

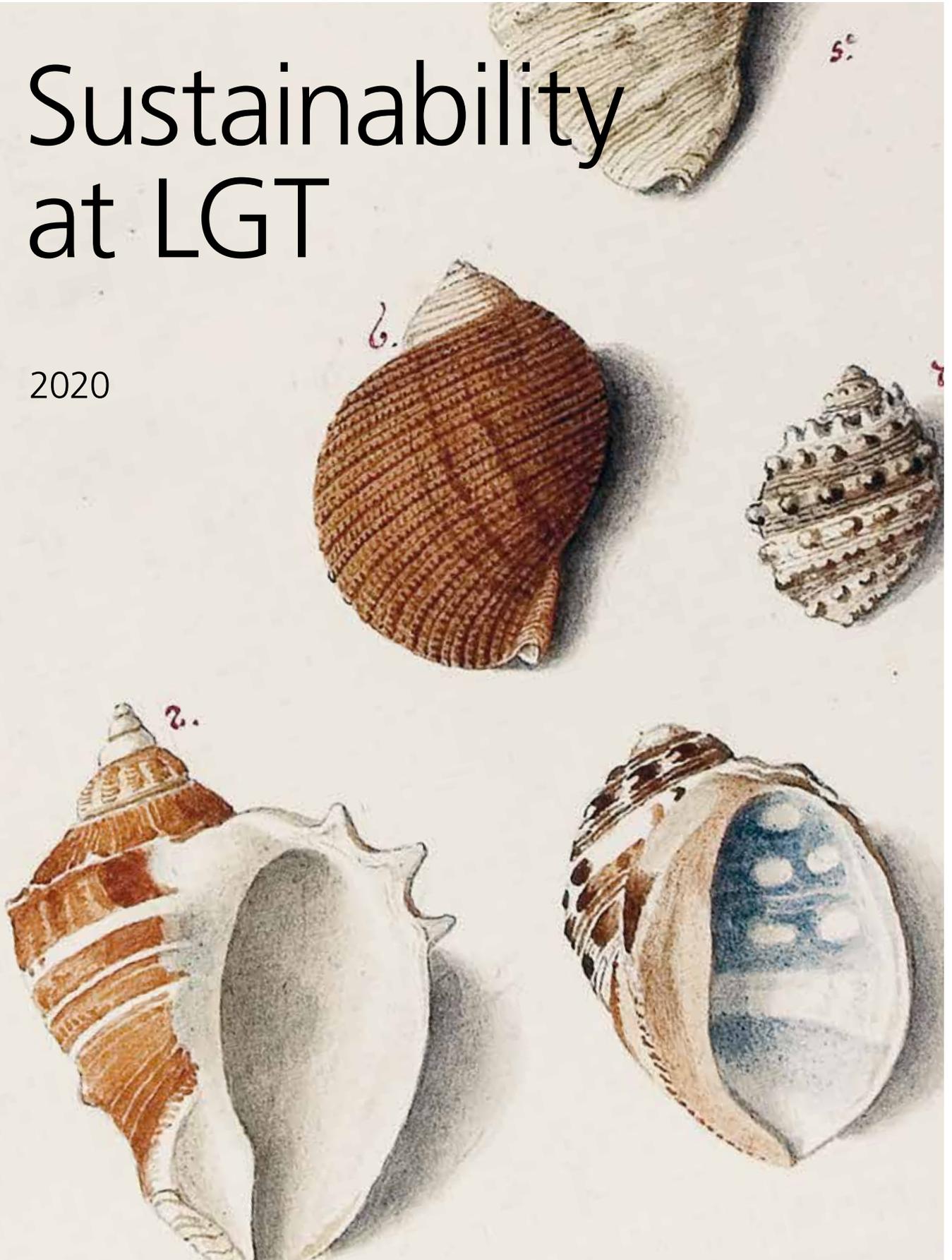


Private  
Banking

VALUES WORTH SHARING

# Sustainability at LGT

2020





**A look inside the Princely Collections: the illustrations in this publication depict studies of natural objects by Franz Anton von Scheidel.**

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.

Illustrations: Franz Anton von Scheidel, details from "Depictions of conchiliae in watercolor after Johann Carl Megerle von Mühlfeld (1765–1840)," late 18th century. © LIECHTENSTEIN. The Princely Collections, Vaduz–Vienna

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

# Contents

<b>5</b>	Developing solutions together
<b>6</b>	Holistic solutions are needed
<b>10</b>	A long-term approach
<b>12</b>	Sustainable investment opportunities
<b>17</b>	Tackling climate change
<b>19</b>	Lightrock – sustainable returns at all levels
<b>20</b>	“Transparency is crucial”
<b>22</b>	Satisfaction pays off
<b>24</b>	Committed employees
<b>26</b>	Sustainable operations
<b>30</b>	Offsetting CO <sub>2</sub> : More than just an absolution
<b>32</b>	Action through dialog
<b>36</b>	Responsible corporate governance
<b>37</b>	Report profile
<b>38</b>	Key figures
<b>40</b>	Risk note/Disclaimer

“We all share responsibility for the environment and society. LGT therefore set itself ambitious goals at an early stage to help preserve the environment, society and the economy for future generations.”

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

# Developing solutions together



H.S.H. Prince Max von und zu Liechtenstein (right) and Olivier de Perregaux

Dear Client

As human beings, we make countless decisions every day. Whether or not they seem important at the time, these decisions have an impact on society, the economy and the environment. This means that if we want to change our world for the better, the first step is making a conscious decision to do so.

At LGT, we set ambitious goals early on for how we as a company can contribute to sustainable development in general, and, more specifically, to mitigating climate change. These goals and the associated commitments serve as our guide when making strategic and operational decisions. We are convinced that as a financial services provider, the only

way to be successful in the long term is if we take natural resources into account – in our day-to-day operations, and especially in our investment decisions.

Our efforts alone can only make a small contribution to resolving the global challenges faced by the environment and society. That is why we engage in dialog with our clients, partners, employees and suppliers to raise their awareness of the issues and develop solutions together.

In November 2020, we became a signatory to the United Nations' Principles for Responsible Banking, thus underscoring our commitment to society and the environment. This global framework for a sustainable financial sector was jointly developed by banks around the world and the United Nations Environment Programme Finance Initiative. We are also committed to the principles of the UN Global Compact in the areas of human rights, labor standards, the environment and the fight against corruption.

Our annual Sustainability Report provides an overview of the targets we have set for ourselves, how we implement them and the progress we have made.

We hope you find this year's report informative.

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

Olivier de Perregaux  
CEO LGT Private Banking

# Holistic solutions are needed

The environmental, social and economic consequences of our current way of life are enormous. However, health risks can also negatively impact the economy and society. The global lockdowns introduced in response to the COVID-19 crisis during the year under review were clear proof of this. Digitalization, on the other hand, has experienced a surge and new technologies have established themselves in the workplace. But what is also clear, is that the poor and weak in society have been hit hardest by the crisis. Increasing the commitment to implementing the UN’s Sustainable Development Goals (SDGs), which were adopted by UN member states in 2015, is therefore now all the more important.

The SDGs approach sustainability as a holistic process that includes and encompasses all aspects of life. Although each of these 17 sustainability goals addresses a specific challenge, environmental and social issues are their primary focus.

The Goals should not be viewed in isolation, as they are often interdependent. The climate crisis is a good example of this. Due to continuous global warming, a growing number of areas around the world are becoming barren or are at risk of flooding, thus depriving the local populations of their livelihoods. This leads to migration flows, a phenomenon that is set to increase in the coming years. But the climate crisis is just one example of how climate change, poverty, hunger, the overexploitation of resources, corruption, social upheaval and violent conflict are interrelated. If challenges of this magnitude are to be resolved, governments, the private sector and society must all work together.

## Sustainable for decades

LGT has been systematically integrating sustainability into its processes for over a decade. Thanks to its owner family, the Princely House of Liechtenstein, sustainable and long-

### 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.



LGT has been taking sustainability aspects into account in all of its decisions for over ten years.

term thinking are part of the company's DNA. Supporting the achievement of the SDGs to the best of our ability is therefore a matter of course for us. We do this, on the one hand, through our ongoing efforts over decades to further expand our commitment to sustainability both in terms of our operations and in our core business, private banking and asset management. On the other hand, we want to sensitize our clients, employees and partners to this topic and inform them of possible solutions for a sustainable future. In our Sustainability Strategy 2025, we have set ourselves the goal of further integrating sustainability into all of LGT's departments and across our entire product range.

#### Important next steps

In November 2020, LGT signed the Principles for Responsible Banking, thus underscoring its commitment to continuing to support clients and companies in their transition towards the more sustainable use of limited resources. The six principles were developed by the United Nations' Environment

Programme Finance Initiative (UNEP FI) to ensure that signatories are aligned with the vision of the SDGs and the goals established under the Paris Agreement. By becoming a signatory to the Principles for Responsible Banking (PRB), LGT has pledged to develop targets for at least two important areas of business. In doing so, we are acknowledging our responsibility for supporting the transition towards a more sustainable world.

