LGT CAPITAL PARTNERS

LGT Capital Partners TCFD Report 2024

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Message from the CEO

Dear Stakeholders,

Over the past year, we have seen the global climate landscape become more fragmented than ever as some regions and industries accelerate their transition to a low-carbon future, while others retreat, questioning the pace and scope of climate action. This growing divide presents new challenges and complexities for investors, reinforcing the need to establish a clear and consistent approach to managing climate-related financial risks and opportunities around the globe.

At LGT Capital Partners, we remain committed to integrating climate considerations into our investment processes. With the support of our owner, the Princely Family of Liechtenstein, we believe that a disciplined, long-term perspective on climate risks and opportunities is essential to deliver attractive and sustainable risk-adjusted returns for our clients.

This report, which is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), provides an update on our approach to managing climate risks and opportunities. We believe that transparency is of the essence in this new and more complex climate era. The report therefore clearly explains how we assess the financial impacts of climate change, how we integrate climate-related factors into our investment strategies and how we engage with managers as well as companies to drive meaningful progress. All of these efforts are designed to ensure that our clients' capital is allocated to companies that are positioned for long-term success.

In 2024, we continued to refine our approach to climate action. Some of the key developments during the year included:

- Integration of forward-looking information into our climate action framework based on the Net Zero Investment Framework (NZIF). The implementation of a net zero pathway alignment categorization allows us to derive interesting insights into how listed global companies are aligned with net zero, as well as assessing and comparing some of our portfolios to relevant benchmarks.
- Election of LGT Capital Partners as a member of the Steering Committee of the ESG Data Convergence Initiative (EDCI), reflecting our desire to play an active role in shaping the future of ESG and climate integration in private markets.
- Development of a structured approach to identify companies within our investment universe that deliver climate solutions based on a framework that assesses revenue contributions from the companies' products and/or services that have a positive contribution to climate change adaptation and mitigation.

These various developments demonstrate our commitment to drive innovation, collaboration and responsible business practices at LGT Capital Partners in order to adapt to a world where climate change represents a substantial and growing risk.

I would like to take this opportunity to express my gratitude to our clients, our owner, our staff members and other stakeholders for their continued support and commitment to our shared sustainability goals. I am convinced that through our collective efforts, we can make a meaningful difference in addressing climate challenges and driving positive change.

Sincerely,
Roberto Paganoni, CEO
LGT Capital Partners

Who we are

The firm

LGT Capital Partners is a privately-owned global multi-alternatives firm, serving institutional clients around the world who are primarily invested in alternative asset classes and multi-asset products and we have over USD 100 billion of assets under management. We provide investment solutions that leverage our expertise in private markets, diversifying strategies as well as dedicated sustainable and impact strategies.

Our firm dates back to 1998 and is privately owned by the Princely Family of Liechtenstein. We manage the LGT Endowment (see below) based on a long-term appraoch combined with ESG integration. As a principal investor, we invest in our own strategies alongside our clients. The Princely Family and LGT employees have co-invested over USD 4 billion in our funds, demonstrating the close alignment of our interests with those of our clients.

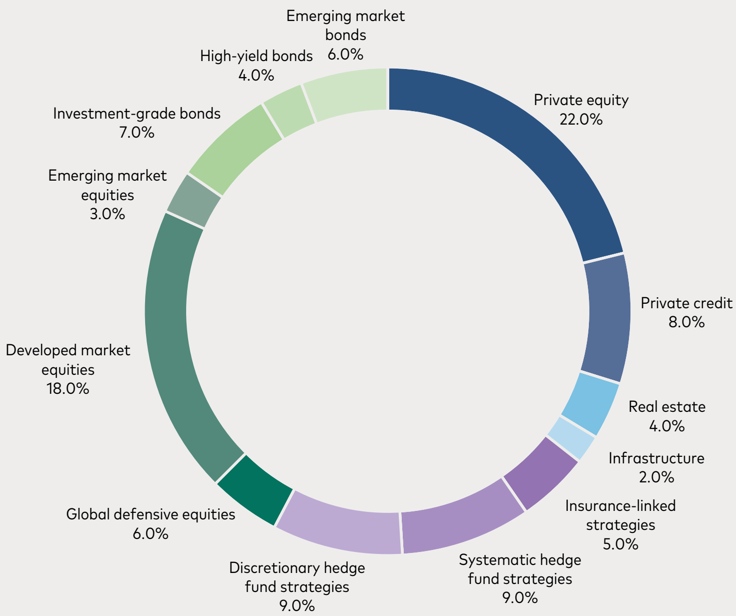
With a strong and stable global platform, we are ideally positioned to partner with our more than 700 institutional clients around the world. They are served by over 850 professionals who combine global knowhow with specialist local investment expertise to meet individual client needs and are based in 15 offices in major investment hubs in Europe, North America and Asia-Pacific.

LGT Endowment

The Princely Family of Liechtenstein established LGT Capital Partners in 1998 with a clear objective: to deliver equity-like returns and capture significant market upside, while being cushioned on the downside – ideally in the range of 2/3 to 1/3, similar to the approach taken by university endowment funds in the US. Based on this fundamental idea, we developed a long-term and, above all, pioneering investment strategy consisting of at least 50% alternative investments.

The LGT Endowment has become one of the largest funds of its kind in Europe and includes a comprehensive ESG integration and climate budgeting framework. Its investment universe is unconstrained and encompasses a wide range of attractive global opportunities.

LGT Endowment SAA 2024[1]



[1] The quotas above represent the long-term, strategic asset allocation (SAA). The actual, invested asset allocation can deviate significantly from these numbers for tactical and portfolio management reasons. Please note that the portfolio has 3% leverage and that the 3% allocation to the dynamic protection strategy is an overlay strategy and is thus not added to the overall sum of assets allocated.
Source: LGT Capital Partners

Long-term focus on ESG

At LGT Capital Partners, our long-term perspective and focus on environmental, social and governance (ESG) integration are core elements of our investment approach and corporate culture. We believe that a long-term investment approach, coupled with a strong focus on ESG principles, is essential to achieve sustained success. This applies to our investment activities and to the solutions we deliver to our clients, as well as to our business operations as a whole. Our ESG commitment dates back to 2003. Over time, our engagement in the ESG space has grown and evolved continuously.

Focus on outcomes

A key aspect of our approach to ESG and sustainable investing is our longstanding focus on measurable outcomes. For a global investor like LGT Capital Partners, who invests across asset classes and strategies, outcomes are measured in different ways. For our multi-manager strategies, such as private markets, hedge funds and long-only, we focus on the ESG practices of our managers, from aligning portfolios to meet carbon emission reduction targets to increasing the integration of diversity, equity and inclusion (DEI) aspects into investment decision-making processes.

For direct investment strategies we assess for example how closely our public equity and fixed income portfolios are aligned with the Sustainable Development Goals (SDGs). For our insurance-linked strategies (ILS), we would consider whether transactions are in line with our high ESG standards and are effective in mitigating environmental or social risks.

Focus on climate change

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

LGT Capital Partners is a signatory to the Net Zero Asset Managers initiative (NZAM) and we are committed to reaching net zero GHG emissions by 2050 across all assets under management.[1]

Climate action journey

2008 – 2018
- Joined PRI[2]
- Launched sustainable funds[3]
- Joined Carbon Disclosure Project (CDP)
- Firm-wide exclusion of thermal coal
- Managing partner joins PRI Board

2019
- Integration of SDG impact
- Joined Initiative Climat International (iCI)
- Joined Institutional Investors Group on Climate Change (IIGCC)

2020
- Developed and implemented science-based carbon budgeting approach for portfolio alignment

2021
- Launched first impact private equity fund with climate change as one of three core themes
- Joined NZAM
- Signed up for Climate Action 100+
- Established dedicated Climate Action sub-committee
- Integration of climate change considerations into scenario framework for asset allocation

2022
- First public disclosure of net zero targets[4]
- Joined EDCI for more data transparency in private markets, including GHG metrics and targets
- Reached net zero alignment of LGT Endowment

2023
- Signed up to NZEI[5]; two lead engagements
- Publish quarterly ESG report for LGT Endowment, including detailed insights on climate action
- Completion of firm-wide LGT CP Climate Action Policy
- Achieved 39% reduction in carbon intensity of LGT Endowment (vs. Q1/2021)

2024
- Integrated the topic of Biodiversity in our Climate Action Committee
- Joined the EDCI steering committee
- Created NZIF alignment framework

[1] At the time of writing this report, NZAM has suspended its activities and is conducting a review to ensure it remains relevant and effective in the evolving climate landscape. Climate experts from LGT Capital Partners are actively involved in the consultation. At this time, LGT Capital Partners is maintaining its NZAM commitment.
[2] Principles for Responsible Investment
[3] Launch of dedicated LGT sustainable funds and LGT CP ESG Cockpit
[4] NZAM Initial Target Closure Report May 2022
[5] Net Zero Engagement Initiative (NZEI)
Source: LGT Capital Partners

About this report

At LGT Capital Partners, we strive to provide accurate, transparent and consistent disclosures on financial and non-financial matters. As part of this commitment, we recognize the importance of the TCFD framework, which is designed to facilitate a standardized approach to climate-related financial disclosures and to promote more informed investment decision-making. This, in turn, will enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

This report contains information on our governance structure and outlines how climate-related considerations are embedded in our decision-making processes. It also describes our strategic approach, explaining how we assess and manage climate-related risks and opportunities to enhance the resilience and sustainability of our investment portfolios. Additionally, we provide insights into our risk management practices, including the methodologies that we use to identify and measure climate-related risks.

Scope of this report

This TCFD Report covers the period from 1 January 2024 to 31 December 2024. It was approved by the LGT Capital Partners Executive Committee on 5 May 2025.

The report covers entities and/or selected entities, as deemed relevant in this context, which are controlled or held by LGT Capital Partners Group Holding.

Governance

Organizational framework

This Governance section provides a comprehensive overview of the organizational framework, policies and practices that govern our approach to addressing climate-related risks and opportunities.

At LGT Capital Partners, two governing bodies are responsible for managing climate-related matters:

- The **Board of Directors**, as the most senior governing body, provides strategic leadership and oversight, including the integration of climate-related considerations in our risk management processes and investment decisions.

- The **Executive Committee** is responsible for the oversight of daily operations and defining steps to implement the Board's strategic direction, including climate action.

The Board of Directors has ultimate responsibility for and oversight of LGT Capital Partners' commitment to reaching net zero by 2050. Its role in overseeing sustainability is vital to ensure that ESG considerations are integrated into our strategy and operations and that sustainable practices are implemented effectively.

The Chairman of the Board of Directors, H.S.H. Prince Max von und zu Liechtenstein, brings extensive sustainability expertise to the role and is able to provide key insights to the Board when reaching decisions on sustainability-related matters and to foster a clear understanding of climate action. In 2007, he established LGT Venture Philanthropy, which made its first impact investment in 2009. The impact investing portfolio that evolved from LGT Venture Philanthropy formed the basis for the establishment of Lightrock, a dedicated impact manager. This clear and longstanding expertise on climate-related risks and opportunities at Board level is a key factor that has driven LGT Capital Partners' decision to dedicate significant efforts and resources to addressing the topic of climate action.

In addition, several Board members completed the "Understanding ESG" course that we launched in 2023 as part of the firm-wide effort to deliver ESG training. This course is designed to enhance the participants' knowledge and understanding of ESG topics, ensuring that Board members are well equipped to make informed decisions that align with our sustainability goals. For further information, see the "ESG training" section.

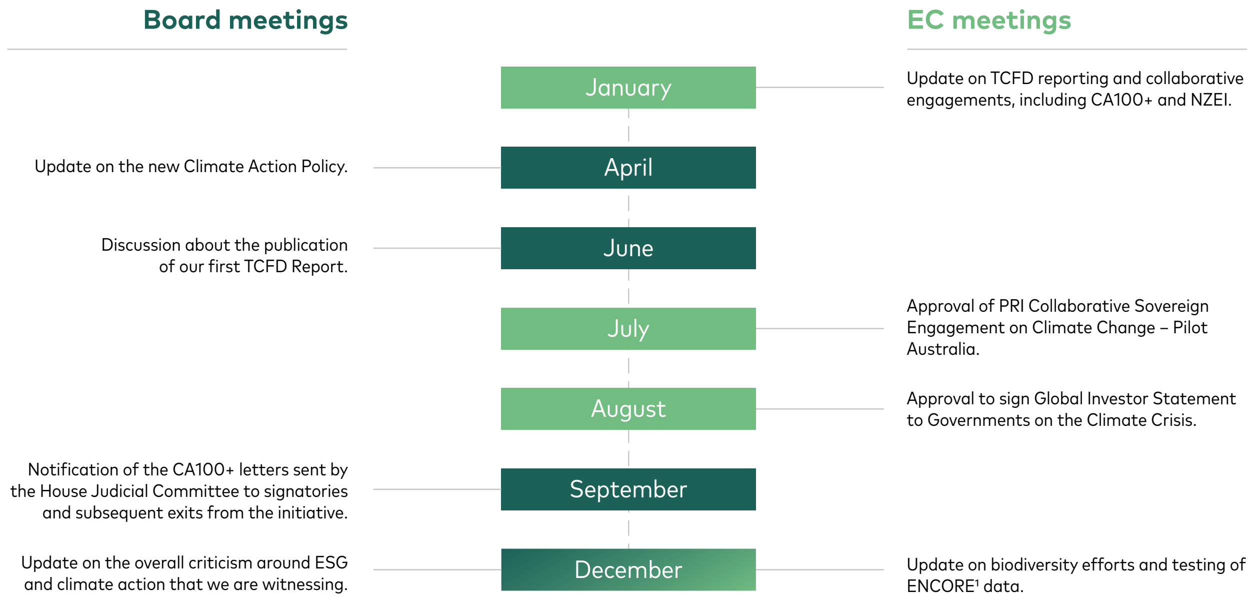
The Board of Directors met four times in 2024 (in April, June, September and December) and ESG and climate-related topics were addressed at all of its meetings.

The CEO Report that is submitted to the Board of Directors before each meeting always includes a section on ESG and climate action. For example, at its June meeting the Board of Directors was informed about the publication of the TCFD Report as well as the first Corporate Sustainability Reporting Directive (CSRD) Report. In addition, the Audit & Risk Committee conducted a more in-depth discussion around ESG and climate-related matters at its June meeting.

The Board of Directors and the Executive Committee collaborate closely to ensure effective decision-making, strategic planning and the effective overall management of the firm. The Executive Committee is responsible for daily operations and the implementation of the Board's strategic direction. It is led by Chief Executive Officer (CEO) Roberto Paganoni and includes the top executives responsible for various functions, including Finance, Operations, Fund Management and Risk & Compliance.

The Executive Committee meets on a monthly basis, and ESG topics – including climate action – are a standard agenda item at those meetings; on four occasions in 2024 a more detailed update was given. An ESG update was provided by the Chief Risk Officer, the Head of ESG for Liquid Markets or the Head of ESG for Private Markets. In 2024, agenda items related to climate action ranged from updates on collaborative engagements such as the Climate Action100+ to the approval of the firm signing the Global Investor Statement to Governments on the Climate Crisis.

Overview of Board and Executive Committee meetings in 2024



Source: LGT Capital Partners

[1] Exploring Natural Capital Opportunities, Risks and Exposure

ESG Committee

To ensure the integration of ESG and climate action topics across the organization, LGT Capital Partners has established an ESG Committee with dedicated sub-committees (see below).

The ESG Committee and its various ESG sub-committees are responsible for the bottom-up development of methodologies, addressing strategic ESG-related requirements, and coordinating policies and procedures across the areas of investment management, reporting, risk management and client services. The ESG Committee meets on a monthly basis and reports regularly to the Executive Committee.

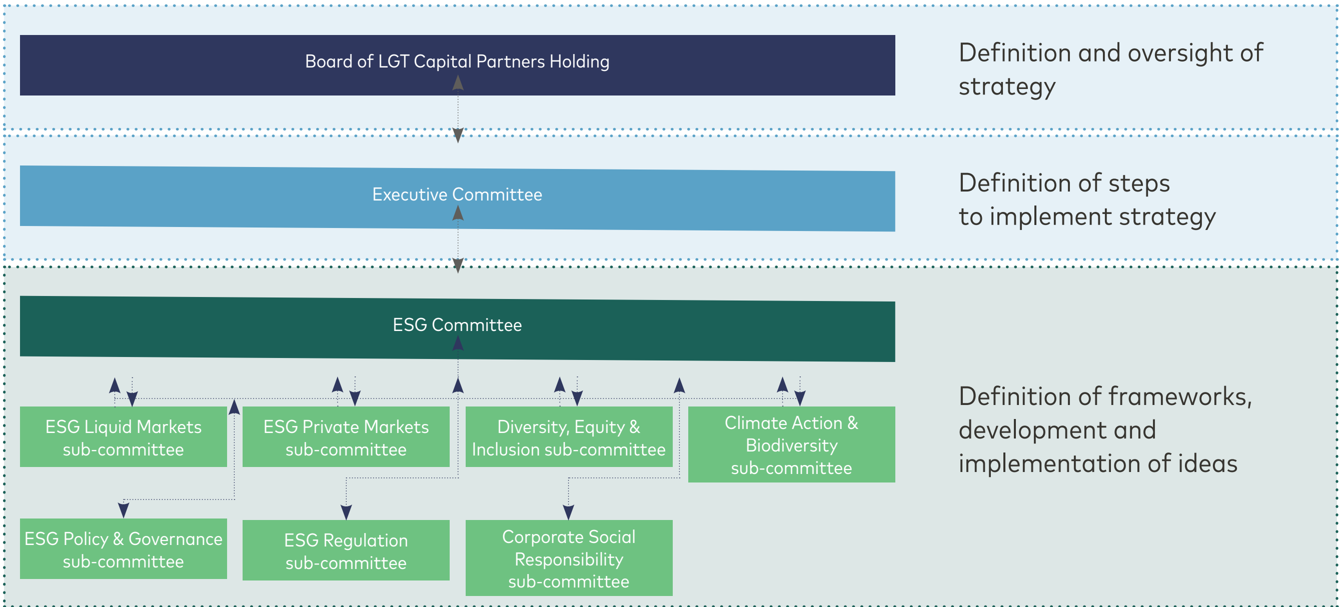
The ESG Committee is chaired by Tycho Sneyers, a Managing Partner at LGT Capital Partners and a member of the Board of PRI since 2018.

The ESG sub-committees are as follows:

- ESG Liquid Markets sub-committee: responsible for ESG processes and implementation within liquid asset classes, methodological aspects and the further development of the LGT CP ESG Cockpit, the tool that drives our ESG integration and analysis process.
- ESG Private Markets sub-committee: responsible for ESG processes and implementation within private markets, including manager ratings, and ESG implementation in direct investments.
- Diversity, Equity & Inclusion sub-committee: responsible for all diversity and inclusion topics.
- Climate Action & Biodiversity sub-committee: responsible for climate and biodiversity related topics, including increasing the knowledge base on biodiversity, the development of methodologies and frameworks, emission reduction targets and the climate GHG framework.
- ESG Policy & Governance sub-committee: responsible for ESG policies, standards and interpretation, validity and adequacy of ESG approaches across business units, and the high-level interpretation of regulatory requirements.
- ESG Regulation sub-committee: responsible for establishing, coordinating, advising on and overseeing the implementation of ESG regulations and initiatives within the firm, including across business units and investment products.
- Corporate Social Responsibility sub-committee: responsible for initiating, coordinating, advising on, overseeing and challenging the implementation of CSR initiatives across the firm.

LGT Capital Partners established its Climate Action sub-committee in 2021 to highlight the importance it assigns to this topic and to ensure that appropriate resources are allocated to addressing climate-related matters. In 2024, we formally included "biodiversity" in the remit of the Climate Action sub-committee, reflecting its growing significance, and it was subsequently renamed the Climate Action & Biodiversity sub-committee. Its objective is to

ESG governance chart



Source: LGT Capital Partners

drive the firm's climate action agenda and enable investment teams to manage assets in line with the net zero ambition and biodiversity considerations. It meets at least eight times per year and the minutes of each meeting are shared with the ESG Committee, including its sub-committees, and with the Executive Committee and the Board of Directors. If the members of the Climate Action & Biodiversity sub-committee are unable to reach unanimous agreement on a climate-related matter, the topic is escalated to the ESG Committee, or in the case of methodological or policy-driven questions, to the Policy & Governance sub-committee.

The Chief Risk Officer and other employees in the Risk Management & Compliance department play an active role on the ESG Committee and can attend the meetings of the respective ESG sub-committees.

