Sustainable investments at LGT Capital Partners

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1. Introduction

LGT Capital Partners ("LGT CP") believes 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. This document sets out our positions on critical issues considered in our investment processes that apply to all dedicated sustainable equity, fixed income and multi-asset co-mingled funds[1] of LGT CP. We are well aware that on some of these topics opinions can differ and we can therefore offer tailor-made solutions for discretionary mandates to suit clients' needs. Overall, we aim to have a positive influence on the environment and communities with our investments and with our business operations.

1.1 ESG Commitment

LGT CP has a long-held commitment to incorporating ESG considerations into its client programs and its business overall. Since 2003, many of our private market programs have had a responsible investment clause written into their governing documents. In 2009, LGT CP launched its dedicated sustainable equity and fixed income offerings. In addition, the firm has been a signatory to the United Nations' Principles for Responsible Investment (PRI) since 2008. In 2021 LGT CP joined the Net Zero Asset Manager Initiative, an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius.

1.2 Scope

LGT CP believes that responsibility and sustainability are key considerations in investment decisions. Accordingly, the firm strives for the highest ESG standards. We believe that we can only invest successfully for our clients by taking a long-term approach, which includes a strict commitment to ESG principles.

Our investment portfolios focus, in particular and amongst others, on the following areas:

- **Environment**: efficient use of natural resources, reduction of energy usage, reduction of pollution and waste, compliance with environmental regulations
- **Social**: consideration of employee working conditions, job creation, diversity and compliance with labor laws and regulations including human rights conventions
- **Governance**: upholding a culture of good corporate governance, board composition and board matters, compliance with corporate codes of ethics, abiding by all relevant corporate laws and regulations

1.3 ESG Governance Structure

An independent ESG Committee with associated sub-committees across asset classes continuously review the strategy of our investments and monitors adherence to our standards. A total of more than 30 professionals, including ESG Officers and other senior representatives across the investment and business units, represent their teams on the committee and contribute to the coordination and development of policies and procedures across investment management, reporting and client service.

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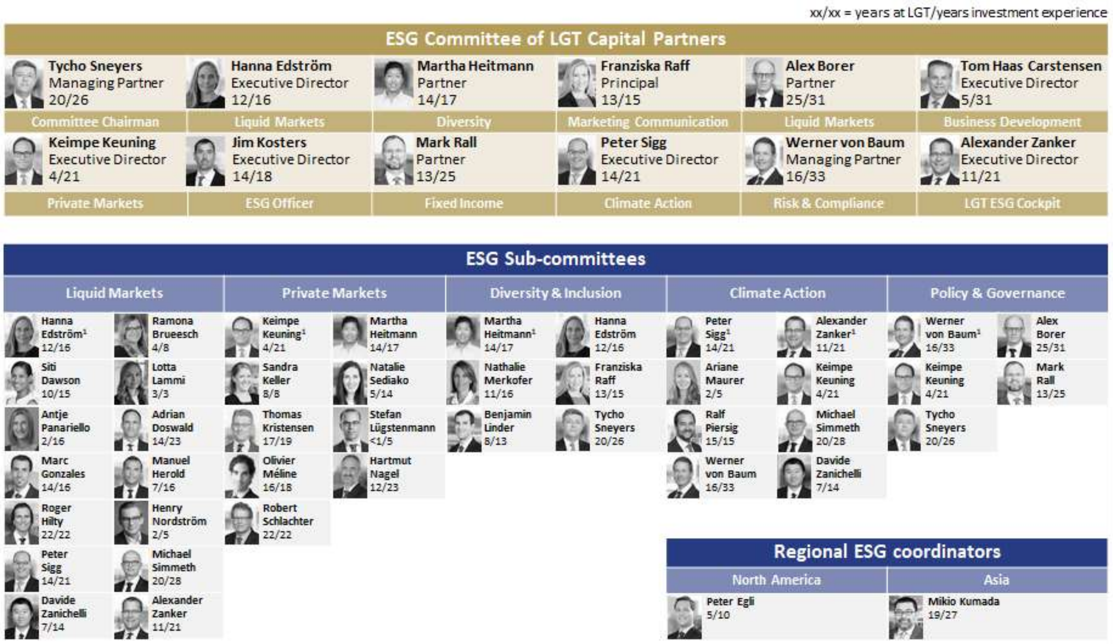
[1] applies to direct security selection