#### The EU Action Plan: Financing Sustainable Growth

The aim of the action plan adopted in March 2018 is to direct capital flows towards sustainable investments, mitigate the impact of environmental and social issues on the financial system, and increase transparency and long-term financing. This is to be achieved through ten regulatory measures. These include the development of a taxonomy for sustainable activities, new disclosure requirements, the inclusion of sustainability criteria in advisory processes and the development of low-carbon benchmarks.

We are convinced that humankind should do everything in its power to limit global warming to below 1.5° Celsius compared with pre-industrial levels (between 1850 and 1900). The only way to significantly reduce the risks and impacts of climate change is to achieve this target.

Among other things, this requires us to identify the risks and opportunities arising from increasing temperatures,

climate-related policies and new technologies in a changing world. In 2016, the Financial Stability Board, established by the G20 in 2009, launched the Task Force on Climate-related Financial Disclosures (TCFD) to improve and expand reporting of climate-related financial information. LGT will apply the Task Force’s principles in order to better identify and report on its own climate risks and other environmental risks.

Principles for Responsible Banking

## Principles for Responsible Banking

<div style="display: flex; align-items: center; margin-bottom: 15px;">  <div style="margin-left: 10px;"> <p><b>Alignment</b></p> <p>We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p> </div> </div> <div style="display: flex; align-items: center; margin-bottom: 15px;">  <div style="margin-left: 10px;"> <p><b>Impact &amp; Target Setting</b></p> <p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p> </div> </div> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p><b>Clients &amp; Customers</b></p> <p>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p> </div> </div>	<div style="display: flex; align-items: center; margin-bottom: 15px;">  <div style="margin-left: 10px;"> <p><b>Stakeholders</b></p> <p>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.</p> </div> </div> <div style="display: flex; align-items: center; margin-bottom: 15px;">  <div style="margin-left: 10px;"> <p><b>Transparency &amp; Accountability</b></p> <p>We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.</p> </div> </div> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p><b>Governance &amp; Culture</b></p> <p>We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</p> </div> </div>
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### Financial centers get serious

In Europe, but also in Hong Kong and Singapore, regulatory requirements are facilitating the transition of the economy. With the EU Action Plan on Financing Sustainable Growth (see page 7) and the Green Deal, the European Union has committed to achieving the climate targets set out under the Paris Agreement and to becoming the first climate-neutral continent by 2050. The Liechtenstein and Swiss financial centers have also committed to further intensifying their sustainability efforts. For example, together with the Austrian financial center, they have joined forces with the 2° Investing Initiative, an international non-profit think-tank, and are calling on the financial sector to participate in the Paris Agreement Capital Transition Assessment (PACTA). LGT participated in all three countries and submitted its assets under management for assessment. The monetary authorities of Singapore and Hong Kong have decided to introduce standards comparable to TCFD reporting in order to sensitize clients to these issues. Another positive sign is that under the new Biden administration, the US is putting climate protection high on the agenda and rejoining the Paris Agreement.

As an EEA/EU-regulated company, LGT expressly supports these efforts, because we believe that the current global challenges cannot be overcome without regulation and uniform standards. LGT is therefore also involved in the D-A-CH-LI (Germany/Austria/Switzerland/Liechtenstein) regional group of the Partnership for Carbon Accounting Financials (PCAF). This enables us to actively participate in the development of harmonized standards for measuring financed emissions, particularly as they relate to equities and bonds as well as mortgages.

### The European Green Deal

The European Green Deal, which was announced in December 2019, is a roadmap for a sustainable EU economy. This goal is to be achieved by:

- transforming the EU into a fair and prosperous society with a resource-efficient and competitive economy with net-zero greenhouse gas emissions by 2050; as well as
- protecting, conserving and improving biodiversity and combating pollution; and
- protecting the health and well-being of citizens from environmental risks and impacts, and transitioning to an equitable and inclusive society.

# A long-term approach

As a financial institution, there are two areas in particular where we can make an important contribution to resolving environmental and social issues and to protecting the climate: through our investments and by advising our clients responsibly.

By introducing sustainable processes and offerings, we not only contribute to creating a better world, but also minimize our transaction risks. Countries and regulators often take differing approaches to achieving climate goals. Depending on the regulator, this can sometimes lead to adjustments being made to legislation at short notice. We must therefore be able to react quickly and flexibly, or anticipate these efforts through our own measures.

In light of the rise in regulation, we are increasingly making use of external policy outlook platforms and working with organizations that specialize in sustainability regulation.

A broad range of departments at LGT Group are involved in this process. They jointly explore the prevailing understanding of sustainability and, in particular, the sustainability risks across all processes, and develop new projects to align the Group for

the future. During the reporting year, key projects included the implementation of EU regulations, becoming a signatory to the PRB and preparing for future reporting in accordance with the TCFD standard. We also further refined our Sustainability Strategy 2025.

As part of our sustainability strategy, we have identified eight SDGs to which we want to make an active contribution:



The progress being made on the implementation of our strategy is reviewed on an ongoing basis.

For more information on the UN Sustainable Development Goals, please visit [sustainabledevelopment.un.org](https://sustainabledevelopment.un.org)

## Responsibility as an investor

We systematically avoid investments that pose significant environmental, social and governance (ESG) risks. Our policy on the exclusion of controversial weapons ensures that we do not invest in companies involved in the manufacture or trade of landmines, cluster bombs, chemical and biological weapons, uranium and white phosphorus bombs, or nuclear weapons. If the goal of limiting global warming to 1.5° Celsius established under the Paris Agreement is to be achieved, a shift away from carbon-intensive energy sources is essential. We have therefore also been excluding companies involved in the production of thermal coal and the generation of electricity from coal from our investment universe since the beginning of 2020. The two policies are in effect group-wide and apply to LGT's own trading book, all LGT funds and the mandates managed by LGT. External asset managers who manage mandates for LGT are encouraged to implement similar standards.

Due to the severe climatic, environmental and social risks they entail, we also exclude unconventional oil and gas extraction activities from our sustainable investment funds. Unconventional production comprises the extraction of oil and gas from tar/oil sands, shale oil, shale gas and Arctic drilling. In the conventional oil and gas production segment, we limit ourselves to companies that are strongly committed to the energy transition and generate only a small share of their revenues through oil and gas production.

More information on the coal policy can be found at: [www.lgt.com/policyoncoal](http://www.lgt.com/policyoncoal)

## A holistic approach: Overview of selected measures and milestones in 2020

<p><b>Sustainable investing</b></p> 	<ul style="list-style-type: none"> <li>■ Launch of sustainable portfolio management mandates in Asia</li> <li>■ Expansion of portfolio management mandate "Focus Sustainability" to Austria</li> <li>■ Inclusion of SDG impact measurement in the LGT Sustainability Rating</li> <li>■ Reduction of CO<sub>2</sub> intensity of the Princely Strategy GIM</li> <li>■ Fuchsbriefe award for best bank for sustainable investments</li> </ul>
<p><b>Sustainable business</b></p> 	<ul style="list-style-type: none"> <li>■ Great Place to Work certification (global)</li> <li>■ Participation of apprentices in the Energy and Climate Workshop</li> <li>■ New data center in Bendern with expected energy savings of 30%</li> <li>■ Implementation of the Sustainable Procurement Framework</li> <li>■ Launch of pilot for skills-based volunteering in collaboration with B360 Education Partnerships</li> </ul>
<p><b>Sustainable thinking</b></p> 	<ul style="list-style-type: none"> <li>■ Introduction of web-based sustainability training for all employees</li> <li>■ Signatory to Principles for Responsible Banking</li> <li>■ Introduction of group-wide coal exclusion policy</li> <li>■ Publication of position paper on climate change and LGT's position</li> </ul>

# Sustainable investment opportunities

On the investment side of our business, we have two possibilities in particular to make an important contribution to the SDGs. The first is to help our clients make their investment portfolios more sustainable. The second is to invest the assets entrusted to us by private and institutional investors as sustainably as possible. And no matter which of these opportunities we are pursuing, we never lose sight of our goal of becoming one of the leading providers of sustainable investments by 2025.

In order to sharpen our position as a provider of sustainable solutions, we are placing a strong focus on expanding our product range. This enables us to give our clients access to additional sustainable investment opportunities and create a more sustainable future together.

## Comprehensive rating

In 2017, we introduced the LGT Sustainability Rating to give our clients greater transparency with regard to the sustainability of their investments. The rating, which ranges from one to five stars, indicates the sustainability quality of individual equities, bonds, funds and the overall portfolio. For clients in Europe, the LGT Sustainability Rating is also integrated into the LGT SmartBanking platform. The LGT Sustainability Rating for equities takes into account the sustainability quality of the respective company. In the case of bonds, the sustainability of the underlying issuer (company, country or supranational organization) is assessed.

