

SOLACTIVE L&G ESG DEVELOPED MARKETS INDEX

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 ESG Developed Markets Index](#) was designed to increase exposure to companies that demonstrate good environmental, social and governance efforts. This is measured by a proprietary Legal and General ESG scoring system which includes the 28 metrics described on the second page below.



Index Design

Starting Universe

Solactive GBS Developed Markets Large & Mid Cap Index (the "Original Index"). The Index includes around 1600 securities

Investable Universe

Step 1

- > Exclude securities on the L&G Future World Protection List, which includes:
 - > Companies involved in or deriving parts of their revenues from controversial weapons
 - > Pure coal mining companies
 - > Companies that do not comply with the United Nations Global Compact screening criteria

Step 2

- > All securities receive an LGIM ESG score
- > Regional sleeves are then determined by tilting the benchmark weight of the securities towards those with the highest score and away from those with the lower one
- > The regional ESG indices are then aggregated according to the market cap weight of each region in the parent benchmark

Step 3

- > The individual weights are modified to manage concentration limits at security and sectors level
- > The following constraints are applied:
 - > Ensure that individual security weight does not deviate by more than 3% from the parent index
 - > A security can not have a weight more than 20 times the original index weight (the parent index)
 - > Sectors deviation can not be greater than +2% or -3% compared to the original index

L&G ESG Developed Markets Index

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ESG factors comprised in the LGIM ESG Score

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
	% of female executives	% of independent directors on the Board	Disclosure on tax policies and payments
	Policy on bribery and corruption	Average length of service of the Board directors	Disclosure on director information and biography
	Policy on freedom of association	Payment to external auditors for non-audit work versus audit work	Disclosure on executive pay
	Discrimination policy	Financial expertise of the audit committee	
	Policy on the supply chain's social standards	Auditor opinion on the accounts	
	Employee-related incidents and disputes		
	Business-related incidents and disputes		
	Supply-chain-related incidents and disputes		

Disclaimer

All numbers on this document are updated as of Q1 2019.

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