LGT CAPITAL PARTNERS

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Climate Action Strategy 2025

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Introduction

Climate change is one of the main threats of our time, and we are at a defining moment. From shifting weather patterns to rising sea levels and biodiversity loss, the impacts of climate change are global and unprecedented in scale. The average global temperature on Earth has increased by at least 1.1° C since 1880.[1] Policies and actions currently in place around the world are projected to result in 2.6 to 2.9° C warming above pre-industrial levels by 2100.[2] This means that there is still a significant gap to the net zero scenario, which aims to limit global warming to 1.5° C by the end of the century.

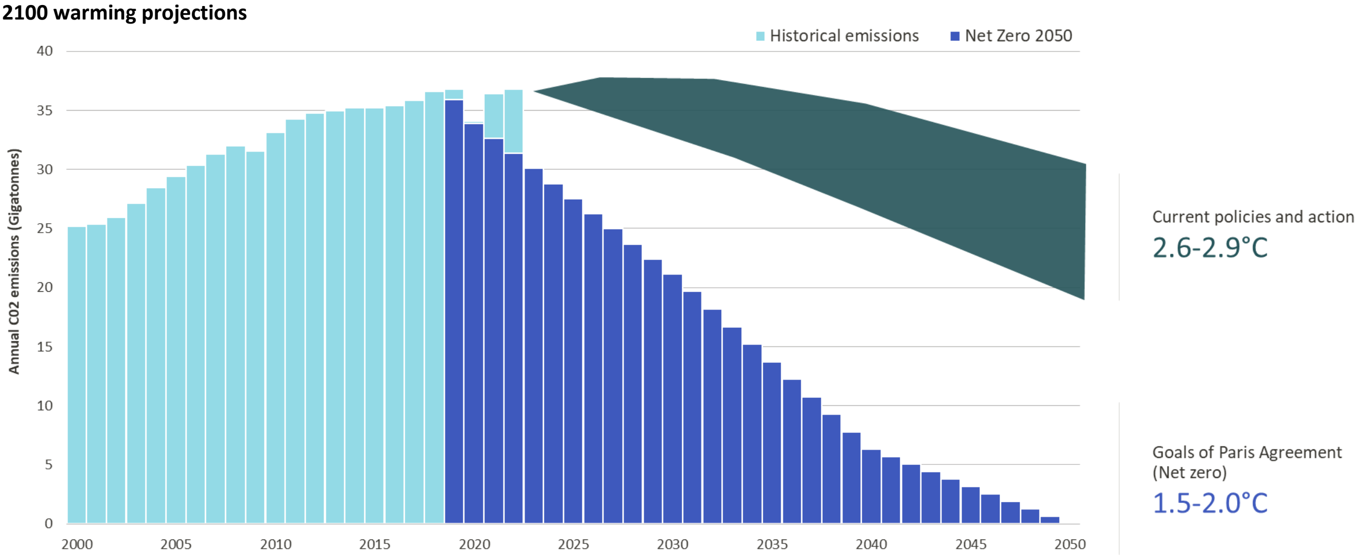
Responsibility as a financial investor
Climate change will have substantial social, environmental and economic impacts on current and future generations. Mitigating climate change calls for strong emissions reductions and a global transformation to a low-carbon economy. Investors need to be prepared for these challenges, but they can also benefit from the opportunities presented by new climate-friendly technologies and businesses.

Companies that fail to adapt to the changing environment are likely to come under pressure from a number of areas, including clients and other stakeholders, financing pressures and government action such as higher taxes and potential sanctions. For investors, this creates the need to build future-proof and sustainable portfolios. To mitigate risks in portfolios and increase returns, they need to reduce exposure to negatively affected business models and increase exposure to adaptive and positively affected companies.