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

1.4 LGT CP ESG Cockpit

The ESG assessment is implemented using the in-house developed LGT CP's ESG Cockpit, a powerful, flexible and state-of-the-art tool. Based on a multitude of ESG raw data, the tool enables the scoring of issuers on over 40 Key Performance Indicators (KPIs), as well as the measurement of their environmental footprint, impact on the Sustainable Development Goals (SDGs) and alignment of the emission levels with the Paris Agreement. Furthermore, LGT CP's ESG Cockpit enables the aggregation of these measure on portfolio level and allows for comparison against benchmark indices or other portfolios. Today the focus has clearly shifted to real-world outcomes and with our analytical tools we can measure and compare many different sustainability aspects of a liquid portfolio. This to make sure that our investors can be part of contributing to a more sustainable development of the economy.

1.5 The UN Sustainable Development Goals (SDGs)

In 2015, all United Nations Member States adopted the Sustainable Development Goals (SDGs). These goals are officially called the 2030 Agenda for Sustainable Development. It provides a shared blueprint for peace and prosperity for people and the planet and is a successor to the Millennium Goals.

As part of our ESG integration activities, we include the SDGs in our analysis. We use these goals as indicators to identify positive and negative impacts of an investment on sustainable social, environment and economic development.

1.6 Positive Impact

LGT CP believes in the positive impact of responsible and sustainable business activities during the investment process. We favour investments that accelerate the combat against climate change, aid the preservation of the environment, improve quality of life and encourage sustainable business practices. We believe that investments that have a positive impact on society and/or the environment and high governance standards add value for our investors. In addition, sustainable investing pressures for change in terms of technological and social progress. Therefore, our sustainable funds target substantially lower CO2-emission level and higher ESG-scores compared to their benchmark.

1.7 Active Ownership

Pursuing active ownership is an integral part of LGT CP's investment approach for our sustainable equity and fixed income strategies . We actively exercise our voting rights and engage with companies that we invest in. We believe that over the long-term, a well-developed relationship between a company and its investors can lead to increasing shareholder value and superior returns. LGT CP has the fiduciary responsibility to influence companies and issuers of securities in the most favorable way for their investors, society and other relevant stakeholders.

We are in constant dialogue with the companies we are invested in and encourage them to adapt to the highest standards in terms of transparent reporting and disclosure of relevant additional information as well as to industry best practice standards. Should a company be affected by serious controversial news flow, as measured by LGT CP's propriety system, the investment team will initiate an engagement process in order to examine the situation. If the company does not take satisfactory measures, the respective ESG committee will decide on further punitive measures including a complete divestment. On an annual basis, we publish an engagement report. The report gives an overview of the reach of our engagement, contains a special focus topic and go into more details around some of our engagements.

With respect to proxy voting, LGT CP is closely following the SRI International Proxy Voting Guidelines provided by the Institutional Shareholder Services Inc. (ISS). As part of this collective of 1,900 investors, we aim to have a more significant impact on the accountability of large corporations and their actions. In addition, we are committed to an active collaboration with other sustainable financial investors as represented in our various signatories including the UN PRI, the IIGCC and the Climate Action 100+ initiative.

1.8 Adapting to a fast changing sustainable environment

LGT CP recognizes the fast changing nature of sustainable investing. While our fundamental approach and philosophy remain constant, we continuously review our sustainable investment process and implement enhancements to remain at the forefront of developments. For LGT CP, it is important that the investment process is state-of-the-art and reflects the needs and requirements of our clients.

LGT CP recognizes different views on exclusions based on the region or beliefs of our clients. Therefore, additional exclusions can be applied in a customized solution depending on client preferences and beliefs.

