ESG Report 2024

Marketing material

Executive Summary

Our ESG 2024 Report is structured in two parts: The core part explores how ESG is being integrated into our portfolios, spanning private markets, ILS, hedge funds, public equities and fixed income. The second part highlights our commitment to Corporate Social Responsibility (CSR) and gives more insights into how we seek to operate sustainably in our own operations.

Tailoring ESG integration to each asset class
The breadth and depth of our ESG approach is a key element of our value proposition. In the first part of the report, we analyze the progress of ESG integration across our portfolios since 2023. Drawing on our more than two decades of experience, this analysis is based on different ESG frameworks that are tailored to each asset class:

- In our direct equity and fixed income portfolios, we focus on evaluating individual securities using our "ESG Cockpit". This proprietary analysis tool integrates raw data from a range of ESG data providers into over 40 KPIs in order to assess the ESG profiles of different companies.
- In our multi-manager portfolios – including private equity, private debt and hedge funds – we evaluate and engage with our underlying managers on ESG, encouraging them to raise the bar for ESG over time.
- We also apply an ESG framework to less obvious asset classes, such as insurance-linked securities, based on our belief that it is possible to invest through a meaningful ESG lens.

Corporate Social Responsibility
The second part of the report focuses on our commitment to operating sustainably. We provide an update on the latest developments with regard to our role as an employer, our support for the community, our relationship with business partners and to our own operations.

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Introduction

From pledges to actions

Over the last couple of years we have entered a new phase of ESG, a more challenging phase. Consensus and clear direction of travel have been replaced by a more nuanced and multipolar reality, where some continue to push forward while others pull back. At LGT Capital Partners our response to the shift in mood is clear: we believe it has become more important to focus on real and measurable outcomes.

Institutions and regulators have recognized this need. For example, the EU SFDR framework continues to roll out and add detail, making many more investors aware of the need to take action in the social and governance dimensions of ESG, as well as on climate issues. This year the European Union has also finally adopted the Corporate Sustainability Due Diligence Directive, which is a framework that goes beyond reporting, requiring that companies take concrete action in identifying and addressing potential and actual adverse human rights and environmental impacts within their own operations, their subsidiaries and those of their business partners.

At the same time the Science Based Targets initiative is both developing and becoming ever more widely adopted, while there are new frameworks emerging to measure impacts in previously neglected areas like biodiversity. All this comes against the background of data that shows that 2023 was the hottest year on record, highlighting the urgency of turning the pledges made as part of the Paris Agreement in 2015 into tangible actions.

Yet everyone is aware that actions are more difficult to deliver than promises, especially when ESG concepts have come under pressure from many directions. The answer to such questioning is to make the ESG frameworks that inform our investment practice more robust and to apply them in a transparent and consistent way, so we can show how we are delivering real outcomes. We believe that the way to do this is to continue to embed structured and recognized ESG frameworks in our investment process, while developing more detailed data resources and pursuing intensive engagement on ESG topics with companies and managers.

Over the last year we have continued to implement and deploy our proprietary ESG Cockpit and manager assessment scoring systems. These allow us to track and report the real-world impacts of our ESG efforts. One significant advance in our ESG investment process has been the initiation of a project to incorporate granular portfolio level data derived from our participation in the ESG Data Convergence Initiative (EDCI), building a database currently tracking 1,800 companies, with 26,000 data points logged to date. We have also added outcome-oriented analysis of portfolio companies' future decarbonization plans and implemented externally validated biodiversity metrics in our private debt strategies.

As a global multi-alternatives firm, we recognize that driving ESG through actions in the real world must mean intensive engagement with our managers. Yet we also recognize that creating true sustainable investment portfolios is a long-term project with no decisive endpoint. We believe that incremental improvement, year on year, delivers real outcomes over time. For example, the proportion of our private equity managers monitoring greenhouse gas emissions for their portfolio companies has risen consistently in recent years, and an increasing number of GPs is now establishing decarbonization strategies and working towards concrete reduction targets.

We have always believed that investors also need to foster sustainability in their own businesses, because outcome orientation starts at home. Over the last years LGT Capital Partners has been implementing and broadening a program of Corporate Social Responsibility within the firm, with a higher emphasis on DEI and engaging with local and global communities through employee volunteering and venture philanthropy. In the last year this is a path we have continued to follow and develop.

Today more than ever investors need to demonstrate that they are committed to ESG – and in a changing, uncertain environment, actions and outcomes are the only valid currency.

On behalf of LGT Capital Partners,

Tycho Sneyers
Chairman of the ESG Committee
Member of the PRI Board

Private equity

LGT Capital Partners invests in private equity across primary funds, secondaries and directs. We invest through the lifecycle of private equity strategies from venture capital to buyout and special situations. Through decades of stewardship in the private equity market, we have built longstanding relationships with many of today's highest-quality managers. Our diversified primary investment strategy aims to provide compelling risk-adjusted returns with an emphasis on small and mid-market funds. Our broadly diversified secondaries strategy aims to achieve capital appreciation by investing in a global portfolio of predominantly mid-sized private equity transactions across Limited Partner (LP) stakes and General Partner (GP) led secondaries. In addition, we support private equity fund managers by providing direct equity capital to complete the acquisition of portfolio companies, follow-on capital for transformational acquisitions or partial liquidity for existing portfolio companies to facilitate longer holding periods.

In 2024, we made important progress in our Environmental, Social and Governance (ESG) efforts for our private equity strategies. After an extended period of monitoring ESG practices of our managers, we have now begun to complement our ESG manager analysis with bottom-up portfolio-level data. This enables us to analyze ESG performance more directly and steer for more specific outcomes over time. We believe this is the next frontier in the integration of ESG in private equity.

To enable this detailed analysis, we have developed a more intensive engagement process with our private equity managers and begun the work of building a granular portfolio company data set in line with the ESG Data Convergence Initiative (EDCI). While our historic manager-level data from over 300 GPs shows incremental improvement across all ESG measures, the EDCI has allowed us to increase the proportion of data points for individual portfolio companies.

Developing our manager assessment approach

The EDCI data collection process represents an important shift in approach to measuring ESG in our strategies. Essentially, we are moving on from a primarily qualitative reading of a manager's ESG positioning and processes to adding a quantitative layer of data that allows us to analyze ESG outcomes and steer future actions.

At the same time, the rating of managers remains an essential part of our ESG integration approach in private equity. In our annual questionnaire we continue to ask all managers to respond in detail to questions on ESG commitment, integration of ESG in pre- and post-investment phases, as well as reporting.

LGT Capital Partners manager rating in detail

The LGT Capital Partners manager rating system is a critical component of our ESG practice. Each year we conduct an assessment of managers based on a detailed questionnaire, which goes on to inform our ESG due diligence and post-investment monitoring. The assessment is designed to show our investors the extent to which managers are integrating ESG factors in their investment practices, while helping LGT Capital Partners shape manager engagement by highlighting both excellence and areas where we seek improvement.

In the assessment, we evaluate managers on four key areas of ESG practice:

- Manager commitment, such as the extent of an ESG policy, commitment to industry initiatives like the Principles for Responsible Investment (PRI) and setting ESG goals.
- Investment process, focusing on the integration of ESG.
- Active ownership through activities such as establishing KPIs, ESG responsibilities and value creation through ESG initiatives.
- ESG reporting on a portfolio company level and on an aggregate fund level.

Managers receive an overall score of 1 to 4 (where 1 = excellent and 4 = poor). Managers who receive low scores (3 or 4) on specific indicators are flagged for improvement over time.

Score 1	means the manager is genuinely committed to ESG, with institutional processes in place. It applies ESG criteria in investment decision-making, is an active owner and reports on ESG.
Score 2	means the manager takes concrete steps to integrate ESG considerations into its approach and investment process, but LGT Capital Part-ners may have identified shortcomings in certain areas.
Score 3	means the manager demonstrates some commitment to ESG and recognizes sustainability related risks but lacks fully institutionalized processes.
Score 4	means the manager fails to meet the minimum systematic ESG criteria of LGT Capital Partners.

Source: LGT Capital Partners

The long view

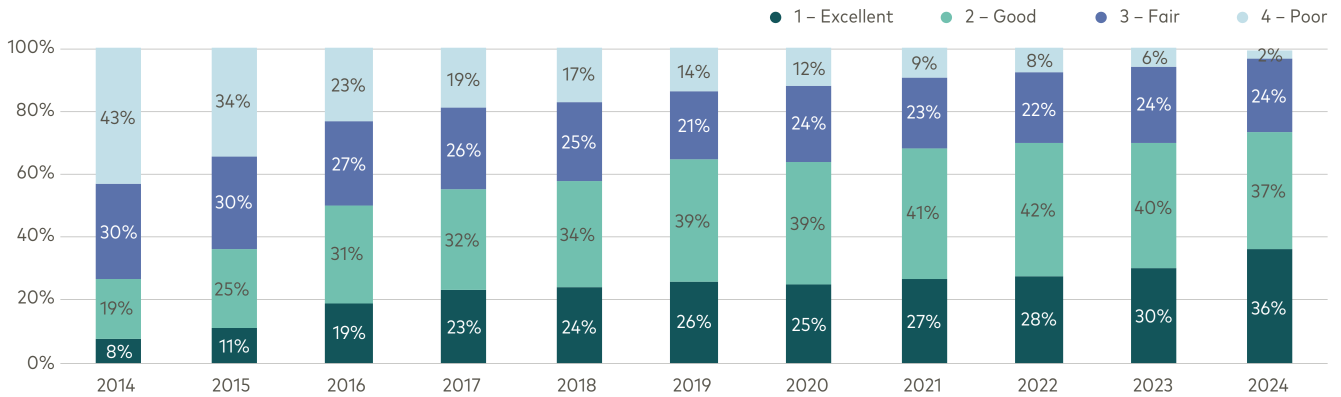
The ESG ratings derived from our GP questionnaire show portfolio developments over 11 years, providing a long-term perspective on how our managers have progressed on ESG. This gives context to our pledge to continually improve the quality of ESG integration and the extent of data in our private equity strategies. For example, in 2014 only 27% of managers had robust ESG management systems in place – as indicated by ratings of 1 or 2 – but now a significant majority have such systems. As of 2024, 73% of managers have achieved ESG ratings of 1 or 2, and over the past 12 months 33 managers have improved their ESG efforts resulting in a higher rating.

On a regional basis, the pattern of ESG integration among GPs has not changed, although the absolute numbers continue to show incremental improvements.

Europe has been in the lead on ESG for years, followed by Asia and then the US, and that continues to be the case. In Europe half of managers (51%) are now rated 1 (up from 42% in 2023) and 87% are rated either 1 or 2 (up from 82% in 2023), representing a significant increase in the percentage of managers at the top tier of ESG integration. The percentage of Asian managers rated 1 on their ESG practices has increased from 29% to 34% in 2024 and 76% are now rated either 1 or 2 (slightly down compared to 2023). The US picture meanwhile is improving from a lower base, with 53% of managers in the top two rating levels, compared to 49% in 2023.

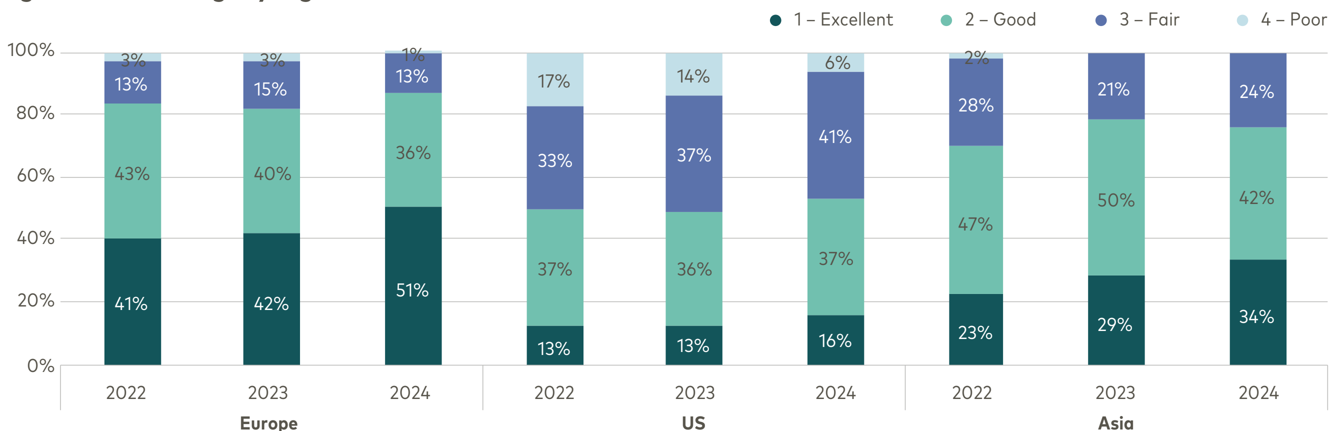
In conclusion, we notice that all regions have registered an improvement in the levels of GP integration to ESG, when measured by percentages of top-rated managers, and that European GPs continue to lead in terms of absolute numbers and rate of improvement.

Figure 1: ESG ratings globally



Source: LGT Capital Partners, data for 2024 obtained from GP questionnaire in Q1/Q2 2024

Figure 2: ESG ratings by region



Source: LGT Capital Partners, data for 2024 obtained from GP questionnaire in Q1/Q2 2024

VIACON
VIACON

ESG integration: from due diligence to exit at FSN Capital

FSN Capital is a Northern European private equity firm advising the FSNC funds, which have over USD 4 billion under management and a systematic focus on ESG to deliver returns to investors. To achieve its net zero commitment and capitalize on the transition to a sustainable economy, FSN Capital has significantly increased the size of its ESG team over the last year by adding four additional members with valuable ESG experience and backgrounds from decarbonization, impact investing, sustainability consulting and green transition research.

At FSN Capital, ESG is embedded in the investment process from due diligence to exit. A thorough ESG due diligence (a "double materiality assessment") is conducted by external experts to evaluate the business's impact on the environment and society (and vice versa), identifying material topics on which to focus during the ownership phase. During ownership, ESG support is integrated in the FSN Execution Framework, a repeatable model for value creation that aligns ESG with strategy, finance, digital, talent and operations in all portfolio companies.

