



Wealth
Management

Sustainability report

SMPS Defensive



June 2024

Contents

- 4 Sustainability score
- 5 Portfolio carbon emissions analysis
- 6 Case study – Waste Management Inc
- 7 Stewardship of your assets
- 8 Appendix

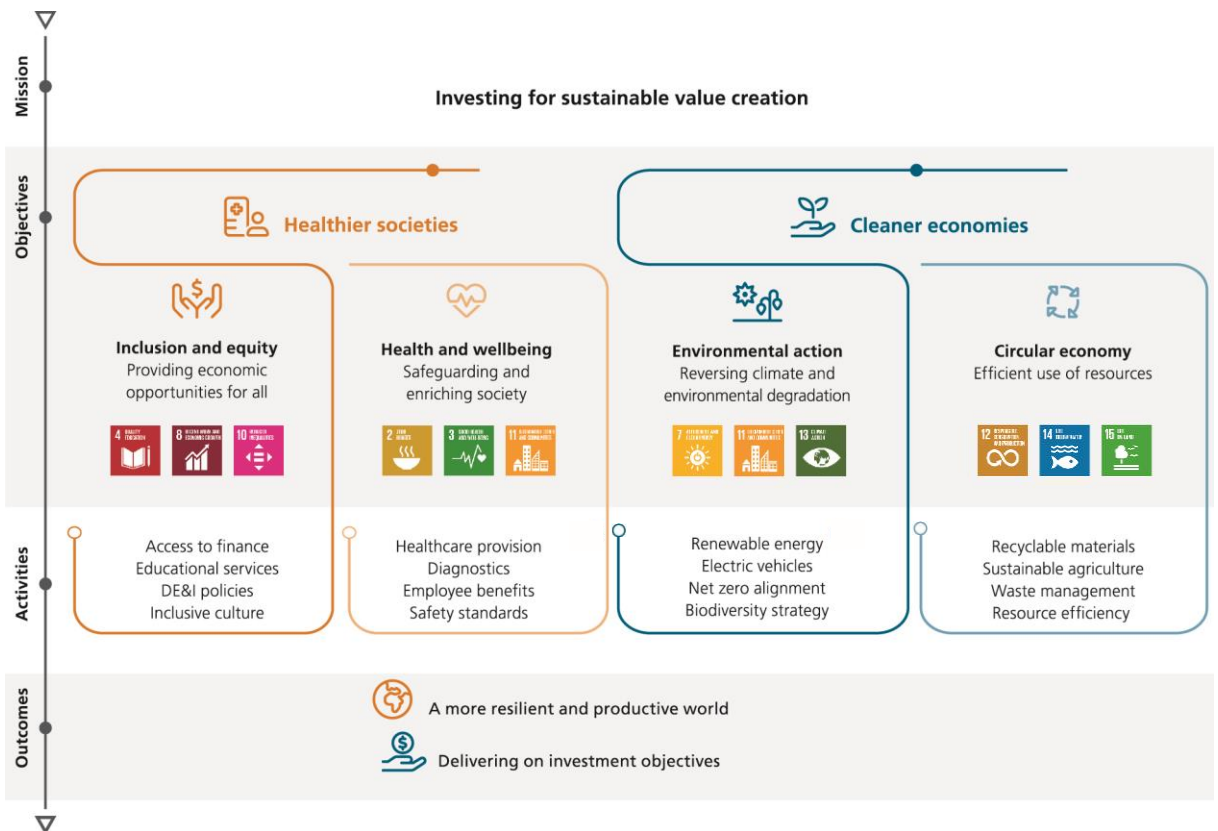
Our sustainable investment framework

We believe that companies providing solutions to building a more sustainable economy, and those taking ownership of their own sustainability footprint are placing themselves at a competitive advantage to benefit from the changing policy, consumer and economic landscape. Focussing on **'Sustainable Value Creation' (SVC) considers how positive sustainability characteristics can enhance financial characteristics and outlook.** This allows investors to contribute to and benefit from the evolution to a more sustainable economic model.