2. Position on Exclusions

Our aim is to provide investors with exposure to investment solutions that contribute to sustainable long-term financial value. Through our sustainable investing approach, we therefore invest in companies that have a good track record meeting our ESG criteria, thus contributing to the improvement of human well-being, while also creating value and financial returns in the long-term. The following activities are excluded from LGT CP's global sustainable equity, fixed income and multi-asset co-mingled funds.[2]

2.1 Gambling

Betting money with the intention to win additional money is considered as gambling. Gambling can have a significant negative influence on the gambler's life and society as a whole. Gambling also potentially fosters money laundering or organized crime and we therefore prefer not to invest and contribute to this sector.

Accordingly, we exclude companies that generate more than 5% of total net revenues from gambling activities, including operating a casino and receiving royalties from gambling machines manufactured. Companies that have a stake in betting shops, amusement arcades or any other business that derives revenue from gambling are also excluded.

2.2 Nuclear Power

Generating nuclear power is a controversial method for producing electricity and raises concerns due to the use of radioactive materials. Nuclear power generation comes with substantial risks and unsolved problems, such as the storage of radioactive waste, safety and nuclear proliferation. We consider nuclear power generation to entail too many risks, particularly as it can be substituted with safer options that cannot harm the quality of life and the environment.

Thus, we exclude companies that generate more than 5% of total net revenues from producing nuclear energy.

[2] applies to direct security selection

2.3 Oil & Gas

The framework formulated by the Intergovernmental Panel on Climate Change (IPCC) to limit global warming to well below 2° Celsius compared to pre-industrial times, creates new unprecedented challenges for the oil and gas sector.

Additionally, the exploration and production of oil and gas reserves can often have adverse impacts on the environment and host communities. Especially unconventional oil and gas extraction poses strong environmental, climate and societal risks. The potential impacts to the environment include stress on surface water and ground water supplies, contamination of surface and ground water and air pollution resulting from the release of greenhouse gases, hazardous air pollutants and volatile organic compounds (VOCs).

Companies in the sector are exposed to increasing environmental regulations and safety risks, especially from its oil and gas upstream, refining and petrochemicals business. Government and societal efforts towards less carbon-intensive sources of energy pose significant business and credit risk, given the potential for these policies to reduced future demand for oil, gas and refined products. LGT CP supports the framework formulated by the Intergovernmental Panel on Climate Change (IPCC) to limit global warming to well below 2° Celsius compared to pre-industrial times, which has been signed by over 190 countries in the Paris agreement. In order to combat climate change and to move our portfolios to support the transition to a low-carbon economy, we have decided to exclude unconventional oil and gas activities from our investment universe and limit investments in the conventional oil and gas sector.

2.3.1 Unconventional oil and gas

Companies involved in the exploration or extraction of unconventional oil and gas or providing dedicated equipment or services therefore are excluded if their revenue contribution from these activities exceeds 5% of their total revenues. Unconventional oil and gas extraction comprises:

- the extraction of tar/oil sands
- shale oil
- shale gas
- arctic drilling
- ultra-deep-water drilling

Companies with plans to increase absolute production of or capacity for unconventional oil and gas-related product/services are also excluded.

2.3.2 Conventional oil and gas

In scope are companies involved in the exploration, extraction, refining and transportation of oil and gas or providing dedicated equipment or services therefore.

Companies are excluded if their revenue contribution from these activities exceeds 5% of their total revenues.

A company is eligible for investment under any of the two conditions:

I. their revenue contribution from the listed harmful activities does not exceed 5% of their total revenue;

II. their absolute production of, or their capacity for contributing products/services increases and it has been demonstrated through our validation process initiated by the sector specialists that at least one of the following can be shown:

- more than 15% of capital expenditure (CapEx) of the company are dedicated to contributing activities (those can consist of activities included in the EU Taxonomy or other economic activities that contribute to environmental or social objectives; for example, if the renewable energy capacity increases, this would fulfil this criteria),

- less than 15% of CapEx are dedicated to oil and gas-related activities and not with the objective of increasing revenue, the company is eligible for investment.
- the company has a Science Based Target set at well below 2 Degree Celsius or 1.5 Degree Celsius, or have a “SBTi`s Business Ambition[3] for 1.5 Degree Celsius”.