Climate action considerations in investment activities
At LGT Capital Partners (LGT CP) we have been addressing climate change for many years in the ESG framework that we apply to our investment activities. We have integrated greenhouse gas (GHG) emissions and other environmental metrics into our investment due diligence and monitoring processes. Over time, this evolved into a carbon budgeting framework for companies, which was initially applied to our direct investment activities.[3] We have also integrated numerous climate-related data points and key performance indicators (KPIs) into the LGT ESG Cockpit, our proprietary ESG assessment tool.

We developed a comprehensive climate action framework to align multi-asset portfolios with the goal of net zero GHG emissions by 2050 or sooner. This work began with the development and subsequent rigorous implementation of our carbon budgeting framework for internal and external managers.

2100 warming projections



Source: LGT Capital Partners. IEA: Emission data until 2022, Climate Action Tracker. This data is purely indicative and is not a guarantee of future results.

[1] Find more here: https://earthobservatory.nasa.gov/world-of-change/global-temperatures

[2] Find more here: https://climateactiontracker.org/global/temperatures/

[3] To define the allowable emissions budgets for the respective portfolios, we use CO_2 emissions derived from the Net Zero Emission by 2050 scenario of the IEA. Further details can be found in the section on the methodology and targets.

Net zero commitment as a firm

Commitment for our investments
In March 2021, LGT CP joined the Net Zero Asset Managers (NZAM) initiative and committed to reaching net zero GHG emissions by 2050, or sooner, across all assets under management. By joining the initiative, we have committed ourselves to transparent and rigorous accountability. As part of this, we disclosed by end of March 2022:[4]

- the proportion of assets to be managed in line with net zero
- our methodology for net zero alignment
- interim targets for emission reductions

We will also report annually on the progress made against our targets and submit the results to the respective NZAM network partners for review. This will ensure the approach is based on a robust methodology and consistent with the Race to Zero[5] criteria, as well as ensuring that the action being taken is in line with our commitment.

We have set ambitious interim targets for our investments, aiming for a 50% reduction in GHG emissions by 2030, against a baseline year of 2020. We have also set an initial target of the proportion of our assets under management that are managed in line with the goal of net zero GHG emissions by 2050.

We have decided to include securities from corporate issuers, such as equities and corporate bonds in the scope of our initial targets.[6] Due to methodological and data limitations, asset classes such as sovereign debt, insurance-linked strategies and private market portfolios are not yet included.

Strategy for our own operations
LGT CP has been pursuing prudent environmental and operational management for many years and has already achieved some important milestones. For example, by 2022, 100% of the electricity used at our headquarters in Pfäffikon SZ, Switzerland came from renewable sources, mainly hydropower. Since 2010, we have purchased CO_2 certificates equal to 100% of our operational emissions and will continue to do so on an annual basis. We regularly assess carbon markets to ensure the quality and integrity of the purchased carbon credits.

As part of our ambition to constantly reduce our operational footprint, we will continue to measure and monitor the environmental impact across operations. This will be based on multiple metrics, such as water and energy consumption and waste production. A key part of this is the reduction of our operational carbon emissions. As part of the efforts, we are further raising awareness across the firm of the need to reduce our carbon footprint among our employees making it part of our employee appraisal process.

[4] Find more details for the NZAM disclosure here: https://www.netzeroassetmanagers.org/media/2022/05/NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf
[5] Race To Zero is a global campaign to rally leadership and support from businesses, cities, regions, investors for a healthy, resilient, zero carbon recovery. The initiative has defined clear minimum criteria that are required for participation in the campaign.
[6] We aim to include as many portfolios as possible within the assets under management that are in scope of our original targets. However, due to specific characteristics associated with certain benchmarks or investment universes, there may be a smaller amount of portfolios invested in equities or corporate bonds that are not included in the in-scope assets

Climate action strategy

Objectives
To address climate change, we have implemented a climate action strategy which evolves around two core objectives:

1. Drive the energy transition and decarbonization
2. Build climate-resilient portfolios

The first objective focuses on measuring the GHG emissions of individual portfolio holdings and taking the necessary steps to decarbonize the portfolio over time, in line with the goal to achieve net zero GHG emissions by 2050 or sooner. The second objective is more top-down in nature, as it seeks to identify critical vulnerabilities within the investment strategy by stress- testing the portfolio against adverse future pathways. Based on this analysis, portfolio managers can reallocate capital, where necessary, in order to make the overall portfolio more resilient to climate-related physical and transition risks.

