Investing sustainably
A look inside the Princely Collections: The illustrations in this publication are part of the Codex Liechtenstein, which consists of more than 2700 separate plant illustrations. The three Bauer brothers were the biggest contributors to the Codex, creating a synthesis of art and science that was faithful in detail yet obeyed the high aesthetic quality required of art.

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: expertise, reliability and a long-term perspective.

Cover image: Bauer brothers, Hortus Botanicus, detail from “Sophora japonica,” 1778
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www.liechtensteincollections.at
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“We want to create long-term value – for our clients as well as for society and the environment.”

H.S.H. Prince Max von und zu Liechtenstein, Chairman LGT
Dear Client

Together, you as an investor and we as a bank can contribute to what is probably the most important transformation since the industrial revolution: the path to a sustainable and climate-neutral future mapped out by the UN in its 2030 Agenda and the 17 Sustainable Development Goals. For this transition to be successful, far-reaching changes to the global economy must be made and massive investments are required. The EU Sustainable Finance Action Plan, which contains measures to be taken by the financial sector to contribute to the more sustainable allocation of capital, underpins the transition. Investors now have the power to consistently direct capital flows to sustainability-oriented and forward-looking companies, organizations, projects and countries. Companies whose innovative solutions play an important role in the economic transformation and contribute to positive change have enormous growth potential.

In contrast, companies that cling to outdated and unsustainable business models are potentially at risk. Judicious investors can take advantage of the opportunities that arise from this dynamic and at the same time reduce their exposure to risk.

For our owner, the Princely Family of Liechtenstein, thinking and acting sustainably and with a view to the future has played an important role for generations. This approach is also deeply rooted in the culture at LGT. We want to do more than just generate profits with our business activities – we also want them to have a positive impact on society and the environment. Time is running out, which is why we have set concrete and ambitious sustainability goals for ourselves that focus on immediate climate protection measures. In particular, we aim to reduce CO₂ emissions from our business operations and investments to net zero by 2030. To this end we have, for example, commissioned the Swiss company Climeworks to remove CO₂ from the atmosphere for LGT. We are also one of the first partners to join a platform run by the company South Pole that supports the further development of CO₂ removal technologies.

Wealth management and advisory services are where we can have the greatest impact. By allocating your assets sustainably, you too can contribute to a more sustainable and climate-neutral future while taking advantage of attractive investment opportunities. LGT has long-standing experience and a diverse range of sustainable investment solutions. This brochure outlines how we can support you in aligning your portfolio with the important changes that are underway, thereby contributing to a more sustainable future.

H.S.H. Prince Max von und zu Liechtenstein, Chairman LGT

Olivier de Perregaux
CEO LGT Private Banking

Let’s seize the opportunities!

H.S.H. Prince Max von und zu Liechtenstein (right) and Olivier de Perregaux
By factoring sustainability into their portfolios, investors can achieve attractive financial returns while helping to fight the effects of climate change, level social conditions and address shortcomings in company governance.

What is sustainable investing?
Sustainable investing involves taking ESG criteria into account in a client’s portfolio. In addition to an attractive financial return, the goal is to bring about improvements in environmental, social or governance (ESG) aspects.

Generating returns and reducing risks
At LGT, we are convinced that investing will increasingly integrate environmental, social and governance criteria. Companies that factor sustainability into their business models are more attractive investments than those that do not because they are exposed to fewer risks and can generate better returns in the long run. In addition, companies with an eye on sustainability issues generally use resources more efficiently, their products are more favored by consumers and their employees are more motivated. Studies demonstrate that sustainable investments often have better risk-adjusted returns compared to traditional investments.

A sustainable strategy minimizes investment risks by avoiding companies susceptible to environmental scandals, consumer boycotts and other issues that could cause reputational damage. Companies doing business sustainably are also better prepared for more stringent regulations.

Sustainable investments are, of course, just as vulnerable to the vagaries of financial markets as traditional investments: they are subject to fluctuations, may carry risks and historical performance cannot be extrapolated to future returns.

Helping society and environment
Investors can play a key role in pressuring companies to think sustainably. By refusing to finance companies that cause social or environmental harm, investors drive up the cost of doing business for these companies. Conversely, by committing capital to companies that address the global sustainability challenges, sustainable investors lower the cost of capital of high-quality companies, which in turn gives them a competitive advantage.

ESG criteria
Investors use ESG criteria to gauge how sustainable their investments are. The greenhouse gas emissions generated by a company, relative to its sector peers, are typical for environmental criteria, while social criteria include factors such as human rights and community relations. Governance criteria examine the board structure and compensation issues such as whether executive management pay is linked to a company achieving its sustainability targets.
Future-proofing investments
Sustainable investments help the environment and society while generating competitive returns. In addition, investors can benefit from the opportunities inherent in innovative companies and sectors while actively contributing to a more sustainable future. LGT has a long track record in helping clients identify long-term leading sustainability companies.