2.4 Thermal coal & limitations on Utilities

While it is expected to see a further increase in demand for reliable and affordable energy, in particular from developing countries, there is a widespread scientific acceptance that primary energy generation needs to dramatically transition from fossil fueled to renewable in order to reduce CO2 emissions.

We at LGT CP support the framework formulated by the Intergovernmental Panel on Climate Change (IPCC) to limit global warming to well below 2° Celsius compared to pre-industrial times, which has been signed by over 190 countries in the Paris agreement.

In order to combat climate change and to move our portfolios to support an energy supply that is consistent with a scenario compliant with the Paris agreement[4], we have decided to exclude thermal coal extraction and power generation from coal fired power plants from our investment universe.

Electric power generation from coal is a very significant contributor to global CO2 emission and generates many other polluting emissions. Coal fired power production is already today not compliant with any scenario limiting global warming to 2° Celsius or less. Therefore, we apply the following exclusions to our investment universe:

2.4.1 Thermal coal production

Companies involved in mining of thermal coal will be excluded if their revenue contribution from thermal coal activities exceeds 5% of their total revenues, or if they produce more than 1% of total coal production[5].

2.4.2 Utilities

Utilities deriving more than 20% of their revenues from electric power generation will be excluded if their average carbon intensity is above 354 g CO2 / kWh. This maximum will become increasingly lower year after year and move to 197 g CO2 / kWh by 2030 and to zero by around 2050, following the carbon intensity trajectory used by the IEA (see Table 1).

Utilities deriving less than 20% of revenues from electric power generation will be excluded if their revenue contribution from thermal coal activities exceeds 5% of their total revenues.

We also exclude Utilities that plan to add energy generating capacity from coal in their business plans. Exceptions would have to be approved by a majority in the respective ESG sub-committees, following an extensive due diligence process.

We will closely monitor the process and may decide to take measures to tighten our requirements and threshold levels, by changing to a different climate scenario or due to the appearance of regulation.

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[3] Business Ambition for 1.5 Degree Celsius is a campaign led by the Science Based Targets initiative in partnership with the UN Global Compact and the We Mean Business coalition. The “SBTi`s Net-Zero Standard” initiative provides the guidance and tools companies need to set science-based net-zero targets. Currently the initiative develops a new methodology for companies in the sector to set science-based targets. https://sciencebasedtargets.org/sectors/oil-and-gas

[4] We are using the International Energy Agency (IEA) «Beyond 2-Degree» scenario, (B2DS), see for example IEA – Energy Technology Perspectives (2017). The B2DS explores how far deployment of technologies that are already available or in the innovation pipeline could take us beyond the 2DS. Technology improvements and deployment are pushed to their maximum practicable limits across the energy system in order to achieve net-zero emissions by 2060 and to stay net zero or below thereafter, without requiring unforeseen technology breakthroughs or limiting economic growth. It is consistent with a 50% chance of limiting average future temperature increase to 1.75° Celsius.

[5] Source: IEA Coal Information 2020. Rolling three year averages are used for global coal production figures

Diagram 1: process overview

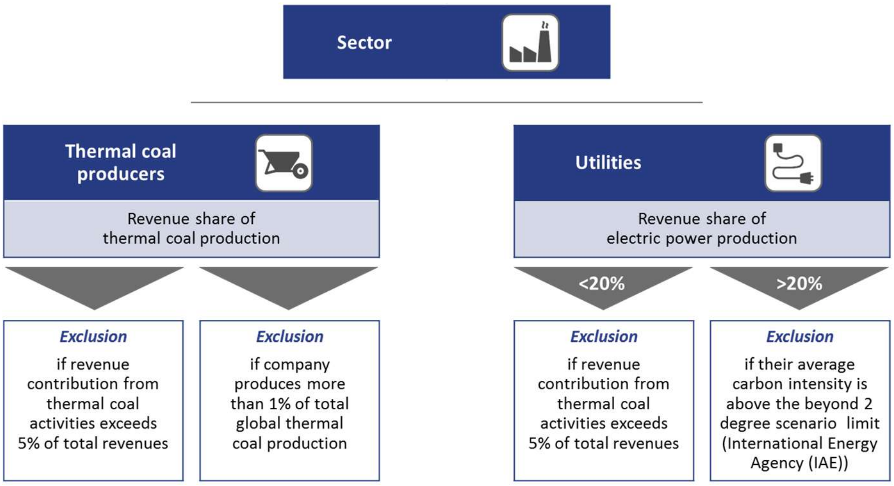

Table 1: CO2 intensity per year from the IEA (BSDS scenario)[6]