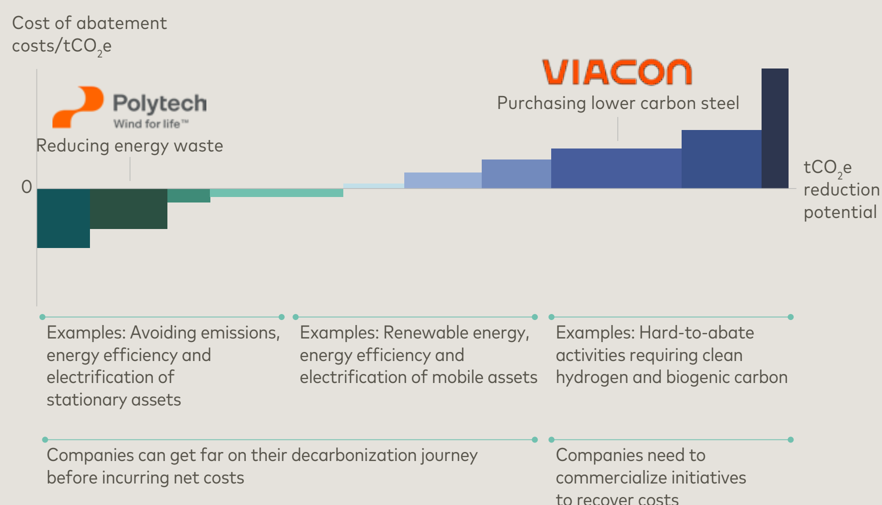
ESG in three dimensions

The FSN ESG team works with all portfolio companies both in the onboarding and ownership phases utilizing three industry-leading ESG approaches:

- ESG priorities: all portfolio companies set targeted, actionable ESG goals that anticipate industry trends and stakeholder expectations to mitigate risks and seize commercial opportunities. ESG focus and targets are subject to annual review and update, integrated into the commercial strategy development and review process, and are transparently reported in FSN's annual ESG report.
- Governance: all portfolio companies appoint a dedicated ESG officer and include ESG topics at every board meeting. Also, FSN sets minimum requirements for all portfolio companies with regard to ESG policies, implementation and governance.
- Decarbonization: FSN participated in the development of the guidelines for the private equity industry on how to set science based emissions reduction and net zero targets and was among the first six private equity firms worldwide to set such targets. As such, all FSN portfolio companies measure, manage and reduce greenhouse gas (GHG) emissions to become sustainability leaders that are

Figure 3: The marginal cost of abatement curve

Illustrative example of marginal cost of abatement curve



Source: FSN Capital

both attractive to stakeholders and competitive in the market. FSN Capital's decarbonization approach employs a marginal cost of abatement curve (see illustration) to identify decarbonization reduction levers that also save costs, maximizing both environmental and financial impact wherever possible. An example of an initiative on the left-hand side of the graph below is from the portfolio company Polytech that launched an initiative in 2023 to become more diligent in ensuring that all machinery was shut down when not in use, with the result that Polytech managed to reduce energy consumption by a remarkable 30%. The cost of abatement of reducing electricity waste is negative, which means that Polytech saves around EUR 600 for each tonne of carbon dioxide equivalent (CO2e) reduced. The right-hand side of the marginal abatement cost curve shows an initiative by the portfolio company ViaCon that has developed a decarbonization plan and identified that reducing the carbon intensity of its purchased steel is critical to meeting its ambitious SBTi-aligned target. The costs per tonne of CO2e reduction for steel is around EUR 150, making it a "hard-to-abate" material. Due to these high costs, ViaCon offers a lower carbon product option to its customers and only purchases the lower carbon intensity premium steel when it can commercialize it, ensuring that ViaCon profit margins are not eroded.

ESG means commercial value

These approaches mean that by the time of exit portfolio companies have worked to capture the commercial value of sustainability in terms of financial risks and opportunities. FSN Capital portfolio companies identify and manage the commercial value drivers of their ESG priorities, including:

- Industry transformation, where major corporations and public entities are actively pursuing net zero targets and imposing respective requirements on their supply chain.
- Regulation, where proactive companies secure competitive advantage.
- Efficiencies, where ESG-focused investment such as diversity hiring and retention programs and transitions to clean energy are yielding long-term cost and operational benefits.
- Talent, where demonstrated ESG excellence is a distinct advantage in attracting and retaining top-tier expertise.
- Customers, where companies can secure a premium for ESG excellence.

FSN's portfolio has shown that sustainability leaders can gain market share by meeting growing demand for sustainability products and services, and ESG is increasingly a determining factor in public tender bids. For example, in 2023 FSN portfolio companies such as OptiGroup (a B2B supplier of business products and services) and Solcellespesialisten (a supplier and installer of solar power systems) both won significant public tenders on the basis of ESG performance.

Improvement across the board for climate related ESG integration

We see comparable patterns of broad-based improvement led by European GPs for climate change policy, including risk assessment, emission reduction measures, emissions monitoring and reporting.

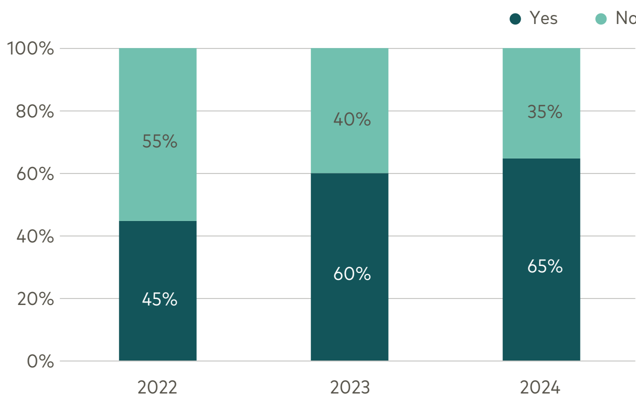
The proportion of managers with a formal climate change policy in place has risen from 60% to 65%. We have seen the percentage of managers who have a standard framework to assess climate risks rise in all regions.

The same holds for the percentage of managers who report on climate change activities in the portfolio, while monitoring of GHG emissions has also risen in all regions both proportionately and in absolute terms (56% of all managers now do this, up from 48% in 2023). Physical and transition risks are also more likely to be part of GPs' due diligence and this holds true in all regions.

In addition to our own GP questionnaire and the collection of EDCI data, we continue to leverage alternative data sources to improve data at both manager and portfolio company level where we deem it necessary. An important instrument for this is our ESG Cockpit, a proprietary tool that draws on publicly available ESG data to generate ESG scores for individual listed securities. It analyzes the ESG attributes of a company's operations, ESG controversies and the impact of the company's products and services on the UN's 17 Sustainable Development Goals (SDGs). While we build up our private equity database, we continue to use the ESG Cockpit to conduct proxy analyses for certain Principal Adverse Impact (PAI) indicators within our private equity portfolios, based on averages of public market companies in the same industry. We believe that this approach provides meaningful insights at portfolio level, as potential deviations for individual companies would balance each other out. In addition, this sector-based approach enables us to respond to client requests related to the European ESG Template (EET) under the Sustainable Finance Disclosure Regulation (SFDR) and other data-driven ESG disclosures.

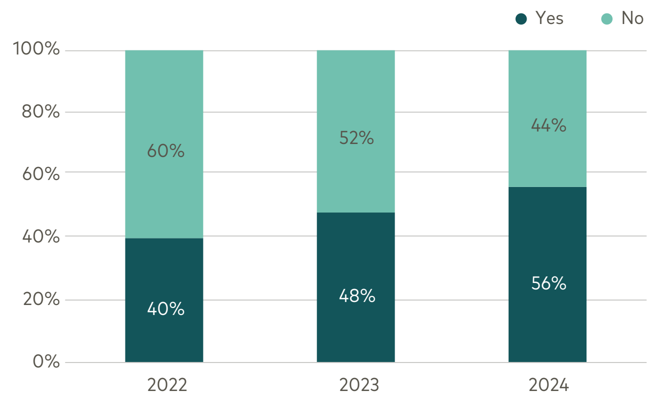
A growing group of private equity managers do monitor PAIs themselves and our questionnaire for all managers shows that this monitoring is increasing in Europe (53% of our European managers monitored PAIs in 2024 compared to 42% the previous year). Even in Asia and the US, managers have started tracking PAIs (13% and 8%, respectively).

Figure 4: Proportion of managers that have a climate change policy in place



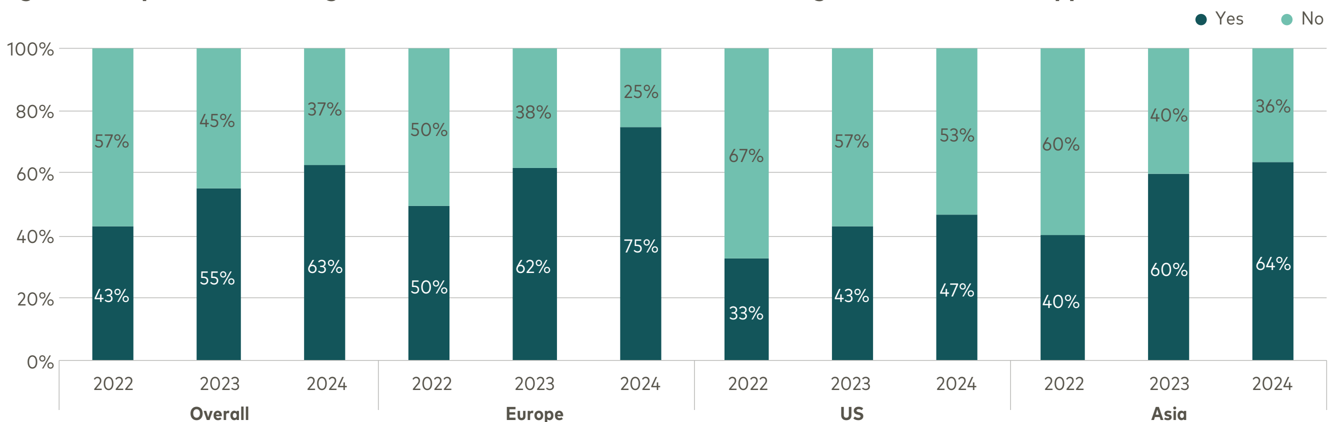
Source: LGT Capital Partners, data for 2024 obtained from GP questionnaire in Q1/Q2 2024

Figure 6: Proportion of managers that monitor greenhouse gas emissions of their portfolio companies



Source: LGT Capital Partners, data for 2024 obtained from GP questionnaire in Q1/Q2 2024

Figure 5: Proportion of managers that assess and measure climate change related risks and opportunities



Source: LGT Capital Partners, data for 2024 obtained from GP questionnaire in Q1/Q2 2024

Applying climate targets at portfolio level

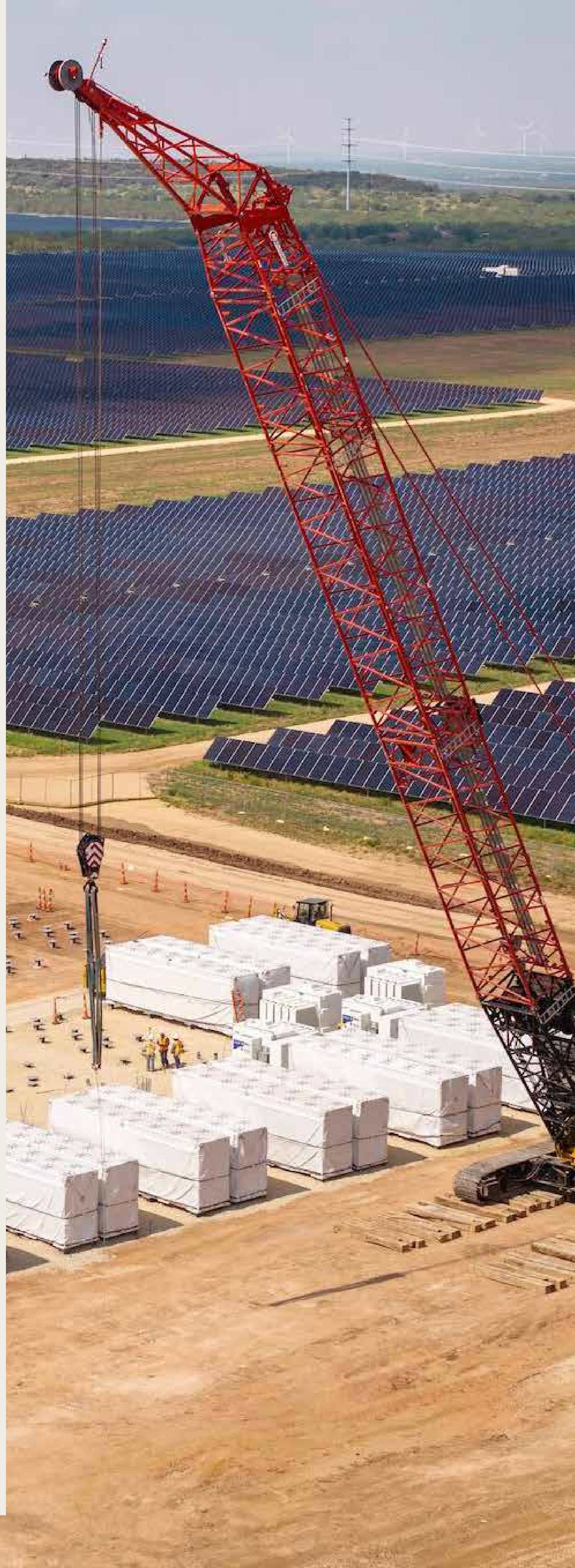
One UK headquartered private equity manager, with around USD 40 billion of mainly European corporate assets under management, has implemented a structured climate strategy aligned with the Science Based Targets initiative (SBTi). This is a thorough initiative that will not only decarbonize the manager's own operations, but also apply SBTi targets throughout the manager's portfolio.

From late 2023, the manager embarked on a program that targets a 42% reduction in Scope 1 and Scope 2 operational emissions by 2030, using 2021 as the base year, and ensures that 100% of eligible portfolio companies will have science based targets by 2030.

While creating an SBTi-validated roadmap for decarbonization of a manager's own operations in line with the Paris Agreement is relatively straightforward, doing the same for a large number of portfolio companies is much more challenging. The manager embarks on a two-stage process with eligible portfolio companies, beginning with a high-level identification of decarbonization levers with options for implementing them and then developing more specific plans for the implementation of emissions reduction initiatives that are integrated into annual business planning and budgetary cycles.

For example, one portfolio company from the construction and engineering sector committed to moving to renewable sources for all its electricity by 2030 and recently had its targets validated by the SBTi. In 2022, for the third consecutive year, the company was included in the Carbon Disclosure Project (CDP) Climate Change "A List," which recognizes those companies most advanced in their emissions disclosure.