Pursue your investment goals* with sustainable investing

Achieve financial returns
Invest in financially attractive companies or countries with high environmental, social and governance standards and a strong commitment to sustainable development.

Reduce investment risks
Avoid investments in companies and countries with a very negative impact on people and the planet.

Capture growth opportunities
Invest in companies with innovative products that support the transition to a sustainable economy and benefit from secular growth trends.

Reflect personal values
- Support themes that are close to your heart.
- Avoid investments that go against your values and preferences.

Have a positive impact on people & the planet
Invest in companies whose products and services make a positive measurable contribution to people and the planet.

Preserve wealth for future generations
- Avoid ESG risks and capture ESG opportunities.
- Foster sustainable development through positive contributions to people and the planet.

*There is a possibility that the investment objectives stated herein will not be achieved.
“Fortunately, the younger generation’s impatience is a catalyst for change”

Bruno Piller, Head Private Banking at LGT Bank Switzerland, on what companies and investors can contribute.

“It’s clear to everyone that we don’t have much time left to slow climate change. We need to enlist the private and public sector. Fortunately, many companies already have a clear plan for the transformation. LGT is one of them, and I’m proud to work for a bank that aims to reduce its CO₂ emissions from operations and its own investments to net zero by 2030.

As a bank, our clients’ investments are our most powerful lever. There is massive interest among clients to use their assets to contribute to more sustainable development. But sustainable investing is quite complex, so it’s our job to support them. Investors can choose from a variety of approaches, and we’re still waiting for generally accepted definitions to emerge for these categories. Investors may not always be familiar with terms like ESG, SRI or impact investments. We need to be able to clearly and transparently show our clients how they can make their portfolios more socially and environmentally sustainable and supportive of good corporate governance.

My generation didn’t pioneer sustainability. Fortunately, the younger generation’s impatience is a catalyst for change. I often talk to my children about climate change or our increasingly polarized society – the next generation can teach us a lot. We recently switched the central heating system in our house from oil to a geothermal system combined with solar energy. Seventy percent of my mileage is in an electric vehicle. These are small contributions – but I think they’re a step in the right direction.”

“Our clients’ investments are our most powerful lever,” says Bruno Piller.
Identifying which investments are sustainable

To achieve their intended goal, sustainable investments must be selected based on a reliable assessment of their impact on the environment and society. The criteria and procedures applied in this process are constantly evolving.

A challenge for investors
While determining a company’s financial situation generally involves a straightforward calculation using indicators such as its price/earnings ratio, assessing its sustainability quality is often much more complex. The parameters used to determine sustainability tend to be qualitative and difficult to measure. This is compounded by the fact that the way criteria are selected and weighted often involves difficult trade-offs. For example, how should a company be rated if its products help to reduce CO₂ emissions, but its manufacturing practices violate safety standards?

The LGT Sustainability Rating for equities, bonds, funds and exchange-traded funds (ETFs) can help clients who face this challenge. The rating provides clear guidance on the sustainability quality of investments based on a comprehensive assessment of ESG criteria, while also taking into account the United Nations’ 17 Sustainable Development Goals (SDGs). (For more information, please refer to the chapter “Greater transparency with the LGT Sustainability Rating” on pages 24–25.)

The SDGs
The 17 SDGs form the core of the 2030 Agenda for Sustainable Development, which was launched by the United Nations in 2015 and supports peace, prosperity and the planet. Both the agenda and the goals cover the three elements of sustainability (environment, society and governance), and were unanimously adopted by the UN member states. Investors who are looking to invest sustainably can use the 17 goals as a reference when considering the impact of investments on people and the planet.

The 17 Sustainable Development Goals
A solution that’s right for you

We help you invest sustainably by developing a solution that takes into account both your investment goals and your sustainability preferences.

To develop an investment solution that is right for you, we require a good understanding of your sustainability preferences. Our relationship managers dedicate time to discussing the level of sustainability you are looking to achieve in your investment strategy and which aspects are most important to you.

**Your sustainability profile**
Investors have different degrees of sustainability that they want to integrate into their investment strategies, which is why we have created three distinct sustainable investment profiles: Basic, Enhanced and Enhanced Plus (see below). Each targets a different level of sustainability and sustainability criteria.

The sustainability profile allows relationship managers to recommend the investment solution that best aligns with your investment goals and values. For example, if having a positive environmental and/or social impact is a significant priority, the sustainability preferences correspond with the Enhanced Plus profile, and the proposed investment solution will meet the highest sustainability standards.