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
CO2 Intensity (g CO2 / kWh)	393	374	354	335	315	296	276	256	236	217	197

2.5 Tobacco

Smoking tobacco constitutes a significant threat to public health. It increases the risk of developing serious health issues that can result in irreversible long-term damages. Tobacco is one of the reasons for developing serious chronic diseases such as cancer or heart diseases and can seriously impact respiratory conditions. As a responsible investor, we aim to avoid investments that harm the well-being of society and increase social costs.

Hence, we exclude companies that generate more than 5% of total net revenues from producing tobacco or acetate for the use in cigarette filters only.

2.6 Weapons

We believe that weapons have a disproportional and extensive impact on humanity, designed to execute physical force upon people by other people. Weapons have an unpredictable long-term impact on quality of life, which we consider to be unacceptable. Besides the ethical convictions, a company’s compliance with the applicable legal and regulatory framework is critical for us. We therefore include several international treaties and conventions in our considerations.

We exclude companies that generate more than 5% of total net revenues from armaments. This includes companies whose services or products are oriented towards armaments or warfare, those who undertake modifications for military use and those that produce vehicles, planes, armaments or any combat materials used by the military.

2.7 Pornography

We view pornography as an industry with a disparaging nature. According to our values and beliefs, human dignity is a fundamental right for every human being and pornographic products foster the exploitation of people, sexual violence or discrimination.

We therefore exclude companies that generate more than 5% of total net revenues from pornographic materials, video games (rated adult-only) with excessive nudity and sexuality, as well as through providing pornographic content through TV channels.

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[6] Energy Technology Perspectives 2017, International Energy Agency, 2017; https://www.iea.org/etp2017/, B2DS scenario

2.8 UN Global Compact

The United Nations Global Compact[7] is a voluntary initiative to encourage all businesses regardless of size, complexity or location to adopt sustainable and social responsible policies. The UN Global Compact provides a universal language for corporate responsibility and a principle-based framework. The framework states ten principles in the areas of human rights, labor, the environment and anti-corruption.

Table 2: UN Global Compact Principles

Area	Principle	Comment
Human rights	1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	2	make sure that they are not complicit in human rights abuses
Labor	3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
	4	the elimination of all forms of forced and compulsory labour
	5	the effective abolition of child labour; and
	6	the elimination of discrimination in respect of employment and occupation
Environment	7	Businesses should support a precautionary approach to environmental challenges
	8	undertake initiatives to promote greater environmental responsibility; and
	9	encourage the development and diffusion of environmentally friendly technologies
Anti-corruption	10	Businesses should work against corruption in all its forms, including extortion and bribery

The UN Global Compact exists since 2000 and currently around 10,000 companies are participants. The participants need to submit an annual Communication on Progress Report. The United Nations do not assess a company's behavior, only participants that do not communicate are expelled.

We at LGT CP support the UN Global Compact framework and exclude companies that we identify as UN Global Compact Violators.

2.8.1 Identifying UN Global Compact Violators

Identifying companies as Global Compact Violators results from assessing controversial news flow on business misconduct and/or issues related to products/services offered. This assessment therefore always remains subjective to a certain degree.

We use RepRisk news as basis for assessing violations of the Global Compact principles. This starts at deriving a numerical score ranging from 0 to 10[8] that expresses the level of controversies for each company and each RepRisk issue. Time decay, severity and source reach are all taken into consideration to score the news.

