SFDR Annex

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

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

Product Name: LGT Funds SICAV – LGT Sustainable Bond Fund Global Inflation Linked

Legal entity identifier: 549300AJ5N9DPC4C7C68

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** The 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.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☐ Yes	☒ No
☐ It will make a minimum of sustainable investments with an environmental 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 10% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ 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	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It will make a minimum of sustainable investments 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 Sub-Fund promotes environmental and social characteristics, as it seeks to take into account ESG related factors in the asset selection and investment consideration and / or monitoring process in the following ways:

ESG Exclusion Policy: Exclusions are applied in the investment selection process based on ESG factors as a means of promoting environmental and social characteristics. Different factors apply to companies and to governments as the issuer of the instruments.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

For example, the following companies are excluded from investment consideration:

- Companies that, to the best of the Investment Manager's knowledge, generate any revenue from *inhumane weapons;* and
- Companies that generate a significant amount of their revenue from certain industries or business activities deemed by the Investment Manager to be controversial *(e.g. arms, tobacco, pornography, nuclear power production, coal).*

For example, countries are excluded from investment consideration based on the below criteria:

- if the country has not signed certain international treaties on *controversial weapons;*
- if the country fails to meet basic requirements with respect to *human rights and democracy* (assessed among other things based on Freedom House Index, rating of the Reporters Without Boarders Press Freedom, ratification of conventions and treaties in respect of human rights and labour conditions)*;*
- if the country has a high level of *corruption* (assessed among other things based on Transparency International Corruption Perception Index and if a country's military budget exceeds 4% of gross domestic product)*;*
- if the country is subject to sanctions under Art 41 of the UN security council *to eliminate terrorism and weapons proliferation, oppose human rights violations or violations of international treaties, money laundering and deliberate destabilization of sovereign countries and drug trafficking;* or
- if the country is considered a jurisdiction with *strategic AML/CFT deficiencies* by the Financial Action Task Force ("FATF").

ESG Rating: The following are key performance indicators on ESG factors related to an issuer that are included in the ESG cockpit, which is a proprietary tool used as part of the ESG rating system discussed below, in the process to identify a universe of investable issuers through a systematic process which relies on information from underlying issuers (and therefore promoted as environmental and/or social characteristics by the Sub-Fund):

- In respect of companies as issuers*: greenhouse gas emissions, energy consumption, water and sanitation*, *natural resources and biodiversity, waste and emissions, labour conditions, health and safety, human resources, diversity, education, suppliers, community relations and product impact*.
- In respect of supranational organisations as issuers*: controversial practices, business ethics & product responsibility, environmental principles and action plans, community & human rights.*
- In respect of countries as issuers: *CO2 intensity, biodiversity and resources, corruption and business climate, public spending for education.*

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted.

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

- **ESG Exclusion Policy**. The first factor contributing to whether the Sub-Fund will be considered to be attaining the environmental and/or social characteristics it promotes will be an assessment of whether the Sub-Fund has successfully and consistently executed its ESG exclusion policy.
- **Screening based on ESG Rating.** Another factor contributing to whether the Sub-Fund will be considered to be attaining the environmental and/or social characteristics it promotes will be an assessment of whether the Sub-Fund has successfully and consistently applied its ESG rating system in the process to identify a universe of investable issuers and/or issuers in the investment monitoring process.
- **Sustainable Investments.** The aggregate weight of sustainable investments held by the Sub-Fund shall be calculated and used to measure the attainment by the Sub-Fund of the environmental and/or social characteristics it promotes.
- **United Nations Sustainable Development Goals ("UN SDGs")**. Sustainable investments of the Sub-Fund target a combination of environmental and social objectives across the spectrum based on the alignment of such investments with the UN SDGs. Thus, another factor contributing to whether the Sub-Fund is attaining the environmental and/or social characteristics it promotes will be an assessment of whether the Sub-Fund has successfully and consistently applied its policy relating to investing in sustainable investments. The Investment Manager considers as sustainable investments, which are aligned with SFDR, only instruments which either:

   i. qualify as a Green, Social or Sustainable use of proceeds ("**UOP**") instrument according to the principles of the International Capital Markets Associations ("**ICMA**"), which align with UN SDGs, or

   ii. have a positive net contribution to UN SDGs by virtue of the issuer's net positive

SDG score, based on the outputs from the ESG rating system. For the avoidance of doubt, the net positive SDG score, and therefore the level of sustainable investments, is determined on the basis of how an investment contributes, in terms of a total impact contribution (which includes an analysis of products, services and operational alignment) to an environmental or social objective.

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 Sub-Fund aims to invest in issuers that positively contribute to the UN SDGs, thus promoting environmental and/or social characteristics through a combination of environmental and social objectives.

