



Sustainability Report

Wiltshire Friendly Society

Reporting date: December 2023

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Sustainability at LGT Wealth Management

Your sustainability report

In this sustainability report on the Wiltshire Friendly Society portfolio, we analyse data points and interpret your overall sustainability score and provide a detailed carbon emissions analysis.

This report is available to be added to your Member webpage

Each quarter, we take a deep dive into the assets/ companies held within the portfolio/s in order to provide a coherent, tailored report and analysis – focused on the ‘touch-points’ important to you.

In our view, tackling the issues that our global community faces is one of the key responsibilities of all businesses, across all industries. We believe that financial markets should, and do, play an integral part in the global transition towards a more sustainable future for our society and the environment.

A growing number of individuals/ Board’s share this view and increasingly wish to integrate sustainable objectives within their investment portfolio/s. This direction of travel is at a **level and pace set by each client** – we are there to advise and guide you in this journey.

Not only do we want you to understand how your funds are contributing to a more sustainable world, we want to work with you to ensure that your firm continues to provide the right investments which meets the objectives agreed by your Board on behalf of your members.

LGT employ a specialist sustainability analyst team to undertake ongoing due diligence and ensure sustainability credentials and aligned execution.

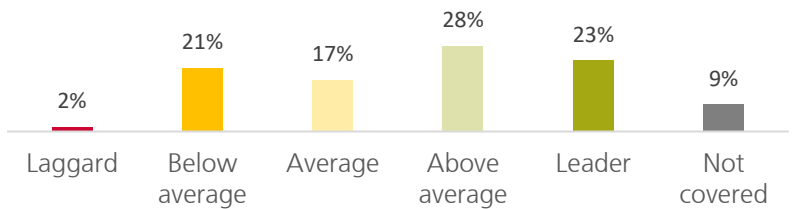
ESG analysis is reported and discussed with you at your Committee/ Board meetings to ensure you are comfortable with the blend of assets, each asset score, and overall ESG rating.

Sustainability score

The LGT sustainability rating is powered by the SMAX engine, our proprietary rating system. It has been developed internally within LGT WM and leverages a number of established third party sustainable data providers as well as NGO and academic data. Our internal scores combines quantitative metrics and qualitative data which is ratified by our human overlay.



Breakdown of sustainability score

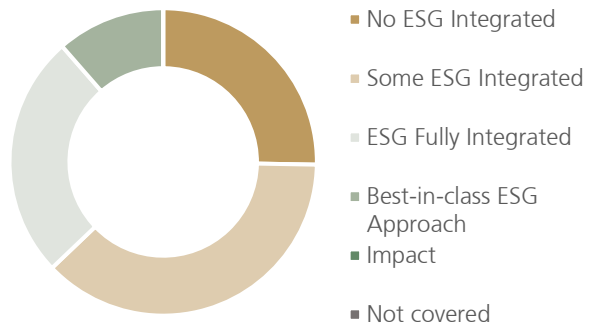


Assets scoring laggard

Volkswagen

Intentionality

An additional layer of analysis is applied to our scoring of collectives, where we look to not only analyse the underlying holdings but also to capture the **intentionality** of the fund manager (their ambition for ESG) and their allocation of capital towards companies that are strongly integrating ESG into their business models and as well as helping to solve global challenges.



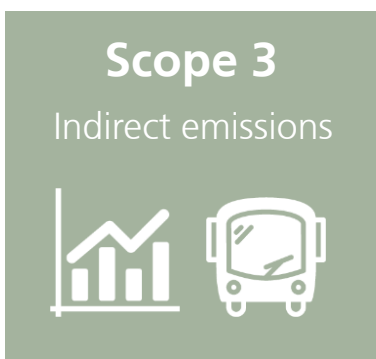
Intentionality score spectrum



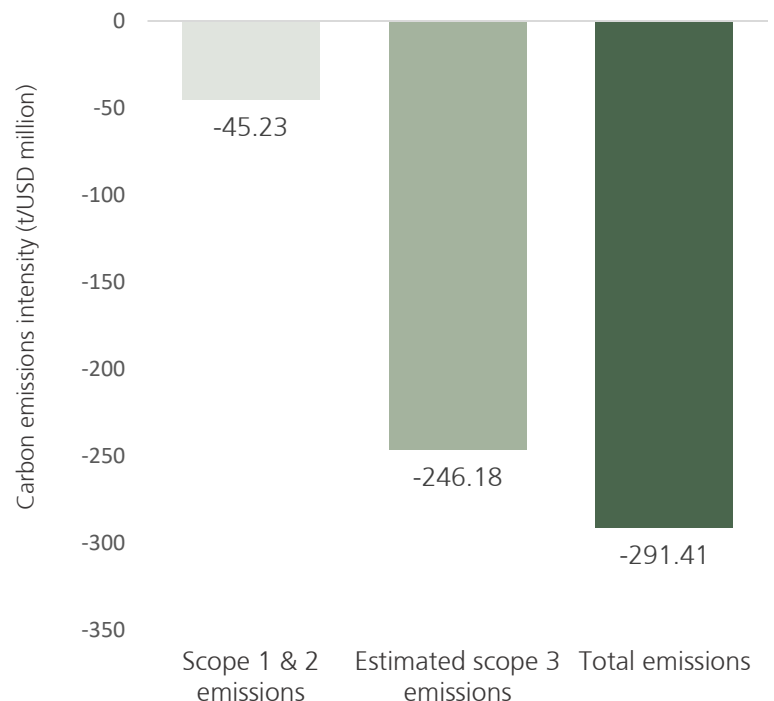
Climate risk: portfolio carbon emissions analysis