Out of all RepRisk issues, the following issues are linked to the respective Global Compact principles:

[7] www.unglobalcompact.org
[8] 10 represents the best possible score which means no controversies, 0 represents the worst possible score

Table 3: RepRisk issues mapped to UN Global Compact principles

Global Compact categories	RepRisk Issues
Human rights	• Impacts on Communities • Human Rights Abuses and Corporate Complicity
Labor	• Freedom of Association and Collective Bargaining • Forced Labor • Child Labor • Social Discrimination
Environment	• Impacts on landscapes, ecosystems, and biodiversity • Local Pollution • Waste Issues • Overuse and Wasting of Resources • Products (Health and Environmental Issues)
Anti-corruption	• Corruption, Bribery, Extortion and Money Laundering • Fraud

Companies that have a controversy score of 0 or 1 for one of the RepRisk issues linked to the Global Compact Violators are then identified as Global Compact Violators and excluded.

2.8.2 Exclusions – Workflow

Companies identified as Global Compact Violators are marked in the ESG Cockpit. They are also highlighted in the daily ESG portfolio checks from Risk Management.

If companies that are invested in portfolios subject to ESG exclusion restriction are added to the Global Compact Violators list, a passive violation will result that has to be dealt with using the standard approach defined. This could result in challenging the underlying news items related to the identification as Global Compact Violator.

If a portfolio manager would like to invest into a company that is being flagged as Global Compact Violator, the relevant underlying items can also be challenged.

3. Positions on additional topics

In addition to the exclusion of controversial industries and sub-sectors described above, LGT CP has defined additional sensitive industries and business areas that require heightened attention with respect to Environmental, Social and Governance issues. While these policies do not refer to a necessary exclusion, LGT CP encourages companies in these fields to improve disclosure and processes in order to adapt to best practice principles as described below.

3.1 Alcohol

The production and distribution of alcohol is a legal activity in most countries, but often subject to strict policies and regulations by governments and other authorities. Alcohol is consumed globally, with few exceptions due to religious or cultural restrictions. The global average consumption of pure alcohol is at 6.4 liters per year for persons older than 15. The widespread consumption results in a significant level of excessive consumption, with severe negative consequences on individuals' health, socioeconomic status, as well as harm to others through alcohol. On a global scale, 5.3% of all annual deaths are attributable to alcohol, 13.5% of deaths in the age bracket from 20-39 years.

Within our sustainable investment activities, we take a number of accepted global standards into account, including but not limited to the United Nations Global Compact. This pact is calling for commitments from the private sector to take action in supporting the UN Sustainable Development Goals (SDGs).

SDG 3, target 3.5 in particular, addresses the issue of the harmful use of alcohol. In response to this issue, the World Health Organisation (WHO) adopted the 'Global strategy to reduce the harmful use of alcohol'. The strategy lays out challenges and opportunities to reduce the harmful use of alcohol. The WHO points out that new partnerships and engagement of all relevant stakeholders as well as major global frameworks such as the SDGs represent significant opportunities to confront the harmful use of alcohol. The successful implementation of the global strategy will require active collaboration not only with member states, but also with appropriate engagement of international development partners, civil society and the private sector including the alcohol industry.

Therefore, the support and commitment on achieving the goals of reducing harmful use of alcohol from alcohol producers is very important. Based on that rationale, we at LGT Capital Partners (LGT CP) do not think that outright excluding alcoholic beverage producers from sustainable investment activities is the best approach. Instead, we believe that applying a positive selection process for alcohol producers, accompanied by an effective engagement approach can lead to better outcomes.

Next to a quantitative sustainability assessment, we perform a detailed and ongoing qualitative analysis of companies in the alcohol industry and only invest in companies that have policies and practices in place to address responsible marketing, consumption and sale of their products. Our in-depth analysis in particular includes an assessment if:

- the company has measures in place that align with the WHOs Global Strategy regarding reduction of harmful drinking
- the company has active measures in place to reduce harmful drinking
- their marketing strategy is adapted to prevent alcohol abuse
- its ESG policy is in line with the SDGs and executed accordingly, incl. but not limited to human rights, water usage and carbon footprint

Finally, being a signatory of the UN Principles of Responsible Investment (PRI) since 2008, we also consider active ownership practices to be an effective way to support SDG 3.5. Our investment strategy in the alcohol industry includes compulsory corporate engagement with the issuers we invest in. The size of LGT CPs' in-house funds and our image as a high quality sustainability investor strengthens our position as an engaged investor. LGT CPs detailed engagement process is being defined in our Active Ownership Policy. Our engagement in this sector is particularly focused on:

