

# SOLACTIVE L&G ENHANCED ESG INDEX FAMILY

Investors today are becoming increasingly aware of the impact that strong environmental, social and governance efforts can have on a company's sustainability and financial performance. Additionally, investors are looking to achieve not only financial returns with their investments but also to create a positive impact.

The **Solactive L&G Enhanced ESG Index Family** was designed to increase exposure to companies that demonstrate good environmental, social, and governance efforts as well as to commit to a fixed carbon emissions reduction trajectory, in order to ensure that the portfolio is in line with the climate-neutrality by 2050 objective. The ESG impact is measured by a proprietary Legal and General ESG scoring system which includes the 34 metrics described on the second page below, while the carbon emissions reduction trajectory is based on the Carbon Intensity Score, primarily composed of company level Carbon Emission data delivered by ISS ESG.



## Index Design

### Starting Universe

Solactive GBS Global Markets Large & Mid Cap Index (the "Reference Index"). The Index includes around 3200 securities.

#### Step 1

- > Exclude securities based on their involvement in certain controversial activities, including:
  - > Assault weapons, Military Contracting and Tobacco
  - > As well as companies on the L&G Future World Protection List, which includes: (1) companies involved in the manufacture of controversial weapons (2) persistent violators of the UN Global Compact and/or (3) pure coal mining companies

#### Step 2

- > All securities receive an L&G ESG score and their market capitalization is modified such as to tilt it upwards for those names with the highest L&G ESG score and downwards for the ones with lower scores
  - > Regional sleeves are then created both for the developed markets and emerging markets segments by grouping the securities based on their country assignment
  - > The regional sleeves are grouped together where applicable to create the two supra-regional indices: Developed Markets and Emerging Markets. The other regional sleeves form stand alone indices

#### Step 3

- > The weights are then modified to manage concentration limits on securities
- > The following constraints are applied:
  - > Ensure that the individual weight of any security in the Index does not deviate more than 3% from its weight in the relevant regional or supra-regional sleeve
  - > Ensure that the sum of weights of any sector is not more than 2% greater or 3% less than its weight in the relevant regional sleeve or supra-regional Index
- > Subsequently, an optimization is applied to ensure that the Index fulfills the carbon emissions reduction trajectory as well as certain diversification constraints:
  - > Reduction of the Carbon Intensity of 50%, with an additional 7% year on year trajectory, versus the relevant regional or supra-regional market capitalization weighted index
  - > Subject to individual security, sector, and regional (where applicable) weight deviation constraints as well as compliance with the UCITS diversification requirements





