

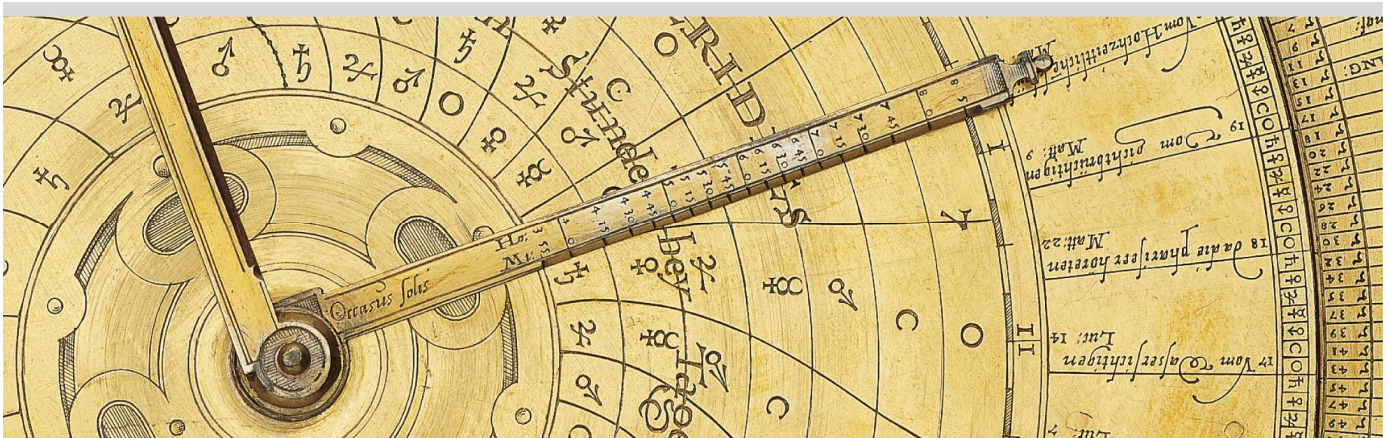


# European SRI Transparency Code

## LGT Sustainable Equity Funds

August 2022

Pfaffikon | New York | Dublin | London | Paris | Vaduz | Dubai | Beijing | Hong Kong | Tokyo | Sydney  
[www.lgtcp.com](http://www.lgtcp.com) | [lgt.cp@lgtcp.com](mailto:lgt.cp@lgtcp.com)



## Contact Information

If you have any queries or require any additional information, please contact us.

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## European SRI Transparency Code

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: [www.eurosif.org](http://www.eurosif.org). The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif on 19 February 2018.

### REVISION OF THE CODE

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

### TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

### GUIDING PRINCIPLE

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

### COMMITMENTS BY SIGNATORIES

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- Responses should be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;
- Signatories are solely responsible for the answers to the questions, and should state this in their response.

### Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of LGT Capital Partners. We have been involved in SRI since 2008 and welcome the European SRI Transparency Code. This is our eleventh statement of commitment and covers the period 01.09.2022 to 31.08.2023. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.

## Compliance with the Transparency Code

LGT Capital Partners is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. LGT Capital Partners Ltd. meets the full recommendations of the European SRI Transparency Code.

**31 August 2022**

## Eurosif classification of Sustainable and Responsible Investment<sup>1</sup> strategies

**Sustainability Themed Investment:** investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

**Best-in-Class Investment Selection:** approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

**Norms-Based Screening:** screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

**Exclusion of Holdings from Investment Universe:** an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

**Integration of ESG Factors into Financial Analysis:** the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

**Engagement and Voting on Sustainability Matters:** engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

**Impact Investing:** impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances<sup>2</sup>. Investments are often project-specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French *fonds solidaires*.

<sup>1</sup> Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016

<sup>2</sup> Global Impact Investing Network (GIIN), "What is Impact Investing?", <http://www.thegiin.org/cgi-bin/iowa/investing/index.html>, 2012

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## 1. List of funds covered by the Code

Name of the fund(s): 1. LGT Sustainable Equity Global Sub-Fund / 2. LGT Sustainable Equity Europe Sub-Fund / 3. LGT Sustainable Quality Equity Hedged Sub-Fund / 4. LGT Sustainable Equity Market Neutral Sub-Fund / 5. LGT Sustainable Quality Equity Sub-Fund					
Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)	Asset class	Exclusions standards and norms	Fund capital as at 31 December	Other labels	Links to relevant documents
<input type="checkbox"/> Best-in-Class Investment section <input type="checkbox"/> Engagement & Voting <input checked="" type="checkbox"/> ESG Integration <input checked="" type="checkbox"/> Exclusions <input type="checkbox"/> Impact Investing <input type="checkbox"/> Norms-Based Screening <ul style="list-style-type: none"> <li>✓ Leading to exclusions</li> <li>✓ Leading to risk management analysis/engagement</li> </ul> <input type="checkbox"/> Sustainability Themed	<b>Passively managed</b> <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input type="checkbox"/> Passive investing –ESG/SRI benchmark: specify the index tracking  <b>Actively managed</b> <input checked="" type="checkbox"/> Shares in a euro area country <input checked="" type="checkbox"/> Shares in an EU country <input checked="" type="checkbox"/> International shares <input type="checkbox"/> Bonds and other debt securities denominated in euro <input type="checkbox"/> International bonds and other debt securities <input type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term monetary assets <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input type="checkbox"/> Alcohol <input checked="" type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Arms <input checked="" type="checkbox"/> Nuclear power <input type="checkbox"/> Human rights <input type="checkbox"/> Labour rights <input checked="" type="checkbox"/> Gambling <input checked="" type="checkbox"/> Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input type="checkbox"/> Biodiversity <input type="checkbox"/> Deforestation <input checked="" type="checkbox"/> CO2 intensive (including coal) <input type="checkbox"/> Genetic engineering <input type="checkbox"/> Other <input checked="" type="checkbox"/> Global Compact <input type="checkbox"/> OECD Guidelines for MNCs <input type="checkbox"/> ILO Conventions <input type="checkbox"/> Other (please specify)	AuM in USD million:  1. 1374 2. 100 3. 1636 4. 197 5. 1795	<input type="checkbox"/> French SRI label <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Luxflag Label <input type="checkbox"/> FNG Label <input type="checkbox"/> Austrian Ecolabel <input checked="" type="checkbox"/> Other (please specify) Belgian Label “Towards Sustainability” (Febelfin)	<a href="#">LGT Sustainable Equity Fund Global</a>  <a href="#">LGT Sustainable Equity Fund Europe</a>  <a href="#">LGT Sustainable Quality Equity Fund Hedged</a>  <a href="#">LGT Sustainable Equity Market Neutral Sub-Fund</a>  <a href="#">LGT Sustainable Quality Equity Sub-Fund</a>

## 2. General information about the fund management company

### 2.1 Name of the fund management company that manages the applicant fund(s)

LGT Capital Partners Ltd.

