

SFDR – Website Product Disclosure

Website product disclosure in respect of Article 10(1) of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”), concerning the following financial product:

Product Name: LGT Quality Funds - LGT Sustainable Bond Fund EM Defensive (the “Fund”)

Legal Entity Identifier: 5493004TS5B5Z1186G78

All capitalised terms herein contained shall have the same meaning in this SFDR – Website Product Disclosure as in the Prospectus for the Fund, unless otherwise indicated. For further details on the definitions used herein, please refer to the Prospectus for the Fund.

(a) Summary

It is considered that the Fund meets the criteria in Article 8 of SFDR to qualify as an ESG Oriented Fund. This can be reassessed at any time. If it is determined at any future point that the Fund does not meet the criteria to qualify as an ESG Oriented Fund, the Fund supplement, which forms part of the prospectus (the “**Fund Supplement**”) and this Website Product Disclosure shall be updated accordingly.

In seeking to achieve this objective, the Fund will invest most of its assets in debt securities and instruments (debentures, fixed-rate securities, notes and others) of private and public debtors issued by issuers from so-called emerging market countries and/or denominated in currencies from emerging market countries or economically linked to currencies from emerging market countries.

The Fund promotes environmental and/or social characteristics and at least 80% of the assets of the Fund will be allocated to investments aligned with environmental and/or social characteristics. While the Fund does not have sustainable investment as its objective, a minimum proportion of 50% of the assets of the Fund will be committed to sustainable investments with an environmental and/or social objective. In respect of corporate issuers, the Asset Manager also seeks to ensure that good governance practices are followed by such issuers in respect of the Fund.

Whether the Fund is attaining the environmental and/or social characteristics it promotes will be based on an assessment of whether the Asset Manager in respect of the Fund has successfully and consistently (i) executed its ESG exclusion policy, (ii) applied its ESG rating system in the process to identify a universe of investable issuers and in the investment monitoring process, as well as whether it (iii) applied its policy relating to sustainable investments and the United Nations (“**UN**”) Sustainable Development Goals (“**UN SDGs**”).

The Asset Manager measures and monitors the environmental and/or social characteristics promoted by the Fund using multiple third-party ESG data sources. The Asset Manager also carries out several steps of due diligence on the individual investments.

While the Asset Manager strives to ensure the robustness of its ESG-related analyses, there may be certain limitations of data. However, it is not foreseen that these limitations significantly alter or affect the attainment of the environmental and/or social characteristics promoted by the Fund. In addition, the Asset Manager interacts with issuers through direct and indirect engagement.

The 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 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 Fund.

(b) No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

A minimum proportion of 50% of the assets of the Fund will be committed to sustainable investments:

- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the Regulation on the Establishment of a Framework to Facilitate Sustainable Investment (Regulation EU/2020/852) as may be amended from time to time (the “**EU Taxonomy**”); or

- with a social 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 Asset Manager’s “do no significant harm” assessment in respect of issuers as well as in respect of projects that are financed through the use of proceeds (“**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 Asset Manager for each of the mandatory principle adverse impact indicators in Annex 1 shall be excluded from investment consideration.

Principal adverse impacts

Principal adverse impacts on sustainability factors are considered in the following manner:

- Principal adverse impact indicators are captured under the “do no significant harm” principle for sustainable investments outlined above and 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?” in the SFDR Annex of the Fund Supplement.
- 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?” in the SFDR Annex of the Fund Supplement.

Alignment with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

The Asset 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 Asset 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 Asset Manager will seek to exclude the issuer from investment by the Fund. However, it cannot be guaranteed that all investments, especially in jurisdictions where data scarcity is pronounced, can be assessed and thereby excluded.

(c) Environmental or social characteristics of the financial product

The 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.

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

- Companies that, to the best of the Asset 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 Asset Manager to be controversial (e.g. *arms, tobacco, pornography, nuclear power production, coal*).

In respect of countries, those with the lowest ESG rating are excluded, as more fully described in the section of this Website Product Disclosure entitled (g) “Methodologies for environmental or social characteristics”.

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 are therefore promoted as environmental and/or social characteristics by the 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, the Asset Manager applies its “**Country Selection Model**”, resulting in a specific country classification. Environmental and/or social characteristics considered as part of the ESG rating of countries (and therefore promoted as environmental and/or social characteristics by the Fund) include:

- *Green energy, emissions, natural resources, education, health, standards of living, civil liberties, gender equality, institutional strength, corruption, democracy, political stability.*
- Environmental and/or social characteristics are further enriched with economic development inputs, such as *economic growth and economic stability*, on the basis that such characteristics are often intrinsically linked with the long-term ESG direction of Emerging Markets.