ESG-linked performance evaluation

As part of our commitment to sustainability, we have integrated ESG objectives into our employee performance evaluations. We expect our staff members to demonstrate awareness of the firm's ESG and sustainability strategy. Specifically, employees are encouraged to minimize their professional carbon footprint and to address relevant ESG aspects within their roles. This approach ensures that ESG considerations are embedded in our daily operations.

ESG committee structure

ESG Committee

Committee Chairman	Tycho Sneyers	Managing Partner	23 (29) years
Liquid Markets	Hanna Edström	Principal	15 (19) years
Diversity, Equity Inclusion	Martha Heitmann	Partner	17 (20) years
Marketing Communication	Sebastian Kistner	Executive Director	2 (21) years
Liquid Markets	Alex Borer	Partner	27 (34) years
Business Development	Tom Carstensen	Principal	8 (34) years
Private Markets	Keimpe Keuning	Principal	7 (24) years
ESG Regulation	Henry Nordström	Associate Director	5 (8) years
Fixed Income	Mark Rall	Partner	16 (28) years
Climate Action	Peter Sigg	Executive Director	17 (24) years
Risk & Compliance	Werner von Baum	Managing Partner	19 (36) years
LGT CP ESG Cockpit	Alexander Zanker	Executive Director	14 (24) years

ESG sub-committees

Liquid Markets	Hanna Edström	Principal	15 (19) years	+13 professionals
Private Markets	Keimpe Keuning	Principal	7 (24) years	+13 professionals
Diversity, Equity Inclusion	Martha Heitmann	Partner	17 (20) years	+9 professionals
Climate Action & Biodiversity	Peter Sigg[1]	Executive Director	17 (24) years	+10 professionals
	Alexander Zanker[1]	Executive Director	14 (24) years	
Policy & Governance	Werner von Baum	Managing Partner	19 (36) years	+5 professionals
ESG Regulation	Henry Nordström	Associate Director	5 (8) years	+10 professionals
CSR	Ruud Wilders	Partner	6 (23) years	+5 professionals

xx (xx) yrs = years at LGT (years investment experience)
1 Co-Chair
Source: LGT Capital Partners

Strategy

Strategy
Climate Action Strategy

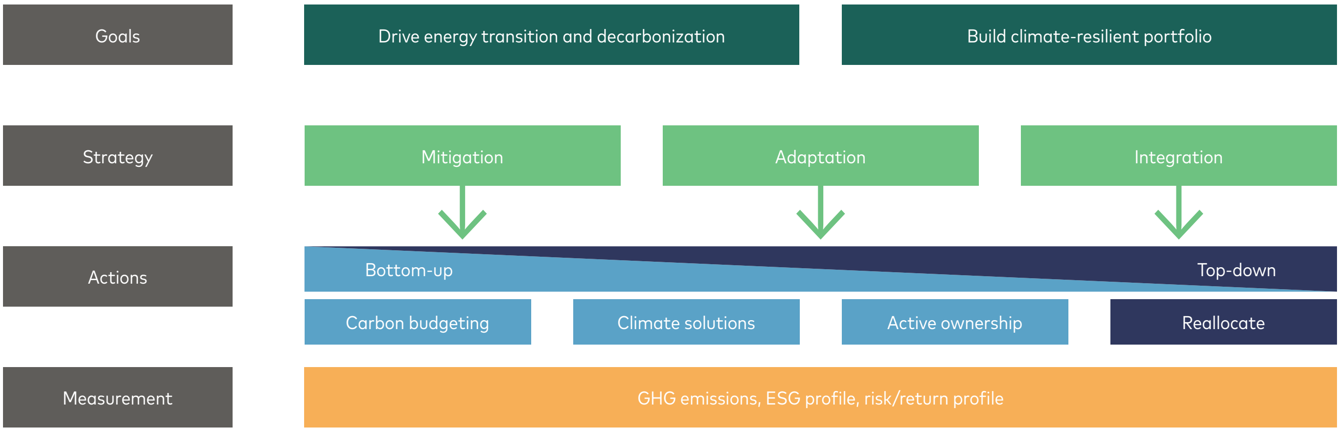
At LGT Capital Partners, we believe that conventional business strategies alone may not drive long-term success in today's evolving corporate landscape. Recognizing the significance of sustainability, we integrate ESG factors into our core business practices. Rather than pursuing stand-alone ESG goals in this area, we see ESG as a significant and integral part of how we address investment challenges and manage portfolios to create lasting value.

Our commitment to reaching net zero by 2050 reflects our ambition to play an active and constructive role in the global transition to a low-carbon economy. We are actively developing suitable products for clients and are using our levers of influence to support feasible pathways to decarbonization. How we manage the climate risks within our portfolios and engage with investee companies as they transition to a more sustainable future will also be key to ensuring our continued success.

As a member of NZAM[1], we are committed to reducing the carbon intensity of the assets we invest in on behalf of our clients to support the transition to net zero. Our interim investment target is to reduce the carbon intensity of the in-scope assets[2] we invest in by 50% by 2030 versus a 2020 baseline.

To achieve these targets and to align our portfolios, we have developed a comprehensive climate action framework. We decided to apply the framework to the LGT Endowment first, as it is well positioned from an implementation perspective due to its broad diversification across asset classes. It also has the advantage that all relevant investment teams are involved in these efforts and are working towards the same objective. In this section, we provide further details on our Climate Action Framework and insights into how we integrate climate action into our investment portfolios.

Climate Action Framework



Source: LGT Capital Partners

[1] At the time of writing this report, NZAM has suspended its activities and is conducting a review to ensure it remains relevant and effective in the evolving climate landscape. Climate experts from LGT Capital Partners are actively involved in the consultation.At this time, LGT Capital Partners is maintaining its NZAM commitment.

[2] See section Emission measurement and coverage for a detailed definition of in-scope assets.

Objectives

As a firm and an investor, LGT Capital Partners is working to identify and address the impacts of climate change in our portfolios. As part of these efforts, in 2021 we defined a Climate Action Framework that focuses on two core objectives:

Drive energy transition and decarbonization
The objective involves measuring the GHG emissions of individual portfolio holdings and taking the necessary steps to decarbonize the portfolio over time, in line with the goal to achieve net zero by 2050.

Build climate-resilient portfolios
The objective is strategic in nature, as it seeks to identify critical vulnerabilities within the investment strategy. Based on this analysis, portfolio managers can reallocate capital where necessary in order to make the overall portfolio more resilient to climate-related physical and transition risks.

These two objectives demonstrate our commitment to measuring and managing both directions of climate impact, in line with the principle of double materiality. From an investor's perspective, double materiality implies that both the external factors that may affect a company's financial performance (external materiality) and the company's own impact on society and the environment (internal materiality) are considered when making investment decisions.

Climate Action Strategy

To deliver on the two goals of our Climate Action Framework, we have defined a Climate Action Strategy that is built on three dimensions:

Mitigation
We want to tackle the causes and minimize the possible impacts of climate change.

Adaptation
We are focused on providing capital to businesses that help communities to cope with the negative impacts of climate change, while harnessing potential new opportunities.

Integration
We consider climate-related factors at every stage of the investment decision-making process.

Actions

Our Climate Action Framework has four main levers that contribute to reach out targets:

Carbon budgeting:
Increasing exposures to single companies or entire sectors, whose emission pathways are aligned with the goal of net zero emissions by 2050.

Climate solutions:
We aim to invest in climate solutions, e.g. through allocations to green bonds and the renewable infrastructure segment. Further, our investment teams continue to identify investments that can make a positive contribution to mitigating climate change.

Active ownership:
Engaging with companies held in our direct strategies and with our managers is a priority. By actively using our voice, through both engagement and voting, we can help drive the necessary change.

Reallocating capital:
Moving capital away from concentrated transition and physical risks to strategies and sectors that are much richer in sustainable and climate-related investment opportunities. Based on our scenario framework, we aim to build climate-resilient portfolios.

The specific approach to implementation in a portfolio depends on:

- The nature and liquidity profile of the asset class
- The availability of relevant data and robust methodologies, and
- Whether the asset class exposure is implemented through direct investments or third-party managers.

Our liquid market portfolios are already at an advanced stage in terms of the implementation of the above strategy. For our private market portfolios, however, the strategy will be implemented gradually over time. This is due to the illiquidity of the portfolios and it depends, among other things, on methodological developments, net zero commitments by the underlying managers and improved data availability. In the meantime, we are following the recommendations set out in the Institutional Investors Group on Climate Change (IIGCC) private equity guidance released in 2023.

Since fossil fuel investments have a significant effect on the first lever (carbon budgeting), we have defined specific policies for these investments. LGT Capital Partners has a thermal coal exclusion policy[1] that applies to all directly managed strategies and a comprehensive fossil fuel policy[2] that applies to the firm's directly managed sustainable equity and fixed income strategies.

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

Investment opportunities in climate solutions

In addition to assessing the risks of climate change for our investments, we invest time and resources in identifying climate solutions. We do this with the aim of generating attractive returns while supporting the development of new technologies for the decarbonization of the real economy.

To achieve the target of net zero emissions by 2050, significant capital is required from various sources, including primary and secondary public and private markets. Effective decarbonization requires a broader transformation of systems, including energy and food production, as well as the urban infrastructure. These changes are dependent on innovative technologies and the creation of new business value chains, which present various investment opportunities.

We have established a structured approach to identify climate solutions. Looking at corporates, we focus on activities that contribute positively to mitigation or adaption efforts, measuring the relevance of these activities to the overall company.

The first consideration is the alignment of companies' capital expenditure and revenues with the EU Taxonomy's first two climate-related objectives. Here, the fraction of a company's aligned capital expenditure or revenues directly determines the percentage of climate solutions attributable to the individual investment.

If no reported EU Taxonomy information is available, we use data on the contribution of a company's revenues to the achievement of climate change adaptation and mitigation based on a very granular breakdown of corporate products and services and their alignment with the different SDGs.

For green, social and sustainable bonds (GSS bonds), we have established a different approach that allows us to understand the bond issue characteristics and to ensure specific alignment with climate solutions. Using the allocation of the proceeds according to the different International Capital Market Association (ICMA) categories, we count allocations to all the "green" categories as climate solutions.

We break down the different activities that we classify as climate solutions into six categories (see below examples of the corresponding activities).

Examples of activities classified as climate solutions

Energy generation	Technological solutions	Financial services	Mobility	Buildings	Agricolture and ecosystems
• Renewable energy generation • Carbon capture and storage	• Solar energy systems and solutions • Products/components for renewable energy • Wind power solutions	• Financial services for renewable energy projects • Green bonds/loans, impact investing	• Public transport services • Electric vehicles/ alternative drive vehicles and components	• Insulating materials • Facility services regarding energy efficiency	• Plant-based meat products • Terrestrial and aquatic iodiversity conservation

Source: LGT Capital Partners

Climate solutions examples

Two examples of investments in companies providing climate solutions that we hold in the LGT Endowment are set out below.

MGM Transformer Company (technological solutions category)
MGM Transformer is a leading US manufacturer of specialty transformers, providing essential power solutions for EV charging, renewable energy, data centers and industrial applications. Since 1974, the company has been producing reliable and efficient transformers that help to distribute electricity safely and effectively. MGM's production facilities in California, Texas and Mexico ensure high-quality manufacturing and fast delivery. Its products support a wide range of industries, from everyday businesses to advanced technology sectors. Known for innovation and client focus, MGM continues to be a trusted provider of energy-efficient power solutions. It is a portfolio company included in the private equity allocation of the LGT Endowment.

Intersect Power (energy generation category)
Intersect Power ("Intersect") is a leading integrated renewable energy platform focused on very large scale solar and battery storage projects in the resource rich southwestern United States. Founded by a best-in-class renewables development management team in 2016, Intersect has reached a point of maturity, with a 2.2GW portfolio of photovoltaic generation and 1.4 GWh of co-located battery storage in Texas and California. Intersect's business model is underpinned by a sophisticated commercial strategy with flexible contract structures. As Intersect continues to grow, it is poised to play a significant role in advancing renewable energy innovation and contributing to the deep decarbonization efforts across the broader economy.

In 2024, Intersect closed on a transformational partnership with Google, which became a strategic investor in Intersect. Google also acquired 300 acres of powered land at Intersect's Dallas data center campus and signed a 15-year PPA for Intersect's "behind-the-meter" renewables that will feed power directly into the data center. Intersect also continued constructing 960 MWh of new battery storage capacity, with one asset operational and two more expected in 2025. In addition, the company started the construction of additional 4.1 GW of solar and 10.3 GWh of battery storage projects in early 2025.

Position on carbon credit markets

To achieve the target of net zero, mandatory and voluntary carbon markets are becoming increasingly important and can represent an integral part of a comprehensive climate action strategy.

Voluntary carbon markets: These markets enable entities to use carbon credits for their emissions through projects that reduce, remove or avoid CO_2. Carbon credits are issued based on the quantifiable climate impact, with one credit representing one ton of CO_2 equivalent. Projects include nature-based solutions like reforestation and technological solutions such as direct air capture and storage. The process is overseen by certification standards organizations such as Verra (Verified Carbon Standard), which ensure the validation and verification of the credits.

Mandatory carbon markets: "Cap and trade" systems are central to many national and regional decarbonization policies. These systems cap the annual GHG emissions of high-emitting sectors, with companies allocated a certain number of emissions allowances. Companies can trade these allowances, creating a market price for emissions and incentivizing reductions where it is most cost-effective. Although financial institutions such as LGT Capital Partners are typically low emitters and are not directly covered by these regulations, we purchase and retire EU Emissions Trading System (ETS) allowances to reduce the number of available permits in circulation, indirectly contributing to overall emissions reductions.

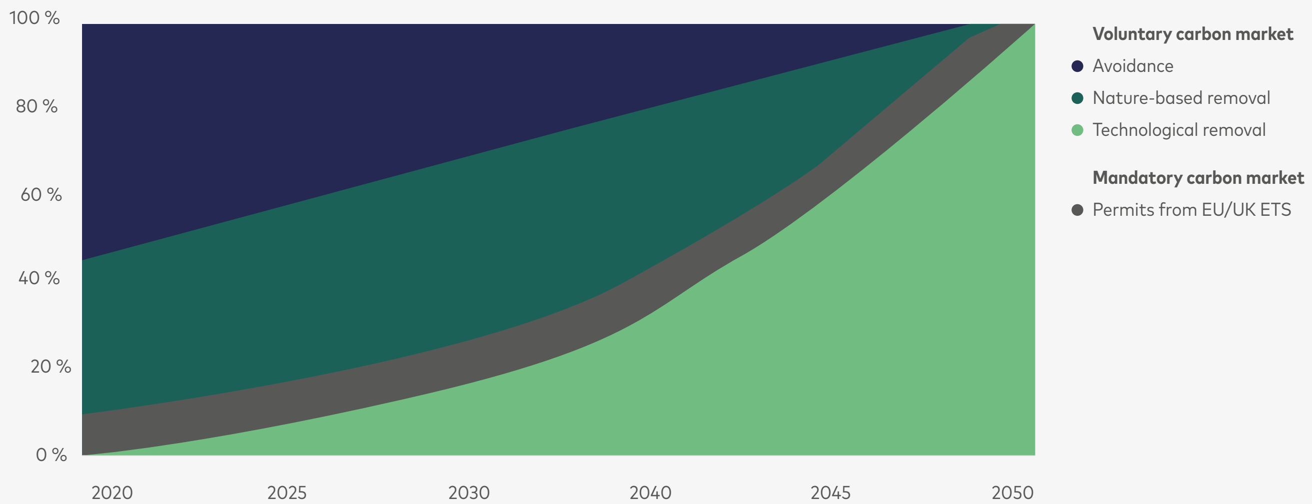
While we continue to focus on our defined levers to decarbonize portfolios, we recognize the relevance of purchasing CO_2 certificates in certain situations.

LGT Endowment: carbon credits in NextGen share classes

The LGT Endowment strives to reduce GHG emissions in line with the goal of achieving net zero by 2050. To further accelerate climate action, LGT Capital Partners has collaborated with LGT Private Bank to establish dedicated "NextGen" share classes. Within these share classes, LGT Private Bank additionally acquires high-quality carbon credits that meet high quality principles and correspond to the level of residual emissions of the LGT Endowment. LGT Private Bank has adopted a scientifically derived approach to its carbon credit portfolio, ensuring alignment with the Oxford Principles for Net Zero Aligned Carbon Offsetting.

In line with these principles, we aim to achieve a mix in which avoidance strategies are initially used to efficiently mitigate climate change based on the available technologies and to protect ecosystems. As displayed in the figure below, as we approach 2050 the focus will shift to technological removal offering permanent CO_2 storage solutions.

Building a science-based carbon credits portfolio based on the Oxford Principles



Source: LGT Capital Partners

Strategy
Methodology and targets

Target	Scenario	Goal	Approach	CO_2 emission pathway
Net zero by 2050 with intermediary target of 50% GHG emission reduction by 2030	IEA Net Zero 2050 Scenario (NZE)	Limit the rise in global temperatures to 1.5 °C above pre-industrial levels	Science based: Combination of sector decarbonization approach and value added approach	Nearly 40% reduction between 2020 and 2030 for global energy-related and industrial process CO_2 emissions

Net zero commitment for our investments

In March 2021, LGT Capital Partners joined NZAM and made a commitment to reaching net zero GHG emissions by 2050 across all assets under management. In doing so, we also pledged to provide transparency and rigorous accountability about our climate action. As part of this commitment, we disclosed the following information:

- Proportion of assets to be managed in line with net zero
- Our methodology for net zero alignment
- Interim targets for emission reductions

We report annually on the progress made against our targets and we submit the results to the respective NZAM[1] network partners for review. This ensures that our approach is based on a robust methodology, which is consistent with the Race to Zero[2] criteria and is in line with our net zero commitment.

We have set ambitious interim targets for our in-scope NZAM investments with the aim of achieving a 50% reduction in GHG emissions by 2030 against a baseline year of 2020. The 2020 baseline emissions for assets under management (funds and mandates) committed to net zero is 40.4 t CO_2e/USD million invested.

When determining the carbon budget, LGT Capital Partners uses the Net Zero Emissions by 2050 Scenario (NZE Scenario)[3] developed by the International Energy Agency (IEA).

Net Zero Emissions by 2050 Scenario (NZE Scenario)
The NZE Scenario describes a pathway for the global energy sector to achieve net zero CO_2 emissions by 2050. Alongside reductions in GHG emissions from outside the energy sector, this is consistent with limiting the global temperature rise to 1.5°C above pre-industrial levels without a temperature overshoot (with 50% probability). Under this scenario, global energy-related and industrial process CO_2 emissions would fall by nearly 40% between 2020 and 2030 and reach net zero in 2050.

[1] At the time of writing this report, NZAM has suspended its activities and is conducting a review to ensure it remains relevant and effective in the evolving climate landscape. All information about the signatories and their targets was removed from its website.
[2] Race To Zero is a global campaign to rally leadership and support from businesses, cities, regions and investors for a healthy, resilient zero-carbon recovery. The initiative has defined clear minimum criteria that are required for participation in the campaign.
[3] International Energy Agency, Net Zero by 2050, A Roadmap for the Global Energy Sector–www.iea.org/reports/net-zero-by-2050

Emission measurement and coverage

Our emission budgeting framework is based on Scope 1 and Scope 2 GHG emissions. The framework does not yet include Scope 3 emissions, as we believe that data coverage of this category of emissions is not yet adequate and involves numerous double counting issues. Nevertheless, we are working towards the broader gathering and reporting of data on Scope 3 emissions and plan to include it for selected industries in our budgeting framework in future updates.

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

For private equity and private debt portfolios, where relevant data is more difficult to collect, we measure the carbon footprint of the portfolios using public market comparables as a proxy for actual emissions. Our investment teams engage frequently with private market managers to integrate GHG emissions considerations. In addition, we are working to improve the coverage and quality of data from the underlying portfolio companies. For more information about the data from underlying portfolio companies, see the section on the EDCI.

Emissions budget methodologies

We use a combination of two methodologies for the carbon budget calculation, applying:

1. **Sectoral Decarbonization Approach (SDA)[1]:** this approach is applied to companies with high-emitting and homogeneous business activities.

