

Sustainability at LGT

Report 2010 to 2012
LGT Group

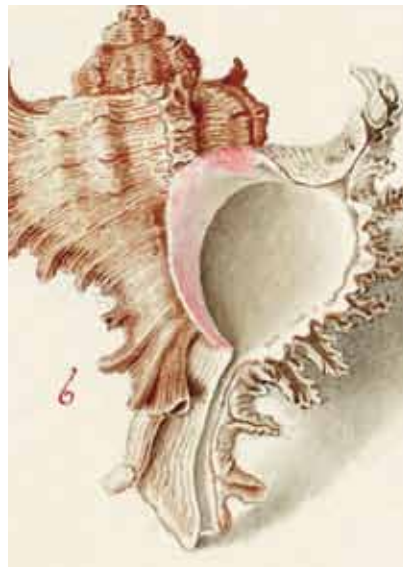


“The family-managed, simple and stable ownership structure of LGT allows us to pursue a long-term and thus sustainable corporate strategy, and at the same time to make decisions quickly and independently.”

H.S.H. Prince Philipp von und zu Liechtenstein, Chairman LGT Group

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Intergenerational thinking and acting

“Only cut as much wood as can regrow!” This was how the Saxon mining administrator Hans Carl von Carlowitz, as the very first person, formulated the principle of sustainability almost 300 years ago. In the meantime, sustainability has become a blanket term. In essence, it is about leaving our children and grandchildren the legacy of a sound ecological, social and economic order.

As a global financial company, LGT Group makes an important contribution in this area. On the one hand through our range of sustainable investment products, into which the Princely Family invests and which we also make available to our clients, and on the other hand through specific measures aimed at ensuring the sparing use of resources in our banking operations. Last but not least, assuming social responsibility and supporting less advantaged people is an essential part of our corporate culture. To this end, we established LGT Venture Philanthropy in 2007. Today, it is a leading impact investor effectively fighting world poverty.

In the following pages you can find out how we implement sustainability and what progress we have made over the past three years. This report has been prepared for the first time and is based on the “Global Reporting Initiative (GRI)” – an internationally recognized standard for sustainability reporting. Going forward, we will be reporting every two years on our sustainability performance.

We wish you an interesting read.



H.S.H. Prince Philipp von und zu Liechtenstein (left) and
H.S.H. Prince Max von und zu Liechtenstein (right)

H.S.H. Prince Philipp von und zu Liechtenstein
Chairman LGT Group

H.S.H. Prince Max von und zu Liechtenstein
CEO LGT Group

Doing business sustainably

Driven by the financial and debt crisis, traditional values such as security, stability and reliability are regaining their importance. Long-term planning and sustainability are key to the future viability and success of every business.

Long-term corporate philosophy

As the world's largest Private Banking and Asset Management group wholly owned by an entrepreneurial family, it is our philosophy to conduct our activities in a socially responsible manner and with a view to the long term, and to make a positive contribution to healthy economic and social development.

As a family-managed company, we have the great advantage of being able to think intergenerationally and not having to focus primarily on optimizing short-term profits. This allows us to build strategic projects over a longer time horizon and let them grow sustainably.

Sustainability for us is not simply an objective that has to be achieved; it is an incentive to think ahead and to critically question the effects of our actions on clients, business partners, employees, the environment and society, as well as on our own company – fully aware that as a corporate entity we play a central role in the economy and in society.

Economy

Core business

- Responsible investing
- Sustainable investment products

Governance

- Good, transparent corporate governance including risk management

Ecology

- Climate and environmental protection
- Sparing consumption of energy and use of renewable energy