- Responsible drinking programs
- Responsible marketing
- Efforts regarding no and low alcohol products
- Human rights
- Environmental impact

3.2 Biodiversity

Biodiversity refers to the variety of animals, plants and ecosystems that provide invaluable benefits to human health and well-being. Additionally, biodiversity underpins the economy and provides goods and services. Yet global trends in biodiversity continue to decline. The Global Assessment Report on Biodiversity and Ecosystem Services states that human actions threaten more species with global extinction now than never before. The loss of diversity poses a serious risk to global food security by undermining the resilience of many agricultural systems.

LGTP CP closely monitors companies operating in industries that could damage the biodiversity. Companies involved in strong controversies on biodiversity are excluded through our Global Compact Violator framework.

Palm oil is one of the biodiversity topics frequently appearing in our controversy screening. Companies involved in strong palm oil controversies are contacted and a clarification statement is demanded. This clarification statement is reviewed by the sector specialist and the ESG team. Depending on the assessment, the company stays eligible for investment or will be excluded.

Additionally, companies operating in relevant industries are graded on their activities to reduce the impact on biodiversity, which is included in the ESG assessment. The relevant qualitative measure is called Biodiversity Impact Reduction and it assesses if a company reports on its impact or on activities to reduce its impact on biodiversity. Moreover, indicators influencing biodiversity like water use, efficiency and pollutants, waste generation and toxic substances are included in the environmental assessment of a company.

LGT CP also measures the impact of companies on the 17 Sustainable Development Goals (SDGs), of which two goals explicitly focus on terrestrial and on marine ecosystem: SDG 14 Life Below Water and SDG 15 Life On Land. The impact of a company's products and services as well as its operations on the SDGs are quantitatively covered. Companies with strong negative impact on SDG 14 and 15 are closely monitored

3.3 Gender and Diversity

Many studies have shown the business benefits of employing a diverse workforce. There is a huge advantage for firms to draw on the competence from a large pool of ideas, perspectives, opinions and approaches to drive innovation and growth.

LGTP CP closely look into how companies are handling the gender and diversity topic. In our ESG assessment, diversity is a dedicated key performance indicator of our social pillar. Factors flowing into the diversity indicator assessment are for example the number of female employees and managers, number of employees with disabilities, diversity and opportunity policy and targets, flexible working schemes and day care services.

In addition, a company that has a product contributing positively towards the Sustainable Development Goal (SDG) 5 Gender Equality gets an uplift to the ESG score. With our SDG framework, we can further monitor the operational impact of a company on SDG 5 Gender Equality and SDG 10 Reduced Inequalities.

3.4 Mining

The mining industry remains a crucial player and enabler for economic activities in almost every industry. At the same time, mining activities can have a potentially negative impact on land use and ecosystems, affecting local communities and facing governance issues like bribery and corruption. On the other hand, the sector plays a vital role in the energy transition from fossil fueled power generation to renewables, where the extraction of basic materials is a prerequisite for wind turbines, solar panels or electric vehicles.

We expect companies from the mining sector to fulfil industry best practice standards and have established a framework of relevant indicators in order to monitor policies, effective reported data and controversial news flow. Our framework is based on the International Human Rights Standards and the industry specific guidelines of the International Council on Mining & Metals (ICMM).

We focus on the following relevant policies and data points:

Energy consumption & waste

- Trend in energy consumption intensity
- GHG emission intensity and growth trend versus industry metrics
- Waste generation and degree of hazardous waste both measured against industry metrics
- Scope of site that is ISO 14000 certified or existing of have an environmental management system
- Policy on biodiversity impact reduction
- Policy on land environmental impact reduction

- The amount of water used for operations

Labor conditions & safety

- Policy on compliance with Human Rights Convention of the ILO
- Percentage of employees organized in trade unions
- Human rights processes on child labor and forced labor
- Total number of injuries and fatalities versus industry metrics
- Total hours of health & safety training versus industry metrics

Other

- Supplier and Supply Chain monitoring: application of minimum environmental and health & safety standards to suppliers and along the supply chain
- Community relations and measures of engagement
- Partnerships with NGOs

As we are aware of a high level of governance issues in the past, we apply a strict monitoring of controversial news flow and adjust our company assessment accordingly.