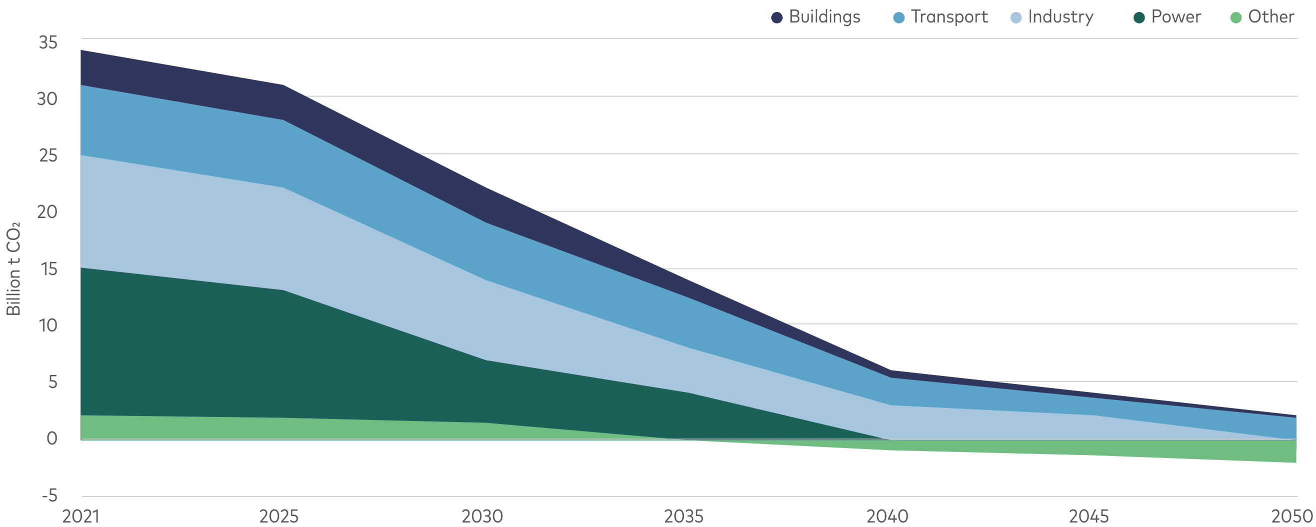
2. **Value Added Approach:** this approach is applied to companies with lower-emitting or heterogeneous business activities.

Sector Decarbonization Approach (SDA)
The **SDA** is applied to companies with high-emitting and homogeneous business activities. The IEA industry-specific scenario pathways are used, which measure company alignment using industry-specific emission intensities and physical production levels (e.g. tons of CO_2/MWh or tons of CO_2/tons of steel). Industry-specific transition pathways are incorporated to account for faster or slower progressions, depending on an industry's distinct mitigation potential and the cost of mitigation.

The companies are allocated a carbon budget based on their level of economic activity for sector-specific activities, such as the amount of electricity generated. Four main SDA sectors are adopted in our calculations: electricity generation, steel, cement and aviation. These sectors are mapped to the IEA Net Zero 2050 scenario as follows: electricity generation in "Power", steel and cement in "Industry" and aviation in "Transport".

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

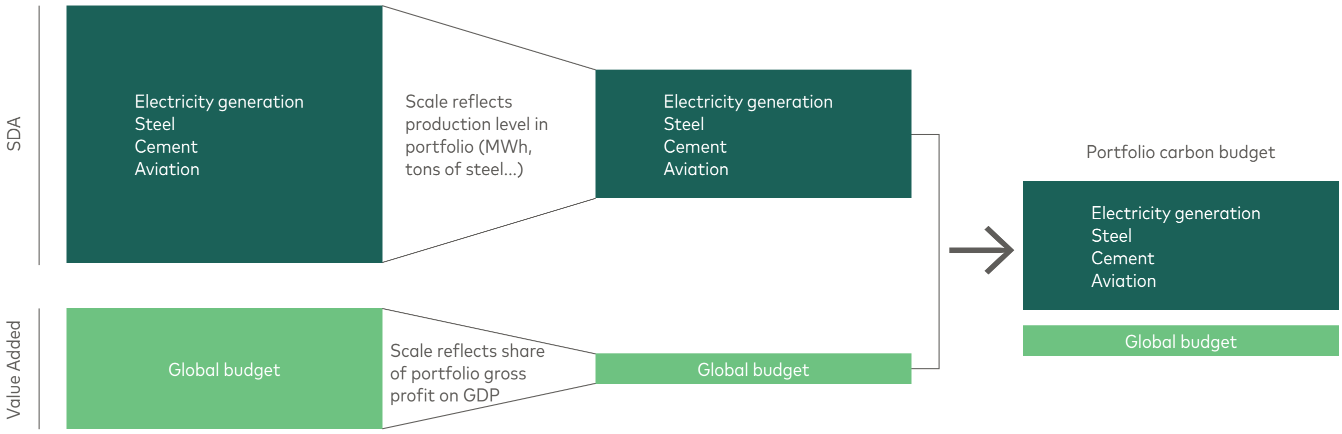
Global CO_2 emissions pathways in IEA Net Zero 2050 scenario



Source: LGT Capital Partners

[1] "Aligning corporate GHG emissions targets with climate goals", Nature Climate Change (2015), by Oskar K., Giel L. and co.

Portfolio carbon budget



Source: LGT Capital Partners

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

At present, our framework primarily focuses on assessing the company's current emissions in comparison to the path towards net zero alignment. The targets set by the company have not been directly incorporated into our carbon budgeting evaluation due to the diverse nature of these targets. However, we are actively exploring the integration of a forward-looking element into our qualitative assessment process. In this context, we are guided by the IIGCC's NZIF. Please see the section about the NZIF alignment framework.

Portfolio carbon budgeting

Using the budgeting methodology described above, we are able to derive carbon budgets for portfolios.

For the funds and portfolios we manage using our sustainability framework, the respective portfolio-level carbon budgets are set by aggregating the individual carbon budgets of the underlying investee companies. Where data is available, we take into account their allocation to different SDA activities. The current aggregated emissions for these portfolios must be below their respective carbon budgets. For portfolios that are managed by external managers and are part of the LGT Endowment and other multi-asset portfolios, we derive the carbon budgets based on the respective benchmark. At the level of multi-asset portfolios, which include the LGT Endowment, the overall portfolio carbon budget is derived by aggregating the carbon budgets of the underlying building blocks, where applicable.

NZIF Alignment Framework

In addition to the carbon budgeting approach, we have broadened our climate action investment framework to incorporate forward-looking company information. Although self-declared company targets are not directly included in our carbon budgeting calculations, we believe it is important to distinguish between companies that have established targets and transition plans and those that have not set any targets. Over the past year, we have implemented the alignment maturity scale of the IIGCC's NZIF, which aims to establish a common approach to assessing an asset's pathway to net zero. NZIF provides an alignment maturity framework to assess companies against net zero ambitions in a staircase scoring system. Under NZIF, there are six core criteria that should be considered when assessing a high-impact company's overall net zero transition plan and three criteria to be considered for lower-impact companies[1]:

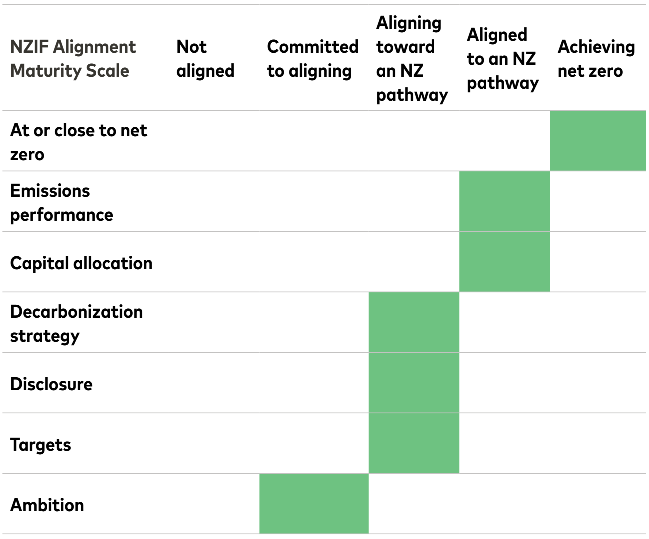
Lower-impact companies only have to meet criteria Targets, Disclosure and Emissions performance while higher-impact companies have additional criteria to meet. Depending on how companies align with these criteria, the alignment maturity scale groups companies according to the following ratings:

Overview of NZIF criteria

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

Source: LGT Capital Partners based on NZIF by IIGCC

The NZIF path to net zero: maturity ratings



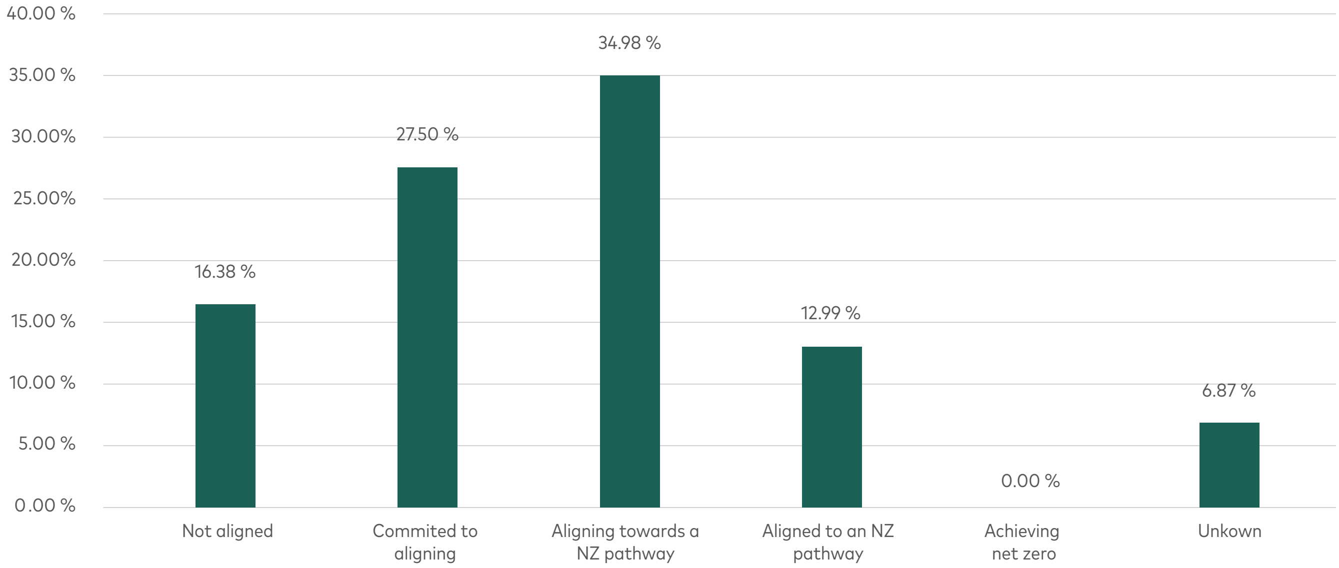
Source: LGT Capital Partners based on NZIF by IIGCC

[1] Higher-impact companies are companies on the Climate Action 100+ list, banks, real estate and the TPI sectors chemicals, diversified mining and other industrials.

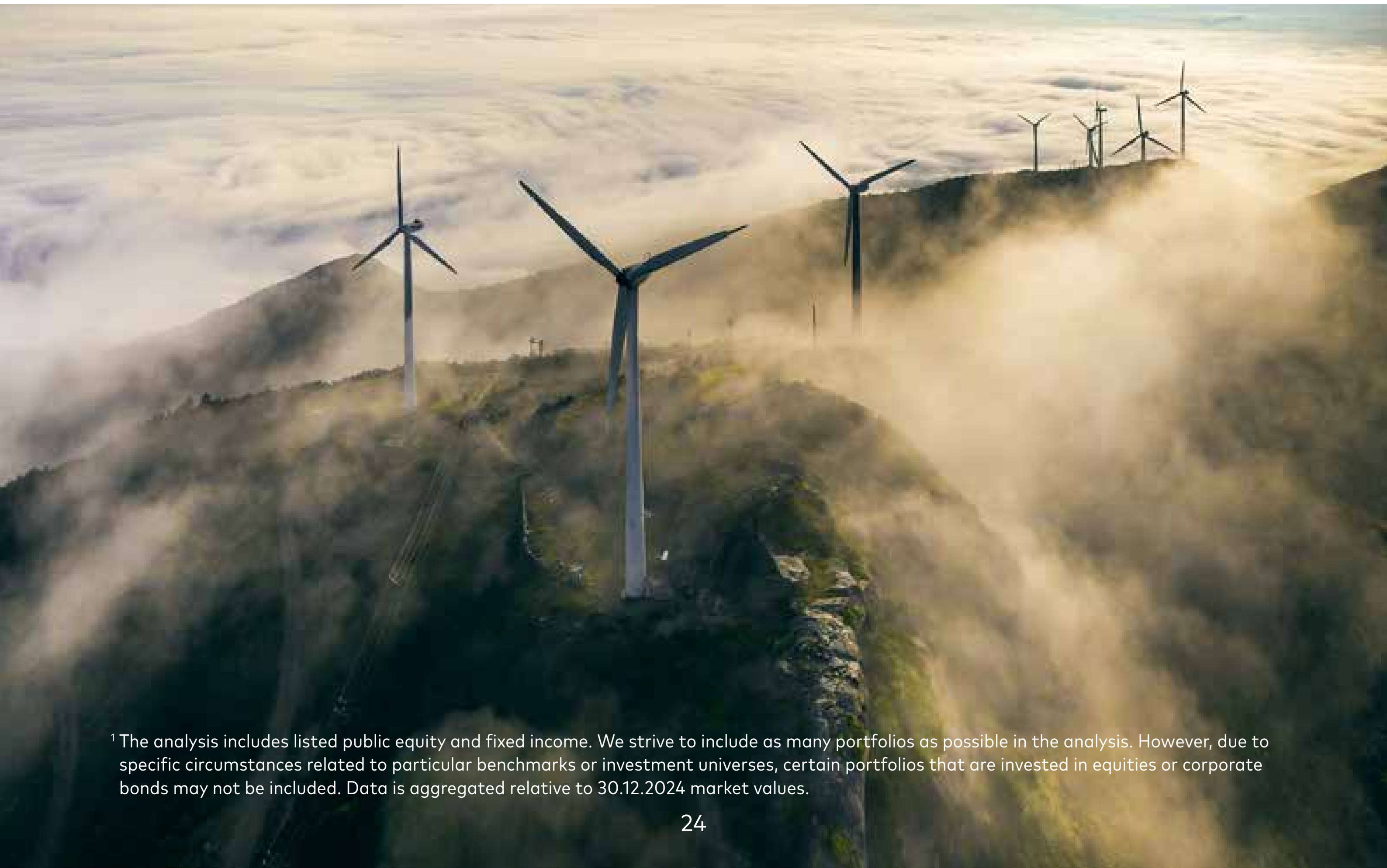
Each maturity rating requires that for each company, a specific set of criteria must be met before the next alignment criteria can be considered. For the "Committed to aligning" rating, only the ambition criteria need be met. As lower-impact companies have no requirement to meet criterion Ambition, we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

We have reviewed the NZIF maturity ratings across our listed public equity and fixed income holdings[1]. As anticipated, there are no companies that are already at net zero. The majority of issuers are committed to aligning towards a NZIF pathway. Hence, many invested companies are already taking action to decarbonize their business activities. For the issuers in the unknown category, insufficient data is available to assess them according to NZIF transition criteria. We aim to reduce the number of issuers within this category over time.

NZIF maturity ratings (holding weighted)



Source: LGT Capital Partners



[1] The analysis includes listed public equity and fixed income. We strive to include as many portfolios as possible in the analysis. However, due to specific circumstances related to particular benchmarks or investment universes, certain portfolios that are invested in equities or corporate bonds may not be included. Data is aggregated relative to 30.12.2024 market values.

Strategy
Scenario framework

Climate-resilient portfolios

Beyond decarbonizing our portfolios, we also seek to enhance their climate resilience. Based on our long experience in scenario analysis and modeling, we focus our analysis on the financial implications for the various asset classes when determining asset allocations. It is widely recognized that strategic asset allocation has the biggest impact on long-term investment performance, so it is crucial to also integrate ESG and climate considerations at this top level of investment decision-making. We believe that the implications for the market will depend on whether the transition to a low-carbon economy is based on governmental incentives or mandatory requirements imposed using penalties and sanctions.

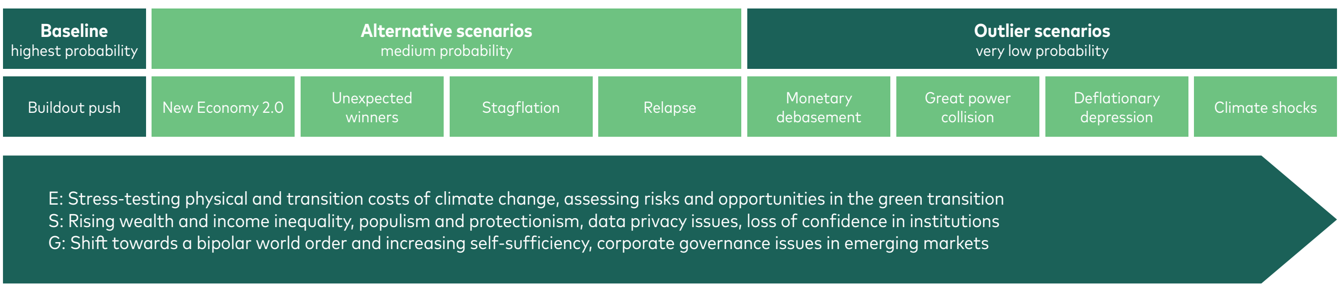
If the transition is driven by incentives, governments need to support the cost of transition through subsidies and other forms of fiscal stimulus. In the case of mandatory requirements, private businesses will bear the bulk of the transition costs, which are typically associated with stricter environmental standards and more stringent carbon pricing schemes.

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

For example, a "Buildout push" baseline scenario with a surge in global infrastructure investment and strong productivity growth could be stimulated by incentives and the development of new technologies. As a result, we have slightly revised our return expectations upward for growth-oriented investments (e.g. equities) for the respective scenario. However, we have also formulated a "Climate shocks" outlier scenario with an accumulation of severe weather events and late but sudden and drastic sanctions from policymakers. This stress-tested scenario helps us to gauge the potential negative impacts of unabated global warming on our investments and allows for more realistic sentiment shocks and the sudden repricing of financial assets. With regard to physical risks, we see its direct impact on policy actions and asset classes increasing within our scenario horizon, but mainly with implications at the regional and local level. However, we consider transition risk to be more prevalent across our portfolios, particularly in the case of exposure to carbon-intensive businesses.

We have therefore concluded that decarbonizing our portfolios over time is the most effective way of increasing climate resilience and mitigating the risks of holding stranded assets[1].

LGT scenario planning process
Forward-looking scenarios 2025 – 2029



Source: LGT Capital Partners

[1] "Investments that have already been made but are, at some time prior to the end of their economic life (as assumed at the investment decision point), no longer able to earn an economic return as a result of changes in the market and regulatory environment brought about by climate policy" (IEA)

Details of climate stress scenario

Our dedicated "Climate shocks" stress scenario serves as a concise yet comprehensive examination of the multifaceted impacts of climate change. It explores the dual dimensions of immediate physical costs incurred from extreme weather events and the longer-term transition costs associated with reactive policy responses geared towards mitigating climate change.

In this scenario, the physical costs of extreme weather events that damage the capital stock (e.g. real estate and infrastructure), destroy crop harvests and disrupt supply chains etc. add up. Policymakers then react swiftly to the urgency of the situation and impose strict measures to drive the transition to a low-carbon economy. These measures initially result in market disruptions and asset repricing. In parallel, however, they stimulate innovation and investment in climate solutions. Consequently, assets that are aligned with sustainability and decarbonization are expected to thrive, whereas carbon-intensive industries will face mounting pressures.

In the first phase of this scenario characterized by severe physical damage, real assets (property and infrastructure) and insurance-linked investments (especially those tied to natural catastrophes) are the most negatively affected asset classes. In the second phase of this scenario, which is strongly characterized by transition costs that impede growth, equities suffer the most, particularly in carbon-intensive industries. The general uncertainty and negative sentiment also lead to volatility and contractions in financial markets. Emerging markets assets are likely to be more negatively affected than developed markets due to the higher carbon-intensity of their industry mix and a higher vulnerability to adverse weather outcomes. On the fixed income side, inflation-linked bonds are expected to outperform nominal bonds due to rising inflation expectations.

Potential winners in this scenario are technology and volume leaders in renewables and companies with a strong product and service offering focusing on climate solutions. In terms of effective risk management, an early and stringent decarbonization of investment holdings seems to be the best path to improve portfolio resilience and aid efforts to avert devastating climate change.

Strategy
Physical risk and transition risk assessment

Top-down assessment

Identifying, understanding and disclosing physical and transition risks in line with TCFD recommendations is essential to assess climate-related impacts on financial performance and to ensure the resilience and sustainability of businesses.

Physical risks
These risks reflect the negative impact that climate change can have on a company's operations, assets and supply chains through increasingly frequent and severe weather events and long-term shifts in climate patterns. These risks can manifest themselves in a variety of ways:

- **Acute physical risks:** these are short-term risks associated with extreme weather events such as hurricanes, floods, wildfires, storms and heatwaves. These events can directly damage physical assets, disrupt operations and cause supply chain disruptions.