**Your sustainable investment solution**
At LGT, we offer two overarching types of investment solutions: portfolio management mandates and investment advisory mandates. Portfolio management mandates are designed for people who wish to delegate their investment decisions to us. We then implement these decisions according to their preferences. In contrast, our investment advisory mandates are suited to people who would like to receive advice from us but ultimately want to make their investment decisions independently. Both of these solutions can be aligned with a client’s sustainability profile.

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### Four profiles designed to meet different sustainability preferences

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Basic</th>
<th>Enhanced</th>
<th>Enhanced Plus</th>
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<tbody>
<tr>
<td>Sustainability has a subordinate role for you. Your investment decisions are mainly driven by financial criteria.</td>
<td>In addition to financial criteria, you also include a sustainability standard in your investment decisions. Investments with a low sustainability quality are excluded from your portfolio.</td>
<td>You consider high sustainability standards when selecting instruments. Your portfolio investments support sustainable development.</td>
<td>Your sustainability standards for your investments are very high. Your portfolio has a strong bias towards investments that make a positive contribution to society and the environment.</td>
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</tbody>
</table>
For example, for the securities in portfolio management and investment advisory mandates with a Basic profile, we target an average LGT Sustainability Rating of at least three stars. Portfolios with an Enhanced or Enhanced Plus profile, on the other hand, contain a greater number of four- and five-star investments. (More information on the LGT Sustainability Rating can be found in the chapter “Greater transparency with the LGT Sustainability Rating” on pages 24–25).

Clients with an Enhanced Plus profile can opt for our Focus Sustainability portfolio management solution, which is subject to very high sustainability standards throughout the strategy. For example, in addition to an average portfolio rating of at least four stars, the Focus Sustainability mandate prioritizes investments that are beneficial to the environment or society. We also monitor investments to ensure that greenhouse gas intensity and water consumption are lower than the respective benchmark.

Since September 2022, the Focus Sustainability portfolio management strategy has been available in the form of retail funds. These funds give our clients easy access to a professional investment solution with a minimum investment of one fund unit.

For clients with an investment advisory mandate and an Enhanced Plus profile, we place a special focus on six key sustainability themes (see below) when making recommendations.

LGT’s sustainable investing themes support six specific SDGs:

- Societal well-being
- People empowerment
- Circular economy
- Climate action
- Biodiversity
- Digitalization/technology

We talk to you to determine your individual sustainability preferences.
Additional investment instruments
Besides direct investments in equities and bonds issued by companies with a good sustainability track record, both our portfolio management and advisory mandates also invest in carefully selected investment funds. These include the sustainable equity and bond funds offered by our sister company LGT Capital Partners, as well as a wide range of sustainable funds and ETFs from third-party providers.

Regular updates
Clients of LGT receive regular and detailed reporting on the sustainability quality of their investments in their portfolio statement. The statement contains an LGT Sustainability Rating for individual positions and overall portfolio, as well as information about investments’ environmental footprint and contributions to the SDGs.

High-quality advice
In order to provide insightful, in-depth advice on sustainable investment, our employees undergo both mandatory and further training on this topic. LGT has more than 30 sustainable investing specialists in Europe, the UK and Asia who support our relationship managers on everything relating to sustainability, including developing sustainable investment proposals for clients.
“I’m convinced that sustainable investing has many benefits”

Nicole Strebingen, Investment Advisor at LGT Bank Austria, on her path to becoming a sustainability specialist and how being a mother means she now also has to be a role model.

“My first experience with sustainable investing was back in 2003. I was a fund manager at an Austrian investment firm. One of the funds I was responsible for was called Modern Times and took sustainability aspects into account. Unfortunately, ESG wasn’t very popular yet. So, when I joined LGT in 2017, I took the opportunity to specialize in this area and became a certified ESG analyst. I was a bit of a trailblazer at LGT in Austria at the time. I’m an investment advisor now and construct sustainable portfolios for our clients. I’m also involved in managing discretionary mandates with a focus on sustainability and provide support for all the training that we do in this area in Austria.

I’m convinced that sustainable investing has many benefits. Sustainability has added a new dimension to investment decisions that is becoming increasingly important. It’s interesting: although virtually all of my clients are interested in sustainable investing, many are concerned that their performance will suffer if they go down that route. But by explaining our approach and how taking ESG criteria into account can actually improve a portfolio’s risk-return profile, I’m able to put their fears to rest.

I feel that I must take responsibility for the environment and society. If my two children ask how my job helps make the world a better place, I want to be able to give them an answer I am proud of. The fact that I can have a positive impact through my work makes me happy. And it has even changed certain aspects of my personal life. For example, when you’ve screened as many companies as I have for their sustainability quality, you become more discerning as a consumer. But it’s not just me – with all the media coverage that the topic is getting, there is much more awareness in general, and more people are starting to take action.”

“The fact that I can have a positive impact through my work makes me happy,” says Nicole Strebingen.
We use various approaches and strategies to implement your sustainable investment solutions.