Until recently, company ratings were based on two factors:

- the ESG assessment of the company's operations, i.e. the degree to which it conducts business in a way that is environmentally and socially responsible; and



- controversies, i.e. any negative incidents that occur in connection with a company's operations/manufacturing or the use of its products/services.

In March 2020, we integrated a third factor: the impact of a company's products and services. This involves an analysis of the positive or negative impact that a company's products and services have on people and the environment measured against the 17 SDGs. For example, wind energy helps our climate by contributing to the reduction of CO<sub>2</sub> emissions. It therefore makes a positive contribution to Goal 13, climate

A video on this topic can be found at:  
[www.lgt.com/en/SustainabilityRating](http://www.lgt.com/en/SustainabilityRating)



action. In contrast, the products of tobacco companies or fast-food producers have a considerable negative effect on health and thus impede the achievement of Goal 3, good health and well-being.

Integrating impact when assessing companies provides our clients with transparent insights into how these companies' products and services affect the world. By measuring this against the 17 SDGs, we are able to establish the degree to which companies in our, and our clients', portfolios help (or hinder) the achievement of these goals. This holistic assessment approach enables us to gain the most realistic understanding of the company's sustainability possible.

### Sustainable portfolio management

In Liechtenstein and Switzerland, LGT has been offering actively managed portfolio management solutions with a focus on sustainability since 2019. The portfolio management mandate "Focus Sustainability" proved resilient during the coronavirus-related market correction and has been well received by clients. It has therefore been further expanded: a fourth risk profile was launched in June 2020. In addition to the original Conservative, Balanced and Equities profiles,

a Growth strategy is now available. In September 2020, the range was also rolled out in Austria.

As at the end of 2020, the volume of these mandates managed by LGT in Liechtenstein, Switzerland and Austria was CHF 436 million. This comprises both net new assets and existing mandates that were converted into a sustainable mandate at the request of clients. A minimum LGT Sustainability Rating standard is also applied in our traditional portfolio management mandates.

In Asia, LGT has been offering three portfolio management (PM) mandates with a focus on sustainability since the summer of 2020. The Global Equity and Investment Grade Bond PM mandates invest directly in securities, while the Balanced PM mandate invests in ETFs, funds and certificates. By the end of 2020, clients had invested USD 59 million in these solutions. Since December 2020, we have also been offering the Global Equity Sustainability-Focused PM mandate as a certificate, thus giving further clients the possibility to invest sustainably.

In the UK, LGT Vestra's external financial advisors have had access to the Sustainable Model Portfolio Service since 2018.

### Inclusion of financial criteria and sustainability factors with the LGT Sustainability Rating



This investment solution is based on the philosophy of sustainable economic growth. ESG risks are consistently avoided and investments are made in companies whose activities have a positive impact and that integrate sustainability to a high degree. For this solution, LGT Vestra invests in specialized, actively managed collective funds spanning a broad range of asset classes, regions and sectors.

As at the end of December 2020, GBP 400 million was invested in the Intermediary (IFA) Sustainable Model Portfolio Service and GBP 15 million was invested in the LGT Vestra Sustainable Portfolio Service. Since the outbreak of the COVID-19 pandemic, awareness of the inevitability of a transition to a low-carbon economy has increased sharply. This transition has become a strategic priority for governments around

**Sustainable investments that support the UN's Sustainable Development Goals (SDGs)**

Each of the funds in the sustainable portfolios aligns with one of the four sustainable pillars that have been defined by LGT Vestra. These pillars support the UN Sustainable Development Goals:



**LGT Vestra sustainable investment pillars**



the world, with decision makers promising to “rebuild better”. We see this as part of a paradigm shift. Be it in China, Russia or the US, attitudes towards investing in a green economy and sustainable infrastructure have changed.

For client portfolios, a variety of investment opportunities exist across the entire life cycle of the green transition. For example, around 20 percent of a sustainably managed portfolio at LGT Vestra is invested in the green transition.

### Sustainability funds

In 2009, we launched our sustainable equity and bond funds. When making investment decisions for these funds, we ex-

clude companies that pursue controversial activities (such as pornography, gambling, weapons, nuclear power production, tobacco and child labor). In addition, the securities for these funds are selected from among companies, organizations and countries that stand out in terms of ESG criteria and have a good long-term financial performance. Our range of sustainable equity funds comprises actively managed equity portfolios in various currencies, which are primarily invested in companies that operate globally. Our sustainable bond funds are also available in various currencies, are actively managed and invest globally on a broadly diversified basis in money market instruments and private and public sector bonds.

### Life cycle of investments in the green transition





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# Tackling climate change

In a recent study by LGT Capital Partners, the over 200 investors surveyed (including pension funds, foundations and insurers from 28 countries) indicated that climate action (SDG 13) and affordable and clean energy (SDG 7) are the two most important SDGs that must be considered as part of their investment framework.

As an investor and wealth manager that advocates sustainable development, we are committed to taking climate change into account in our business strategy and investment processes. We also strive to align our flagship product, the Princely Strategy, with the Paris Agreement. To achieve this, we focus on two key areas:

1. Scenario planning: we use our scenario planning process to assess the potential impact of future climate pathways on the investment portfolio. By incorporating risks posed by global warming, we aim to make the portfolio more robust.
2. Continuously improving the carbon footprint: we aim to reduce the carbon footprint of our investments and contribute to the efforts to avert further climate change by means of an action plan.

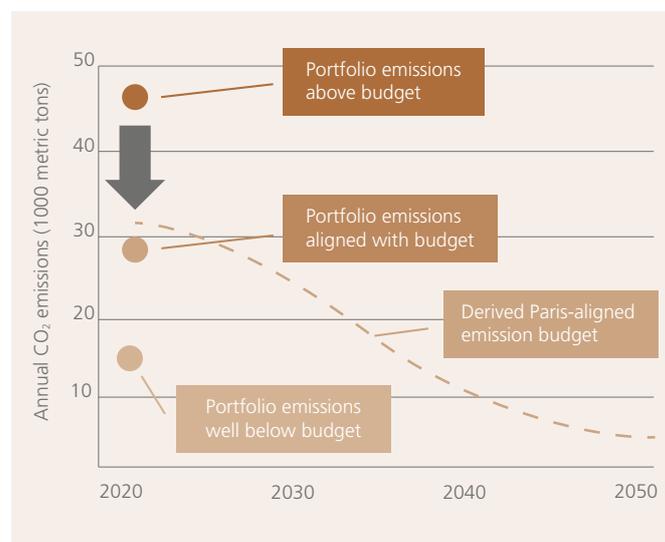
## Preparing for an uncertain future

When determining our strategic asset allocation, we apply forward-looking scenarios to build robust investment portfolios. These center around economic and political risks as well as climate risks. The first two risks include the long-term consequences of today's ultra-loose monetary policy, for example. When calculating climate risks, one of the tools we use is the work of the Intergovernmental Panel on Climate Change (IPCC) on the development of greenhouse gas concentrations in the atmosphere.

## Assessing a portfolio based on the Paris Agreement

We apply the global greenhouse gas budget (according to the Beyond 2 Degrees Scenario of the International Energy Agency) to align the Princely Portfolio with the Paris Agreement. Using this as a basis, we derive a budget that is adjusted to the portfolio's size and composition. We then determine the portfolio's current emissions and compare them with this budget to identify any deviations and make corresponding adjustments.

### Portfolio emissions must be continuously reduced



To analyze electric utilities, we use our proprietary analysis tool, the ESG Cockpit. We examine the share of electricity that the company generates from various energy sources and determine the aggregate CO<sub>2</sub> intensity of the electricity it generates. This is then compared to the maximum threshold set out under the Paris Agreement. Companies whose CO<sub>2</sub>-intensity exceeds this figure are excluded.

### **The Princely Strategy – significantly lower carbon emissions than the benchmark**

Around 20 percent of the equity allocation for the Princely Strategy consists of shares we have selected directly. During this process, we actively seek to substantially reduce the greenhouse gas emissions of our investments compared to the benchmark. At the end of 2020, the portfolio generated 72 metric tons of CO<sub>2</sub> emissions per USD 1 million invested in these companies. The benchmark generated 153 metric tons, which corresponds to a difference of 81 metric tons, or 53 percent.

### **Green bonds: A growing market**

The green bond market is growing rapidly. In 2020, over USD 250 billion in green bonds were issued, which is more than a six-fold increase since 2015. The proceeds of bonds that are labeled “green” are earmarked for projects that have a positive environmental impact. This enables the issuer to help protect the environment and create value for society. But for the desired outcome to be achieved, green bonds must actually be as green as they claim to be. The International Capital Market Association (ICMA) developed a standard to this end several years ago, however, no legally binding definition currently exists. In the absence of such a definition, there continues to be a risk of greenwashing.

To prevent this phenomenon, we have developed a structured analysis process that evaluates companies and organizations that issue green bonds as well as their underlying projects. The aim of this analysis is to understand and assess the characteristics of a green bond based on quantitative and qualitative data.