Central to a more sustainable economic model is creating healthier societies and cleaner economies. Within these two structural mega trends we have identified four investment pillars that are closely aligned to several of the UNSDGs. These in turn help identify desirable and undesirable activities, both considering how a company operates and what it sells. **Our aim is to invest in companies that are positively contributing to a more resilient and productive world, whilst delivering on client investment objectives.**

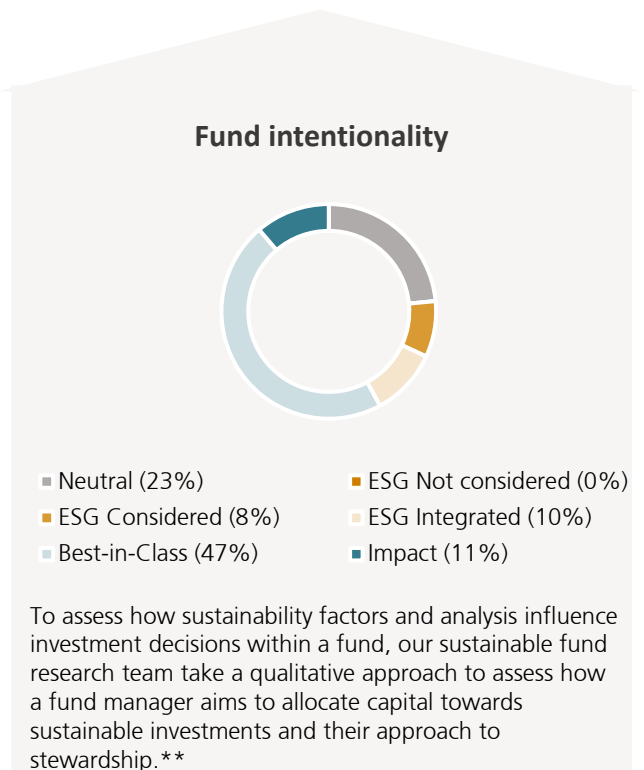
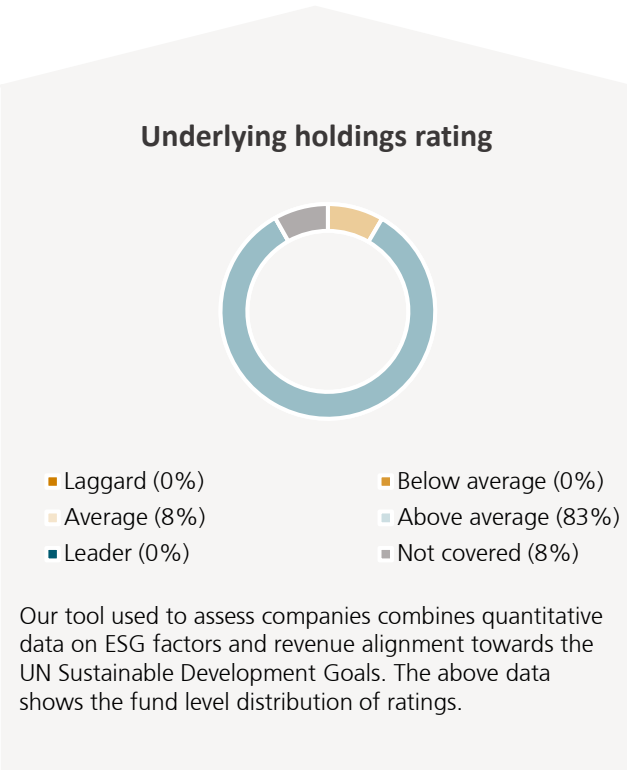
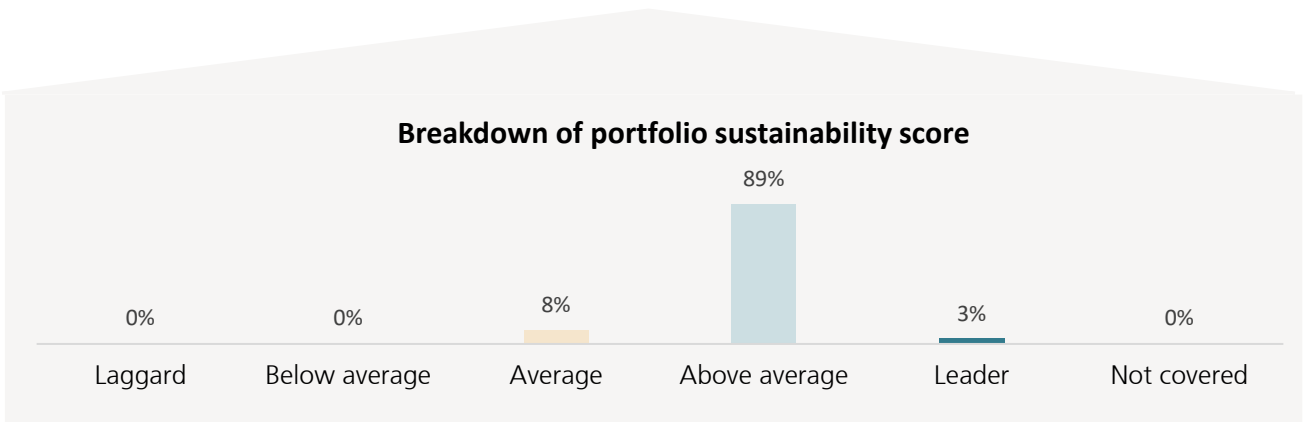
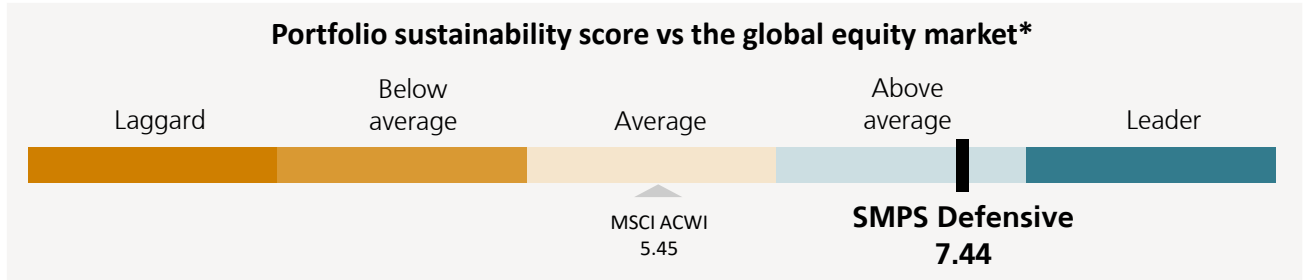
This report provides insights into the sustainability characteristics of our SMPS Defensive portfolio using a combination of quantitative and qualitative information.

