



Wealth  
Management



# Sustainability at LGT Wealth Management

### **A look inside the Princely Collections**

For more than 400 years, the Princes of Liechtenstein have been passionate art collectors. The Princely Collections include key works of European art stretching over five centuries and are now among the world's major private art collections. The notion of promoting fine arts for the general good enjoyed its greatest popularity during the Baroque period. The House of Liechtenstein has pursued this ideal consistently down the generations. We make deliberate use of the works of art in the Princely Collections to accompany what we do. For us, they embody those values that form the basis for a successful partnership with our clients: a long-term focus, skill and reliability.

[www.liechtensteincollections.at](http://www.liechtensteincollections.at)

Cover image: Bauer brothers, Hortus Botanicus,  
detail from "Helianthus annuus", c. 1778  
© LIECHTENSTEIN. The Princely Collections, Vaduz–Vienna

# Contents

- 4** Introduction
- 6** Our sustainable philosophy
- 9** Our position on climate change
- 11** LGT Venture Philanthropy Foundation
- 14** Integration into our investment process
- 16** Partnerships and collaboration
- 17** Shareholder engagement

# Introduction

## A sustainable approach

We believe that all companies wishing to achieve long-term success should consider their impact on the environment and society. In our opinion, tackling the issues that our global community faces is one of the key responsibilities of all businesses, across all industries.

Our sustainability strategy aims to integrate sustainability into all areas of our business and across our entire service offering. With our commitment to the 10 UN Global Compact Principles in the areas of human rights, labour, the environment and anti-corruption, we have pledged to a minimum standard with regard to all Environmental, Social and Governance (ESG) factors.

We consider and manage sustainability risks that may have a material negative impact on the financial return of an investment or advice by applying various methods. Examples of these methods include exclusion policies, the LGT Wealth Management Sustainability Rating, United Nations Environment Programme Finance Initiative (UNEP FI) Principles, our commitment to net-zero and the LGT Code of Conduct.

We define sustainability risks as ESG events or conditions that, if they occur, could have a material negative impact on a financial product or service. For example, affecting the value of an investment or impacting a company's assets, financial and earnings situation as well as reputation.

“Our long-term approach to investing focuses on our impact on society and the environment, and is a key part of delivering the service our clients want and expect.”

Ben Snee, LGT Wealth Management CEO

# Our sustainable philosophy

## Uncompromising integrity

At LGT, sustainability is an integral part of our culture and our values. Our sustainability strategy aims to further integrate sustainability into all areas of our business and across our entire service offering.

LGT is a signatory to the UNEP FI's Principles for Responsible Banking. This means we must measure the impact we have with our investments against the UN Sustainable Development Goals and the Paris Agreement.

By developing methods to measure the impact of our activities, we will further mitigate material principal adverse impact on sustainability factors in our core business.

Climate change is one of the most pressing challenges we face today, we have therefore committed to become net-zero across our operations and our own investments by 2030.



## **LGT Group**

LGT Wealth Management is part of the private banking group LGT, owned by the Princely Family of Liechtenstein.

LGT's unique ownership structure is linked to a long-term and holistic approach to doing business. LGT adopted a sustainable mindset early on and long-term thinking and acting have always been key traits.

## **LGT's Sustainability Strategy 2030**

LGT has been working for many years now to further strengthen the commitment to sustainability. LGT has introduced the Sustainability Strategy 2030, which sets out our company's binding goals to be reached by 2030 across all business areas.

## **Sustainable business operations: LGT's 2030 environmental targets**

In 2021, LGT committed to achieving net-zero CO<sub>2</sub> emissions from our business operations and our own investments by 2030. In 2022, we developed our Sustainability Strategy 2030, which includes and expands on this target.

To achieve this aim, we are working to expand our product offering to provide our clients with better investment access to organisations that help us address environmental and social problems – that protect biodiversity, promote a smooth energy transition to more sustainable energy solutions, enhance resource efficiency and improve access to affordable quality healthcare, education and financial services. Further, we aim to reduce our operational greenhouse gas emissions by 90 percent by 2030, compared with 2019. To do so, we will establish criteria for air travel, and find new ways to lower carbon emissions locally.