Climate action approach
Our climate action approach is built on three pillars:

1. Mitigation: aims at tackling the causes and minimizing the negative impacts of climate change
2. Adaptation: focuses on providing capital to businesses that help communities cope with the negative implications, while taking advantage of potential new opportunities
3. Integration: means considering climate-related factors at all levels of decision-making

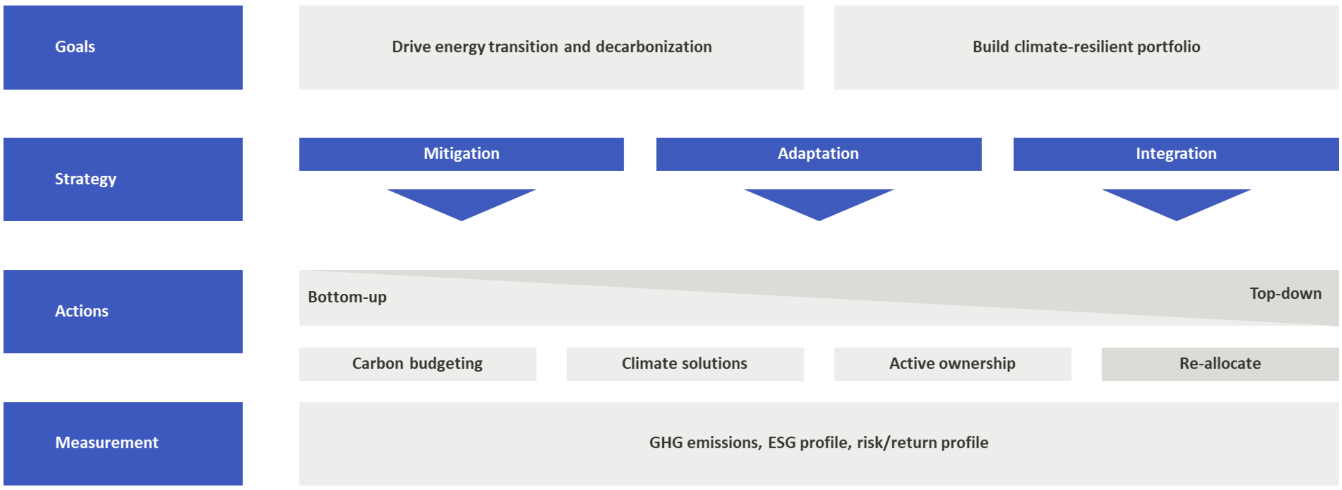
Levers for climate action
The main four levers for taking portfolio actions are:

1. Carbon budgeting: Reducing exposures to single companies or entire sectors, especially those whose emission pathways are fundamentally inconsistent with the goals of net zero emissions by 2050.
2. Investing into climate solutions, for example through allocation to green bonds and the renewable infrastructure segment. Furthermore, our investment teams continue to identify investments that can make a positive contribution to mitigating climate change.
3. Active ownership: Engaging with companies held in our direct strategies and with our managers as a priority. By actively using our voice, through both engagement and voting, we can help drive the necessary change.
4. Reallocating capital away from concentrated transition and physical risks into strategies and sectors that are much richer in sustainable and climate-related investment opportunities. Based on our scenario framework, we aim to avoid concentrated climate-risk allocations and build climate-resilient portfolios.

The specific approach to implementation in a portfolio depends on:

- the nature of the asset class or the particular guidelines of a mandate
- the availability of relevant data and robust methodologies
- whether it is implemented through direct investments or third-party managers

Climate Action Strategy



Source: LGT Capital Partners

Our liquid market portfolios are already at an advanced stage of implementation. For our private market portfolios, however, the implementation of the above strategy will be gradual and over time. This is due to the illiquidity of the portfolios and depends, among other things, on methodological developments, net zero commitments by the underlying managers and improved data availability.