The private equity manager's approach shows the effectiveness of using a range of externally validated reporting and target-setting frameworks to systematize multiple decarbonization approaches in a large portfolio. These include the framework of the Task Force on Climate-related Financial Disclosures (TCFD) to create a common data set, as well as SBTi validation to guarantee that the pathway to decarbonization is realistic and credible. Using these frameworks, the manager's targets now cover at least 90% of its total investment and lending portfolio, turning generalized decarbonization pledges into clear and tangible action.

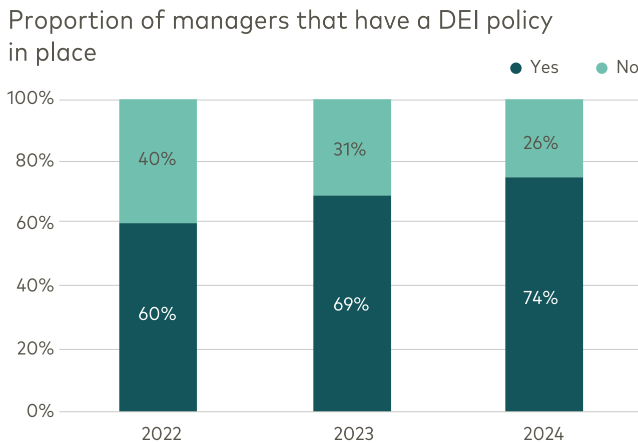


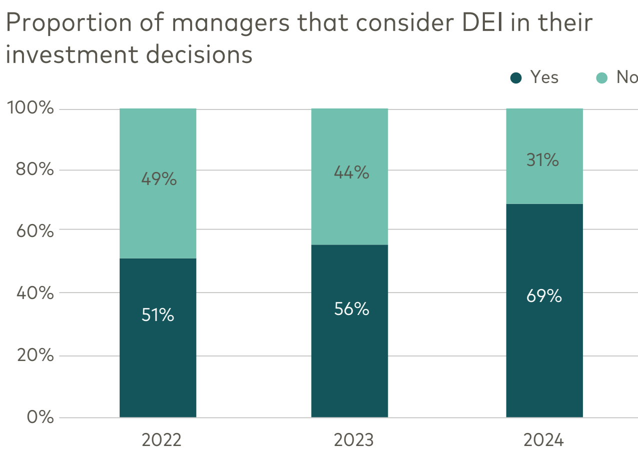
DEI awareness is growing

Data from our questionnaire for all GPs shows that private equity managers have become increasingly mindful of the importance of formalized diversity, equity and inclusion (DEI) practices. These can include, for example, improving recruitment and retention of diverse investment talent, which can support the robustness of investment decision-making and risk management.

For 2024, we observe an increase in the percentage of GPs with a formal DEI policy in all regions. In addition, there is also a significant increase of managers considering DEI in investment decisions.

Figure 7: Private equity DEI engagement





Source: LGT Capital Partners, data for 2024 obtained from GP questionnaire in Q1/Q2 2024

How we leverage EDCI

Over the course of 2023, we began the EDCI data collection process via a request to our GPs for 20 EDCI data points from portfolio companies covering greenhouse gas (GHG) emissions, renewable energy consumption, diversity, occupational health and safety, net new hires and employee engagement. Separately, the EDCI has recently added three more data points on net zero to the list, which will be included in this year's data collection cycle. We began by approaching the GPs in our private equity strategies that are themselves members of EDCI. Following very good response rates, we then went on to include further GPs in our second round of outreach, focusing on those with a high ESG rating.

As a result, we now have a base data set covering a total of 1,800 portfolio companies with around 26,000 data points. The response rates per EDCI data point vary significantly with the highest coverage ratio for Scope 1 and Scope 2 GHG emissions, energy consumption, board composition and workplace accidents. Questions on Scope 3 GHG emissions (which are indirect emissions in the value chain, both upstream and downstream) and the number of diverse board members elicited fewer responses.

As a member of the EDCI we are committed to establishing this private equity industry initiative as the core format and structure for private equity ESG performance data and we expect that this data set will eventually cover all our private equity strategies.

Using DEI initiatives to drive gender balance

An East Asia headquartered private equity manager, with over USD 50 billion of assets under management, recently committed to a firmwide DEI policy with a special focus on gender balance within the business and also within the portfolio and supply chain. The firm tracks gender diversity KPIs (according to the EDCI template) and uses the results as a basis for engagement across the business.

Since instituting a policy of seeing both male and female candidates for every role, the manager has increased the proportion of female new hires within its own operations from ~20% in 2020 to ~40% in 2022. To make the ambition of gender parity a reality in the long term, the manager also establishes targets for its portfolio companies and reports on them annually. In the most recent fund the manager requires that majority controlled new investments set gender diversity targets for senior management levels (defined as C-suite minus two). These targets depend on the gender composition of the portfolio company at the time of investment.

While gender diversity is top of the manager's DEI agenda, the policy embraces all the dimensions of DEI in finance: this is based on a belief that a culture of diversity, equity and inclusion across the firm will make for better investment decisions. Bringing diverse views, backgrounds and experiences and fostering a culture that encourages everyone to contribute and be their authentic selves will enable personal and professional growth and help employees feel connected, accepted and united toward a common goal.

Livingbridge: how EDCI drives data standardization

Livingbridge: how EDCI drives data standardization

Livingbridge is a mid-market private equity firm headquartered in London, with approximately GBP 3.7 billion of assets under management. Since the firm's inception in 1999, Livingbridge has funded and supported over 170 investments across its four core sectors – technology, services, healthcare & education, and consumer – and in recent years the firm has recognized that providing high quality ESG data to its LPs is of increasing importance.

As a responsible investor, Livingbridge wanted to be able to meet this requirement and ensure it was collecting data points that would be useful for its portfolio companies and LPs alike. Livingbridge joined the EDCI in 2023, committing to report on a refined data set that not only aligned to its ESG beliefs covering planet, diversity, education and wellbeing, but which also provided a framework for its portfolio companies to track and report against.

The data collection process

Before reaching out to its portfolio companies, Livingbridge decided to first experience collecting the EDCI metrics itself to gain a thorough understanding of the demands of the process. Internally this meant formalizing clear processes and procedures on data collection and management, so Livingbridge could then share insights and support portfolio companies through the same process from a position of knowledge and experience. A key learning was the importance of establishing a structured engagement framework for collection of the data, assigning responsibility to specific individuals and functions within the business for collecting each data point. Once this exercise had been completed, Livingbridge began collecting the data from its portfolio companies utilizing an online platform and consultant to facilitate the process and make it as efficient as possible.

Livingbridge believes that the firm can further improve the quality of the data it collects and is continuously looking for new ways to accomplish this. As part of the most recent year's data collection, Livingbridge introduced

Figure 8: First year EDCI data response rate from portfolio companies

Livingbridge Belief	EDCI Category	EDCI Metric	Livingbridge	# portfolio companies that reported data	% portfolio companies that reported data
Planet	GHG emissions	Scope 1 emissions (tCO2e)	✓	38 / 39	97% of portfolio companies reported data on at least one of their Scope 1, 2 or 3 emissions
		Scope 2 emissions (tCO2e)	✓		
		Scope 3 emissions (tCO2e)	✓		
	Energy consumption	Total energy con-sumption (kWh)	✓	37 / 39	95%
		Renewable energy consumption (kWh)	✓	37 / 39	95%
Diversity	Diversity	Total # board mem-bers	✓	39 / 39	100%
		# women board members	✓	39 / 39	100%
Wellbeing	Work related accidents	# work related injuries	✓	39 / 39	100%
		# work related fatalities	✓	39 / 39	100%
		# days lost due to injury	✓	39 / 39	100%
Education & wellbe-ing	Employee engagement	Employee survey (Y/N)	✓	39 / 39	85% of portfolio companies conduct a survey
		% employees re-sponded to survey	✓	33 / 39	71% average response rate (for those that conduct a survey)
		% employee turnover	✓	38 / 39	97%

Source: Livingbridge

a new requirement for a portfolio company board member to review and sign off the data prior to submission, specifically to elevate the importance of the data.

Using data for improvement of outcomes

Upon request, Livingbridge reports the EDCI metrics on an annual basis to its LPs. In addition, ESG benchmarks developed by the EDCI are leveraged to assess the ESG performance of its portfolio companies and identify target areas for engagement and improvement. This year, Livingbridge plans to provide benchmarking reporting to its portfolio companies, allowing each business to review this at board level and identify areas for improvement. Livingbridge will continue to submit data to the EDCI on an annual basis, enabling the firm to track ESG performance year-on-year and adjust its engagement accordingly.

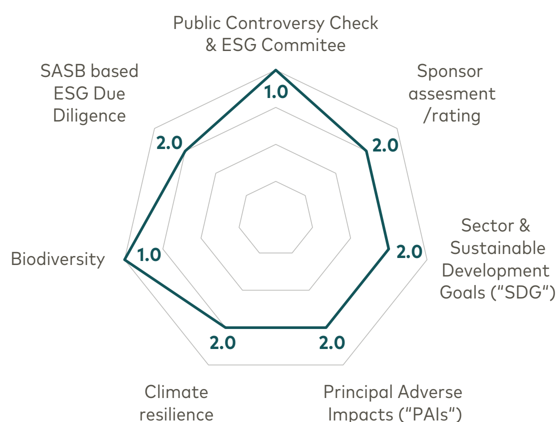
Private debt

Over the last year we have continued to develop and extend our multi-factor process for asset assessment and monitoring within our private debt strategy. As part of this process, we have added a seventh element to the ESG scorecard for portfolio companies, treating biodiversity as a standalone factor for the first time.

As discussed in last year's report, we previously created an assessment process that scores new and existing portfolio companies against six ESG and sustainability factors (controversy checks, sponsor ratings, SDG alignment, PAI indicators, climate resilience and ESG materiality assessments) and monitors performance against these throughout the life of the investment, via our ESG scorecard. Although we always included biodiversity analysis within several of these assessment categories (including SDG alignment, climate resilience and ESG materiality assessment), in the last 12 months we launched a new company-specific analysis based explicitly on biodiversity.

In this analysis biodiversity related factors are captured and assessed by the investment team during the due diligence phase based on information provided by the company, its shareholders and third-party diligence providers. Post-investment the company will submit information through the annual LGT Private Debt ESG and Impact survey, which in turn is used as part of our annual review.

Figure 9: Representative seven-factor company analysis



Source: LGT Capital Partners

Embedding biodiversity

The assessment of biodiversity risks and opportunities and their incorporation into investment decisions has been launched with the help of Altitude by AXA Climate, a third-party climate risk platform developed by insurer AXA. This enables us to look at each prospective investment across its direct and indirect activities and rate the materiality of its biodiversity profile and associated risks and opportunities.

The assessment incorporates the widely used industry metric of Mean Species Abundance by square kilometer (MSA/km^2), which is defined as the mean abundance of an original species relative to its abundance in an undisturbed ecosystem. This is recognized as a metric which can be used to evaluate ecosystem integrity by measuring species abundance at a local level and allows comparison of companies of different sizes. The lower the score in terms of MSA/km^2, the less negatively impactful a company and its operations are from a biodiversity perspective.

The MSA/km^2 data is combined with qualitative analysis to score potential or existing portfolio companies in four dimensions:

- Dependency on ecosystems: this dimension estimates how much a company relies on ecosystem services, taking into account the production processes for each sector. Regulation services cover, among others, pollination, water flow maintenance or erosion control, while provisioning services include, for example, ground and surface water or genetic materials. The dependency then estimates how badly the company is affected by the deterioration of ecosystem services (physical risk).
- Impact on biodiversity: this assessment, also called the biodiversity footprint, is based on the MSA/km^2 score both in terms of static impacts (which are all past and have accumulated before the year of evaluation) and dynamic impacts occurring during the year of assessment. A bigger biodiversity footprint indicates a higher company or portfolio contribution to global biodiversity erosion and comes with potential reputational and/or regulatory risk in case of an adverse incident (transition risk).

- Negative indirect impact due to proximity to biodiversity-sensitive areas: activities in the vicinity of an area of interest may lead to the deterioration of natural habitats or disturb species within the habitat. Therefore the company's assets may pose a reputational and/or regulatory risk in case of a negative event (transition risk).
- Potential interaction with threatened species: similarly to the proximity assessment, activities or assets in proximity to threatened species may pose a reputational and/or regulatory risk in case of a negative biodiversity impact event (transition risk).

Calculating the biodiversity scorecard

Output from the LGT Capital Partners' biodiversity assessment process for private debt is a biodiversity materiality scorecard. This is accompanied by data outputs from AXA Climate and supporting commentary from the investment team. A representative scorecard is shown below.

Should any potential investee company be deemed to have a material or potential biodiversity-associated risk in its operational activities, including indirectly via its supply chain, it is unlikely we will proceed with the investment. However, if the investment team identifies minor or manageable risks or impacts and believes there are strong mitigating actions being taken by the management team or the majority shareholder, they can propose to take the opportunity forward.

Figure 10: Biodiversity risks review

Criteria	Potential impacts to consider	Materiality score *
1. Dependency on ecosystem services	Physical risks Related to raw materials or supply-chain Related to providing, regulation or maintenance	-
2. Impact on biodiversity	Transition risks MSA score	1
3. Areas of interest for biodiversity	Transition risks Regulation risks	-
4. Threatened species	Transition risks Regulation risks	1
Biodiversity Risk Materiality Score-Total		**2**
Material adjustment		-
Biodiversity Risk Materiality Score - Adjusted		**2**

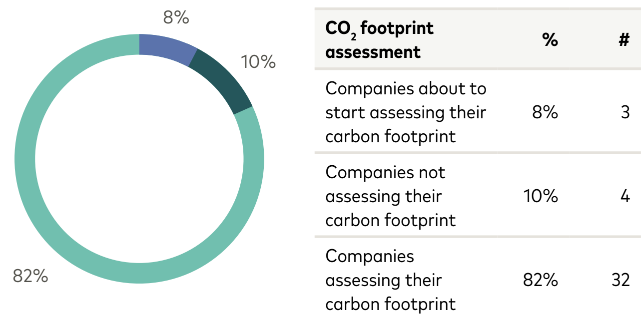
* One score per item/0=not applicable/1=relevant/2=potentially material
Source: LGT Capital Partners, data for 2024 obtained from GP questionnaire in Q1/Q2 20242024

Portfolio ESG performance

We continue to see positive ESG trends on an aggregated basis across our private debt portfolio. The portfolio comprises lower to mid-market European companies and, while we are sector agnostic in principle, there is currently a leaning toward service, tech, healthcare and light industrial sectors.

