the Key Investor Information Documents and can be accessed via your usual contact or at [www.lgim.com](http://www.lgim.com).

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