

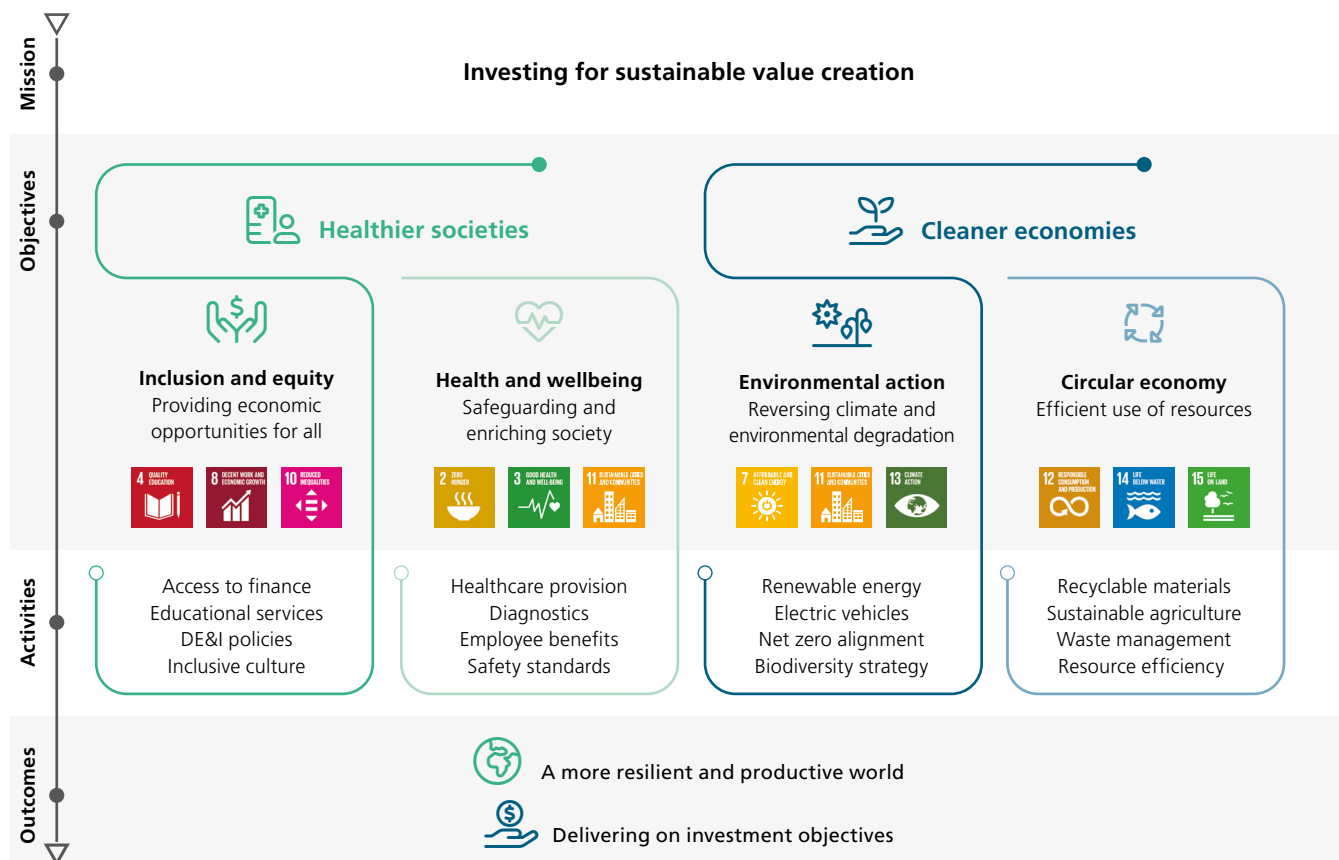
## Sustainable investment proposition exclusion policy

### Introduction

Our sustainable investment strategy is centred on choosing investments that are positioned to both contribute to and benefit from the shift towards a more sustainable economic model, specifically by fostering 'Healthier societies' and 'Cleaner economies.'

Within these two overarching mega trends, our framework emphasises four key investment pillars – inclusion and equity, health and wellbeing, environmental action and circular economy – which guide our research, portfolio construction and reporting.

### UN SDGs in action: our sustainable investment framework



We believe that identifying investments that align with our framework requires rigorous qualitative analysis supported by quantitative data. This approach evaluates both the positive and negative aspects of an investment's operational and product footprint, allowing us to account for the inherent nuances and complexities of sustainable analysis. However, we recognise that certain product areas are materially misaligned with our framework. Therefore, we implement revenue-based screens to formally exclude exposure to these areas.