The process begins with identifying issuers with strong ESG practices using our analysis tool, the ESG Cockpit. We then assess the individual green bonds according to various criteria. Here, the first step is to examine the underlying project to ensure that the proceeds from the bond truly have a positive impact on the environment. An independent audit from an external firm (e.g. an environmental institute, an auditing firm or a sustainability rating company) is also required.

In addition, we determine whether the investment funds existing activities or finances new projects that support sustainable long-term development.

When investing in green bonds, we believe that an in-depth analysis of what is being financed with the proceeds is critical. This ensures that the company performs well in terms of ESG measures, that an independent second party has verified the project’s level of sustainability and that the money supports healthy, long-term development.

#### **LGT Capital Partners ESG Report 2021**

LGT Capital Partners’ ESG Report 2021 contains information on how our private equity, hedge fund and long-only managers integrate ESG into their investment decisions. It also explains how we improved the rating and how the impact on the Sustainable Development Goals is integrated into the ESG Cockpit analysis and rating. In addition, the ESG Report contains company-specific ESG-related key figures for private debt investments and private equity co-investments.

Further information can be found at:

[www.lgt.com/esgreport](http://www.lgt.com/esgreport)

# Lightrock – sustainable returns at all levels

Transitioning towards “sustainable capitalism” is no longer just an option, but the undisputed, best way forward in all asset classes, including venture capital and private equity. Organized as a partnership, Lightrock is a global private equity firm that seeks to generate financial as well as societal and environmental returns through its investments. Lightrock has a team of more than 55 investment specialists from around the world and is led by its new CEO Pal Erik Sjatil. Since 2007, it has been investing in innovative companies with scalable and technology-driven business models across three key impact themes: people, planet and productivity/tech for good.

The sectors within these themes include education, health, sustainable agriculture, food, renewable energy and fintech, as well as mobility and transportation. Lightrock’s investments in these themes and sectors make a quantifiable contribution to the SDGs. Its portfolio currently comprises over 60 high-growth companies in Latin America, Europe, India and Africa. They include Infarm, one of the world’s fastest-growing urban agriculture networks with more than 1200 installed greenhouses; PharmEasy, one of the largest omnichannel healthcare platforms in India; dr.consulta, one of the biggest health clinic chains in Latin America; and M-KOPA, a pioneering company in rural East Africa that provides people with access to electricity through solar energy.

## A reliable partner during the COVID-19 pandemic

LGT Venture Philanthropy (LGT VP) was founded in 2007 with the goal of improving the quality of life of disadvantaged people and contributing to resilient communities and healthy ecosystems. Through donations and investments, LGT VP funds organizations in Africa and India that implement effective, innovative and scalable solutions in the areas of health-care, education and the conservation of ecosystems. In addition to financial support, LGT VP provides strategic advice and works in close collaboration with the organizations in its portfolio. Through the LGT Impact Fellowship, the organizations can also recruit highly qualified workers.

In 2020, the COVID-19 pandemic posed significant challenges for the collaboration between LGT VP and the portfolio organizations: some organizations saw their very existence threatened, with those working in healthcare most severely impacted. However, in just six weeks, LGT VP mobilized an additional USD 2.5 million for twelve portfolio organizations and provided support through coordination, fundraising and its fellows on the ground. The small, independent and flexible set-up allowed LGT VP to act swiftly, efficiently and without any red tape, ultimately reaching over five million people.



## Lightrock

LGT integrated its direct impact investing activities into the newly formed Lightrock entity at the beginning of 2021. Under the leadership of CEO and Global Managing Partner Pal Erik Sjatil, Lightrock continues to work closely with its sister companies LGT Private Banking and LGT Capital Partners. Among other things, it provides LGT private clients and other investors the opportunity to co-invest alongside the Princely Family of Liechtenstein.



# “Transparency is crucial”

Henri Leimer, Senior Management Board Member of LGT Private Banking, has been serving clients in Asia for over 30 years. In an interview, he explains how LGT is addressing sustainability in the region and where he is seeing a change of thinking.

**Mr. Leimer, sustainability is a topic of particular importance to LGT’s owner, the Princely Family.**

**Why is that?**

Thinking and acting sustainably has played an important role in the Princely Family for generations. That is why these values are also so deeply rooted in LGT’s corporate culture. A long-term perspective and taking responsibility for the environment and society are core elements of our company.

**How is this reflected in your day-to-day business?**

We support our clients by preserving and growing their wealth, which has often been built over generations. We take a long-term perspective in everything we do. This means that we cannot ignore an existential risk such as the financial impact of climate change.

### **Why is this topic important to you personally?**

Investors in particular have the ability to leverage the power of capital to create a more sustainable and more inclusive economy. That inspires me. Investing in companies that take a long-term approach and operate responsibly, and divesting companies that cause social and environmental problems are important steps towards a more sustainable future.

### **LGT also wants to make a difference in this area.**

#### **How is it doing that?**

As a private bank, we act as an intermediary between investors, companies and organizations that are seeking capital. This means that when we meet clients who want to pursue a sustainable investment approach, we can ensure their capital is invested sustainably – from both an environmental and a social perspective.

### **For a long time, sustainable investments were a niche segment. Is that still the case today?**

Thanks to their popularity in recent years, sustainable investments have gone from niche to mainstream. The fact that they have also outperformed the benchmark is one of the main reasons for this rise in popularity. Added to this are factors such as the growing awareness of sustainability and the consensus that environmental, social and governance matters are financially relevant.

### **How can the share of sustainable investments be further increased in client portfolios? And what is LGT doing to achieve this?**

We talk to our clients about the risks and opportunities associated with sustainability and develop customized products that meet their needs. At the same time, we are stepping up our efforts to help every member of our organization better understand our sustainable solutions and product offering, as well as the specific tools we have in this area. Last year, we introduced additional internal training to this end.

### **How does LGT ensure the necessary transparency when it comes to sustainable investments?**

Transparency is a crucial part of helping private investors make their portfolios more socially or environmentally friendly. LGT identified this need over ten years ago, which is why we developed the ESG Cockpit. The Cockpit enables

us to very clearly show our clients which investments in their portfolio make a positive contribution to the environment, society and good corporate governance.

The ESG Cockpit and its rating methodology have been continuously refined since its launch in 2009. Today, the LGT Sustainability Rating derived from the ESG Cockpit also takes into account the controversial activities of companies and measures the positive and negative impact that companies have on the United Nations' Sustainable Development Goals.

### **How important is sustainability for financial market players in your core Asian markets?**

Sustainable investing is gaining traction among financial market players in Asia and will soon become a mainstream investment approach. However, it is important to recognize that sustainable solutions in Asia need to be contextual and tailored to local sustainability issues. The support and actions of the regulatory authorities are also key to advancing this agenda in Asia. Several important regulators have publicly stated that climate change is a source of financial risk. Regulators in Singapore and Hong Kong are working to introduce regulatory requirements aimed at curbing greenwashing and encouraging financial institutions to quantify and disclose the impact of climate risk on their investment portfolios.

### **How is LGT's commitment to sustainability being received by its private investors?**

We are seeing increasing interest from investors. This is primarily due to macroeconomic trends relating to sustainability and the positive financial performance of sustainable investments during the pandemic in 2020. The growing interest gives us the opportunity to share our investment views and our sustainable product offering with our clients.

### **How are younger generations influencing this development?**

Younger generations are increasingly questioning the unsustainable practices and investments of older generations. We have found that our younger clients are often the most receptive to learning more about our sustainable offering and aligning their investment portfolio with sustainability goals.

# Satisfaction pays off

For a company to be successful in the long term, it needs motivated, satisfied and healthy employees. Creating an optimal working environment is therefore one of LGT's top priorities as an employer. In 2020, its efforts in this regard proved highly successful. With the certification as a Great Place to Work by the institute of the same name, LGT was recognized in seven countries for its trust-based workplace culture, making it a top employer.

## Honest and ethical conduct

The certification was based, among other things, on a survey conducted in 2020 of all LGT employees. The company-wide participation rate was 88 percent. LGT's corporate culture received excellent marks from its employees in many areas: compared to other employers, they feel that LGT's welcoming culture is particularly good and rate management very posi-

tively, especially for their honest and ethical actions. They also feel they are treated very fairly, regardless of their ethnic background, sexual orientation, physical or mental disability, age or gender. Ninety-three percent of employees are proud to work at LGT, and 91 percent agree that LGT is a Great Place to Work.

## Diversity is key

In Switzerland, LGT has long been a member of the business association Advance. The association, which our location in Liechtenstein joined during the reporting year, advocates for gender equality and aims to actively increase the share of women in management positions. In the UK, LGT Vestra works with the organization Skills Builder, which focuses on socio-demographic diversity to support children from different social backgrounds in gaining the skills needed to enter the workforce.

