



Brussels, 6.4.2022
C(2022) 1931 final

ANNEX 2

ANNEX

to the

Commission Delegated Regulation (EU) .../....

supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: International Sustainable Model Portfolio Service **Legal entity identifier:** n/a

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** ___%

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** ___%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 50% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



What environmental and/or social characteristics are promoted by this financial product?

The characteristics promoted by this financial product consist of investing in corporate fixed income and equity as well as sovereign debt with strong Environmental, Social and Governance (ESG) credentials. We also:

- a) exclude corporate issuers by product (thermal coal, controversial weapons, tobacco, gambling, armaments, pornography) and by conduct (UN Global Compact violation);
- b) exclude sovereign issuers for not signing international conventions on controversial weapons and because of UN sanctions, lack of political rights and civil liberties ("unfree countries"), lack of press freedom, high level of corruption;

- c) having a lower ecological footprint on asset-weighted basis of the portfolio than its strategic asset allocation in four dimensions: greenhouse gas emissions, water withdrawal, energy consumption and waste generation.

For more information on the LGT Sustainability Rating, please consult the website disclosure for this financial product on: https://www.lgtwm.com/en/legal-notice/#responsiveTab_24

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The table below shows all sustainability indicators used for this mandate. It furthermore details on what level the indicators are applied, for which asset classes and if they promote environmental, social, or both characteristics. The portfolio meets the environmental and social characteristics it promotes if it meets all thresholds defined for every indicator. The sustainability indicators used for this mandate are currently not subject to a third-party assurance.

| Application level | Asset class | Indicator type | Indicator description |
|-------------------|---------------------------|----------------|---|
| Instrument | Equities, corporate bonds | Social | 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. |
| Instrument | Equities, corporate bonds | Environmental | 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 . |
| Portfolio | Equities, corporate bonds | Environmental | The portfolio's asset-weighted average greenhouse gas emission intensity is below the same intensity of the MSCI ACWI index |
| Instrument | Equities, corporate bonds | Social | There are very few publicly listed companies that are dedicated to pornography or some other aspect of the sex industry. Those companies that do derive a significant proportion of their revenue from the production and/or dissemination of pornographic material are usually unlisted companies that operate entirely over the internet. We exclude any company which derives more than 5% of net annual sales from pornographic materials. |
| Instrument | Equities, corporate bonds | Social | Monitoring and excluding any companies that derive more than 5% of revenue from alcohol production and any businesses that derive more than 25% of revenue from the sale of alcohol . |
| Instrument | Equities, corporate bonds | Social | We exclude companies with revenues over 0.1% derived from the production of tobacco or with revenues of 10% derived from the distribution of tobacco |

| | | | |
|------------|---------------------------|--------|---|
| Instrument | Equities, corporate bonds | Social | We exclude companies that earn more than 5% of their revenues from gambling activities. |
|------------|---------------------------|--------|---|

“Sustainability-related investments” include all investments with environmental and social characteristics and sustainable investments.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The sustainable investments in this product intend to make a contribution to the Sustainable Development Goals (SDGs) (“the objectives”) as set out by the United Nations in the 2030 Agenda for Sustainable Development. The investments contribute to one or more environmental and/or social objectives (see table below) by generating a proportion greater than zero of their annual sales with one or more economic activities that are deemed to contribute positively to at least one of the objectives below.

To establish the proportion of these contributing economic activities, data from a third-party provider are used which categorizes the companies’ products and services using 300+ different standard categories, each having various contributions to different objectives. These contributions are expressed using dimensionless numbers ranging from -10 (very negative contribution) to 10 (very positive contribution), with zero indicating no particular contribution identified.

This financial product looks to invest in four key themes with positive contributions towards the following 4 areas and 11 SDGs:

- Healthcare and societal wellbeing, linking to SDGs 2 zero hunger, SDG3 Good health and wellbeing, and SDG 11 Sustainable communities and cities
- Financial inclusion and education, SDG 8 Decent work and Economic growth, SDG 5 Gender Equality, SDG 10 Reduced Inequality
- Circular economy and resources, linking to SDG 15 Life on land, SDG 12 Responsible consumption and production and SDG 6 Clean water and sanitation
- Climate and environmental action - SDG 7 Affordable and clean energy, SDG 11 Sustainable Cities and communities, SDG 13 Climate action.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

To prevent that sustainable investments might cause significant harm to any environmental or social investment objective, we pursue a conservative approach for this product: any investments that have a highly negative contribution to any of the objectives mentioned above are not counted as sustainable investment.

— ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The indicators for adverse impacts on sustainability factors according to Commission Delegated Regulation (EU) 2022/1288, Annex I, are either included into the LGT Sustainability Rating (S-Max) or

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

in the sustainability indicators of this financial product (including listed equities and corporate bonds). Yes, out of the 50 PAIs, we include 43 of our indicators which align to the PAI (86%). Our tools are 86% aligned to the PAI.

| Adverse sustainability indicator | Implementation |
|--|---|
| GHG intensity of investee companies | Included in LGT S-Max Rating and as individual sustainability indicator |
| Exposure to companies active in the fossil fuel sector | Included in LGT Sustainability Rating |
| Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | Sustainability indicator |
| Carbon emissions | Included in LGT S-Max Rating and as individual sustainability indicator |
| Carbon footprint | Included in LGT S-Max Rating and as individual sustainability indicator |
| Weighted average carbon intensity | Included in LGT S-Max Rating and as individual sustainability indicator |
| Total energy consumption from non-renewable sources | Included in LGT S-Max Rating and as individual sustainability indicator |
| Share of company energy from non-renewable sources | Included in LGT S-Max Rating and as individual sustainability indicator |
| Biodiversity and ecosystems preservation practices | Included in LGT S-Max Rating and as individual sustainability indicator |
| Natural species and protected areas | Included in LGT S-Max Rating and as individual sustainability indicator |
| Deforestation | Included in LGT S-Max Rating and as individual sustainability indicator |

— — — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

This financial product ensures alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights by excluding any investment into companies which severely violate one or more of the ten principles of the United Nations Global Compact. Severe violations are established based on data from a third-party provider and in-house quality checks of this data. Any additions or deletions of the companies on this list must be approved by an internal sustainability committee. In addition, With regards to human rights we do the following:

- Weekly screen for controversies on equity buy list and quarterly screen for controversies on companies included in any sustainable funds held by third party fund managers.
- Ongoing review social scores including data points on “human capital development, product health and safety, health and safety incidents, labour management, chemical safety, privacy & data security”.
- Ask all fund managers about their approach, policies, voting, engagement and escalation on human rights, the information is then collated into a dashboard tracking best practices in the fund.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU 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.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

- Yes, _____
- No

This financial product considers principal adverse impacts on sustainability factors according to Commission Delegated Regulation (EU) 2022/1288, Annex I, by either including them into the LGT Sustainability Rating or in the sustainability indicators of this financial product (including listed equities and corporate bonds).

| European commission principles adverse impact | Inclusion in S-Max |
|---|--------------------|
| carbon emissions | Yes |
| carbon footprint | Yes |
| weighted average carbon intensity | Yes |
| solid fossil fuel sector exposure | No |
| total energy consumption from non-renewable sources and share of non-renewable energy consumption | Yes |
| breakdown of energy consumption by type of non-renewable sources of energy | No |
| energy consumption intensity | Yes |

| | |
|---|-----|
| energy consumption intensity per sector | No |
| biodiversity and ecosystems preservation practices | Yes |
| natural species and protected areas | Yes |
| deforestation | Yes |
| water emissions | Yes |
| water stress exposure | Yes |
| untreated discharged wastewater | Yes |
| hazardous waste ratio | Yes |
| non-recycled waste ratio | Yes |
| implementation of fundamental ILO conventions | Yes |
| gender pay gap | Yes |
| excessive CEO pay ratio | Yes |
| board gender diversity | Yes |
| insufficient whistleblower protection | Yes |
| investment in investee companies without workplace accident prevention policies | Yes |
| human rights policy | Yes |
| due diligence | Yes |
| processes and measures for preventing trafficking in human beings | Yes |
| operations and suppliers at significant risk of incidents of child labour | Yes |
| operations and suppliers at significant risk of incidents of forced or compulsory labour | Yes |
| number and nature of identified cases of severe human rights issues and incidents | Yes |
| exposure to controversial weapons (land mines and cluster bombs) | Yes |
| anti-corruption and anti-bribery policies | Yes |
| cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery | Yes |
| number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws | Yes |
| emissions of organic pollutants | Yes |
| emissions of air pollutants | Yes |



The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

| | |
|--|-------------|
| emissions of ozone depletion substances | Yes |
| investing in companies without carbon emission reduction initiatives | Yes |
| water usage: total amount of water consumed and reclaimed, broken down per sector where relevant | No |
| water recycled and reused | Yes |
| investing in companies without water management initiatives | Yes |
| Land-degradation, desertification, soil sealing | Yes |
| investing in companies without sustainable land/forestry/agriculture practices | Yes |
| investing in companies without sustainable oceans/seas practices | Yes |
| share of securities not certified as green | No |
| number/rate of accidents, injuries, fatalities, frequency | Yes |
| number of days lost for injuries, accidents, fatalities, illness | No |
| supplier code of conduct | Yes |
| grievance/complaints handling mechanism | No |
| incidents of discrimination | Yes |
| lack of separation of CEO and chair functions on the boards of investee companies | No |
| share of securities not certified as social | No |
| Total | 43/50 (86%) |

What investment strategy does this financial product follow?