Since fossil fuel investments have an outsized effect on the first lever (carbon budgeting), we have defined specific policies for these investments. LGT CP has a coal exclusion policy[7] that applies to all directly managed strategies and a comprehensive fossil fuel policy[8] that applies to the firm's directly managed sustainable equity and fixed income strategies.

Stance on carbon credit markets

To achieve the net zero targets, mandatory and voluntary carbon markets are becoming increasingly important, and they can be an integral part of a comprehensive climate action strategy. While we continue to focus on our defined levers to decarbonize portfolios, we do see a place for purchasing CO_2 certificates in certain situations. In this regard, we follow the principles on voluntary carbon offsetting established by the Institutional Investors Group on Climate Change (IIGCC).

[7] Find more here: https://www.lgt.com/resource/blob/31762/dc7a7ee368e3a19c410853f47ec90e50/Controversial_Coal_Policy_2024_en.pdf
[8] Find more here: https://www.lgtcp.com/files/restricted/2024-02/LGT-Sustainable-Strategies-Positioning.pdf

Methodology and targets

Methodology to set emission budgets
LGT CP is committed to achieving net zero GHG emissions in its portfolios by 2050 or sooner, with the goal of limiting global warming to below 1.5° C compared to pre-industrial levels. Achieving this entails developing a carbon budget of allowable CO_2 emissions for the portfolio, and then bringing the actual financed emissions of the portfolio in line with, or below, the budget. In deriving the carbon budget, LGT CP uses the Net Zero Emissions by 2050 Scenarios (NZE) developed by the International Energy Agency (IEA).

We use a combination of methodologies for the carbon budget calculation, applying both the sector decarbonization approach (SDA) and a value-added approach. We mainly use the SDA for companies with high-emitting, homogeneous business activities, while we apply a value-added approach to cover companies with lower-emitting or heterogeneous business activities. Both approaches are science-based, and for high-emitting industries, they leverage the industry-specific pathways from the IEA Net Zero 2050 scenario.[9]

Each portfolio receives a carbon budget derived from the respective sectoral pathway from the IEA Net Zero 2050 scenario. However, if no matching sectoral pathway exists, the global IEA Net Zero 2050 scenario is applied. Under the SDA, 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. Under the value-added approach, companies are allocated a carbon budget based on the contribution of their gross profit to global GDP.

Our methodology provides a systematic and consistent framework to support net zero GHG emissions in the real economy. A key advantage is that we can apply the approach across a wide variety of portfolio holdings, which can be consistently aggregated for multi-asset portfolios.

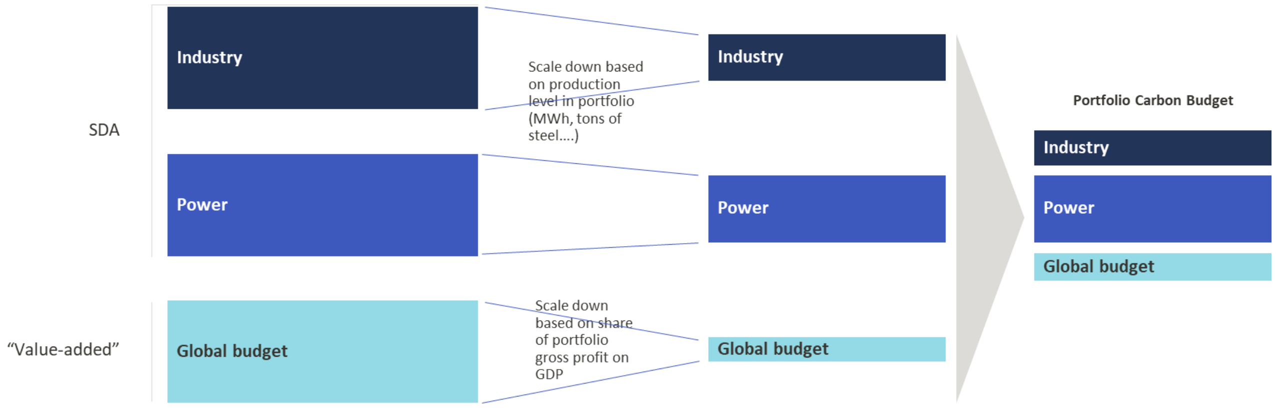
For internally managed, passive and private market strategies, the carbon budgets are derived from the industry-mix of underlying holdings. For externally managed strategies in liquid markets, the carbon budgets are based on the industry-mix of the corresponding benchmark.