One of the most positive long-term trends has been the proportion of companies disclosing their carbon emissions increasing to around 82% in 2023, compared to only 9% back in 2015. Some of this increase has been driven by newly introduced legal obligations to report GHG emissions as part of the loan documentation, but it also represents a desire by companies both to better understand their carbon footprint and to set targets for footprint reductions.

Figure 11: Carbon tracking among portfolio companies



CO_2 footprint assessment	%	#
Companies about to start assessing their carbon footprint	8%	3
Companies not assessing their carbon footprint	10%	4
Companies assessing their carbon footprint	82%	32

Source: LGT Capital Partners, data for 2024 obtained from GP questionnaire in Q1/Q2 2024

Our latest portfolio survey across all of our private debt investments shows that while there are annual performance fluctuations due to portfolio churn, there have been some very encouraging changes in the last two years. Notably these include the fact that ESG policies are now in place for 74% of companies compared to 59% of companies in 2022 and that there has been an increase in the number of environmental policies in place (74% now versus 48% in 2022). As a result, there has been a significant increase in the number of portfolio companies tracking water and energy consumption, as well as waste volumes and recycling rates.

Monitoring the ESG scorecard

We continue to track the ESG scorecard for each portfolio to monitor any meaningful trends. The investment teams use the results of our ESG survey to complete an annual review of each asset and update the ESG scorecard for each of the factors to derive a total score. The assets within our latest private debt fund had a weighted average ESG score of 1.79 in 2022, when we conducted the analysis on this portfolio for the first time (out of a range of 1-4, with 1 being the best possible score). In the last two years the scores have improved year-on-year, and for year-end December 2023 (after we added biodiversity as the seventh scorecard factor) we increased the score to an average of 1.75.

Figure 12: Private debt overall ESG portfolio profile

	Items	Score	Commentary
General	Existence of an ESG policy	74%	% of companies with an ESG policy
	Absence of litigation (in environmental, social and ethical affairs)	97%	One company dealt with ESG-related litigations in 2023
	Contribution to UN SDGs	69%	% of companies stated that they contribute to one or more UN SDGs
Environment	Existence of an environment policy	74%	% of companies with an environment policy
	Estimation of CO_2 footprint	82%	% of companies asses their carbon footprint
	Water or energy consumption	79%	% of companies track their consumption of water & energy (primarily electricity and fuel)
	Production of hazardous and/or radioactive waste	21%	% of companies produce hazardous and/or radioactive waste
	Located in or near a biodiversity-sensitive area	8%	% of companies are located in or near a biodiversity-sensitive area
Social	Job creation	67%	Net 2023 job creation of +1519
	Diversity - female headcount	42%	% of portfolio's headcount are female
	Availability of training opportunities	100%	% of companies provide training opportunities to a significant portion of their employees
	Company-wide profit sharing	51%	% of companies grant extra bonuses to their employees depending on financial performance
Governance	Independent member(s) at Board	67%	% of companies have Boards comprising at least one independent member
	Board meetings per year	10	Board meetings are scheduled ten times per year on average
	Existence of a corporate code of ethics	79%	% of companies have a corporate code of ethics
	Existence of other specific committees	67%	% of companies use specific committees (management, audit, remuneration, etc.) to assist the Board
	Annual review of company's corporate sustainability	74%	% of companies mentioned that their Executive Committee or Supervisory Board / Board of Directors formally review, at least annually, the company's corporate sustainability

Note: Based on LGT Private Debt 2023 surey on portfolio companies as of Dec 31, 2023 / Featuring a selection of key items. 98% of portfolio companies answered the survey.
Source: LGT Capital Partners

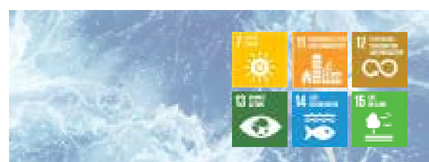
Although this might seem a relatively modest improvement, with the changes driven by only three assets in the last year (two scores improving and one score declining with all other assets remaining unchanged), we believe this performance underlines two important considerations. First, that we typically select assets with favorable ESG profiles and practices, making their ESG scores on entry well above average, and second that from a high starting score the scope for further enhancement is limited and may relate to long-term change factors such as SDG alignment or positive changes in a company's climate resilience profile. Therefore, even a marginal positive improvement according to our ESG metrics must be viewed positively. At the same time, we do recognize there is further room for improvement.

One score where we have seen some marked improvement within the last three years is the sponsor assessment – an improvement that is due to our private equity sponsors enhancing their approach to ESG at a fund and asset level. This has now filtered down to some of our portfolio companies as they respond to new governance priorities from their private equity shareholders. This is a positive change that we are seeing across the sponsored private debt market and one which may eventually require a re-basing of our ESG assessment process as we see standards improve and "best in class" becoming a more widely shared ESG aspiration.

Private Debt Impact Fund

Last year we announced we were launching our first dedicated impact private debt strategy, which aligns to Article 9 requirements under SFDR. Our first investments (as outlined below) in this fund have now closed and we continue to see a variety of deal opportunities supporting Western European based companies directly addressing the global challenges of social inequality ("Inclusive Growth"), climate change ("Climate Action") and inadequate healthcare ("Healthcare"). Every deal in our impact fund includes economic incentives for the company to enhance its impact and ESG profile. From an impact perspective we do this by agreeing with management and financial sponsors a set of meaningful, measurable, and increasingly ambitious KPIs related to the impact of product or service the company provides.

Figure 13: Private Debt Impact Fund deals



Climate action

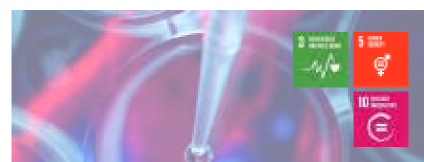
- Decarbonization
- **Resource efficiency**
- Sustainable agriculture
- Clean technologies
- Climate adaptation
- Circular economy

Design and manufacture LED lighting

Inclusive Growth

- Quality public education
- **Social and financial inclusion**
- Job creation and skill development

Essential care services to vulnerable people



Healthcare

- **Cost control and affordability**
- Innovation and technology
- Quality, prevention and proactive care
- **Healthcare equity and inclusion**

Medical scanning and diagnostics

Source: LGT Capital Partners, data as of Q2 2024 for illustrative purposes. There is no guarantee that similar investments will be made.

Insurance-linked strategies

Insurance-linked strategies (ILS) remain a mainstay of sustainability focused investing, as ILS aim to offer a combination of positive ESG outcomes and attractive investor returns. ILS work by pricing climate risks through insurance policies, whose premia provide an incentive for proactive climate mitigation and adaptation activities. The investment class has been growing as the increase in climate induced catastrophic events is forcing insurers to buy more protection to meet their regulatory capital requirements, while under the EU Taxonomy Regulation such catastrophe protection is recognized as a sustainable investment. For investors, these strategies are attractive for their premium returns, because performance is not correlated to capital markets or business cycles and on account of their sustainability characteristics.

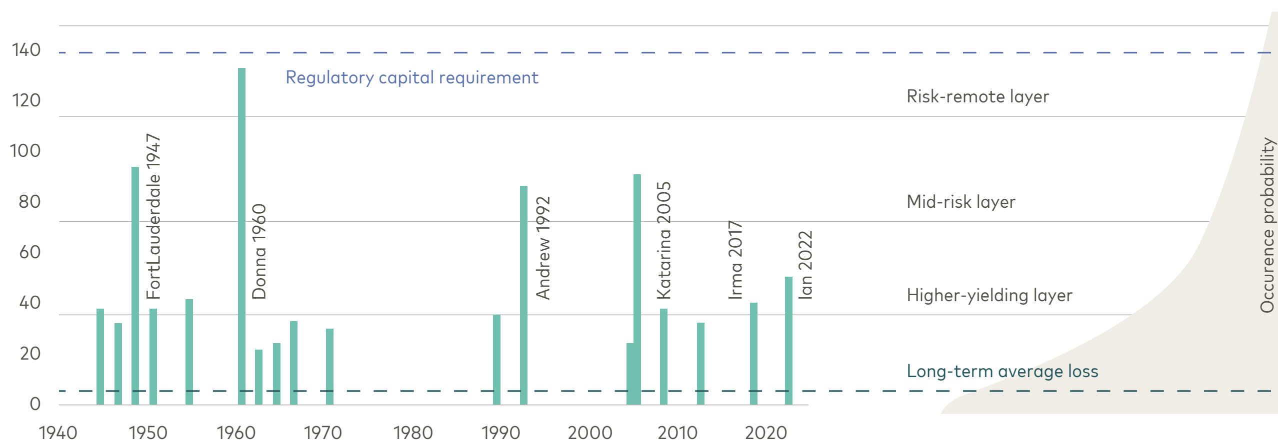
Insurance-linked strategies focus on transferring pure catastrophe risk from insurance companies to financial market investors in the context of a highly regulated industry, where the regulatory focus is ultimately on consumer protection.

For a private individual such as a homeowner, their home represents a fundamental part of their personal wealth. Yet homeowners are typically not aware of the fact that even while insured they may incur a significant credit risk, as the insurance company is insuring thousands of homeowners in the same region, subject to the same catastrophe risks and in essence only granting a "promise to pay." This is where the regulator enters the scene: to meet licensing regulations and be allowed to sell insurance policies, insurance companies need to meet specific capital requirements. These are intended to enable insurers to meet promised loss payments even in an extreme event scenario such as a severe hurricane, whereby thousands of clients may be submitting simultaneous claims from the same event.

While insurance companies are required to hold sufficient capital to meet defined stress-test scenarios, the regulator allows insurers to buy hedges against severe catastrophe events to support regulatory capital requirements. Such hedges may take the form of a tradable catastrophe bond or a private reinsurance contract, typically at the higher layers of event risk where the risks insured are of medium to low likelihood; risk is calculated in terms of expected frequency and intensity of catastrophic events (see chart below for an illustration of US risk layers mapped against catastrophic events since 1916). In either case, the hedge provides the insurer with protection against a massive destructive event while freeing up regulatory capital, thus allowing insurers to manage their capital requirements much more efficiently. Meanwhile investors who finance the catastrophe bond or reinsurance contract receive an attractive premium for shouldering the pure event risk. The down-side risk is linked to the occurrence of a covered event such as a hurricane or wildfire. Such investments thus exhibit no inherent correlation to financial market movements, such as changes to interest rates.

Figure 14: Stress test analysis and capital structure of an illustrative US-based insurer

Modeled industry loss in USD bn (based on 2022 insured values)



Source: LGT ILS Partners, AIR. Typical regulatory capital requirements are based on a 250 years aggregate loss scenario (VaR 99.6%).

Naturally, climate change is highly relevant to this asset class. The SFDR and the supporting EU Taxonomy Regulation classify ILS as a sustainable investment activity, as the EU finance regulator recognizes that such investments ultimately act to support economic activities for mitigating or adapting to climate change.

For example, if a homeowner chooses or is required to buy protection against climate related perils such as a hurricane or flood, this effectively assigns a tangible cost to climate related insurance events by generating an insurance premium for the cover. Where insurance premia increase as a result of climate change, this is considered to ultimately incentivize society to invest in preventive measures, which in turn is expected to increase communities' resilience to natural disasters.

While this may sound like a theoretical concept, the reality shows that market participants in the insurance sector are experiencing a fundamental shift in attitudes that amounts to an increase in climate change awareness. This development is rooted in the return characteristics of the insurance sector over the last few years: in 2017, a series of prosperous years with strong performance in the insurance sector (and for ILS investors) came to an abrupt end, as the US was battered by a series of hurricanes and a severe outbreak of wildfires in California. While the occurrence of key events such as hurricanes or earthquakes (so-called "primary perils") has not seen a notable increase, market participants have faced rising loss costs from climate induced risks such as wildfires, floods, hailstorms and tornadoes (known as "secondary perils").

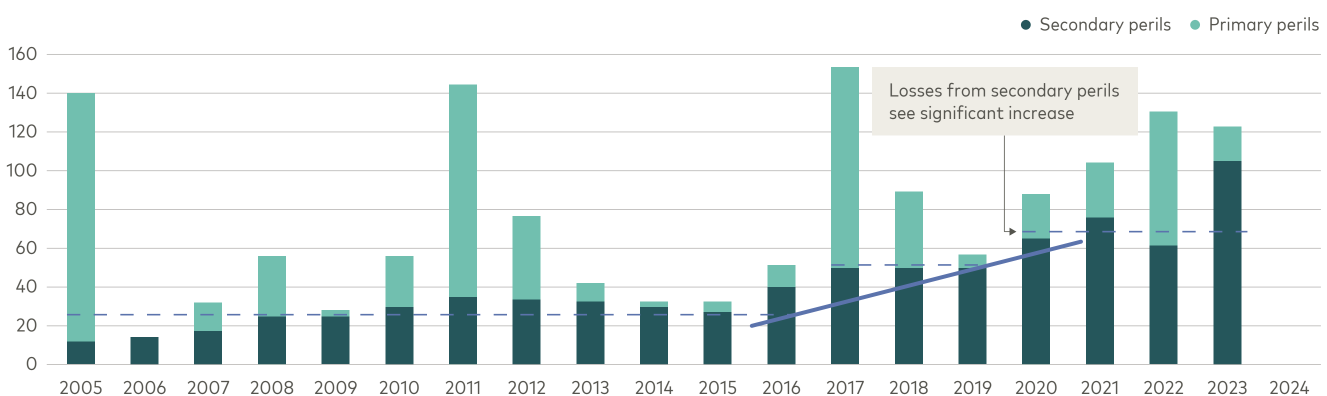
Such secondary perils are usually localized events – for example, when heavy rainfall leads to a significant local flood. These events are usually not sufficiently severe in themselves to affect ILS investment vehicles: the loss cost is absorbed by insurance companies, which leads to reduced earnings and ultimately an erosion of on-balance-sheet capital. As a result, insurance companies have responded by taking significant actions to manage or reduce the impact from climate induced risks within their portfolios. An obvious first action item is the increase of insurance premium payments for homes prone to increased risk from climate change. This may be an unwelcome development for individual homeowners, but the risk-adjusted premium increases work to support the ambition and strategy of the regulator to price climate induced risk and raise awareness in society of the risks associated with climate change.

