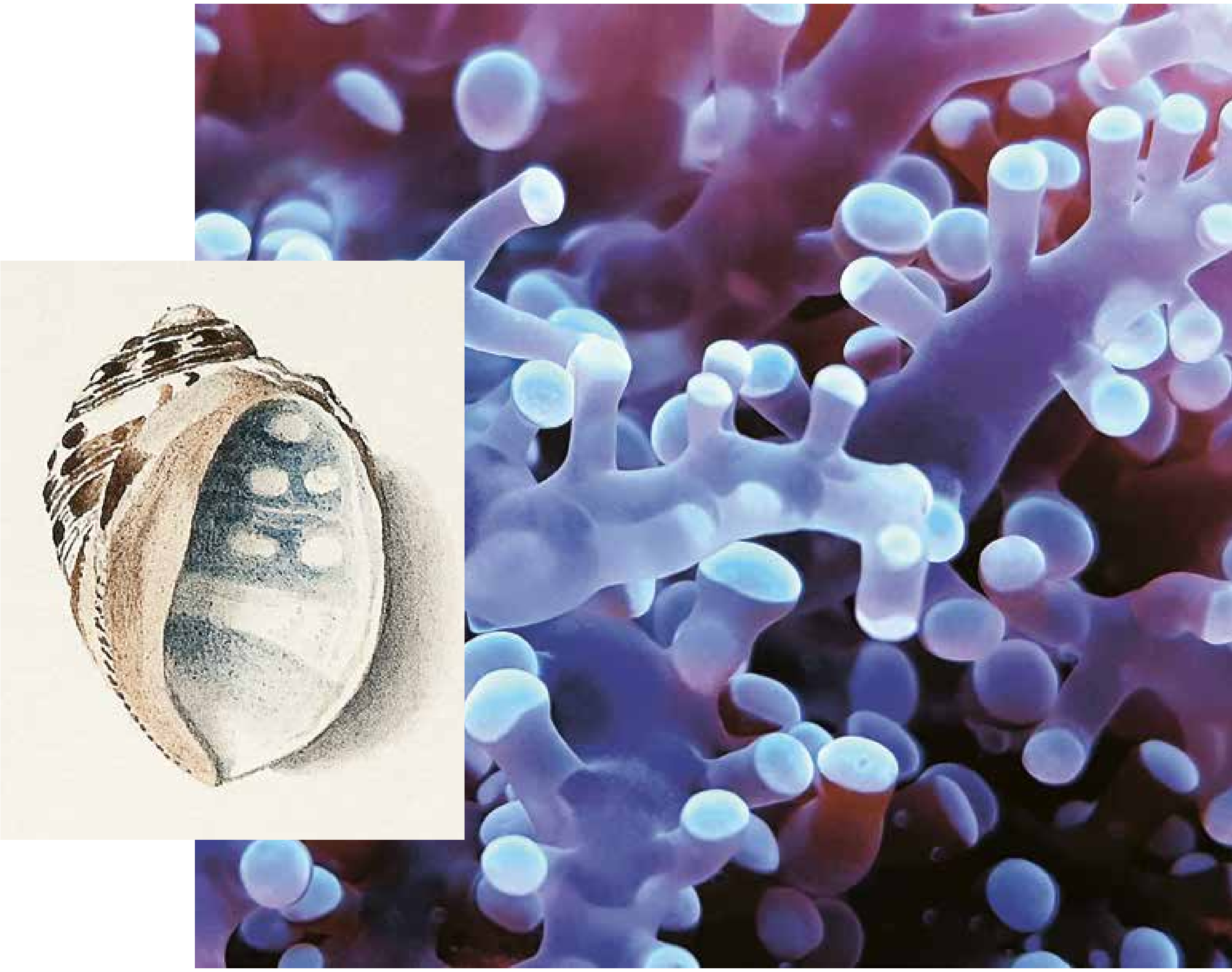
Private
Banking

TCFD Report

2022



Forward-looking
for generations

Franz Anton von Scheidel, details from "Depictions of conchiliae in watercolour after Johann Carl Megerle von Mühlfeld (1765–1840)," late 18th century

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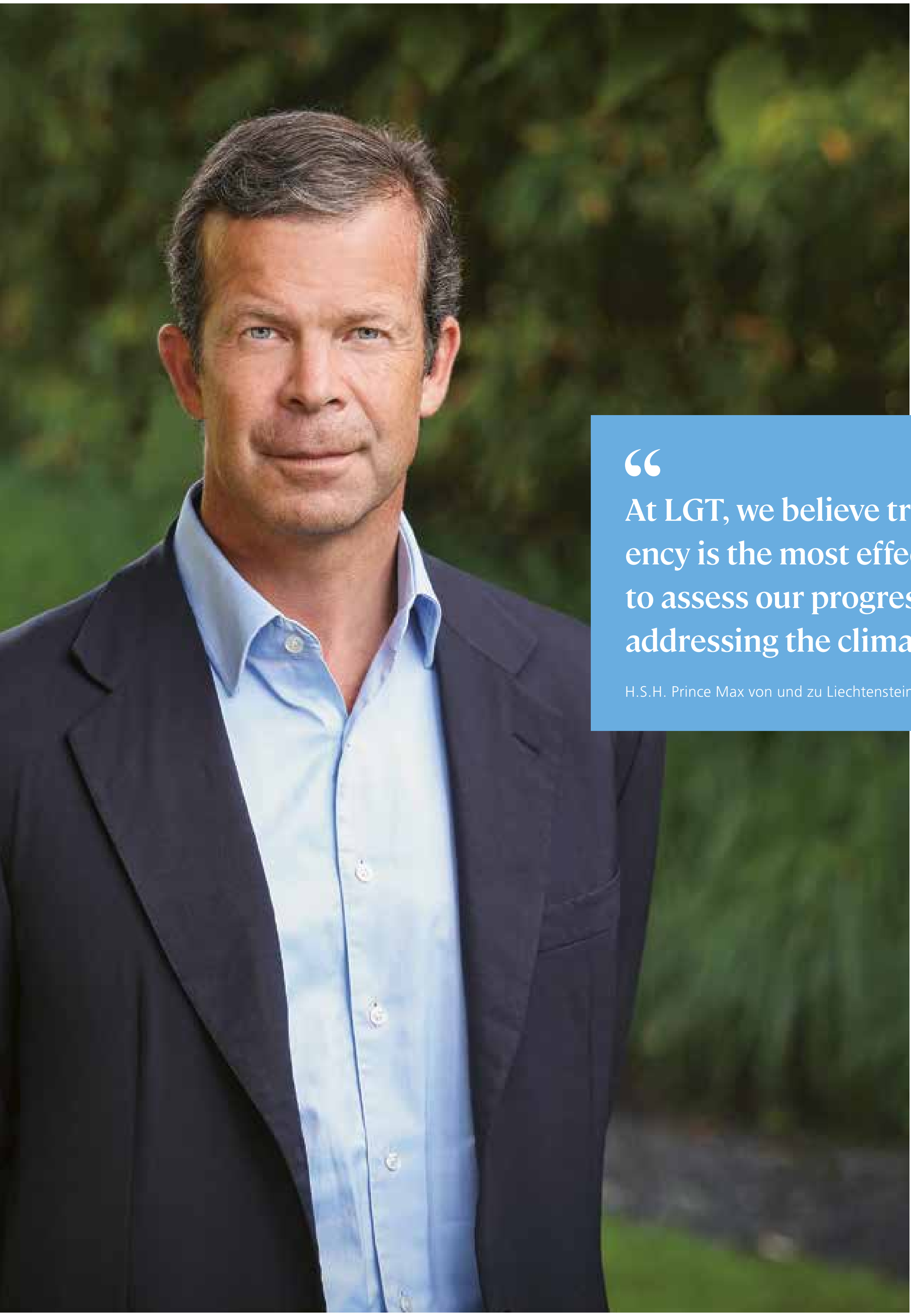


> “At LGT, we believe transparency is the most effective way to assess our progress in addressing the climate crisis.

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

Foreword

Dear Reader

The past year has underscored the importance of society's role as a responsible steward for our planet. We cannot solve climate change and other pressing global challenges alone. But at LGT Private Banking, we can raise awareness among our clients, partners, employees, suppliers and other stakeholders of potential solutions and take leadership in pursuing them.

We are committed to playing a proactive role in addressing the climate crisis. In 2021, LGT Private Banking committed to reducing net greenhouse gas emissions from operations and own investments to zero by 2030. LGT Private Banking has also committed to annually report its climate-related financial risks in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

This is our second report in accordance with the TCFD standards, a means by which our progress towards our ambitious goals can be evaluated. In our first report in accordance with the TCFD standards, we explained how LGT Private Banking assesses and mitigates climate risks. With our second TCFD report we are expanding our reporting on climate-related financial risks with further qualitative and quantitative information, especially with regard to our investments and mortgage portfolio. With this expansion, and by adding further details on metrics and targets, we aim to improve the transparency of our sustainability reporting.

At LGT Private Banking, we believe transparency is the most effective way for clients, employees and other stakeholders to assess our progress in addressing climate change – one of the world's most pressing challenges.

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

Introduction

LGT Private Banking (hereinafter LGT PB) is committed to reporting in line with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations to assess and disclose climate-related financial risks. This is the second report published by LGT PB based on the TCFD recommendations. In our understanding, sustainability risks refer to an environmental, including a climate-related, social or governance event or condition that, if it occurs, could have an actual or a potential material negative impact on LGT PB's activities and operations. In light of market and regulatory practices, LGT PB considers sustainability risks to be drivers of existing risk categories, such as market risk, liquidity and funding risk, credit risk and operational risk. Sustainability risks are therefore considered an integral element when assessing any of the existing risk categories.

Scoping of this report

LGT PB has identified the following four core business activities as key in our efforts to reduce financed and own greenhouse gas (GHG) emissions: client investments, own investments, credits and loans, and operations. This report therefore provides information on how climate-related risk for these four core business activities is embedded in our governance, strategy and risk management.

This TCFD report is written as a group report to cover all activities within LGT PB and includes all subsidiaries and branches, in particular:

- LGT Group Holding Ltd., Vaduz
- LGT Wealth Management UK LLP, London
- LGT Bank (Singapore) Ltd., Singapore
- LGT Investment Management (Asia) Ltd., Hong Kong
- LGT Crestone Holdings Limited, Sydney
- LGT Bank (Switzerland) Ltd., Basel
- LGT Bank Ltd., Vaduz, with its branches incl. Hong Kong, Austria
- LGT Financial Services Ltd., Vaduz

LGT Private Banking's commitment

According to the International Panel on Climate Change (IPCC), in order to achieve the climate target set out in the Paris Agreement to limit global warming to 1.5°C by the end of the century, net global GHG emissions must fall to net zero by around 2050. Reducing LGT PB's CO_2[1] emissions is therefore of utmost importance.

LGT PB will have reached net-zero emissions when its GHG emissions and the negative emissions from removals balance each other out. Once this is achieved, LGT PB will no longer burden the global CO_2 budget (see Figure 1).

[1] In the interests of simplicity, only the term CO_2 is used, however, all relevant greenhouse gases are covered

For further information on LGT PB's understanding of net zero and how this relates to the global view, please refer to the "Strategy" chapter on page 10.