- **Chronic physical risks:** these are long-term risks resulting from gradual changes in climate patterns, such as increasing temperatures, rising sea levels, changes in precipitation patterns and shifts in ecosystem dynamics. Chronic risks can affect the availability and quality of natural resources, the stability of infrastructure, and the health and productivity of ecosystems, thus impacting business operations and supply chains over time.

Transition risks
Transition risks arise from the process of moving to a low-carbon economy as a result of climate change mitigation efforts, regulations, technological advances and changes in consumer preferences. These risks can affect companies across different sectors and industries as they adapt to the transition to a more sustainable and low-carbon future. Transition risks include:

- **Policy and legal risks:** these are risks related to changes in regulations, laws and policies affecting carbon emissions, energy use and environmental protection.

- **Technology risks:** these are risks associated with the emergence of new technologies or with existing technologies becoming obsolete due to climate-related changes.

- **Market risks:** these are risks stemming from changes in market dynamics, consumer preferences and investor behavior influenced by climate-related factors.

- **Reputation risks:** these are risks arising from negative perceptions or reputational damage due to a failure to adapt to or participate in the transition to a low-carbon economy.

In conclusion: physical risks relate to the direct impacts of climate change on a company's operations and assets, while transition risks relate to the challenges and opportunities associated with the transition to a low-carbon economy as a result of climate change mitigation efforts and evolving market dynamics. Understanding and disclosing these risks is essential for us to effectively manage climate-related risks and opportunities and to ensure the long-term sustainability and resilience of our business and our investment portfolios.

TCFD framework for physical and transition risks

Physical risks		Transition risks			
Acute	Chronic	Policy and legal	Technology	Market	Reputation
• Hurricanes, floods, wildfires • Storms and heatwaves	• Rising temperatures • Rising sea levels and changes in precipitation	• Government policies and regulations • Increased pricing of greenhouse gases	• Substitution of existing products • Costs to transition to lower emission technologies	• Changing customer behavior • Increased costs of raw materials	• Stigmatization of sector • Increased stakeholder concerns

Source: LGT Capital Partners

Company-level assessment

Beyond our top-down scenario analysis at asset class level, we have conducted a detailed assessment of our investment holdings' exposure[1] to physical and transition climate risks under two different climate scenarios and forecast years.

Physical risks

We assess the exposure to nine physical risks resulting from climate change: coastal flooding, fluvial flooding, pluvial flooding, tropical cyclones, wildfires, water stress, drought, extreme heat and extreme cold[2].

Our analysis is based on climate scenarios developed by the IPCC using the Shared Socioeconomic Pathway (SSP) and Representative Concentration Pathway (RCP)[3] frameworks:

- **Low-risk scenario**[4]: forecasts a global temperature rise of 1.3 to 2.4°C by 2100 relative to pre-industrial levels, aligning with the Paris Agreement's objectives.
- **High-risk scenario**[5]: forecasts a temperature increase of 3.3 to 4.7°C by 2100, representing more extreme climate conditions.

We evaluate two key physical risk metrics on company level assess for the different time horizons of **2030** and a **2050**:

- **Physical risk exposure scores**: This metric quantifies a company's exposure to climate hazards relative to global conditions and is independent of the asset-specific characteristics[6] of the company's assets at a given location. It helps to identify which climate hazards pose the greatest risk. The score ranges from 1 (low exposure) to 100 (maximum exposure).
- **Physical risk financial impact**: This metric estimates financial losses as a percentage of a company's value arising from changes in climate hazard exposure compared to a baseline. This metric is specific to the company's assets present at a given location. It provides insights into the material financial impact of climate risks on different asset types.

Transition risks

Transition risks are evaluated based on future carbon pricing under two scenarios:

- **Low transition scenario (limited transition)**: assumes full implementation of Nationally Determined Contributions (NDCs) under the Paris Agreement. Please note that the current NDCs are not sufficient to limit global warming to well below 2°C according to the Climate Action Tracker[7].
- **High transition scenario (efficient transition)**: reflects policies that are considered sufficient to reduce GHG emissions in line with the goal of limiting climate change to well below 2°C above pre-industrial levels by 2100. This scenario is consistent with the Paris agreement.

We evaluate future carbon pricing for **2030** and **2050**, focusing on two key metrics:

- **EBITDA margin impact**: This metric estimates the reduction in earnings before interest, taxes, depreciation and amortization (EBITDA) after incorporating unpriced carbon costs.
- **Carbon price risk exposure**:This metric flags companies facing significant carbon price risk.

[1] The analysis includes listed public equity and fixed income. We strive to include as many portfolios as possible in the analysis. However, due to specific circumstances related to particular benchmarks or investment universes, certain portfolios that are invested in equities or corporate bonds may not be included. Data is aggregated relative to 30.12.2024 market values. Source: LGT Capital Partners, S&P Global.
[2] Data on the financial impacts physical risk are not available for extreme cold.
[3] The climate change scenarios are based on data from the Coupled Model Intercomparison Project (CMIP, https://wcrp-cmip.org), a key input to the IPCC reports.
[4] Based on the Shared Socioeconomic Pathway SSP1-2.6
[5] Based on the Shared Socioeconomic Pathway SSP5-8.5
[6] Asset-specific characteristics refer to information about individual physical assets owned or controlled by company, e.g. type of use
[7] https://climateactiontracker.org/global/cat-thermometer/ –Climate action tracker estimates that the 203 NDC targets lead to an average warming of 2.6°C

Scenario analysis findings

Physical risk all hazards

Our findings indicate that for 2030, the differences between the low- and high-risk scenarios are minimal in both physical risk exposure scores and physical risk financial impacts. By 2050, however, these differences become more pronounced:

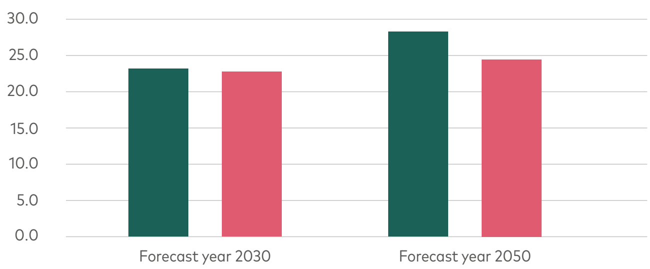
- Physical risk exposure in a high-risk scenario is 16% higher than in the low-risk scenario.
- Although the overall financial impact of physical risks remains limited in absolute terms, the high-risk scenario indicates an increase of approximately 40% compared to the low-risk scenario.

Regarding **specific physical risk hazards**, our analysis reveals that high exposure to a specific hazard does not always translate into high financial impact. Among the hazards assessed:

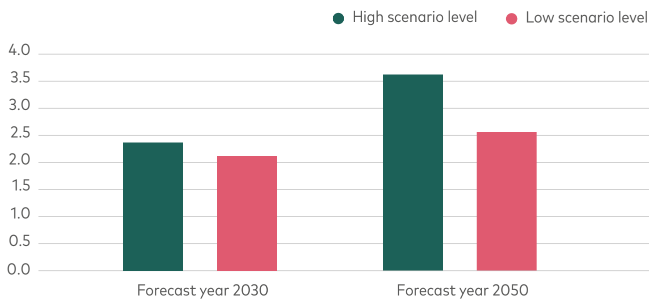
- Extreme heat poses the greatest financial risk, accounting for 78% of total financial impact under the high-risk scenario in 2050.
- Other risks such as drought, pluvial flooding and water stress, while present, result in low financial impacts, suggesting that our covered assets are less vulnerable to these specific hazards.

This analysis highlights the disproportionate financial impact of extreme heat on our covered assets, underscoring its potential materiality in future risk management strategies.

Physical risk exposure score all hazards

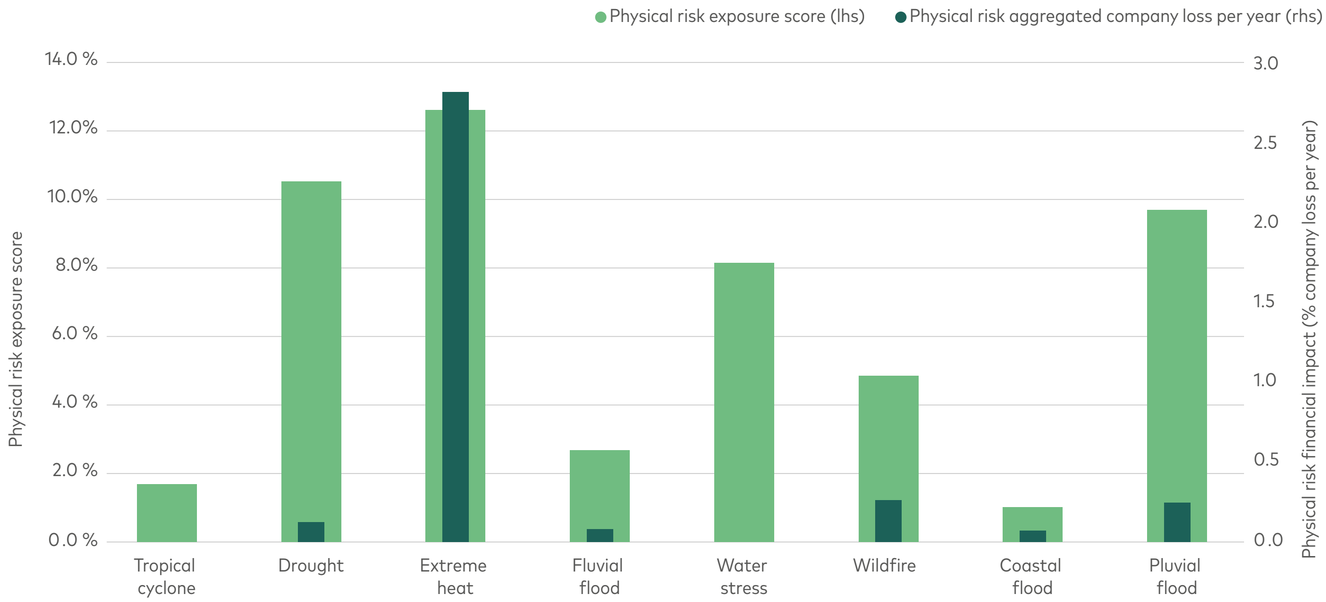


Physical risk financial impact all hazards



Source: LGT Capital Partners, S&P Global

Physical risk scores and financial impact for the high scenario level in 2050



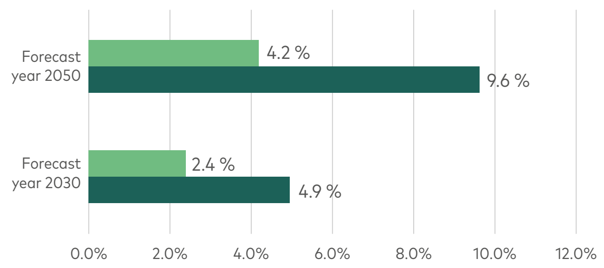
Source: LGT Capital Partners, S&P Global

Transition risk

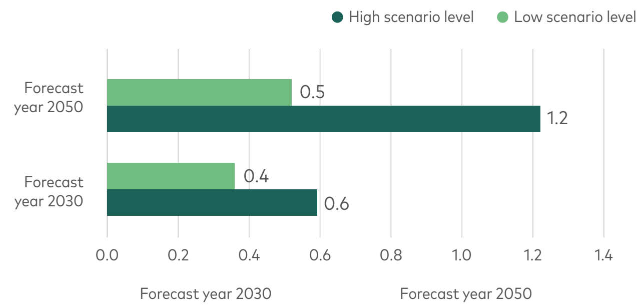
Transition risks for our covered assets increase significantly when moving from the low to the high transition scenario as well as when changing the timeframe from 2030 to 2050:

- The number of companies facing significant carbon price risk doubles under the high transition scenario compared to the low transition scenario.
- The EBITDA margin impact due to unpriced carbon costs rises sharply in 2050 under the high transition scenario.
- As a result, the financial strain from carbon pricing mechanisms intensifies, affecting profitability more severely in a stringent regulatory environment.

Companies facing more significant carbon price risk



Reduction of EBITDA margin



Source: LGT Capital Partners, S&P Global

Impact by sector

For our covered assets, under the high-risk scenario for 2050, extreme heat emerges as the primary physical risk driver of financial losses across all sectors. The sectors most affected include: consumer discretionary, communication, healthcare and financials. This underscores the widespread and severe impact of extreme heat across industries.

For the consumer staples sector, the model predicts the highest overall financial impact from physical risks, which is primarily driven by extreme heat but also wildfires, fluvial flooding and pluvial flooding. The sector's high vulnerability to multiple physical risks suggests potential supply chain disruptions, increased costs and production challenges.

Physical risk financial impact across hazards and industries

	Tropical cyclone	Drought	Extreme heat	Fluvial floodine	Water stress	Wildfire	Coastal floodine	Pluvial floodine
Communication services	0.0	0.3	3.3	0.1	0.0	0.3	0.0	0.3
Consumer discretionary	0.0	0.0	3.4	0.1	0.0	0.0	0.1	0.2
Consumer staples	0.0	0.1	2.7	0.3	0.0	0.9	0.1	0.3
Energy	0.1	0.0	1.8	0.0	0.0	0.4	0.1	0.2
Financials	0.0	0.0	3.2	0.0	0.0	0.0	0.1	0.2
Healthcare	0.0	0.0	3.3	0.1	0.0	0.2	0.1	0.3
Industrials	0.0	0.1	2.6	0.1	0.0	0.3	0.1	0.3
Information technoloex	0.0	0.1	2.9	0.1	0.0	0.2	0.1	0.3
Materials	0.0	0.3	1.9	0.0	0.0	0.5	0.2	0.2
Real estate	0.0	0.4	3.0	0.0	0.0	0.2	0.1	0.2
Utilities	0.0	0.4	1.1	0.0	0.0	1.1	0.0	0.2

Source: LGT Capital Partners, S&P Global

Comparison of physical and transition risks

Overall, the model indicates that transition risks will have a greater financial impact than physical risks when moving from a low to a high transition scenario. This suggests that the costs of adapting to a low-carbon economy could outweigh direct climate-related damage for many companies.

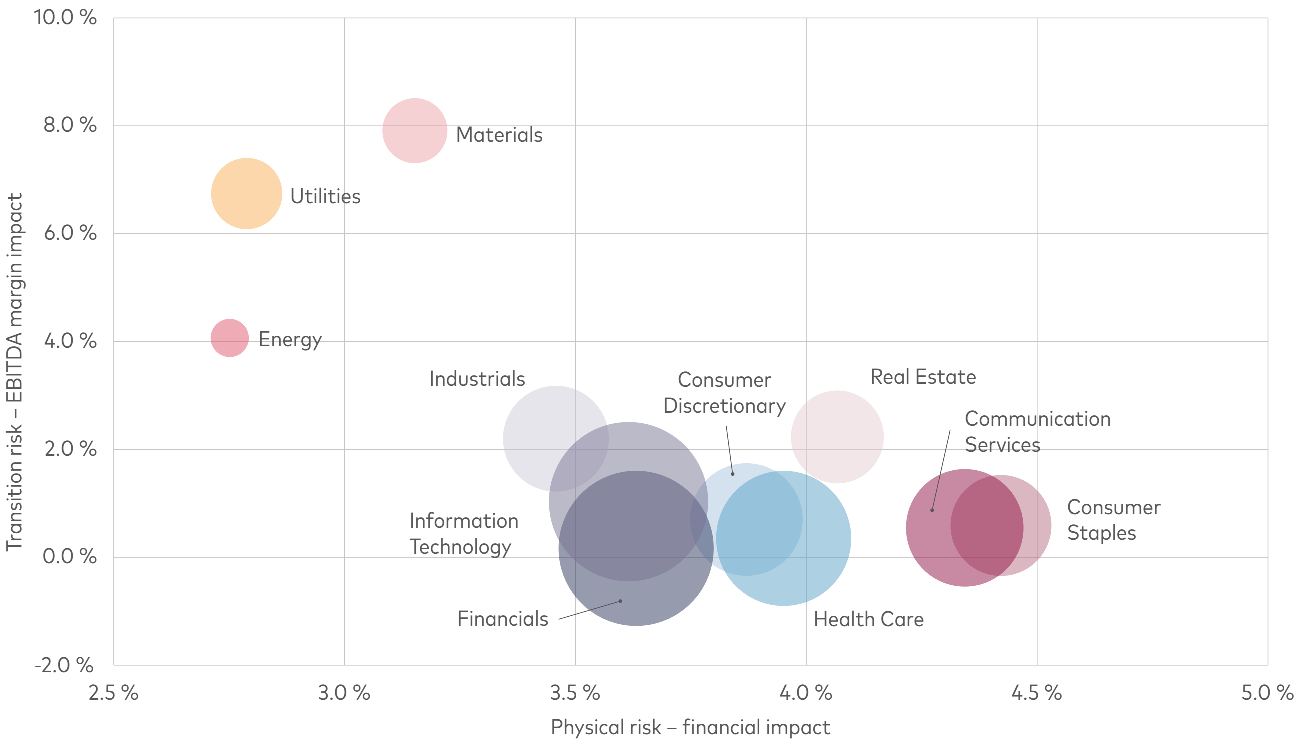
The figure below summarizes sectoral climate risks for 2050 under the high transition scenario level, with the size of the bubbles representing the share of covered assets invested in each sector.

Transition risks are higher but are concentrated in fewer sectors, particularly those with a high carbon exposure. Physical risks are more broadly distributed but their financial impacts remain lower in sectors with higher transition costs. This suggests that sectors burdened by carbon costs may have a relatively low exposure to physical risks, emphasizing the trade-off between transition risks and physical climate risks.

Our findings highlight the increasing financial and operational challenges that our invested companies may face under more severe climate scenarios. Transition risks emerge as the dominant concern, given their greater financial impact compared to physical risks.

However, these results represent one possible outlook based on current data, assumptions and modeling techniques. Future refinements and emerging data may lead to different conclusions as climate-related risks continue to evolve.

Physical vs transition risk company level (High scenario level forecast year 2050)



Source: LGT Capital Partners, S&P Global

Strategy
Climate risks and opportunities

Timeframe
Short term 0 to 5 years.
Medium term 5 to 10 years.
Long term 10 to 30 years

Risk rating
- ● Low
- ● Medium
- ● High

Investment portfolio risks

	Identified risk	Description	Timeframe	Risk rating	Impact	Actions to mitigate
Transition	Policy and regulation	Risk of sudden regulatory shifts. Growing reporting burdens as disclosure requirements evolve.	Short	● Medium	Increase operational and compliance costs.	Ensured timely and accurate reporting in line with established and emerging frameworks, supported by the efforts of ESG sub-committees.
Transition	Policy and regulation	Divergence in climate policies across regions. Rising costs of carbon credits challenges strategies focused on net zero targets.	Medium	● Medium	Higher complexity for global investment strategies. Increase of compliance costs.	Installment of ESG regulation sub-committees for monitoring and oversight of ESG trends.
Transition	Policy and regulation	Increasing regulatory and reporting requirements. Stricter carbon pricing and emission standards.	Long	● High	Carbon-intensive assets decline in value. Failure to divest from those assets could result in long-term underperformance.	Improving our scenario analysis and stress testing on portfolios to evaluate the financial impacts of regulatory changes.
Transition	Market and client sentiment	Risk of potential negative sentiment towards ESG in certain market segments. Concerns over the perceived financial trade-offs of ESG investments.	Short	● Medium	Reduced demand for ESG oriented products.	Sharing our long-term knowledge and insights with our clients to discuss the latest trends. Since 2008, engaging with the wider industry to raise awareness around ESG as part of our PRI membership. Created the LGT Capital Partners Sustainability and Impact Academy for clients.
Transition	Market and client sentiment	The overall trend of market and client sentiment continues to tilt towards sustainable finance despite pockets of skepticism.	Medium	● Medium	Failure to align LGT Capital Partners' strategy to a sustainability offering as the market for ESG-focused products expands. Risk of being left behind.	Climate Action Framework that enables capital to be moved from concentrated transition and physical risks towards climate- related investment opportunities.
Transition	Market and client sentiment	Market and clients sentiment increasingly favors responsible investing.	Long	● Low	Early movers who have developed a robust ESG integration strategy will benefit from stronger client loyalty.	Commitment to net-zero GHG emission until 2050 (NZAM) for all assets under management.
Transition	Litigation and reputation	Risk of being insufficiently aligned with emerging climate regulation, industry standards and best practices or client expectations regarding sustainability standards.	Short	● High	Rise in litigation costs for legal action by stakeholders including clients or regulators, which ultimately negatively impact the firm's reputation.	Ensure clear and transparent communication that is aligned with global standards to reduce risk of misleading disclosures.
Transition	Litigation and reputation	A growing political narrative suggests that ESG integration does not meet traditional fiduciary duties, as prioritizing ESG could compromise financial returns, making firms vulnerable to lawsuits.	Short	● Medium	Rise in litigation costs.	LGT Capital Partners firmly believes that ESG integration enhances long-term value creation, reduces material risks and aligns with the fiduciary responsibility to act in the best interest of clients. Clear policies and guidelines around ESG integration.
Transition	Litigation and reputation	Reputational risks become more pronounced as public and investor expectations around ESG transparency and climate action continue to grow.	Medium	● Medium	Loss of trust, client attrition and long-term damage to the firm's brand.	Enhancement of our governance process by establishing an ESG regulations sub-committee, which monitors emerging climate regulations and litigation trends, and has a clear oversight of regulatory ESG topics. The Executive Committee holds overall responsibility on ESG and climate-related issues.
Transition	Litigation and reputation	Climate related lawsuits could become more common globally.	Long	● Low	Rise in litigation costs.	