Whilst the data displayed in this report can provide interesting insights into our portfolios, it does not represent a definitive measurement of sustainability and should be considered alongside our broader qualitative reporting.



LGT sustainability report: SMPS Defensive

The LGT sustainability score is powered by our proprietary sustainability tool. It integrates both a data-based assessment of the corporate sustainability and product impact of the underlying investments, alongside a qualitative assessment of a funds intentionality to provide sustainable outcomes. The portfolio score is an aggregation of underlying fund scores.



*MSCI ACWI index

**For the full list of portfolio's holdings, sustainability and intentionality ratings, please refer to our appendix

Portfolio carbon emissions

We analyse the carbon emissions of businesses, both scope 1 + 2 (operations), and scope 3 (supply chains and goods and services) to help understand their impact on the environment and exposure to climate related risks. We use carbon footprint (carbon tons per million pounds invested), as a way to measure our portfolio companies.

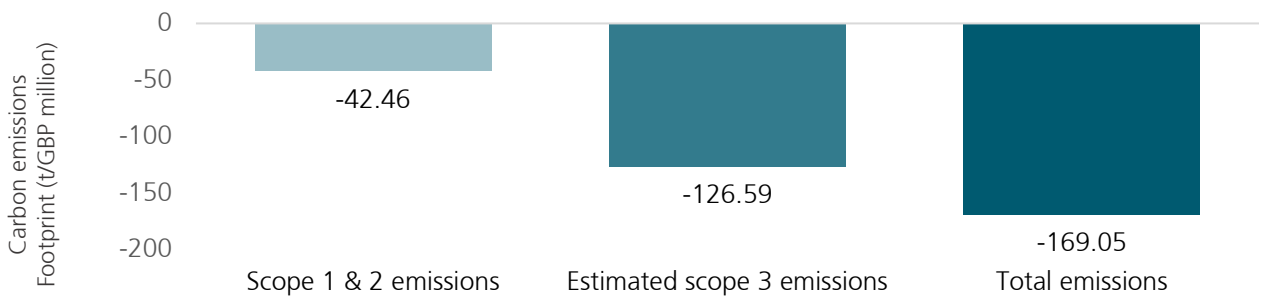
This can then be compared to sector averages to see if companies are outperforming their peers on reducing emissions, and the wider global index.