(d) Investment strategy

In seeking to achieve this objective, the Fund will invest most of its assets in debt securities and instruments (debentures, fixed-rate securities, notes and others) of private and public debtors issued by issuers from so-called emerging market countries and/or denominated in currencies from emerging market countries or economically linked to currencies from emerging market countries. The Fund integrates environmental and/or social characteristics as part of its investment process, as outlined in this Website Product Disclosure.

Please refer to section of the Fund Supplement titled “Investment Strategy” for further details in this regard.

Good governance practices

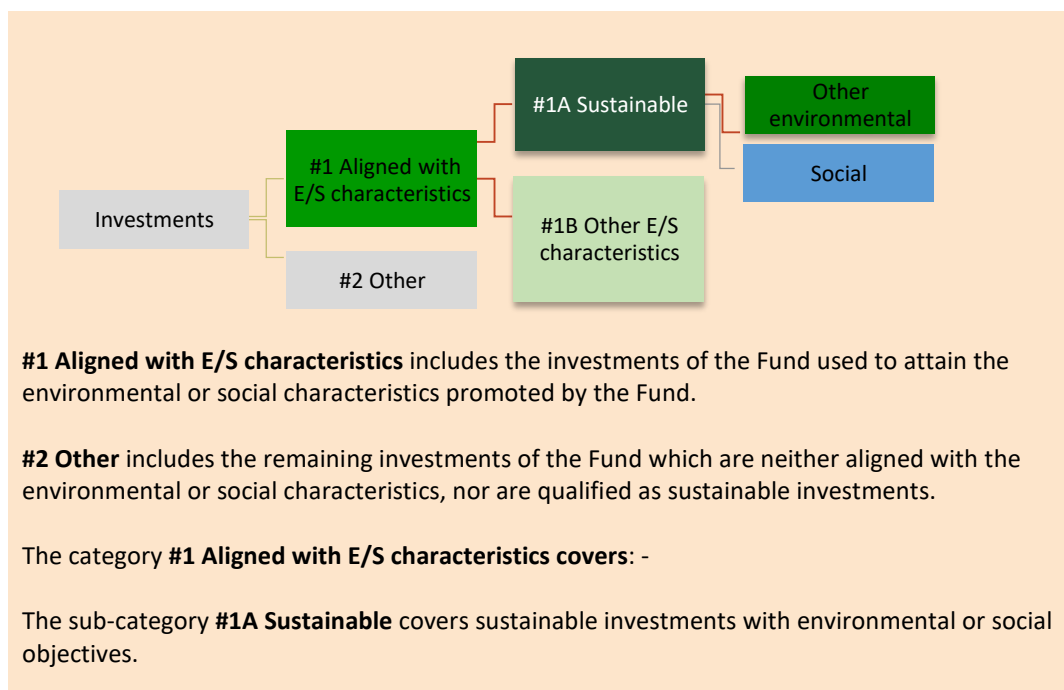
The Fund will typically focus on exposure to a broad range of fixed income securities and instruments.

In the context of exposure to corporate issuers, in order to ensure that such issuers follow good governance practices, as reasonably determined by the Asset Manager, the Asset 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.

(e) Proportion of investments

At least 80% of the assets of the Fund will be allocated to investments aligned with environmental and/or social characteristics (#1). At least 50% of the assets of the Fund will be committed to sustainable investments (#1A). The minimum environmental and social safeguards and the purpose of the remaining portion of investments are outlined in the SFDR Annex of the Fund Supplement.

The below graphical representation contextualises the types of investment considered.



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

The Fund does not use derivatives specifically for the purpose of attaining the environmental and/or social characteristics it promotes. Rather, the Fund may use derivatives for ordinary purposes, as outlined in the Fund 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 Fund attaining the environmental and/or social characteristics it promotes.

(f) Monitoring of environmental or social characteristics

The Asset Manager has in place internal control and governance mechanisms to measure and monitor the environmental and/or social characteristics promoted by the Fund on an ongoing basis. Such measuring and monitoring includes regular reporting of key ESG parameters and current ESG positioning in respect of the Fund. The monitored ESG parameters are subject to change and can be reassessed from time-to-time, however, the Asset Manager expects continuous improvements to lead to such reassessments and subsequently further improvement of its ESG monitoring capabilities over time.

Reporting in terms of the monitoring of environmental and/or social characteristics promoted by the Fund will take place as part of the SFDR periodic reporting.

ESG parameters may be considered by the Fund's auditor in annual financial audits.