Furthermore, insurance companies increasingly demand that homeowners (and communities, through political pressure imposed by homeowners) act in ways that promote climate change adaptation. Such actions might include proactive pruning of trees and hedges in wildfire-exposed zones, as cutting back bushland in spring and early summer effectively reduces the risk of wildfire spreads, or flood management and prevention initiatives in areas vulnerable to river-level surges or exceptional tides. The latter could include designated "overflow" zones and investment in flood doors in private properties and flood gates in public spaces, or changes to building codes to penalize building practices that encourage floodwater build-up, such as excessive paving or sealing of open ground.

In summary, regulation is acting to direct capital to provide protection against extreme event scenarios and ILS investments are an important vehicle to achieve this. Insurers increasingly depend on the supply of ILS capital to support their regulatory capital requirements, while ILS investors can benefit from attractive returns for assuming a uniquely uncorrelated risk.

Figure 15: Secondary perils drive insurance losses

Increasing impact of secondary perils



Source: LGT ILS Partners, SRI Sigma, Gallagher Re. Data as of Q4 2023. Insured losses for 2023 are based on latest available industry loss estimates and assessment of LGT ILS Partners.

Allstate Insurance: how catastrophe modeling can mitigate climate risk

In 2022, Allstate Insurance paused accepting new clients in the state of California due to increased wildfire risks, escalating costs of home reconstruction and rising reinsurance prices. The decision was linked to a regulatory action taken by the California Department of Insurance; the regulator did not allow for approved insurance companies to increase their premium rates for residential homeowners' policies to a level which adequately covers the rising cost of climate induced wildfire risks. The state-run insurer California FAIR Plan was forced to step in and has since become one of the largest insurers of residential property in the state, despite the insurer's aim to divest itself of as many policies as possible to private sector carriers. However, in a recent statement[1], Allstate confirmed that two years after halting the issuance of new homeowners' policies in California, the insurer is considering a return to the California market. The company's re-entry however hinges on the California Department of Insurance's approval of the incorporation of catastrophic modeling in Allstate's rate increase proposals to allow homeowner premiums to rise to adequate levels. In addition, Allstate's premium rate model includes risk mitigation factors taken by residents, such as pruning bushland and establishing a fire parameter around their property. Allstate says that once home insurance rates fully reflect the cost of providing protection to consumers, Californian homeowners will benefit from more timely rate approvals.

[1] Source: Bloomberg News, 24 April 2024

Hedge funds

Over the last year LGT Capital Partners has maintained a high level of engagement with its hedge fund managers and the proportion of funds in our strategies with high or very high ESG scores according to our own asset manager scoring system remains around two-thirds. Although the proportion of managers rated 1 or 2 decreased marginally from 69% to 65%, this was largely as a consequence of redemptions and onboarding of new managers. There is a relative shortage of hedge fund managers able to demonstrate a high level of ESG engagement, which is why when we identify new hedge funds we tend to find managers with less advanced and sophisticated ESG frameworks than those of our existing managers. While some new managers have a level 3 rating, we will engage with them regularly to work toward improved ESG efforts that can lead to upward re-rating, as we have seen several times with our existing managers.

When selecting managers, we are not willing to compromise on traditional risk return metrics in favor of ESG metrics. In all discussions with new managers ESG is one factor and, if there is no inclination at all from the manager to take ESG into consideration, that will result in a rating score of 4 and we cannot invest. However, we still see a value in investing in lower ESG-rated managers that are open to dialogue and where we can co-operate to improve their ESG credentials over time.

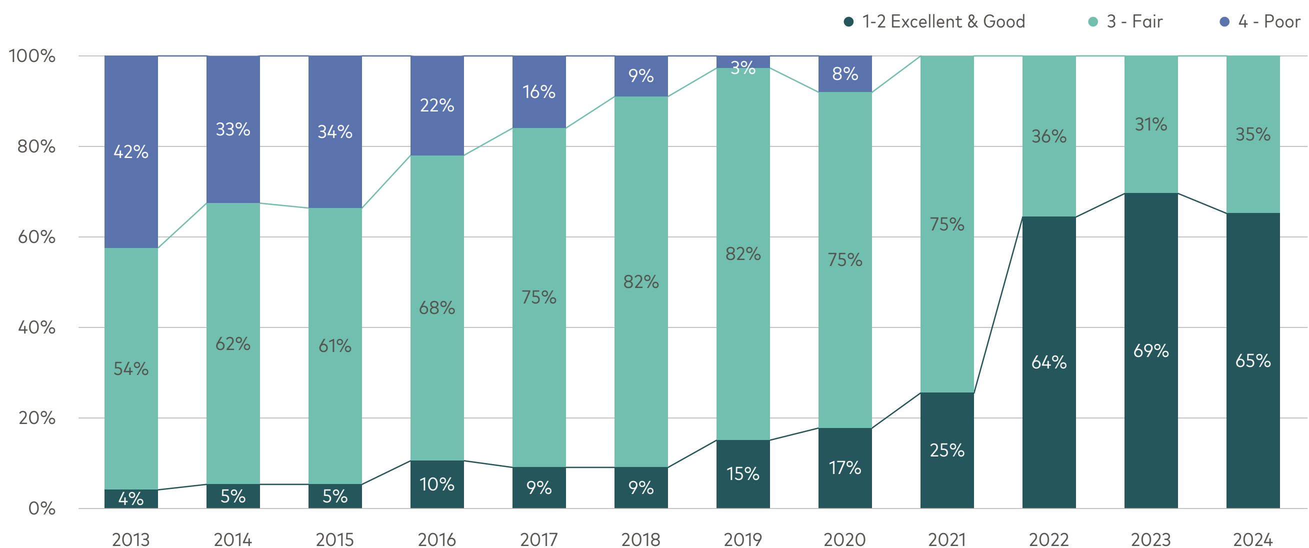
Many hedge fund managers that we invest in are small and do not have the resources or the headcounts to build an extensive and robust ESG framework. However, as we have seen in the past, as they grow and have more resources available, they are willing to invest more to step up their ESG efforts.

Incremental and consistent improvement

Among our existing managers, we see continuous incremental improvements in their ESG frameworks, including work on policies and governance, integration of ESG in the investment process, and reporting and engagement. However, for most of these managers such improvements are not yet leading to re-rating according to our ESG framework.

We have observed an increase in the adoption of ESG practices within the hedge fund industry, with Bridgewater Associates serving as a prominent example of this trend. As one of the largest and most influential hedge funds in the world, it has increasingly integrated ESG considerations into its investment strategies – not just as a matter of social responsibility, but also as a crucial element in assessing long-term investment risks and opportunities.

Figure 16: Hedge fund managers by LGT Capital Partners engagement rating



Source: LGT Capital Partners, data for 2024 obtained from GP questionnaire in Q1/Q2 2024

Bridgewater Associates: turning ESG principles into action and engagement

Bridgewater Associates, founded in 1975 with USD 108 billion in assets as of May 2024, is one of the largest hedge fund managers in the world. The manager is known for the extent and sophistication of its integration of ESG factors in its investment strategies. LGT Capital Partners has a long history of engagement with Bridgewater, having invested in their systematic investment strategies for more than two decades, which combine classic macroeconomic investment analysis with detailed understanding of ESG related value drivers.

We asked Carsten Stendevad, Bridgewater's Co-Chief Investment Officer for Sustainable Investing, about the manager's thoughts on sustainable investing with a particular focus on climate.

Can you begin by sharing an overview of your overall investment philosophy?
As a macro investor, our central goal is to build a deep understanding of how economies and markets work and anything that is relevant for that mission is important to us. We can see that ESG issues are driving the choices of policy-makers, of regulators, of investors, of company executives and consumers, so we don't think it is possible to understand global economies and markets without a deep understanding of a broad range of sustainability topics.

How do these sustainability issues influence markets and investment decisions?
For example, we do not believe one can understand global commodity markets without a deep understanding of the underlying drivers of demand and supply for energy or metals – and for that, you need to understand the implications of various climate policies and regulations, you need to track how the global energy system is transitioning to renewables, you need to understand how the transportation sector is transitioning to electric vehicles. We approach our sustainability research in exactly the same manner as other research topics, by building out our understanding in a fundamental and systematic way.

You mention the energy transition – from an investment point of view, do you think we have the technologies necessary to reduce global emissions?
We estimate that about 40-50% of global emissions reductions required to achieve net zero goals can come from scaling technologies that are already mature like solar or electric vehicles, although some subsidies or incentives are still likely required to get the switch to happen in a timely way and at scale. For the remaining 50-60% of emissions, the technology is not quite ready to be scaled up. But innovation is happening rapidly and there are

Please see important disclosures on the back of the report.

opportunities in areas like green hydrogen or direct carbon capture.

As an investor, how do you assess whether a company is transitioning to net zero?
We assess whether a company is already aligned to the net zero transition or on a path to alignment both through what they produce (for example, by developing green technology) and through their own climate related business behaviors, such as the level and rate of change of their GHG emissions. For high-emitting companies, the central issue is whether a company has a clear and credible transition plan.

And what counts as clear and credible?
We seek answers to three questions. First, is the transition feasible, both from a technical and from a financial perspective? Second, is the company committed to this transition? And thirdly, are there credible steps the company is taking to reduce its emissions or otherwise align to the transition? The stronger the answers companies can provide to these questions, the more credible we find the transition plan.

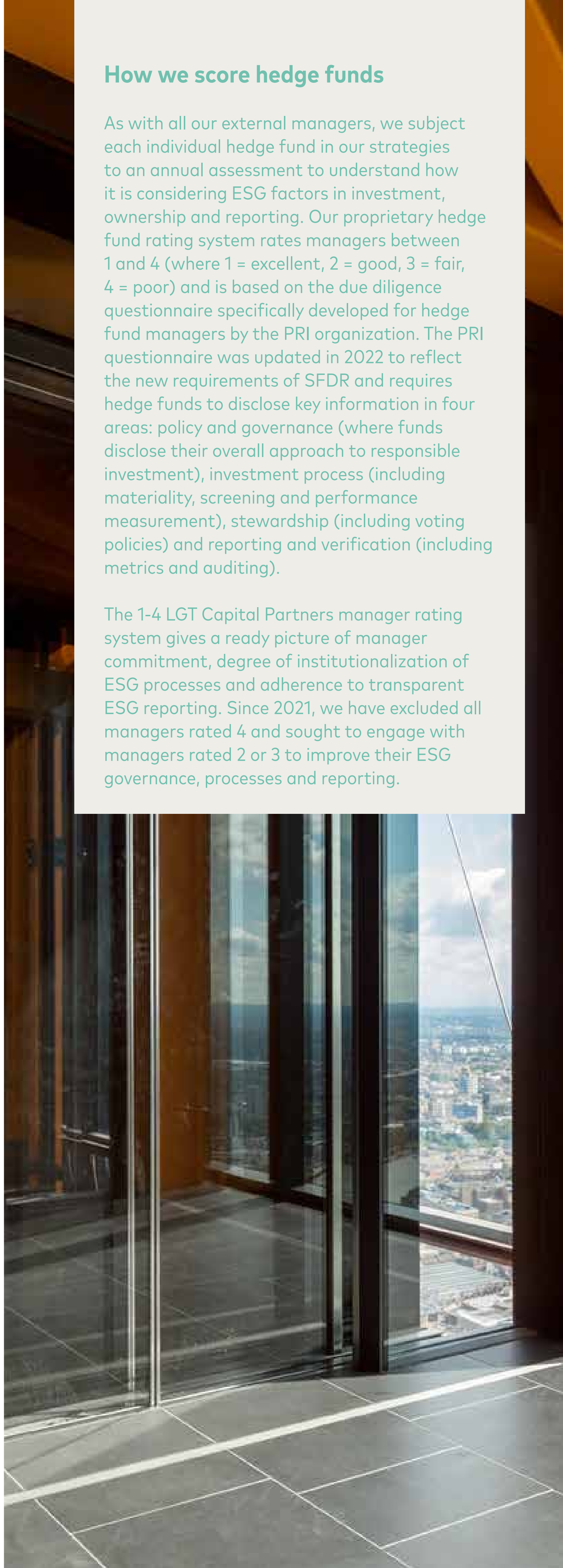
How do you engage with companies on the net zero transition?
Our starting point for our engagements efforts is our systematic sustainability assessment capability, which enables us to pinpoint the companies and the specific topics that we think are most pertinent for the green transition. In some cases, our engagements are focused on highly specific topics but often we seek to engage more thematically – meaning we aim to think broadly and deeply about the challenges facing entire sectors or entire supply chains, and then engage with a range of companies relating to this theme.

Could you give an example?
Take the automotive sector. As an example of our engagement process, in the automotive sector we focus our engagement thematically on a net zero transition through conversations with both the car manufacturer themselves, and their suppliers, and even as far up the supply chain as the underlying commodity producers. For some companies, these conversations center on emissions reductions for their operations, but for others we may be looking at the emissions profile of their products or services.

DEI practices among hedge funds

In line with our own focus on DEI, this year's assessment of our hedge fund managers again included a consideration of their internal DEI practices. Over the years we have seen a clear increase in the focus on DEI and it is encouraging to see that most of our hedge fund managers have a DEI policy in place. We are also starting to see some best practice examples among our managers:

- A large global hedge fund manager described its positive experience with initiatives that foster community. It has active and thriving networks including Women's Initiative, Pride Black Employees Network and a Hispanic and Latinx Network. These are supported by a program of external keynote speakers on various topics like allyship, unconscious bias and the importance of diversity and inclusion.
- A European alternative credit fund shared how it views inclusion as a key component of the company culture and a competitive advantage that it intends to continue to grow compared to peers and competitors. Employees understand their role in building an inclusive workplace and are reminded of their responsibility both formally (through year-end appraisals) and informally (through continuous exchanges with line managers, senior management and HR). This is one of the key criteria against which employees are assessed in terms of performance. The topic is also addressed during the recruitment process and again during introductory training, including the use of appropriate communication styles, and reporting channels for individual or firm related concerns.
- A leading systematic fund manager describes how it identified that diversity starts with education. It supports initiatives that promote education and as a quant-oriented fund focuses on quantitative education. For example, it provides additional mathematics lessons to secondary school students and supports school projects and internships. In this process, the gender, cultural and social backgrounds of children and students are considered with a special focus on helping female secondary school students making well-informed subject choices, especially in technical studies. The fund believes that this will help foster a more diverse work force in the future.



How we score hedge funds

As with all our external managers, we subject each individual hedge fund in our strategies to an annual assessment to understand how it is considering ESG factors in investment, ownership and reporting. Our proprietary hedge fund rating system rates managers between 1 and 4 (where 1 = excellent, 2 = good, 3 = fair, 4 = poor) and is based on the due diligence questionnaire specifically developed for hedge fund managers by the PRI organization. The PRI questionnaire was updated in 2022 to reflect the new requirements of SFDR and requires hedge funds to disclose key information in four areas: policy and governance (where funds disclose their overall approach to responsible investment), investment process (including materiality, screening and performance measurement), stewardship (including voting policies) and reporting and verification (including metrics and auditing).