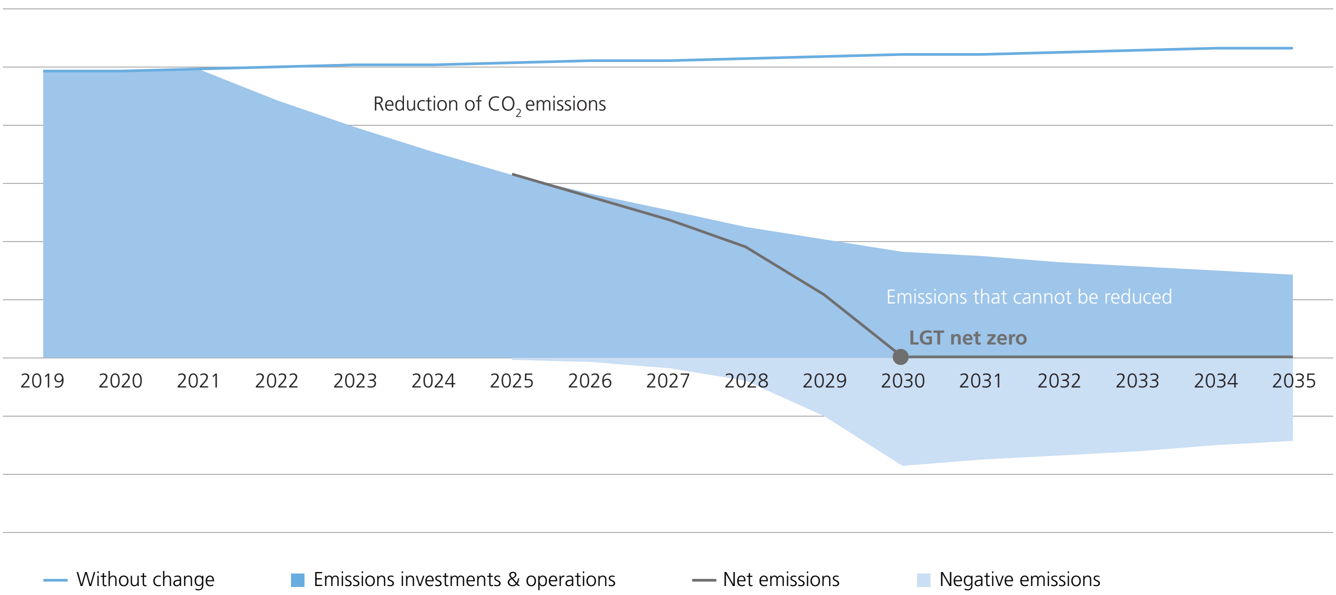
Our approach is aligned with our UN Net-Zero Banking Alliance (NZBA) commitment, and we have set an interim goal of being net zero by 2030. According to the NZBA and based on our business activities, our efforts are concentrated on financed emissions and operations, i.e. own investments, mortgages and operations.

LGT PB's support for increased climate protection stems from our convictions. Sustainable and long-term action has always been one of the core elements in the business activities of our owner, the Princely Family of Liechtenstein. With our Sustainability Strategy 2030, which was developed in 2022, we aim to further integrate sustainability into all of LGT PB's business processes and across our entire product range.

This underscores our commitment to the Paris Climate Agreement and a sustainable financial sector. At LGT PB, we consider our net-zero target to be important for mitigating climate risks overall, but also in our core business activities. In the 2022 reporting year, we focused on collecting meaningful data and defining milestones to help us reach our net-zero emissions target by 2030.

LGT PB is participating in the development of an industry standard for uniform accounting standards for emissions on the investment side and has joined the Partnership for Carbon Accounting Financials (PCAF). LGT PB was also one of the founding members of the UN Net-Zero Banking Alliance (NZBA), through which financial institutions from numerous countries commit to undertaking concrete steps to align their credit and investment portfolios with net-zero emissions by 2050.

Figure 1: Reduction path



Governance at LGT Private Banking

Responsible corporate governance is indispensable for maintaining and strengthening the trust of clients and employees, but also of our owner and other stakeholders. LGT PB is managed in accordance with the principles of the separation of powers (LGT Group Foundation Board, LGT PB Executive Board, Board of Directors at the entity level) and checks and balances.

Sustainability, including climate change, is regularly on the agenda at meetings of the Foundation Board, LGT PB's Executive Board, the Executive Boards at entity level and Boards of Directors at the entity level. This ensures that sustainability is treated as a priority at all management levels and is incorporated into our business activities. Because climate risks are integrated into LGT PB's overall risk framework, both the Sustainability Board and the Foundation Board must monitor these risks. Metrics on climate risks incurred in client investments, own investments, financing and operations will be amended in the reports of the responsible departments over time. Group Risk Controlling & Security will include climate risks in their periodic Risk Committee reports. Group Sustainability Management (GSM) regularly reports to the Executive Board on the targets described in the "Metrics and targets" section about progress made against the NZBA and other commitments.

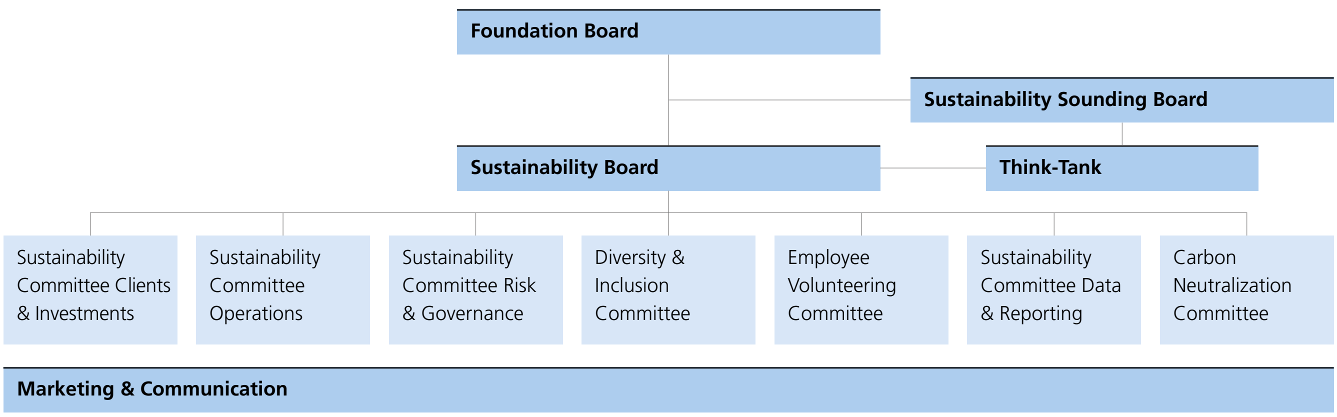
Climate-related considerations are integrated into the sustainability agenda and as illustrated in Figure 2, form part of the mandates of the sustainability committees.

Via the Sustainability Board, the Risk and Governance, Data & Reporting, Clients & Investments as well as Operations sustainability committees play an active role in keeping the Foundation Board appraised of climate-related risks and opportunities. Sustainability and climate risk-related topics in particular are on the agenda of the Foundation Board once a year. The Sustainability Board, the Sustainability Sounding Board and the sustainability committees meet on a regular basis, at least semi-annually. The sustainability committees report to the Sustainability Board at least on a semi-annual basis.

Climate-related considerations have also been integrated throughout our business lines. For a detailed overview on how this has been done, please also refer to our separate sustainability reporting, consisting of a Sustainability Report, a Non-Financial Report based on GRI standards and a Stewardship Report, all of which are published annually.

LGT PB places great emphasis on training its staff about sustainability, and has introduced mandatory web-based training for all employees that focuses on sustainability and climate change topics, and how these are taken into account in our investment offering. This is complemented by video training sessions provided by Group Sustainability Management, Compliance and Investment Services, and face-to-face ESG training sessions for relationship managers and portfolio managers on sustainable investing.

Figure 2: Clear governance structure through LGT's broad-based Sustainability Board



Foundation Board

The Foundation Board of LGT Group is ultimately responsible for how our institution approaches climate-related risks and opportunities. It is responsible for approving and overseeing our strategy, policies and processes that address climate issues, including monitoring our net-zero emissions targets. It is also responsible for determining the risk appetite framework. On a yearly basis, the Foundation Board discusses LGT PB's approach to climate-related topics. To ensure that the Foundation Board has the necessary expertise, there is at least one member on the Board with a high level of knowledge on sustainability, in particular climate risk.

Executive Board

LGT PB's Executive Board and all members of senior management are responsible for implementing our climate-related strategy, and taking into account the approach to risks and opportunities that the Foundation Board has defined. Through their roles in the sustainability committees, members of LGT PB's Executive Board are also involved at the operational level in matters relating to sustainability and climate risk.

Sustainability Board

LGT PB's Executive Board and the heads of the sustainability committees are represented on the Sustainability Board, which is chaired by Olivier de Perregaux, CEO LGT Private Banking. The Sustainability Board meets at least on a semi-annual basis and sets the strategic direction and guiding principles for sustainability, including climate risks topics. The Sustainability Board can make suggestions to the sustainability committees and determines the focus areas. LGT PB's Executive Board and business area heads are responsible for implementing the climate-related strategy, taking into account the approach to risks and opportunities defined by the Foundation Board.

Sustainability Sounding Board

With the introduction of the Sustainability Sounding Board, LGT PB established a committee that acts as an advisory board and facilitates discussions about relevant, urgent sustainability-related matters and topics of strategic relevance, including climate-related topics. The Board is chaired by H.S.H. Prince Max von und zu Liechtenstein, Chairman of the Foundation Board.

Sustainability committees

The sustainability committees, which report directly to the Sustainability Board, have integrated climate-related considerations into their agendas and mandates. The sustainability committees have dedicated responsibilities defined in the respective terms of reference and meet on a regular, often quarterly basis to discuss sustainability topics on a more operational level and prepare topics for decision-making at the Sustainability Board level. The Sustainability Committee Risk & Governance is composed of the Group CFO, representatives from Group Risk Controlling & Security, Group Sustainability Management, Group Compliance, Group Financing and Group Trading. In total, there are seven sustainability committees, of which the following five address climate-related issues:

- Clients & Investments: Oversees all sustainability activities in relation to clients and the products offered by LGT PB, including new activities and services.
- Operations: Responsible for sustainability matters relating to the company's own operations (GHG Scope 1–3.14).
- Risk & Governance: Reviews the sustainability Risk Management Framework and has oversight of the climate risk profile of on-balance sheet positions.
- Data & Reporting: Reviews the reporting requirements of LGT PB and coordinates coherent data collection.
- Carbon Neutralization: Oversees all activities relating to CO_2 removals.

As climate-related risks are part of the overall risk framework, the Group Risk Controlling & Security department reports directly to the Risk Committee of the Foundation Board, which enables the Foundation Board to monitor climate-related risks directly. Climate-related risks are included in the existing risk report and are in particular considered as part of risk appetite.

Think-Tank

The Think-Tank consists of in-house sustainability experts from various divisions of our global organization who work with external specialists and university representatives on a project basis. They meet on a regular basis and discuss current trends and (market) developments. The Think-Tank also supports the Sustainability Board and the Sustainability Sounding Board in forming opinions.

Strategy

Key elements of LGT Private Banking's climate strategy

We recognize that LGT PB has a fundamental role to play in supporting the journey to net zero, and we have made a number of commitments to accelerate our progress on managing climate risk. LGT PB has been systematically integrating sustainability into its processes for over a decade. For LGT PB to commit to a climate strategy with a net-zero emissions target by 2030 was therefore a matter of course. This strategy encompasses CO_2 emissions based on the GHG Protocol, including scopes 1, 2 and 3 to 3.15 from operations, LGT's own investments, client investments as well as credit and loans. Although LGT PB has been offsetting its GHG emissions from operations since 2010, in the future we must remove the residual CO_2 emissions from operations and investments from the atmosphere using natural and technological measures. However, our first priority has always been to reduce GHG emissions to the greatest extent possible (see Figure 1).

Net-zero emissions through CO_2 removals

By offsetting its CO_2 emissions, LGT PB's operations have been climate neutral since 2010. And we will further decrease our carbon footprint to the greatest extent possible. From 2025, we will start to remove operational CO_2 emissions and gradually increase the amount of removals and decrease the amount of avoidance until 2030. Starting from 2030, LGT PB will remove all unavoidable CO_2 emissions from operations and own investments from the atmosphere.

In the 2022 reporting year, we developed the Sustainability Strategy 2030.

Partnerships to reach our climate targets

In 2021, LGT PB signed an agreement with Climeworks, which will remove 9000 tons of CO_2 for us between 2025 and 2030. In 2022, we became an anchor buyer in the South Pole NextGen CDR Facility. These agreements aim to facilitate CO_2 capture and the removal of CO_2 from the air and its subsequent storage. Both Climeworks and NextGen provide us with carbon credits generated by a range of technological removal solutions such as Direct Air Capture and Storage. In the future, LGT PB will enter into further offtake agreements to source carbon-removal credits to neutralize emissions and help us become a net-zero company by 2030.