Whether the Fund attains the environmental and/or social characteristics it promotes is based on an assessment of whether the Asset Manager in respect of the Fund has successfully and consistently applied and executed the sustainability indicators as described in section (g) "Methodologies for environmental or social characteristics".

(g) Methodologies for environmental or social characteristics

Investments into **corporate and supranational issuers** are selected taking into account the following:

- **ESG Exclusion Policy.** The first factor contributing to whether the Fund will be considered to be attaining the environmental and/or social characteristics it promotes will be an assessment of whether the Fund has successfully and consistently executed its ESG exclusion policy.
- **Screening based on ESG Rating.** Another factor contributing to whether the Fund will be considered to be attaining the environmental and/or social characteristics it promotes will be an assessment of whether the Fund has successfully and consistently applied its ESG rating system in the process to identify a universe of investable issuers in the investment monitoring process.

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 ESG rating is utilised to remove the lowest scoring issuers available through the ESG cockpit. The application of the ESG rating screening process is applied to the total universe of such issuers analysed through the Asset 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 Asset Manager's proprietary rating tool may be wider than the target investment universe of the Fund, meaning that the actual amount of investments excluded from the Fund's scope of investments may effectively be a minimum rate that is lower than 25%.

Investors should note that the screening and reduction of 25% of lowest scoring companies and supranational issuers does not apply to countries as issuers.

The following are key performance indicators on ESG factors related to an issuer that are included in the ESG cockpit in the process to identify a universe of investable issuers through a systematic process which relies on information from underlying issuers:

- 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.*

Investments into **countries** as issuers are selected taking into account the following:

- **Screening based on ESG Rating.** The successful and consistent application of the ESG Rating as part of the Fund's Country Selection Model in respect of the investment selection process. The Asset 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 within the investment universe with more attractive ESG values are scored more highly than others. The ESG Rating is utilised to assign a long-term country classification, which determines the investable universe, based on the following scale:

A	High performance relative to other Emerging Market countries
B+	Good performance relative to other Emerging Market countries
B-	Acceptable performance relative to other Emerging Market countries
C	Weak performance relative to other Emerging Market countries
F	Minimum criteria not met (non-investable)

and;

- The successful and consistent application of the Fund’s ESG exclusion policy (the “**ESG Exclusion Policy**”). Exclusions are applied in the investment selection process based on the ESG Rating as a means of promoting environmental and social characteristics:
 - i. Countries rated A to B-, inclusive, are considered as having environmental and/or social characteristics and are therefore investable.
 - ii. Bonds issued by supranational issuers denominated in currencies of C rated countries (e.g. supranational green bond issuances tied to a specific UOP) may also be considered as having environmental and/or social characteristics and are therefore investable.
 - iii. Currency-related exposures of such C rated countries (e.g. FX derivatives) are not considered as having environmental and/or social characteristics, and while these are investable, they will form part of the asset allocation of the Fund to investments other than those aligned with the environmental/social characteristics promoted by the Fund.
 - iv. With the exception of the instances provided for above at ii. and iii., country issuances rated “C” are deemed non-investable and are fully excluded from the entire portfolio
 - v. Countries rated “F”, that are deemed non-investable, are fully excluded from the entire portfolio.
- **Sustainable Investments.** The aggregate weight of sustainable investments held by the Fund shall be calculated and used to measure the attainment by the Fund of the environmental and/or social characteristics it promotes. In order for an investee entity to be considered a sustainable investment, it must be assessed by the Asset 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) in respect of investee companies, it must follow good governance practices. At least 50% of the assets of the Fund will be committed to sustainable investments.
- **UN SDGs.** Sustainable investments of the 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 Fund is attaining the environmental and/or social characteristics it promotes will be an assessment of whether the Fund has successfully and consistently applied its policy relating to investing in sustainable investments. The Asset Manager considers as sustainable investments, which are aligned with SFDR, only instruments which either:
 - o qualify as a Green, Social or Sustainable UOP instrument according to the principles of the International Capital Markets Associations (“**ICMA**”), which align with UN SDGs, or
 - o have a positive net contribution to UN SDGs by virtue of the issuer’s net 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.

(h) Data sources and processing

The Asset Manager may rely on third-party ESG data or research providers to produce any ESG-analysis.

The Asset Manager has developed a proprietary ESG rating system based on external data providers that provides objective, relevant and systematic ESG information. The ESG rating provides a ranking based on ESG criteria, whereby issuers within the investment universe with more attractive ESG values are scored more highly than others. Issuers are first scored across the environmental, social and governance themes. These scores are then combined into an overall ESG score.