The 1-4 LGT Capital Partners manager rating system gives a ready picture of manager commitment, degree of institutionalization of ESG processes and adherence to transparent ESG reporting. Since 2021, we have excluded all managers rated 4 and sought to engage with managers rated 2 or 3 to improve their ESG governance, processes and reporting.

Long-only managers

At LGT Capital Partners we invest both directly into listed equity and fixed income instruments from our four sustainable equity and fixed income strategies and also via external specialized long-only fund managers. In this chapter we elaborate on developments for our external long-only fund managers.

Our long-only portfolios reflect our continued commitment to ESG-driven investment as a risk-reduction and long-term value strategy. We have continued to increase the proportion of long-only managers who are highly rated for ESG engagement (scoring either 1 or 2 in our own four-tiered manager rating system). This means that more than one-third of our long-only managers are now top-rated.

We continue to exclude managers rated 4, as we have done since 2021, and among our existing managers, one manager was upgraded to an ESG rating of 1.

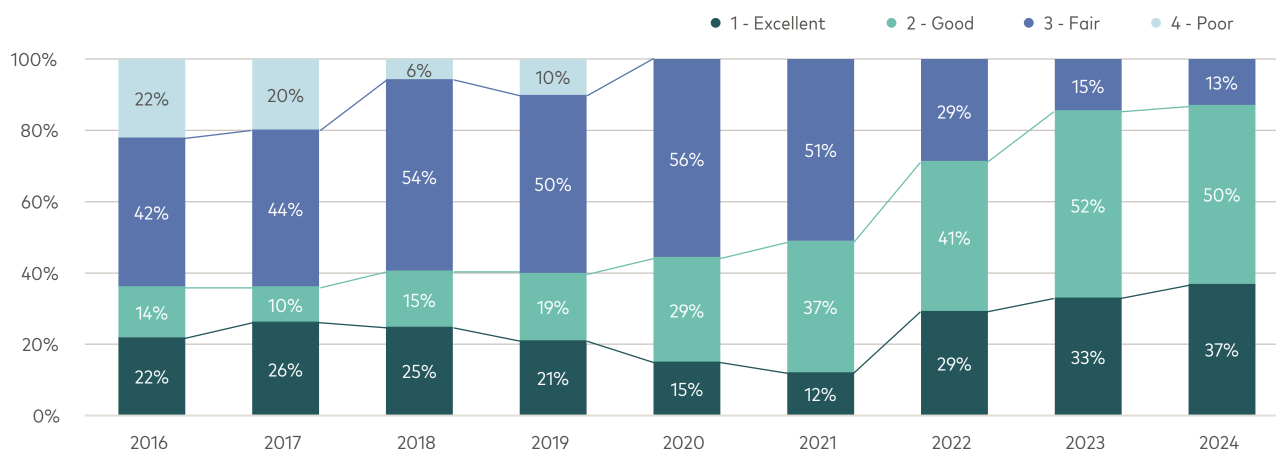
We continue to evaluate the effectiveness of managers' ESG efforts through concrete examples. For example, a manager that was upgraded to an ESG rating of 1 improved its ESG framework with the introduction of biodiversity and income equality metrics into the Sovereign Sustainability Assessment and incorporation of the Net Zero Alignment Indicator into the climate transition strategies. In addition, it continued to explore how artificial intelligence can create efficiencies in the ESG research process and has improved its engagement efforts both directly and collectively after having joined the Emerging Markets Investor Alliance (EMIA). One tangible example of its biodiversity ambition is the elimination of exposure to commodity-driven deforestation in the companies held in the investment portfolios it manages by 2025. This is codified in the Financial Sector Commitment on Eliminating Commodity-Driven Deforestation, through which over 30 institutions representing close to USD 9 trillion in assets committed to eliminate commodity-driven deforestation in a statement released during COP26.

DEI practices among our long-only managers

We are encouraged to see that many of our long-only managers have well established DEI programs in place. Below we highlight two that we think are inspiring, best-in-class examples.

- One UK based global asset manager provided several examples of how it works with different external organizations to foster DEI from recruiting to promotion. This includes a partnership with The Talent Keeper Specialists (a support organization for employees returning to work from extended leave), offering its "Comeback Coaching" program for women returning from maternity leave.
- Another global asset manager has focused on DEI data with its "Accountability Through Measurement" initiative. Using a proprietary DEI index it is aiming at greater transparency on progress and challenges, as well as fostering accountability. The data is published in a very transparent way internally, but more importantly is also shared externally – showing not only the aggregated DEI index score, but also several employee metrics covering gender and ethnicity across different seniorities, as well as investment versus non-investment professionals.

Figure 17: Long-only managers by LGT Capital Partners engagement rating



Source: LGT Capital Partners, data for 2024 obtained from GP questionnaire in Q1/Q2 2024

An action-oriented approach

Schroders is a global investment manager with roots dating back to the early 1800s. It has a deep and experienced global equity research team and follows a fundamental research program. Schroders manages a segregated Emerging Asia strategy on behalf of LGT Capital Partners. This strategy is significantly ahead of the benchmark on most ESG metrics: the total carbon footprint is less than 30% of the benchmark and carbon intensity is less than 50%. There is zero exposure to coal and tar sands.

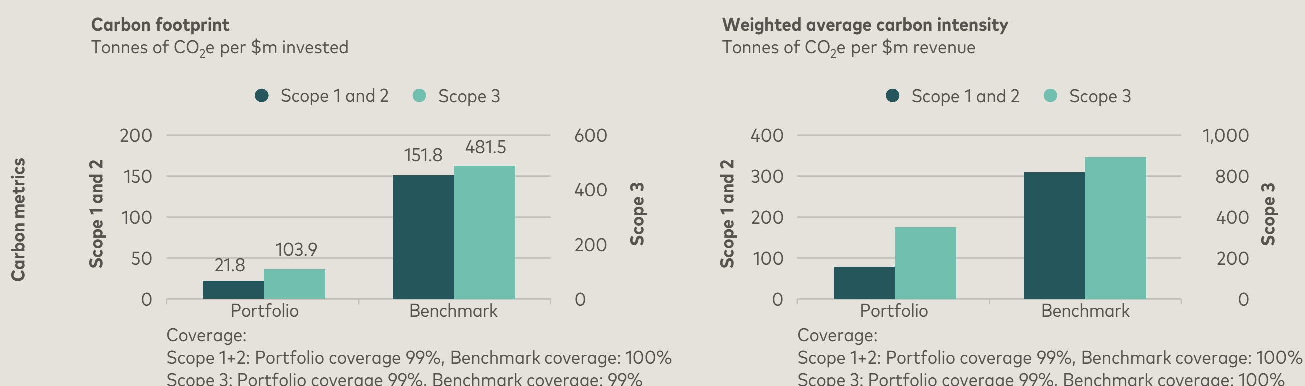
The manager's approach is to focus on sustainability issues that are material to the long-term value of the holdings, influencing behavior and outcomes by improving portfolio companies' understanding of long-term sustainability challenges. The manager aims to work with companies to recognize where challenges lie and what actions it can take – and the manager will use its voting rights to make sure that actions are effective.

One of the biggest holdings in the strategy is a technology major with global operations including many facilities in Emerging Asia; this company currently accounts for 9.6% of the portfolio. Although the company already has a detailed sustainability plan in place with specific targets on climate action, circular-economy initiatives and clean technology development, the manager felt it was important to interrogate these pledges to ensure they were subsequently turned into actions that reduce risk and support future returns.

Using a combination of email and in-person discussions, the manager engaged with the corporation across the spectrum of sustainability issues. On DEI there were repeated discussions over a period of more than three years, covering gender diversity and board diversity, and after these discussions the company committed to improving the diversity culture and launched specific initiatives aimed at supporting female employees. On climate change, the manager outlined detailed expectations on reporting and subsequently the company undertook to begin reporting on Scope 3 emissions in addition to Scope 1 and Scope 2 emissions already reported on.

Given LGT Capital Partners' own emphasis on ESG engagement, we are encouraged to see that other managers such as Schroders are also committing considerable resources to ESG engagement and working toward clear ESG improvement objectives within their portfolios.

Figure 18: Schroders/LGT Capital Partners Emerging Asia Fund carbon impacts



Source: LGT Capital Partners, MSCI as at 29 December 2023. Total carbon emissions, carbon footprint and Weighted Average Carbon Intensity (WACI) use calculation methodologies in-line with TCFD recommendations and prescribed by SFDR Principal Adverse Impacts. Of these three measures, only WACI is re-weighted or 'normalised' based on the portfolio's coverage.

Public equity

Within sustainable equities we manage four strategies, all of which have a net zero commitment aligned with the Paris Agreement. For this we use a carbon budgeting approach according to which the current aggregated emissions for these portfolios must be below their respective carbon budgets. The carbon budgeting framework consists of both a sectoral decarbonization approach (SDA) and a value added approach.

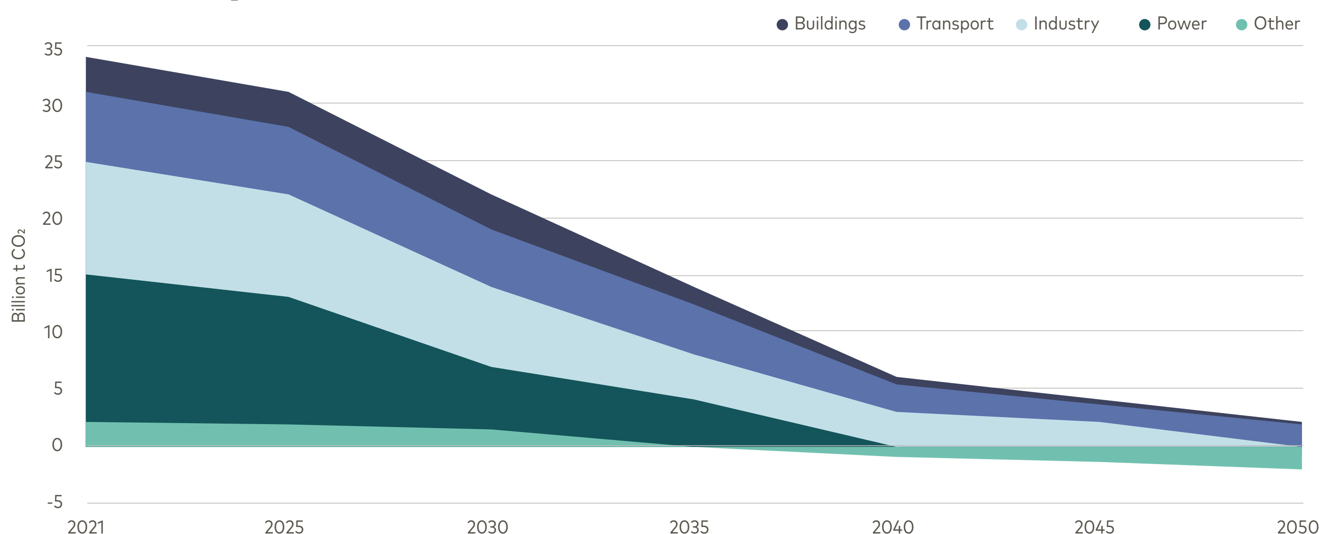
The SDA is applied to companies with high-emitting and homogeneous business activities. The IEA industry-specific scenario pathways are used, which measure company alignment using emission intensities and physical production levels (such as tonnes of CO_2/MWh or tonnes of CO_2/tonnes of steel). Industry-specific transition pathways are incorporated to account for faster versus slower progressions dependent on an industry's distinct mitigation potential and cost of mitigation. The companies are allocated a carbon budget based on their level of economic activity for sector-specific activities, such as the amount of electricity generated. Four main SDA sectors are adopted in our calculations: electricity generation, steel, cement and aviation. These sectors are mapped to the IEA Net Zero 2050 scenario and shown in the illustration below as follows: electricity generation in "Power," steel and cement in "Industry" and aviation in "Transport."

The value added approach is applied to companies with lower GHG emissions or heterogeneous business activities. For companies with diverse business activities, the global IEA Net Zero 2050 scenario is used. Each company's emissions pathway is measured as its CO_2 emissions per unit of gross profit, representing its contribution to total global emissions and global GDP. While the majority (around 95%) of companies in a typical investable universe fall within the value added budget type, they account for a significantly smaller proportion of GHG emissions compared to the sectors covered by the SDA.

Our methodology provides a systematic and consistent framework to support the reduction of GHG emissions. A key advantage is that we can apply the approach across a wide variety of portfolio holdings, which can be consistently aggregated at portfolio level.

We adopted the net zero target and the budgeting framework for the sustainable equity strategies in 2021. Before that, we had relative targets of significantly lower CO_2 than the respective benchmark. Therefore, the portfolios were already net zero aligned according to our budgeting framework without requiring adjustments to the portfolios. The key to achieving this alignment was careful selection of investments across industries, including more carbon intensive industries, and especially utilities active in power production. Here we have been focusing on companies with a large share of renewables, which results in lower emissions. In other industries like technology, we have a strong focus on companies that are already well below their respective budgets.

Figure 19: Global CO_2 emissions pathway in IEA Net Zero 2050 scenario



Source: LGT Capital Partners, Net Zero Emissions by 2050 Scenarios (NZE) developed by the International Energy Agency (IEA). Data as of Q1 2023.

How active ownership supports net zero

As part of our net zero commitment[2], active ownership is integral to the framework. As an active direct investor in equities, we are in continuous dialogue with companies in our investment universe. When we have aligned interests, we also like to work with other investors through collaborative engagements. As an example, we joined the Net Zero Engagement Initiative in 2023. Our focus is on fostering credible corporate net zero transition plans, and in that context we have been taking a lead engagement role with portfolio companies Geberit and Knorr-Bremse. In the first phase of the engagement, letters were sent out to both companies requesting a clear transition plan. Armed with their responses we carried out an evaluation based on the Institutional Investors Group on Climate Change (IIGCC) framework for corporate transitions. During this analysis some gaps were identified and we requested clarification. Both companies replied, enabling us to identify priority areas which we will focus on as we engage with them during 2024.

[2] In March 2021, LGT Capital Partners joined the Net Zero Asset Managers initiative and committed to reaching net zero GHG emissions by 2050, or sooner.