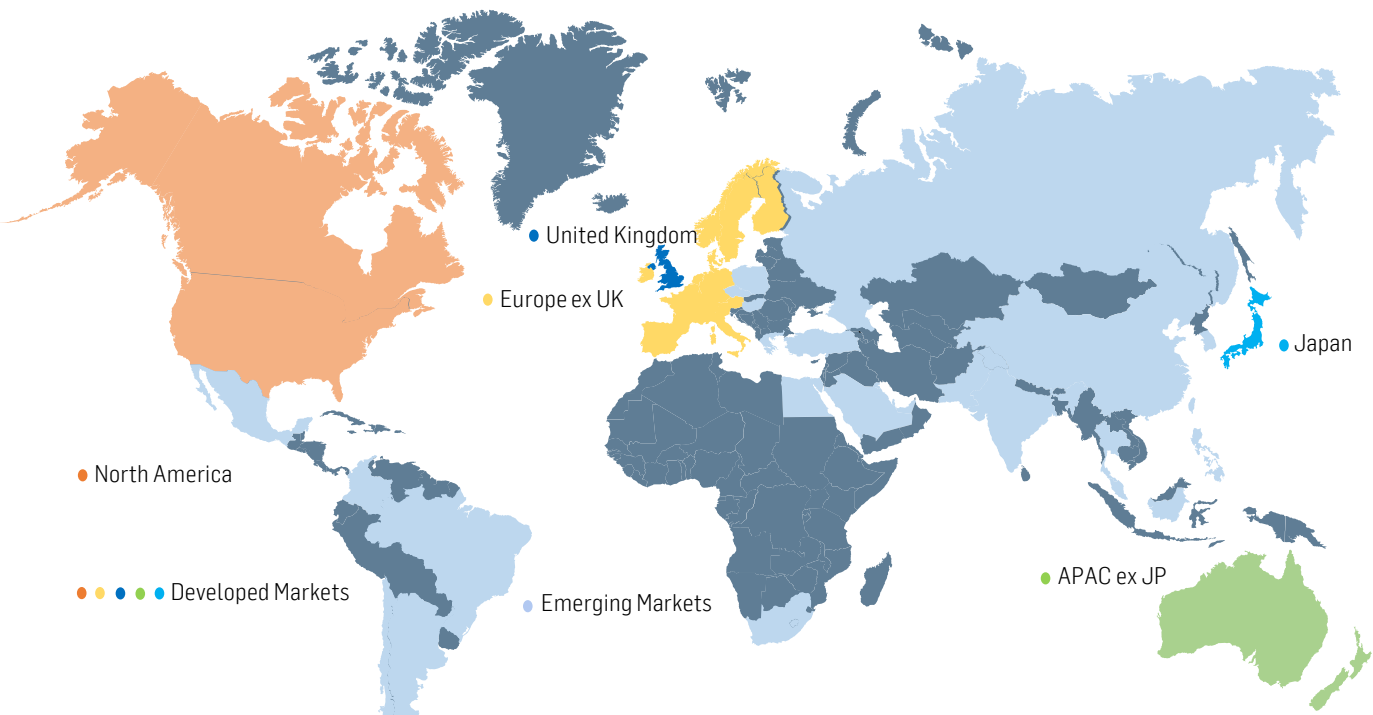
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ESG factors that comprise the L&G ESG scores

Environmental	Social	Governance	Transparency
Carbon emissions	% of women on the Board	% of company held by connected shareholder	Adoption of non-financial (ESG) reporting standards
Quality of carbon-based assets	% of women in the workforce	Shareholders have equal voting rights with each other	ESG-related reporting is externally verified
Revenues generated from "green" products	% of women in management	Separation of Board Chairman and CEO roles	Company reports under the Carbon Disclosure Project
Temperature alignment	% of female executives	% of independent directors on the Board	Disclosure on tax policies and payments
Carbon reserves	Policy on bribery and corruption	Average length of service of the Board directors	Disclosure on director information and biography
Biodiversity programme	Policy on freedom of association	Payment to external auditors for non-audit work versus audit work	Disclosure on executive pay
Water management programme	Discrimination policy	Financial expertise of the audit committee	
Deforestation programme	Policy on the supply chain's social standards	Auditor opinion on the accounts	
	Employee-related incidents and disputes	Lobbying activities (climate lobbying)	
	Business-related incidents and disputes		
	Supply-chain-related incidents and disputes		



# REGIONS AND THEIR CONSTRUCTION




Regional Index	Region	Country
North America	North America	Canada, United States
Europe ex UK	Europe ex United Kingdom	Austria, Belgium, Switzerland, Germany, Denmark, Spain, Finland, France, Ireland, Italy, Netherlands, Norway, Portugal, Sweden
United Kingdom	United Kingdom	United Kingdom
APAC ex JP	DM APAC ex Japan	Australia, Hong Kong, New Zealand, Singapore
Japan	Japan	Japan
Supra-regional Index	Region	Country
Developed Markets	North America	Canada, United States
	Europe ex United Kingdom	Austria, Belgium, Switzerland, Germany, Denmark, Spain, Finland, France, Ireland, Italy, Netherlands, Norway, Portugal, Sweden
	United Kingdom	United Kingdom
	APAC ex Japan	Australia, Hong Kong, New Zealand, Singapore
	Japan	Japan
Emerging Markets	Americas	Argentina, Brazil, Chile, Colombia, Mexico, Peru
	EMEA	The United Arab Emirates, Czech Republic, Egypt, Greece, Hungary, Kuwait, Poland, Qatar, Russia, Saudi Arabia, Turkey, South Africa
	EM APAC	China, Indonesia, India, South Korea, Malaysia, Philippines, Pakistan, Thailand, Taiwan



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