Policy on coal
LGT Group Foundation

January 2024

Context and rationale
Climate change is threatening the way we live, giving rise to considerable financial costs and increasing social tensions and inequality in many countries. Numerous studies and research findings show how imperative it is that we take action. According to a special report by the Intergovernmental Panel on Climate Change (IPCC) dated 8 October 2018, the expected negative impacts of the climate crisis are massive.[1]

As a company owned by the Princely Family of Liechtenstein that thinks in terms of generations, LGT Group is deeply committed to sustainability. By thinking long-term, it creates lasting values for future generations and thus helps to ensure that they will have the same opportunities that we enjoy today. In keeping with our philosophy, LGT supports the framework formulated by the Intergovernmental Panel on Climate Change (IPCC) to limit global warming to below 2° Celsius compared to pre-industrial times, which has been signed by over 190 countries under the Paris Agreement.

In order to combat climate change and to shift our investments in a way that supports an energy supply that is consistent with a scenario compliant with the Paris Agreement[2], we have decided to exclude thermal coal production and power generation from thermal coal from our investment universe. Coal-fired power production is currently already not compliant with any scenario that limits global warming to 2° Celsius or less[3].

Scope of the policy
The LGT Sustainability Board, chaired by H.S.H. Prince Max von und zu Liechtenstein, Chairman LGT, decided that the policy regarding the exclusion of thermal coal applies to all LGT Group companies. The exclusion rule applies to all portfolios managed by LGT Group, including those mandates whose management LGT has delegated to third parties. External asset managers who manage mandates on behalf of LGT are actively monitored and encouraged to implement similar standards. The policy also applies to employee transactions conducted via LGT and third-party banks.
The exclusion rule does not apply to collective investment schemes, funds, ETFs and derivatives on broad based market indices that are not managed by LGT Group.

Excluded companies

Thermal coal production
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[4], or if they are responsible for more than 1% of global annual thermal coal production[5].

Utilities
Utilities with significant exposure to electric power production (defined as deriving more than 20% of their revenues from electric power generation) will be excluded if their average carbon intensity is above 315 g CO_2 / kWh for 2024[6]. This ceiling will be lowered every year and will be 197 g CO_2 / kWh by 2030 and zero by around 2060, thus following the carbon intensity trajectory used by the IEA (see table 1 below).

Table 1: Maximum CO_2 intensity per year as laid out by the IEA (B2DS scenario)[7]

Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
CO_2 intensity (g CO_2 / kWh)	393	374	354	335	315	296	276	256	236	217	197

[1] IPCC, 2018: Global Warming of 1.5°C. An IPCC special report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty [V. Masson-Delmotte, P. Zhai, H. O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J. B. R. Matthews, Y. Chen, X. Zhou, M. I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, T. Waterfield (eds.)].
[2] We are applying the International Energy Agency (IEA) "Beyond-2-Degree" scenario, (B2DS), see for example IEA – Energy Technology Perspectives (2017). The B2DS scenario lays out a CO2 emissions trajectory compatible with limiting the global average temperature increase to 1.75° Celsius by 2100 with a likelihood of at least 50%. The B2DS scenario falls within the ambition range of the Paris Agreement
[3] The IEA Beyond-2-Degree Scenario puts a current (2024) upper limit of 315 g CO_2 per kWh on power production, whereas power production from coal results in emissions of more than 900 g CO_2 per kWh.
[4] Source: MSCI ESG Research.
[5] Source: IEA Coal Information 2018. Rolling three-year averages are used for global coal production figures.
[6] This will lead to the exclusion of coal-rich power producers, as power production from coal results in around 940 g CO_2 / kWh, depending on the power plant technology used.
[7] We apply the International Energy Agency (IEA) "Beyond-2-Degree" scenario, (B2DS), see for example IEA – Energy Technology Perspectives (2017).

Utilities deriving less than 20% of revenues from electric power generation will be excluded if their revenue contribution from thermal coal activities exceeds 5% of their total revenues.

Implementation

LGT uses data from various specialized third-party data providers to arrive at a list of companies to be excluded based on the criteria described above[8]. This list serves as the basis of exclusions and is updated semi-annually.

To ensure its effectiveness and that it continues to reflect climate and technological developments, this policy will regularly be evaluated and may be updated to ensure that it remains aligned with national and international regulations and best practices. LGT will inform its stakeholders of the existence of this policy and put it on its website.

[8] Data sources currently used: IEA, MSCI ESG Research.