Step by step to net zero

In addition to the budgeting approach, we have expanded our climate-action investment framework to now also take into account forward-looking company information and differentiate between companies with existing targets and transition plans and those not having set any targets. Over the past year we have implemented the alignment maturity scale of the Institutional Investors Group on Climate Change (IIGCC) Net Zero Investment Framework (NZIF), which aims to establish a common approach to assessing an asset's pathway to net zero for both owners and managers.

The NZIF provides an alignment maturity framework to assess companies against net zero ambitions in a staircase scoring system. Under the NZIF there are six core criteria that should be considered when assessing a high-impact company's overall net zero transition plan and three criteria to be considered for lower-impact companies[3]:

Figure 20: The NZIF transition criteria

	Ambition	Does the company have a long-term 2050 goal consistent with net zero?
Lower impact	Targets	Are short or medium-term emissions reduction targets in place?
	Emission performance	Is the company's emissions performance in line with science based net zero pathways?
	Disclosure	Does the company disclose Scope 1, Scope 2 and material Scope 3 emissions?
	Decarbonization strategy	Is there a quantified plan in place to deliver GHG targets and/or proportions of increasing green revenue?
	Capital allocation	Does the company demonstrate that its capital expenditures are consistent with achieving net zero emissions by 2050?

Source: LGT Capital Partners based on NZIF by IIGCC

Lower-impact companies only have to meet criteria 2, 3 and 4, while higher-impact companies have additional criteria to meet. Depending on how companies align with these criteria, the alignment maturity scale groups companies according to the following ratings:

Figure 21: The NZIF path to net zero: maturity ratings

NZIF Alignment Maturity Scale	Not aligned	Committed to aligning	Aligning toward an NZ pathway	Aligned to an NZ pathway	Achieving net zero
At or close to net zero					■
3 Emissions performance				■	
6 Capital allocation				■	
5 Decarbonization strategy			■		
4 Disclosure			■		
2 Targets			■		
1 Ambition		■			

Source: LGT Capital Partners based on NZIF by IIGCC

Each maturity rating requires that for each company a specific set of criteria are met before the next alignment criteria can be considered. For the "committed to aligning" rating, only the ambition criteria need be met. As lower-impact companies have no requirement to meet criterion 1 on ambition, we introduced our own criteria for lower-impact companies to achieve the "committed to aligning" rating and this requires lower-impact companies to have a company-wide target as a minimum qualification.

[3] Higher-impact companies are companies on the Climate Action 100+ list, including banks and real estate and companies operating in high-impact sectors according to IIGCC (Appendix B NZIF).

How the framework delivers insight value

Due to data constraints, the most challenging criteria to assess are the decarbonization strategy and capital allocation. For the decarbonization strategy, we decided to focus on the quantified plan to deliver GHG targets as there is no official definition of green revenues. Data that supports a quantified corporate plan must come either from the Transition Pathway Initiative (TPI) or the CDP, both of which are considered authoritative sources. For capital allocation alignment, capital expenditure data from the EU taxonomy alignment framework is utilized. As this data is EU-centric, another layer of internal data based on revenue alignment is added.

The emission performance criteria also present assessment challenges, because the path followed by companies as they move toward their targets will very likely not be linear and they may choose to have a higher reduction in GHGs closer to the target year. As we are currently unable to account for differences in stated plans due to data limitations, a linear pathway from the target's base year to the target year is used to check for the target progress.

The implementation of our alignment framework allows us to derive interesting insights on how global companies are aligned with net zero, as well as assessing and comparing our portfolios to benchmarks. The following chart shows distribution of the different alignment categories for investments in our global sustainable equity strategy matched against the MSCI global equity benchmark.

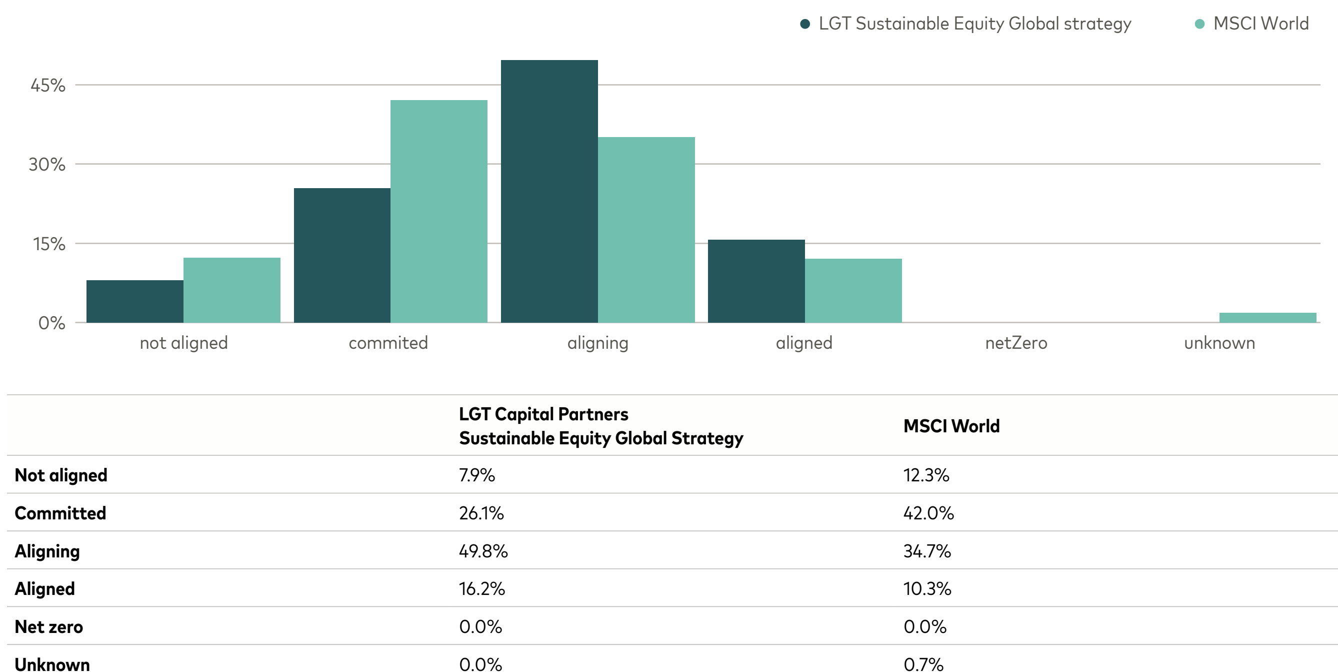
Unsurprisingly, there are no companies that are already at net zero. At the other end of the scale, the distribution of the global equity benchmark shows that only 12.3% of market capitalization includes companies that are not aligned with net zero, which means that only a small proportion of companies have not yet set any decarbonization targets. Most companies are already taking some actions to decarbonize their business activities: on a global basis 42% of market capitalization represents companies that are committed to decarbonization and have a long-term goal of net zero emissions by 2050, while another 34.7% are aligning. A small but significant 10.3% of market capitalization represents companies that are already aligned with reaching net zero, meaning that they have fulfilled all six of the NZIF transition criteria.

Conclusion

While these results look quite promising, we should bear in mind that the underlying companies are from developed countries and only represent a subset of carbon-emitting businesses globally. It should also be remembered that the MSCI global benchmark only covers listed companies and that certain areas like agriculture, which are responsible for a substantial volume of carbon emissions, are not represented.

Nevertheless comparing our global sustainable equity strategy against the benchmark shows that almost two-thirds of our investments are now either aligned or aligning, significantly exceeding the benchmark's allocation to these categories. We believe that our recent implementation of the current iteration of the NZIF is another positive step toward our commitment to net zero by 2050 or sooner.

Figure 22: How we compare to the benchmark



	LGT Capital Partners Sustainable Equity Global Strategy	MSCI World
Not aligned	7.9%	12.3%
Committed	26.1%	42.0%
Aligning	49.8%	34.7%
Aligned	16.2%	10.3%
Net zero	0.0%	0.0%
Unknown	0.0%	0.7%

Source: LGT Capital Partners, data as of Q1 2024

Fixed income

Fixed income strategies offer a unique approach to ESG integration through bonds with clear and validated ESG characteristics. Such bonds can be a powerful tool for aligning capital with positive social and/or environmental outcomes, especially where the securities are mapped to the UN's 17 Sustainable Development Goals (SDGs) in order to measure impact, facilitate benchmarking and ultimately to improve investor confidence through transparent reporting.

Validating and mapping bonds to the SDGs is a standard practice in LGT Capital Partners' fixed income research and portfolio management process, enabling us systematically to address critical social and environmental issues, ranging from climate action to gender equality.

Use-of-proceeds instruments stand out compared to Sustainability-Linked Bonds

To achieve positive impact through fixed income instruments we differentiate between Green, Social and Sustainable (GSS) bonds (also known as 'use-of-proceeds' bonds) and Sustainability-Linked Bonds (SLBs).

Typical GSS bonds are structured with specific proceeds earmarked for predefined projects or activities that generate positive environmental or social outcomes, or both. In contrast, SLBs tie financial incentives, such as coupon rates, to the achievement of predefined sustainability performance targets.

In our approach, we prefer GSS bonds over SLBs, as the latter have the disadvantage that their penalty mechanisms may not be meaningful enough to really foster change while representing an inadequate reward mechanism for investors. The weaker SLB structure can still incentivize issuers to improve their sustainability performance, but such incentives come without firm guarantees or strict allocation commitments to specifically identified projects.

SDG-mapping offers transparency and information about impact

The universe of available GSS bonds can be mapped to all 17 of the UN's SDGs. While there is a tilt toward affordable and clean energy, sustainable cities and communities, as well as climate action, there is also a significant number of bonds targeting other SDGs such as good health and wellbeing, clean water and sanitation, decent work and economic growth, and responsible consumption and production (see graphic on next page for an example of a breakdown of the SDGs targeted).

However, we are also aware of the inherent limitations of investing in GSS bonds. For instance, it is important to acknowledge the trade-offs that are implied by tilting portfolios toward specific SDGs versus a broader impact focus. Focusing solely on specific SDGs could lead to portfolio concentration risks and may also amplify the impact of sector-specific risks or market fluctuations. Moreover, it may overlook the interconnectedness of various sustainability issues, potentially neglecting critical areas that fall outside the scope of the chosen SDGs.

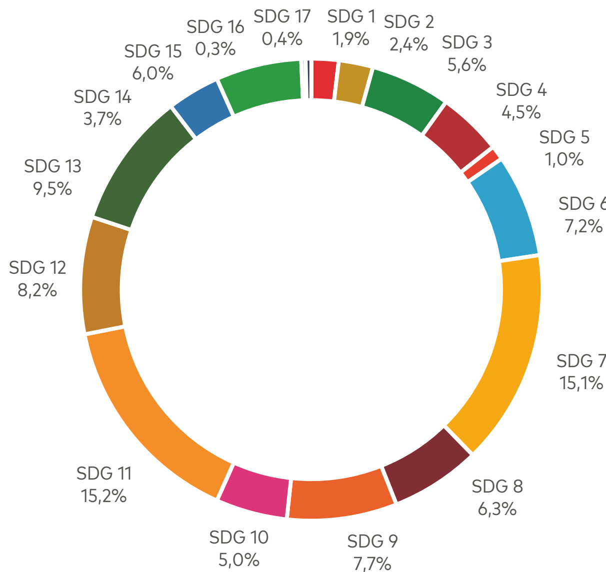
As investors, we are also mindful that GSS bonds are often issued by entities operating within specific sectors or regions and typically in only a handful of maturity brackets, which significantly restricts the universe of available investment opportunities. In the world of corporate bonds, sectors such as banks, utilities and telecoms may as a result be significantly over-represented in such a targeted allocation approach. A geographic tilt toward Europe may also become a permanent bias given the markedly more limited adoption of GSS issuance elsewhere. And finally, GSS bonds may exhibit varying degrees of liquidity, bid-ask spreads and credit quality.

The need for complementary instruments

As described above, GSS bonds play a crucial role in driving positive social and environmental outcomes, and by mapping these instruments to the SDGs we strategically direct capital toward pressing global challenges while enhancing transparency and accountability.

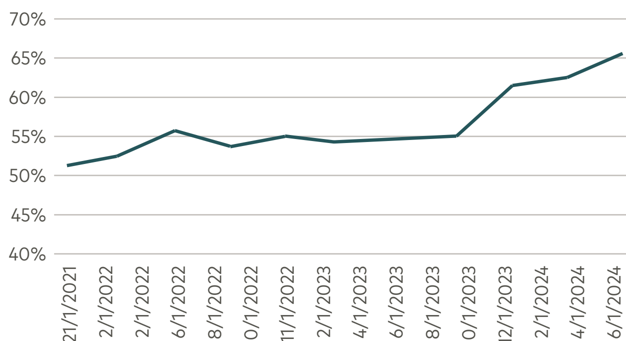
Although the share of GSS bonds in our aggregate fixed income strategy has been rising over the last three years (see graphic below), we believe that investors should not become solely reliant on GSS bonds when targeting optimal diversification and risk management objectives. Hence, we complement their allocation with more "traditional" issues from so-called "sustainability champions," which offer positive sustainability credentials in their businesses and operations. Such issuers often provide positive impact and risk/return characteristics and balance the profile of a portfolio while maintaining the desired ESG positioning.

Figure 23: SDG impact of the outstanding GSS bond universe



Note: Reference to individual SDGs on page 42
Source: LGT Capital Partners, Luxembourg Stock Exchange.
Data as of Q2 2024

Figure 24: Share of GSS bonds in LGT Capital Partners Global Aggregate Strategy



Source: LGT Capital Partners, data as of Q2 2024

Case Study: Landsbankinn green bonds

Landsbankinn is the largest bank in Iceland, with around ISK 1.96 trillion of assets as of year end 2023, approximately equivalent to USD 14.3 billion. For LGT Capital Partners, the bank's green bond framework represents an exceptionally progressive approach to how ESG can be integrated in fixed income investing. It sets a precedent for aligning financial services with environmental sustainability in a way that is both specific to the regional context and applicable to global sustainability goals.

The green bonds fund the bank's innovative green lending program, which concentrates on areas where investments can leverage Iceland's abundant renewable resources. An outstanding example is its projects related to fisheries – a critical industry for the country. Projects financed under the framework include those related to Marine Stewardship Council (MSC) certified fish and seafood, reflecting a pioneering effort to support sustainable fishing practices, vital for both local and global ecosystems.