Our formal exclusions are not an exhaustive list of all product areas that we aim to limit exposure to on sustainability grounds. Instead, they provide guardrails for our detailed selection process.

## LGT Group exclusions

### Controversial weapons

Since 2012, LGT has excluded companies that are involved in the manufacture and sale of controversial weapons. The term controversial weapons refers to military weapons that either cause combatants disproportionate suffering or that if used, result in a large number of innocent victims, especially civilian victims. The majority of these weapons are banned or prohibited under international treaties, meaning that manufacturing or using them is illegal in many countries. Companies that are involved in the manufacture, storage and delivery of controversial weapons, such as atomic weapons, land mines, cluster bombs and cluster munitions, as well as biological and chemical weapons are excluded, with a 0.1% revenue threshold applied.

### Thermal Coal

Since 2020, LGT has excluded companies that are involved in mining coal that is used in energy production. Companies involved in mining thermal coal will be excluded if the contribution to revenues generated through thermal coal activities exceeds 5% of their total revenues, or if they are responsible for more than 1% of global annual thermal coal production. Utilities with significant exposure to electric power production (defined as deriving more than 20% of their revenues from electric power generation) are also excluded from LGT's direct investment universe if their average carbon intensity is above 354g CO<sub>2</sub> / kWh for 2022. This ceiling will be lowered every year and will be 197g CO<sub>2</sub> / kWh by 2030 and zero by around 2060, thus following the carbon intensity trajectory used by the International Energy Agency (IEA).

## LGT Wealth Management sustainable investment proposition exclusions

In addition to the LGT Group exclusions, the LGT Wealth Management sustainable investment proposition also includes two further formal exclusions. Both are based on their negative contributions to personal and public health and the associated social impacts.

### Tobacco

Tobacco use is one of the leading causes of death globally, responsible for over 8 million deaths annually and a key contributor to over 20 different types of cancer. Using tobacco products significantly increases the risk of developing a wide range of both acute and chronic diseases, including lung cancer, heart disease and strokes. The detrimental effects on personal health are scientifically proven, and the broader societal impacts, while harder to quantify, are also evident. These include increased strain and costs on healthcare systems, as well as a loss of productivity due to illness and absenteeism. Analysis carried out by Economics for Health has shown the economic cost of smoking to be over USD 1.8 trillion a year, equivalent to 1.8% of global GDP.<sup>1</sup>

We exclude companies with revenues over 0.1% derived from the production of tobacco products or with revenues of 10% derived from the distribution of tobacco products.

### Alcohol

While moderate alcohol consumption is generally not linked to significant health risks, excessive drinking is one of the leading causes of addiction and non-communicable diseases worldwide. For instance, excessive alcohol consumption increases the risk of developing liver disease, diabetes and cardiovascular disease. The widespread nature of excessive alcohol use places significant strain on healthcare systems, with the World Health Organisation (WHO) estimating that 4.7% of all deaths registered globally are linked to alcohol consumption, with over 200 million people living with alcohol dependence.

We exclude companies with revenues over 5% derived from alcohol production and manufacturing. We also exclude businesses that derive more than 25% of revenue from the sale of alcohol.

<sup>1</sup> [www.economicsforhealth.org/files/research/523/UIC\\_Economic-Costs-of-Tobacco-Use-Policy-Brief\\_v1.3.pdf](http://www.economicsforhealth.org/files/research/523/UIC_Economic-Costs-of-Tobacco-Use-Policy-Brief_v1.3.pdf)

## Application and monitoring

### Direct investments

As part of the initial due diligence process, all direct holdings (equities and bonds) are screened to see if they breach any of the revenue limits. On an ongoing basis, the approved list of direct assets are reviewed quarterly to ensure that they still comply with the exclusion policy.

### Third party funds

As part of the initial due diligence process, fund policies are reviewed to see if they have complimentary formal exclusions, or if their positive selection criteria means that they will not invest in investments that would contravene our exclusion policy. Underlying fund holdings are then assessed to ensure this is reflected. On

an ongoing basis, approved funds are reviewed quarterly to ensure that they still comply with the exclusion policy.

LGT Wealth Management utilise MSCI ESG data to apply the exclusions.

### Escalation approach

If a holding is flagged as breaching one or more of the exclusion thresholds it will trigger a review. This review will first establish the context of the breach and if there are any issues with the data. When considering third party funds the management team will be engaged as part of the process. If the findings of the review show that the holding is in breach of our policy the asset will be sold.

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