	Identified risk	Description	Timeframe	Risk rating	Impact	Actions to mitigate
Transition	Technology	Disruption of existing industry due to the rapid pace of technological innovation in response to climate change. Areas affected include- renewable energy, energy storage, electric vehicles and carbon capture.	Short		Failure to adapt can lead to reduced competitiveness, high costs or obsolescence and decline of stock values.	Exclusion of investments in coal in anticipation of innovative technologies and the devaluation of carbon-intensive assets.
			Medium		Stranded assets or devaluation of sectors that are slow to innovate or transition to lower carbon technologies.	Identifying climate solutions is a way of supporting the development of innovative technologies, leading to real economy decarbonization, while generating attractive returns for our clients.
		Failure to identify and invest in emerging low-carbon technologies.	Long		Can result in missed opportunities of growth for LGT Capital Partners, while investing in outdated or carbon intensive technologies may lead to financial losses.	Proprietary scenario analysis to assess the potential impact of technologies disruptions on different sectors and industries, among other aspects.
Physical	Accute and chronic	Acute climate- related events, such as flooding, wildfires or extreme storms, can cause operational disruptions. Companies in sectors such as real estate, agriculture, and energy are particularly vulnerable.	Short		Can lead to reduced revenues, increased insurance costs and potential devaluation of physical assets. Losses in investment portfolios that are concentrated in region and/ or sectors prone to extreme weather events.	Leveraging climate solution investments to adjust strategy to capitalize on emerging opportunities while minimizing exposure to high-risk companies.
		Increasing frequency and severity of climate- related disasters.	Medium		More significant asset devaluations and rising insurance premiums, affecting companies' ability to maintain profitability. Companies that are not resilient or fail to adapt to those shocks could face sustained financial pressure.	Actively engage with portfolio companies held in direct strategies as well as with our managers and specifically encourage them to advance on climate action.
		Acute physical climate-related events fundamentally alter the value of assets in climate-vulnerable regions.	Long		Potential long-term devaluation or even stranded assets.	Proprietary scenario analysis helps the investment process to identify and avoid concentrated climate risk allocations. Building a climate resilient portfolio while anticipating climate risk for asset classes, regions and sectors.

Own operations risks

	Identified risk	Description	Timeframe	Risk rating	Impact	Actions to mitigate
Transition	Policy and regulation	Stricter climate related regulations, such as carbon pricing, emissions limits or stricter reporting standards.	Short	●	Increase in compliance costs, with possible imposed penalties. Increase in carbon pricing and energy related costs.	Investing in compliance to meet current and potential future regulatory standards. Implement carbon management practices, such as the supply of 100% renewable electricity to our headquarters. Conduct energy audits to identify inefficiencies and upgrade equipment processes, or facilities to reduce overall energy consumption. Ensure suppliers comply with regulatory requirements by integrating climate risk assessments in supplier selection and contract management
			Medium	●		
			Long	●		
	Market	Market volatility in energy prices, driven by geopolitical factors, shifts in supply and demand, and transition to renewable energy.	Short	●	Increase in operational costs and budgeting challenges.	Diversifying our energy sourcing model. Our energy procurement is covered 100% by hydro sourcing for our headquarters. However, we have upgraded our energy sourcing model (spot market and in advance) to counter price spikes. Conduct energy audits and ensure suppliers comply with regulatory requirements.
			Medium	●		
			Long	●		
	Litigation and reputation	Not living up to our standards and ambitions to be a leader in climate-related questions could damage LGT Capital Partners' reputation.	Short	●	Reduced investor confidence and difficulty attracting top talent.	Monitoring emerging climate-related litigation trends and ensure legal compliance with a particular focus on the issue of greenwashing and climate risk management disclosure requirements.
			Medium	●		
			Long	●		
	Technology	Failure to transition to low-emission technology for own emissions.	Short	●	Increased operational costs.	We updated our strategy for the selection of new office locations to prioritize labelled buildings and utilize sustainable fit-out approach (recycle, upcycle, sustainable materials) were possible. In 2024, LGT Capital Partners started encouraging employees to use public transport in Switzerland and Liechtenstein by subsidizing travel costs for employees in these locations.
			Medium	●		
			Long	●		
Physical	Accute and chronic	Physical impacts of climate-driven changes, such as severe weather events or rise in temperatures on our own operations.	Short	●	Temporary disruptions to employee access to office locations. Higher energy costs, particularly from increased cooling needs.	Careful selection of office locations combined with enhanced business continuity planning.
			Medium	●		
			Long	●		

Timeframe
Short term 0 to 5 years.
Medium term 5 to 10 years.
Long term 10 to 30 years

Opportunity rating
- ● High
- ● Medium
- ● Low

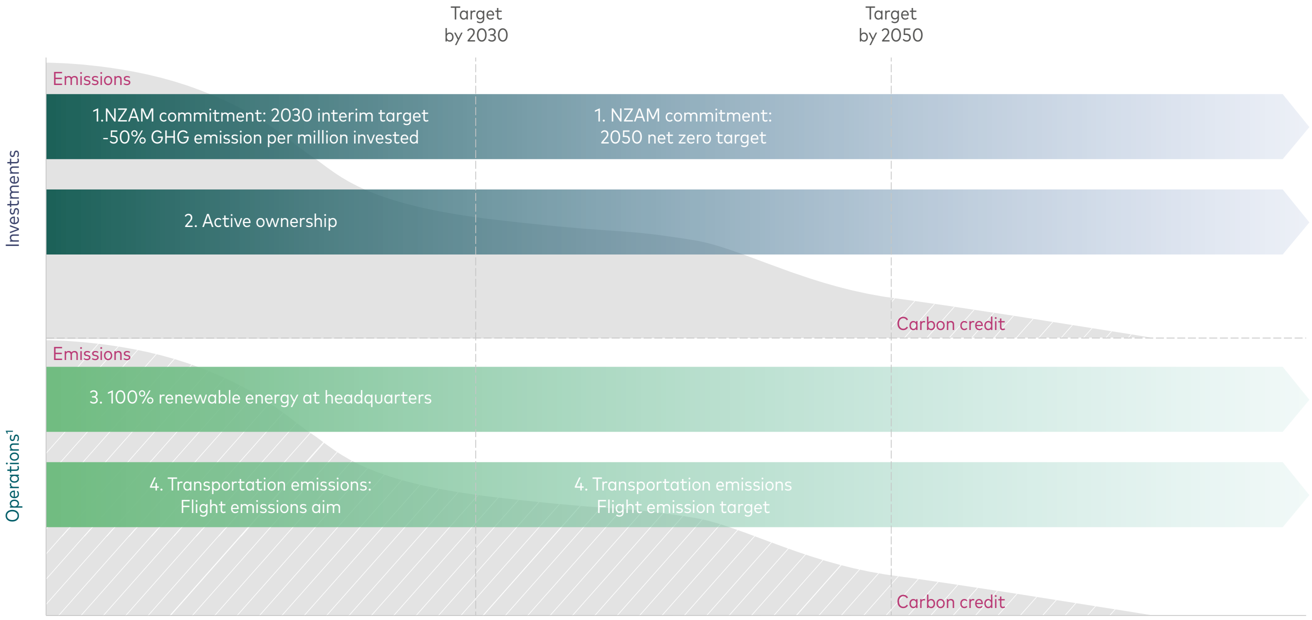
Investment portfolio opportunities

Identified opportunities	Description	Timeframe	Opportunity rating	Impact	Examples
Technological change	Substantial upside potential as governments and businesses transition away from fossil fuels. Technologies like carbon capture and storage (CCS), hydrogen energy, and next-generation batteries are expected to play a key role in decarbonizing energy systems.	Short	Medium	Increased revenues as technological advancements in clean energy and climate space are creating significant investment opportunities.	Companies developing scalable solutions for battery storage to balance energy grids powered by renewables
		Medium	High		
		Long	High		
Products and services: climate mitigation	Companies and sectors that focus on reducing and preventing GHG emissions or on solutions to enhance climate resilience. There is rising demand for investment products designed to support climate change mitigation and adaptation, such as green bonds, climate funds, and sustainability-linked loans.	Short	Medium	Increased revenue and alignment of financial goals with environmental outcomes.	While renewable energy, electric vehicles, energy efficiency and sustainable agriculture are attractive investments in the mitigation space, water management systems, climate-resilient infrastructure, agricultural technology, and insurance solutions are examples for adaptation company strategies. There is rising demand for investment products designed to support climate change mitigation and adaptation, such as green bonds, climate funds, and sustainability-linked loans.
		Medium	High		
		Long	High		
Market and client sentiment	Growing awareness and concerns about climate change are driving shifts in market sentiment, creating opportunities for companies and funds that align with climate-conscious investment trends.	Short	High	The increasing demand for sustainability from institutional investors can create capital inflows into ESG and climate-aligned funds.	Thanks to our Endowment strategy and Climate Action Framework we develop funds that include climate solutions, have a focus on renewable infrastructure or companies with strong ESG profiles.
		Medium	Medium		
		Long	High		
Data analytics, metrics and platforms	As the global transition to a low-carbon economy accelerates, data analytics and digital platforms offer significant opportunities by driving more informed, real-time decision-making.	Short	High	The ongoing enhancement of data-driven climate metrics offers the potential for new investment products and strategies.	Our proprietary LGT CP ESG Cockpit plays a pivotal role in this area by providing comprehensive ESG and climate-related data analytics, monitoring and reporting capabilities. By integrating advanced data analytics into our investment processes, we can more accurately assess climate-related financial risks and opportunities, ensuring that our investments not only align with regulatory frameworks (e.g. TCFD or the Sustainable Finance Disclosure Regulation, SFDR) but also capitalize on the growing demand for climate solutions.
		Medium	Medium		
		Long	Medium		

Own operations opportunities

Identified opportunities	Description	Timeframe	Opportunity rating	Impact	Examples
Energy consumption	Increased energy and resource efficiency for offices.	Short	Medium	Increased revenues as technological advancements in clean energy and climate space are creating significant investment opportunities.	100% of the electricity used at our Swiss headquarters originates from renewable sources, mainly hydropower
		Medium	Medium		
		Long	High		
Business travel policy	Business travel and air travel emission reduction ambition.	Short	High	Reduction of our own emission and operational costs.	Exploring air travel GHG reduction by getting insights into the best measures and setting a well-researched and ambitious target.
		Medium	High		
		Long	Low		

Transition Plan



Source: LGT Capital Partners

This section provides a short overview of the key actions and priorities outlined in our Climate Action Strategy to support the transition to a low-carbon economy. As a signatory to NZAM, LGT Capital Partners made a commitment to reaching net zero GHG emissions by 2050 across all assets under management. For our NZAM in-scope assets we have set a 50% reduction target by 2030 against a 2020 initial baseline. We monitor our progress using key performance indicators, such as the reduction of carbon footprint from 40.4 tCO_2e/USD million invested in 2020 to 24.2 tCO_2e/USD million invested in 2024, and the percentage of assets under management aligned with net zero goals, with the aim of reaching 100% by 2050.

Active ownership is a crucial part of our strategy. This involves engaging with companies to drive positive change and support the transition to net zero. Our top-five engagement topics in 2024 were: climate action (GHG transition), supply chain management, biodiversity, sustainability disclosure, and health and safety.

In terms of our own operations, we have achieved the goal of using 100% renewable electricity at our headquarters and we are exploring renewable energy options globally. To reduce transportation emissions, we have developed a dedicated flight emissions dashboard that offers a detailed overview of business travel by segment, transport type, trip length, and associated emissions. This tool enables us to identify the most effective measures to implement across the firm and to define a well-informed, ambitious target for 2030.

[1] We use carbon credits for 100% of our operational emissions, including Scope 1, Scope 2 and Scope 3. Emissions from purchased goods and services (Scope 3.1) and capital goods (Scope 3.2) are excluded, as the method to calculate these emissions is still being refined.

Strategy
Own operations

As part of our ambition to constantly reduce our operational footprint, we continue to measure and monitor the environmental impacts of our own operations. We consider multiple metrics, such as water and energy consumption and waste production. The reduction of our operational carbon emissions is of key importance in this context.

Topics related to corporate social responsibility (CSR) are managed by the COO Office and the CSR sub-committee. We have a CSR framework in place that assigns all related topics to four pillars: People, Community, Suppliers and Buildings. Climate is a significant topic within the People and Buildings pillars. To enhance our tracking and reporting capabilities, we introduced a new online tool in 2024. It not only allows us to monitor and analyze CO_2 emissions and environmental metrics but also provides a user-friendly platform to interpret the data collected. For example, it provides a breakdown of total emissions per region or shows flight emission for different travel classes. This enables us to gain valuable insights and to make informed decisions to drive forward our sustainability initiatives.

Buildings is another focus area. Sustainability and energy efficiency are considered when selecting office locations. As a result, we are better prepared for climate change and less affected by possible energy price hikes. Our remote working policy and our investments in technology allow us to respond quickly to a potential climate crisis with a tested business continuity process.

Our goal of reaching net zero by 2050 and our ambitions in this area help to make our firm more climate resilient. By expanding data coverage and gathering more data on travel and other relevant GHG emissions, we will be able to evaluate our climate risks on a more informed basis and to identify and react to changes more swiftly and effectively. As a result of our growth, we now have a larger number of staff based in more offices around the globe. We therefore believe it is important to have a clearly defined data set and assessment metrics that we can easily apply to new office locations and entities going forward.

We have been committed to responsible environmental and operational management for years and have already reached some important milestones. Since 2022, for example, 100% of the electricity used at our Swiss headquarters has originated from renewable sources. In 2024, we transitioned from hydropower to a district heating system that uses a centralized, renewably powered heating system to distribute heat to multiple buildings. This system utilizes various energy sources such as biomass, solar, geothermal energy and waste heat, further reducing our carbon footprint and supporting our ambition to use sustainable to sustainable energy solutions. At the same time, most offices outside Switzeland use a hybrid power mix. Since 2010, we have purchased carbon certificates equal to 100% of our operational emissions and will continue to do so on an annual basis. We also regularly assess carbon markets to ensure the quality and integrity of the certificates we purchase.

Procurement

LGT Capital Partners also expects its suppliers to operate sustainably. Whenever possible, we aim to purchase sustainably produced goods and services. As part of these efforts, we have implemented a Supplier Code of Conduct, which is an integral part of every supplier contract. We monitor their compliance with these principles. If we detect any violations, our initial step would be to engage with the suppliers. If the issue cannot be resolved, we may opt to end the supplier relationship. The Supplier Code of Conduct strengthens compliance along the entire value chain.

Additionally, for our key suppliers that are private companies, we distribute an ESG questionnaire on an annual basis to gather information about their ESG practices. In 2024, the survey revealed that 21 out of 28 suppliers have an ESG policy or program in place, with some dating back to 2013. For our suppliers that are listed companies, we utilize our internal LGT CP ESG Cockpit to monitor and assess their ESG performance. These initiatives have enabled us to engage more effectively with our suppliers on ESG topics, fostering a collaborative approach to sustainability.

Swiss Climate Foundation

As a member of the Swiss Climate Foundation, LGT Capital Partners has elected to donate its federal CO_2 levy to the organization, which supports small- and medium-sized companies that develop innovative climate-related projects with a significant impact in the area of climate protection. We contribute to the Foundation's activities by overseeing the selection of projects to receive funding from the Swiss Climate Foundation, among other measures.

Swiss Climate Foundation

The Foundation is a voluntary initiative by business for business. Through corporate partnerships, it can award between CHF 1 million and CHF 3 million of funding each year. Its purpose is to promote climate protection and strengthen Switzerland and Liechtenstein as business locations. Currently, 32 Liechtenstein and Swiss companies from the financial, insurance and service sectors are partners to the Swiss Climate Foundation.

In 2024, the Swiss Climate Foundation provided total funding of CHF 2.2 million to 16 innovative climate projects, thus supporting solutions in renewable energy, sustainable construction and industrial electrification. Notable projects include a compact wind turbine by VentoStream, a geothermal drilling robot by Borobotics, and lightweight autonomous mowers by HILLBOT to reduce soil erosion. These initiatives reflect the Foundation's commitment to advancing climate-friendly technologies and supporting small- and medium-sized companies in Switzerland and Liechtenstein.

ESG training

ESG training, including on climate action, plays a pivotal role in enhancing awareness, understanding and competencies related to sustainable and responsible business practices. We believe that training is crucial to embed sustainability in our culture and when managing risks, meeting regulatory requirements and maintaining stakeholder trust. We are convinced that by educating our staff, we can empower employees at all levels of the firm to contribute to our ESG goals, fostering a more sustainable and responsible business approach.

We have long experience in providing targeted ESG training for specific teams. In recent years, we also identified a need for a broader training program around ESG and climate action. In 2021, we therefore launched the ESG education program to offer in-house ESG learning sessions for all employees at LGT Capital Partners with a view to enhancing knowledge and understanding of ESG topics among our staff. The ESG training sessions focus on current topics that are relevant for all employees, such as sustainable regulations (e.g. the EU Taxonomy and the SFDR), climate action and ESG implementation in private markets. The training modules, along with further supporting documents, can be accessed by all our employees at any time on our intranet. The high take-up rate of the voluntary training among our staff members demonstrates a clear interest in this topic. We organize separate ESG training sessions for new team members, including investment professionals, throughout the year.

Employees are also encouraged to undertake external training and gain ESG-related qualifications, such as the CFA Institute's Certificate in Sustainable Investing or the CFA Institute's Certificate in Climate Risk, Valuation, and Investing, which have generated significant interest among our employees.

Climate-related training held during 2024 included an expert-led knowledge session on the topic of energy transition. The session assessed the current status of efforts in this area and proposed a new realistic scenario for the global energy transition.

In 2023, we partnered with the PRI Academy, a global leader in ESG education, to launch "Understanding ESG" – a firm-wide mandatory training for all employees that is designed to help them keep abreast of the latest developments in the ESG space. Over 850 employees have since completed the training program which is also mandatory for our new employees.

The course covers topics such as the materiality of ESG issues and presents a systematic approach to incorporating ESG factors into investment decisions and active ownership. The environmental component of the training addresses topics such as ecosystems and environmental issues, externalities and their impacts. Several case studies are included to enhance the learning experience.

Risk management

Risk management
Investment integration

Identification, assessment and management of climate-related risks

At LGT Capital Partners, we believe that a rigorous approach to risk management is essential to deliver high-quality asset management services. Climate and nature-related risks are managed in accordance with the same three lines of defense model that we use for all other risks to ensure effective risk oversight in client portfolios:

- **First line of defense**: this comprises the business functions and line managers across the firm, who are the main risk owners. Portfolio managers and research analysts consider ESG risks as well as other relevant economic factors when evaluating potential investments. Moreover, LGT Capital Partners has developed a framework to track exposures to carbon-intensive assets, helping us to understand and manage potential climate-related risks. As an example, for our direct liquid market portfolios, the portfolio manager verifies each day that the portfolio is invested in accordance with the defined strategy, complies with the prescribed bandwidth limits and is not in violation of any investment restrictions. This check is conducted ex-post and ex-ante. All portfolio managers must comply with the firm's internal investment guidelines, the portfolio management directive and individual client restrictions.
- **Second line of defense**: this comprises the Risk Management and Compliance functions. We consider climate-related risks in the broader context of sustainability risks, which are defined as ESG-related events or conditions that could have a material negative impact on a financial product or service, such as affecting the value of an investment or impacting a company's assets, financial situation, profitability or reputation. By conducting regular reviews with portfolio managers, the independent Risk Management function ensures that relevant risks, including ESG risks, are integrated into investment decisions. The Risk Management function also ensures that investment portfolios comply with any obligations related to climate risk outlined in investment process documents and in the policies shared with investors, and it compiles comprehensive monthly risk reports, which are presented to and reviewed by the Executive Committee. Our team of risk managers collaborates with various working groups across the investment platform –including the Climate Action Committee and the dedicated ESG Analytics team – to enhance the firm's sustainability toolkit by providing insights on firm-wide data, modeling, methodologies and analytics.
- **Third line of defense**: this comprises the Internal Audit function, which performs an assurance role. Its mandate is to independently evaluate the adequacy and effectiveness of the firm's internal control environment with the aim of enhancing risk management, control and governance processes. Risk management is an integral part of our investment process at LGT Capital Partners and sustainability risks represent an important dimension of our holistic risk management philosophy. When integrating sustainability- and climate-related risks, we follow two approaches: first, we monitor compliance with restrictions defined by regulators, clients or other external and internal rules and guidelines on an ex-post basis. Second, we support and challenge our investment teams when performing their work by modeling and testing risks in the portfolios and all underlying exposures on an ex-ante basis. Both approaches integrate sustainability- and climate-related risks.