While emissions are an important consideration, they're not the sole indicator of a sustainable company. We consider carbon alongside other factors when making investment decisions.

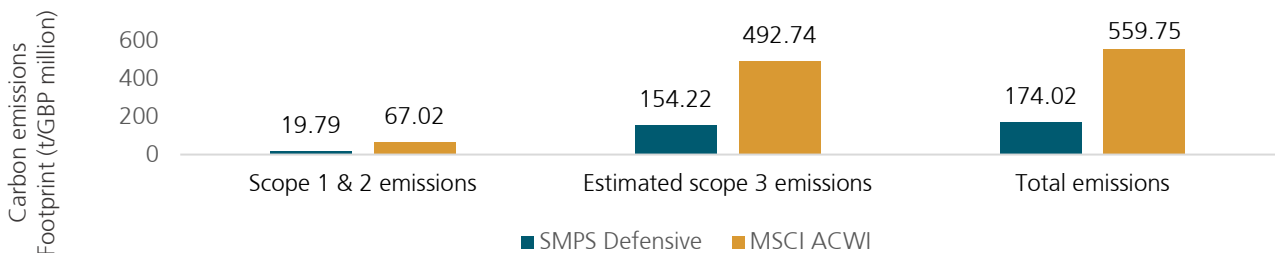
Scope 1 & 2
Direct emissions

Scope 3
Indirect emissions

Carbon emissions vs sector average



Carbon emissions vs global equity market*




Carbon emissions equivalents

The portfolio has 70% lower scope 1 and 2 carbon exposure than the MSCI ACWI Index. To provide some context, relative to a £1,000,000 investment this equates to:


121,084
Miles driven by car


166
Short-haul flights


5
Homes' energy use for one year


5,336
Gallons of petrol consumed

This should not be interpreted as a direct impact of the investment. It is purely an expression of the relative emissions produced by portfolio companies versus a global benchmark.

All data is sourced from LGT Wealth Management SMax ESG tool

Case study

Waste Management Inc



Circular economy



Region: North America | **Sector:** Waste Management | **Market cap:** \$85 billion

Company held within: Alliance Bernstein US Sustainable Thematic Fund

Overview: Waste management is US company focussed on processing waste in a manner that reduces negative impacts on the environment, including contributing to establishing a circular resource model where value is extracted through recycling. It provides its services to nearly 21 million residential, municipal and commercial customers across North America, operating around 250 landfill sites and 97 recycling plants.

Challenge: Despite efforts to focus on recycling, the majority of waste is still non recyclable and therefore gets sent to landfill, Waste Management processes over 100 million tons per year. Disposing of waste in this way can result in toxic substances leaching into the soil and surrounding waterways whilst decomposing matter also releases green house gas emissions.

Response: Waste Management has taken considerable steps to reduce these impacts including utilising liners and covers to reduce the impacts of leaching, integrating waste water treatment facilities and capturing emitted gasses to turn into biofuel. They are also investing in technology installing sensor and measurement systems to allow operators to effectively manage the inputs and outputs related to their sites.



97*

Recycling facilities as of 2023



100%

Renewable energy usage targeted for 2025



21 million

customers across North America

Source: Waste Management Inc

Stewardship of your assets

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society (UK Stewardship Code).

We believe that it is part of our duty to use our voice as investors to ensure the best outcomes for clients.

Each year we send out our annual Sustainability Due Diligence Questionnaire to the third party fund managers we invest in. It is important we use these responses to reassess the sustainable strengths of our fund managers, and track their year on year progress.