In the reporting year, LGT PB purchased emission avoidance credits from the Katingan Mentaya project. The forest conservation project protects local biodiversity while allowing LGT PB to offset the operational emissions of the coming two to three years. This purchase reflects our continued commitment to climate-neutral operations, something we have been pursuing since 2010.

Commitments and memberships

LGT PB is convinced that the only way to tackle global challenges is to address them collectively. We are therefore in regular dialogue with various stakeholder groups, in particular our clients, our owner and our employees. We also actively discuss sustainability topics with governments, our suppliers, academics and representatives of civil society.

In 2021, LGT PB committed to achieving net-zero emissions by 2030. The same year, it joined the Partnership for Carbon Accounting Financials (PCAF). LGT PB is a member of UNEP FI's Principles for Responsible Banking (PRB), and became a founding member of the UN's Net-Zero Banking Alliance (NZBA) in April 2021, underscoring our commitment to continuing to support clients and companies in their transition towards the more sustainable use of limited resources. NZBA members have committed to reducing their emissions to net zero by 2050. The NZBA's goal is to avoid the inclusion of carbon-intensive sectors and sectors that are damaging to the climate in investment portfolios. Through specific targets and regular reporting, it provides banks with the necessary framework to drive their transformation, decarbonize their clients' portfolios and promote change in the real economy, and is therefore a tool that supports LGT PB's efforts to achieve net zero by 2030.

Since 2022, we have been a signatory to the UN Principles for Responsible Investments (UN PRI). In 2022, we also joined the International Investor Group on Climate Change (IIGCC) and committed to Climate Action 100+ and to the Finance for Biodiversity Pledge. In addition, we are a member of the World Economic Forum's Alliance of CEO Climate Leaders and a partner of the Swiss Climate Foundation.

Climate-related risks and opportunities

LGT PB has identified client investments, own investments, credit and loans, and operations as the four core business activities where material risks and opportunities from climate change arise. Climate-related risk transmits into traditional risk categories. Therefore, climate-related physical and transition risks which transmit, for example, into market, liquidity, credit and operational risk are identified. LGT PB is affected by the impact of climate change on the value of client investments, its own investments and collateral for mortgages. Our business, properties and our suppliers and partners can be affected by climate change, which could also affect LGT PB. In addition, LGT PB's business can be affected by new or enhanced climate change laws and regulations, and changes in investor demand for climate-focused products and services. Despite continuing to grow as a business, we also aim to reduce our GHG emissions from operations. We have identified that of the core business activities, the vast majority of climate-related risk is in investments of our clients and mortgages. At the same time, we will continue with our efforts to further reduce the GHG emissions of our own investments and operations.

We consider both physical and transition risks in our climate risk assessment. The "Risk management" section provides further details on how LGT PB identifies, assesses and manages climate-related risks in relation to traditional risk categories.

As climate-related risk can materialize over different time periods, LGT PB applies the following definitions for timeframes to support a consistent assessment:

- Short term: 0 – 5 years
- Medium term: 6 – 10 years
- Long term: 11 – 30 years

At present, we assume that LGT PB's exposure to physical climate risks is low in the short term. However, in the medium to long term, the probability of such exposure will increase if the market fails to integrate relevant policies to mitigate climate change. In this scenario, the severity of the physical risks on our operations would increase. LGT PB sees transition risks as the more immediate risk in the short and medium term, as new and potentially divergent regulations are rapidly coming into effect globally. The introduction of more stringent climate policies could lead to abrupt repricing in financial and physical assets leading to a decline in investment and collateral value. A rapid change in client sentiment, which is not addressed by a corresponding offering may lead to a loss of assets under management. The residual risk stemming from potential breaches of legal and regulatory requirements is considered medium given the measures and processes already in place to mitigate the risk stemming from regulatory uncertainty and lack of best practices around, for example, ESG disclosures, data availability, lack of aligned definitions for ESG-related terms as well as greenwashing and environmental litigation risk. These risks are expected to continuously decrease due to improved stability and continuity in the legal and regulatory sphere as well as an established market practice and increased availability of more reliable data.

Table 1: Climate-related risks

Risk driver	Impact on business		Timeframe and potential		
			Short	Medium	Long
Physical: Acute & chronic	Extreme physical climate events or chronic changes may cause devaluation of assets or business disruptions.	Severe sudden weather events (e.g. floods, extreme storms) could negatively affect market prices (e.g. devaluation of financial assets or damage to physical assets serving as collateral). Acute weather events with a possible increase in frequency and severity could in particular have an impact on our business operations and value chain in the medium term. In addition, chronic weather change is expected to evolve gradually and have an impact on financial and physical assets in the long term.	●	● ●	● ●
Transition: Policy & regulation	Tightening climate-related policies may lead to higher costs for carbon-intensive industries or residential buildings with insufficient energy efficiency, meanwhile reducing market demand for their products, properties and/or repricing of securities.	Increased risk is expected in the short to medium term from policy and regulation changes and possibly diverging climate policies. This is especially the case if more stringent policies are introduced suddenly. Policy changes (e.g. carbon price/carbon tax) can have a significant impact on business models and financial performance, and lead to devaluations in securities. An abrupt repricing of securities due to unexpected changes in regulatory policy may reduce the value of LGT's high-quality liquid assets, thereby possibly affecting liquidity buffers. More rigorous climate policies regarding buildings (e.g. energy efficiency standards) may lead to devaluation of collateral or higher costs for own buildings. Due to possibly higher carbon pricing, it may be increasingly difficult to meet net-zero obligations if purchase of carbon credits becomes too expensive.	● ●	● ●	●
Transition: Technological change	Emerging technology and business model innovation may lead to reduced market share/ pricing power of carbon-intensive companies or devaluation of buildings.	Investments in climate-sensitive sectors may be negatively affected if investee companies do not adapt quickly enough to technological changes in their sector in the medium to long term. Financed buildings not implementing new emissions-reduction technologies may be prone to devaluation. Transition to lower emissions technologies for own buildings may lead to higher costs.	●	● ●	● ●
Transition: Market sentiment change	Change of market sentiment towards carbon-intensive assets could change, leading to decline in valuation or adaption of business strategy.	Our offering not being adapted in order to support our clients with the products that help them achieve their investment objectives is a risk in the short and medium term. Having the wrong product shelf could lead to loss of client confidence and of business. If portfolios do not meet their promised/ expected sustainability outcomes, this could have a negative effect on our ability to retain assets under management (AuM).	● ●	● ●	●
Transition: Litigation & reputational	Governmental/supervisory penalties or litigation due to breach of requirements or greenwashing may lead to costs and reputational damage.	Risk of being perceived as not managing climate-related risks adequately may arise, e.g. if commitments are not met or climate-related disclosure is unsatisfactory. Due to regulatory uncertainty, diverging climate-related definitions, and a lack of best practices concerning climate-related disclosures and sufficient data, there is a risk of penalties, litigation and/or a negative impact on our reputation.	● ●	● ●	●

However, we also recognize climate-related opportunities, which is why our strategy aims to minimize key climate risks while simultaneously realizing opportunities by measuring and aligning our core activities to net zero. For example, we know that there is demand for opportunities to invest in climate solutions, and are therefore continuing to expand our offering in this segment. In terms of our own investments, we co-invest in impact investments to enable and support companies contributing to reducing climate risks, and extend that opportunity to our clients. Another climate-related opportunity we have identified is to speak to clients who have mortgages with us about improving the energy efficiency of their buildings.

Table 2: Climate-related opportunities

Core business activity	Description	Timeframe and potential		
		Short	Medium	Long
Own investments	With our substantial impact investments, we believe that we can support innovative companies that also contribute to mitigating the effects of climate change. We believe these investments are financially attractive and help make our portfolio more resilient against climate-related risks.	●	●●	●●
Client investments	Offering our clients products and services (e.g. via co-investing) to support them in achieving their investment objectives will strengthen our relationship. We believe that climate-friendly investments will be more resilient against climate-related risks and that their performance will be favorable in the long run. The LGT ESG Cockpit enables us to sensitize our clients to climate-related risks in their portfolios and to quantify this for them.	●	●●	●●
Credits and loans	The discussion with our clients regarding improving the energy efficiency of their buildings and action taken in this regard will benefit our clients thanks to more resilient buildings and stable market prices. This will also help preserve the value of the physical assets that serve as collateral.	●	●●	●●
Operations	We will further increase the share of renewable energy used for our buildings and decrease GHG emissions from transport (e.g. commuting and travel). We are also evaluating opportunities for further increasing the energy efficiency of our own buildings in order to reduce GHG emissions and costs.	●●	●●	●

Own investments

Sudden policy changes, but also investee companies not transitioning to net zero quickly enough, may have a negative impact on our own investments and are considered the prevailing climate risks in the short and medium term. However, we also continued to embrace impact investment opportunities. In 2022, for example, in collaboration with our partner company Lightrock, a dedicated platform for impact investments, we made substantial impact investments in innovative companies with scalable and technology-driven business models across three key impact themes: people, planet and productivity/tech for good. Within these themes, the focus is on key sectors that offer disproportionate opportunities for value creation and positive impact in response to pressing social and environmental problems. Under the planet theme, LGT PB supports solutions that promote regenerative and resource-efficient systems through technology and business model innovation, in sectors and subthemes including Renewables & Circular Economy Transition. Sustainable Food & Agriculture, and Smart Mobility & Transportation. In addition to having a positive impact on the environment, LGT PB considers impact investments a financial opportunity and expects that these investments will provide attractive returns for investors. We also see opportunities in improving our investments by investing less in climate-sensitive sectors and more in issuers in climate sensitive-sectors that are on a positive transition path. To strengthen our resilience against climate change, LGT PB aims to reduce the carbon footprint of its own investments to net zero by 2030.

Client investments

We believe that the sustainable allocation of capital gives us the opportunity to make a significant contribution to addressing climate change-related risks. In order to take advantage of the opportunities that arise from the transition towards greater sustainability in business, LGT PB is taking concrete steps to ensure it operates in a more climate-friendly manner. We contribute to climate protection through LGT PB's advisory services. We track Principal Adverse Impacts (PAI) indicators in line with the Sustainable Finance Disclosure Regulation (SFDR). In addition, LGT PB seeks to work closely with its partner companies, LGT Capital Partners and Lightrock, as well as with the LGT Venture Philanthropy Foundation to benefit from their expertise. We use this knowledge for our own investments but also to create value and investment opportunities for our clients. Our goal is to take our clients with us on that journey.

Credit and loans

In its credit business, LGT PB focuses on Lombard loans and residential mortgage facilities. Credit is an integral part of LGT PB's offering and is granted based on bankable assets and according to a conservative lending policy.

With its commitment to reach net-zero emissions by 2030, LGT PB is clearly positioning itself in terms of sustainability. The measures taken and still to be taken to achieve this ambitious goal also create opportunities for the bank. The acquisition of new clients and the strengthening of relationships with existing clients are the two areas with the greatest potential. On the one hand, this can be achieved by offering an attractive product range for the realization of energy-efficient renovation measures or the funding of sustainable buildings. On the other hand, targeted advice regarding incentive measures to increase the energy efficiency of properties and the associated advantages and disadvantages for clients can also represent a further competitive advantage. Clients who attach importance to sustainable living and resource protection will thus be more likely to identify with LGT's philosophy.

In addition to the key figures on emissions intensity, LGT PB also monitors financed emissions, which supplement the climate data. Financed emissions are absolute emissions that arise in connection with lending and investment activities. These are also referred to as absolute GHG emissions under Scope 3 of category 15 "Investments".

Short term (0 – 5 years)

In the short term, LGT PB can benefit by proactively positioning itself vis-à-vis its direct competitors – whose ESG efforts may still be at an earlier stage – as an ESG champion, also within the area of financing, by providing an attractive credit product range. Complying with its pre-defined risk appetite and credit strategy, for example, LGT PB may explicitly offer mortgages for the realization of energy-efficient renovations or the funding of sustainable buildings. Lombard loans, on the other hand, provide Private Banking clients with the possibility to meet (short-term) liquidity and funding needs or access to interesting reinvestment opportunities, for example, one of LGT PB's sustainability-focused portfolio management mandates.