## Basic and advanced training

Ensuring the continuous development of employees is an important success factor for employers. During the year under review, LGT invested over CHF 3 million in training and development measures, which corresponds to CHF 905 per employee. This amount is lower than in previous years due to the cancellation of many in-person trainings and Academy courses in 2020. The internal training programs and external courses offered cover both personal and professional development.

## Fostering talent

Promoting young talent is also a priority for LGT. We offer young people with different educational backgrounds a practical introduction to the professional world, for example, through IT or commercial apprenticeships, internships or our graduate program for graduates with a master's degree. We also want to promote young talent outside the company. Through the LGT University Scholarship, we therefore award two scholarships to students in the master's degree program in finance at the University of Liechtenstein every year.



The morning row on Lake Constance is part of the LGT Academy experience.



LGT apprentices pull together to achieve their goals.

### LGT Academy

The programs of the Liechtenstein Academy Foundation are an integral part of personal development within LGT Group. During the year under review, the institute celebrated its 25<sup>th</sup> anniversary. Many LGT Academy courses at Schloss Freudenfels unfortunately had to be cancelled or postponed due to COVID-19. Notwithstanding, 70 employees were able to attend an Academy program. These are geared to all nationalities, ages, cultures and levels of seniority. They are not designed to provide traditional professional training, but rather to strengthen individual performance and increase capabilities for self-reflection.

### Web-based training

One of our core objectives is to sensitize our clients and partners to the topic of sustainability. As disseminators, LGT employees play a particularly important role in this. With the help of an innovative, half-hour web-based training, LGT employees around the world deepened their knowledge of sustainability, sustainable investing and the importance of both for the company.

During the year under review, we also provided relationship managers with additional training in these areas. In explanatory videos, LGT specialists gave a more in-depth introduction to topics such as sustainable investing, the LGT Sustainability Rating and the sustainable product range, thus equipping our relationship managers with important expertise.

### Diversity and equal opportunities

LGT adheres to a strict system of values as well as ethical and professional standards, which are set out in the LGT Code of Conduct. The Code of Conduct was revised and updated during the reporting year, and now places a significantly greater focus on topics such as the environment, climate protection and digitalization.

We offer equal opportunities for employment and promotion irrespective of gender, age, religion, nationality, ethnic background, sexual orientation, marital or family status, physical abilities or other characteristics. In 2020, people from 65 nations worked at LGT. Competence and experience are important to us, which is why we deliberately hire individuals over the age of 50. In 2020, individuals in this age segment accounted for 8.65 percent of new hires. LGT also offers flexible retirement. We are convinced that a diverse workforce makes our company more successful.

# Committed employees

## Employee Volunteering Program

The Employee Volunteering Program offers LGT employees an opportunity to give back. The initiatives are often organized locally and benefit less privileged individuals or the environment. Due to COVID-19, a good dose of flexibility and creativity was sometimes required in 2020. However, the collaboration with B360 Education Partnerships served as a good example of what could be achieved notwithstanding the limitations. What had originally been planned as an on-site volunteering commitment in Namibia was transformed into an online coaching program, during which LGT employees in Liechtenstein helped young students in Africa start their careers. In the UK, our employees worked with the organization The Fore, which provides financial support to small social enterprises and non-profit organizations through its RAFT program. By sharing their expertise with these organizations, our employees helped them prepare for the period after COVID-19.



The “climate culinary day”, developed by apprentices Zara Wagner and Timo Bicker, was the winning idea at the myclimate workshop.

Shortly before Christmas, employees from LGT’s Geneva branch spent two half days working with the organization Partage to collect and sort food, and then distribute it to charitable organizations and people in need living in the region.

Our Singapore location was also very active despite the strained situation during the pandemic. In April, employees collected around SGD 55 000. This amount was then matched by LGT and donated to the social service agency AWWA – People Giving to People, with which LGT has a long-standing partnership. The branch also donated disinfectants and food to the NGO ItsRainingRaincoats (IRR) for migrant workers in need.

## Energy and Climate workshop

Since 2019, the Swiss climate protection organization myclimate has been working with the government of the Principality of Liechtenstein and the office for vocational training and guidance to sensitize apprentices to environmental issues and help them engage in this area. During the reporting year, myclimate conducted an Energy and Climate Workshop with apprentices in Liechtenstein. One of the four LGT teams that participated came up with the winning project: a “climate culinary day” in the staff restaurant in Liechtenstein, featuring climate-friendly dishes – which will remain on the menu in the future.

LGT is a main partner and sponsor of the project Pioneer(s) for a Sustainable Society in the Principality of Liechtenstein. In addition to the Energy and Climate Workshop, myclimate also conducted its Energy and Climate Pioneers awareness program during the reporting year.

## LGT Award for Social Commitment

In 2020, the LGT Award for Social Commitment went to three organizations: the Liechtensteiner Behinderten-Verband, the Namaskar INDIA aid organization and the “Together – Hilfe für Indien” association. The award was endowed with CHF 60 000 and was presented to organizations in Liechten-



Sustainability@LGTyoung is a platform where young adults offer their fellow employees practical tips.

stein for the fourth time since 2014. It thus provides regular support and recognition for charitable commitments in the country. A total of 21 organizations applied for the 2020 LGT Award for Social Commitment.

### Drink & Donate

Every year, LGT donates CHF 130 000 to the charitable organization Drink & Donate, thereby supporting the consumption of high-quality tap water. In the year under review, we supported a Helvetas project in Benin that improves the living conditions of disadvantaged people through access to clean water and

hygienic behavior. The project helps where support is most urgently needed, focusing on improving water supply, sanitation and hygiene, as well as hygienic practices among the population.

### Sustainability@LGTyoung

As part of the Sustainability@LGTyoung program, LGT apprentices familiarized themselves with the United Nations' 17 Sustainable Development Goals (SDGs) and wrote an article for the company's intranet. With the help of practical hints and tips, the apprentices showed their more experienced colleagues how they can make a contribution to achieving the Sustainable Development Goals in their day-to-day lives.

### Health

Mens sana in corpore sano: whether through the LGT Sports Club or the LGT Vitality health program, LGT supports its employees when it comes to attitude, nutrition, exercise and relaxation. Free fruit, for example, is available at the various locations. During the year under review, all employees also received a Fit Bag containing work-out equipment and ideas for a variety of exercises. In addition, employees benefit from discounts at nearby sports facilities. LGT supports the physical well-being of its employees through the bike to work campaign – in 2020, around five percent of LGT employees in Liechtenstein and Switzerland participated. By biking to work, LGT employees increase their performance, improve their well-being and at the same time make a positive contribution to the environment.

To strengthen employee solidarity, a number of initiatives, such as videos from our management working from home and a painting competition for children, were introduced during the pandemic.

