LGT Capital Partners approach to Responsible investing in defense

9 September 2026

Confidential

Prepared exclusively for the LGT Capital Partners' Sustainability and Impact Academy

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Would you invest?

Lockheed Martin

Public, US

Combat aircraft, missile systems and complex weapon systems across air, land, sea and space dedicated to application in combat.

Helsing

Private, Germany

AI software for military drones and strike platforms for **autonomous** target detection and **engagement** for European armed forces.

ITP Aero

Private, Spain

Jet engine **components** that find appliance in both commercial airliners and military aircraft. ITP is in the **supply chain** of aircraft producers.

Kongsberg

Public, Norway

Air- and missile-defense systems alongside maritime and subsea industrial businesses. Defense is **one division among several**.

Palantir

Public, US

Data and AI software for military targeting, intelligence agencies and government clients. The same platform is also sold to civil clients such as healthcare.

Would you invest?

menti.com

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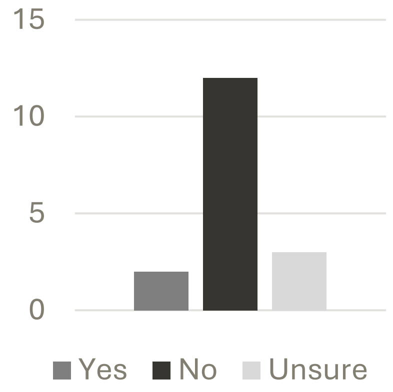
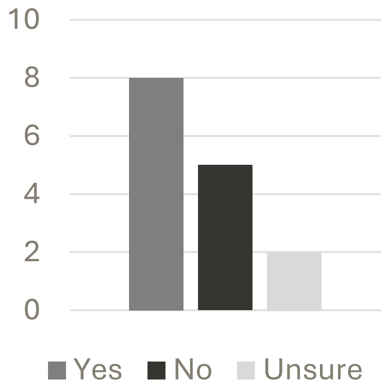
Would you invest?