Social issues

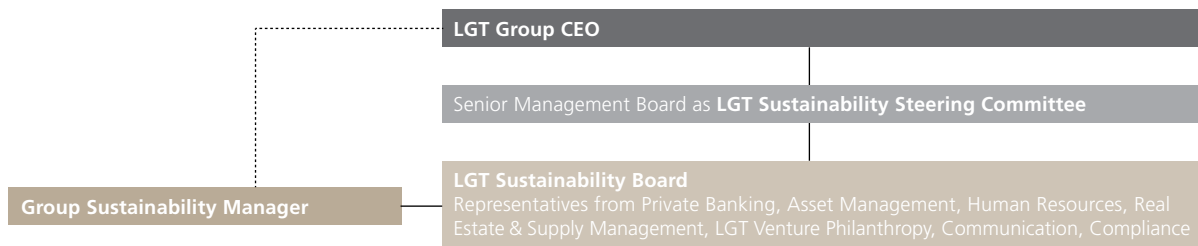
- Employee development and promotion
- Employee involvement
- Social engagement

Sustainability management at LGT

Our sustainability initiatives are based on a three-pillar model consisting of the areas of economy (core business and governance), ecology and social issues. In our core business, it primarily means responsible investing and thereby creating solid, long-term added value – for both our owner family and our clients. The area of governance includes good, responsible corporate management and controlling, which ensure our business activities comply with applicable laws and regulations and risk management is functioning effectively. In the area of ecology, we focus on minimizing our impact on the environment: from waste separation

and sparing use of energy through to sustainable material procurement. In the social area, people and our commitment to society are the center of our focus.

In 2010, we established the LGT Sustainability Board. In consultation with the Group CEO, it sets our strategic direction and defines our sustainability objectives. Private Banking and Asset Management as well as all relevant Group functions are represented on this international steering committee. Sustainability Management implements the measures in cooperation with the relevant departments.



Milestones achieved by 2012			
Economy		Ecology	Social issues
Core business	Governance		
<ul style="list-style-type: none"> ▪ Developed proprietary analysis system for integrated evaluation of ESG criteria and fundamental data ▪ Successfully launched our sustainability funds ▪ Established Cleantech Private Equity Program 	Adopted revised Code of Conduct for LGT employees	<ul style="list-style-type: none"> ▪ Achieved CO₂ neutrality for LGT Group by purchasing emission certificates ▪ Increased use of renewable energy ▪ Sensitizing employees to energy efficiency measures ▪ Systematically collected environmental performance indicators ▪ Introduced purchasing guidelines for sustainable material procurement 	<ul style="list-style-type: none"> ▪ Launched Employee Volunteering Program ▪ Launched idea management for employees ▪ LGT Venture Philanthropy established as leading impact investor
Objectives by 2015			
Grow sustainable assets under management	Maintain strict compliance with laws and regulations	Reduce CO ₂ emissions by ten percent by implementing various measures	Further develop programs and employees' awareness of sustainability initiatives

Transparent corporate governance

We inform clients, employees and the public about our business activities in a transparent manner in order to maintain and strengthen confidence in our corporate group.

LGT Group is managed according to the principles of separation of powers (Board of Trustees, Group Executive Committee, Executive Boards of the companies) and of checks and balances. Although our bank is family-owned, we follow international standards for publicly listed companies in the disclosure of financial and other material information.

We are committed in particular to our owner family and the corporate objective that it has set for conducting successful long-term, sustainable business activity. The corporate governance bodies ensure strict compliance with all applicable laws, regulations and rules. We do not tolerate any violations. Corporate management has efficient risk management and controlling systems in place.

Principles guiding our conduct

Classical virtues and values such as reliability, respect and integrity are firmly anchored in our corporate culture. These principles apply especially in our dealings with clients, with those with whom we work and other stakeholders. They are enshrined in our Code of Conduct, which was substantially revised in 2012. The Code is not simply a set of rules, but an integral part of our strategy. Our employees are required to read, understand and comply with the Code at all times. They also receive regular training to raise their awareness of compliance with existing regulations, rules and laws.

Further information on corporate governance can be found in the Annual Report 2012 of LGT Group on page 8.

How we enable sustainability investing by our clients

As an internationally active company, we can influence in our core business the extent to which investments flow into sustainability-oriented countries, companies and projects. It is important to us, group-wide, not to invest in any companies involved in the manufacturing, storing or delivering of controversial weapons such as nuclear bombs, land mines, cluster bombs or munitions, biological or chemical weapons.