Address: Schuetzenstrasse 6

8808 Pfaeffikon, Switzerland

Phone: +41 55 415 92 11

Web: <https://www.lgtcp.com/en/>

#### Contact

Alexander Zanker, Head ESG Analytics

Phone number: +41 55 415 94 25

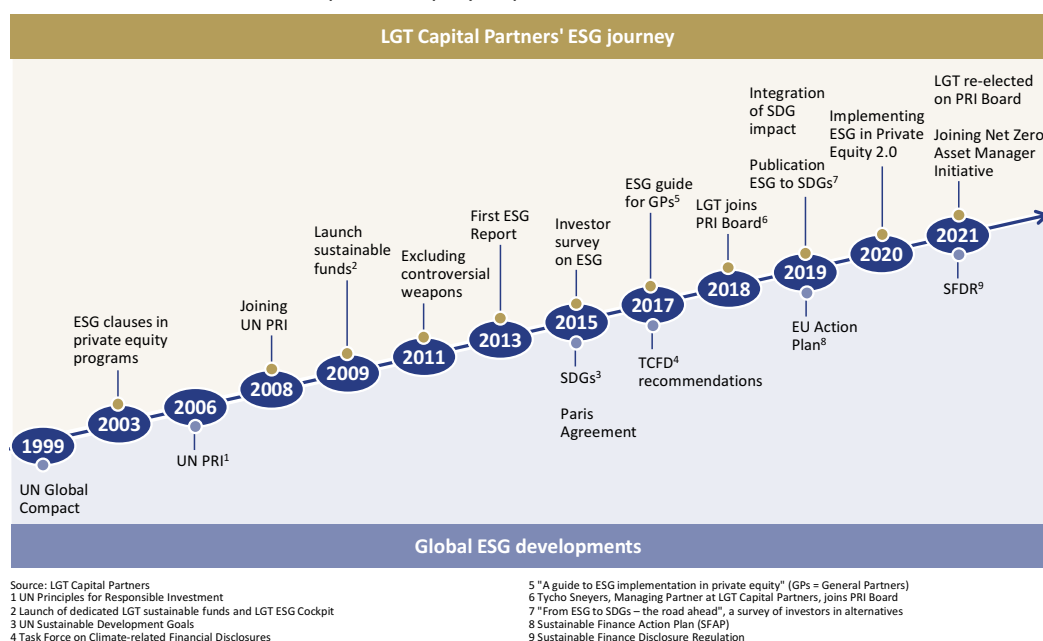
Email address: alexander.zanker@lgtcp.com

### 2.2 What are the company's track record and principles when it comes to integrating SRI into its processes?

#### ESG is part of our culture

Our long-term focus and sustainable investment principles are a core element in our corporate culture and in our investment beliefs. As a family-owned business, it has always been part of our philosophy to act in a way that contributes towards a solid environmental, social and governance foundation. Our owners, the Princely Family of Liechtenstein, were very early in identifying the risks and opportunities in sustainable investments.

LGT CP's long-held commitment to ESG began already in 2003, when we first started integrating a responsible investment clause into the governing documents of many of our investment programs. It authorized us to exclude investments that are substantially exposed to arms-related activities, violations of human rights, irresponsible treatment of the natural environment or other non-ethical conduct. Since then, we have developed asset class-specific approaches to ESG integration across traditional and alternative strategies that fit together into a holistic framework but speak to the needs of each asset class. We have been an early member of the Principles for Responsible Investment (PRI) since 2008, just two years after its founding. In 2009, LGT CP launched its dedicated sustainable bond and equity offerings. In the same year, we also launched our proprietary ESG analytics tool, the LGT ESG Cockpit. We started with concrete private equity impact investments in 2010, and the first dedicated private equity impact fund was launched in 2020.



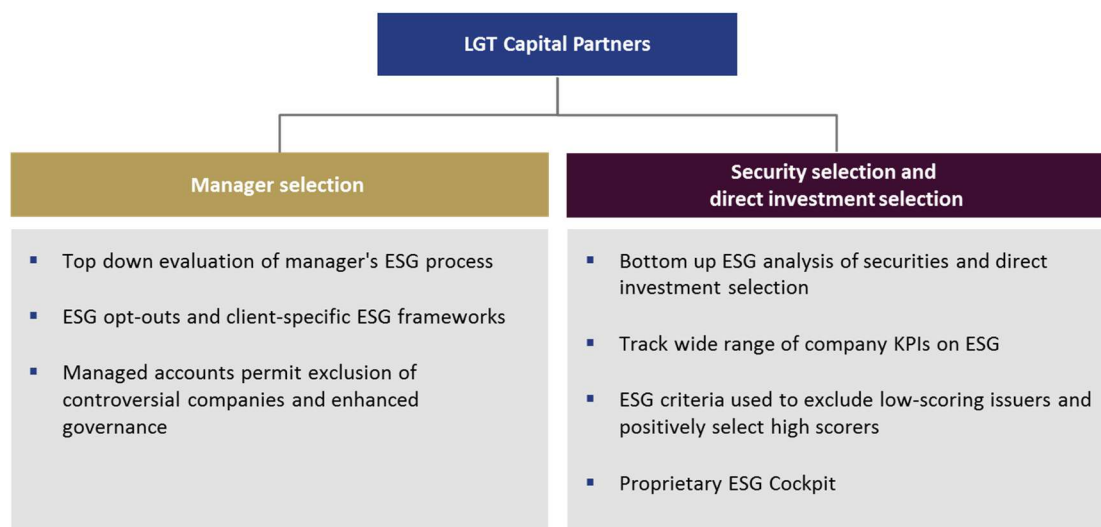


Source: LGT Capital Partners

### **ESG integrated part of investment process**

LGT CP has developed processes to integrate socially responsible investment principles in accordance with the requirements of the various assets classes and investment structures since 2003.

Consideration of ESG issues is an integral part of our investment process, which we have developed to align with the UN's six Principles for Responsible Investment. LGT Capital Partners has been able to take into consideration ESG factors in the areas of alternative investments, equities, bonds, fund-of-fund solutions, direct investment solutions and mandates. Norms-based screening, the exclusion of companies related to controversial weapons from our investment universe, defines a minimum standard of responsible investing across all asset classes.



Source: LGT Capital Partners

More information can be found on the LGT CP website:

- Our commitment: <https://www.lgtcp.com/en/esg-commitment/>

## **2.3 How does the company formalize its sustainable investment process?**

LGT CP has a formal ESG policy in place with strategic guidelines highlighting the importance of various aspects of ESG for our investors, our portfolios and our own business. The policy includes the general principles by which ESG factors are governed and managed. It is up to date with regard to the latest requirements of the EU sustainable finance regulations.

Every investment and every business has an impact on the environment and society. LGT Capital Partners recognizes this fact in the way we manage our investments and our firm.<sup>3</sup> We have a long-held commitment to ensuring that environmental, social and governance (ESG) considerations are incorporated into client programs and into our business. Our ESG policy sets out our vision, philosophy and approach to ESG integration, and it serves as a guiding principle for our investments and business decisions.

<sup>3</sup> LGT Capital Partners includes: LGT Capital Partners Ltd., LGT Capital Partners (USA) Inc., LGT Capital Partners (Ireland) Limited, LGT Capital Partners (U.K.) Ltd., LGT Capital Partners (FL) Ltd., LGT Capital Partners (Dubai) Limited, LGT Investment Consulting (Beijing) Ltd., LGT Capital Partners (Asia-Pacific) Limited, LGT Capital Partners (Japan) Co. Ltd., LGT Capital Partners (Australia) Pty Limited, LGT ILS Partners Ltd., LGT Private Debt (UK) Ltd., LGT Private Debt (France) S.A.S. and ECAS Agent SAS.



A copy of our ESG policy can be found on the LGT CP website:

[https://www.lgtcp.com/shared/.content/publikationen/cp/esg\\_download/LGT-CP-ESG-Policy\\_en.pdf](https://www.lgtcp.com/shared/.content/publikationen/cp/esg_download/LGT-CP-ESG-Policy_en.pdf)

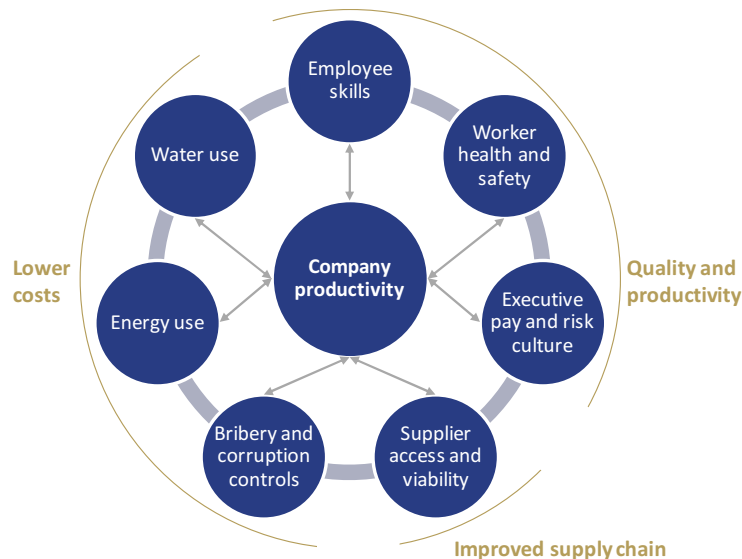
## Strategies

Our equity strategies are dedicated sustainable strategies and ESG considerations are an integrated part of the investment process. The systematic process includes a quantitative negative and positive screen of the investment universe, as well as a further qualitative assessment and engagement by the sector specialists.