The importance of measuring climate risk

- Portfolio climate risk is an increasingly important risk factor to consider at holdings and portfolio level
- One measurement of climate risk is analysing the carbon emissions of businesses, both scope 1 + 2 (operations), and scope 3 (supply chains, investments and goods and services)
- We utilise carbon emissions data for underlying companies in portfolios analysing the carbon avoided and carbon emissions intensity.



Carbon avoided / contributed vs. sector average



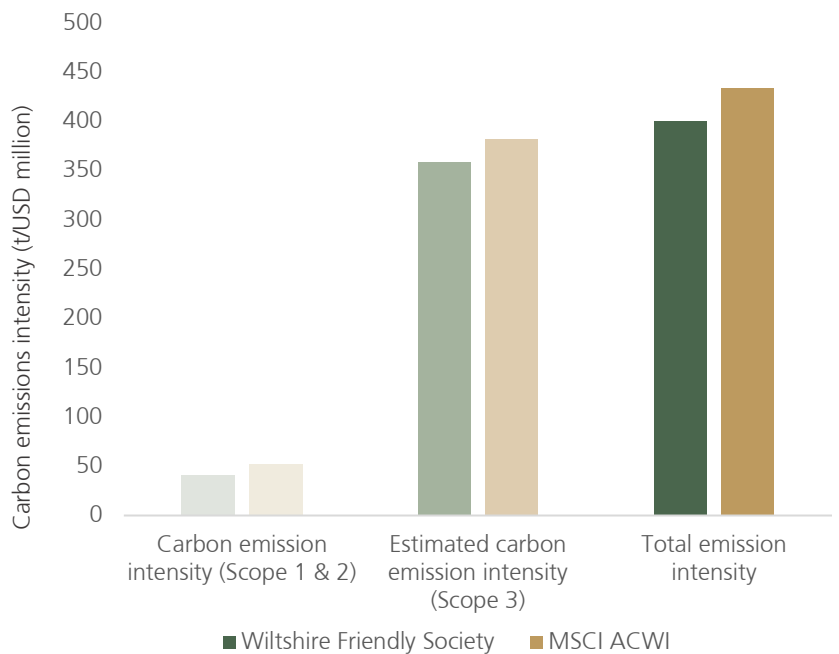
Carbon emissions **intensity** on the other hand, shows the amalgamated Carbon emissions per Enterprise Value Including Cash (EVIC) of all companies which we have used to directly compare the **Wiltshire Friendly Society portfolio to the MSCI ACWI index**.

A score of less than the Index is a positive 'good' result.

Scope 1 & 2
Direct emissions

Scope 3
Indirect emissions

Carbon emissions intensity



*Carbon data coverage: 71% (UK Gilts have no carbon emission coverage)
Portfolio holds more than 10% in UK Gilts which have no carbon emissions score – this negatively impacts the comparison of the portfolio against the index, as latter contains only listed companies.*

For every \$1,000,000 invested, the Wiltshire Friendly Society portfolio has 21% lower scope 1 and 2 carbon exposure than the MSCI ACWI Index. This equates to:

26,860
Miles driven by car

35
Short-haul flights

1
Homes' energy use for one year

1,223
Gallons of petrol consumed

Case study: Adobe



Source: Adobe

Adobe is a multinational computer software company specializing in graphics, photography, illustration, animation and motion pictures.