Medium term (6 – 10 years)

Assuming that in the medium term, most of our direct competitors will also have introduced ESG-related financing products, LGT PB may continue to have a competitive advantage, for example, by offering targeted advice on potential incentives to further increase the energy efficiency of properties and the advantages and disadvantages associated with such measures. For Lombard loans, further aligning our loan-to-value policy for securities with our sustainability targets could create additional upside potential by, for example, providing additional leverage opportunities to clients whose collateral portfolio has a high degree of sustainability.

Long term (11 – 30 years)

In the long term, LGT PB will comply with its net-zero target and credit clients who attach high importance to sustainable living and resource protection will continue to be more likely to identify with LGT PB's philosophy. Our sustainable mortgage offering will continue to be an important cornerstone of our credit product range. In relation to Lombard loans, one additional long-term opportunity may be to offer sustainability-focused portfolio management mandates with an integrated leverage factor, in line with the client's pre-defined risk appetite.

Operations

By renovating our buildings to make them more energy efficient, installing photovoltaic modules on our buildings and offering charging stations for electric cars, LGT PB is more resilient to climate change and less impacted by potential energy price increases. With our remote working policy and investments in technological innovations, we are able to react quickly to a potential climate crisis with a proven business continuation process. Our ambitious net-zero goal and our commitments support us in being more climate resilient. By extending the data coverage and collecting more data on travel, commuting and all other relevant GHG emissions, we can assess our climate risks on a more informed basis and are able to identify and react to changes. Furthermore, due to LGT PB's growth strategy, we now have more employees in more locations, and we are still growing. We therefore believe it is of the outmost importance to have the data set and the assessment metrics defined so that we can easily roll this out to new entities.

By becoming an anchor buyer of the NextGen CDR Facility from South Pole, we opened up new possibilities to ensure access to further removal certificates. In addition, we have intensified our cooperation with our partner company Lightrock and with the LGT Venture Philanthropy Foundation to exchange knowledge on climate solutions.

Resilience of climate change strategy

We closely monitor climate initiatives and sign up to commitments and pledges, as they support us in achieving our goal to be net zero by 2030. To strengthen our resilience, we have implemented or plan to implement measures in our four core business activities. This includes applying the exclusion policy to all four areas, defining net-zero targets and managing own investments towards less climate-sensitive sectors or investee companies with a favorable transition prognosis.

Own investments

We consistently apply our thermal coal exclusion policy. Further to this, in 2022, we once again supported sustainable businesses through impact investments together with Lightrock. Our close collaboration with Lightrock has proven very valuable thanks to its extensive know-how. As we continue to improve how we measure exposure to climate-related risks, we will take into consideration how our investee companies perform and will explore various measures (e.g. thresholds, sectoral targets, alignment with our net-zero 2030 ambition in line with the Paris Agreement). In this regard, the implementation of scenario analysis for all own investment portfolios will support us in identifying the alignment to the 1.5°C scenario and thus resilience to climate change.

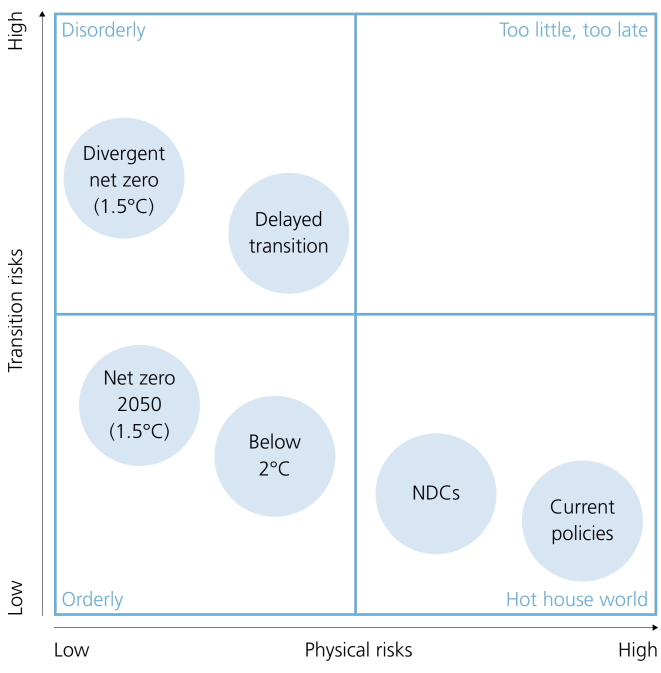
As part of our transition plan, we will further improve the measurement of exposure to climate risks at the portfolio, sector and asset level, and realign our own investments with our net-zero ambition. We apply widely accepted standards to measure climate-related risks and plan to enhance these metrics as data becomes available. We also intend to establish a dashboard to measure our progress in reducing GHG emissions from own investments. In addition, we will perform scenario analyses for physical and transition risks as well as for various climate scenarios to include forward-looking data in our decisions. This will support us in further specifying targets for our own investments and adjusting risk management processes accordingly.

We see the advantage of scenario analysis in the consideration of forward-looking data that is included in these exercises. This complements the calculation of current metrics.

We will use scenario analysis to help us understand potential impacts from various pathways, which supports us in identifying risks and opportunities. This provides the basis for making informed decisions. In order to capture the uncertainty surrounding different decarbonization pathways, we will apply several scenarios in line with the Network for Greening the Financial System (NGFS), namely:

- Orderly scenarios: Assume climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued. Costs for carbon-intensive sectors will increase due to policy impact. Significant investments in low-carbon technologies will be made and are steadily increasing.
- Disorderly scenarios: Explore higher transition risk due to policies being delayed or divergent across countries and sectors. For example, carbon prices would likely increase abruptly after a period of delay.
- Hot house world scenarios: Assume that some climate policies are implemented in some jurisdictions, but globally, efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk including irreversible impacts such as sea level rise.

Figure 3: NGFS climate scenarios



Client investments

For our clients' investments, LGT PB is aiming to steer both discretionary and advisory portfolios to net zero by 2030. This will be accomplished through a variety of strategies intended to reduce CO_2 in portfolios as well as by working with companies through active engagement to drive positive change. Within the private bank, in 2022, LGT launched a project entitled Net Zero in Investments through several workstreams, which will establish compelling offerings for our clients and help them to align their portfolios with net zero.

To ensure resilience, we apply our exclusion policies to own, and client-advised and managed mandates. We have also expanded our offering to our clients, enabling them and us to support sustainable climate-friendly businesses through co-investment opportunities. In 2022, we also focused on engagement with portfolio companies directly or via collective engagement, for example, with Climate Action 100+ (for more information, see LGT PB's Stewardship Report 2022). In order to accelerate our engagement activities, we signed an agreement with Columbia Threadneedle Asset Management, which provides engagement services for over 1000 publicly traded companies. We plan to implement forward-looking methodologies in order to steer and align portfolios for more climate resilience and continue to offer our clients climate-aligned products to support them in achieving their climate-related investment goals.

Credit and loans

For mortgages, an important cornerstone is engaging with clients in order to sensitize them and support them in the transition to more energy-efficient buildings. We apply our thermal coal exclusion policy to our Lombard loans. As part of our net-zero 2030 goal, which includes mortgages and Lombard loans, we address a variety of measures, including data collection and methodology selection.

Operations

LGT PB manages climate risks through improved operational processes and norms, by implementing environmental management systems, reduced energy consumption for our properties, increased renewable power and reduced business travel. Furthermore, suppliers are required to adhere to the Supplier Code of Conduct, which stipulates climate-related behavior. In addition, as part of our business continuity management plan, climate-related risks are assessed annually, and measures are taken to mitigate and reduce the impact of acute physical risk.

Risk management

This chapter outlines how we integrate climate risks into our risk management process. We also show how climate risks are integrated into our governance structure and how operational management is involved. Finally, we explain how we manage these risks today and how we plan to further develop our risk management processes, practices and tools in the future.

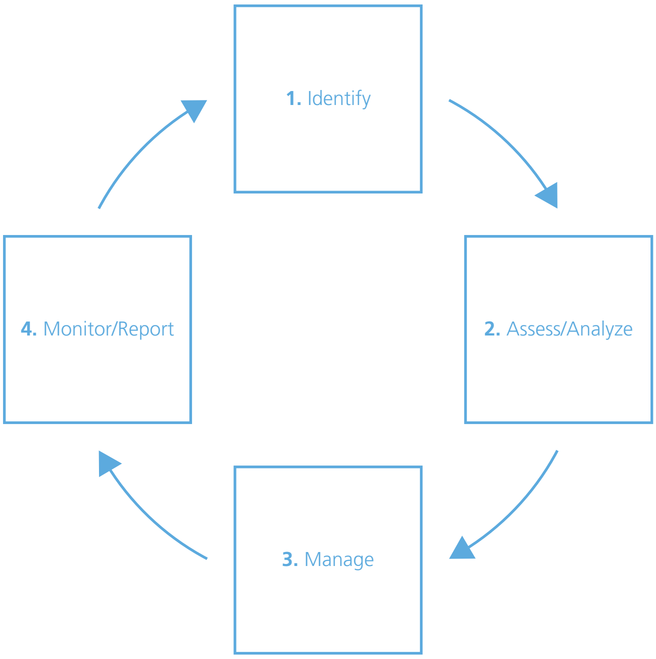
Integration of climate-related risk into the Risk Management Framework

Physical risk means the risk of losses arising from any negative financial or non-financial impact on the institution stemming from the current or prospective impacts of the physical effects of environmental factors on the institution's counterparties or invested assets. Physical risks are subdivided into acute and chronic risks. Acute physical risk relates to specific weather events that have an increased severity and/or frequency. Chronic physical risk relates to longer-term changes in climate patterns.

Transition risk means the risk of losses arising from any negative financial or non-financial impact on the institution stemming from the current or prospective impacts of the transition of business activities and sectors to an environmentally sustainable economy but also in changes in socially accepted norms on the institution's counterparties or invested assets. They may occur, for example, due to the possibility/threat of increasingly stringent policy and regulation, technology and business model innovation, shifts in consumer or investor sentiment, or employee relationships/labor rights. Litigation risk may arise if the bank is held liable for neglecting to manage sustainability risk, failing to adequately disclose exposures to such risk or by contributing to sustainability risk.

Our approach is based on our standard Risk Management Framework, which is set out in the Risk Policy. Climate change risk is a broad-based risk driver that arises in traditional risk categories and is not viewed as a separate risk type. We therefore address climate-related risks within the processes used to cover other risks identified within our risk management processes. One of the considerations when developing this approach was to integrate climate change risks into each of the four steps in the risk management process. Thus, climate-related risks are to be integrated into the steps of our risk management processes, identification and measurement, management and monitoring, as well as in our reporting. Climate change risk is considered a key risk. Therefore, LGT PB has developed a risk appetite statement, which will make it possible to conduct an assessment of risk position versus our risk appetite on an annual basis while monitoring performance during the year. Risk appetite for climate-related risk is approved by the Foundation Board and applied to LGT PB.

Figure 4: Risk management process



The integration of climate risk drivers and the management thereof takes place within the traditional risk categories. In order to identify its relevance within LGT PB, climate risk is defined as a comprehensive risk within our risk control framework. Existing risk categories are assessed with regard to how they are potentially impacted by climate risks. Climate risks must be considered in every risk category and be reflected in key figures, scenarios and reports. Management of material sustainability risk is included in day-to-day risk management by integration into all relevant processes and supported by guidelines, controls and qualitative or quantitative thresholds as appropriate (e.g. investment research, exclusion guidelines). Also, regular monitoring and internal reporting of material sustainability risk exposures, changes in regulations and emerging sustainability risks are ensured in the existing processes.

Climate-related risks are managed in accordance with our three lines of defense model. Line management and teams that manage investment portfolios and products/services, provide investment advice/advisory or manage operations have primary responsibility for identifying, assessing and managing climate-related risks. They ensure that appropriate controls are in place to manage these risks and constitute the first line of defense. The second line of defense, Risk Controlling & Security, the Financing department and Compliance, ensure independent risk measurement, monitoring of adherence to regulations and oversight. Internal Audit forms the third line of defense and provides independent assurance over controls.