### 2.4 How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?<sup>4</sup>

We believe that companies who follow sustainable practices have a competitive advantage in the long-term. Firms with proactive ESG engagement are associated with a lower cost of capital and more likely to mitigate costly legal, reputation and regulatory risks while at the same time creating opportunities. Successfully managing ESG factors can also create operating efficiencies, support value creation and create brand equity. Our approach considers a company's ESG performance through its operations, its products and services, and ESG controversies. Taken together, these dimensions provide a holistic ESG overview that identifies both risks and opportunities. We believe this is important as we want to avoid investing in companies that have a positive impact with their products, but are poorly run and vice versa.

The diagram below shows some of the KPIs that we consider and how they can positively affect a firm.



Source: LGT Capital Partners

On the sovereign side, a country's long-term solvency depends mainly on its future tax income. The basis for the future tax income lays mainly in the efficient use of scarce social, natural and economic resources in order to produce goods and services. Only productive countries will be successful in the long-term and will therefore have a competitive advantage. A country's sustainability rating therefore acts as important indicator, in addition to the traditional credit metrics (debt levels), in order to identify risks and opportunities that are not yet factored into the current prices and are expected to negatively impact tax income, solvency and ultimately spreads. Our country sustainability rating includes indicators such as CO2 intensity, corruption levels or public spending for education.

<sup>4</sup> Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)













## 2.5 How many employees are directly involved in the company's sustainable investment activity?

An independent ESG Committee with associated sub-committees across asset classes continuously reviews the process and the strategy behind our investments. The committee is chaired by Tycho Sneyers, Managing Partner at LGT CP and member of the UN PRI Board. A total of more than 30 people, including ESG Officers as well as senior representatives across all investment units and business development, represent their teams on the committee and contribute to the coordination and development of policies and procedures across investment management, reporting and client service.











































The ESG organizational structure with ad-hoc involvement of external specialists allows us to identify the latest advances in ESG and relevant regulatory changes ensuring that we remain at the forefront of any industry developments. Additionally, the sustainability of investments made by LGT CP is regularly assessed by the ESG Committee and its affiliated sub-committees.

The ESG Committee and Sub-committees:



xx/xx = years at LGT/years investment experience

ESG Committee of LGT Capital Partners					
 <b>Tycho Sneyers</b> Managing Partner 20/26	 <b>Hanna Edström</b> Executive Director 12/16	 <b>Martha Heitmann</b> Partner 14/17	 <b>Franziska Raff</b> Principal 13/15	 <b>Alex Borer</b> Partner 25/31	 <b>Tom Haas Carstensen</b> Executive Director 5/31
Committee Chairman	Liquid Markets	Diversity	Marketing Communication	Liquid Markets	Business Development
 <b>Keimpe Keuning</b> Executive Director 4/21	 <b>Jim Kusters</b> Executive Director 14/18	 <b>Mark Rall</b> Partner 13/25	 <b>Peter Sigg</b> Executive Director 14/21	 <b>Werner von Baum</b> Managing Partner 16/33	 <b>Alexander Zanker</b> Executive Director 11/21
Private Markets	ESG Officer	Fixed Income	Climate Action	Risk & Compliance	LGT ESG Cockpit

ESG Sub-committees									
Liquid Markets		Private Markets		Diversity & Inclusion		Climate Action		Policy & Governance	
 <b>Hanna Edström</b> <sup>1</sup> 12/16	 <b>Ramona Bruesch</b> 4/8	 <b>Keimpe Keuning</b> <sup>1</sup> 4/21	 <b>Martha Heitmann</b> 14/17	 <b>Martha Heitmann</b> <sup>1</sup> 14/17	 <b>Hanna Edström</b> 12/16	 <b>Peter Sigg</b> <sup>1</sup> 14/21	 <b>Alexander Zanker</b> <sup>1</sup> 11/21	 <b>Werner von Baum</b> <sup>1</sup> 16/33	 <b>Alex Borer</b> 25/31
 <b>Siti Dawson</b> 10/15	 <b>Lotta Lammi</b> 3/3	 <b>Sandra Keller</b> 8/8	 <b>Natalie Sediako</b> 5/14	 <b>Nathalie Merkofer</b> 11/16	 <b>Franziska Raff</b> 13/15	 <b>Arlane Maurer</b> 2/5	 <b>Keimpe Keuning</b> 4/21	 <b>Keimpe Keuning</b> 4/21	 <b>Mark Rall</b> 13/25
 <b>Antje Panariello</b> 2/16	 <b>Adrian Doswald</b> 14/23	 <b>Thomas Kristensen</b> 17/19	 <b>Stefan Lügstenmann</b> <1/5	 <b>Benjamin Linder</b> 8/13	 <b>Tycho Sneyers</b> 20/26	 <b>Ralf Piersig</b> 15/15	 <b>Michael Simmeth</b> 20/28	 <b>Tycho Sneyers</b> 20/26	
 <b>Marc Gonzales</b> 14/16	 <b>Manuel Herold</b> 7/16	 <b>Olivier Méline</b> 16/18	 <b>Hartmut Nagel</b> 12/23			 <b>Werner von Baum</b> 16/33	 <b>Davide Zanichelli</b> 7/14		
 <b>Roger Hilty</b> 22/22	 <b>Henry Nordström</b> 2/5	 <b>Robert Schlachter</b> 22/22							
 <b>Peter Sigg</b> 14/21	 <b>Michael Simmeth</b> 20/28								
 <b>Davide Zanichelli</b> 7/14	 <b>Alexander Zanker</b> 11/21								

Regional ESG coordinators	
North America	Asia
 <b>Peter Egli</b> 5/10	 <b>Mikio Kumada</b> 19/27

<sup>1</sup> Chair of the respective ESG Sub-committee  
Source: LGT Capital Partners  
Data as of 30 September 2021

## 2.6 Is the company involved in any RI initiatives?

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility <input type="checkbox"/> EFAMA RI WG <input type="checkbox"/> European Commission's High-Level Expert Group on Sustainable Finance <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input type="checkbox"/> National Asset Manager Association (RI Group) <input checked="" type="checkbox"/> PRI - Principles For Responsible Investment* <input checked="" type="checkbox"/> SIFs - Sustainable Investment Fora <input checked="" type="checkbox"/> Other (please specify) Forum Nachhaltiger Geldanlagen (Forum for Sustainable Investment), Swiss Sustainable Finance	<input checked="" type="checkbox"/> CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.) <input type="checkbox"/> Climate Bond Initiative <input checked="" type="checkbox"/> Green Bond Principles <input checked="" type="checkbox"/> IIGCC – Institutional Investors Group on Climate Change <input checked="" type="checkbox"/> Montreal Carbon pledge <input type="checkbox"/> Paris Pledge for Action <input type="checkbox"/> Portfolio Decarbonization Coalition <input checked="" type="checkbox"/> Other (please specify) Climate Action 100+, Net Zero Asset Manager Initiative	<input type="checkbox"/> Access to Medicine Foundation <input type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> ICGN – International Corporate Governance Network <input type="checkbox"/> Other (please specify)

\*LGT CP is a signatory to the UN Principles of Responsible Investment (PRI) since 2008. In 2017, Tycho Sneyers, Managing Partner at LGT CP and Chair of LGT CP's ESG Committee, was elected to serve on the UN PRI Board for a 3-year term that began on 1 January 2018, enabling him to take an active role in shaping the ESG agenda. He was successfully re-elected at the end of 2020.