In our buildings and facilities, our goal is to use 100 percent renewable electricity and renewable heating sources or district heating, as well as to reduce energy consumption by 30 percent. To neutralise residual emissions, we will lead as a responsible buyer on the market for carbon removal.



# Our position on climate change



We acknowledge the necessity and urgency of mitigating and adapting to climate change, and recognise our specific responsibility in addressing this challenge. As emphasised in the Paris Agreement, we now need to make ‘financial flows consistent with a pathway towards low carbon emissions and climate-resilient development’. Without the alignment of financial institutions, the 2°C, let alone the 1.5°C, target cannot be met.

We are convinced that as a financial institution, we can make the greatest positive contribution to climate protection through our investments and by providing good and responsible investment advice – two of our core activities. We believe that the sustainable allocation of capital gives us the opportunity to make a significant contribution to resolving environmental and social problems.

Taking climate change into account means, on the one hand, ensuring that our own and our clients’ assets are protected from climate-related risks. On the other hand, it means redirecting the capital of institutional and private investors

to align with the Paris Agreement and in doing so, capturing investment opportunities arising from the transition to a low-carbon economy. While the majority of our impact on climate change occurs through our investment activities, we also make sure to reduce our direct impact by conducting our business operations in a sustainable way.

In combination, all of the measures taken by our business provide a sound basis for making a substantial contribution to tackling some of the biggest challenges that we are currently facing, such as climate change. However, in keeping with our commitment to long-term thinking and acting, we acknowledge that this is only one step on a challenging, but exciting journey.

# LGT Venture Philanthropy Foundation

Each year, a minimum of ten percent of LGT Group dividends are allocated to philanthropic activities through the LGT Venture Philanthropy Foundation (LGT VP) which was founded in 2007 with the aim of improving the quality of life of disadvantaged people, contributing to healthy ecosystems, and building resilient, inclusive, and prosperous communities. LGT VP deploys philanthropic capital to organisations with effective, innovative, and scalable solutions to social and environmental challenges. The foundation primarily supports organisations based in emerging markets, focusing on high-impact sectors, including education, health, and environment. This financial assistance really helps the organisations, but of equal importance is the transfer of knowledge and access to networks that the foundation facilitates.

Organisations admitted to the LGT VP portfolio must undergo a detailed audit process and achieve jointly defined objectives. They need to have developed innovative and replicable models, designed to make sustainable improvements to the quality of life to those who are disadvantaged. The use of proven investment, management and controlling processes is intended to ensure that the funds entrusted to the parties concerned are deployed in an objective-driven, efficient and transparent manner.

## Examples of organisations currently in the LGT Venture Philanthropy portfolio



### **Educate Girls**

founded 2007

**Location:** India

**Sector:** Education

India has the world's largest illiterate population, and women and girls in rural areas are especially affected.

Educate Girls works towards increasing the enrolment of girls in schools by identifying out-of-school girls through a door-to-door survey or secondary research. The organisation then mobilises communities and makes them aware of the necessity of sending girls to school.

Educate Girls trains public school teachers and appoints para-teachers to enhance the quality of teaching and improve retention in schools. The organisation also trains local community members who liaise with the government to seek funds and implement projects to improve school infrastructure.

In 2019, over 2 million out-of-school children, especially girls, had an opportunity of a better life through Educate Girls.



### **mothers2mothers**

founded 2001

**Location: Kenya,  
Lesotho, Malawi,  
Rwanda, South Africa,  
Swaziland, Tanzania,  
Uganda, Zambia**

**Sector: Health**

In parts of Africa, up to 75% of babies born to HIV+ mothers stand to lose their mothers to AIDS-related illnesses. Lack of knowledge about HIV/AIDS and fear of stigma, prevent mothers living with HIV/AIDS from searching for the right kind of support to prevent transmission and from learning to live with HIV/AIDS.

mothers2mothers hires HIV+ mothers to educate and support new HIV+ mothers to learn how to live with HIV/AIDS. The organisation's enhanced program model provides health advice to HIV+ and HIV- women and their families to improve overall health. Once a clinic is set up and running well, local host governments take over the treatment of mothers.