Soundly based investment process for sustainable investments

The Princely Family of Liechtenstein, the owner and largest client of LGT, invests a portion of its wealth in our sustainable investments. For these investments, we employ a dual approach whereby both ESG (environmental, social and governance) criteria and fundamental company data are analyzed. We have developed a proprietary analysis system for this, the aim of which is to identify companies that contribute to a sustainable improvement in human well-being and also to long-term, financial value creation.

We also draw on our long-standing expertise and strengths in the classical structuring of portfolios, investment managers and securities. Our clients can also invest their assets in these sustainable investment products.

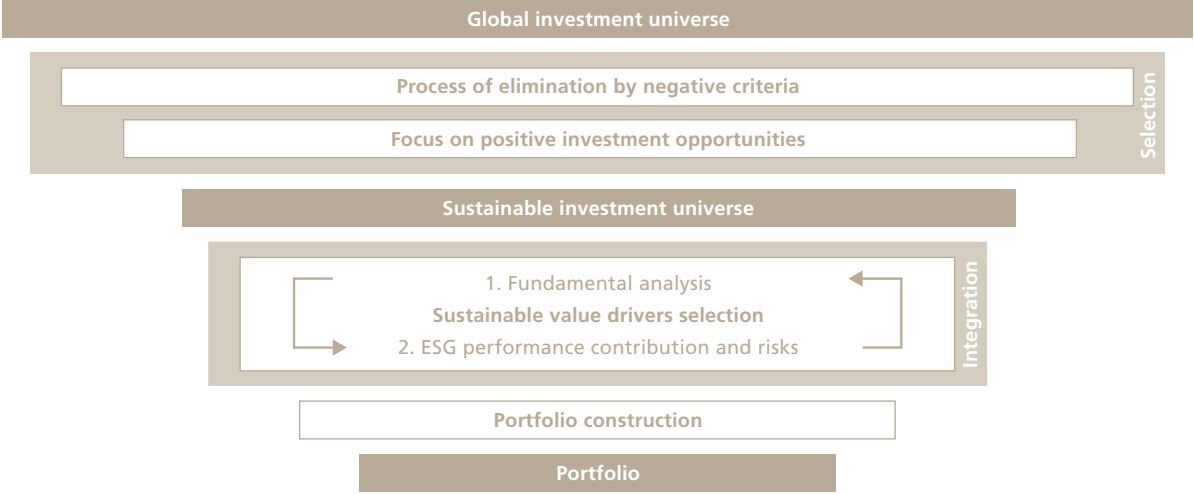
Multi-stage selection and integration process

Portfolio construction for our sustainable investment products is based on a two-stage process. In a first step, we use a selection process to eliminate illiquid stocks and bonds, as well as companies that generate their earnings from tobacco, gambling, arms or pornography or are involved in child labor.

For government bonds, we eliminate countries that have not signed the Nuclear Non-Proliferation Treaty (NPT) and the international conventions banning landmines and cluster munitions, or that seriously violate human rights. In addition to this, we analyze the level of corruption in a country using data from Transparency International.

In a second step, we use a transparent, comprehensible set of ESG indicators to identify investment opportunities (cf. “ESG indicator set” box on page 12). LGT has developed a special analytical process to enable comparison of companies from different sectors and regions. This allows us to eliminate the worst companies by ESG score from the investment universe and concentrate on the positive investment opportunities. The integration process combines a fundamental analysis with an in-depth sustainability analysis to identify long-term investment opportunities. The resulting stock selection forms the basis for our sustainability funds.

Our portfolio managers use an active management approach for constructing portfolios. On a daily basis they verify that the investment funds are invested in a way that is consistent with the strategy, are moving within the defined range and are not violating any investment restrictions.



Our sustainability funds

Launched in November 2009, the sustainable equity, mixed and bond investment funds showed a total volume of CHF 914 million as at the end of 2012, representing an increase of around 400 percent in the last three years.

Fund of the year

LGT's sustainable bond fund was named Fund of the Year 2011 by ECOreporter.de, Germany's leading online portal for ecological and ethical investments. In 2012 the fund was awarded a 4-star rating by Morningstar.