Pre-investment analysis of managers and testing of portfolios
The Risk Management team integrates and analyses a manager's ESG rating in the portfolio before the final decision is reached by the Investment Committee to ensure that only those managers with an appropriate and suitable ESG process are approved for a portfolio; this applies in particular to third-party managers. In the case of portfolios that adopt a more rigorous ESG standard, i.e. products promoting environmental or social characteristics (SFDR Article 8) or products with a sustainable objective (SFDR Article 9), managers will have to adhere to adequate standards and ensure that portfolios have a sound ESG profile.

Post-investment monitoring of ESG restrictions and guidelines
The Risk Management function employs tools and processes to measure and monitor ESG restrictions in investment portfolios. This includes checking compliance with exclusion lists and ensuring the correct adoption and implementation of rules, guidelines and restrictions to meet certain ESG standards, e.g. SFDR requirements or the criteria set out in the NZE Scenario. Where specific benchmarks or further KPIs and criteria have been agreed, Risk Management also ensures adherence to those standards. In the case of third-party managers, Risk Management will review and test the managers' ratings that result from annual ESG monitoring and perform the bottom-up rating of portfolios where possible based on the information available.

Private markets – manager rating process
Private markets play an important role in climate-related investments, as a substantial portion of climate solutions and emissions is held in private ownership. LGT Capital Partners focuses on different private markets segments: private equity, private credit, private debt, real estate and infrastructure. Each segment requires distinct analysis approaches and considerations related to climate change.

At LGT Capital Partners, we assess a manager's approach to climate risk before investing. Post-investment, we rely on our annual ESG private equity manager rating process to reassess the approach. We include climate action in our ESG due diligence process, taking account areas such as:

- Policy inclusion: we consider whether the manager has a policy to address climate change and how comprehensive it is.
- Risk assessment: we evaluate the private equity manager's processes to identify and manage material ESG risks and opportunities during the due diligence process, including those related to climate change.
- Monitoring: we assess the manager's process to monitor how effectively portfolio companies are managing ESG factors, including GHG emissions, strategies for reducing the carbon footprint of portfolio companies, and climate-related targets.
- Reporting on climate change to investors: for investors that require reporting based on climate change metrics, we are able to measure the carbon footprint of portfolios using reported data from underlying portfolio companies as well as proxies.

We use different versions of the manager ESG questionnaire for the different private markets segments, i.e. private credit, private debt, real estate and infrastructure. The questionnaires follow a similar structure to the one described above for private equity and are aligned with the PRI ESG due diligence questionnaires.

For direct private equity investments, we assess the carbon footprint of individual companies during the ESG screening process, using public market comparables as the proxy where no reported data is available. Such analysis provides useful insights into the types of environmental risks the company may be exposed to. As a member of the EDCI, we also use the respective standard data template to source various ESG metrics from our underlying portfolio companies. This enables us to provide more detailed insights into our private market portfolios, including their GHG emissions.

Monitoring of climate risks

Risk Management and the Quantitative Research team continuously monitor the robustness of LGT Capital Partners' key multi-asset portfolios and analyze the impacts of various risk factors in stress scenarios. A specific risk scenario has been developed to model – and thus gain a better understanding of – the effects of climate change on the various asset classes, providing a better basis for asset allocation decisions.

At LGT Capital Partners, we invest in a variety of asset classes that include, but are not limited to, equities, fixed income, private equity, hedge funds and insurance-linked strategies. We therefore need to adapt our general approach to sustainability and climate-related risks according to the specifications and requirements of each asset class. We implement our investments through a direct investment approach or in partnership with selected third-party managers/General Partners (GPs). This results in differing levels of transparency and access to the underlying exposures, meaning that different methods are needed to implement our sustainability criteria.

LGT CP ESG Cockpit – monitoring adherence to ESG criteria

For direct investments, or wherever sufficient information is available, LGT Capital Partners uses its proprietary analysis tool, the LGT CP ESG Cockpit, to evaluate various climate-related metrics for our portfolios. The LGT CP ESG Cockpit is the engine that drives our sustainability process, and it includes ESG metrics, SDG alignment and climate data. The tool was developed internally and has been continuously enhanced over the past decade. It draws on data from a variety of well-established information providers, including LSEG, MSCI, ISS ESG, RepRisk, S&P CapitalIQ and InRate.

The measures we use to monitor our direct liquid sustainable markets portfolios include a pre-trade check to ensure the sustainability compliance of any new investments; this ensures that investments in an excluded company are avoided. In addition, a daily sustainability compliance check is carried out on the portfolio. The portfolio manager is notified of the names of any companies that fall below the 35th percentile so that they can monitor the exposure and the changes to the ESG rating of the company. If a company falls below the 25th percentile, it is excluded from an ESG perspective and has to be sold.

RepRisk – risk assessment across asset classes

RepRisk is a data provider that we use to systematically identify and assess material ESG risks, including climate-related risks. The system builds on an outside-in perspective, analyzing information from public sources and stakeholders and intentionally excluding any company self-disclosures. RepRisk screens over 150,000 public sources and stakeholders in 23 languages to systematically identify any company or project associated with an ESG risk incident. This provides a valuable insight into how companies conduct their business around the world. This perspective, together with our controversy rule-based methodology with daily updates, gives LGT Capital Partners an additional risk assessment layer, both when investing and when monitoring public or private companies.

Risk management
Private debt example

In the area of private debt, ESG risks and opportunities are assessed and integrated at every stage of the investment process, from asset selection to the ongoing monitoring and reporting of risks at both the individual asset and fund levels. We systematically evaluate ESG risks and opportunities for new investments, with a particular focus on addressing climate and biodiversity-related risks and their implications for businesses.

Climate
We employ a framework that is aligned with TCFD recommendations to facilitate the assessment of a company's resilience to climate-related physical risks and transition risks. Climate-related data is mainly sourced from (i) Altitude, (ii) due diligence materials or (iii) discussions with management teams and equity sponsors. Based on the data collected, we prepare an assessment of the materiality of each climate-related risk using the matrix presented on the next page.

Biodiversity
Biodiversity loss and climate change are interconnected risks that can have significant financial and operational implications for investors. Climate change accelerates biodiversity loss through rising temperatures, extreme weather events and habitat destruction, while the degradation of ecosystems, in turn, reduces natural carbon sinks, exacerbating global warming. Recognizing these interdependencies, we integrate biodiversity considerations into our risk management framework and, in addition to our climate-focused due diligence, we integrate biodiversity risks into our investment process. For each prospective investment, we examine the company's direct and indirect activities and rate the materiality of its biodiversity profile and associated risks and opportunities. We incorporate the industry metric MSA.km2 by estimating it at company level and, alongside qualitative analysis, we score the company based on its (i) dependency on ecosystem services, (ii) impact on biodiversity, (iii) proximity or impact on areas of interest for biodiversity and (iv) potential to threaten species.

Third-party climate and biodiversity data providers

- RepRisk: ESG-related reputational risk over a five-year historic period (database screening and alerts).
- Altitude (Axa Climate): platform used to generate predicted climate and biodiversity footprints and profiles using location and activity-based inputs.

ESG ratings and periodic risk assessment update

Each of our investments is rated based on ESG criteria at entry and then rated annually based on seven different ESG and sustainability factors, which are assessed using a combination of proprietary tools and commonly used industry frameworks. These seven factors are:

1. Materiality assessment: we carry out a review of the various ESG factors that are defined as material for the industry in question by the Sustainability Accounting Standards Board (SASB).
2. ESG controversy check: we consider any controversial ESG issues identified using our risk monitoring solution via the RepRisk platform.
3. Sponsor rating: we use internally generated sponsor ratings. If no ESG rating is produced internally for the sponsor, we carry out a qualitative assessment of the manager's ESG practices based on publicly available information and our own due diligence on the manager.
4. SDG impact assessment: using the company's industry or sector as a proxy, we determine whether the company is likely to have any positive or negative impacts on or alignment with the SDGs.
5. Principle Adverse Impacts (PAIs): where possible, we assess investee companies against the PAI indicators to ensure that we consider all ESG-related risks at asset level.
6. Climate resilience: we systematically consider risks related to climate change based on a TCFD-aligned framework.
7. Biodiversity risk profile: we systematically assess biodiversity impacts and dependencies, as well as the associated risks and opportunities).

Beyond climate and biodiversity risks
In addition to assigning ESG ratings, our latest initiative in terms of ESG risk management is the formalization of an ESG risk monitoring template covering not only climate and biodiversity risks but also social and governance-related risks. Each risk dimension is rated from 0 (worst) to 5 (best). We intend to begin using this framework in 2025.

Engagement process and sustainability-linked loans
LGT Private Debt acts as a direct private debt investor and therefore has limited decision-making power in terms of the implementation of strategic ESG and impact action plans at investee level. However, it has developed an engagement strategy based on positive influence that encompasses various stakeholders. During the investment phase, the LGT Private Debt investment team systematically considers the inclusion of ESG and carbon footprint reporting in loan documentation, while collaborating on the implementation of sustainability-linked loans. These loans incorporate predefined ESG KPIs, often including carbon emissions reduction objectives, to incentivize investors.

Risk matrix overview

Environmental risks (climate risks) – climate physical risks (acute)
- Extreme temperatures
- Flood
- Storms
- Drought
- Wildfire
- Landslide

Environmental risks (biodiversity risks)
- Provisioning
- Regulation and maintenance

Social risks
- Abusive working practices
- Health and salety
- Supply chain issucs

Environmental risks (climate risks) – climate physical risks (chronic)
- Shifts in weather patterns and temperatures
- Water stress
- Rising sea levels

Environmental risks (pollution)
- Pollution (air, water and soil)

Governance risk
- Lack of diversily in governance bodies
- Corruption and bribery
- Data security
- Regulatory compliance

Environmental risks (climate risks) – climate transition risks
- Shifts in consumer preferences
- Policy and regulatory risks
- Obsolescence of existing technologies

Source: LGT Capital Partners

Private debt – climate resilience framework

In our assessment of climate resilience within private debt, we focus on the evaluation of physical risks that may affect operations and supply chains. For instance, we consider scenarios where a company relies heavily on a single centralized facility or a complex single-stream supply chain. In such cases, the LGT Private Debt team conducts a detailed review of the company's exposure to climate-related events and assesses its back-up and recovery processes. Each issue identified receives a materiality score ranging from 0 to 2, where 0 indicates no anticipated risk, 1 signals a possible risk with moderate materiality, and 2 indicates high risks with high materiality. These scores are aggregated to provide an overall assessment of physical risk (see below).

Transition risks relate to broader changes in the business environment resulting from the transition to a low-carbon economy. Factors such as regulatory developments, evolving stakeholder expectations and shifting end-user preferences increasingly influence the materiality of these considerations.

As part of our ongoing monitoring and reporting process, our investment teams conduct annual reassessments of each investee company once they have completed the annual ESG survey that we distribute to all portfolio companies. If necessary, the analysis is updated to include revisions to our scoring, allowing us to evaluate both individual profiles and performance across the portfolio. If any issues are identified, we engage promptly with the management team and/or the majority shareholder of the investee company.

Climate resilience analysis (example within the distribution industry)

Physical risks assessment framework

Item	Potential impact examples	Materiality score[1]
1. Operations	Facility integrity and production capacity, single location implications	1
2. Supply chain	Raw materials volatility and availability, transportation, access to energy	2
3. Workforce	Health, safety and absenteeism, availability of qualified staff in case of relocation	0
4. End-user environment	End-user behavior changes or reallocation of spending, impacts on distribution	0
5. GHG emissions location implications	Direct emissions, energy consumed, induced emissions	1
Total		**4**

Includes considerations relating to operations and supply chain

Scrutinizing a company's exposure to climate change-related events as well as back-up and recovery processes

Transition risks assessment framework

Item	Potential impact examples	Materiality score[1]
1. New tech offerings	Substitution to new tech offerings	0
2. End-market	Shifting end-user preferences	1
3. Supply chain	Political responses, transportation changes	1
4. Regulatory	GHG emissions pricing & compliance	1
5. Reputation	Negative stakeholder perception	0
Total		**3**

Indirect changes in the business environment due to the transition to a low-carbon economy

Rejected an investment in an industrial company relying on lax local regulations not assumed to be sustainable

Source: LGT Capital Partners

[1] Scoring methodology: materiality score on a scale of 0 to 2, where 0 indicates no anticipated risk, 1 signals a possible risk with moderate materiality, and 2 indicates high risks with high materiality. Scoring scope: the scoring considered here is an example based on a company within the distribution industry.

Risk management
Active ownership

At LGT Capital Partners, engagement is an integral part of our ESG framework. It can take different forms, depending on whether an investment involves direct security selection or external managers.

Direct investments in liquid markets

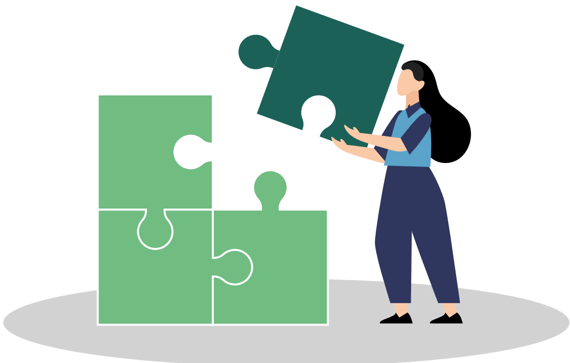
Active ownership is part of our holistic investment framework for direct investments in liquid markets. Our engagement work in this area is divided into five activities:

1. Proactive engagements: these activities have an objective-oriented focus, i.e. we seek to drive positive change and to achieve outcomes that are measurable and traceable. Research-related engagements represent an opportunity for us to gain further insights into companies' ESG practices and aspirations and to identify any gaps.
2. Reactive engagements to controversies: these activities can be conducted effectively through the systematic monitoring of news flow on investee companies by RepRisk.
3. Investor collaboration: these activities are pursued if we believe there is a higher probability of achieving a positive result through collective efforts.
4. Exercising of voting rights: these activities are conducted in line with our sustainable investment objectives and principles governing our equity investments.
5. Promotion of green and social financing: these measures focusing on the private as well as the public sector are an important part of our engagement efforts in the area of fixed income.

Holistic approach: active ownership – one pillar of our ESG activities

Exclusions
- Activity based: exclusion of certain harmful sectors
- Conduct based: exclusion of firms in violation of UN Global Compact
- Worst-in-class (exclusion of 4th quartile)

Active ownership
- Proactive dialogue with companies
- Reactive engagement
- Collaborative initiatives
- Proxy voting
- Green and social financing



Integrating ESG factors
- Quantitative and qualitative assessment
- Combining business operations and product/service impacts
- Integration of controversies and negative news flow

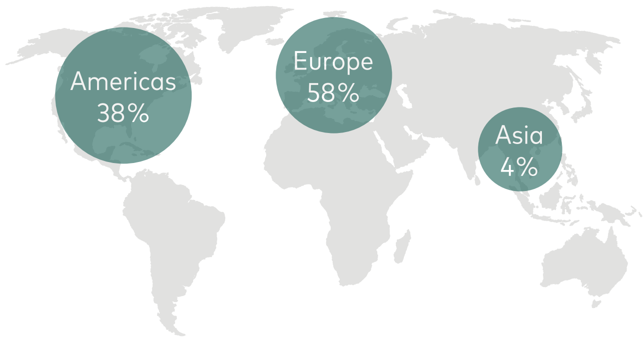
Measuring and impact
- Environmental footprint
- ESG scores
- CO_2 attribution
- SDG measurements
- Net zero commitment
- Benchmark comparison

Liquid market engagements on climate action in 2024

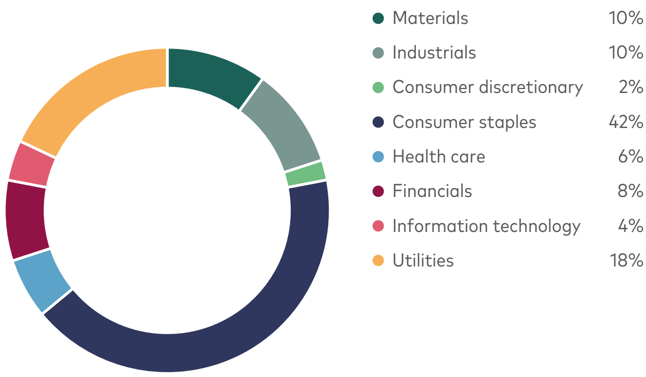
In line with our thematic focus, environment-related engagements represented the majority of our engagements in 2024. More specifically, climate action represented the most common engagement topic.

46%	29	11[1]
of engagements related to climate action and sub-themes (22% to climate action)[2]	companies engaged with	countries engaged in

Geographical split



Sector



Sustainable Development Goals (SDGs) split[2]

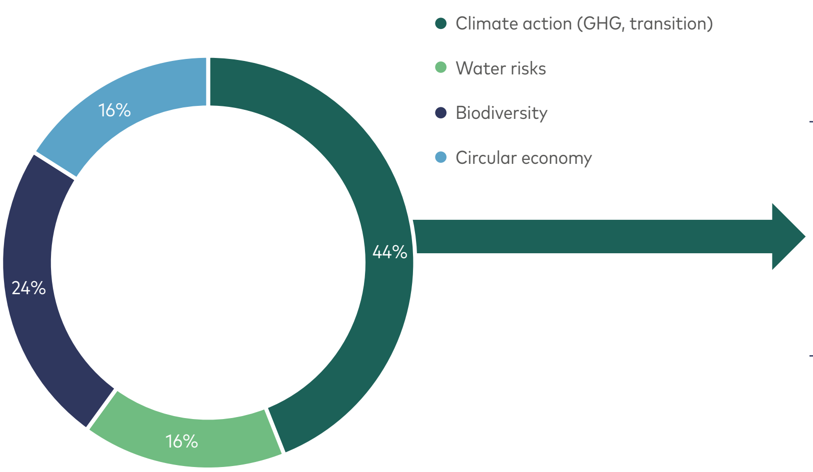
15% of engagements were linked to SDG 7 or SDG 13

7	"Affordable And Clean Energy"	1%
13	"Climate action"	14%

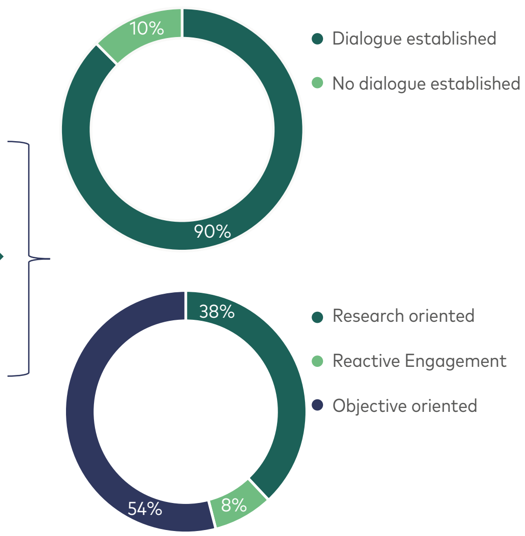
Top-five engagement topics in 2024[2]

Climate action (GHG, transition)	16%
Supply chain management	11%
Biodiversity	9%
Sustainability disclosure	7%
Health and safety	6%

Climate action and sub-themes breakdown



Climate action breakdown



[1] Data based on location of company headquarters.
[2] Percentages refer to the overall engagement activities including those that are not dedicated to climate action.
Source: LGT Capital Partners. Data from 1 January 2024 to 31 December 2024.

For the purposes of this report, we focus on the areas most relevant to our climate-related active ownership efforts.

For further details, please see our latest annual Active Ownership Report here and our Active Ownership Policy here. We also aim to provide transparency on our voting activities and we publish an annual report as well as monthly reports with our voting instructions and rationale for all voting items. A complete list of all proxy voting in 2024 is available on our website here.