Emission measurement and coverage
Our framework is based on Scope 1 and 2 emissions, as we believe that the data coverage of Scope 3 emissions is not yet sufficient and involves numerous double counting issues. Nevertheless, we are collecting data on Scope 3 emissions and plan to include selected industries in our budgeting framework, once the mentioned issues have been resolved.

We define asset classes as "in scope" where we have a robust GHG measurement framework in place and the ability to effect change through our investment decisions and stewardship activities. Given this, we have included securities from corporate issuers, such as equities and corporate bonds in our GHG framework. Here, we measure the relevant financed emissions in our direct investment portfolios, externally managed funds and managed accounts. Asset classes such as money market instruments, sovereign debt and insurance-linked strategies are not yet in scope. For these, we recognize that methodologies are still at an early stage of development and that data coverage/ quality need further improvements.

For private equity and private debt portfolios, where relevant data is more difficult to collect, we are measuring the carbon footprint of portfolios, using public market comparables as a proxy for actual emissions. We also engage with our investment teams and private market managers to include GHG considerations throughout the investment process. In addition, we are working to improve the coverage and quality of data from the underlying portfolio companies, and have joined the ESG Data Convergence Initiative.[10]

SDA and value-added approach



Source: LGT Capital Partners

[9] International Energy Agency, Net Zero by 2050, A Roadmap for the Global Energy Sector. Find more here: www.iea.org/reports/net-zero-by-2050
[10] The ESG Data Convergence Initiative is an open partnership of private equity stakeholders committed to streamlining the private investment industry's historically fragmented approach to collecting and reporting ESG data. Find more here: https://www.esgdc.org/

Emission budgets
Using the budgeting methodology described above, we are able to derive carbon budgets for individual portfolios. For the funds and portfolios we manage using our sustainability framework, the respective portfolio-level carbon budgets are set by aggregating the individual carbon budgets of the underlying investee companies, taking into account their allocation to different SDA activities. The current aggregated emissions for these portfolios must be below their respective carbon budgets.

For portfolios managed by external managers and that are part of the LGT endowment portfolio and other multi-asset portfolios, we derive the carbon budgets based on the respective benchmark. At the level of multi-asset portfolios, which includes the LGT endowment portfolio, the overall portfolio carbon budget is derived by aggregating the carbon budgets of the underlying building blocks, where applicable.

At the overall firm level, and as a baseline year for our NZAM commitment, we use the year 2020. The 2020 baseline year performance for the AUM committed (funds and mandates) to net zero is 40.4 t CO_2e / USD million invested. For 2030, we are aiming to reduce our baseline year emissions by 50%, with yearly interim targets.

Climate-resilient portfolios

In addition to decarbonizing our portfolios (as explained in section 3), we also aim to make them climate resilient. Since we have many years of experience in scenario analysis and modeling, when formulating asset allocations, we focus our analysis on the financial implications for the various asset classes. It is widely recognized that strategic asset allocation has the biggest impact on long-term investment performance, so it's crucial to also integrate ESG and climate considerations at this very top level of investment decisions. We think that much of the market implications will depend on whether the transition to a low carbon economy is driven by a "stick" or a "carrot" oriented mechanism.