A growing number of people want to use their investments in order to make social and environmental improvements. Using an investor’s preferences as a basis, this goal can be implemented with different weightings for risk, return and positive impact. At LGT, we have defined a framework that enables our clients to have a positive impact with their assets in accordance with what they wish to achieve.

Sustainable investing and impact investing: Both sustainable investing and impact investing aim to generate attractive financial returns while making a positive contribution to society and the environment. Environmental, social and corporate governance factors are included in the investment process and portfolio construction for all sustainable investing solutions. Impact investing goes one step further by demonstrating additionality, or the positive impact that would not have been achieved without the investment. (To learn more about our offering in the area of impact investments, please refer to the chapter “Having a positive impact with impact investments” on pages 20–21).

Strategic philanthropy: This does not involve actual investments, but rather financial donations to organizations with the goal of achieving quantifiable social or environmental improvements. To support clients on their philanthropic journey, we have integrated our Philanthropy Advisory expertise into our Private Banking offering. (Learn more about this in the chapter “Strategic philanthropy” on page 22.)

Our three approaches to sustainable and impact investing

Three approaches underlie our sustainable and impact investment solutions for clients. They serve as the basis for reducing...
investment risks, identifying investment opportunities and effecting positive change for society and the environment.

- **Exclusion of controversial companies and countries:** By applying exclusion criteria, we avoid investments that have a significant negative impact on society and the environment. Specifically, this involves excluding companies that manufacture controversial weapons or whose business practices violate internationally recognized environmental and social standards. When selecting government bonds, we exclude countries in which freedom of the press and freedom of speech are restricted. Exclusions allow clients to avoid controversial activities that can have negative financial implications for the portfolios over time.

- **Integration of ESG criteria:** In addition to financial factors, integrated strategies systematically consider environmental, social and corporate governance criteria (ESG criteria) in the investment process. To this end, LGT assesses the sustainability quality of all investments consistently and comprehensively using its proprietary rating tool, the LGT ESG Cockpit. The assessment results in a quantitative rating, the LGT Sustainability Rating, which is applied to a large number of investment instruments, and which serves as a guide during the investment screening process. In a second step, which involves the selection of investments for sustainable portfolios, our experts additionally conduct a detailed qualitative sustainability analysis of individual companies and issuers. This provides a comprehensive view of the risks and opportunities associated with the investments. Through this process, portfolio managers and advisors are able to identify companies whose business models are more resilient, are better positioned for future growth opportunities and whose products and services contribute to the Sustainable Development Goals. This approach aims to improve the risk-return characteristics of portfolios while simultaneously investing in companies that contribute to a sustainable future.

- **Stewardship:** Stewardship involves using shareholder rights and entering into an active dialogue with companies to encourage them to act more sustainably (engagement). For example, pursuing a dialogue with a company with significant shortcomings in terms of CO₂ emissions can motivate it to define and disclose its targets for reducing greenhouse gas emissions. Similarly, voting rights can be exercised to focus on promoting sustainable considerations (proxy voting). Both of these forms of stewardship allow investors to influence companies in order to initiate positive changes relating to environmental, social or governance issues.

**Having a positive impact**

In 2022, we joined two global organizations to underpin our active ownership activities: Climate Action 100+, the largest global investor initiative in the fight against climate change, and the Institutional Investors Group on Climate Change (IIGCC), an investor body committed to driving significant progress towards a low-carbon future. Through these memberships, we take the opportunity to work with other investors to encourage companies to act more sustainably in order to effect positive change for society and the environment. For matters relating to engagement, we work with a recognized provider that engages in an active dialogue with the companies in which we are invested.
Stewardship in external sustainable funds is becoming best practice but depends on each fund manager. The following overview shows which of the three approaches we apply in our sustainable investment solutions and whether these investment solutions are classified as sustainable investing or impact investing:

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<thead>
<tr>
<th>Product category</th>
<th>Offering</th>
<th>Objectives</th>
<th>Approaches</th>
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<tbody>
<tr>
<td></td>
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<td>Sustainable investing</td>
<td>Impact investing</td>
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<tr>
<td>Portfolio management mandates</td>
<td>Focus sustainability</td>
<td>X</td>
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<td>Other light green</td>
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<td>X</td>
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<tr>
<td>Advisory mandates</td>
<td>Enhanced Plus</td>
<td>X</td>
<td>X</td>
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<tr>
<td></td>
<td>Enhanced</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Basic</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Funds/ETF offering</td>
<td>LGT sustainability funds</td>
<td>X</td>
<td>X</td>
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<td></td>
<td>Third-party funds/ETFs</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Third-party impact funds (i.e. engagement)</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Private equity/private debt (direct/funds)</td>
<td>Lightrock/LGT Capital Partners private equity impact</td>
<td>X</td>
<td>X</td>
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</tbody>
</table>

* Stewardship in external sustainable funds is becoming best practice but depends on each fund manager.
Our five sustainability and impact strategies
There are a variety of investment strategies that have emerged under the rubric of sustainable and impact investing over the past several years. Our strategies for clients include both, our own solutions and carefully selected third-party funds.