Engagement theme 2020–2025: climate action

LGT Capital Partners has designated climate action as a thematic engagement priority for a five-year period. This engagement priority is based on the three sub-pillars:

- Net zero by 2050
- Circular economy
- Responsible value chain

For the sub-pillar "Net zero by 2050", our targeted engagement actions include:

- Ambition to be net zero aligned to support the goal of limiting global warming to 1.5°C above pre-industrial levels
- Science Based Targets for the short, medium and long term
- Definition of credible transition plans e.g. improvement in energy efficiency, increase in share of renewable energy, decarbonization of value chain and further sector-specific actions, e.g. introduction of low-emission technologies and zero-emission vehicles
- Transparency on reporting across the value chain, including progress updates

We have additionally defined the following objective for our investee companies: reduce GHG emissions in a responsible, trackable and transparent manner to achieve net zero by 2050.

Engagement process

We track, assess and review the effectiveness of our active ownership activities. Through our proprietary engagement tool, the LGT CP ESG Cockpit, we log each engagement with the relevant company details, ESG category and topics, SDG alignment, the type of engagement, activities, response quality, milestones and any escalation steps taken (including proxy voting). Regarding the environmental pillar, we track the following ESG topics: biodiversity, circular economy, climate action (relating to GHG emissions and transition), water risks and green financing.

Our engagement selection process within the Sustainable Equity team adopts a top-down data model based on four workstreams:

- Reactive
- Ongoing engagements
- Proxy voting
- Thematic priorities

For each area, our aim is to shortlist relevant companies based on certain criteria. This includes companies with flagged controversies and a higher risk of norm violations, ongoing engagements where we seek high-quality impact, companies where we voted against management on any environmental and social resolutions, and finally, companies targeted for our thematic engagement priority on climate action. Where companies are shortlisted for the latter, this is based on poor performance on ESG metrics, including the PAI indicators, which is relevant for the sub-pillars "Net zero alignment 2050", "Circular economy" and "Responsible value chain". The ESG metrics and PAIs considered for the "Net zero alignment" sub-pillar include: GHG emissions intensity (Scope 1, Scope 2 and Scope 3 relative to industry peers), Science Based Targets initiative (SBTi) targets and share of renewable energy.

Investor collaboration

In recent years, LGT Capital Partners intensified its efforts to join collaborative engagement initiatives. In to the area of climate action and its sub-themes, we had three ongoing collaborative engagements in 2024. In 2022, we joined a collaborative initiative launched by Climate Action 100+ with the aim of ensuring the world's largest corporate GHG emitters take the necessary action on climate change. We collaborate on the engagement for Paccar with a focus on fleet electrification and climate policy engagement. Furthermore, in 2023, LGT Capital Partners joined the IIGCC's NZEI, which focuses on credible corporate net zero transitions plans. We are taking a lead engagement role with Geberit and Knorr-Bremse. Finally, in 2023 we joined the Nature Action 100 initiative that is seeking urgent action on nature-related risks and dependencies in key sectors that are deemed to be systematically important in reversing nature and biodiversity loss by 2030. We take part in the engagement groups for Danone and L'Oréal.

Proxy voting

Exercising our voting rights in line with our sustainable investment objectives and principles is a key aspect of our active ownership efforts. More specifically, with regard to climate action, LGT Capital Partners uses voting rights to support companies in taking strategic steps to accelerate or adapt to a low-carbon business model. Hence, we generally vote in a way that aims to ensure stronger alignment between the company's net zero trajectory and its policies, reporting, actions, risk management and oversight. This may mean that we support voting items in areas such as the disclosure of climate-related metrics, targets and climate lobbying activities. In addition, the inability of a company to adequately address climate action could lead to a decision to vote against the board member(s) responsible for climate risk oversight. As shown in the chart below, we voted against management in several instances related to environmental topics.

LGT Capital Partners closely follows the Socially Responsible Investment (SRI) Proxy Voting Guidelines provided by Institutional Shareholder Services Inc. (ISS) but we may deviate from the guidelines if we arrive at a different assessment. The SRI policy is a leading example of voting guidelines aimed at mitigating the systematic risk of climate change.

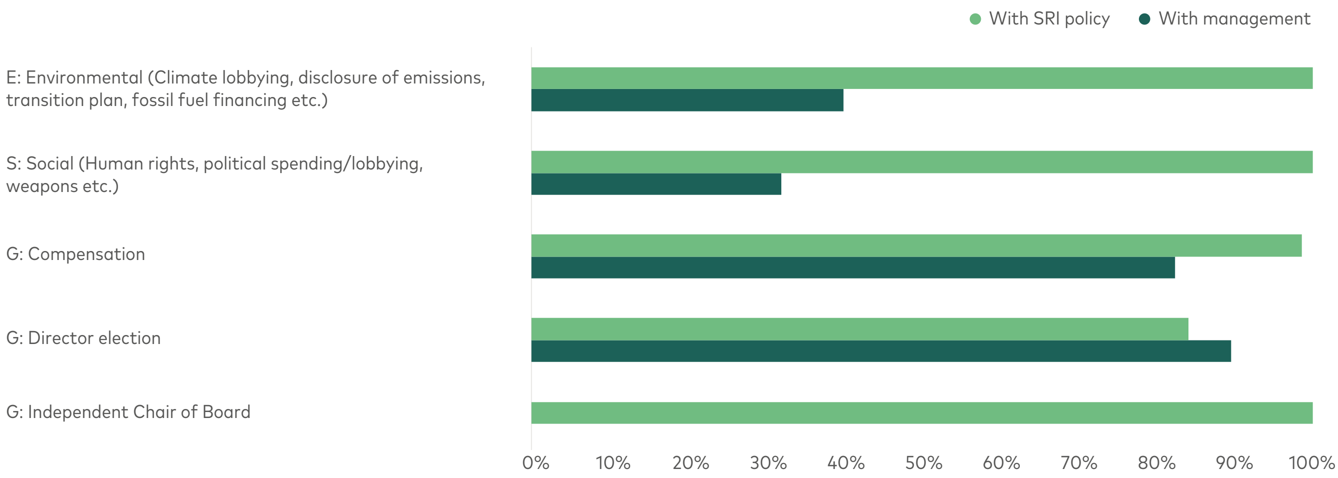
Fostering green financing

In the Fixed Income Developed Markets team, our engagement efforts focus on encouraging both the private and the public sector to provide green and social financing. As investors, we have committed to a minimum allocation of 50% use-of-proceed bonds in our sustainable global aggregate funds with a focus on climate action. With a number of countries around the world intensifying their efforts to reduce carbon emissions, the market for use-of-proceed bonds is growing. It is estimated by S&P Global that the annual issuance of all use-of-proceed instruments in 2024 could reach USD 1.05 trillion (2023: USD 0.98 trillion).

We aim to achieve the following objectives during the engagement process:

- Deepen our understanding of the issuers and sectors
- Encourage better sustainability outcomes in green and social financing frameworks
- Push for more transparent sustainability disclosure within green and social financing frameworks

Votes on selected topics in relation to management and SRI policy recommendations for our direct equity portfolios



Source: LGT Capital Partners

Engagement examples

Net zero: ING Group, banking and financial services

Engagement type: **Individual**, **objective oriented**.

Background: ING's climate ambition is to achieve net zero alignment by 2050. Its Terra approach, launched in 2018, guides lending and investments towards this goal. However, significant challenges remain and addressing them is key to reinforcing its net zero commitment.

Objective: Establish a more credible and robust net zero strategy through:

1. Science Based Targets initiative (SBTi) validation to enhance credibility and demonstrate alignment with best practices.
2. Strengthening of Terra approach.
3. Alignment with 1.5°C climate target, definition of binding commitments and effective enforcement mechanisms, and measures to address fossil fuel financing controversies.

Engagement: Our dialogue with ING began in 2021 and focused on its climate risk management and Terra approach. In 2022, we followed up to assess its progress, raising concerns about misaligned sectors, fossil fuel financing and coal project controversies. In 2024, we had a dialogue with ING's Climate Lead and Investor Relations, gaining deeper insights into its progress and adjustments while identifying areas for further improvement, particularly the strengthening of net zero commitments and escalation processes.

Outcome and status: SBTi: ING has submitted targets for validation under the updated framework, with approval expected in 2025.

Assessment and enforcement: ING addresses misalignment through client offboarding, onboarding lower-emission clients and transition financing. The new ESG.X tool assesses climate transition plans, with around 2,000 clients having now been assessed and integrated. ING has strengthened accountability, setting a 2026 target for stricter financing conditions. Clients failing to align will face escalation, with potential financing termination. Disclosures on enforcement remain limited.

Fossil fuel financing: ING will phase out oil and gas exploration financing by 2040, cease new upstream oil and gas financing, and end LNG terminal funding after 2025. ING is on track to reduce lending for individual coal power plants to almost zero by 2025. While these steps mark progress, it is unclear how due diligence is applied to buyers of such assets and whether sustainability criteria are part of its exit process. We are encouraging ING to address this gap and to provide more clarity moving forward.

Net zero: Verbund AG, utility company

Engagement type: **Individual**, **research oriented**.

Background: Verbund AG, Austria's largest energy provider, has expanded into Spain's renewable energy sector through recent acquisitions of solar and wind power companies. We engaged with Verbund to better understand its future investment plans in alternative renewables, especially amid ongoing uncertainty around European renewable projects. As a core holding in our sustainable fixed income funds, Verbund's leadership in renewable energy and sustainability remains a key area of focus for us. Additionally, we wanted to find out more about Verbund's commitment to net zero and how it aligns with the NZIF.

Engagement: Our dialogue with Verbund began in September 2023 at a utilities conference in London, where we discussed its expansion into Spain and challenges in European renewable energy, including financial uncertainties and regulatory complexities. In 2024, we followed up on its alignment with the Paris Agreement, seeking confirmation of a net zero transition plan under the NZIF. Verbund responded promptly, stating it was finalizing its targets. In October 2024, Verbund published its net zero plan to achieve its goal of climate neutrality by 2040 and net zero by 2050. The plan to achieve this ambition consists of a clear strategic path with measurable targets. Verbund has introduced targets along the entire value chain that include the expansion of green energy generation, especially in southern Europe, as well as the large-scale marketing of hydrogen in Austria. The transition plan was awarded the highest possible rating of NZ-1 (leading) by the rating agency Moody's in terms of the plan's ambition, implementation and governance.

Outcome and status: Verbund remains an attractive issuer for our sustainable investment strategies, given its leadership in renewable energy and commitment to sustainability in the DACH region. We will monitor its progress towards net zero targets and alignment with the NZIF. Additionally, we will track Verbund's expansion, particularly in Spain, and its broader efforts in solar and wind power across Europe. Given ongoing uncertainties in Austria's renewable sector, maintaining an open dialogue with Verbund remains a priority to support our long-term sustainable investment objectives.

Proxy voting examples

Environmental Social Governance

Clean energy financing

Morgan Stanley
Proposal text: Report on clean energy financing ratio
Proponent: Shareholder
LGT Capital Partners vote instructed: For
Management recommendation: Against
Vote result: Rejected. For 22.5%, against 75.8%, abstain 1.7%
Voting rationale: Morgan Stanley has committed to mobilizing USD 750 billion in low-carbon and clean energy financing by 2030 to support the transition to a low-carbon future. While the company provides transparency on its carbon-intensive sector targets and financed emissions metrics, it does not disclose its clean energy financing in relation to overall financing. A key challenge is the lack of a defined standard for such disclosures. Recently, three other companies announced plans to publish their clean energy financing ratios, highlighting the need for a harmonized approach. Disclosing this ratio would help shareholders to assess Morgan Stanley's progress toward its climate goals. In addition, aligning its activities with a net zero by 2050 pathway would strengthen its position as a leader in the global energy transition.

Environmental Social Governance

GHG emission disclosure

Ross Stores
Proposal text: Disclose all material value chain GHG emissions
Proponent: Shareholder
LGT Capital Partners vote instructed: For
Management recommendation: Against
Vote result: Rejected. For 25.9%, against 74.1%
Voting rationale: Ross Stores has reported its Scope 1 and Scope 2 emissions, as well as certain Scope 3 categories, including business travel and fuel- and energy-related emissions. The company has set a net zero target for 2050, including Scope 3, with an interim goal to cut Scope 1 and Scope 2 emissions by 42% by 2030. Expanding disclosures to include additional material Scope 3 categories would give shareholders better insight into its progress towards these goals and its approach to managing climate-related risks. Greater transparency would also support the company in meeting future regulatory requirements.

External managers

Engaging with our managers on ESG issues is a strategic priority. We want to increase their awareness of various ESG topics and to emphasize the importance of those topics for LGT Capital Partners as an investor. Our engagement work with external managers is divided into two parts: first, it comprises an annual ESG assessment, including an ESG questionnaire. The second part consists of our ongoing dialogue with managers around ESG aspects. The annual ESG assessment helps us to identify examples of ESG excellence and to flag areas for improvement. The questionnaires that we send to our managers are aligned in terms of the topics covered but feature different questions, depending on the asset class. Based on their responses to the questionnaire, the managers are rated on a scale of 1 to 4 (with 1 representing the highest score). Climate change is one focus area in all our manager questionnaires. For example, we ask managers if they assess and measure climate-related risks and opportunities. The findings from the last three surveys revealed a positive three-year trend across our private equity managers (see below).

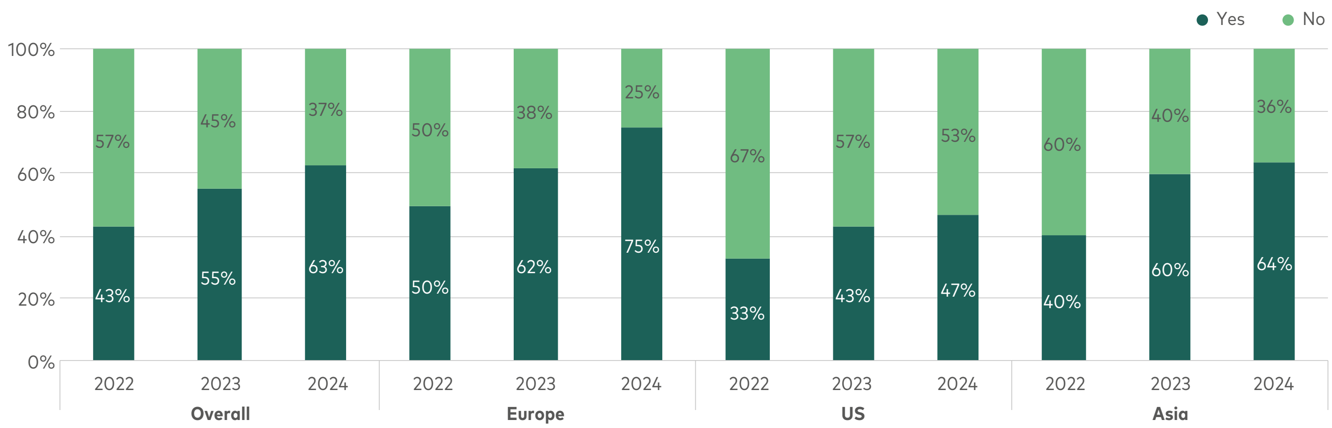
The annual ESG assessment also contains questions around TCFD adaptation and the monitoring of GHG emissions of portfolio companies that show similar positive trends. The proportion of managers monitoring GHG emissions of portfolio companies increased to 56% in 2024 compared to only 28% in 2021. The proportion of GPs looking at physical and transition risks increased to 25% in 2024 (vs. 19% in 2023). By asking these questions, we strive to highlight ESG topics and to thus help drive progress in ESG integration.

In addition to the annual questionnaire, we maintain an ongoing dialogue with our managers. Here, climate is a topic that is often discussed – e.g. with regard to setting carbon budgets that are aligned with net zero, assessing where portfolios currently stand and collaborating on how emissions can be reduced. One of our focus areas within climate action is to obtain more company-reported GHG data for our private equity portfolios. As mentioned earlier, LGT Capital Partners is a member of the EDCI and we use this initiative to encourage our managers to report according to the prescribed standards. For further details, please see the dedicated EDCI section.

Another important aspect of our engagement approach is the sharing of best practices that we observe among our managers. For this purpose, we have developed two dedicated publications highlighting market-leading practices that should inspire other managers who are at an earlier stage of their ESG and climate action journey. Similarly, we include good practice examples in our annual firm-wide ESG Report.

For example, in our internal ESG Report, we illustrated how FSN Capital, a Northern European private equity firm with USD 4 billion of assets under management, integrates ESG into its investment process and has a special focus on decarbonization. ESG is embedded in the investment process from the due diligence stage through to exit, and FSN works with all its portfolio companies to further improve ESG practices. FSN participated in the development of the guidelines for the private equity industry on how to set science-based emissions reduction and net zero targets and was among the first six private equity firms worldwide to define such targets[1]. Consequently, all FSN portfolio companies measure, manage and reduce GHG emissions to become sustainability leaders.

Proportion of managers that assess and measure climate change-related risks and opportunities



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

[1] The SBTi is a corporate climate action organization that enables companies and financial institutions worldwide to play their part in combating the climate crisis.

Metrics and targets

Metrics and targets
Investments we manage

Measuring current exposure

We define asset classes as being "in scope" where we have a robust GHG measurement framework in place and the ability to effect change through our investment decisions and stewardship activities. Based on this definition, we have included securities from corporate issuers, such as equities and corporate bonds. Here we measure the relevant financed emissions in our direct investment portfolios, externally managed funds and managed accounts. Asset classes such as money market instruments, sovereign debt and insurance-linked strategies are not yet in scope. These methodologies are still at an early stage of development and data coverage requires further improvement. For private markets, we use mostly estimates and EDCI data where available.

Emission methodology

In line with TCFD recommendations, we use the following metrics to report on our financed GHG emissions.

Metrics	Scope	2024	2023
Total carbon emissions ($MtCO_2e$)	Scope 1 and Scope 2	361,905	443,520
	Scope 3	3,549,392	3,128,719
Carbon footprint (tCO_2e/USD m invested)	Scope 1 and Scope 2	24.2	24.8
	Scope 3	236.9	174.6
Weighted average carbon intensity (WACI) (tCO_2e/ USD m revenue)	Scope 1 and Scope 2	66.1	62.8
	Scope 3	582.8	501.7

Carbon footprint (tCO_2e/USD m invested)	2024		2023	
	Scope 1 and 2	Scope 3	Scope 1 and 2	Scope 3
Corporates	30.3	250.0	42.3	250.8
Equities	17.9	213.1	17.1	142.7
Real estate	2.3	6.6	1.6	5.8
Total	**24.2**	**236.9**	**24.8**	**174.6**

For the purpose of this report, the firm's in-scope assets are estimated to be approximately USD 15 billion[1]. For these holdings, we report total carbon emissions, carbon footprint and weighted average carbon intensity across Scope 1, Scope 2 and Scope 3 emissions. To provide a more complete disclosure, we show estimated Scope 3 emission data in the metrics section. Additionally, we show a breakdown of in-scope assets across equities, corporates and real estate (real estate includes only listed REITs and no direct real estate). A sector breakdown of in-scope assets is provided.

Sector breakdown

Carbon footprint (tCO_2e/USD m invested)	2024		2023	
	Scope 1 and 2	Scope 3	Scope 1 and 2	Scope 3
Communication services	5.5	46.9	5.6	49.3
Consumer discretionary	11.3	354.4	12.1	254.5
Consumer staples	16.1	241.1	12.8	176.6
Energy	224.7	2,321.1	214.5	2,089
Financials	1.0	48.9	1.3	43.5
Healthcare	3.7	103.6	4.3	85.5
Industrials	32.9	803.1	32.5	373.6
Information technology	6.4	83.4	9.9	68.3
Materials	168.3	1,230.5	180.5	593.1
Real estate	9.4	33.7	10.6	32.5
Utilities	162.3	236.9	151.4	230.8

When comparing the numbers for all in-scope assets between 2024 and 2023, the Scope 1 and Scope 2 footprint showed a slight decrease, while the weighted average carbon intensity (WACI) increased. For Scope 3, both the footprint and WACI increased.

The reduction in the Scope 1 and Scope 2 footprint is primarily attributed to the corporate sector, which has the greatest potential for decarbonization as it has the highest carbon footprint. In contrast, the carbon footprint for equities and real estate remains very low. Analyzing the sector breakdown, the Scope 1 and Scope 2 footprint increased the most in the energy and utilities sectors, and it decreased the most in the materials and information technology sectors.

The rise in the Scope 3 footprint is mainly driven by the equities sector. A deeper look into the sector breakdown reveals that the higher Scope 3 footprint is influenced by increased numbers in the materials, industrials and energy sectors. Since all our reported Scope 3 data is estimated to ensure comparability, the increase in the Scope 3 footprint and WACI is also linked to improvements in the estimation models.