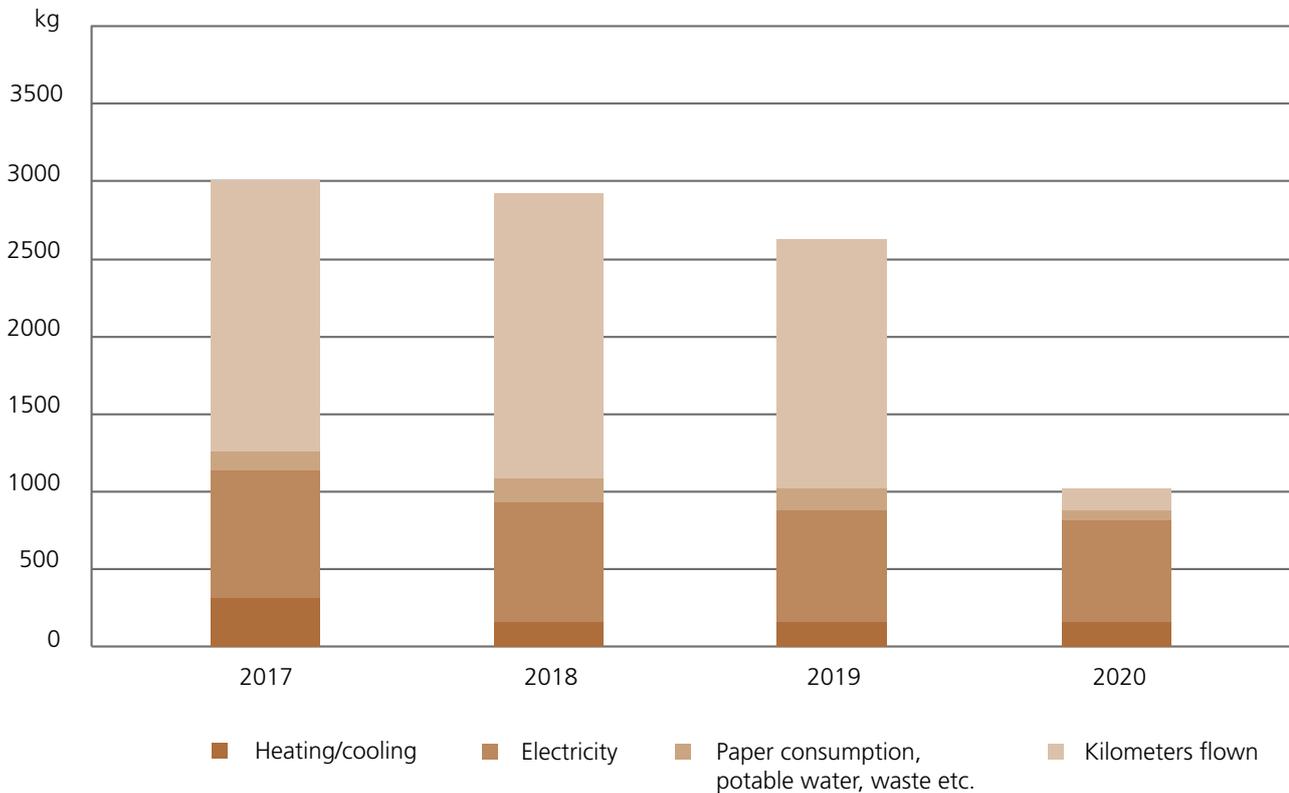
# Sustainable operations

Ensuring prudent environmental and operations management in its day-to-day business is also a priority for LGT. Setting a good example when it comes to sustainability is part of our DNA. In our Sustainability Strategy 2025, we have therefore set ambitious targets that are implemented by the entire Group. To achieve our Group targets, each location is responsible for developing its own roadmap of the specific measures that can be implemented locally. Certain measures are also defined and implemented at the Group level.

## Calculating key environmental figures

A web-based tool was used for the first time during the reporting year to collect key environmental data relating to energy, flights, water/paper consumption, etc., and to calculate greenhouse gas emissions. As a result, this process has been standardized and simplified. Due to new emission factors, certain figures deviate from the figures that were published in the past for the years from 2017 to 2019.

## CO<sub>2</sub> emissions per full-time equivalent (FTE)



### Offsetting unavoidable emissions

Extrapolated to LGT Group, 3987 metric tons of CO<sub>2</sub> were emitted during the year under review. This corresponds to a decrease of over 57 percent compared with the previous year and is due in particular to reduced air travel as a result of the COVID-19 pandemic. However, despite great efforts, the bottom line is that unavoidable emissions persist. We therefore offset these emissions through proven and meaningful compensation projects. In following with the polluter-pays principle – as in the case of wastewater or waste – we believe the polluter should also pay for the greenhouse gas emissions they emit. According to the Intergovernmental Panel on Climate Change, greenhouse gas emissions must be significantly reduced (to net zero by 2050) in order to overcome the climate crisis. LGT offsets its Group emissions with a Gold Standard®-certified wind power project in Rajasthan, India.

### Net zero

A 2018 special report by the Intergovernmental Panel on Climate Change shows that net emissions must be reduced to zero in order to stabilize global temperatures. The report also finds that any scenario that does not include such a reduction will not halt climate change. In this context, “net zero” means that all global greenhouse gas emissions must be removed from the atmosphere through negative emission, thus bringing the Earth’s climate footprint to net zero, i.e. after deducting natural and artificial sinks. If achieved, humans would then be climate-neutral and the global temperature would be stabilized. As a member of the World Economic Forum’s Alliance of CEO Climate Leaders, LGT aims to reduce its operational emissions to net zero by 2030. We are currently preparing the groundwork for a roadmap to 2030.

### Target: 100 percent renewable energies

Fossil fuels are still responsible for the lion’s share of global CO<sub>2</sub> emissions. In its sustainability strategy, LGT has therefore committed to taking action as quickly as possible in this area. By 2025, we aim to source energy for our global operations



#### Building sustainably

With the construction of the Egerta 2 office building in Vaduz completed during the year under review, LGT was able to move into Liechtenstein’s first Minergie A-P eco-certified building. A number of hurdles had to be overcome first, however, as this standard does not allow for the use of certain materials, and the energy requirements are stringent. Notwithstanding, the same high standards can be enjoyed as at LGT’s other offices; for example, the workplaces are air-conditioned and equipped with the exact same technology.

After 27 years, the former data center in Bendern was replaced in November 2020. Thanks to the new center’s energy efficiency, the location in Bendern can expect to see significant energy savings in the future.

from renewable sources only. At present, 69 percent of our electrical energy is renewable and 40 percent of our thermal energy is fossil-free. We procure 100 percent renewable electricity in Liechtenstein, Switzerland, Austria and most recently, Ireland. In Liechtenstein, we also source 100 percent biogas. In Geneva and Zurich, our buildings are heated and cooled using lake water.

### Mobility management

To reduce the CO<sub>2</sub> emissions generated by individual private transport, we actively encourage our employees to use public transportation. This includes measures such as financial incentives for using alternative mobility solutions in Switzerland and Liechtenstein. LGT has introduced similar measures for remote working, through which we hope to further reduce CO<sub>2</sub> emis-

sions. As a consequence of COVID-19, up to 80 percent of employees worked from home in 2020. The changeover to remote working operations during this extraordinary situation was successful thanks to a good technology infrastructure.

In an effort to support our employees and contribute to a fossil-free future, we increased the number of charging stations at the Vaduz and Bendorf locations during the year under review. A total of 28 stations for electric cars are now available to employees and clients.

### A buzzing environment

When the grounds of the LGT Service Center in Bendorf were being designed, attention was paid to ensuring a high level of biodiversity. As a result, grassy areas, indigenous wild hedges, wetland and trees now provide valuable habitats for a variety of animal and plant species. In 2019, LGT received an award for its integration of nature into the grounds. And in 2020, an LGT employee and passionate amateur beekeeper established six bee colonies in Bendorf, which help to ensure pollination and the continued existence of many plants.

### LGT Vestra Forest

To reduce long-term paper consumption, LGT Vestra offers paperless reporting – but it does not stop there. For every client who selects this digital option, a tree is planted, thus supporting a number of reforestation projects around the world. As at the end of 2020, the LGT Vestra Forest project supported projects in Kenya, Madagascar, Thailand and India.

### The Swiss Climate Foundation

LGT donates its net refunds from the CO<sub>2</sub> tax to the Swiss Climate Foundation, of which it has been a partner since 2012. The Climate Foundation promotes innovation and energy efficiency projects at small and medium-sized enterprises that contribute to climate protection in Switzerland and



In 2020, LGT installed 20 new charging stations for electric vehicles in Liechtenstein alone.



Six bee colonies have found a new home at LGT in Bendern.

Liechtenstein. Since its establishment in 2008, the foundation has invested CHF 29 million in 1700 SMEs in Switzerland and Liechtenstein. The foundation invested roughly CHF 4.98 million in climate protection projects in 2020 alone.

### **Collaboration with suppliers**

LGT expects its suppliers to operate sustainably. All suppliers must accept the LGT Supplier Code of Conduct, which is an integral part of their contract, and thus commit to adhering to important standards and conventions. The code focuses on ethics (integrity, fair competition), health and safety (occupational safety), the environment (protection of the environment,

consumption of resources) and management (risk management, documentation). We also regularly audit our suppliers with regard to sustainability and thus verify that they are complying with the standards we expect from them.

In 2020, we initiated and launched a project dedicated to sustainable procurement. It aligns the procurement process with ISO 20400, thus attributing even greater importance to sustainability. The comprehensive integration of sustainability aspects into the procurement process is being implemented step by step and monitored on an ongoing basis.

# Offsetting CO<sub>2</sub>: More than just an absolution

LGT started to offset its annual greenhouse gas emissions in 2010. This has been helping provide clean electricity to over 55 000 people in India since 2019.



India aims to replace coal-fired power generation, which is damaging to the climate, with wind power.

In 2019, LGT emitted over 2.5 metric tons of CO<sub>2</sub> per full-time equivalent. Group-wide, this amounts to 9000 metric tons of carbon dioxide, which are attributable to energy used in buildings, paper and water consumption, waste generation and air travel. Although emissions per full-time equivalent have declined, total emissions have

only decreased minimally compared with 2018 due to the growth of LGT.

“As a company with a focus on sustainability, we are constantly working to reduce these numbers,” says Ursula Finsterwald, Head Group Sustainability Management. And LGT’s efforts are proving successful – thanks to projects such as the one at LGT Austria: since 2019, the bank uses renewable energy only. What remains a problem, however, are unavoidable emissions, such as those generated by the electricity used for the bank’s data center, heating during the winter months or as a result of client meetings that must be attended in person.

So what can a company do to make the impossible possible – and avoid even unavoidable CO<sub>2</sub> emissions? It can neutralize the effects of the unavoidable emissions through compensation projects, something LGT has been doing since 2010.

The concept of carbon offsetting has existed since the late 1990s. Climate-friendly projects are assessed and certified by independent bodies. Then, with the help of intermediaries, the projects sell credits to buyers – individuals, companies or even entire nations – who want to offset their emissions.