We are in the process of further adapting our key processes, procedures, tools, methodologies and metrics. In 2022, we analyzed various methodologies, metrics and tools regarding climate change and made a selection. This will be an ongoing task, as methodologies evolve and data becomes more readily available. The methodologies and metrics used will be based on widely accepted standards and industry practices, and will be the minimum requirements at the LGT PB level. This includes that climate-related risks are to be analyzed in terms of physical and transition risk as well as over the short, medium and long term. As part of this process, LGT PB will continue to improve its measurement of carbon emissions and monitoring of climate-related ratings for specific assets and portfolios.

Identifying and assessing climate risks

We consider both physical and transition risks in our climate risk assessment to identify material climate-related risks. Currently, we use the following approaches to identify climate risks and their implementation:

- Regular strategic reviews of our business and product offerings
- Top-down risk materiality assessments
- Bottom-up Risk and Control Self Assessments (RCSA)

Management performs a regular review of our business strategy, including our offering, taking climate-related risks into consideration. Also, before approval of new services and products, the New Business Activity Approval and Review (NBAAR) process must be adhered to, to ensure that climate change risk is identified and discussed. LGT PB proactively monitors legal and regulatory changes and the potential risks they could entail for our activities, and for our clients and key investments.

LGT PB performs an annual top-down climate risk materiality assessment at LGT PB level to identify and assess key climate risk exposure. The top-down approach facilitates the identification of climate-related risks impacting its operations and core business activities. This is performed by Group Risk Controlling & Security together with subject matter experts to ensure a comprehensive view. In 2022, we enhanced our framework for the top-down risk assessment to better account for the transition of climate change into traditional risk categories and over different time periods. We involved further subject matter experts from the core business activities to ensure a comprehensive assessment. The assessment was conducted along a common climate risk driver taxonomy (see Table 3). Then, the likelihood of the occurrence of climate risks over the short, medium or long-term, and their overall potential impact on core business activities is considered. These are rated as low, medium or high. Currently, the assessment is mainly based on qualitative assessments, however, we plan to support these ratings with quantitative criteria (e.g. metrics) as this becomes available. The result of the assessment is that currently, no climate (net) risk is immediately material for LGT PB (see Table 1). We are monitoring these risks, as materiality may change, and will conduct a reassessment at least annually.

Further, the annual Risk Control Self Assessment (RCSA) initiated by Group Risk Controlling & Security and performed by subject matter experts provides a bottom-up, periodic identification and critical review of operational risk exposures and controls. Subject matter experts are responsible for assessing risks, causes and their impacts, as well as the controls in place within their business area. This supports key risk identification and the definition of mitigation measures, as deemed necessary. The result of the assessments are presented to the Group Audit Committee. In 2023, the RCSA framework will be enhanced with further examples and guidance to identify climate change risk. This serves to update the operational risk inventory and together with the risk events, is logged in our operational risk database to identify any areas for improvement.

Table 3: Climate risk drivers

Physical risk transmission channel	Transitional risk transmission channel
Acute/extreme weather events: ▪ Extreme weather events: flood (coast and inland), extreme heat, extreme precipitation, landslide, drought, water scarcity, wildfire ▪ Major natural disasters: earthquake, tsunami, volcanic eruption, geomagnetic storms ▪ Man-made environmental damage and disasters: oil spills, radioactive contamination, explosions and major fires, aviation, shipping and railway accidents	**Policy and regulation:** ▪ Existing and emerging regulation aimed at addressing climate change through both mitigation policies that reduce climate change and adaptation policies that support adaptation to a changing world ▪ Carbon-, pollution- and waste pricing ▪ Carbon-, pollution- and waste tax ▪ Legal restrictions on investments or legal commitments
Chronic climate change: ▪ Rising temperature ▪ Rising greenhouse gas and other emissions and pollutants ▪ Extreme weather variability ▪ Rising sea level ▪ Changes in sea currents and winds ▪ Ocean acidification ▪ Changes in precipitation ▪ Rainfall frequency and volume ▪ Changes in land and soil productivity	**Technology and business model innovation:** ▪ Emerging technologies aimed at supporting the global low-carbon transition ▪ Emergence of disruptive technology or business models
Risks to nature-related capital: ▪ Environmental pollution ▪ Decline of food and other goods provision ▪ Biodiversity loss ▪ Reduced hazard regulation ▪ Decline of water security	**Consumer or market sentiment:** ▪ Shifting supply and demand for commodities, products and services
	Environmental litigation: ▪ Climate- and nature-related litigation (e.g. environmental damages) ▪ Fines, penalties and sanctions for environmental damages, greenwashing ▪ Breach of underlying legal frameworks

Own investments

In our trading portfolio, we assess climate risk by asset, sector, portfolio and duration, and apply generally accepted standards such as PCAF calculation metrics (e.g. carbon footprint). We adhere to the thermal coal exclusion policy for our own investments. In 2022, we analyzed various methodologies, metrics and tools to support us in identifying and assessing climate-related risks affecting our own investments. We selected and calculated carbon footprint, total carbon emissions and weighted average carbon intensity. The calculation of current GHG emissions attributed to a portfolio supports us in identifying and assessing climate-related risks for climate-sensitive sectors in our own investments. In 2022, we performed an initial climate scenario analysis on our trading portfolio, which we will roll out for all our own investment portfolios. To complement the existing metrics, we will also track Principal Adverse Impact (PAI) indicators.

For illiquid asset classes, where retrieving granular reported data is still a challenge, we aim in 2023 to use a simplified approach where proxy data on sector emissions is applied to the portfolio's sector exposure distribution. For all own investments, we intend to take a portfolio approach due to the different purposes of the portfolios and consequently different types of assets that they are invested in, taking any restrictions that may apply into account. Further, we plan on using forward-looking data in our climate scenario analysis for our own investment portfolios in order to better assess possible future impacts of physical and transition risk. The risk will then be determined for the short, medium and long term, and assessed as low, medium or high, to support informed decision-making.

Initial insights using scenario analysis for own investments

In 2022, LGT PB performed a scenario analysis exercise to analyze how regulatory change, carbon pricing, technology change and the investments of investee companies in low-carbon technologies could affect our own investments. We used LGT PB's trading portfolio to carry out this pilot exercise. This portfolio was selected because of its representative character with regard to broad sector and geographic distribution and the availability of relevant data compared to other investment portfolios. The analysis included the calculation of quantitative measures. The results of this exercise are promising and at the time of publication of this report, were being reviewed.

In 2023, we will expand our climate scenario analysis by including the other portfolios of our own investments. We will also use scenario analysis, where possible, to assess the alignment of our own investment portfolios with our net-zero ambition. These results will enable us to better identify where we are particularly exposed to climate change. This will form the basis for assessing risks and opportunities at an asset level as well as alignment at portfolio level. This information can then be used to manage the level of risk acceptance in the investment decision-making processes by determining limits and exclusions, for example, climate-sensitive sectors. In 2023, we will also focus on improving the basis of climate-related data, which will enable us to conduct a more quantitative analysis. Having more comprehensive climate-related data will also enable us to further elaborate on the insights gained to date, which were mainly based on a qualitative approach, by conducting increasingly quantitative assessments. We aim to progressively integrate the results of our scenario analysis into our processes and procedures.

As it models possible states in the future, scenario analysis is an evolving methodology that presents many challenges. An inherent characteristic of forward-looking modelling is its reliance on various assumptions that could be influenced to varying degrees by data availability, underlying models and conclusions drawn by expert judgment. As we proceed to include all portfolios, we are aware of data availability constraints, but plan to continue to expand coverage as data improves.

The analysis for the trading portfolio, which consists mainly of corporate bond holdings, shows the following as at 31.12.2022:

- Overall high allocation to the financial sector (89%), mainly regulated banks
- Within the financial sector, 8% of portfolio holdings have parent issuers that fall under the consumer discretionary sector (i.e. automotive sector)
- The consumer discretionary sector accounts for 8%, mainly the automotive sector
- Overall, around 16% of the portfolio is invested in or has a parent issuer in the automotive sector
- The remaining investments are in communication services, and the portfolio therefore shows no exposure to fuel energy sectors

LGT PB's trading portfolio is mainly invested in regulated banks. In general, banks and other financial services companies will be affected by transition risks in the medium to long term. The consumer discretionary sector is more strongly impacted by transition risk in the short term, as it is exposed to significant regulatory and technological changes. The investments in the automotive sector form the main risk, however, the risk is not substantial. This sector would be affected in particular by a disorderly scenario in the medium to long term. However, the portfolio comprises investments in companies that are adapting quickly to policy and market changes. Findings from our analysis of the trading portfolio show that climate-related risks are low. The resilience of our trading portfolio is attributable to several factors. First, as the focus of our trading portfolio is not long term, short-term portfolio shifts can easily be undertaken. Second, LGT PB's trading portfolio is, with the exception of the automobile sector, not particularly exposed to sectors with substantial GHG emissions. The high allocation to the financial sector and no investments in the energy sector explain the high resilience of the trading portfolio towards climate-related risks. For further information, please see the "Metrics and targets" section.

Client investments

LGT PB's main tool for identifying climate-risks is our proprietary analysis tool, the LGT ESG Cockpit. With the LGT ESG Cockpit, we can identify potential sustainability risks and climate risks for most assets in our core investment universe and assign them a rating that provides an initial view of a company's strategy and commitment to reducing CO_2 emissions. We are currently screening the availability of forward-looking CO_2 data to be better able to simulate potential impacts on managed portfolios. We assess climate risk by asset, sector, portfolio and duration, and apply generally accepted standards such as PCAF calculation metrics (e.g. carbon footprint). We plan to use forward-looking data in our climate scenario analysis to better assess possible future impacts. Based on this, risk will then be determined for the short, medium and long term as being low, medium or high, which will support risk management decisions. In 2022, we analyzed various tools to support us in integrating forward-looking data into our identification and assessment procedures. We plan to assess tools that will support us with implementing climate scenario analysis.

Credit and loans

To evaluate risks caused by natural hazards, corresponding data on individual risks are necessary. The availability, accuracy and scope of data vary from region to region. LGT PB relies on publicly available data, such as those provided by the European Central Bank (ECB) or individual states. In Switzerland, for example, maps of water hazards, landslide hazards, avalanche hazards and vertical fall hazards are partly available on a property-by-property basis. They are classified using a color scale from "not affected", "low" or "medium hazard", to "significant hazard". Depending on the region, LGT PB tries to use as much data as possible and to integrate this data into the credit and risk processes.

LGT PB strives to be able to record data on climate risks and natural hazards in its systems to enable them to be evaluated more easily and quickly. Furthermore, these data are necessary for documentation purposes. LGT PB is currently in the process of obtaining an overview of the available data in the different markets in order to be able to subsequently extend the capabilities for data collection and processing in the credit systems. This process is expected to be completed in 2023 and will subsequently be revised periodically to respond to new developments. This will ensure that the assessment of climate risks is always in line with the latest standards.

Operations

For numerous years now, LGT PB has been collecting operational emissions data for Scope 1, 2 and 3 emissions to understand the consequences and report on them. Based on these data, we have been able to initiate measures such as the installation of photovoltaic plants and purchase of renewable energy. In the reporting year 2022, we conducted a survey on the commuting behavior, and collected data on the travel behavior of our employees.

For LGT PB Operations, risk assessments are based on the data collected either for environmental indicators, commuting or travel information. Analyzing these data allows us to react to potential changes, report to senior management on severe changes and take decisions to potentially lower emissions and make us more resilient to climate change. We select potential new buildings or measures for renovation on a more informed basis to reduce climate risks. In addition, we set clear emission reduction targets in our Sustainability Strategy 2030 and have a net-zero 2030 goal that will reduce our climate risks for operations. Regular monitoring and internal reporting of material sustainability risk exposures are ensured and changes in regulations and emerging sustainability risks are observed as part of the existing processes.