[1] We strive to include as many portfolios as possible in committed assets under management. However, due to specific circumstances related to particular benchmarks or investment universes, certain portfolios that are invested in equities or corporate bonds may not be included in in-scope assets under management. Source: LGT Capital Partners, MSCI, data as of 30.12.2024

Private markets

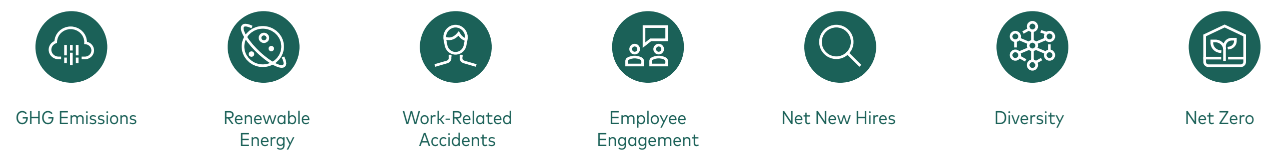
For private equity and private debt portfolios where relevant data is more difficult to collect, we measure the carbon footprint of the portfolios mainly using comparable public market information as a proxy for actual emissions. We also engage with private market managers to include GHG considerations throughout the investment process by asking them to report on this aspect in our annual ESG questionnaire. In addition, we are sourcing private equity data using the standard template developed by the EDCI.

EDCI 2024 update

The EDCI is a collaborative effort aimed at standardizing and improving the quality of ESG data in the private equity industry. By fostering greater transparency and consistency, the initiative seeks to enhance the ability of investors to make informed decisions that promote sustainability and responsible business practices.

LGT Capital Partners was an early supporter of the EDCI, having joined the initiative in 2021. Since then, we have actively partnered with the EDCI, and demonstrated our commitment to its vision through ongoing engagement with managers and comprehensive data collection efforts. In 2024, we received data from a total of 175 managers, covering more than 3,400 underlying companies. This is a significant increase compared to the data collected in 2023, where we received data from 125 managers, covering approximately 1,600 portfolio companies. This dataset highlights our dedication to ESG transparency. We intend to leverage it to gain better insights into our private equity portfolios and to use it increasingly to inform and enhance our investment decision-making processes.

Standardizing ESG data in the private equity industry

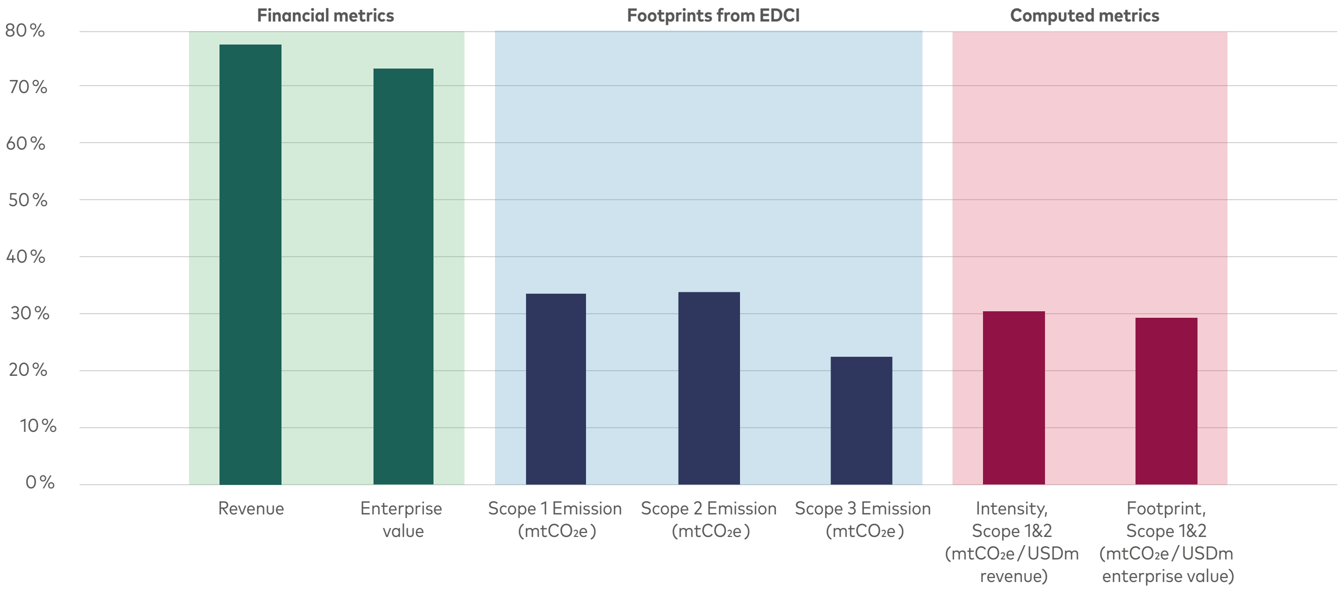


- ESG Data Convergence Initiative launched by CalPERS and Carlyle, convened by ILPA, and supported by BCG
- Supported by both LPs and GPs: +475 organizations, representing approx. USD 38 trillion AUM
- Goal: Drive standardization and benchmarking of ESG data
- New metrics on net zero were introduced for the 2023 reporting
- The 2023 benchmark includes data from 250 GPs who provided data on >6’200 companies
- LGT CP joined the initiative in 2021 and in 2024 was elected as a member of the Steering Committee
- LGT CP conducted its second data collection campaign in 2024 and received responses from 175 GPs, covering ~3’400 portfolio companies

The chart below provides a breakdown of the collected data, comprising financial metrics as well as climate-related metrics sourced through the EDCI's standard reporting template. While our efforts are still in the early stages, we are pleased to have achieved approximately 30% weighted coverage of our overall private equity portfolio for Scope 1 and Scope 2 emissions. We remain committed to expanding this coverage in the future to further enhance our ESG data integration and transparency.

Furthermore, LGT Capital Partners was elected to the EDCI's Steering Committee as a Limited Partner representative. In this strategic role, we are well positioned to influence the direction of the initiative, advocating for best practices and contributing to the further development of a robust ESG standard for private markets. As a member of the Steering Committee, we will be able to actively promote and shape the future of the EDCI, reinforcing our commitment to fostering a more sustainable and responsible investment industry.

Data coverage private equity portfolio



Data as of 31 December 2024. Coverage ratios are asset-weighted (USD).

Private equity portfolio analysis

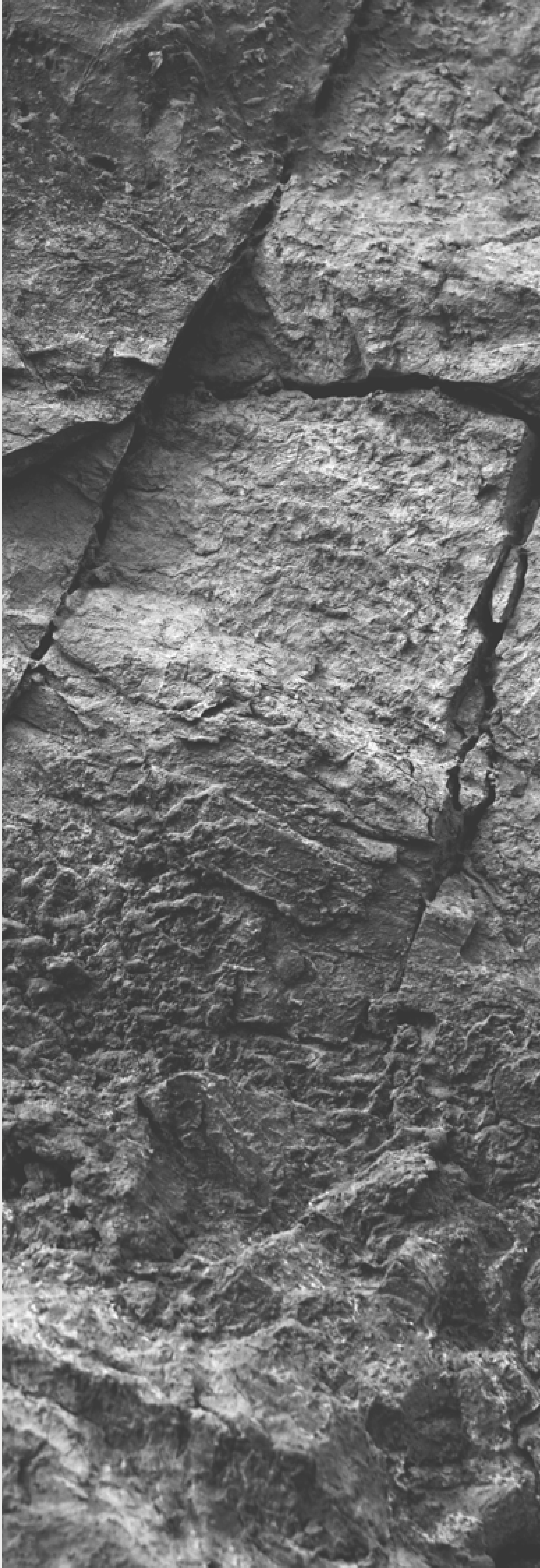
To provide enhanced transparency, we are presenting an aggregated estimation of climate-related metrics for our private equity holdings based on estimated data as well as data sourced through the EDCI template. The figures below cover our private equity holdings with a value corresponding to around USD 65 billion.

Metrics	Scope	2024	2023
Total carbon emissions ($MtCO_2e$)	Scope 1 and 2	1,664,841	1,883,568
	Scope 3	11,742,725	10,267,118
Carbon footprint (tCO_2e/USD m invested)	Scope 1 and 2	25.5	30.8
	Scope 3	180.2	168.0
Weighted average carbon intensity (WACI) (tCO_2e/ USD m revenue)	Scope 1 and 2	61	70.9
	Scope 3	318.0	354.4

The increase in absolute Scope 3 emissions from 2023 to 2024 primarily reflects the overall growth in the asset base, combined with a moderate rise in emission intensity for estimated Scope 3 data—a trend that aligns with our observations in the listed markets.

While a majority of the estimated emissions data shows an upward trend in line with global emissions patterns, our carbon footprint and carbon intensity metrics have improved over the same period. This divergence is mainly due to a reduction in the NAV share of high-emitting sectors, such as Materials and Energy, and the partial integration of company-level ESG data from the EDCI. Notably, companies that reported early through the EDCI process tend to show lower emissions compared to the broader listed market, contributing positively to the overall improvement in our carbon metrics.

Scope 1 and 2		
Carbon footprint (tCO_2e/USD m invested)	**2024**	**2023**
Communication services	7.2	9.0
Consumer Discretionary	17.8	23.3
Consumer Staples	44.4	46.0
Energy	165.9	182.8
Financials	0.6	0.6
Healthcare	6.9	6.0
Industrials	26.2	27.9
Information Technology	2.0	2.3
Materials	272.1	304.1
Real estate	5.4	4.5
Utilities	346.5	393.2



Target setting

We have developed a comprehensive Climate Action Framework to align multi-asset, equity and fixed income portfolios with the goal of reaching net zero GHG emissions by 2050. This work began with the development and subsequent rigorous implementation of our carbon budgeting framework for internal and external managers.

As a reminder, our climate framework is based on Scope 1 and Scope 2 emissions, the framework does not yet include Scope 3 emissions. As we believe that data coverage of this category of emissions is not yet adequate and involves numerous double counting issues. We are working towards the broader gathering and reporting of data on Scope 3 emissions but do not plan to include these emissions in the measurement of our carbon intensity target at present.

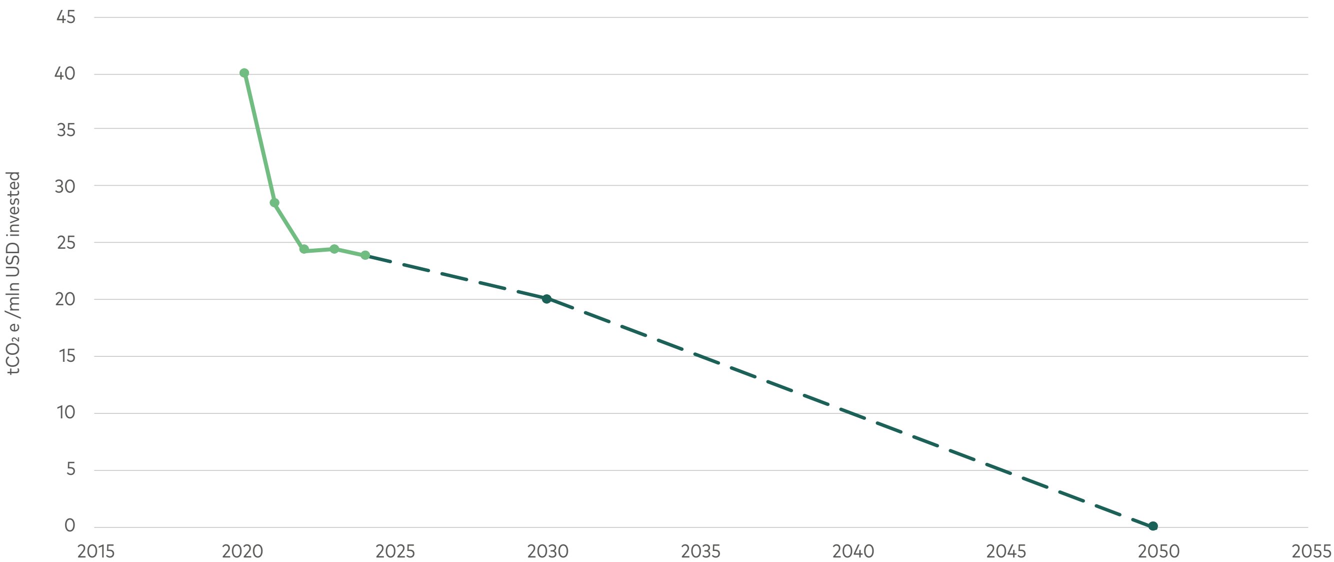
In March 2021, LGT Capital Partners joined NZAM and we confirmed our commitment to reaching net zero GHG emissions by 2050 across all assets under management.

The in-scope assets for our targets are the same assets displayed in the Metrics section. Our initial target for the proportion of our assets under management that is managed in line with the goal of net zero GHG emissions by 2050 was 22% of total assets under management for the baseline year[1].

We have set ambitious interim targets for our committed investments with the aim of achieving a 50% reduction in GHG emissions by 2030 against a baseline year of 2020. Since defining our commitment in March 2021, we have reduced our carbon footprint (tCO_2e per USD million invested) from our committed investments by 40% compared to the baseline year. We achieved this emissions reduction mainly by shifting our exposure to more energy-efficient companies. Further efforts are needed to bring the committed investments in line with our interim target of a 50% reduction in GHG emissions by 2030.

	2024	Base year 2020
CO_2 Intensity (tCO_2e/USD m invested)[2]	24.2	40.4

Carbon footprint path



Source: LGT Capital Partners

[1] This was equivalent to USD 18.8 billion at the time of the commitment. Based on the committed assets under management Source: LGT Capital Partners

[2] Based on the committed AUM

Target setting for the LGT Endowment

The LGT Endowment combines traditional and alternative investments with a high level of diversification.

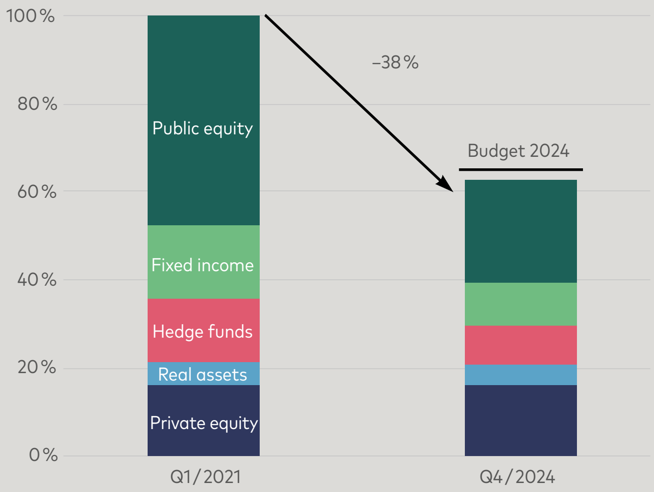
Measuring emissions for this wide range of asset classes forms the basis for setting emissions targets. We are able to measure emissions for around 70% of portfolio assets, with a focus on corporate assets. For private equity, we use estimates based on public market industry averages at the most granular level available. Other asset types, such as insurance-linked strategies and sovereign bonds, are not yet included in portfolio emissions due to the absence of established measurement frameworks.

The target-setting framework includes the definition of carbon budgets for each asset class (where we measure emissions) and for individual managers. Here, we work with managers to assess where the portfolios currently stand and we are collaborating with them to determine how emissions can be reduced as far as necessary.

The LGT Endowment aims to reduce GHG emissions by 50% by 2030, against a baseline year of 2021, and to achieve net zero by 2050. Yearly interim carbon budgets are set to ensure that the portfolio is on track to meet its targets.

Through our systematic efforts, we have been able to reduce the carbon footprint from 48.5 tCO_2e per USD million invested to 30.1 tCO_2e per USD million invested since the initial disclosure in 2021. This represents a 38% reduction in the carbon footprint.

It is clear that the actions taken in the portfolio have made a significant contribution towards the LGT Endowment's alignment with net zero. The most noticeable impact stems from public equity. This is not surprising as these are the most liquid portfolios and changes can therefore be implemented more rapidly. Additionally, data quality and availability is higher for these public portfolios, allowing us to easily track the individual underlying holdings, while our framework currently still applies industry proxies for the measurement of private equity emissions. Our carbon reduction path and our commitment to net zero are clearly defined and we will continue to focus intensively on achieving the goal of net zero going forward.



Source: LGT Capital Partners

Metrics and targets
Own operations

LGT Capital Partners has introduced the following measures:

- Measure, monitor and address Scope 1 and Scope 2 emissions related to our offices
- Measure and monitor waste production, electrical waste, hazardous waste and recycling rates
- Measure and monitor paper usage and the recycling rate
- Measure and monitor water consumption
- Measure and internally report business travel by cost center, comparing data to the company average

LGT Capital Partners focuses on sustainability aspects in the area of facility management, including green building labels that are applied to all new offices. We also strive to continuously optimize the energy consumption of existing buildings and engage with our landlords on topics such as energy usage, waste management, the provision of electric chargers for electric vehicles and parking areas for bikes, and other relevant topics.

To reduce transport emissions from commuting, LGT Capital Partners actively encourages its employees to use public transport. In Switzerland and Liechtenstein, we offer financial incentives for alternative mobility solutions. We also promote the use of e-mobility solutions, and charging stations for electric vehicles are available for employees at several locations.

Operational data

Tag	Unit	2024	2023	2022	2021	2020	2019
Scope 1	tCO_2e	78.54	75.25	44.23	44.44	195.74	207.11
Scope 2	tCO_2e	258.46	135.28	77.89	115.96	198.63	156.68
Scope 3–1 Purchased goods and services	tCO_2e/FTE	6.85	0.02	0.02	0.02	0.03	0.03
Scope 3–2 Capital goods	tCO_2e/FTE	6.61	n.a.	n.a.	n.a.	n.a.	n.a.
Scope 3–3 Fuel- and energy-related activities	tCO_2e/FTE	0.15	0.10	0.06	0.07	0.10	0.12
Scope 3–5 Waste generated in operations	tCO_2e/FTE	n.a.	0.00	0.00	0.00	0.00	0.00
Scope 3–6 Business travel	tCO_2e/FTE	2.39	1.87	1.56	0.29	0.24	2.49
Scope 3–7 Employee commuting	tCO_2e/FTE	1.07	1.00	0.94	n.a.	n.a.	n.a.

- 2019 and 2020 data has been extrapolated based on a limited number of locations.
- Scope 1: at our headquarters in Switzerland, we switched our heating unit input from natural gas to biogas in 2021, significantly reducing our footprint; in 2023, we updated the data points we cover to include refrigerants.
- Scope 2: in 2023, we increased the locations we cover to include our offices in Bendern; in 2024 we have also improved our estimation methods to better reflect the energy sources.
- Scope 3-1: change in methodology for 2024 by expanding the underlying data set to include business and office expenses. Therefore, 2024 numbers are not directly comparable to previous years, which included only water and paper consumption.
- Scope 3-2: in 2024 we calculated these emissions for the first time.

Source: Sulytics, LGT Capital Partners, data for our main locations in Pfäffikon (Switzerland), New York, Paris, Dublin, London, Hong Kong, Bendern (Liechtenstein). Data from smaller regional offices is extrapolated.

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Legal Information
The LGT Endowment follows the same investment approach that is used for the Princely Family of Liechtenstein. LGT Endowment is not available for investment by US investors.

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