Sustainable best in class
Best-in-class strategies invest in companies or countries with a significantly above-average track record in sustainability compared to their respective industry or peer group, and which better manage sustainability-related opportunities and risks.

Net-zero-aligned/low carbon
The primary objective of low carbon strategies is to significantly reduce greenhouse gas emissions and climate risks. Net-zero emissions strategies invest with the explicit goal of implementing a portfolio decarbonization pathway to achieve a temperature rise scenario of below 1.5°C.

Sustainable improvers and engagement strategies
Sustainable improvers strategies invest in companies or countries that are improving their sustainability performance and offer attractive investment opportunities. In many cases, these improvements can be triggered by engagement, which involves an active dialogue with the companies.

Sustainable dedicated assets
The sustainable dedicated assets strategies pursue a selection process focusing specifically on sustainable projects or outcomes. Examples include green bonds that finance climate or environmental projects, or multilateral development bank bonds that aim to finance sustainable infrastructure projects in developing countries.

Sustainable thematic
Sustainable thematic strategies invest specifically in companies that contribute positively to society and the environment through their products and services and thus benefit from the major growth trends arising from the transformation to a sustainable economy.
“A fantastic opportunity to steer our world in a better direction”

Sustainable investing specialist Andrea Ferch talks about her private and professional commitments.

“As a child, I was an enthusiastic ‘assistant gardener’ to my grandfather. His passion for nature influenced me from a young age. But when I got older, I decided to follow a conventional path. I studied economics and started my career in the private client business of a German bank. Two years later, I moved to a fund company, where I first came across sustainable funds. That was in 1999, and at the time they were still called ‘eco funds’. I was immediately fascinated by this investment segment, and impressed by how passionately the product specialist in charge promoted their sustainability characteristics. When he left the company a short time later, it was with great pleasure that I took over responsibility for the funds. I found investing money sustainably a fantastic opportunity to steer our world in a better direction, even back then. And I haven’t looked back since.

At LGT, I was given the unique opportunity in 2015 to build a sustainable investing team in Private Banking. Our team has grown considerably since then, and we now have a high level of expertise and a broad range of sustainable investment solutions. I’m no longer responsible for the entire area. Instead, I focus on communicating about sustainable investing as effectively as possible, both within the bank and externally. My responsibilities include writing articles and brochures about sustainable investing. I also support our relationship managers and accompany them to client meetings, for example. It gives me a lot of satisfaction to convince people that a sustainable portfolio is a win-win because it delivers a financial return while at the same time having a positive impact on people and the environment.

And contrary to popular belief, it’s not just young people who are interested in this topic. It’s often older clients who want to make a positive difference with their investments.

To this day, gardening has remained my great passion and is my biggest source of energy. I’m very lucky to be able to live out my passion for nature and biodiversity in an environmentally friendly communal garden in Zurich, despite the fact that I live in a city.”

“A sustainable portfolio is a win-win,” says Andrea Ferch.
Impact investments enable you to specifically invest in companies that with their products and services, are striving to achieve growth while having a measurable positive impact on people and the environment.

We offer qualified investors the opportunity to invest in a number of private equity impact investment solutions from our partner companies Lightrock and LGT Capital Partners.

Lightrock is a global private equity platform established in 2009 that focuses on investments generating financial, social and environmental returns. It invests in sustainable and fast-growing companies built by innovative entrepreneurs. This global private equity platform has one of the largest targeted impact-oriented investment portfolios in Europe, Latin America and India. In recent years, Lightrock has also begun to build a portfolio of investments in sub-Saharan Africa. It invests in companies pursuing scalable and technology-driven business models focusing on the three key impact themes of people, planet and productivity. The specific industries within these themes include education, health, sustainable agriculture, nutrition, renewable energy and fintech, as well as mobility and transportation. Lightrock’s investments in these themes and sectors make a measurable contribution to the United Nations’ Sustainable Development Goals.

Lightrock’s portfolio currently includes over 80 high-growth companies. As an active owner, Lightrock supports its portfolio companies during their dynamic growth and expansion phases through positions it holds on their Boards of Directors. LGT clients can invest directly in some of the portfolio companies either through special fund solutions managed by Lightrock, or together with Lightrock.