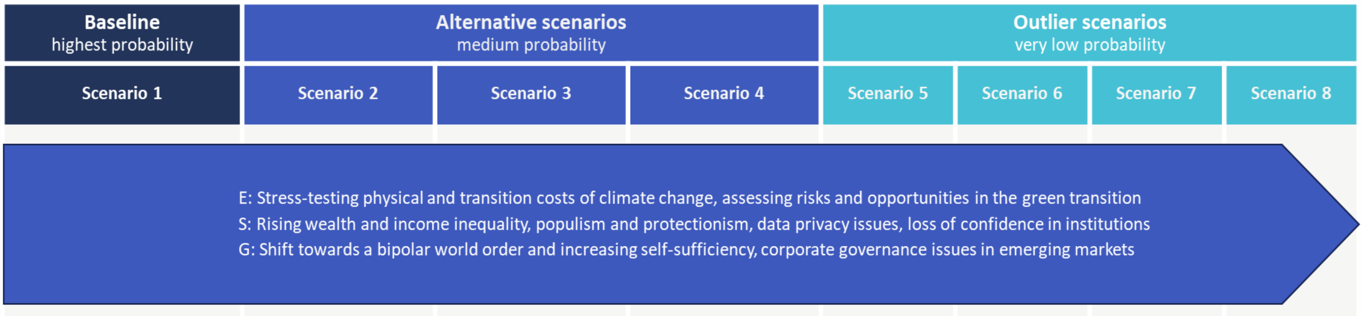
With the former, private businesses bear the bulk of the transition costs, which are associated with stricter environmental standards and more stringent carbon pricing schemes. With the latter, governments support the transition through subsidies and other forms of fiscal stimulus and incentives.

In a first step, we regularly assess the macroeconomic implications of the above mechanisms. As part of this assessment, we have considered TCFD recommendations and will continue to further align our framework in this direction.[11] In a second step, we model the impact on the relevant asset classes and integrate the results into our scenario framework used for asset allocation. The chart below illustrates how we integrate ESG and climate-related factors into our scenarios.

For example, a baseline scenario with a boom in global infrastructure investment and strong productivity growth could be stimulated by "carrots" and the development of new technologies. As a result, we would need to slightly revise our return expectations upward for growth-oriented investments (e.g. for equities) for the respective scenario. However, we have also formulated an outlier scenario with an accumulation of severe weather events and late, but sudden and drastic "sticks" from policymakers. This stress-test scenario helps us to gauge potential negative impacts of unabated global warming on our investments and allows for more realistic sentiment shocks and the sudden repricing of financial assets.

With regards to physical risks, we see its direct impact on policy actions and asset classes as increasing within our scenario horizon, but mainly with implications at the regional and local level. On the other hand, we consider transition risks to be more prevalent across our portfolios, particularly in the case of exposure to carbon-intensive businesses. Therefore, we have concluded that decarbonizing our portfolios over time is the most effective way of increasing climate resilience and mitigating the risks of holding stranded assets.

Scenario framework and top-level ESG integration



Source: LGT Capital Partners

[11] The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. Find more information here: https://www.fsb-tcfd.org

Active ownership

At LGT CP, engagement is an integral part of our ESG framework. Depending on the style of investment, whether through direct security selection or through external managers, the engagement will take different forms.

Engagement with direct investments in liquid markets
As an active direct investor in equities and bonds, we are in continuous dialogue with companies in our investment universe. This dialogue allows us to express our expectations as a sustainable investor, while enabling companies to provide us with further insights on their ESG practices. Our active ownership activities can be divided into four categories shown in the illustration below.

Voting in annual general meetings of portfolio companies is an important tool for equity investors to voice their opinions and exercise influence. It can also act to increase pressure on companies, for example, by voting against management, should engagement efforts not lead to the expected progress.