Being a responsible investor, we take our ownership role very serious and are committed to a regular dialog with the companies we are invested in[9].

3.5 Pollution and Waste

Waste disposal has huge environmental impacts and can cause serious pollution problems. The way we dispose waste is troubling and affects the environment in multiple ways: contribution to climate change, negative impacts on wildlife and natural environment and its detriment to the public health.

Of all the waste produced, plastic waste has one of the greatest potential to harm the environment, wildlife and human health.

“Of all the plastic that ever existed: more than half was produced in the last 15 years and 91% has never been recycled” (The Story of Plastics).

LGTP CP closely monitors companies operating in industries with high amounts of waste and big pollution potential. Companies involved in strong controversies on waste or pollution issues are excluded through our Global Compact Violator framework. The specific waste and pollution issues monitored are:

- Local pollution
- Waste issues
- Climate change, GHG emissions, and global pollution

Additionally, companies are graded relative to their industry on their waste generation and hazardous waste generation levels. Further indicators used in our ESG assessment include the waste recycling ratio, nitrogen oxides (NOx) and sulfur oxides (Sox) emissions, accidental spills, e-waste and initiatives to reduce toxic substances.

LGT CP also addresses the topic pollution and waste within their proactive engagement efforts, where LGT CP is focusing on the reduction and recyclability and setting targets for the specific company. We base our framework on the UN “towards a pollution free plant” report, which offers best practice examples to avoid and mitigate various forms of air-, water- and land pollution as well as treatment of chemicals and waste.

[9] More details about LGT CP’s active company relations can be found in LGT Capital Partners Active Ownership Policy (on request)

3.6 Taxation

Tax revenues form an important part of a well-functioning society. The globalized economy has brought complex legal structures where taxable income from investments and earnings can be moved across national borders to other countries. In most cases, this is legitimate in order to prevent double taxation, but in other cases, it is contrary to the intention of the tax law. There has been growing focus on preventing aggressive tax planning and achieving increased transparency in the area of taxation.

LGT CP recognizes the need for a common framework for responsible tax behavior and supports these developments as part of the controversy screening. Companies are monitored on their controversies on tax evasion and tax optimization. Additionally, if a company has severe and systematical controversies related to corruption, bribery, extortion and money laundering or fraud it is excluded through our Global Compact Violator framework.

3.7 Water

Global warming and climate change negatively affect the predictability of water availability and pose great challenges for every region in the world. In some regions, droughts are exacerbating water scarcity while in other places, flooding threatens to destroy water infrastructure and poses risks of contamination of water resources. In its latest water development report, the United Nations points out that more than 2 billion people live in countries where they experience high water stress. The situation will be intensified by 2030, when demand for water will exceed supply by 40% under current projections.

Measures to enable access to drinking water and preserve valuable clean water resources become one of the most crucial factors in mitigating and adapting to the effects of climate change.

We call for companies to implement and strengthening processes to reduce water consumption and improve the reusability of waste water, in particular in water-intense industries like utilities, mining or the chemicals sector. We monitor and measure companies with respect to their absolute and relative water consumption, their policy framework for water efficiency and their respective controversial news flow. Through dialogue and meetings, we are encouraging companies to strengthen measures with respect to their efficient use of water and related disclosure10

4. Standards

LGT CP is a member or signatory of various organizations and networks including the following, amongst others:

- Net Zero Asset Managers Initiative
- Institutional Investors Group on Climate Change (IIGCC)
- UN Principles for Responsible Investment
- Climate Action 100+
- The Green Bond Principles
- European Sustainable Investment Forum (Eurosif)
- Forum für Nachhaltige Geldanlagen (FNG)

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[10] More details about LGT CP's active company relations can be found in LGT Capital Partners Active Ownership Policy (on request)

Sources:
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- GIIN
- Swiss Sustainable Finance
- UN Global Compact

Important information