LGT Capital Partners (CP) has long-standing experience in sustainable and impact investing. CP signed the United Nations Principles for Responsible Investment (PRI) in 2008. In 2018, one of its Managing Partners joined the PRI Board. CP made its
first impact investment in 2010, and it has since invested over USD 1 billion in primary impact funds and co-investments with a solid track record. In 2021, CP began offering private investors access to an impact investing private equity fund solution. The fund aims to achieve financial returns on investments that have a positive measurable social or environmental impact. The portfolio focuses on co-investments in the US, Europe and Asia and is complemented by primary impact fund investments and secondary transactions. The emphasis is on buyout and growth capital opportunities across three impact themes: climate action, inclusive growth and healthcare.

Using a proprietary impact management framework, positive impact is rigorously measured, managed and reported. Private markets investments are high-risk investments, as some or all of the capital invested could be lost. They are therefore only suitable for sophisticated investors who are able to withstand such losses.

Engagement funds provide an opportunity for a broader range of investors to pursue impact investing through liquid investment opportunities. These funds invest specifically in companies that have significant room for improvement in terms of sustainability. Most importantly, these strategies realize improvements in investee companies through active dialogue with senior management to drive positive change in environmental or social performance.
Strategic philanthropy

LGT can help clients maximize the impact of funds allocated to supporting sustainable organizations or causes.

Massive capital flows to companies and organizations are required in order to address today’s major social and environmental challenges. The Princely Family has been supporting these efforts through strategic philanthropic commitments since 2007.

Philanthropy with an entrepreneurial approach
The LGT Venture Philanthropy Foundation (LGT VP) was established in 2007 on the initiative of H.S.H. Prince Max von und zu Liechtenstein. The Foundation supports organizations that have developed effective, innovative and scalable solutions to social and environmental challenges with philanthropic capital in the form of donations. It thus directly contributes to the achievement of the United Nations Sustainable Development Goals. The Foundation aims to sustainably improve the quality of life of disadvantaged people and to contribute to healthy ecosystems and thriving and socially inclusive communities. It primarily supports organizations based in emerging markets that focus on having a positive impact in the areas of education, health and the environment. In addition to financial contributions, LGT VP supports its portfolio organizations through knowledge transfer and access to networks. It also ensures that the funds that have been donated are used in a targeted, efficient and transparent manner using proven investment, management and controlling processes.

Philanthropy Advisory
Thanks to the philanthropic commitments it has implemented for the Princely Family, LGT has extensive experience as well as proven processes and tried-and-tested systems for engaging successfully in philanthropy. LGT’s Philanthropy Advisory team can support clients during all phases of the strategic philanthropy process in order to make a concrete contribution to the positive development of society and the environment.

Because the areas and methods of engagement are constantly evolving due to changing social and environmental circumstances and the emergence of new solutions, it can be difficult to become involved in philanthropy in a way that is effective. However, our team places its expertise and network of experienced philanthropists at our clients’ disposal in order to support them throughout their philanthropic journey. LGT’s services range from tailored advice and training through to concrete implementation.

LGT’s role as a philanthropy advisor to many families is an opportunity to align client goals with those of our owner, the Princely Family of Liechtenstein. LGT offers a wide range of sustainable investment and philanthropy solutions that apply a collaborative co-investment approach to sustainable investment portfolios and strategic philanthropy. These solutions enable LGT to achieve a broader positive impact together with clients.
“We don’t just give organizations money”

Tom Kagerer, Partner since 2021, shares some insights into LGT Venture Philanthropy’s entrepreneurial approach.

“At LGT Venture Philanthropy, we have a unique opportunity to take an entrepreneurial approach to deploying the philanthropic capital from the Princely Family, as well as donations from LGT employees and clients. We don’t just give organizations money, but also support them with our expertise and network so they can grow successfully and expand their positive impact. Rather than funding programs that run for a limited period of time, LGT focuses on the long-term development of corporate competencies, for example in impact financing and strategy or project management. Organizations with effective social and environmental solutions are often able to qualify for support from governments, development banks or large foundations. This further increases their positive impact and ensures sustainable funding.

I joined LGT VP in 2009 through our Impact Fellowship program because I wanted to put my professional experience as an IT, project and operations manager at BMW to use in the social sector. The fellowship program allows people with professional experience to spend a year at one of the portfolio organizations we support. This makes it possible for participants to share their professional experience while learning about the sector in question. My work, which calls for a combination of entrepreneurial and philanthropic thinking, continues to fascinate me to this day. I am now a partner, and I focus on our healthcare portfolio in India and Africa. We want to give around 65 million people better access to good healthcare by 2023. This goal motivates me to do my best every day.”
In addition to our investment solutions, we also support sustainability-oriented investors with a comprehensive sustainability rating.

Private investors often do not know the sustainability level of their investments because they lack the necessary information. With the LGT Sustainability Rating for equities, bonds, funds and exchange-traded funds (ETFs), however, we offer clients an important and straightforward tool for making sustainability assessments. The rating ranges from one star (poor sustainability quality) to five stars (excellent sustainability quality), and it provides a transparent overview of investments’ environmental and social quality, thus helping make portfolios more sustainable.