Sustainable investments	2012	2011	2010
Volume of sustainable investments (CHF m)	914	505	229

ESG indicator set

For sustainable investments, we use an investment approach that includes evaluating securities according to the following ESG criteria:

- Environmental (E): resource management (waste reduction, recycling), reduction in emissions (e.g. greenhouse gases) and product innovation
- Social (S): employer quality, occupational health and safety, education and training
- Governance (G): governance structure (e.g. separation of chairman and CEO functions) and independence of audit and compensation committees

For country selection, we focus on social and ecological indicators:

- Social development: standard of living, equality, innovation, international cooperation and inter-generational financial justice
- Conservation of natural resources: energy mix, CO₂ emissions, biodiversity, water pollution and recycling

Cleantech Private Equity Program

LGT Group ranks among the world's leading private equity specialists. The consideration of ESG factors is an integral part of our manager due diligence process, which follows the UN Principles of Responsible Investment (UN PRI).

In 2010, we launched a cleantech fund of funds for a state pension fund in Sweden. This fund of funds invests in private equity funds, which in turn invest directly in carefully selected European companies involved in clean technologies. To date, the fund of funds has invested in 17 companies, among them a biomass producer, various wind turbine operators, providers of environmentally friendly solutions, a solar energy manufacturer and waste management companies.

Cleantech includes all goods, services, processes and business models across all industries and all value-added steps that contribute significantly to a sustainable economy.



“Sustainable investments are absolutely competitive!”

Many investors wish to contribute to a better world. Does this mean having to forego returns? A portfolio manager and a client adviser tell us.

Ms Kundert, you manage a sustainable bond fund for LGT. Is it just your profession or is it also your calling?

Susanne Kundert: Both. I have been looking at the issue of sustainability for over 20 years now. While studying at the University of St. Gallen, I specialized in environmental economics. I started out my career, however, in the traditional economy, in the area of mergers and acquisitions as well as in classical fund management. When I got the chance over four years ago to help build up the area of sustainable investment at LGT, it was a wonderful way to combine my professional experience and my interest in sustainable economics.

What are the investment objectives of the fund you manage?

Susanne Kundert: The fund has dual objectives. The first objective is to achieve an attractive risk-return ratio. The difference to many traditional bond funds lies in the second objective: the investments in the fund, i.e. the underlying companies and states should contribute to an improvement in human well-being.

What does this mean in concrete terms?

Susanne Kundert: Figuratively speaking, we filter our investments through an ever-finer sieve. We completely exclude ethically controversial investments. This includes companies that earn their money with arms, tobacco, gambling, child labor or pornography, as well as states that systemically violate human rights, exhibit high levels of corruption, or do not accept important arms embargoes. We analyze the remaining universe of companies and states under the aspects of environmental, social and corporate governance. The debtor should contribute to equitable development and the conservation of natural resources,

and thus open up positive investment opportunities to investors. We also conduct a traditional financial analysis of each individual debtor. Like the managers of traditional bond funds, we look at fundamental criteria such as long-term earnings power, liquidity or the potential of a company's business model. This

“It is still widely believed that sustainable investments yield lower returns even though there are various studies that show the opposite to be true.”

Susanne Kundert

combination of financial ratios and sustainable indicators has had a positive impact on our investment decisions. For example, since the launch of the fund, we have focused, in terms of corporate utility bonds, on hydropower instead of nuclear energy, and have excluded Greek sovereign bonds due to high levels of corruption.

How big is investor interest in sustainable investments?

Yves Brunschwiler: In a recent survey of our private clients, as many as 46 percent indicated that they were interested in the issue of sustainability; and one third wished to receive concrete information from us. This level of interest is undoubtedly due to the fact that many of our clients are typically long-term oriented and do not necessarily want to assume much risk or to chase “fast money”. The demand is therefore there. My task as a client adviser is to respond to this interest and show my clients the opportunities that exist to invest in a sustainable way.

What role do returns play?