## 2.7 What is the total number of SRI assets under the company's management?

Norms-based screening, the exclusion of companies related to controversial weapons from our investment universe, defines a minimum standard of responsible investing across all of LGT CP's USD 81 billion under management as of 30 June 2022.

In 2009, LGT CP launched its dedicated sustainable equity, bond and multi-asset strategies and today manages USD 13.5 billion across this product range as of 31 July 2022. The table below shows an overview of LGT CP's dedicated sustainable investment solutions.

Overview of dedicated sustainable investment solutions <sup>1</sup> – USD 13.5bn (as of 31 July 2022)			
	Fund	Inception of strategy	Assets under Management
Equity	LGT Sustainable Equity Fund Global	30 November 2009	USD 1,301m
	LGT Sustainable Quality Equity Fund Hedged	31 December 2013	USD 1,600m
	LGT Sustainable Equity Fund Europe	30 September 2000	USD 81m
Market-neutral	LGT Sustainable Equity Market Neutral SF	30 September 2017	USD 131m
Multi-asset	LGT Sustainable Strategy 5 Years	1 October 2004	USD 112m
	LGT Sustainable Strategy 4 Years	10 November 1999	USD 350m
	LGT Sustainable Strategy 3 Years	10 November 1999	USD 780m
Fixed income & money market	LGT Sustainable Bond Fund Global	30 November 2009	USD 210m
	LGT Sustainable Short Duration Corporate Bond Fund Hedged	15 December 2011	USD 674m
	LGT Sustainable Bond Global Fund Hedged	22 October 1996	USD 285m
	LGT Sustainable Bond Fund EM Defensive	15 December 2011	USD 160m
	LGT Sustainable Bond Fund Global Inflation Linked	31 May 2004	USD 988m
	LGT Sustainable Bond Corporates SF	28 April 2017	USD 201m
	LGT Sustainable Money Market Funds (EUR/USD/CHF)	19 January 1998	USD 435m
Customized institutional/UHNWI mandates across all sustainable strategies			USD 6,220m
<b>Total sustainable investment solutions</b>			<b>USD 13,529m</b>

Source: LGT Capital Partners

### 3. General information about the SRI fund(s) that come under the scope of the Code

#### 3.1 What is (are) the fund(s) aiming to achieve by integrating ESG factors?

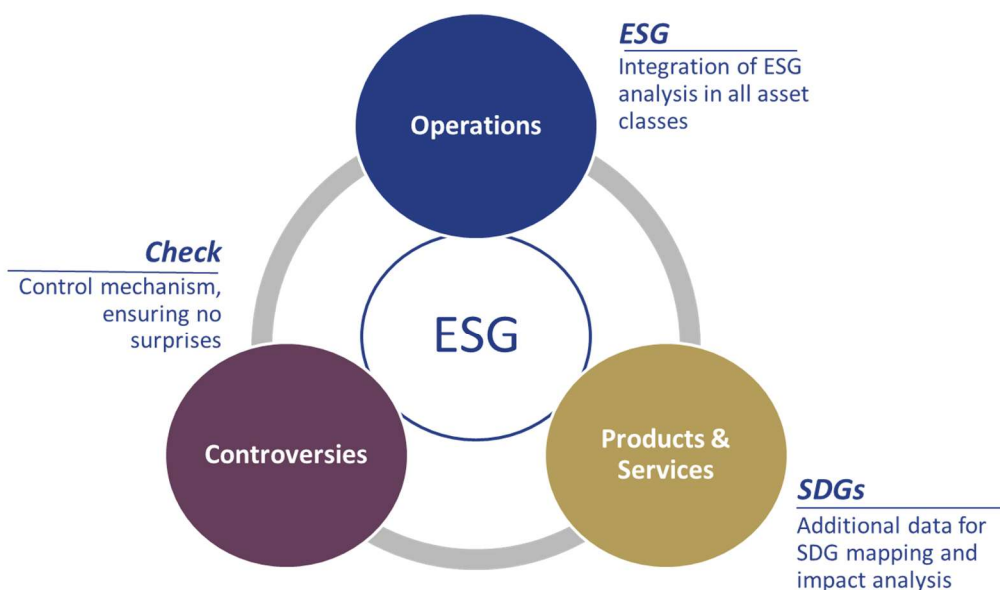
We believe that companies who follow sustainable practices have a competitive advantage in the long-term and that the integration of environmental, social and governance (ESG) criteria in the investment process has a positive effect on risk-adjusted return.

Through our sustainable investing approach we therefore invest in companies that have an outstanding track record meeting our ESG criteria, thus contributing to sustainable social and environmental development, while also creating value and financial returns in the long-term.

We aim to create portfolios with an ESG score exceeding that of the respective benchmark based on our proprietary screening tool using 40 different KPIs, as well as and having a lower environmental footprint than the benchmark.

Our approach considers a company's ESG performance through its operations, its products and services, and ESG controversies. Taken together, these dimensions provide a holistic ESG overview that identifies both risks and opportunities. We believe this is important as we want to avoid investing in companies that have a positive impact with their products, but are poorly run and vice versa.

We are using a holistic approach to the ESG assessment of companies:



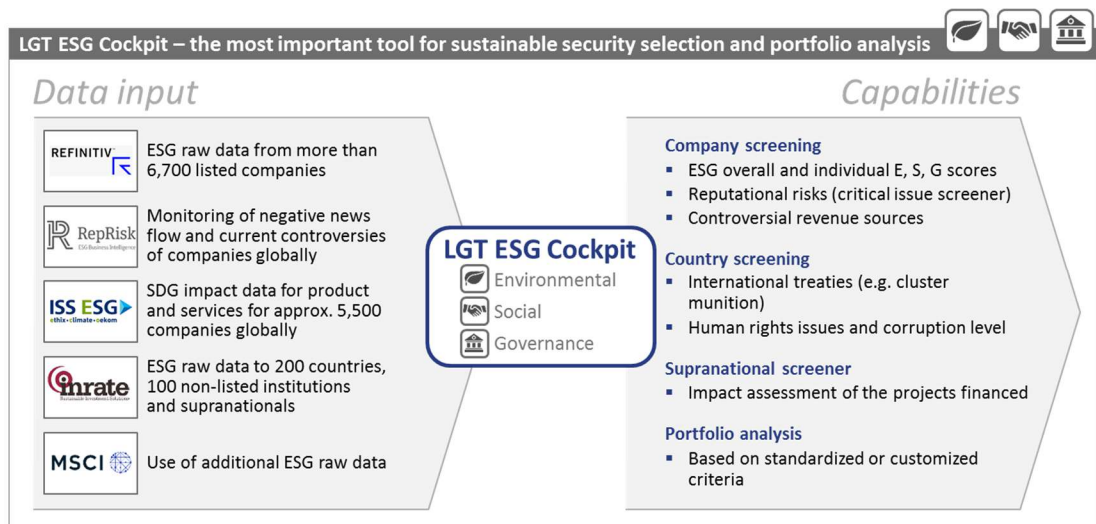
Source: LGT Capital Partners  
SDGs: Sustainable Development Goals

#### 3.2 What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

##### Internal resources

All ESG analysis is conducted internally by the sector specialists in conjunction with LGT CP's proprietary analysis tool, the LGT ESG Cockpit, which has been developed and continuously enhanced over the past decade.

The tool draws on publicly available ESG data from a variety of well-established information providers, including Refinitiv, Inrate, RepRisk, ISS ESG and MSCI. This data is then analyzed using a range of proprietary Key Performance Indicators (KPIs) enables us to assess the ESG performance of companies expressed in a numerical ESG score ranging from 0 to 100.



Source: LGT Capital Partners, Refinitiv, ISS ESG, Inrate, RepRisk, MSCI

The performance is assessed against the closest peer group for most KPIs, with the exception of corporate governance, which is measured against all other companies in the universe. The KPI scores are then aggregated into overall scores for the Environmental, Social and Governance themes separately. These are then combined to form an overall ESG score for the stock.

### External resources

Please find below a short description of the external raw data providers.