Managing and reporting climate risks

Appropriate risk management for climate-related risks is ensured through our governance structures, and climate-related risk management is to be embedded in our key processes. Once climate risk is identified and assessed, it must also be included in day-to-day risk management and reporting procedures. LGT PB considers climate change as a set of risk drivers and integrates them into traditional risk categories. They are therefore not regarded as a new risk category in the risk framework but rather as a risk driver that must be included in the decision-making process when managing different types of risk (e.g. internal research, investment and lending decisions, portfolio analysis).

LGT PB currently manages climate risks and opportunities in its day-to-day activities in a number of ways:

- Climate risk management responsibilities are defined according to our three lines of defense framework
- Assessing climate-related risks in our New Business Activity and Approval and Review process (NBAAR)
- Considering risks of climate-sensitive sectors in the management of our own investments
- Applying LGT's exclusion guidelines for thermal coal to own investments, client-advised and portfolio management mandates as well as credit and loans
- Including climate change considerations in material operational processes (e.g. ensuring compliance with LGT's Supplier Code of Conduct, supporting emerging climate-friendly technologies such as carbon-removal technologies)
- Generating ESG ratings for individual stocks and picking securities using the LGT ESG Cockpit
- The LGT ESG Cockpit with its star rating serves as a tool to transparently disclose to clients the sustainability performance of their investments
- Engagement with investee companies. For more information, see LGT's Stewardship Report 2022

The risk appetite must be in line with the conservative risk profile and address the short, medium and long-term impacts of sustainability risk. This is ensured through general screening criteria and quantitative and qualitative criteria. LGT PB will set thresholds and limits to constrain sustainability risk within acceptable levels. Key sustainability risk management is included in day-to-day risk management through integration into all relevant processes and is to be supported by guidelines, controls and qualitative or quantitative thresholds as appropriate (e.g. investment research, exclusion guidelines). Sustainability risk decision criteria and controls shall be implemented in all relevant processes with material sustainability risk, including approval and escalation in a timely manner by the responsible departments. Criteria can be quantitative or qualitative. We plan to expand the quantitative criteria with metrics based on widely accepted standards. This information shall be part of the monitoring and reporting processes.

Climate risk was integrated into LGT PB's risk appetite in 2022. In 2023, work will continue on expanding the set of metrics to support monitoring of the climate risk appetite on balance sheet positions. As mentioned in the "Governance at LGT Private Banking" chapter, the Risk Committee will monitor the risk appetite and therefore also quantitative climate risk indicators. We will progressively integrate further climate risk data as these become available. Reporting capabilities will be enhanced as the reliability of data increases.

LGT PB's voluntary commitment to partnerships and standards supports transparent reporting (for more details see the section "Engagement and leadership") and helps us to meet external reporting requirements, which complement this report.

Staff training is a further pillar that supports mitigation of climate-related risks. On the one hand, this is important in order to expand our capacity in this dynamic field and to ensure a common understanding of LGT PB's position on climate change. On the other hand, staff are required to follow guidelines in order to avoid the introduction of products not in line with our net-zero ambition or publishing misleading marketing materials or information. This is a task that is not only executed by our communications and HR departments, but is also controlled by our dedicated compliance experts.

Continuing to monitor regulatory changes in this area is an important task. As part of our overall regulatory screening, LGT's Regulatory Compliance teams also monitor changes and new initiatives with regard to climate regulations.

As part of our reviews, we assess our product range and client demand to ensure that the products and services we offer meet clients' needs with regard to climate change mitigation. Before introducing new products and services, these are assessed for climate-related risks according to predefined procedures within the New Business Activity Approval and Review process.

Regular monitoring and internal reporting of material sustainability risk exposures and emerging sustainability risks shall be ensured in the existing processes to report traditional risk categories.

Own investments

We adhere to our thermal coal exclusion policy for our own investments. In addition, we manage climate-related risks on asset and portfolio level by calculating GHG emissions and taking the sector into consideration. We plan to introduce a third-party tool for scenario analysis to support decision-making, monitoring and risk reporting in 2023. As part of this, we will review investment criteria and thresholds. For many years, we have made impact investments that aim to mitigate and reduce climate-related risks. We are convinced that with impact investments, we can contribute to the Paris Agreement and will therefore continue with this practice. This exercise will further enhance our monitoring and reporting of climate-related risks in our own investments.

Apart from taking the investment principles and any restrictions for the individual portfolios into consideration, decision-making will be guided by selected Key Risk Indicators (KRIs) to help ensure portfolio alignment with the Paris Agreement. The KRIs will help with the selection of issuers and calibrating portfolio allocation. Indicators should cover, for example, carbon footprints, identification of relevant pathways and contribution to overall climate-related goals. We plan to monitor how aligned the investment decisions are with climate mitigation and the adaptation required to support the goals of the Paris Agreement by using KRIs such as percentage of issuers aligned with a science-based 1.5°C or well below 2°C pathway (using a recognized framework such as SBTi), portfolio exposure to companies committed to a net-zero pathway (in % of overall asset value), portfolio exposure to climate-sensitive sectors at risk in the climate transition (in % of overall asset value) where this information is available. To oversee the management of climate risks within our own investments, we will expand climate risk metrics into our second line of defense processes. This will be complemented by more formal discussions within the responsible committees. Monitoring of the metrics and targets of own investments will be part of Group Risk Controlling & Security's reporting to the Risk Committee of the Foundation Board.

Client investments

In 2022, LGT PB (EMEA) repositioned the majority of assets within discretionary portfolio management to be compliant with Art. 8 requirements of the SFDR regulation, which involves managing these strategies to ensure a lower carbon intensity than their respective benchmarks. This has required integrating CO_2 data across our portfolio management monitoring systems to reduce carbon risk across LGT PB's mainstream mandate offerings. In addition, our core Focus Sustainability multi-asset solution is managed with a significantly lower carbon footprint than its respective benchmark, as the strategy avoids companies in sectors with elevated carbon risk, such as oil and gas, which provides a broad solution for clients committed to investing in line with net-zero requirements.

Our investment research has focused on providing research recommendations for companies that are well positioned to benefit from the increasing focus on climate change mitigation. The metrics used are based on quantitative screening with a mixture of data from different data providers and qualitative screening with dedicated client book initiatives. Specifically, equity research regularly publishes client book initiatives highlighting companies whose products and services are positioned to benefit from the demand for innovative solutions that improve energy efficiency and foster more renewable fuel sources. In addition, equity research regularly publishes research on "rising stars", featuring companies that are transitioning their business models to reduce carbon risk and benefit from the transition to a low-carbon economy.

As part of our net-zero investment strategy, stewardship will play an increasingly important role to ensure that our strategies incentivize investee companies in the real economy to reduce climate risk. In 2022, LGT PB joined Climate Action 100+, which is the largest collaborative engagement program on climate change, involving over 700 investors. In 2023, LGT PB plans to extend its climate engagement activities by entering into a dialogue with a wide range of our holdings to incentivize them to publish science-based carbon reduction targets and to engage with companies on the importance of science-based targets for investors. For further information, see LGT's Stewardship Report 2022.

In 2023, LGT PB will continue to strengthen its net-zero strategy and activities. Investment teams meet regularly as part of the Net Zero in Investments project to share best practice and ensure the further alignment of investment strategies with net zero. In 2023, in addition to strengthening our stewardship activities, LGT PB plans to strengthen its offerings, including developing portfolio management tools to assess net-zero alignment as well as advisory offerings that allow clients to better manage climate risk in their portfolio strategies. The transition to net zero will require concerted action across both finance and industry, and LGT is committed to ensuring that we contribute to this movement through compelling low-carbon investment opportunities for our clients and continuous dialogue with investee companies to encourage greater action to reach net-zero targets.

LGT ESG Cockpit

A key component of our climate risk management is the LGT Sustainability Rating. Launched in 2017, the LGT Sustainability Rating is calculated using the LGT ESG Cockpit, which integrates data from six third-party ESG data providers. With the LGT Sustainability Rating, we inform clients about the sustainability quality of their investments and the impact they have on the UN Sustainable Development Goals (SDGs). In addition, for certain mandates, we report specific indicators on the investments such as the CO_2 footprint to manage climate risk by providing transparency for clients, sensitizing them and enabling them to make informed investment decisions. The LGT Sustainability Rating is based on three factors:

- The ESG assessment of the company's operations, i.e. the degree to which it conducts business in a way that is environmentally and socially responsible (including factors such as GHG emissions, use of energy and natural resources, waste and toxic emissions, child labor, equal pay, diversity, etc.).
- Controversies, i.e. any negative incidents that occur in connection with a company's operations/manufacturing or the use of its products/services.
- The impact of a company's products and services. This involves an analysis of the positive or negative impact that a company's products and services have on people and the environment measured against the 17 SDGs.

The LGT ESG Cockpit, which was developed by LGT Capital Partners, is our proprietary tool to systematically generate ESG ratings for individual stocks and pick securities in accordance with ESG and climate criteria. With the LGT ESG Cockpit, we are able to analyze approximately 20 different KPIs per company, with individual weightings varying across sectors depending on their material significance. For instance, environmental aspects will be highly relevant for utilities or energy companies, while social factors will play a much more important role for healthcare or consumer-oriented companies. Every performance indicator is given a numerical value. These values lead to the company's overall rating for the environmental, social and governance (E, S and G) segments as well as its aggregate ESG score. The decision of whether to include a company in LGT PB's sustainable investment universe in line with ESG considerations is made on the basis of this overall rating, among other factors.

To obtain a complete and realistic picture of a company's sustainability quality, we have also incorporated controversies relating to companies. This involves accessing reports from over 80 0000 sources, such as the media and other public sources, in 20 languages. This information is prepared by an independent research company and relates to issues that are relevant from an ESG perspective, such as corruption allegations, human rights violations or environmental damage.

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

Integration of Principal Adverse Impact Indicators into the LGT ESG Cockpit

Principal Adverse Impact Indicators (PAI) have been integrated into our data set within the ESG Cockpit, and we take these indicators into account in our risk analysis.

Current integration of climate-related risks into the investment strategy

LGT PB has developed a framework that facilitates the systematic integration of ESG considerations, including climate risks and opportunities, into our investment research. Our approach is based on the following pillars:

- Integrating ESG into financial analysis: For equity investments, all company fact sheets include the LGT Sustainability Rating, which is based on the LGT ESG Cockpit, including climate data as well as a sustainability assessment written by our analysts, in addition to our traditional investment assessment with a rating. A similar approach is used for fixed income securities and funds.
- Integrating climate risk into portfolio management mandates: In 2022, LGT PB (EMEA) established guidelines for 80% of its traditional mandates to ensure reduced exposure to CO_2 emissions. This requires that portfolio managers across a range of mainstream strategies ensure that the CO_2 footprint of the portfolio remains lower than that of the corresponding benchmark.
- Climate assessments in third-party funds: In 2022, LGT PB (EMEA) and LGT Wealth Management in the UK integrated questions into their fund manager due diligence questionnaires to better understand the alignment of managers with net zero. This makes it possible to assess both managers' commitment to net zero and the funds' contribution to managing climate risks.
- Thematic ESG investment ideas: LGT PB (EMEA) provides thematic research recommendations that focus on companies whose products provide solutions to global sustainability challenges. On climate change specifically, LGT publishes a regular client book initiative, "Investing in climate action and clean energy", which features companies that are well positioned to benefit from long-term trends such as renewable energy, sustainable mobility and energy efficiency. This research highlights the long-term investment opportunities arising from the transition to a low-carbon economy.
- Stewardship: In 2022, LGT PB made significant progress on developing its stewardship efforts linked to climate change.

Specifically, LGT PB joined the Climate Action 100+ engagement initiative. For more information, see our Stewardship Report 2022.

ESG-related investment guidelines consist of our exclusion policies. These apply to all advised client investments, managed mandates, own investments as well as lending business. Adherence is monitored by a dedicated compliance team with independent and systematic pre- and post-trade controls as well as within the credit department.

LGT Private Banking's exclusion guidelines

We consistently avoid investments that present sustainability risks, and especially climate risks. In this context, we are convinced that a shift away from thermal coal is urgently necessary to limit global warming. A key measure in this context is LGT PB's thermal coal exclusion policy, which was introduced at the beginning of 2020. The exclusion policy applies to the entire LGT Group and pertains to LGT PB's trading book, all LGT funds and mandates managed by LGT PB as well as Lombard loans. External asset managers who manage mandates for LGT are encouraged to apply similar standards.