In 2019 mothers2mothers achieved a 1.9% mother to child HIV transmission rate, across the 901,000 patients reached. In the absence of any intervention, transmission rates can be up to 45% (World Health Organisation).

To find out more about LGT Venture Philanthropy and the organisations they support please visit: [www.lgtvp.com](http://www.lgtvp.com).

## Integration into our investment process

Our sustainability strategy aims to further integrate sustainability into all areas of our business and across our entire service offering.

Environmental risks are defined as financial risks arising from environmental factors posed by the exposure of institutions to counterparties that may be negatively affected by environmental factors. This includes factors resulting from climate change and factors resulting from other forms of environmental degradation.

Social risks are risks posed by the exposure of institutions to counterparties that may be negatively affected by social factors. These relate to the rights, well-being and interests of people and communities.

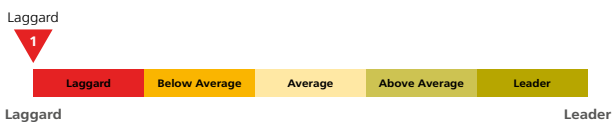
Governance risks are risks posed by the exposure of institutions to counterparties that may be negatively affected by governance factors. These relate to governance practices including ethical considerations, sound risk management structures, the organisation and functioning of the management body and transparency.

We systematically exclude investments with significant ESG risks. Our exclusion policies apply to the entire LGT Wealth Management business and all mandates that we manage. To mitigate environmental risks and to combat climate change, we exclude companies involved in controversial weapons and coal extraction, production and utilities with significant exposure to electric power production with an average carbon intensity above 374 g CO<sub>2</sub> / kWh for 2021.

The LGT Wealth Management Sustainability Rating sources raw data from different ESG data providers. This allows us to assess the sustainability qualities of the company and country exposures that are derived from the underlying investments (equities, bonds, funds and ETFs). The LGT Wealth Management Sustainability Rating ranges from one to ten, with one indicating the lowest and ten the highest sustainability quality. We believe low sustainability quality of an investment instrument indicates high sustainability risk, which could result in a negative impact on financial returns.

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### LGT Wealth Management sustainability rating



# Partnerships and collaboration

## A united front

LGT Group is collaborating with other organisations globally across the following initiatives on the topic of sustainability, including:

- Carbon Disclosure Project
- Montreal Pledge
- Climate100+
- Task Force on Climate-related Financial Disclosures (TCFD)
- The Institutional Investors Group on Climate Change (IIGCC)
- UN Global Compact
- UN Principles for Responsible Investment
- UNEP FI Principles for Responsible Banking (PRB)
- World Economic Forum



The Group is also a member of the World Economic Forum Alliance of CEO Climate Leaders. In this context, our Group CEO signed the open letter from 50 CEOs who preside over companies with a total of USD 1.3 trillion in revenues in 2017. This letter was released ahead of the 24th Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC) in November 2018. Since 2012, LGT has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption. Through our sustainability report, we communicate annually on the progress we have made in implementing the Ten Principles.

**WE SUPPORT**



# Shareholder engagement

## Beyond the portfolios

At the heart of our stewardship responsibilities, as a wealth management firm, is ensuring that investment decisions and recommendations are taken with our clients' best interests in mind. As part of these responsibilities, we have continually endeavoured to engage with investee companies regarding significant votes. Please see our Stewardship Policy for further information.

Effective monitoring of investee companies and funds is fundamental to fulfilling our responsibility to our clients. Each company or fund's ability to create, sustain and protect value is central to our investment process. Therefore, we continually assess the performance and management of companies and funds in which we have invested, on behalf of our clients, to determine if our clients' interests are being served.

From the start of 2021, we will be working with ISS, who we have partnered with to provide proxy-voting services. This will enable us to systematically vote on issues across all equity and investment trust holdings on our approved lists at AGMs and EGMs. Such issues include voting against excessive remuneration, regular change of auditors, entrenched boards, board diversity, accountability and responsibility of the board on other ESG topics as well as advocating ESG disclosures. The results of our voting will be published annually so that our clients are able to better understand the breakdown of votes by theme, and whether we have voted against/for the proposals.

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### **Important information**

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Investors should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.

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