	Brief Description of Purpose	Company website
<b>Inrate</b>	ESG raw data for 200 countries, 100 non-listed institutions and supranationals. Inrate collects data from a number of well-known, specialised institutions such as Amnesty International, World Bank and OECD.	<a href="https://www.inrate.com/en">https://www.inrate.com/en</a>
<b>Refinitiv</b>	ESG raw data from approx. 8,000 listed companies. The provider collects data from publications of listed companies.	<a href="https://www.refinitiv.com/en/financial-data/company-data/esg-research-data">https://www.refinitiv.com/en/financial-data/company-data/esg-research-data</a>
<b>RepRisk</b>	Monitoring of negative newsflow and current controversies of companies globally. Company news and articles are continuously screened on over 80,000 publication channels in 15 languages worldwide.	<a href="https://www.reprisk.com/">https://www.reprisk.com/</a>
<b>ISS ESG</b>	ISS ESG brings globally recognized expertise across the full range of sustainable and responsible investment issues, including climate change, SDG-linked impact, human rights, labour standards, corruption, controversial weapons, and many more.	<a href="https://www.issgovernance.com/esg/">https://www.issgovernance.com/esg/</a>
<b>Sustainalytics</b>	We source information on companies involved in the production of controversial weapons from Sustainalytics.	<a href="https://www.sustainalytics.com/">https://www.sustainalytics.com/</a>

MSCI	We source information on business involvements and other specific data items from MSCI ESG research-	<a href="https://www.msci.com/esg-ratings">https://www.msci.com/esg-ratings</a>
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Source: LGT Capital Partners

### 3.3 What ESG criteria are taken into account by the fund(s)?

#### Negative screen

The following companies are excluded from the investment universe:

- Companies that generate income from tobacco, gambling, arms, pornography, nuclear power production, thermal coal production (5% revenue threshold)
- Companies producing electricity with a carbon intensity exceeding a limit compliant with the IEA “Beyond 2°C Scenario” (B2DS).
- Companies that are involved in unconventional oil & gas exploration or extraction or providing dedicated equipment or services (5% revenue threshold) or involved in conventional oil & gas exploration, extraction, refining and transportation or providing dedicated equipment or services (5% revenue threshold). However, there are exceptions within conventional oil and gas, if their absolute production of or their capacity for contributing products/services increases and one out of three additional requirements are fulfilled.
- Companies that are very likely to violate the principles of the UN Global Compact
- Lowest scoring quartile of global universe based on ESG score

#### Positive screen

Following the exclusion criteria, the remaining universe is scored on ESG using a set of proprietary KPIs based on over 200 underlying data points aggregated via our ESG screening tool, the LGT CP ESG Cockpit. Our approach considers a company’s ESG performance through its operations, its products and services, and ESG controversies. Taken together, these dimensions provide a holistic ESG overview that identifies both risks and opportunities. We believe this is important as we want to avoid investing in companies that have a positive impact with their products, but are poorly run and vice versa.

- **Operations:** Companies are screened for positive ESG commitment based on 21 KPIs. For example, we see such opportunities in companies that actively pursue strategies to reduce emissions, improve energy efficiency, adhere to good employment conditions, provide training and follow transparent corporate governance practices. The KPIs that are applied and their respective weights vary across different sectors according to particular characteristics of that specific sector. For instance, carbon emission levels are an important metric for utilities, whereas training and development metrics are relatively more important for IT services. This enables us to focus on factors that are meaningful and material in assessing the ESG characteristics of the company.





Source: LGT Capital Partners, Refinitiv, Inrate

- **Product/service impact:** The impact of firm's product and services are mapped against the UN Sustainable Development Goals (SDGs) that are relevant to those product categories. The impact is measured both based on the severity of the impact as well as the revenue share derived from these outputs.
- **Controversies:** Negative news flow and current controversies relating to a company are monitored through RepRisk, which continuously screens over 100,000 publication channels in 23 languages worldwide. Issues identified by RepRisk are integrated into the ESG tool and translated into a numerical penalty which is deducted from the original ESG score.

Scoring provides a consistent, quantitative approach for defining a universe of possible securities for our portfolio managers and sector specialists. Further information on our ESG analysis and evaluation methodology can be found in 3.5.

### 3.4 What principles and criteria linked to climate change are taken into account in the fund(s)?<sup>5</sup>

Various principles and criteria linked to climate change are integrated across different levels including:

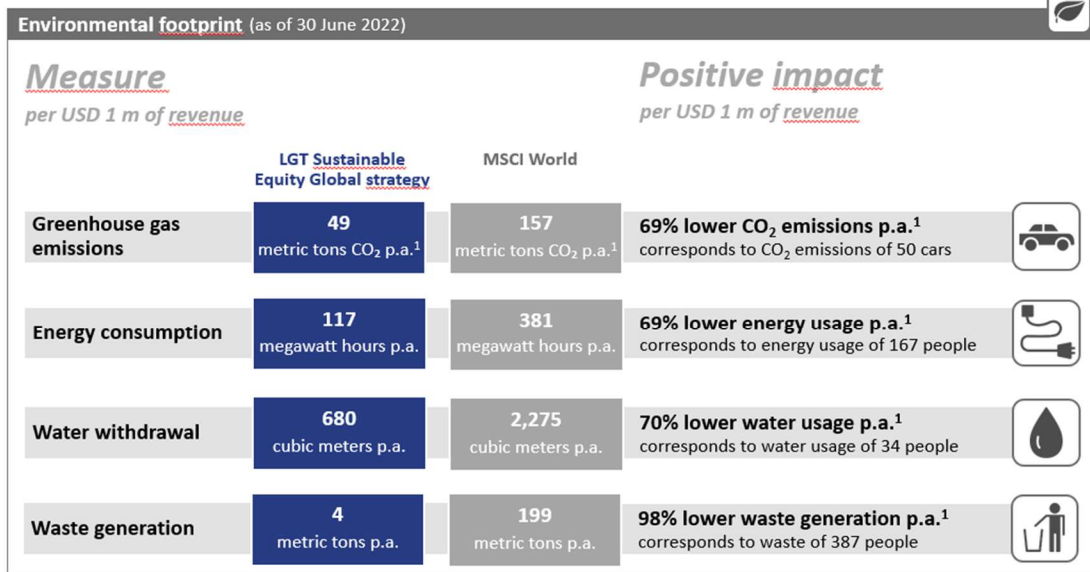
#### Environmental footprint

We actively manage and measure the carbon footprint of our portfolios. Measuring the carbon footprint of the portfolio, benchmark and all individual positions in the investment universe helps to manage portfolio emission levels, thereby mitigating climate related risks. It also allows for the comparison of the portfolio's overall emissions profile with reference indices and other portfolios. This provides sustainable investors who aim to contribute to the reduction of greenhouse gas emissions through their investments with a tangible measure of how successful their portfolio is in achieving this goal.

We target to be at least 20% below the greenhouse gas emission level of the reference index, but typically it is significantly lower. We also target lower levels of energy consumption, water withdrawal and waste generation than the respective reference index.

<sup>5</sup> Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code): <https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>





Source: LGT Capital Partners, Refinitiv

<sup>1</sup> CO<sub>2</sub> and other gases that are recalculated into CO<sub>2</sub> equivalent

The average emission of a new car in Europe equals CO<sub>2</sub> equivalent of 2.16 metric tons per year for driving distance of 20,000 kilometres per year and 107.8g/km CO<sub>2</sub> emission. The average electricity consumption in Europe is 1.581 megawatt hours per capita per year. The average water usage in Europe is 47.085 cubic meter per capita per year. The average amount of household waste in Europe is 0.505 metric tons per capita per year. Calculation basis of 2020 (greenhouse gas, water, waste) and 2019 (energy).