We also exclude unconventional oil and gas extraction activities from LGT Capital Partners' sustainable investment funds due to their severe climatic, environmental and social risks. Unconventional production includes the extraction of oil and gas from tar/oil sands, shale oil, shale gas and Arctic wells. In the area of conventional oil and gas production, we limit ourselves to companies that are strongly committed to the energy transition and have low revenues from oil and gas production.

More information on the guidelines can be found here:
LGT PB's thermal coal exclusion policy

Credit and loans

LGT PB has taken appropriate measures to minimize the climate and environmental risks in the mortgage portfolio. The first step was to identify and assess these risks by collecting data for each mortgage loan. The second step was to apply generally acknowledged standards, such as the PCAF Standard, to calculate the respective GHG emissions.

Earthquakes pose a real catastrophe risk in Liechtenstein and Switzerland. However, most buildings in these countries are not insured against damage caused by earthquakes. As a result, since 1 January 2019, the properties of LGT PB mortgage clients have been insured against earthquake risks to the mortgage amount free of charge. Each property with an LGT PB mortgage is automatically insured. In addition, costs of clearing up following an earthquake are also insured up to a maximum of CHF 200 000. The deductible is a flat-rate amount of CHF 50 000 per property irrespective of the mortgage amount. In addition to LGT PB's earthquake insurance, it is mandatory that clients insure their buildings against fire, water and natural hazards. The insurance amount is checked regularly by LGT PB. If a shortfall in cover is identified, the borrower is requested to increase the sum insured. The insurance sum is based on the building's characteristics, whereby adequate coverage must be ensured. This protects both the client and the bank from financial losses resulting from physical risks, for example, unexpected and extreme natural hazards that cause damage to the building.

For the property valuation, LGT PB works with recognized valuation tools and regional valuation experts. In the process of determining the loan-to-value basis, regionally available and publicly accessible climate risk data are used. In determining the applicable value, publicly available databases and risk tables are consulted to see whether the property to be financed is exposed to an increased climate risk. If that is the case, the loan-to-value basis is adjusted to mitigate any credit risk that may arise as a result. Due to local differences and availability of such databases, climate risks may be evaluated and considered. LGT PB's conservative credit strategy is also applied here. This ensures that future impairments due to climate change are identified at an early stage and the impact on credit risk is mitigated. This review is carried out periodically at the time of application and, if necessary, adjustments are made. The procedure in LGT PB's various target markets may differ due to different data availability.

In 2022, within the mortgage business, LGT PB started to ask for properties' energy performance data, for example an energy performance certificate, for every mortgage request as well as for all reviews of existing financings. These data are required in order to calculate the current sustainability quality of the mortgage portfolio as well as to monitor the development according to LGT PB's net-zero goals. To record the energy efficiency data in the internal systems, we have set up an initiative to collect the data required for all buildings we have financed and that will be financed. For new applications and prolongation processes, we collect more data, for example, energy efficiency certificates such as GEAKs. The higher the data quality, the more accurate the calculations.

With the LGT environmental mortgage, clients in Liechtenstein who build sustainably or renovate their properties to improve energy efficiency can benefit from a one-off bonus of up to CHF 10 000. The product is intended to support clients in their commitment to sustainable development and the efficient use of natural resources. More offerings like the LGT environmental mortgage are currently being reviewed or implemented and will be launched in the coming years.

LGT PB notes that client interest in sustainable as well as energy-efficient buildings is steadily increasing. LGT PB therefore plans to provide a corresponding consulting offering. Clients are to be informed about renovation options and their financing on a property-specific basis. Implementation is currently pending and will start during the course of 2023.

Operations

To ensure the safety of employees and visitors, we have processes in place to mitigate and control risks associated with acute weather events, for example. When moving into new premises or performing renovations on an existing building, thorough environmental assessments are carried out prior to any decisions, taking the location and the building itself into consideration. With regard to procurement, we cautiously select our suppliers based on our Supplier Code of Conduct.

LGT PB also expects its suppliers around the world to operate sustainably. Climate-related principles are set out in the Supplier Code of Conduct, which is an integral part of every supplier's contract. With this, the supplier commits to comply with important standards and conventions. We monitor and audit our suppliers' adherence to these principles. If we identify a clear breach, we will terminate the supplier relationship. The Supplier Code of Conduct ensures compliance along the entire value chain.

We have taken measures to ensure progress in reducing GHG emissions from operations, which are linked to our targets set out in our Sustainability Strategy 2030, for example, to reduce Scope 1 and 2 GHG emissions by 90 percent (baseline year 2019), and to reduce energy consumption by 30 percent per FTE (baseline year 2019) by 2030. To achieve these targets, we have developed local roadmaps, installed photovoltaic plants for direct energy usage and renovated our buildings in Switzerland and Liechtenstein according to the Minergie standard. New buildings are constructed in a sustainable manner and according to the highest sustainability certification, such as Minergie or LEEDS. In Zurich and Geneva, we cool and heat our buildings with lake water.

To reduce our energy consumption even further, we purchase renewable energy where possible. As part of our Sustainability Strategy 2030, we committed to using 100% renewable electricity and 100% renewable heating or district heating by 2030 and are on track to reach that goal. Thanks to new technological possibilities such as video conferencing and remote working, we can optimize our environmental footprint even further. We raise employee awareness of sustainability and sustainable investing through internal trainings and programs at the Liechtenstein Academy. In addition, we regularly conduct campaigns to sensitize our employees to these topics (for more information, see LGT Group's Non-Financial Report 2022).

As described in the next section, we have set clear and measurable CO_2 reduction goals to reduce our emissions in all scopes related to our own operations, and with the Sustainability Strategy 2030 we have committed to reduce our operational emissions to zero. We offset our CO_2 emissions from operations with Gold Standard-certified projects and we will continue to do so for all emissions we cannot reduce to zero. In addition, we signed a first agreement with Climeworks according to which they will remove 9000 tons of CO_2 from the atmosphere for us between 2025 and 2030. Furthermore, we have aligned with others and invested in the NextGen CDR Facility from South Pole to ensure that we have access to further removal certificates to help us reach our net-zero 2030 target.

Metrics and targets

After setting our overall net-zero emissions target for 2030, we defined sub-targets based on LGT PB's business activities. These sub-targets fall into four different categories. Due to the industry we operate in and the business we conduct, separating our emissions in accordance with the GHG protocol is not a straightforward undertaking, as most emissions are associated with GHG Scope 3.15 "Investments". Scope 3.15 emissions are therefore split into three categories and emissions associated with all other scopes are bundled into one category:

- Operations (scope 1, 2 and 3.1–3.14)
- LGT PB's own investments
- Advised client investments and discretionary mandates
- Credit and loans

As a founding member of the NZBA, we are committed to transition all operational and GHG emissions attributable to our lending and investment portfolios to align with pathways to net zero by 2050, or sooner, including CO_2 emissions reaching net zero at the latest by 2050. The progress being made on achieving net-zero emissions is monitored and adjusted every three years. As part of such an adjustment process, we have started to define initial sub-targets for specific areas. Based on our NZBA commitment for setting targets, we focus on our operations, our own investments and credit and mortgages to reach LGT PB's overall target of net-zero emissions by 2030.

To support consistent calculation of metrics, LGT PB applies PCAF Standards for own investments and financing.

High-quality data and transparent reporting are key to reaching our goals. We are continuously improving the data quality and expanding the data set. LGT PB already collects data on its operational emissions but will continuously optimize and expand the quality thereof. We apply global and local reporting standards such as the GHG Protocol and the PCAF Standard, also in cases where there is no obligation to do so.

Own investments

We calculated the following metrics to report our financed Scope 3 category 15 GHG emissions in our trading portfolio in accordance with the recommendations made by the TCFD to assess and track our exposure in our trading portfolio. The Scope 1 and 2 GHG emissions from our trading portfolio calculated as per PCAF Standard are listed in the following table. The data quality score for this calculation is 1 according to the PCAF Standard.

Table 4: Trading portfolio, summary of our key climate metrics

Measure	2022	2021	Actual coverage
Financed Scope 1 emissions (tCO_2e)	1 171	1 961	86%
Financed Scope 2 emissions (tCO_2e)	2 494	2 911	86%
Financed Scope 1 & 2 emissions (tCO_2e)	3 666	4 873	86%
Carbon footprint Scope 1 & 2 (tCO_2e/USD m invested)	2	3	86%
WACI* Scope 1 & 2 (tCO2e/USD m revenue)	11	9	99%

*Weighted average carbon intensity

Table 5: Trading portfolio, investment per sector

Sector*	2022	2021
Communication Services	2%	2%
Consumer Discretionary	8%	15%
Financials	89%	80%
Industrials	0%	1%
Technology	0%	2%
Materials	1%	0%

*Parent issuer sector allocation according to GICS

Reduction in emissions over time is attributed to divesting from issuers (automobile industry) by half and reducing exposure to the top contributors.

Our target is to reduce our emissions as far as possible and to offset any remaining GHG emissions to net zero by 2030. Also, we plan on further specifying targets for own investments based on the knowledge we obtained from the 2022 scenario analysis exercise, for example, portfolio alignment and asset emission intensity, to underline our net-zero 2030 ambition. We plan to develop more granular targets for managing the trading portfolio. We intend to include forward-looking metrics and expand the carbon emission reduction targets for our own investments in 2023. This will support us in measuring our progress against these targets and to include this information in our reporting to monitor our portfolios' alignment with the Paris Agreement. In 2022, we determined relevant methodologies and metrics to support us in decarbonizing our own investments. To meet our investment targets, we will use a climate scenario exercise for our own investments to identify how climate-related risks may impact the portfolio. LGT PB aims to also calculate the Scope 1 and 2 emissions for the remaining portfolios of own investments as far as data is available. Also, LGT PB will finalize target-setting for GHG emissions reduction in line with our risk appetite to further support and track the decarbonization of our own investments. Monitoring of these metrics and targets of own investments will be part of Group Risk Controlling & Security's reporting to the Risk Committee of the Foundation Board.

Client investments

In 2022, we began reporting on the carbon footprinting across all client portfolios (advised and discretionary mandates). In 2023, we will decide on methodologies and metrics to integrate forward-looking data into our risk management processes, which will support us in defining decarbonization targets.

Credit and loans

The calculations were performed using the PCAF methodology for properties booked with LGT Bank Liechtenstein and Switzerland, and cover approximately 98% of the mortgage loan portfolio as at the end of 2022. Both client loans and loans to own employees were taken into account. The remaining part of the financing is not covered by the PCAF methodology, cannot be calculated due to missing data or is booked with another unit of LGT PB.

Calculation methodology

The calculation of the financed emissions of the mortgage portfolio is based on the PCAF methodology. LGT PB has implemented this methodology to the best of its ability, but certain complex loan constellations are not yet fully covered by the PCAF methodology. In these cases, LGT PB has defined solutions itself so that the PCAF methodology can still be applied. It should be mentioned that these are small deviations that were made on a conservative basis, which makes the results less favorable for LGT PB. These deviations are explained individually on the following pages.

In the case of LGT PB mortgages, it is sometimes possible for several properties to serve as collateral for one financing transaction. In such cases, the loan-to-value basis of all properties is added together and set in relation to the financing. The emissions are then calculated per property using the overall loan-to-value ratio. In this way, the loan-to-value approach is implemented even for complex loan constellations.

We apply the highest possible data quality to calculate the financed emissions. If emission factors for a country or object category are not available, we apply proxies. LGT PB assumes that the database will be continuously supplemented and expanded so that this measure will no longer be needed in the future.

Data quality is of immense importance for the calculation of financed emissions. It is therefore important to point out that larger fluctuations between results are to be expected in the coming years until the available data on absolute emissions become more accurate, differentiated and standardized. More specifically, LGT PB anticipates that when data quality is higher (e.g. PCAF Score 1), the deviation from real absolute emissions will be smaller than when data quality is lower (e.g. PCAF Score 5) and estimated values are assumed. LGT PB therefore aims to continuously improve data quality so that the calculation results can be given as realistically as possible.