Third-party ESG data is further used to implement the ESG exclusion criteria and to derive a UN SDG impact score.

The main third-party ESG data sources used by the Asset Manager for the assessment of corporate and supranational issuers are: Refinitiv, MSCI, ISS ESG, RepRisk and Sustainalytics (non-exhaustive):

- For the ESG Exclusion Policy, the Asset Manager primarily uses data from MSCI, supplemented by Refinitiv and RepRisk and controversial weapons data from Sustainalytics
- For the ESG Rating, the Asset Manager primarily uses data from Refinitiv, supplemented by RepRisk, ISS ESG and MSCI.
- In respect of UN SDGs, the Asset Manager primarily uses data from ISS ESG, Refinitiv, MSCI and RepRisk.

In respect of countries as issuers, the Asset Manager uses qualitative and numeric third-party ESG data from a selection of publicly available sources and other external providers for the ESG Rating of the Fund's Country Selection Model and to implement the ESG Exclusion Policy. These sources are primarily external providers such as Inrate and multinational global institutions such as the World Bank, the United Nations and the International Monetary Fund (non-exhaustive). In terms of qualitative research, the Asset Manager also uses third-party research provided by counterparties, rating agencies and independent political analysts and may carry out on-the-ground research visits. Data in the Country Selection Model is analysed using proprietary algorithms that include, among others, scoring of certain data items and comparing data to relevant peer groups to arrive at a certain number of ESG scores. All measures are aggregated to the overall portfolio level and then either compared to the respective Benchmark or assessed on a standalone basis to assess the ESG characteristics promoted by the Fund.

The Asset Manager continuously assesses the availability and quality of third-party data and may use new or different third-party providers, if deemed appropriate or necessary. Third-party data is frequently sourced and updated. The quality of automated and manual data is plausibility checked and periodic checks are executed to ensure consistency and reliability.

Investors should note the sourced data may occasionally include estimated data, which may be inaccurate. It is currently difficult to fully specify the proportion of estimated data as information about a certain proportion of estimated data is not made available by the third-party ESG data sources used by the Asset Manager.

(i) Limitations to methodologies and data

The Asset Manager strives to ensure the robustness of its ESG-related analyses through stringent quality checks of third-party vendors. The aim of the Asset Manager is to have a high calculation accuracy, which leads to meaningful results. However, there are certain limitations which may impact the reliability of such assessment:

- The Asset Manager relies on third-party data for its calculations. Such data or research may be imprecise, incorrect or unavailable and the resulting analysis or use of such data by the Asset Manager may be impacted.
- Sourced data may be outdated or there might be a significant time discrepancy between the period of time such data relates to and the actual reported date of such data.
- There might be differences in the definition and methodologies used to compile data used by third-party providers, impacting the comparability of the results.

While the Asset Manager recognises these limitations, it is not foreseen that these limitations significantly alter or affect the attainment of the environmental and/or social characteristics promoted by the Fund given that a lot of the data used is typically rather static, as it does not tend to be subject to rapid change, and quality checks are performed to assure a reasonable level of accuracy of the data used. Data providers are engaged with on a regular basis to fully comprehend any data-related specifications and/or identified anomalies.

(j) Due diligence

The Asset Manager carries out several steps of due diligence on an ongoing basis in respect of the individual investments:

- The quality of third-party input data is checked and assessed to ensure accuracy relating to a specific investment.
- Investment professionals engage on fundamental as well as ESG-related research on individual investments and verify or, if required, adjust the quantitative data used.
- Internal risk management-related checks are carried out to ensure compliance with investment restrictions and consistent alignment with the binding elements relating to the Fund.

(k) Engagement policies

The Asset Manager applies a comprehensive active ownership policy to the Fund, which includes interactions with issuers through engagement, including the following:

Direct Engagement

- The Asset Manager aims to establish and maintain ongoing dialogue with issuers on topics related to the attainment of the Fund's strategy and investment objective.
- The Asset Manager engages directly with issuers on arising sustainability related controversies (reactive engagements), as well as clearly defined topics related to the environmental and/or social characteristics promoted by the Fund (proactive engagements).

Indirect Engagement

- The Asset Manager engages with issuers indirectly through its active participation in industry associations or organizations on sustainability related topics that partake in dialogue with issuers. The Asset Manager is committed to being an active collaborator and thought leader on ESG-related issues, which is further demonstrated through its participation in UN Principles for Responsible Investment, the Institutional Investors Group on Climate Change and the Climate Action 100+ initiative.

(l) Designated reference benchmark

The 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 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 Fund.