### Alignment with the Paris Agreement

We align with the goals of the Paris agreement with our sustainable equity investments. As the average global temperature is directly linked to the concentration of greenhouse gas in the atmosphere, we assess the alignment of a portfolio to a temperature increase by measuring the portfolio's emissions and comparing the result to a carbon budget derived from an appropriate climate scenario. We specifically use the "Net Zero 2050" (NZE) scenario, developed by the International Energy Agency (IEA).<sup>6</sup>

Portfolio emissions are compared to the budget based on the NZE, with two possible outcomes:

- Portfolio emissions are below or at the NZE budget: the portfolio is aligned with the Paris Agreement.
- Portfolio emissions are above the NZE budget: the portfolio is not aligned with the Paris Agreement

Our target is to be below the respective budget at all times.

### Exclusions

We also exclude coal related activities from our funds (coal mining subject to a 5% revenue threshold, electric power generation from coal leading to an overall carbon intensity not compliant with the "Beyond 2°C Scenario"), as well as oil & gas related activities.

### Key performance indicators

We assess the ESG performance of each investment using several Environmental KPIs (Greenhouse gas (GHG) emissions, energy use, natural resources, waste and emissions, financing impact), using more than 60 different underlying data items. This assessment is part of the positive selection of companies to invest in (we exclude the lowest 25% of the investment universe in terms of ESG performance).

<sup>6</sup> The Net - Zero Emissions by 2050 Scenario (NZE) shows what is needed for the global energy sector to achieve net - zero CO<sub>2</sub> emissions by 2050. Alongside corresponding reductions in GHG emissions from outside the energy sector, this is consistent with limiting the global temperature rise to 1.5 °C without a temperature overshoot (with a 50% probability). Global energy - related and industrial process CO<sub>2</sub> emissions fall by nearly 40% between 2020 and 2030 and to net zero in 2050.

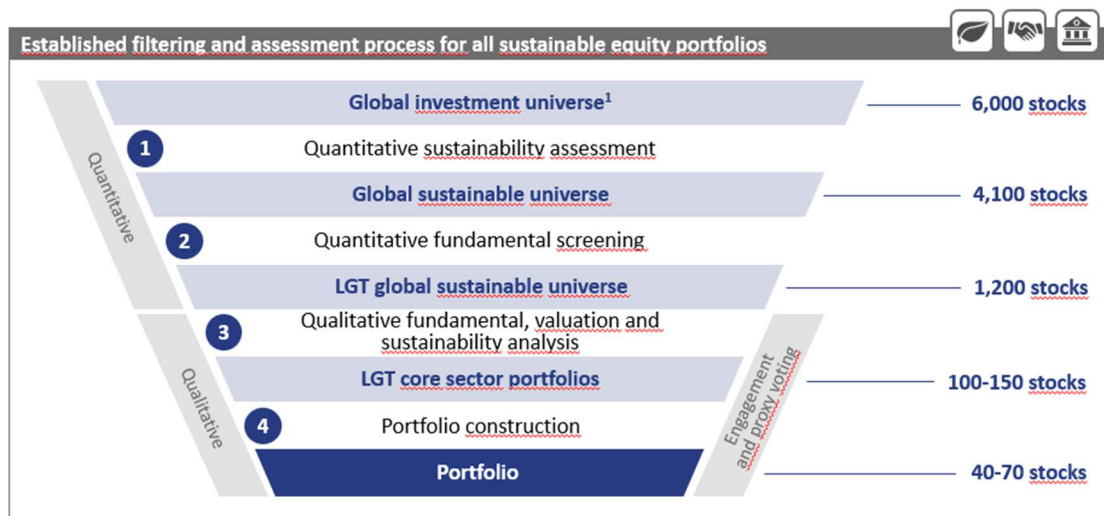
### Sustainable Development Goals

Contributions to the UN Sustainable Development Goal 13 (Climate action) through companies' products and services are also quantitatively assessed and are part of the ESG scoring.

### 3.5 What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

Our ESG selection process for all sustainable portfolios reduces the global investment universe by stages. The sustainability analysis is conducted using a proprietary scoring process which is based on meaningful Key Performance Indicators (KPIs) and our sophisticated and flexible screening tool known as the LGT ESG Cockpit. For further information on the LGT ESG Cockpit please refer to Question 3.2.

The illustration below shows our security selection and portfolio construction process in four steps, of which the sustainability assessment takes place in Step 1 and 3.



Source: LGT Capital Partners

<sup>1</sup> filtered for liquidity criteria, total universe comprises approximately 8,000 companies. Stated numbers of stocks relate to the LGT Sustainable Equity Global SF and are rounded figures.

#### Step 1: Quantitative sustainability assessment

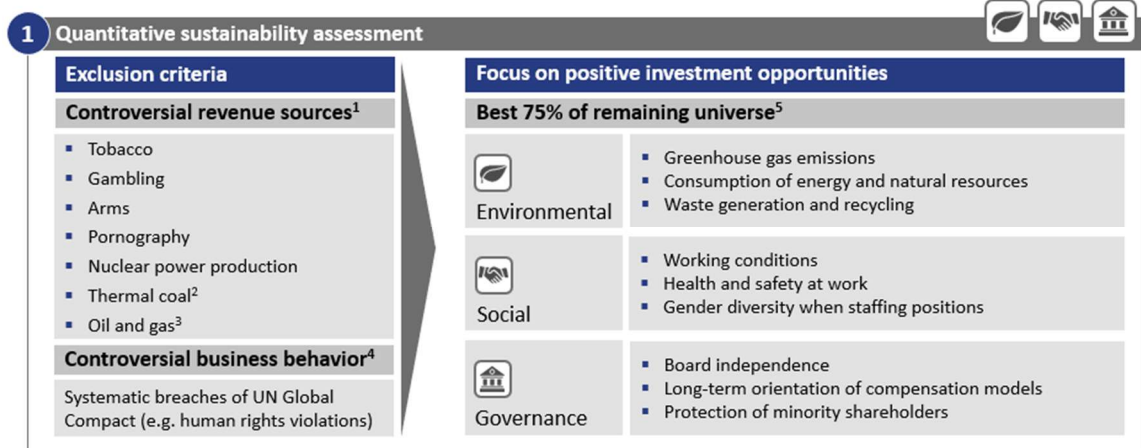
##### Exclusion criteria (negative screening)

The following companies are excluded from the investment universe:

- Companies that generate income from tobacco, gambling, arms, pornography, nuclear power production, thermal coal production (5% revenue threshold).
- Companies producing electricity with a carbon intensity exceeding a limit compliant with the IEA "Beyond 2°C Scenario" (B2DS).
- Companies that are involved in unconventional oil & gas exploration or extraction or providing dedicated equipment or services (5% revenue threshold) or involved in conventional oil & gas exploration, extraction, refining and transportation or providing dedicated equipment or services (5% revenue threshold). However, there are exceptions within conventional oil and gas, if their absolute production of or their capacity for contributing products/services increases and one out of three additional requirements are fulfilled.
- Companies that are very likely to violate the principles of the UN Global Compact.

## Focus on positive investment opportunities (positive screening)

In the remaining and still diverse universe, we focus on positive investment opportunities from a sustainability point of view. We see such opportunities in companies that actively pursue strategies to reduce emissions, improve energy efficiency, adhere to good employment conditions, provide training and follow transparent corporate governance practices.



Source: LGT Capital Partners

<sup>1</sup> A 5% revenue threshold is applied

<sup>2</sup> Thermal coal producers: exclusion if revenue contribution from thermal coal activities exceeds 5% of total revenues or if company produces more than 1% of total global thermal coal production; Utilities: exclusion if average carbon intensity is below the "beyond 2 degree" scenario limit; Utilities that have either a "Science Based Targets initiative (SBTi)" target set at well-below 2° or at 1.5° or a SBTi "Business Ambition for 1.5°" commitment are not excluded. In addition the investments need to comply with the LGT Group coal policy.

<sup>3</sup> Oil and gas: excluded if revenue contribution from unconventional and conventional oil and gas production, oil and gas refining, oil and gas equipment and services and oil and gas pipelines and transportation exceeds 5% of total revenues. However, there are exceptions within conventional oil and gas, if their absolute production of or their capacity for contributing products/services increases and one out of three additional requirements are fulfilled.