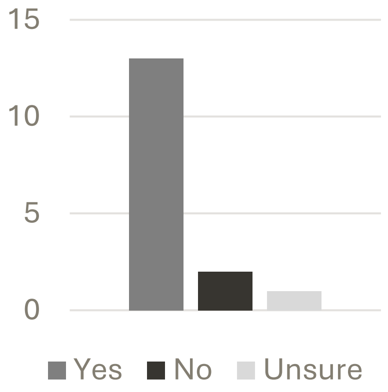
Lockheed Martin



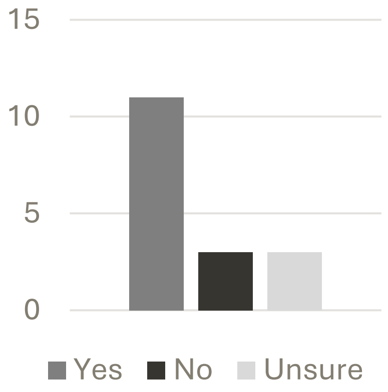
Helsing



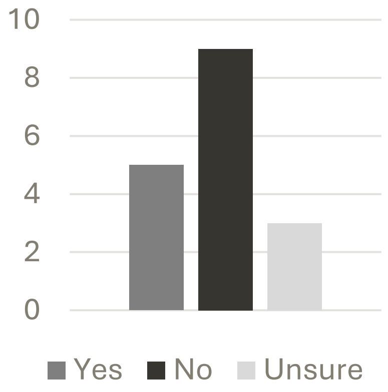
ITP Aero



Kongsberg



Palantir

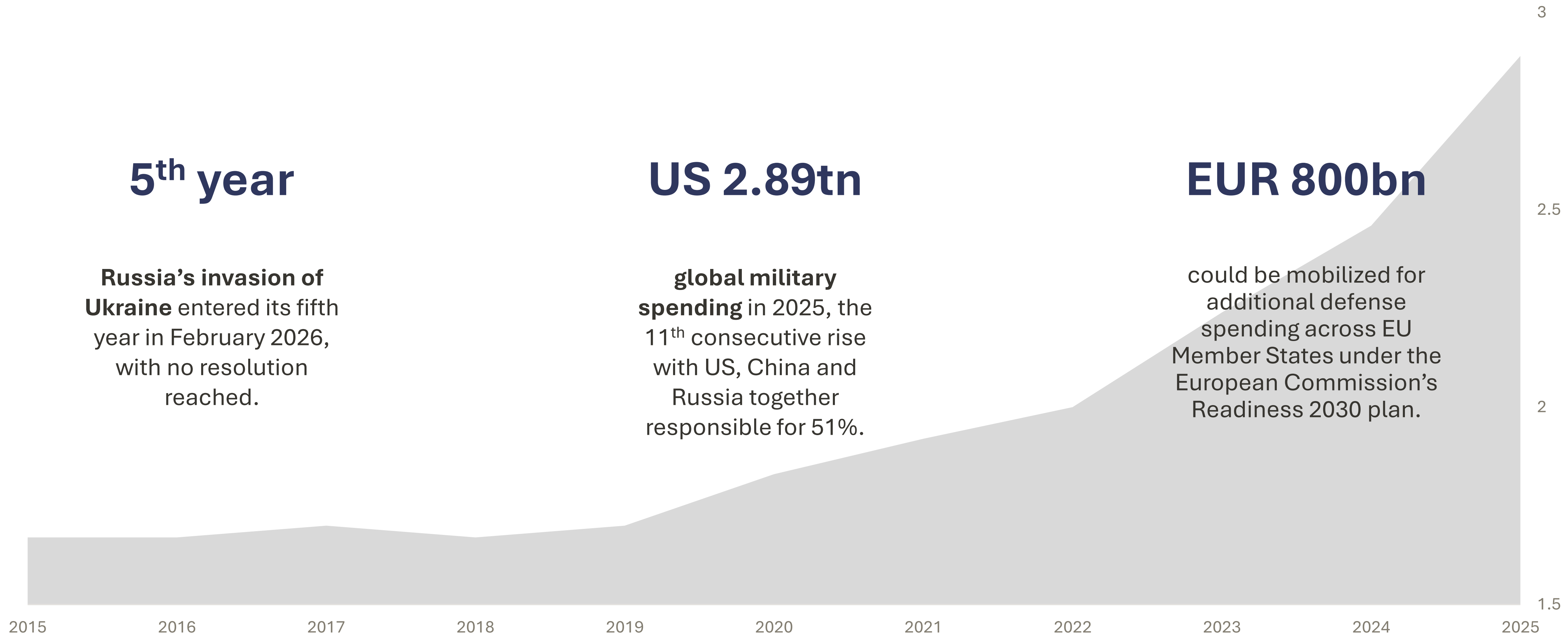


What do we mean when we say 'defense'?

Defense is a diverse ecosystem, not a single sector

Why is the discussion changing now?

Geopolitics, capital and technology are redrawing the boundaries of defense



5th year

Russia's invasion of Ukraine entered its fifth year in February 2026, with no resolution reached.

US 2.89tn

global military spending in 2025, the 11th consecutive rise with US, China and Russia together responsible for 51%.

EUR 800bn

could be mobilized for additional defense spending across EU Member States under the European Commission's Readiness 2030 plan.

Source: The International Institute for Strategic Studies, Stockholm International Peace Research. Council of the European Union.

Asset owners and managers reconsidering their stance on defense

From blanket exclusion towards case-by-case approaches

Uphold

Controversial weapons exclusions stay firm

- Landmines, cluster munitions, chemical & biological weapons (Ottawa, CCM, CWC, BWC).
- SFDR: disclose exposure to specified controversial weapons. Defense investments are not generally prohibited and may qualify as sustainable, subject to the SFDR sustainability tests.
- UN, EU, US and UK sanctions regimes apply unconditionally.

Diverge

Reassessment of conventional weapons exclusions

- Conventional defense is reassessed with the Nordics in the lead.
- Some add exclusions, others relax them, yet others treat resilience as impact.
- Evolution towards case-by-case analysis.

Emerge

New frameworks and vehicles are filling the gray zone

- Guidance for Responsible Investment in Defence-related companies (GRID).
- GRID, drafted through 2026, goes beyond exclusions, addressing use, human-rights risks, portfolio prioritization and expectations for company conduct.
- Dedicated vehicles offer targeted access.

Source: Investment & Pensions Europe (IPE), Reuters, Private Equity International, S&P Global Market Intelligence, Norwegian Ministry of Finance, apg, Responsible Investor, Private Equity International (PEI), PFA, S&P

What ESG-related info would you need to know to support your investment decision?

Palantir

Public, US

Data and AI software for military targeting, intelligence agencies and government clients. The same platform is also sold to civil clients such as healthcare.

1
What does Palantir sell?

2
Can Palantir contribute to lethal operations?

3
Who are Palantir's customers and where are they located?

4
Can software be diverted like a physical weapon into the wrong hands?

5
What governance practices and safeguards does the company have in place?

6
Is Palantir a defense company or a tech company?

LGT Capital Partners' Resposible investing in defense framework

Key questions guide our risk assessment

Key questions	Dimensions	Guidance
1. What does the product or service do?	1a. Proximity to lethal	**Guiding questions:** Where is the product / service along the kill-chain, and what is the potential degree of harm (both intentional and un-intentional)? ***LGT CP view:*** *Exclude controversial and prohibited weapons; avoid conventional weapons and weapon systems active in target / engage*
2. Who will use the product or service, for what, and how is it governed?	2a. Customer type	**Guiding questions:** Is the customer type aligned with LGT CP values? Is there NATO membership? What is the intention of the end-users and where are they based? ***LGT CP view:*** *Avoid engagement with autocratic regimes, private militias in high-risk jurisdictions; exercise caution for engagement with countries in non-UN sanctioned conflicts*
	2b. Risk of proliferation and diversion	**Guiding questions:** What is the production capability, cost, attritability, autonomy, and dual-use potential of the product and service? Is there diversion risk? ***LGT CP view:*** *Avoid exposure to hard-to-track, mass produced, autonomous products that have potential to contribute to higher degree of harm*
	2c. Company integrity and governance	**Guiding questions:** How does the company determine who to sell to? Does the company have governance practices in place to protect against risks? ***LGT CP view:*** *Avoid exposure to companies without robust governance and compliance practices (e.g., adherence to export controls, regulatory requirements)*