For the calculation and evaluation of the financed emissions, objects are divided into the following PCAF asset classes:

Table 6: PCAF asset classes

PCAF asset class	Object type
Mortgages	Apartment building, freehold flat, two-family house, residential and commercial building, detached house, semidetached house, villa
Commercial real estate	Hotel, guest house, business premise, factory building/equipment, small trade, commercial property, sales outlet, agriculture and forestry

The results of the calculation as at year-end 2022 are shown in the following table.

Table 7: Financed emissions per asset class and property category

Activity	Outstanding in CHF million	Measured in CHF million	Financed emissions in tCO_2	Emission intensity in tCO_2/CHF m	PCAF weighted data quality score (high quality = 1, low quality = 5)
Mortgages		4 199	13 244	3.15	4.0
Commercial real estate		324	3 196	9.87	4.1
Total	**4 624**	**4 523**	**16 440**	**3.63**	

Calculations of financed emissions were performed using the PCAF methodology and cover 98% of LGT PB's mortgage portfolio as of year-end 2022. This resulted in a calculation of 16 440 tons of CO_2, including Scope 1 and Scope 2 emissions from our clients. The remaining 2% of LGT PB's mortgage portfolio is accounted for by financings not covered by the PCAF methodology, where data quality was insufficient or which were booked with another LGT PB entity. It is important to mention that in the coming years, there could be large differences in the results, as the data quality may improve.

The table shows the total amount outstanding in CHF million for the booking centers at LGT Bank Liechtenstein and Switzerland. Due to different accounting standards, this number may vary from the numbers in the Annual Report. The difference between the outstanding and the measured amount is mostly caused by financings on building grounds which are not included in the PCAF Standard. Financed emissions in tCO_2 are total CO_2 emissions that are attributable to LGT PB, and emission intensity in tCO_2 per CHF million shows how many tCO_2 emissions are emitted per CHF 1 million mortgage loan. The "PCAF Weighted data quality score" is the weighted PCAF data quality score that was used for calculations based on the PCAF Standard. The categorization of the asset classes is shown in Table 7.

Operations

Operations metrics and targets to minimize climate impacts – direct impact (Scope 1, 2 and 3.1–3.14)

The GHG Protocol is the world's most widely applied GHG accounting standard. LGT PB uses the GHG Protocol as the standard basis for collecting and calculating key figures.

Figures that are already being collected are:

- Energy (heating/cooling and electricity), Scope 1 direct emissions, Scope 2 indirect emissions, and fuel and energy-related activities
- Flights, business travel
- Waste, waste generated through operations
- Paper and water, purchased goods and services

Our operational targets:

- Reduce energy consumption/FTE by 30 percent by 2030 (compared to 2019)
- Use 100 percent renewable electricity and 100 percent renewable heating or district heating by 2030
- Reduce Scope 1 and 2 emissions by 90 percent by 2030 (compared to 2019)
- Reduce flight emissions/FTE by 50 percent by 2030 (compared to 2019)
- Reduce paper consumption/FTE by 50 percent by 2030 (compared to 2019)

Table 8: Operational data[1]

Measure		2022	2021	2020	2019	2018
CO_2 emissions LGT total	Metric tons	13 296	4 811	3 932	9 083	9 519
Scope 1	Metric tons	299	262	428	510	401
Scope 2 "market-based"	Metric tons	2 477	2 186	1 956	1 910	2 034
Scope 2 "location-based"	Metric tons	3 062	2 634	2 851	2 718	2 831
Scope 3.1–3.14	Metric tons	10 521	2 363	1 549	6 663	7 085
		2022	**2021**	**2020**	**2019**	**2018**
CO_2 emissions LGT FTE	kg	2 816	1 219	1 065	2 571	2 900
Scope 1	kg	63	66	116	144	122
Scope 2 "market-based"	kg	524	554	530	541	619
Scope 2 "location-based"	kg	648	667	772	769	862
Scope 3.1–3.14	kg	2 228	599	419	1 886	2 158

[1] Data 2018–2021: Retroactive correction due to more accurate data basis

In the past, we have recorded the following emissions categories according to the GHG Protocol: energy with heating/cooling and electricity (in Scope 1 direct emissions, in Scope 2 indirect emissions and in Scope 3 fuel and energy-related emissions); business flights (in Scope 3 business travel); waste (in Scope 3 waste generated in operations); and paper and water consumption (in Scope 3 purchased goods and services).

For 2022 and future years, there have been and will be a few changes in the recording of GHG emissions: first of all, 2022 is the first year in which emissions from employee commuting were recorded. That includes not only the emissions from the various means of transportation staff members use to get to work, but also the emissions generated by additional power consumption due to remote working. In addition, emissions from purchased goods and services will be recorded in even greater detail in the future. Finally, we are also currently collecting data to assess emissions from transport and distribution. Given the materiality, we will include the emissions resulting from these activities in the GHG accounting for 2023. This will cover all relevant emissions categories for our ongoing operations in accordance with the GHG Protocol.

The inclusion of employee commuting, the transition to post-pandemic life in 2022, which has caused a resurgence in flight activity, as well as the continuous expansion of LGT PB are the main reasons that absolute GHG emissions rose above the levels of previous years. Emissions per FTE, however, are at around pre-pandemic levels (above 2019, below 2018 and 2017). This is because a relative emission reduction through continuous increase in energy efficiency, increased share of renewable thermal energy and flight activity, which still has not completely recovered from the pandemic, has been offset by the additional emissions from employee commuting.

LGT PB has focused on sustainability in its facility management for many years. New buildings are constructed exclusively according to LEED or equivalent standards, and we continually optimize the energy consumption of existing buildings. During renovations of the façade of our Service Center in Bendern (FL), we replaced the windows with thermal insulation glass, also to substitute external shading. In addition, we replaced the interior blinds with new glare protection. In the course of the renovations, a photovoltaic system was installed on the exterior façade, which supplies LGT PB with solar electricity. We continued to benefit from these measures in 2022. Further, due to the threat of the energy supply shortage in Europe, LGT PB (EMEA) has implemented a range of short-term energy efficiency measures. This includes reducing office temperatures, the number of hours lights are on and the intensity of lights. Further energy-saving measures were adopted in Asia and the UK in 2022. For more information, see LGT's Non-Financial Report 2022. Overall, energy use per FTE has decreased by 34 percent since 2017.

Photovoltaic and solar units on all LGT PB buildings in Liechtenstein and Switzerland produce electricity and heat. In Bendern, Vaduz and Zurich, LGT PB uses heat exchangers to convert the waste heat from cooling units into heating energy.

We strive to reduce LGT PB's overall business travel. To reduce traffic, LGT PB actively encourages its employees to use public transportation. In Switzerland and Liechtenstein, this is done by offering financial incentives and platforms for alternative mobility solutions. LGT PB also promotes e-mobility. Charging stations for electric cars are available for both clients and employees at several locations.

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Essential sources of information

Our analysts draw on publicly accessible information we consider to be reliable. For the compilation of the analysis, publications by domestic and foreign media and news services (e.g. Reuters, Bloomberg, VWD etc.), business publications, trade publications, statistics and rating agencies were used, together with information from the issuers of the analyzed securities – mainly via the Internet, but also in writing or by telephone. We also procure information from investment banks (sell-side research and primary research).

Reference regarding valuation rates

Unless otherwise stated or specified, the rates used in the analysis are normally the share prices provided by the news agencies Reuters and/or Bloomberg at the close of the stock exchange of the domestic market of the analyzed security or the relevant principal market of this security on the respective local stock exchange on the eve of the day of compilation.

Explanation of investment recommendations for stocks

We apply a "hybrid approach" (internal fundamental analysis combined with "theScreener", an external, purely quantitative analysis tool). TheScreener is based on purely quantitative, i.e., computable variables such as (but not exclusively restricted to) profit adjustments of the past few weeks, stock valuation in relation to historical performance and comparison groups, the technical trend, performance in relation to the market etc. The assessment of the equity analysts, which is largely based on a qualitative analysis, does not need to match with the one of theScreener. For the overall judgement the assessment of the equity analysts overrides the one of theScreener. LGT Bank (Switzerland) Ltd. categorizes its analysis recommendations into five ratings: for a "Buy" recommendation we expect a relative outperformance compared with the sector. Only equities subjected to an internal fundamental analysis can be rated "Buy". The recommendation "Attractive" is used for equities exclusively ranked by theScreener without any internal fundamental analysis as "slightly positive" or "positive". A moderate relative outperformance versus the index is expected. For equities that we rate as "Hold" we expect a performance largely in line with the one of the sector. This can comprise both equities for which a fundamental analysis has been carried out as well as equities that theScreener ranks as "neutral" versus the index. The recommendation "Unattractive" is used for equities exclusively ranked by theScreener without any internal fundamental analysis as "slightly negative". A moderate relative underperformance versus the index is expected. By contrast, "Sell" recommendations are based on the expectation of a relative underperformance compared with the sector. This can comprise both equities for which we are recommending "Sell" for fundamental reasons as well as equities that theScreener ranks as "negative" versus the index. Therefore the ratings always reflect a relative consideration versus the sector and/or index specified by theScreener . The risk assessment is based on the individual judgement of the analyst (e.g., we assume a "high" risk for illiquid shares, highly indebted companies or shares from developing countries).

Reference regarding share valuation basis: The analysis compiled by LGT Bank (Switzerland) Ltd. are essentially based on secondary research relating to fundamental and quantitative analysis. Generally accepted valuation methods (valuation multiples, return figures, sector comparisons, comparisons with past valuations etc.) are used for this. The forecasts for the quantitative analysis are prepared with the help of mathematical-statistical procedures (see statements above concerning the analysis tool "theScreener"). Economic indicators such as interest rates, currencies, commodity prices and assumptions relating to the economy are included in the overall assessment. The mood of the market also affects the company valuation. Moreover, many of the approaches are based on estimates and expectations that may change quickly and without warning, depending on developments specific to the industry. Therefore, the recommendations derived from the analysis can also change accordingly. The investment judgements generally refer to a period of 6 to 12 months. However, they are also subject to market conditions and represent a snapshot of the situation. They may be achieved more quickly or more slowly or be revised upwards or downwards.

Explanation of investment recommendations for bonds

We employ both qualitative and quantitative methods to derive our recommendations, which are to be seen as relative to sector/quality peers among comparable maturities. "Buy" and "Sell" recommendations demand a qualitative in-house analyst opinion, in which we incorporate both historical and projected financial results and credit metrics as well as past and anticipated company and sector-specific observations and trends. We recommend "Buy" for a security for which we expect a strong relative outperformance compared to sector/quality peers among comparable maturities. We recommend "Sell" if we expect strong relative underperformance compared to sector/quality peers among comparable maturities. The ratings "Attractive", "Hold" and "Unattractive" can be based purely on a quantitative approach, which includes the market price of credit risk, valuation of equities and associated instruments, corporate leverage, liability structure, size, and agency rating. We recommend "Attractive" for a security for which we expect a relative outperformance compared to sector/quality peers among comparable maturities. We recommend "Hold" if we expect an average performance compared to sector/quality peers among comparable maturities. We recommend "Unattractive" if we expect a relative underperformance compared to sector/quality peers among comparable maturities.

This publication does not constitute either an issuing or listing prospectus, nor any other kind of prospectus. This publication also does not constitute any offer for subscription or any other transaction or obligation.

Definition of rating categories of S&P and Moody's which are relevant for us:

- AAA/Aaa: Borrower with highest credit quality. Default risk also virtually negligible over the lon-

ger term
- AA/Aa: Safe investment, default risk virtually negligible but more difficult to assess in the longer term
- A: Safe investment as long as no unforeseen events impair the overall economy or sector
- BBB/Baa: Average investment. However, problems must be expected if the overall economy deteriorates
- BB/Ba: Speculative investment. Defaults must be expected if the economic situation deteriorates
- B: Highly speculative investment. Defaults are likely if the economic situation deteriorates

For more information on our single stock/single bond recommendations, please contact your LGT relationship manager or your local LGT Group company.

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