<sup>4</sup> LGT CP supports the UN Global Compact framework and we exclude companies that we identify as UN Global Compact violators. Companies are identified as Global Compact violators from a controversial news flow assessment on business misconduct and/or issues related to products/services offered. This includes breaches of fundamental human and labor right, environmental issues and corruption.

<sup>5</sup> Based on ESG total score

The LGT ESG Cockpit aggregates general and sector specific ESG data which is then analyzed using a range of proprietary Key Performance Indicators (KPIs) and enables us to assess the ESG performance of companies expressed in a numerical ESG score ranging from 0 to 100. The performance is assessed against the closest peer group for most KPIs, with the exception of corporate governance, which is measured against all other companies in the universe. The KPI scores are then aggregated into overall scores for the Environmental, Social and Governance themes separately. These are then combined to form an overall ESG score for the stock. The worst scoring 25% of companies are excluded from the investment universe and we focus on the remaining 75%. Scoring provides a consistent, quantitative approach for defining the LGT global sustainable universe.

## Step 3: Qualitative sustainability analysis by sector specialists

Following the quantitative steps, the third step is a qualitative fundamental and sustainability analysis conducted by the sector specialists and includes a controversy check. Based on their analysis and convictions, the sector specialists choose the best 12 to 25 stocks for a sector-specific recommendation list which form the core sector portfolios. In total, the different sector-specific recommendation lists contain approximately 100-150 equities.

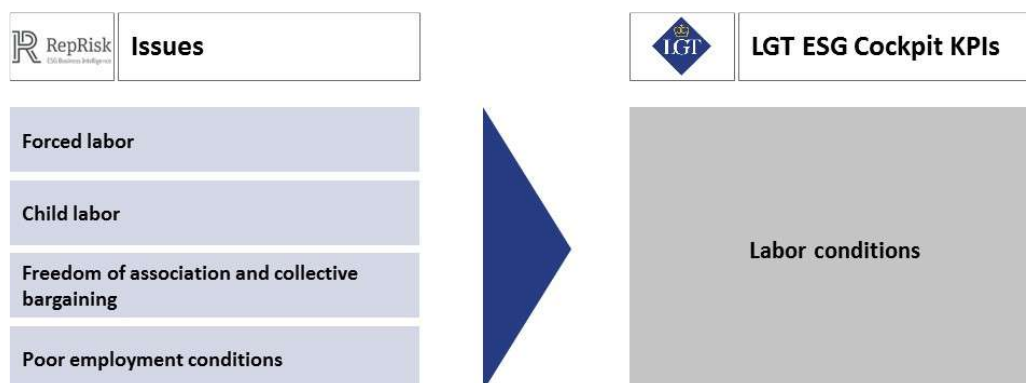
### 3.6 How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

#### ESG Evaluation – continuous monitoring of ESG scores and controversies

The ESG ratings and scores are updated on a weekly basis, or ad hoc, if needed. We systematically monitor companies held in our portfolios and recommendation lists based on their ESG score and negative news flow on an ongoing basis. A controversy alert or sudden drop in the firm's ESG score allows us to identify any negative developments in a timely manner. This enables our analysts to focus on these specific, relevant issues for engagement. In case of such an event, the responsible analyst often addresses the issues directly with the respective company. Following the initial engagement and dialogue, the investment team sets objectives and defines the next steps and follow-ups in cooperation with the LGT ESG Committee. If the company does not take satisfactory steps toward improvement or demonstrates lack of commitment, we escalate our activities by voting against the company in the form of proxy voting or terminating our position.

#### Management of controversies within ESG scoring

In addition to reported ESG data, negative news flow and current controversies relating to a company are monitored through RepRisk, which continuously screens over 100,000 publication channels in over 23 languages worldwide. Issues identified by RepRisk are integrated into the ESG Cockpit and mapped against LGT CP's ESG KPI framework. The illustration below shows an example of how news items categorized by RepRisk are then mapped against the KPI labor conditions.



Source: LGT Capital Partners, RepRisk.

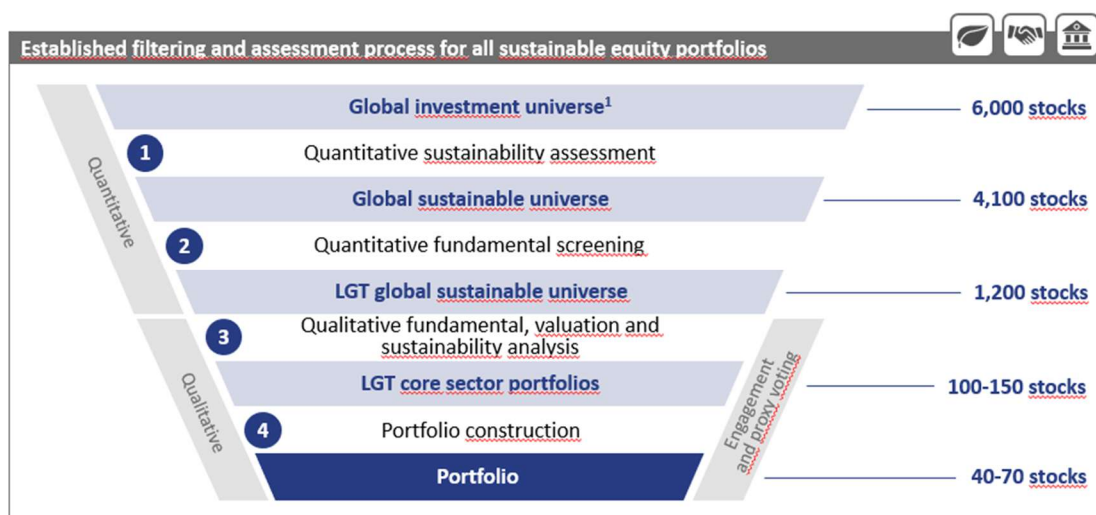
Should a controversy arise, a penalty score is applied to the related KPI. These external news sources go beyond the reported policies and procedures that a company has in place and act as a timely, realistic and effective reflection of how it carries out its day-to-day business operations.

The controversy adjusted scores for each KPI are aggregated into an overall score for the E, S and G themes separately and then further combined to form a total ESG score for the company ranging from 0-100.

## 4. Investment process

### 4.1 How are the results of the ESG research integrated into portfolio construction?

ESG research is an integrated part of the investment process and is summarized in the illustration below. Please refer to Question 3.5 for more detail.



Source: LGT Capital Partners

<sup>1</sup> filtered for liquidity criteria, total universe comprises approximately 8,000 companies. Stated numbers of stocks relate to the LGT Sustainable Equity Global SF and are rounded figures.

#### 4.2 How are the criteria specific to climate change integrated into portfolio construction?

We aim to achieve carbon emissions substantially lower than the respective benchmark figures for all our sustainable investment portfolios. Additionally, we aim to align the portfolio with the Paris agreement. Please also refer to Question 3.4.

#### 4.3 How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

Not applicable as all securities in the fund are subject to ESG analysis.

#### 4.4 Has the ESG evaluation or investment process changed in the last 12 months?

No. The overall investment process and philosophy remains the same. However, we continuously challenge and refine our evaluation models and tools. In the last 12 months, we have enhanced our ESG Cockpit to calculate our portfolios' alignment with the Paris Agreement and added stricter exclusion criteria for the oil & gas sector. Please also refer to Question 3.4.

#### 4.5 Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

No.

#### 4.6 Does (do) the fund(s) engage in securities lending activities?

If so,

(i) is there a policy in place to recall the securities so as to exercise the voting rights?

(ii) does the process for selecting the counterparty(ies) integrate ESG criteria?

The fund has not and does not intend to make use of securities lending. However, the prospectus would allow for securities lending. Please refer to the prospectus for more information.

#### 4.7 Does (do) the fund(s) use derivative instruments?

If so, please describe

(i) their nature;

(ii) their objectives;

- (iii) the potential limits in terms of exposure;*  
*(iv) if appropriate, their impact on the SRI nature of the fund(s).*

The Sustainable Equity Market Neutral Fund uses stock index futures to hedge out the stock market exposure related to the current tactical equity positioning.