In this dynamic landscape it allows us to structurally review and compare our funds approach across seven areas of sustainability, covering 150+ questions. We feedback this information and our opinions in our report to help progress industry practices and standards.

Key takeaways from our 2023 fund engagement report

Policies and process	We have seen an increasing proportion of our funds being members of the UK Stewardship Code.
Climate	A significant proportion of funds have 2050 net zero targets. We are engaging to encourage interim reduction initiatives.
Stewardship	Many have a formal stewardship policy focused on fund objectives.
Biodiversity	As an emerging area with limited data, most are still developing their approach on biodiversity. We will assess progress next year.
Human Rights	The quality of modern slavery statements have improved, with a stronger alignment to distinguished human rights frameworks.
Diversity & Inclusion	We were pleased most had a D&I policy in place. Gender ratios across business, investment teams and new hires have improved.



For more detail, see our fund manager engagement report [HERE](#)

Collaborative engagements

We as LGT WM, have also joined a variety of collaborative investor engagements. These initiatives allow investors to amplify their voice around common objectives in order to increase influence with businesses and accelerate change.



For more detail on our collaborative engagement across LGT WM, please refer to our 2023 stewardship report here: [LINK](#)

*Fast moving consumer goods

Appendix 1: Data disclosures

Sustainability score coverage

This report is based on data as at 30/06/2024.

100% of the funds within this portfolio have a sustainability rating.

For our equity funds, on average 92% of a fund's underlying holdings were covered.

For our bond funds, on average 55% of a fund's underlying holdings were covered.

Whilst we aim to have 100% coverage across the analysis that we conduct, the coverage may be lower. The primary reason for this is lack of data availability on certain holdings and asset classes, for example privately-issued bonds.

Corporate bond scores are aligned to its parent issuer's score. We have a separate sovereign bond assessment framework which scores countries based on a wide range of metrics including freedom of press, strength of institutions, and democratic freedoms', this is integrated into the sustainability score.

For funds, we have coverage thresholds that determine whether a fund's sustainability rating can be assessed appropriately by the fund's underlying holdings.

- Equity funds – At least 65% of the fund's underlying holdings must be assessed
- Fixed income/alternative funds – At least 50% of the fund's underlying holdings must be assessed

Should a fund not meet these thresholds, the assessment of the underlying holdings is deemed void and the fund will be scored solely based on its intentionality rating.

For more details on our SMAX engine methodology, please get in contact your LGT representative/contact.

Carbon emissions coverage

84% of the funds within this portfolio have a carbon emissions profile.

For our equity funds, on average 93% of a fund's underlying holdings were covered.

For our corporate bond funds, on average 45% of a fund's underlying holdings were covered.

To calculate emissions footprint we have measured total carbon emissions against Enterprise Value Including Cash (EVIC). EVIC is a calculation of a company's total value including market capitalization of equity, book value of debt instruments and cash. This is the preferred calculation of the Institutional Investors Group on Climate Change (IIGCC).

When comparing carbon against sector averages, we have defined the sectors in line with Global Industry Classification Sectors (GICS) standards, aggregating the differences in emissions at a company level respective to its GICS industry.

For bonds, we take the parent issuer's emissions when assessing carbon exposure. In the case of sovereign bonds where the parent issuer is a government or municipal entity, we do not currently measure any carbon emissions for these entities and therefore, these holdings are excluded from our analysis.

Portfolio scope 3 emissions are estimated and are indicative of how exposed a portfolio is to scope 3 emissions. We are cognisant of the data limitations surrounding scope 3 emissions reporting and of the limitations of calculating an aggregated scope 3 emissions figure for a portfolio including challenges surrounding double counting.

For more details on our carbon methodology, please get in contact with your LGT representative/contact.