The sustainable fisheries investments are complemented by funding for sustainable water projects and wastewater management, as well as lending projects in renewable energy, energy efficiency and green building initiatives. As such, Landsbankinn focuses on financing projects aligned with specific and often under-represented SDGs. In particular, by investing in its set of green securities, we meaningfully address SDG 14 – Life Below Water – which is rarely so clearly emphasized in comparison to the rest of the corporate GSS frameworks.

We are confident that Landsbankinn is pursuing a pioneering and long-term approach that is exemplary well beyond the country's borders. That is why we have been investing in its green bonds since 2021, when the inaugural EUR issue was placed on the market.

Corporate social responsibility at LGT Capital Partners

Over the last year, LGT Capital Partners has made significant progress in its long-term program of embedding corporate social responsibility (CSR) principles and actions into its day-to-day business. While we continue to act as a responsible investor we recognize that turning CSR pledges into actions at both portfolio and internal levels is part of being a sustainable investor. As a result we have launched a range of initiatives in the four key areas we have always prioritized: our people, our community, our suppliers and our own direct environmental impacts through our operations.

LGT Capital Partners is people first

We recognize that a business is only as good as its people and in the interests of supporting everyone at LGT Capital Partners we have worked to develop and embed the principles of DEI. At LGT Capital Partners we interpret DEI principles broadly, treating diversity as essentially about equal opportunity irrespective of differences of gender, religion, ethnic background, sexuality or disability. Equity means impartiality and working to ensure that outcomes are fair and equal for all individuals, while inclusion is about fostering a sense of wellbeing and belonging at work.

Four years ago, LGT Capital Partners' Executive Management Team adopted DEI as one of its key initiatives and created a global DEI Committee comprised of senior professionals from across the company's key functional areas. We published our first DEI policy in 2022, revising the policy on a yearly basis, and expanded our roster of "DEI ambassadors," who work to drive forward new DEI initiatives in LGT Capital Partners' regional offices.

We believe that DEI principles and targets should be the subject of a continuous conversation within the business, within the framework of specific target areas set out in our DEI policy. These include improved performance in:

- Recruitment. We have expanded our recruitment of diverse candidates through active involvement in undergraduate and graduate university programs geared toward fostering diversity in finance by actively seeking candidates from a wide educational pool, including arts as well as science based disciplines. We also have worked to implement a more inclusive recruitment process and to limit potential biases.
- Retention. The retention of a diverse workforce is a strong focus area for us. We offer flexible working options and invest in employees' professional development, for example, by offering continuous education opportunities such as the residential LGT Academy program. We are also working to ensure that we offer fair compensation and perform regular audits on our gender pay gap. Since 2021, the firm has been certified as an equal pay leader by the independent Swiss Fair-ON-Pay organization. Furthermore, the wellbeing and health of our employees at our Pfäffikon headquarters is supported through our regular fitness programs.
- Promotion. We recognize that diversity within our senior management is an area for improvement. We are focused on building diverse management teams, which includes supporting high-performing women in our firm to participate in mentorship programs organized by our partner Advance Gender Equality in Business on an annual basis.

In the last year we have launched several additional initiatives to promote this conversation, including a rolling program of "DEI lunches," where representatives of the Executive Committee are guest speakers and staff members have the opportunity to share personal views, address issues and make their own suggestions on developing DEI initiative. We have also launched a company-wide DEI survey: results of the 2023 survey showed that more than three-quarters of staff members saw progress in DEI within the firm and over 90% of staff thought that team leaders were supportive of and committed to DEI.

Applies to LGT Capital Partners Ltd. in Switzerland.

We are proactive in the community

At LGT Capital Partners we consider ourselves part of a global community, with global responsibilities. Every year LGT Capital Partners donates 10% of its profits to LGT Venture Philanthropy. LGT Venture Philanthropy is an independent team, which since 2007 has been investing in social-impact ventures across the world with the aim of making those businesses self-supporting in the long term. LGT Venture Philanthropy's three key themes are education (focusing on early childhood and primary education), health (partnering with governments to provide basic healthcare where it is needed most) and environment (where LGT Venture Philanthropy seeks to protect and regenerate ecosystems). So far, LGT Venture Philanthropy has supported organizations in Africa and India, including engagements in remote and community healthcare and in HIV-affected regions. An additional focus is on pre-school and early learning projects, and ecosystem protection and water security investments.

LGT Capital Partners also focuses on efforts close to home. We believe that by serving our local communities through volunteering projects we can foster a strong team spirit within our organization and reinforce our own corporate culture, while increasing the sense of purpose of our teams. All staff members are eligible for paid leave for private or corporate volunteering (see box below for details of some of our recent volunteering assignments in Switzerland).

Volunteering: how we learn from nature

Working together with one of the largest environmental conservation organizations is a growing part of LGT Capital Partners' community outreach in Switzerland and Liechtenstein. Every year several large groups of our employees volunteer to spend a day working in eastern Switzerland, sharing with local farmers the regular task of clearing avalanche damage by hand. The Work and Learn in Nature program is an opportunity to experience the natural world, then to socialize across team boundaries and eat together at the end of the day. We believe this is both a valuable contribution to nature conservation and an opportunity for our employees to learn about how we can share responsibilities with the community in which we operate.

Suppliers are also in scope

In line with the increasing focus on extended supply chains in ESG calculations, we acknowledge that our suppliers are part of our CSR efforts. Our Supplier Code of Conduct, to which many LGT entities adhere to, prohibits child and forced labor, mandates a healthy and safe workplace, promotes fair remuneration and working hours, including freedom of association, and lays out zero tolerance for any kind of discrimination. The Code seeks to ensure that suppliers act in the same spirit and according to the same guidelines as we do. If necessary, we will engage with suppliers in the event of violations of the Code.

Suppliers are expected to adhere to the same recognized national and international initiatives that our firm follows, including the International Bill of Human Rights, the UN's Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the Principles for Responsible Banking and Responsible Investment. Suppliers are also expected to adhere to the Liechtenstein Finance Against Slavery and Trafficking initiative. We have recently introduced an ESG screening process for our largest suppliers and initial data shows that most of them have clear supply-chain related climate goals and are thus rated in the top rank of our evaluation.

Tracking operational impacts

Direct environmental impacts from our own operations are an important dimension of our CSR program and we have already passed some significant performance milestones. Electricity consumption at our Swiss HQ has been 100% from renewable sources (mainly hydropower) since 2022 and since 2010 we have purchased CO_2 certificates to offset 100% of the GHG emissions from our global operations, and we will continue to do so on an annual basis. We also regularly assess carbon markets to ensure the quality and integrity of the carbon credits we purchase.

We also believe it is necessary to measure and improve carbon and other metrics in facility management, and sustainability site selection criteria (including green building labels) are applied to all new offices. We strive to continuously optimize the energy consumption of existing buildings and engage with our landlords on topics such as energy usage, waste management, the provision of electric chargers for electric vehicles and parking areas for bikes. In Switzerland and Liechtenstein LGT Capital Partners actively encourages its staff members to use public transport to reduce emissions from commuting by offering financial incentives for alternative mobility solutions and charging stations for electric vehicles at several locations.

In our own operations we measure, monitor and address Scope 1 and Scope 2 emissions related to our offices, as well as the Scope 3 emission categories waste production and recycling rates, while also measuring water consumption and paper usage. In addition we measure and internally report business travel by cost center, comparing data to peers.

Figure 25: LGT Capital Partners operational emissions per FTE[4]

Tag	Unit	2023	2022	2021	2020	2019
Scope 1	tCO_2e/#	0.09	0.07	0.07	0.33	0.41
Scope 2	tCO_2e/#	0.17	0.12	0.18	0.33	0.31
Scope 3-1 Purchased goods and services	tCO_2e/#	0.02	0.02	0.02	0.03	0.03
Scope 3-3 Fuel- and energy-related activities	tCO_2e/#	0.10	0.06	0.07	0.10	0.12
Scope 3-5 Waste generated in operations	tCO_2e/#	0.00	0.00	0.00	0.00	0.00
Scope 3-6 Business travel	tCO_2e/#	1.87	1.56	0.29	0.24	2.49
Scope 3-7 Employee commuting	tCO_2e/#	1.00	0.94	n.a.	n.a.	n.a.
Paris	Employees (FTE)	14.50	15.00	14.90	13.90	15.90
London (CP)	Employees (FTE)	53.30	46.80	46.10	43.90	33.20
Hong Kong (CP)	Employees (FTE)	37.80	34.80	40.80	37.80	n.a.
New York	Employees (FTE)	67.00	56.00	51.00	48.00	n.a.
Pfäffikon	Employees (FTE)	447.45	403.40	377.50	339.00	320.80
Dublin	Employees (FTE)	86.50	79.50	74.30	67.90	n.a.
Bendern (CP)	Employees (FTE)	57.30	n.a.	n.a.	n.a.	n.a.
LGT Capital Partners (small locations for extrapolation)	Employees (FTE)	42.80	32.00	28.80	51.00	133.65

Source: LGT Capital Partners

[4] Due to working pattern disruptions and office closures during the global Covid-19 pandemic Scope 1 and Scope 2 emissions data has been unusually volatile during the 2020-2023 period.

About us

LGT Capital Partners is a global specialist in alternative investing offering a wide range of investment programs focusing on private markets, multi-alternatives and diversifying strategies, as well as sustainable and impact strategies. The core team began investing in private markets in 1997, and in November 2000, they founded LGT Capital Partners, based in Pfaeffikon, Switzerland. The founding team continues to be a key part of the firm's senior management today, ensuring stability and consistency in our culture and approach.

The firm has a long-held commitment to incorporating ESG considerations into its client programs and its business overall. Since 2003, many of our programs have had a responsible investment clause written into their governing documents, authorizing us to exclude investments that are substantially exposed to arms-related activities, violations of human rights, irresponsible treatment of the natural environment or other non-ethical conduct of business. Consideration of ESG issues is an integral part of our investment process, as our investment teams are responsible for taking into account ESG considerations when performing due diligence on investments. Any opportunity that is pursued will have been vetted for such issues.

LGT Capital Partners has been a signatory to the Principles for Responsible Investment (PRI) since 2008. In 2018, Tycho Sneyers, a managing partner and chairman of the firm's ESG Committee, joined the PRI board of directors. LGT Capital Partners also participates in various other initiatives such as the Net Zero Asset Managers initiative, the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+, the ESG Data Convergence Project, GIIN, the European Sustainable Investment Forum (Eurosif), Nature Action 100, the Net Zero Engagement Initiative as well as PRI Advance, the largest social stewardship initiative.

Membership or signatory status to the above organizations & partnerships is specific to certain non-US LGT CP group entities and does not extend to all LGT CP group entities

Acronyms used in this report

CDP	Carbon Disclosure Project
CO2e	Carbon Dioxide equivalent
CSR	Corporate Social Responsibility
DEI	Diversity, Equity and Inclusion
EDCI	ESG Data Convergence Initiative
EET	European ESG Template
EMIA	Emerging Markets Investor Alliance
ESG	Environmental, Social and Governance
GHG	Greenhouse Gas Emissions
GP	General Partner
GSS	Green, Social and Sustainable
IIGC	Institutional Investors Group on Climate Change
ILS	Insurance-Linked Strategies
KPI	Key Performance Indicator
LP	Limited Partner
MSA/km²	Mean Species Abundance by square kilometer
NZIF	Net Zero Investment Framework
PAI	Principal Adverse Impact
PRI	Principles for Responsible Investment
SBTi	Science Based Targets initiative
SDA	Sectoral Decarbonization Approach
SDG	Sustainable Development Goal
SFDR	Sustainable Finance Disclosure Regulation
SLB	Sustainability-Linked Bond
TCFD	Task Force on Climate-related Financial Disclosures
TPI	Transition Pathway Initiative

Reference UN Sustainable Development Goals (SDGs)

SDG 1 – No Poverty:
End poverty in all its forms everywhere.

SDG 2 – Zero Hunger:
End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.

SDG 3 – Good Health and Well-being:
Ensure healthy lives and promote well-being for all at all ages.

SDG 4 – Quality Education:
Ensure inclusive and equitable quality education for all.

SDG 5 – Gender Equality:
Achieve gender equality and empower all women and girls.

SDG 6 – Clean Water and Sanitation:
Ensure access to water and sanitation for all.

SDG 7 – Affordable and Clean Energy:
Ensure access to affordable, reliable, sustainable, and modern energy.

SDG 8 – Decent Work and Economic Growth:
Promote inclusive and sustainable economic growth, employment and decent work for all.

SDG 9 – Industry, Innovation, and Infrastructure:
Build resilient infrastructure, promote sustainable industrialization and foster innovation.

SDG 10 – Reduced Inequality:
Reduce inequality within and among countries.

SDG 11 – Sustainable Cities and Communities:
Make cities inclusive, safe, resilient and sustainable.

SDG 12 – Responsible Consumption and Production:
Ensure sustainable consumption and production patterns.

SDG 13 – Climate Action:
Take urgent action to combat climate change and its impacts.

SDG 14 – Life Below Water:
Conserve and sustainably use the oceans, seas and marine resources.

SDG 15 – Life on Land:
Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.

SDG 16 – Peace, Justice, and Strong Institutions:
Promote just, peaceful and inclusive societies.

SDG 17 – Partnerships for the Goals:
Revitalize the global partnership for sustainable development.

Image references

Cover image: Iberdrola, headquartered in Bilbao, Spain, is a major global utility company focused on generating and distributing electricity with significant investments in renewable energy and smart grid technology.

Page 2: Deutsche Post AG, trading as DHL Group, is a German multinational package delivery and supply chain management.

Page 5: SSE is a Scotland-based energy company that focuses on generating, transmitting, and distributing energy through renewable sources, including offshore wind farms, and is investing heavily in sustainable energy infrastructure.

Page 9: Viacon is a provider of world-class infrastructural solutions in civil engineering, geotechnical solutions and stormwater management, based in Sweden.

Page 11: Polytech is a pecializes in innovative technologies and materials to enhance the efficiency, longevity, and performance of wind turbines based in Denmark

Page 13: Viacon is a provider of world-class infrastructural solutions in civil engineering, geotechnical solutions and stormwater management, based in Sweden.

Page 15: KONE specializes in the manufacturing, installation, maintenance, and modernization of elevators, escalators, and automatic building doors, headquartered in Finland.

Page 17: Boliden is a high-tech metal company, based in Sweden.

Page 24: SSE is a Scotland-based energy company that focuses on generating, transmitting, and distributing energy through renewable sources, including offshore wind farms, and is investing heavily in sustainable energy infrastructure.

Page 27: Bridgewater Associates is one of the largest hedge fund managers in the world, based in the US.

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