For all other sustainable equity funds, derivatives are mainly used for currency hedging purposes and to efficiently control the cash exposure (forex forwards, short futures). If the volatility is high and premiums are attractive, we also consider buying or selling derivatives on equities to a very limited extent. The use of these derivatives does not affect the SRI nature of the fund.

#### **4.8 Does (do) the fund(s) invest in mutual funds?**

*If so, how do you ensure compatibility between the policy for selecting mutual funds and the SRI policy of the fund(s)? How many funds can be held?*

No.

### **5. ESG controls**

#### **5.1 What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?<sup>7</sup>**

Risk management and compliance is an important aspect of all stages of the investment process. The portfolio manager carries out daily checks in order to verify that the fund is invested in accordance with the strategy, the set bandwidth limits and is not in violation of any investment restrictions. The monitoring of the ESG criteria is carried out using the LGT ESG Cockpit described in Question 3.2. Additionally, the independent Risk Management & Compliance team also continuously monitors the portfolios' adherence to all investment guidelines, including ESG criteria. In the event of a breach of investment restrictions, an escalation process is in place. Furthermore, risk management sends portfolio managers daily alerts of any companies in the global universe with ESG scores that have fallen into the bottom 25th or 35th percentile.

### **6. Impact measures and ESG reporting**

#### **6.1 How is the ESG quality of the fund(s) assessed?**

The LGT ESG Cockpit also allows us to analyze the individual E, S and G dimensions of a portfolio as well as the aggregated ESG performance of overall investment portfolios based on score between 0 and 100. These scores can then be compared to the results to other portfolios or benchmark indices. We also measure the carbon footprint along other environmental impact measures and compare these to the relevant benchmark indices.

#### **6.2 What ESG indicators are used by the fund(s)?<sup>8</sup>**

We compare the overall ESG scores, as well as individual E, S, and G scores for the overall investment portfolio to the relevant benchmarks. We also provide a sector breakdown of this information.

Additionally, we measure the carbon footprint along other environmental impact measures and compare these to the relevant benchmark. Furthermore, we provide a sector breakdown of the carbon footprint, analyzing the impact of sector allocation and stock selection within sectors on the carbon emissions associated with the fund portfolio holdings.

<sup>7</sup> Reference to Article 173 of the French TECV Act

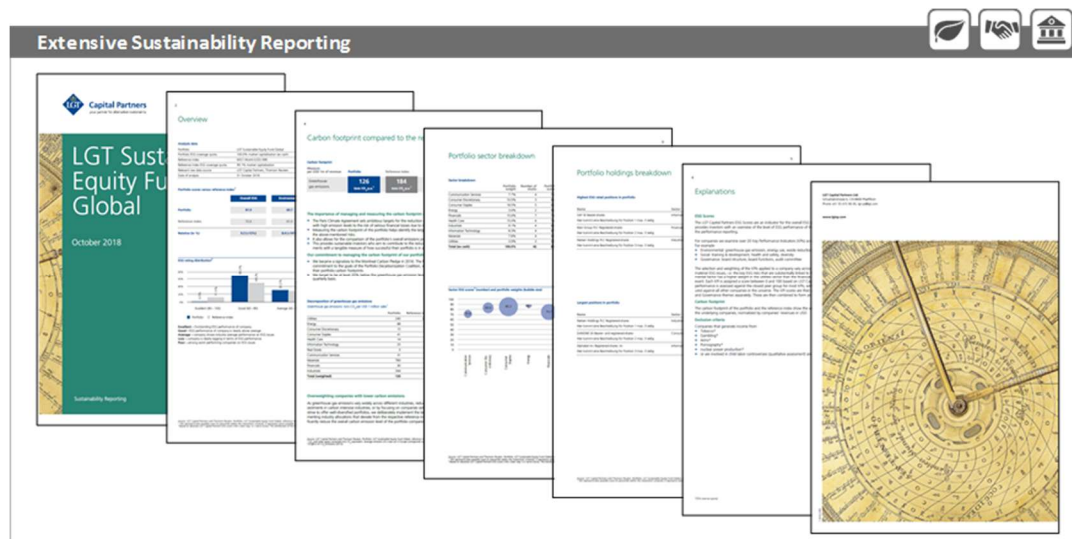
<sup>8</sup> Reference to Article 173 of the French TECV Act



### 6.3 What communication resources are used to provide investors with information about the SRI management of the fund(s)?

The reporting for the strategy includes a quarterly sustainability reporting which focuses on the following measures:

- An analysis of the portfolio's ESG score versus the benchmark both on an aggregate level and across the Environmental, Social and Governance dimensions.
- ESG score and rationale for the highest rated ESG positions and the largest portfolio holdings.
- Alignment of Paris agreement with top contributors.
- Carbon footprint versus the benchmark including an attribution analysis by sector.
- Additional environmental footprint measures compared to the benchmark.
- Sustainable Development Goals (SDG) impact analysis including comments on highest rated positions.



Source: LGT Capital Partners.

### 6.4 Does the fund management company publish the results of its voting and engagement policies?<sup>9</sup>

We do not publicly disclose our voting actions. Upon request, we provide statistics on our voting activity. We provide an annual active ownership report summarizing our engagement activities:

[https://www.lgtcp.com/shared/.content/publikationen/cp/investment-papers/Brochure\\_Active\\_Ownership\\_Report\\_2021\\_Sustainable-Equities\\_en.pdf](https://www.lgtcp.com/shared/.content/publikationen/cp/investment-papers/Brochure_Active_Ownership_Report_2021_Sustainable-Equities_en.pdf)

LGT CP also publishes an annual ESG Report that summarizes how ESG considerations have been implemented in portfolios across asset classes and aims to quantify the outcome. This holds all of our internal investment teams accountable. The report is available on our website:

<https://www.lgtcp.com/en/news-and-publications/publications/#tabsContainer2>

<sup>9</sup> Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE



## Risk Factors

Prior to investing, investors should carefully consider the associated risks. The value of an investment can fall and the originally invested amount may never be recovered. Investors should consider the following risks, without limitation:

**Market risk:** The risk of losses in positions arising from movements in market prices.

**Currency risk:** The risk of losses arising from currency fluctuations, in case the currency of an investment is different from the investor's reference currency.

**Liquidity risks:** Adverse effects created by the situation where the fund must sell assets where insufficient market demand exists and lower price levels must be accepted to execute a transaction.

**Operational risks:** The portfolio may suffer losses as a result of insufficient internal processes or systems, misbehavior of employees or external circumstances.

**Political and legal risks:** Investments are exposed to changes in the rules and standards applied by the country under the respective jurisdiction. This includes restrictions on currency convertibility, the imposition of taxes or transaction controls, limitations on property rights or other legal risks. Investments in less developed financial markets may expose the portfolio to increased operational-, legal- and political risk.

## Important Information

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ESG investment strategies integrate environmental, social and governance (ESG) factors into the investment process. Investors should note the Investment Manager's assessment of ESG characteristics may change over time and the ESG conclusions of the Investment Manager might not reflect the ESG views of investors. There is no guarantee that a company meets the expectations in relation to ESG. LGT CP integrates an assessment of Sustainability Risks into its investment processes. The results of this assessment and the potential impact on returns may vary. LGT CP or the appointed manager may rely on third-party ESG data or research providers to produce any ESG-related analysis. Such data or research may be imprecise, incorrect or unavailable and the resulting analysis may be impacted. It is considered that the policies adopted to assess and mitigate Sustainability Risks may mitigate such risks to the fund. This Sub-Fund is considered to meet the criteria of an Art. 8 fund under EU 2019/2088. Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this fund presents disproportionate communication on the consideration of non-financial criteria in its investment policy. Further, it is considered that the name of this fund is disproportionate to the AMF's consideration of non-financial criteria. The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities. Further details on ESG integration and sustainability-related stewardship can be found on [lgtcp.com](https://lgtcp.com).

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