- a) The investment strategy is focused on the investment objective of this financial product: positive contribution to a sustainable future – for the environment, society and the economy. Ecological, social and economic sustainability have the same importance in the investment strategy of this financial product while above average sustainability quality according to the LGT Sustainability Rating has to be given at any time.
- b) The policy to assess good governance practices is to apply the governance-related sustainability indicators used in the LGT Sustainability Rating to every corporate investment (fixed income and equity):
 - 1) Sound management structures are checked via "board independence and expertise" as well as via "ownership structure";

- 2) Employee relations are checked via "integration of sustainability aspects in corporate strategy";
- 3) Remuneration issues are checked via "compensation policy (long-term and ESG oriented)";
- 4) Tax compliance issues are checked via "accounting practices"; In addition, the governance-related sustainability indicators are accentuated in case of controversies: negative news in relation to tax compliance of a given company for instance, are factored in the LGT Sustainability Rating as a deduction from the score originally reached by a company in this very indicator.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the investment strategy used to select the investments are as follows:

- a) adherence to the above-mentioned exclusions, including the LGT-wide exclusions applied on corporates involved with certain involvements. For details, please refer to <https://www.lgt.com/en/commitment/sustainability/sustainable-investments/>;
- b) a smaller environmental footprint on an asset-weighted basis, comparing the portfolio with the relevant strategic asset allocation (benchmark) in four dimensions: GHG emissions, energy consumption, waste generation and water withdrawal.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable because the investment strategy of this financial product was originally set up with a reduced scope of investments.

● ***What is the policy to assess good governance practices of the investee companies?***

The policy to assess good governance practices of the investee companies is to apply the governance-related sustainability indicators used in the LGT Sustainability Rating to every corporate investment (fixed income and equities).

- a) sound management structures are checked via "board independence and expertise" as well as via "ownership structure";
- b) employee relations are checked via "integration of sustainability aspects in corporate strategy";
- c) remuneration issues are checked via "compensation policy (long-term and ESG-oriented)";
- d) tax compliance issues are checked via "accounting practices";
- e) In addition, the governance-related sustainability indicators are accentuated in the event of controversies: negative news in relation to the tax compliance of a

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



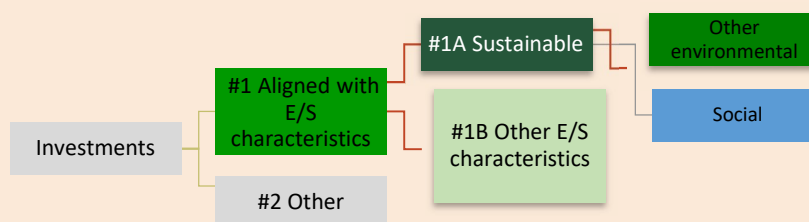
given company, for instance, is factored in the LGT Sustainability Rating as a deduction from the score originally achieved by a company for the same indicator.

Where can I find further details on the investment strategy?

Please refer to: <https://www.lgt.com/en/sustainability/sustainability-framework/>

What is the asset allocation planned for this financial product

The minimum proportion of the investments of the financial product used to meet the environmental or social characteristics promoted in accordance with the binding elements of the investment strategy is 80%. The minimum proportion of sustainable investments of the financial product is 50%.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Environmental or social characteristics are not achieved using derivatives.

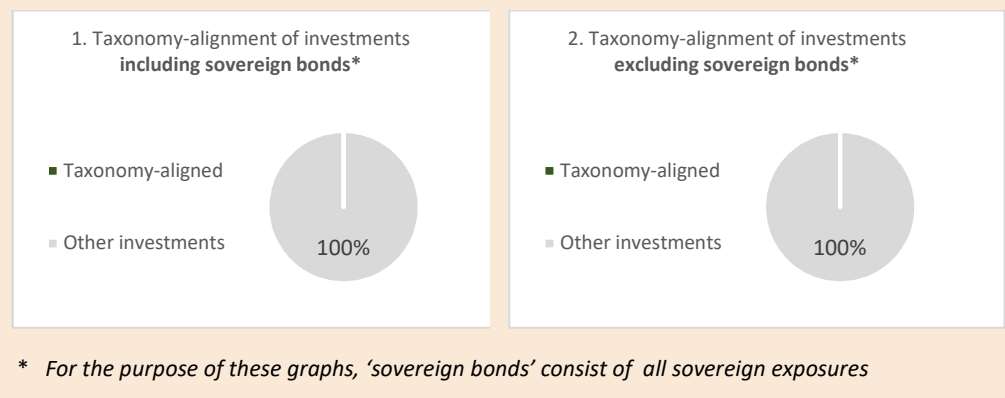


To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

No sustainable investments with environmental objectives according to EU Taxonomy are considered.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



● **What is the minimum share of investments in transitional and enabling activities?**

Minimum share of investments in transitional activities: 0%

Minimum share of investments made in enabling activities: 0%



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 20%.



What is the minimum share of socially sustainable investments?

The minimum share of socially sustainable investments is 40%.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The purpose of the investments included under “other” is to reflect the asset allocation. Cash and cash equivalents are included in the “other” category, the purpose of cash and cash funds in the portfolio are to allow for greater stability in times of market uncertainty. The threshold for cash in the international sustainable model portfolio is up to 50% of the strategy and 30% for the lowest risk model. As cash is unrated in terms of the LGT Wealth Management S-Max tool, the minimum environmental and social safeguards are upheld by reviewing and rating the fund manager of any cash funds and ensuring no UN Global Compact principles have been violated.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable because no index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable because no index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable because no index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable because no index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product.



Where can I find more product specific information online?

More product-specific information can be found on the website:

https://www.lgtwm.com/en/legal-notice/index.html#responsiveTab_24