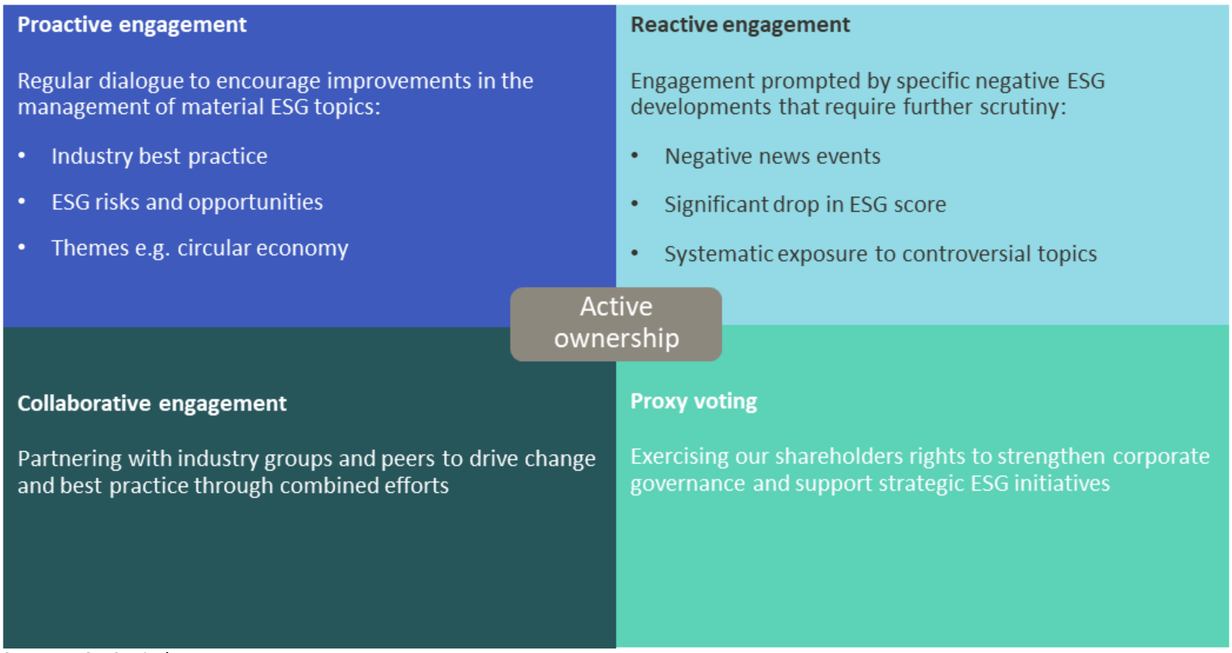
LGT CP closely follows the Socially Responsible Investing ("SRI") Proxy Voting Guidelines provided by ISS. We use our voting rights to:

- improve the level of reporting disclosure
- align management compensation to ESG KPIs and emission targets
- support strategic measures to accelerate or adapt to a low carbon business model
- support increased diversity across all levels of an organization

Engagement with managers
Ongoing engagement with managers is an essential part of our approach to ESG, facilitated by our annual assessment of managers, which helps to identify instances of ESG excellence and flag areas for improvement. One focus area for manager engagements is around the reduction of portfolio GHG emissions. This involves setting carbon budgets aligned with net zero, assessing where the portfolios currently stand and collaborating on how the emissions can be reduced as necessary.

Collaborative engagements
We work together with international partners, networks and initiatives to raise awareness for climate action issues and enhance analytical tools. LGT CP participates in the Carbon Disclosure Project (CDP), the Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100+. In addition, we joined the IIGCC engagement initiative and the private equity industry's ESG Data Convergence Initiative.

Four pillars to active ownership approach in direct liquid strategies



Source: LGT Capital Partners

Education and performance management

Education

The importance of ESG integration to LGT CP as a firm and in our investment process is reflected in the fact that employees are expected to continuously enhance their skills, knowledge and expertise around ESG topics. Towards that end, we typically address ESG and climate action topics at least twice a year in our firm-wide offsite in January and August, where, among other topics, the latest ESG trends, techniques and strategies are discussed. We also organize separate ESG training sessions for new team members, including investment professionals, throughout the year.