An investment with an environmental objective aligned with SFDR is one which is oriented towards, for example, climate change adaptation (e.g. support adaptation related research), climate change mitigation (e.g. develop renewable energies technologies), protection of biodiversity (e.g. promote organic farming), reduction of air, soil and water pollution.

An investment with a social objective aligned with SFDR is an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities.

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?

In terms of ensuring that the sustainable investments do not cause significant harm to any environmental or social sustainable investment objective, a requirement for sustainable investments is the positive contribution to UN SDGs, which cover a broad set of ESG activities.

In addition, the portfolio is systematically screened for controversies across environmental and / or social issues as part of the Investment Manager's "do no significant harm" ("DNSH") assessment in respect of issuers as well as in respect of projects that are financed through the UOP instruments. A sudden drop due to an ESG controversy will generally lead to an alert to be triggered so further assessment and action can be taken.

As an additional safeguard, the mandatory principal adverse impacts set out in Annex 1 of the regulatory technical standards supplementing the SFDR are used to further screen against activities that may significantly harm any of the environmental or social objectives, whereby investments that do not meet minimum thresholds applied by the Investment Manager for each of the mandatory PAI indicators in Annex 1 shall be excluded from investment consideration.

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.

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

Principal adverse impacts on sustainability factors in the context of sustainable investments are considered in the following manner:

- Principal adverse impact indicators are captured under the DNSH principle for sustainable investments outlined in the section entitled "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?"
- Principal adverse impacts are assessed as part of the ESG rating system.
- Principal adverse impact indicators are reported on as outlined in the section entitled "Does this financial product consider principal adverse impacts on sustainability factors?"

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human

Rights? Details:

The Investment Manager monitors breaches and controversies for new and existing investments which largely relies on the quality of data supplied by external data providers.

Where the Investment Manager identifies clear breaches of norms outlined in the a) OECD Guidelines for Multinational Enterprises, b) the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work, and c) the International Bill of Human Rights the Investment Manager will seek to exclude the issuer from investment by the Sub-Fund. However, it cannot be guaranteed that all investments, especially in jurisdictions where data scarcity is pronounced, can be assessed and thereby excluded.

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 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

Yes, principle adverse impacts on sustainability factors are assessed as part of the ESG rating system. The Investment Manager considers and evaluates a range of principle adverse impact indicators, but the availability of data on some indicators is limited due to a lack of reporting of metrics by companies, issuers or investee entities. Accordingly, the integration of principle adverse impact indicators is conducted on a best-efforts basis; however, it is expected that principle adverse impact indicators can be applied to a greater portion of the Investment Manager's investable universe once data availability improves. This will allow for enhanced insight in the adverse impacts caused by investee companies or issuers.

For further information on principal adverse impacts of investment decisions on sustainability factors, refer to the Investment Manager's website and the Sub-Fund's forthcoming annual report.

☐ No

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

What investment strategy does this financial product follow?

In seeking to achieve the investment objective, the Sub-Fund will invest most of its assets in inflation-linked debt securities and instruments (debentures, fixed-rate securities, notes and others) of public and supranational debtors and to a lesser extent of private debtors all over the world. The Investment Manager of the Sub-Fund employs an investment process using both fundamental issuer analyses and analyses of current market conditions.

The Sub-Fund Fund integrates environmental and / or social characteristics as part of its investment process, as outlined in this SFDR Annex.

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?

Investments are selected taking into account the following:

- **ESG Exclusion Policy**. Exclusions are applied in the investment selection process based on ESG factors, as disclosed in the section entitled "What environmental and/or social characteristics are promoted by this financial product?" The application of the ESG exclusion policy is embedded into the Sub-Fund's investment selection process and is therefore a binding element.

- **Screening based on ESG Rating.** Following the application of the above exclusions, the Investment Manager utilises its ESG rating system in respect of the remaining eligible investments. The Investment Manager has developed a proprietary ESG rating system based on external data providers and sources that provides objective, relevant and systematic ESG information. The ESG rating provides a ranking based on ESG criteria, whereby issuers with more attractive ESG values are scored more highly than others.

  The ESG rating serves as a main indicator in addition to traditional credit metric to identify risks and opportunities that are not yet factored in the current prices and are expected to impact the spreads negatively.

