

Press release

17 September 2019

LGIM adds to ETF range with launch of responsible investment ETF linked to new Foxberry index

Legal & General Investment Management (LGIM) has partnered with London based index provider Foxberry to launch the L&G Europe Equity (Responsible Exclusions) UCITS ETF (exchange traded fund) for investors seeking a dynamic approach to responsible investing while maintaining broad market exposure.

The new ETF and the Foxberry Sustainability Consensus Europe Total Return Index (the "Sustainability Consensus Index") launched today, has raised €200m from Varma, a leading Finnish pensions insurer that has recently been recognised by the UN-supported, Principles for Responsible Investment (PRI) for work in the sector. With a TER of 0.16%, the ETF is competitively priced and is listed on the London Stock Exchange. The fund uses full physical replication to offer investors direct exposure to its underlying assets.

The Index uses the combined expertise of a sustainability advisory committee to help construct the portfolio. The committee's recommendations for exclusion are implemented systematically with a rules-based methodology. With experts from a diverse range of fields, the committee currently includes luminaries with significant Environmental, Social and Governance (ESG) experience including Tomas Franzen and Gustaf Hagerud who were both instrumental in establishing the responsible investing frameworks of Swedish pension funds AP2 and AP3. They provide insight into corporate responsibility and ESG investing and draws on the expertise of major asset owners, such as institutional pension funds. Researching market developments, the committee monitors companies to identify those engaged in irresponsible behaviour across traditional industry classifications.

Companies are actively assessed against a range of criteria and this dynamic investment approach minimises exposure to companies that are likely to face longer-term challenges from for example, more stringent regulation, consumer boycotts or environmental hazards. Guided by the committee, the fund will exclude companies that become less responsible. It will also account for those companies that become more responsible, which may otherwise be missed by static or sector-based exclusion. To encourage and build on consensus in the investment community, the committee will take a collaborative approach that allows investors and interested parties the chance to review summary findings and contribute insights and suggestions to the process.

As a responsible asset owner, LGIM also engages with the boards of the companies in which the ETF does hold shares to promote best practices. This active engagement in corporate governance can help specifically target any companies that may be flagged by the committee's 'watch list' of companies at risk of exclusion.

Howie Li, Head of ETFs at LGIM, said: *"We have frequently heard from clients that, with an increasing focus towards responsible investing, there needs to be a source of consensus on where capital should be allocated, but also where it shouldn't be. In terms of exclusions, we've seen a variety of different exclusion lists that have been embedded into investment strategies over the years but they are often static or constrained only to certain industries that captured the perspective at a single point in time. Investor expectations and awareness of new issues are constantly evolving and this has highlighted a need for integrating a dynamic investor and expert-led approach to help navigate through the changing landscape. By bringing experts together to collectively evaluate companies, their actions and behaviours on an on-going basis, this ETF is designed to provide the investment community with a dynamic and transparent exclusion approach for their market cap index investment but also provides them with the ability to provide suggestions and contribute to the committee's thought leadership."*

Timo Sallinen, Head of Listed Securities at Varma commented: “Our investment in this ETF reflects our strong belief that a dynamic exclusion approach is required. We also believe that a collective approach is required for responsible investing and we are excited to be part of this initiative in bringing consensus to investment exclusions. We recognise that ESG considerations are important for many investors but there are also investors that are under-resourced to meaningfully research individual companies for exclusion. Through the Sustainability Committee, prospective investors have a forum to maintain a dialogue with its members and build consensus behind the fund’s responsible investment decisions. Sustainability is an integral part of Varma’s investment operations and philosophy, so we are excited to see how this unique partnership with LGIM and Foxberry develops.”

-ENDS-

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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 £1.1 trillion¹. 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.

¹LGIM internal data as at 30 June 2019. These figures include assets managed by LGIMA, an SEC Registered Investment Advisor. Data includes derivative positions

Compliance Reference: M1980

Varma

Varma Mutual Pension Insurance Company is a responsible and solvent investor. The company is responsible for the statutory earnings-related pension cover of 900,000 people in the private sector. Premiums written totalled EUR 5.1 billion in 2018 and pension payments stood at EUR 5.7 billion. Varma’s investment portfolio amounted to EUR 46.5 billion at the end of June 2019.

Foxberry

Foxberry is a London based index provider. Foxberry offers expertise concerning all aspects of index management, providing structuring, analysis and technological capabilities typically only found within the top tier investment banks, but as an independent partner. As such, Foxberry offers their clients some of the key benefits found with fiduciary managers. Foxberry is authorised and regulated by the FCA and registered under the EU benchmark regulation. More information about Foxberry is available on: <https://www.foxberry.com>.