To determine the LGT Sustainability Rating for equities, we assess the sustainability quality of the respective company. For bonds, the sustainability of the underlying issuer (company, country or supranational organization) is analyzed. We have been successfully using a proprietary analysis tool, the LGT ESG Cockpit, since 2009 and since that time, it has been continuously further developed. Company- and country-specific raw data from highly regarded providers of sustainability information are incorporated into the assessment process.

**Company assessments**

The ESG Cockpit employs ESG criteria to analyze how sustainably companies conduct their business. The criteria are weighted according to the principle of materiality and are tailored to the industry in which the company operates. For example, while CO₂ emissions are of little relevance for a healthcare company,
the environmental criteria are an important parameter in the case of an energy producer.

In addition to how sustainably a company operates, we also examine the impact of its products and services, or in other words, the positive or negative effects products have on people and the environment. This is measured against their contribution to achieving the United Nations’ 17 Sustainable Development Goals. For example, a company that produces wind energy has a positive impact on goals 7 and 13 because it helps to reduce CO₂ emissions and thus mitigates climate change. (For a description of the 17 Sustainable Development Goals, see the chapter “Identifying which investments are sustainable” on page 9.)

To obtain a complete and realistic picture, however, we do not rely solely on an analysis of the information that the companies publish about themselves. The assessment also takes into account information about negative incidents, or controversies, which have been uncovered by the media or NGOs. This can include cases of corruption, environmental scandals or serious deficiencies in product safety.

The resulting LGT Sustainability Rating consequently reflects a combination of the company’s operations, its contribution to the achievement of the 17 Sustainable Development Goals and any negative controversies relating to sustainability performance.

Country assessments
Countries are also assessed according to ESG criteria. For environmental aspects, focus is placed on the quality of a country’s air and water as well as whether it is a signatory to international conventions. Among other things, the social criteria include the quality of a country’s healthcare and education system. Respect for human rights, freedom of speech, freedom of the press and political rights are important criteria in the area of governance. Because good governance often creates the conditions required for sustainable development, it plays an important role in the country rating. As a result, countries that have good ecosystems but are dictatorships and do not grant citizens political rights would have a low overall ESG score.

Ratings for funds and portfolios
Using the ratings of individual securities, we can also create a consolidated overall rating for funds, ETFs or our clients’ portfolios. The periodic statement of assets therefore provides clients with a clear overview of the sustainability quality of both the individual securities in their portfolio, and of their overall portfolio.
For LGT, thinking and acting sustainably is not a short-lived trend or a superficial way of differentiating ourselves, but is deeply rooted in our corporate culture.

LGT is the right partner for sustainable investing because we view private wealth as a means of creating both social and economic value. Our owner, the Princely House of Liechtenstein, has been a successful business owner for over 900 years. The family’s entrepreneurial roots lie in forestry and agriculture, sectors that have always required a sustainable and long-term focus spanning several generations.

Our Sustainability Strategy 2025 aims to create long-term value for our clients, our company, society and the environment. It sets binding targets for all areas of the company and our entire product range. Through this strategy, LGT aims to make an active contribution to the United Nations’ Sustainable Development Goals (SDGs). Specifically, LGT focuses on the goals of reducing inequality, promoting sustainable economic activity and combating climate change. As a financial institution, there are two ways LGT makes an important contribution to overcoming environmental and societal challenges: through core investments and by advising clients responsibly. At the same time, LGT is also continuously working to contribute to the achievement of the SDGs in our banking operations by

The three pillars of LGT’s Sustainability Strategy 2025

**Sustainable investing**
- We want to be a leading provider of sustainable investment solutions.
- We want to optimize the contribution of our investment solutions to the SDGs.
- We aim to substantially increase the share of sustainable investment solutions in our private clients’ portfolios.
- We measure and report transparently on the sustainability quality of our investment solutions.

**Sustainable business**
- We consider sustainability aspects in all our decisions.
- We reduce our environmental footprint significantly.
- A minimum of ten percent of LGT Group dividends are allocated to philanthropic activities.
- We want to be a top employer that offers a good work environment.

**Sustainable thinking**
- We want to be a thought leader in sustainability.
- We want our employees to actively engage in sustainability issues and will train them accordingly.
- We join forces with governments, companies, NGOs, etc. to optimize our contribution to the SDGs.
using limited resources responsibly. And finally, LGT educates clients, employees, and suppliers on sustainability to inform them of various ways to pursue a more sustainable future.