  In respect of companies and supranationals as issuers, the application of the ESG rating screening process as outlined above is applied to the total universe of such issuers analysed through the Investment Manager's proprietary rating tool and the lowest scoring 25% of companies and supranationals analysed, in terms of their ESG score, are excluded from investment consideration. It should be noted that the range of companies and supranationals analysed through the Investment Manager's proprietary rating tool may be wider than the target investment universe of the Sub-Fund, meaning that the actual amount of investments excluded from the Sub-Fund's scope of investments may effectively be a minimum rate that is lower than 25%. In respect of the ongoing monitoring of this process, if, after the point of initial investment, companies or supranationals as issuers subsequently fall into the lowest scoring 25% issuers available through the Investment Manager's proprietary rating tool in terms of their ESG score, the Investment Manager commits to divesting or disposing of such positions according to its internal guidelines and acting in the best interests of Shareholders.

  Investors should note that the abovementioned screening and reduction of 25% of lowest scoring companies and supranational issuers does not apply to countries as issuers. The application of the ESG rating exclusion is embedded into the Sub-Fund's investment selection process and is therefore a binding element.

- **Sustainable Investments.** In order for an investee entity to be considered a sustainable investment, it must be assessed by the Investment Manager as meeting the following criteria: (i) it must contribute to an environmental or social objective (which may be assessed on the basis of alignment of such investments with the UN SDGs, as considered further below); (ii) it must do no significant harm to any other environmental or social objective; and (iii) it must follow good governance practices. At least 20% of the assets of the Sub-Fund will be committed to sustainable investments. This commitment is embedded into the Sub-Fund's investment selection process and is therefore a binding element.

- **UN SDGs.** The UN SDG alignment of an instrument can be ascertained through positive screening criteria in two ways:

  1) **Use of Proceeds**. To invest into a UOP instrument classifying as a sustainable investment of an issuer who has not been removed following the above-described exclusion methods, the Investment Manager needs to additionally assess that:

     i. the instrument qualifies as "Green", "Social" or "Sustainable" under the ICMA standards and contributes to a relevant UN SDG. The Investment Manager periodically reviews all publicly available UOP frameworks, allocation and assurance reports of every individual UOP instrument and verifies the association to each relevant UN SDG in an internally maintained database. To undertake this analysis the Investment Manager may use data provided by external ESG data providers and proprietary models, as well as directly communicating with the issuer; and

ii. there are no controversies in relation to such instrument. Such controversies may arise from the stated financing goals, type of activity, governance and reporting expectations which are inferior to the current ICMA standard and market practice; and

iii. according to an independent and market recognized second party opinion the instrument's framework is verified and aligned with the relevant standard and the market practice.

2) **Issuer's Net UN SDG Impact score.** When investing in instruments which are not UOP, the Investment Manager selects issuers with a net positive SDG score, based on the outputs from the ESG rating system.

Following the above steps, investments are selected on the basis of the general active asset management strategy, as outlined in the section of the Supplement entitled Investment Strategy for additional details. As part of such asset management strategy, weight is also given to ESG considerations when evaluating instruments with comparable profiles.

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

There is no committed minimum rate at the level of the Sub-Fund to reduce the scope of the investments considered prior to the application of the investment strategy.

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

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

The Sub-Fund will typically focus on exposure to a broad range of fixed income securities and instruments.

In the context of exposure to corporate issuers, in order to ensure that such issuers follow good governance practices, as reasonably determined by the Investment Manager, the Investment Manager's quantitative screening of corporate governance, which relies on information from underlying companies, considers the independence and competency of investee company boards in terms of leadership and composition, existing and independent key committees, the degree of integration of long-term and ESG related targets, and minority shareholder protections. In addition, good governance is a factor in the qualitative assessment of individual companies prior to investment.

What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

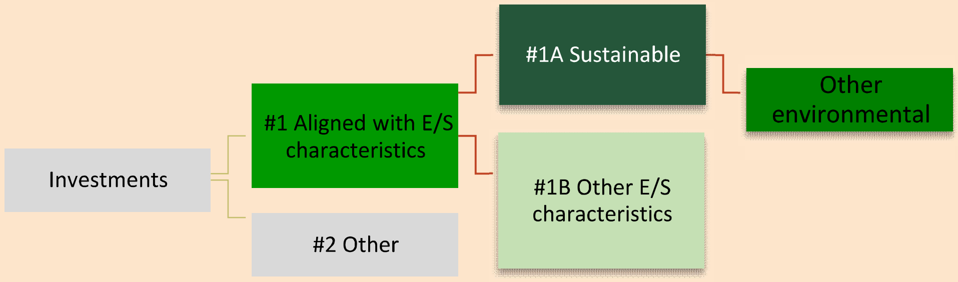
At least 90% of the assets of the Sub-Fund will be allocated to investments aligned with environmental and/or social characteristics (#1). At least 10% of the assets of the Sub-Fund will be committed to sustainable investments which are not aligned with the EU Taxonomy (#1A).