For press enquiries please contact press@foxberry.com

Link to the Foxberry White paper:

https://www.foxberry.com/white_papers/Leveraging_expertise_embedding_dynamism_building_consensus_in_determining_exclusions.pdf

The Advisory Sustainability Committee

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Authorised and regulated by the Financial Conduct Authority

The current members of the L&G Europe Equity (Responsible Exclusions) UCITS ETF's advisory Sustainability Committee represent a diverse range of fields and provide unique insight into corporate responsibility and ESG investing. They are also able to draw on major asset owners – such as institutional pension funds – for greater expertise and will provide unparalleled transparency into their thinking by publishing their meeting minutes and engaging with questions from stakeholders. The committee's composition may expand and change over time in order to add deeper expertise and ensure it remains representative of the investment landscape and global expectations of responsible investment.

Tomas Franzen

Tomas has 35 years of experience from various operative positions within Investment Management. He joined Foxberry as a senior advisor 2017. For the past 15 years, he was Chief Investment Strategist at the USD 38 Bn Second Swedish National Pension Fund – AP2. As a member of the Executive Committee at AP2, Tomas was responsible for guiding the Board of Trustees and the senior management team in designing the fund's Investment Policy since its inception in 2001. Developing systematic portfolio strategies to ESG-factors were a part of his responsibilities. A major overhaul of AP2's Investment Policy during these years, left the fund at the cutting edge of Institutional investing with a well-diversified portfolio across geographies, asset classes and strategies. Before joining AP2 he had various positions as an Economist and Equity strategist with Nordic banks. Alongside his job position at AP2, Tomas also held a mixture of Board, Investment Committee and Advisory Board positions. He was the Chairman of Edhec-Risk Institute International Advisory Board, between 2013-2016. Tomas is also a frequent speaker at investor meetings around the world. He was furthermore the Editor of the Anthology; A Decade of Challenges, A Collection of Essays on Pension and Investment, where he invited 30 global thought-leaders in Pension, Investment Management and Corporate Governance to share their views. Tomas holds a B.A. in Economics from the University of Stockholm and is also a holder of CEFA (Certified EFFAS Financial Analyst) and the Yale SOM-Edhec-Risk Institute Certificate in Risk and Investment Management.

Gustaf Hagerud, PhD

Gustaf is CEO of Resscapital AB. In total, Gustaf has 33 years of experience in the financial industry. Prior to working at Foxberry and Resscapital, he was deputy CEO and partner at Kestrel Investment Partners from 2015 to 2017. Before that, Gustaf was the deputy CEO of the Swedish public pension fund AP3. AP3 has investments in global equities, global bonds, hedge funds, private equity, real estate, forestry, infrastructure, and insurance-linked securities. Gustaf worked at AP3 for seven years. Before that, he worked for 10 years in global tactical asset allocation at Alecta and AP1. Prior to that, he held positions at Nordea and Swedbank as a trader of fixed-income instruments, equities, and foreign exchange. Gustaf holds a PhD in Finance from the Stockholm School of Economics, an MA in Economics from the University of British Columbia, and a BA in Economics from the University of Stockholm. Gustaf has extensive experience of sustainable investments. At AP3, he was responsible for integrating ESG factors into the investment process across all asset classes and sub-portfolios of the fund. He was also the co-author of AP3's sustainability strategy.

Vesa Syrjäläinen

Vesa works as a responsible investment analyst at Varma Mutual Pension Insurance Company, where he develops responsible investments across all asset classes. In 2019, Varma received the highest possible score of A+ for its responsible investment strategy and governance in an assessment by the UN's Principles for Responsible Investment. Varma signed the UN's Principles for Responsible Investment in 2011, and in 2016 became the first Finnish pension company to publish a climate policy, which details its efforts to achieve a lower-carbon portfolio. Vesa holds an MSc in Finance from the University of Vaasa, and he is a CFA Charterholder.

Caroline Ramscar

Caroline is Head of Sustainable Solutions, a role created to develop Legal & General Investment Management's sustainable strategy. She is responsible for engaging clients on sustainability and the development of responsible investment solutions. Caroline joined LGIM in September 2013, initially working with Legal & General Group on its business initiatives with LGIM. She previously worked for Financial Risk Management, where she was head of relationship management, responsible for product launches as well as changes to the wider business. Caroline worked in prime brokerage at UBS, where she coordinated hedge-fund launches. She started her career in the finance division of Goldman Sachs. Caroline has a degree in International Management and French from the University of Bath. As part of her degree, she worked for a year at Barclays in Paris.

David Sahlin

David is chairman and director of Foxberry Ltd. He brings 18 years of experience from the investment-banking industry in London across a range of front-office functions. Before Foxberry, David was head of investor solutions sales for EMEA and Nordic head of global markets sales at Nomura. He was a managing director and part of the European equities executive committee and the global markets global leadership committee. David has held different positions in derivatives and research at J.P. Morgan, Credit Suisse, and Goldman Sachs. David holds an MSc in Physics and an MSc in Business Administration and Economics from Stockholm University