Carbon footnotes

Data supporting the metric ton carbon equivalents is sourced from the US Environmental Protection Agency and is accurate as of July 2023. Their methodology can be found here: <https://www.epa.gov/energy/greenhouse-gases-equivalencies-calculator-calculations-and-references>

Appendix 2: Underlying fund sustainability categories

Equities	Sustainability score	Intentionality rating	Asset type
Alliance Bernstein Sustainable US Thematic	Above average	Best-in-class	Equity
Schroder Global Sustainable Value Equity	Above average	Best-in-class	Equity
Janus Henderson Global Sustainable Equity Fund	Above average	Best-in-class	Equity
Lazard Global Sustainable Equity	Above average	Best-in-class	Equity
Morgan Stanley Global Sustain	Above average	Best-in-class	Equity
Stewart Investors Worldwide Sustainability Fund	Above average	Best-in-class	Equity
Sparinvest SICAV Ethical Global Value	Above average	Best-in-class	Equity
Stewart Investors Asia Pacific Leaders Sustainability Fund	Above average	Best-in-class	Equity
Corporate bond			
TwentyFour Sustainable Short Term Bond Income	Above average	Best-in-class	Bond
Brown Advisory Global Sustainable Total Return Bond Fund	Above average	Best-in-class	Bond
Rathbone Ethical Bond	Above average	Best-in-class	Bond
Threadneedle UK Social Bond Fund	Above average	Impact	Bond
Pictet Global Sustainable Credit	Above average	Best-in-class	Bond
Threadneedle (Lux) European Social Bond	Above average	Impact	Bond
Allianz Green Bond Fund	Leader	Impact	Bond
Government bonds			
Vanguard U.S. Government Bond Index Fund	Above average	Neutral	Government
Legal & General Global Inflation Linked Bond Index Fund	Above average	Neutral	Government
Dollar Fund	Above average	Neutral	Government
Legal & General All Stocks Gilt Index Trust	Above average	Neutral	Government
Vanguard® U.K. Long Duration Gilt Index Fund	Above average	Neutral	Government
Alternatives			
Trojan Ethical Fund	Above average	ESG integrated	Alternative
Cash funds			
BlackRock Institutional Sterling Liquidity	Average	ESG Considered	Cash

LGT Wealth Management UK LLP

14 Cornhill, London EC3V 3NR

Phone +44(0)20 3207 8000

info-uk@lgt.com

www.lgtwm.com

LGT Wealth Management UK LLP is authorised and regulated by the Financial Conduct Authority (FCA). Our registration details are set out in the FCA Register: Firm Reference No. 471048, www.fca.org.uk/register. Registered in England and Wales: OC329392. Registered office: 14 Cornhill, London, EC3V 3NR.

This document is for information and illustrative purposes only and is for use of the recipient. It is not to be reproduced, copied or made available to others. This document is not intended and should not be construed as an offer, solicitation or recommendation to buy or sell any specific investments or other specific product, or participate in any investment (or other) strategy. You are recommended to seek advice concerning suitability of any investment from your investment or other professional adviser. Investors should be aware that past performance is not an indication of future performance and the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested. Not all investments mentioned are regulated by the FCA.

When we provide investment advice it is on the basis of a restricted approach, that is to say whilst we review and advise on retail investment products from the whole of the investment market and can also advise you on direct investments, we will not consider your wider financial planning and pension requirements, unless you wish us to do so, when we will refer you to one of our wealth planners.

The information and opinions expressed herein are the views of LGT Wealth Management UK LLP and are based on current public information we believe to be reliable but we do not represent that they are accurate or complete and should not be relied upon as such. Any information herein is given in good faith, but is subject to change without notice. No liability is accepted whatsoever by LGT Wealth Management UK LLP, employees and associated companies for any direct or consequential loss arising from this document.

LGT Wealth Management UK LLP is a limited liability partnership registered in England & Wales. Registered Office: 14 Cornhill, London EC3V 3NR. Registration number OC 329392. LGT Wealth Management UK LLP is authorised and regulated by the Financial Conduct Authority and is a member of the London Stock Exchange.

LGT Wealth Management Jersey Limited is incorporated in Jersey and is regulated by the Jersey Financial Services Commission in the conduct of Investment Business and Funds Service Business. Registration number: 102243; <https://www.jerseyfsc.org/industry/regulated-entities> , Registered office: 30-32 New Street, St Helier, Jersey, JE2 3TE.

LGT Wealth Management US Limited is a registered Company in England & Wales, registered number 06455240. Registered Office: 14 Cornhill, London EC3V 3NR. LGT Wealth Management US Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom and is a Registered Investment Adviser with the Securities & Exchange Commission in the United States.