One of these intermediaries is the German company First Climate, a pioneer in emissions trading. Since 1999, it has been helping companies achieve their sustainability goals by brokering and supporting projects in its portfolio. These projects reduce emissions locally, for example, by replacing coal-fired power with renewable energy, meaning that a certain number of tons of CO<sub>2</sub> are thus not emitted. To compensate for the company’s unavoidable emissions, the

LGT Sustainability Board selected a project from the First Climate portfolio based on clear criteria, explains Ursula Finsterwald. "It was important to us that we choose a project that had already been implemented and certified, and therefore had a proven track record in avoiding CO<sub>2</sub> emissions – it also had to be in a developing country. Furthermore, we wanted the project to make not only an environmental but also a social contribution," she says.

What ultimately met these demanding criteria was a project to operate wind power plants in Rajasthan, India. Heike Natzet of First Climate was not surprised by LGT's choice. "What sets this project apart is the fact it has Gold Standard certification. This accolade is internationally recognized as the benchmark for quality environmental and socio-economic projects," she says. It was also chosen due to the urgency of the climate problem in India and the compelling solution the project provides.

### Clean energy for 55 000 people

Of the 20 cities with the worst air quality in the world, 13 are located in India. Every day, people make their way through the smog of New Delhi, Agra and Kanpur, almost never catching sight of the sky. This problem is compounded by the country's rising prosperity in recent decades, which has gone hand in hand with an increasing demand for energy from its inhabitants – even though some 300 million Indians still have no access to electricity. Their primary source of energy remains coal, which is harmful to the climate. Poor air quality shortens people's lives by around 23 months. But the Indian government has responded to this problem: it wants to promote renewable energies and, to this end, has reduced red tape for sustainable energy projects.

The wind power project selected by LGT took advantage of this opportunity. The Indian electricity supplier Orange DND has built 15 wind turbines, each with a capacity of 1.5 MW, in Rajasthan, a poor rural area in the north. This is enough to supply around 55 000 people with clean energy. To ensure the support of the local population, the

company provided information about the effects of climate change and poor air quality, and explained why wind power is one of the cleanest responses to the crisis. Both the area's inhabitants and the local economy benefit directly from the project: it has already created 88 jobs – 55 of which have been filled by locals, including senior positions. In addition, the energy supplier organizes training, supports local schools and has built a water reservoir for clean drinking water.

"As a company with a focus on sustainability, we are constantly working to reduce emissions."

Ursula Finsterwald, Head Group Sustainability Management

LGT has been offsetting its emissions through the building of these wind turbines in India since 2019. And India is making progress on its goal of supplying more people with clean energy, thus improving their quality of life and life expectancy.

### Solution or absolution?

However, the CO<sub>2</sub> compensation model is also the subject of some debate. Critics question whether money for such projects truly serves as an important tool in the fight against climate change, or if it is instead a pretext for not having to bring emissions down to zero oneself.

Although no emissions would be better than having to offset them, initial resistance to the concept is dwindling. The UN, for example, was critical about offsetting in the 1990s. Today, however, it states that it has been climate neutral since 2008 – thanks in part to the purchase of carbon credits. "By offsetting its unavoidable emissions, LGT can help less privileged people and have a positive social as well as environmental impact. Offsetting is therefore not an absolution for LGT, but one of many urgently needed measures in the fight against climate change," Ursula Finsterwald explains.

# Action through dialog

In order to act sustainably, it is necessary to think sustainably. Our unique ownership structure is characterized by constancy and a holistic approach. That is why LGT adopted a sustainable mindset early on – long-term thinking and actions are part of our DNA. Protecting the environment, taking a prudent approach to natural resources, using alternative energies, respecting human rights and fair working conditions – these principles are important to us.

## Position paper

Our sustainability strategy sets out that LGT is to be a pioneer in the area of sustainability. Our goal is therefore to reduce our CO<sub>2</sub> emissions to net zero by 2030.

There is an urgent need to both mitigate and adapt to climate change. During the year under review, we published our first position paper on climate change, which informs our stakeholders of the measures we have taken to this end. We also used this as an opportunity to explain the mechanism of global warming to our clients and employees in a clear and concise manner. In addition, the paper outlines why climate change poses a systemic threat to humanity. The position paper can be found at: [www.lgt.com/positionpaper](http://www.lgt.com/positionpaper)

We are therefore also a member of the World Economic Forum's Alliance of CEO Climate Leaders, which advocates for companies to increase their climate protection efforts and commit to becoming leaders in this area.

## Kickbox: Fresh ideas

LGT Kickbox is an intrapreneurship program for all staff members who have an innovative business idea. It offers motivated employees the opportunity to validate, test and ultimately implement their ideas in a three-stage process. Kickbox helps employees develop new skills and is designed to better involve them in the trend towards greater innovation and digitalization. Kickbox was launched in June 2020, and a number of the submissions received since then have been linked to sustainability.

## More work to be done

Every two years for the past ten years, the Department of Asset Management at Johannes Kepler University in Linz, headed by Prof. Dr. Teodoro D. Cocca, has conducted a comprehensive study on the investment behavior of private banking clients in Switzerland, Austria and Germany on behalf



In the intrapreneurship program, employees can turn their ideas into reality.

of LGT. The latest study finds that there is a large gap between what the respondents say and what they do: although a large share is concerned about climate change and expresses strong interest in integrating ESG criteria into investment decisions, only around five percent of their total investment capital is actually invested according to sustainable criteria. However, their responses show that they have significant interest in

impact investing, microfinance and thematic funds. Women are more often than men convinced that their investments can have a real impact on the environment and social issues. The respondents also clearly prioritized the importance of returns over environmental or social risks – despite the fact most studies now show that sustainable investments generate superior returns in the long term. LGT is further investing in employee training in order to better inform its clients.

[www.lgt.li/pbreport](http://www.lgt.li/pbreport)

#### **Handbook on ESG implementation in private equity**

Last year, LGT Capital Partners' investment specialists published "ESG and the SDGs: Insights from private equity managers", which is a new edition of "A Guide to ESG implementation in private equity". It contains practical advice and uses a number of case studies to show how sustainable criteria can be successfully integrated.

#### **The fight against slavery**

The UN wants to end slavery and human trafficking by 2030. In its efforts to make an active contribution to achieving this goal, Liechtenstein launched the Liechtenstein Initiative in 2018. LGT is also actively supporting this initiative, which is now in a second phase that aims to raise awareness of the report "Unlocking Potential: A Blueprint for Mobilizing Finance Against Slavery and Trafficking" and the report's goals, and to launch corresponding measures. LGT also actively participated in panel discussions during the year under review. These included a panel at the virtual, annual IHCD (International Humanitarian Cooperation and Development) event focusing on abolishing slavery, and at the virtual Roundtable Zürich.

#### **Think-Tank**

LGT's Think-Tank regularly discusses current trends and developments. It consists of in-house experts who work on a project basis with external specialists and university representatives. The Think-Tank also supports the LGT Sustainability Board in opinion forming. In 2020, the representatives of the Think-Tank concerned themselves with an important but



Olivier de Perregaux, CEO LGT Private Banking, was a speaker at the IHCD event dedicated to abolishing slavery.

controversial topic: gold. Their recommendation, which was subsequently approved by the Sustainability Board, was that a uniform minimum standard be introduced for gold investments. As a result, LGT's sustainable funds and portfolio management mandate "Focus Sustainability" may in future invest in gold according to this minimum standard.

#### **Tackling challenges together**

LGT is convinced that the only way to tackle global challenges is to address them collectively. We are therefore in regular dialog with various stakeholder groups, in particular our clients, our owner and our employees. But we also actively

discuss sustainability with the authorities and our suppliers, academics and representatives of civil society.

Further to this, we seek to advance the topic of sustainability by collaborating with various organizations, among others as a:

- member of the Board of the Principles for Responsible Investment (PRI)
- founding member and member of various working groups within the Swiss Sustainable Finance (SSF) association
- member of the Sustainable Finance Working Group of the European Banking Federation
- Chair of the Sustainability Committee and a member of the Sustainability Working Group of the Liechtenstein Bankers Association

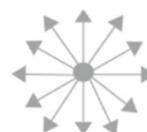
Since 2012, LGT has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labor, the environment and

- founding donor of the Lebenswertes Liechtenstein foundation
- participant in the UN Global Compact
- member of the Board of the UN Global Compact Network Switzerland & Liechtenstein
- Vice Chair of the Board of Trustees and Advisory Board of the Swiss Climate Foundation
- participant in the regional D-A-CH-LI group of the Partnership for Carbon Accounting Financials (PCAF)
- member of the World Economic Forum's Alliance of CEO Climate Leaders
- member of the Mobility Working Group of the Liechtenstein Chamber of Commerce and Industry (LCCI)

anti-corruption. Our Sustainability Report provides information on the progress we have made in implementing the Ten Principles on an annual basis.



LGT is committed to numerous international associations and organizations. Our most important memberships and partners include:



BIG BANG PHILANTHROPY



# Responsible corporate governance

Responsible corporate governance is an essential prerequisite for maintaining and strengthening the trust of clients and employees, but also of our owner and other stakeholders. LGT is managed in accordance with the principles of the separation of powers (Foundation Board, Group Executive Committee, Executive Boards of the companies) and checks and balances.