Structure company-level judgement across four defense-risk dimensions

Low

Risk

High

1. What does the product / service do?		2. Who will be using the product / service?					
1a. Proximity to lethal		**2a. Customer type**		**2b. Risk of proliferation and diversion**		**2c. Company integrity and governance**	
Low Non-core, outside core defense	1	Low Neutral states (Minimal exports, e.g. CH, AUT)	1	Low Hard to replicate and tightly controlled, complex systems, licensing (e.g., advanced fighter jets, nuclear subsystems, due to very high cost and strict controls)	1	Low Value-based screening (e.g., exclusions of regions, board level oversight of sales, refusal history)	1
Low Peripheral support services to enable defense provision (e.g., satellites, radars, comms systems, maintenance, repair, overhaul services)	1	Low EU / NATO	1	Low-Moderate Controlled dual use; civilian + military use with strong safeguards	2	Low-Moderate Clear internal policy, export controls, guardrails, limited transparency beyond regulatory compliance	2
Low-Moderate Find / fix Detect and identify potential targets, confirm target’s identity, location, activity	2	Moderate Allied non-EU states, active in non-UN sanctioned conflict	3	Moderate Scalable with moderate cost, some portability (e.g., tactical UAVs with semi-autonomy, ISR payloads)	3	High Commercially opportunistic (e.g., broad customer base and limited in value-based filtering)	5
Moderate-High Track / assess Maintain surveillance, evaluate the outcome	3	High Autocratic regimes and high-risk jurisdictions in active conflict	5	Moderate-High Easily scalable at low cost, portable, adaptable	4	High Sales driven as long as it’s legal	5
High Target / engage Decide on appropriate weapon or effect, and deliver chosen effect	5	High Non-state actors / private militias	5	High Mass production, autonomous, hard to track (e.g., attritable drones, AI-driven interceptors, open-source autonomy stacks)	5		
High Controversial Weapons that attract controversy and violate human rights							
High Prohibited Weapons prohibited by treaty							

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Six decades of treaties and regulation

Treaties set red lines, leaving much of defense open to judgement

1968
Nuclear Non-Proliferation Treaty (NTP)

1972
Biological Weapons Convention (BWC)

1980
Conventional weapons (CCW, Protocols I–V, 1980–2003)

1993
Chemical Weapons Convention (CWC)

1997
Ottawa Convention: anti-personnel landmines

2008
Convention on Cluster Munitions

2014
Arms Trade Treaty (ATT) enters into force

2021
EU SFDR applies:
PAI 14 flags controversial weapons

2025
EU Commission: defense investment ≠ incompatible with SFDR / EU Taxonomy

Source: UN Office for Disarmament Affairs, ICRC, European Commission, European Securities and Markets Authority (ESMA)

Asset owners and managers are recalibrating their stance

From blanket exclusion towards more differentiated case by case approaches

Uphold

Controversial weapons exclusions stay firm

Divergence

Reassessment of conventional weapons exclusions and adopting of differentiated approaches

PFA (Denmark): actively pursues investments in European defense since 2022 and, while keeping the ban on controversial weapons in place, lifted the ban on companies that supply components to those in October 2025.

APG (Netherlands): actively pursues investments into ‘our freedom’ and the European resilience with a focus on venture opportunities (April 2025).

Varma (Finland): for direct investments, companies involved in controversial weapons not headquartered in a NATO state, Switzerland, Japan, South Korea, Australia or New Zealand (June 2025).

AkademikerPension (Denmark): relaxed nuclear weapons-related activities exclusion in June 2025. The pension is backing ETNA, a private equity fund dedicated to strengthening European resilience through defense, cyber security and infrastructure protection.

KLP (Norway): excludes 2 suppliers over Israel sales in June 2025.

AP Pension (Denmark): backing ETNA, a private equity fund dedicated to strengthening European resilience through defense, cyber security and infrastructure protection.

NBIM (Norway): reassessing it’s long standing (20+) weapons exclusions and defense. Decision expected in 2027.

Source: Investment & Pensions Europe (IPE), Reuters, Private Equity International, S&P Global Market Intelligence, Norwegian Ministry of Finance, apg, Responsible Investor, Private Equity International (PEI), PFA, S&P