Minimum environmental and social safeguards and the purpose of the remaining portion of investments is outlined in the section titled "What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?"

The below graphical representation contextualises the types of investment considered.

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.



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

#2 Other includes the remaining investments of the Sub-Fund 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.

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

The Sub-Fund does not use derivatives specifically for the purpose of attaining the environmental and or social characteristics it promotes. Rather, the Sub-Fund may use derivatives for ordinary purposes, as outlined in the Supplement, that is, for investment purposes, hedging and/or for efficient portfolio management purposes and in certain cases this may therefore incidentally relate to the Sub-Fund attaining the environmental and or social characteristics it promotes.

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

The Sub-Fund does not commit to invest any proportion of its assets in environmentally sustainable economic activities aligned with the EU Taxonomy. Accordingly, the level of committed EU Taxonomy-aligned investments shall be zero per cent.

Does the financial product invest in fossil gas and/or nuclear energy related activities tha comply with the EU Taxonomy?[1]

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

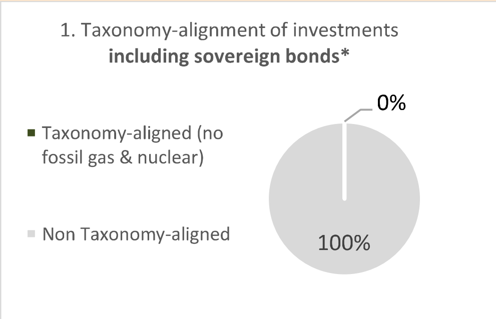
☒ No

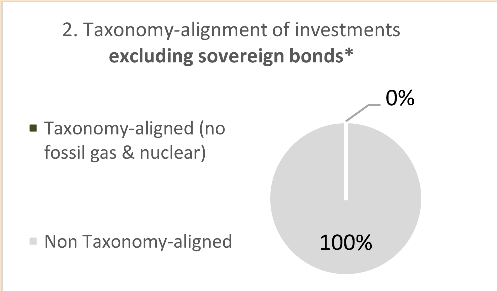
[1] *Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.*

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.

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.





This graph represents 100% of the Sub-Fund's total investments.

**For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

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

The Sub-Fund does not commit to make sustainable investments with an environmental objective aligned with the EU Taxonomy. Hence, the Sub-Fund does not commit to invest in sustainable investments in transitional and enabling activities.

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

The Sub-Fund commits to a minimum share of 10% sustainable investments of the assets of the Sub-Fund. Such sustainable investments can consist of non-Taxonomy aligned investments and Taxonomy-aligned investments. The Investment Manager expects the primary constituent of this portion to be non-Taxonomy aligned sustainable investments with an environmental objective and that such portion will continuously be greater than 0%.

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

What is the minimum share of socially sustainable investments?

The Sub-Fund does not commit to invest any proportion of its assets in socially sustainable investments. Accordingly, the level of committed socially sustainable investments shall be zero per cent.

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

Investments under "#2 Other" are investments which are neither aligned with the environmental or social characteristics nor qualify as sustainable investments, for example:

- There may be insufficient data available to verify any classification under sustainable investments or investments with environmental and/or social characteristics.
- There may be exposures where an ESG assessment cannot be applied or there is lacking market practice for appropriate quantification of ESG factors.

- Exposures consisting of certain FDI, hedging, cash or cash equivalents.

The Investment Manager applies minimum safeguards through a screening that is conducted to capture severe controversies or violations of social norms, taken into account as part of the final ESG score of an issuer. Investors should note while the Investment Manager has developed a comprehensive tool to rate securities on ESG-related metrics, there may exist instances where data is lacking, and such assessment may be impacted.

Additionally, to the extent possible and / or where any investments in "Other" form a portion of the strategic asset allocation, the Investment Manager's proprietary ESG rating is applied to the investments making up the 'Other' section of the Sub-Fund in order to continually consider and review such investments. In instances where the rating sufficiently improves, such investments may be deemed by the Investment Manager as contributing towards the environmental or social characteristics promoted by the Sub-Fund. In such circumstances these investments will no longer be considered "Other".

Exclusions are also applied by the Investment Manager in the investment selection process based on ESG factors, as disclosed in the section entitled "What environmental and/or social characteristics are promoted by this financial product?"

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?

The Sub-Fund has not designated a specific index as a reference benchmark to determine whether it is aligned with the environmental and/or social characteristics that it promotes.

The Benchmark used by the Sub-Fund is a mainstream index and does not take account of ESG factors and is therefore not consistent with the environmental and social characteristics promoted by the Sub-Fund.

Where can I find more product specific information online?

You may find more information on www.fundinfo.com and the Investment Manager's website: www.lgtcp.com/en/regulatory-information.