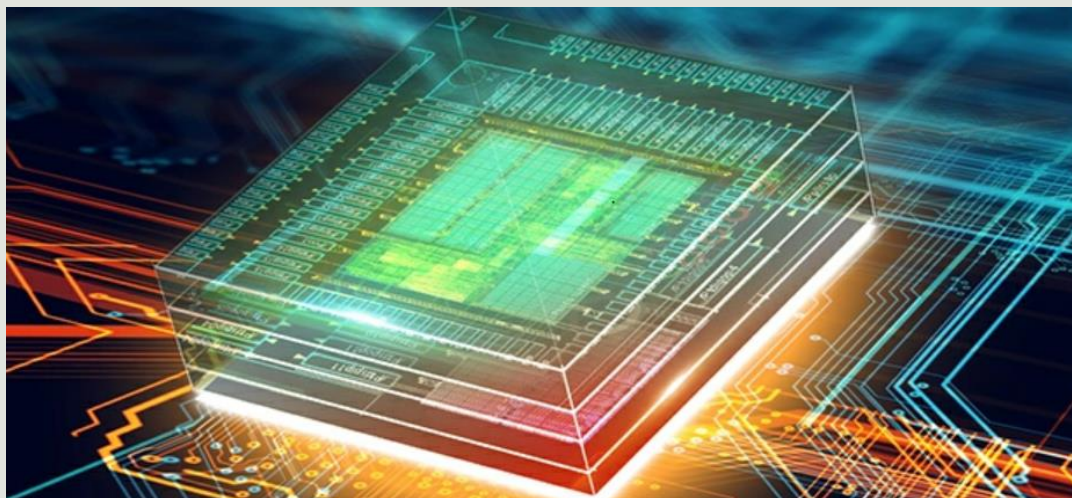
The company runs a range of education initiatives to develop the next generation of digital media makers and coders. Adobe Creativity Scholarship for example, provides college and post-secondary education tuition to young people pursuing study in a creative field, and who wish to harness this creativity as a force for social change.

Its Youth Coding Initiative focuses on providing educational opportunities for groups who are presently underrepresented in the computing sector.

Relevant Sustainable Development Goals:



Case study: Taiwan Semiconductor Manufacturing Company



Source: TSMC

Taiwan Semiconductor Manufacturing Company (TSMC) is a multinational semiconductor contract manufacturer headquartered in Taiwan.

Manufacturing semiconductors requires a significant amount of purified water to wash impurities found after etching excess chip material. In 2021, TSMC used 208,493 metric tons of water per day in its Taiwan sites alone.

To counteract this, TSMC has also began construction of the Tainan Science Park Reclaimed Water Plant which aims to supply 25,000 metric tons of recycled water (the equivalent of 10 Olympic swimming pools) a day to the company. By 2024, the company hopes that 67,000 metric tons of recycled water per day can be used.

TSMC has also made strong commitments to improve on its water conservation practices which in 2021, conserved 2.48 million metric tons of water and also improve on its water filtering systems to reduce water pollution.

Company is held within:

Fidelity Global Dividend fund
Stewart Asia Pacific Leaders fund

Relevant Sustainable Development Goals:



LGT Wealth Management sustainable investment process: how we select assets

We utilise a three layered approach to selecting assets for client portfolios; **by eliminating** certain industries, **prioritising** sustainable practices and **investing in** positive impact.

Exclusionary criteria

We apply a Morningstar product involvement screen to avoid investing in companies that are not aligned to the UN Sustainable Development Goals (SDGs).

Such companies are involved in activities including:

- **Thermal coal**
- **Controversial weapons**

Integrated ESG assessment

Quantitative and qualitative analysis is undertaken to select investments with clear commitment to sustainability as part of a long term business strategy.

Quantitative tools:

- **In-house SMAX engine**
- **MSCI data** is used to undertake Environmental, Social and Governance (ESG) analysis

Qualitative tools:

- Qualitative assessment of the ESG scores
- Fund manager Due Diligence Questionnaires
- Analysis of the investment mandate to ensure aligned interpretation of sustainability.

Targeting positive impact

We aim to invest in companies that have a clear intention to have a positive effect on some or all of the UN Sustainable Development Goals and to measure and report on the performance and progress of the underlying investments against our sustainable pillars:

- **Healthcare and societal wellbeing**
- **Education and training**
- **Resources and the circular economy**
- **Climate and environmental action**

A dedicated team undertakes ongoing analysis to ensure sustainability credentials and aligned execution.

LGT Wealth Management sustainable investment process: ongoing analysis

Initial analysis of holdings

Across portfolios, our main focus is direct stocks/ bonds and *active* third party managers.

The third party managers, whilst being long term investors, often add new companies to their portfolios.

We therefore conduct the following analysis:

- **MSCI ESG overall score assessment**
- **Controversy analysis**

We will always engage with managers, in particular if our ESG views differ on the profile of an underlying stock.

Quarterly ESG assessment

The sustainability profile of the underlying holdings may change over the course of a year.

Each quarter, we run a number of internal reports to highlight any changes in ESG scores, or if there has been any controversies over the period.

We engage with the company/ manager if we have any concerns following the production of the reports.

Mapping the positive impact

Monthly assess the underlying funds' alignment to the sustainable investment pillars:

- **Healthcare and societal wellbeing**
- **Education and training**
- **Resources and the circular economy**
- **Climate and environmental action**

This enables us to publish the alignment of a portfolio to the pillars and allows for greater understanding of the themes within a sustainable portfolio.

LGT employ a specialist sustainability analyst team to undertake ongoing due diligence and ensure sustainability credentials and aligned execution.

ESG analysis is discussed with you at your Committee/ Board meetings to ensure you are comfortable with the blend of assets, each asset score, and the overall ESG score

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