We conduct an internal ESG education program to help enhance knowledge and understanding of ESG and climate action topics among our staff. The ESG education sessions focus on current topics that are relevant for all employees, given that we want everyone to understand the importance of ESG for our firm. We have also partnered with the Principles for Responsible Investment (PRI) Academy to launch an educational series to bring cutting-edge training to our staff members. The learning modules, along with further supporting documents, are available for all employees at any time on our intranet. In addition, employees can also undertake external training and gain ESG-related qualifications, such as the CFA Institute's Certificate in ESG Investing, which has generated significant interest among LGT CP employees.

Performance Management Process (PMP)

The importance of integrating ESG factors for LGT CP as a firm and our investment behavior is reflected in the fact that we promote the sustainable behavior of employees as part of the regular performance management process (PMP), using defined sustainability targets and financial incentives in the overall assessment.

To implement this goal, LGT CP has included overarching ESG targets in the process of the regular PMP, which are further specified and broken down by the respective line managers depending on the business area and function.

Hence, LGT CP expects all employees to show awareness of our ESG & Sustainability strategy and in particular:

- to minimize their professional carbon footprint to the extent possible
- within their professional reach, to generally promote the accomplishment of the Sustainable Development Goals (SDGs)

Governance and disclosures

Board of Directors (BoD)
The BoD of LGT CP is responsible for defining the required ESG/ sustainability standards, and monitoring their implementation. The board is informed on ESG topics by the Executive Committee (see below) on a regular basis.

Executive Committee (EC)
The EC of LGT CP and the involved Fund Management Companies and/or Alternative Investment Fund Managers are responsible for the implementation of the prescribed standards defined by the board and the monitoring of legal and regulatory requirements and compliance with this policy. The EC and a member of the involved Fund Management Companies and/ or Alternative Investment Fund Manager are informed on ESG topics by the ESG Committee (ESGC, see below) on a regular basis.

ESG Committee (ESGC) and various ESG subcommittees (ESGSC)
The ESGC is responsible for executing the EC's decisions and coordinating policies and procedures across investment management, reporting, risk management and client services. The ESGC meets monthly and reports regularly to the EC. LGT CP has established dedicated subcommittees within the ESGC to focus on specific areas, including Liquid Markets, Private Markets, Policy & Governance, Climate Action and Biodiversity, ESG Regulation, Corporate Social Responsibility (CSR) as well as Diversity, Equity and Inclusion (DEI).

To ensure execution, communication and reporting on ESG issues, dedicated ESG roles ensure that ESG topics are part of the agenda of the business unit management team meetings. The Chief Risk Officer and the other employees of the Risk Management & Compliance department are actively involved in the ESGC and can attend the respective ESGSCs.

Climate Action and Biodiversity Subcommittee (CABDSC)
The CABDSC is responsible for driving LGT CP's climate action and biodiversity agenda, which is focused on managing assets consistent with our net zero commitments and biodiversity agenda. This includes establishing methodologies for emissions measurement and a framework for net zero carbon budgeting, as well as defining relevant policies.

To ensure execution, communication and reporting on ESG and climate-related issues, dedicated ESG roles throughout the organization ensure that ESG and climate action topics are part of the agenda of management team meetings.

Disclosure and reporting
On the its website, LGT CP publishes and maintains company- level information and respective statements about:

- the policies on the integration of sustainability risks in its investment decision-making process
- whether and how the firm considers principal adverse impacts ("PAIs") of investment decisions on sustainability factors
- how its remuneration policies are consistent with the integra-tion of sustainability risks. In the event of any changes of the above-mentioned policies, the respective disclosures must be updated without undue delay.

Furthermore, LGT CP publishes and maintains the LGT CP website and/or www.fundinfo.com with all product-level related information, such as the pre-contractual disclosures with regards to Article 6, 8 and/or 9 SFDR.

Monitoring
The EC of LGT CP monitors compliance with the legal and regulatory requirements and compliance with this directive. The BoD is informed on a regular basis by the EC.

Important information

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