We support the fight against white-collar crime, money laundering, corruption, tax abuse and terrorism financing, and have implemented extensive internal control and monitoring processes for this purpose.

Sustainability is a regular item on the agenda at Executive Board, Board of Directors and Foundation Board meetings. This enables us to ensure that sustainability is treated as a priority at all management levels and is incorporated into our business activities.

LGT Group's entire senior management and various business areas are represented on the Sustainability Board, which is chaired by H.S.H. Prince Max von und zu Liechtenstein. The Sustainability Board sets the strategic direction and guiding principles relating to sustainability. Information about the progress made against the objectives is published regularly.

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## Clear governance structure through LGT's broad-based Sustainability Board



# Report profile

From 2012 until 2019, the LGT Sustainability Report was published every other year. Since 2019, it is published annually. This report, the sixth of its kind, documents the sustainability performance for the 2020 financial year and, unless stated otherwise, pertains to LGT Group. Each financial year begins on 1 January and ends on 31 December. The structure of this report is based on the internationally recognized guidelines of the Global Reporting Initiative (GRI).

The key figures contained in the report are based primarily on data available for the Group as a whole. Key figures for specific locations, in particular environmental data, are prepared by the local contacts for the relevant departments. Comparative figures from previous periods exist for most of the data.

The key figures are based on information about LGT's locations in Basel, Bendorf, Dubai, Dublin, Geneva, Hong Kong, London, Lugano, New York, Paris, Pfäffikon, Singapore, Vienna, Vaduz and Zurich. Not all information is available for all locations. Missing data for the various key figures were therefore extrapolated based on the information available. This applies in particular to the key figures for waste and paper. For smaller locations, which account for around five percent of staff, all key figures were extrapolated.

Since the 2020 financial year, the key figures and emissions data are collected and calculated using SulyticsTool. The emission factors are based on the data of the UK Government GHG Conversion Factors for Company Reporting, version 1.2,



updated 31 July 2020. The years from 2017 onwards were recalculated retrospectively using Sulytics. Due to changes in the extrapolation methodology and calculation of emissions, adjustments have been made to figures published in the past for the years from 2017 to 2019.

The report can be downloaded at [www.lgt.com](http://www.lgt.com) as a PDF file. The guidelines of the Global Reporting Initiative can be downloaded at [www.globalreporting.org](http://www.globalreporting.org). This report contains forward-looking statements based on expectations and assumptions. Various factors may cause the actual results to differ from the estimates provided here.

# Key figures

		2020	2019	2018	2017
<b>Financial indicators</b>					
Assets under administration	CHF m	240 705	227 892	198 243	201 782
Net new assets	CHF m	11 584	13 856	6 757	35 985
of which net new money	CHF m	11 584	13 856	6 757	17 684
of which through acquisition	CHF m	0	0	0	18 301
Total operating income	CHF m	1 853	1 818	1 676	1 537
Group profit	CHF m	292	308	314	283
Appropriation of Foundation earnings and dividends	CHF m	-135 <sup>1</sup>	-145	-125	-150
Group equity capital	CHF m	4 837	4 619	4 112	4 113
Total assets	CHF m	49 870	49 438	43 444	41 893
<b>Ratios</b>					
Tier 1	%	21.9	19.9	17.6	18.8
Cost/income ratio	%	75.0	74.1	74.0	73.8
Liquidity coverage ratio	%	221.6	218.3	203.3	237.7
<b>Ratings<sup>2</sup></b>					
Moody's		Aa2	Aa2	Aa2	Aa2
Standard & Poor's		A+	A+	A+	A+
<b>Employees</b>					
Number of employees (full-time equivalents)		3 693.3	3 532.9	3 282.8	3 069.4
Proportion of women in the total workforce	%	41.9	42.3	42.5	42.8
Proportion of female employees	%	46.5	46.8	47.2	47.8
Proportion of women in middle management	%	25.4	22.0	21.2	20.1
Proportion of women in senior management	%	14.8	15.4	15.4	16.4
Proportion of women on Executive Board	%	6.7	7.6	6.1	5.8
Number of part-time employees		483	419	396	373
Part-time employees, female	%	71.0	71.1	72.7	73.5
Part-time employees, male	%	29.0	28.9	27.3	26.5
Number of apprentices and HSG <sup>3</sup>		32	32	30	32
Turnover rate	%	5.5	6.1	7.9	5.4
Number of new hires		393	492	489	777
Female	%	45.3	45.9	45.6	54.1
Male	%	54.7	54.1	54.4	45.9
Number of resignations (excluding retirements)		251	278	310	239
Female	%	48.6	48.9	50.3	50.2
Male	%	51.4	51.1	49.7	49.8
Average age	years	42.1	41.7	41.6	41.4
Training costs per employee	CHF	905	2 084	1 959	2 001

<sup>1</sup> Proposal; <sup>2</sup> LGT Bank Ltd., Vaduz; <sup>3</sup> LGT only hires apprentices and high school graduates (HSG) in Switzerland and Liechtenstein.

		2020	2019 <sup>2</sup>	2018 <sup>2</sup>	2017 <sup>2</sup>
<b>LGT's energy/material consumption and CO<sub>2</sub> emissions<sup>1</sup></b>					
Total energy consumption	MWh	16 773	16 335	15 771	18 006
Electricity	MWh	12 102	11 626	11 790	12 222
Proportion of renewable	%	69.3%	69.4%	66.2%	62.2%
Heating/cooling	MWh	4 671	4 709	3 980	5 784
Proportion of renewable	%	40.0%	42.1%	39.2%	35.1%
Proportion of district heating/cooling	%	43.2%	32.6%	38.8%	39.0%
Paper consumption	metric tons	203	237	263	288
Proportion of 100% recycled paper	%	41.8%	44.7%	40.1%	43.3%
Waste	metric tons	465	409	392	373
Kilometers flown	km	4 101 486	31 119 725	31 238 108	25 782 048
Potable water	m <sup>3</sup>	31 044	32 881	30 696	31 109
CO <sub>2</sub> emissions <sup>3</sup>	metric tons	3 987	9 347	9 744	9 217
Scope 1	metric tons	428	510	401	562
Scope 2 <sup>4,5</sup>	metric tons	1 995	1 910	2 034	2 311
Scope 3	metric tons	1 564	6 926	7 310	6 344
<b>Energy/material consumption and CO<sub>2</sub> emissions per FTE<sup>1,6</sup></b>					
Energy consumption	kWh/FTE	4 542	4 624	4 804	5 866
Electricity	kWh/FTE	3 277	3 291	3 592	3 982
Heating/cooling	kWh/FTE	1 265	1 333	1 213	1 884
Paper consumption	kg/FTE	55	67	80	94
Waste	kg/FTE	126	116	119	122
Kilometers flown	km/FTE	1 111	8 809	9 516	8 400
Potable water	m <sup>3</sup> /FTE	8.4	9.3	9.4	10.1
CO <sub>2</sub> emissions <sup>3</sup>	kg/FTE	1 079	2 646	2 968	3 003
Scope 1	kg/FTE	116	144	122	183
Scope 2 <sup>4,7</sup>	kg/FTE	540	541	619	753
Scope 3	kg/FTE	423	1 961	2 227	2 067

<sup>1</sup> The data relate to consumption and emissions from operations (further information can be found on page 37)

<sup>2</sup> Data 2017–2019: retrospective correction due to changes in calculation and emission factors (further information can be found on page 37)

<sup>3</sup> Scope 1 (direct greenhouse gas emissions): emissions generated directly through combustion (e.g. natural gas)

Scope 2 (indirect energy-related greenhouse gas emissions): emissions generated through purchased energy (e.g. electricity, district heating)

Scope 3 (other indirect greenhouse gas emissions): emissions generated through goods and services purchased from third parties (e.g. business travel, waste, paper consumption)

<sup>4</sup> Calculation of Scope 2 emissions using the market-based method (Greenhouse Gas Protocol)

<sup>5</sup> Calculation of Scope 2 emissions using the location-based method (Greenhouse Gas Protocol) 2020: 2891 tCO<sub>2</sub> (2019: 2718 tCO<sub>2</sub>, 2018: 2831 tCO<sub>2</sub>, 2017: 3187 tCO<sub>2</sub>)

<sup>6</sup> Full-time equivalents

<sup>7</sup> Calculation of Scope 2 emissions/FTE using the location-based method (Greenhouse Gas Protocol) 2020: 783 kgCO<sub>2</sub> (2019: 769 kgCO<sub>2</sub>, 2018: 862 kgCO<sub>2</sub>, 2017: 1038 kgCO<sub>2</sub>)



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#### **Risk note/Disclaimer**

This report contains forward-looking statements based on expectations and assumptions. Various factors may cause the actual results to differ from the estimates provided here.

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