To underscore our commitment to society and the environment, LGT signed the United Nations Principles of Responsible Banking in November 2020. This global framework for a sustainable financial sector was jointly developed by banks around the world and the United Nations Finance Initiative. We are also committed to the principles of the UN Global Compact in the areas of human rights and labor standards as well as the environment and anti-corruption. In 2020, LGT committed to becoming net zero in both operational CO₂ emissions and across investments by 2030, the only signatory of the Net Zero Banking Alliance to make such an ambitious and comprehensive commitment.

**Key sustainability themes for LGT**

Of the 17 United Nations Sustainable Development Goals (SDGs), we have identified eight goals that we aim to actively contribute to as a company. These eight goals also define our thematic framework, both as a company and when investing.

(©2021, Climeworks) The world’s largest CO₂ filtration plant is located in Iceland, where the Swiss company Climeworks will remove 9000 tons of CO₂ from the air for LGT.
“We only have one planet, and we need to protect it”

Ursula Finsterwald, Head Sustainability at LGT Private Banking, talks about the new awareness for the environment and the goals that must still be achieved.

“My work has changed a lot in recent years, and new responsibilities are constantly being added. This is in part because sustainability is finally being taken seriously at the political level and by society. When I joined LGT eleven years ago, that was not yet the case. At the time, I was very attracted to the idea of building a sustainability department from scratch at a well-regarded private bank. Although many individual measures and initiatives were already in place, they were not embedded in an overarching strategy and structure. So, my task was to implement sustainability in all business areas and to make LGT a leading company in this area.

A lot has happened since then. For example, we have integrated sustainability into our internal processes, we have succeeded in reducing our operational carbon footprint and are one of the few banks in the world with the ambition to reduce CO₂ emissions in our banking operations and investment business to net zero by 2030. In 2018, we drew up our Sustainability Strategy 2025. It contains clear targets, and we are now working on implementing it. If we want to live up to our goal of being a sustainability leader, we will continue to have our work cut out for us. In particular, we will need to put an even greater focus on explaining to our clients how they can contribute to a better future with the help of sustainable investment solutions. As a financial institution, that’s where we can achieve the most for the environment.

Increasingly stringent regulatory requirements are one of the factors that have helped to make sustainability an important issue throughout the financial industry. Fortunately, it is now widely recognized that our very survival is at stake, and that each of us must rise to this challenge. We only have one planet, and it’s important that we protect it, not exploit it. After all, we all want our children and our children’s children to grow up in a healthy environment and have the same opportunities that we do.”
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Our analysts draw on publicly accessible informa- tion we consider to be reliable. For the compila- tion of the analysis, publications by domestic and foreign media and news services (e.g., Reuters, Bloomberg, VWD etc.), business publications, trade publications, statistics and rating agencies were used, together with information from the issuers of the analyzed securities – mainly via the Internet, but also in writing or by telephone. We also procure information from investment banks (sell-side research and primary research).

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Explanation of investment recommenda- tions for stocks

We apply a “hybrid approach” (internal funda- mental analysis combined with “theScreener”, an external, purely quantitative analysis tool). TheScreener is based on purely quantitative, i.e., computable variables such as (but not exclusively restricted to) profit adjustments of the past few weeks, stock valuation in relation to historical performance and comparison groups, the tech- nical trend, performance in relation to the market etc. The assessment of the equity analysts, which is largely based on a qualitative analysis, does not need to match with the one of theScreener. For the overall judgement the assessment of the equity analysts overrides the one of theScreener. LGT Bank (Switzerland) Ltd. categorizes its analysis recommendations into five ratings: for a “Buy” recommendation we expect a relative outperformance compared with the sector. Only equi- ties subjected to an internal fundamental anal- ysis can also change accordingly. The investment judgements generally refer to a period of 6 to 12 months. However, they are also subject to market conditions and represent a snapshot of the situa- tion. They may be achieved more quickly or more slowly or be revised upwards or downwards.

Explanation of investment recommenda- tions for bonds

We employ both qualitative and quantitative methods to derive our recommendations, which are to be seen as relative to sector/quality peers among comparable maturities. “Buy” and “Sell” recommendations demand a qualitative in-house analysis opinion, in which we incorporate both historical and projected financial results and credit metrics as well as past and anticipated company and sector-specific observations and trends. We recommend “Buy” for a security for which we expect a strong relative outperformance compared to sector/quality peers among comparable maturi- ties. We recommend “Sell” if we expect strong relative underperformance compared to sector/ quality peers among comparable maturi- ties. The ratings “Attractive”, “Hold” and “Unattractive” can be based purely on a quantitative approach, which includes the market price of credit risk, valuation of equities and associated instruments, corporate leverage, liability structure, size, and agency rating. We recommend “Attractive” for a security for which we expect a relative perfor- mance compared to sector/quality peers among comparable maturi- ties. We recommend “Unattractive” if we expect a relative underperformance compared to sector/ quality peers among comparable maturi- ties. This publication does not constitute either an issuing or listing prospectus, nor any other kind of

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