Yves Brunschwiler: Basically, the return is always important. Even though the demand for sustainable investments has increased, at the end of the day the client wants to invest in a product that yields a return comparable to that of traditional investments. The client's perception is often asymmetrical: as long as the return is positive, how high it is in absolute terms is secondary. And this is where I see sustainable investments coming in. They are suitable for investors who would like to



Finding that ever more investors are interested in sustainable investing: Yves Brunschwiler and Susanne Kundert.

generate a continued positive performance – without large upswings or downswings – but who at the same time would like to be certain that they are investing in socially acceptable and sustainable value creation.

And what does the portfolio manager say? Can sustainable investments compete with traditional investments?

Susanne Kundert: It is still widely believed that sustainable investments yield lower returns even though there are various studies that show the opposite to be true. In a meta study of 36 studies by the UNEP Finance Initiative and Mercer, a consulting firm, over half of the studies exhibited a positive relationship between sustainability and returns, while under ten percent of the studies showed a negative relationship. Sustainable investments are absolutely competitive! As a return benchmark for our sustainable funds we have therefore consciously selected classical indices in the respective asset classes, irrespective of whether it is a share, bond or mixed fund.

Will the demand from your clients continue to rise?

Yves Brunschwiler: Yes, I'd definitely say so. And also because I believe that the notion of sustainable investment goes hand in hand with the long-term and sustainable strategy and corporate

culture of LGT and the values of our owner, the Princely Family. However it's still the client adviser's task to raise the client's awareness of this issue. ♦

“Sustainable investments are suitable for investors who would like to generate a continued positive performance.”

Yves Brunschwiler

Susanne Kundert (40) is responsible for the portfolio management of the sustainable bond fund of LGT.

Yves Brunschwiler (47) is a client adviser and team leader at LGT Private Banking.

Our engagement for the environment and climate

Environmental and climate protection are among the greatest challenges of our time. This is why we want to ensure that we significantly reduce the burden on the environment and climate from our business activities and conserve natural resources.

LGT Group is climate neutral

LGT Group has been CO₂-neutral since 2010. The Group offsets its carbon consumption by purchasing emission certificates. To this end, we work together with South Pole Carbon Asset Management Ltd. – one of the world’s leading emission reduction companies. Through the purchase of Gold Standard certificates – the independent label distinguishes high-quality climate protection projects and the related emission reduction certificates – we are supporting the modernization of 98 small hydropower stations in south-western China and at the same time helping to improve the quality of life of the people who live there. To date, 800 000 tonnes of CO₂ emissions have been saved through the project.

Business travel

The CO₂ emissions generated by business flights have increased by around 21 percent since 2010. The increase is primarily attributable to the expansion of our international business activities, and since 2011 to more precise data collection.

Electricity consumption

We have been purchasing energy-efficient electrical appliances for many years now and this has a positive effect on our electricity consumption. Thanks to increased use of electricity from renewable energy, CO₂ emissions were reduced by more than seven percent between 2010 and 2012.

LGT uses the national energy mix (including nuclear power) for its locations in Liechtenstein, while LGT Bank Switzerland mainly uses electricity from renewable energy sources and completely stopped using electricity generated by nuclear power in 2012.

LGT's CO ₂ emissions	2012	2011	2010
CO ₂ emissions energy in tonnes	1 897.9	2 298.2	2 828.1
CO ₂ emissions flights in tonnes	1 033.5	913.3	855.7
Total CO₂ emissions	2 931.4	3 211.4	3 683.8
CO ₂ emissions in kilograms per FTE	1 676.6	1 885.7	2 039.3

Origin of electricity

LGT location	Year	Energy mix
Liechtenstein		
Headquarters in Vaduz	Since the construction of building I in 1960 and building II in 2003	National energy mix including nuclear power
Service Center Bendern	Since the construction of the building in 1996	National energy mix including nuclear power
Switzerland		
Basel	Since the establishment of the branch in 2004 Since 2012	National energy mix including nuclear power National energy mix without nuclear power
Berne	Since the establishment of the branch in 2004 Since the second quarter of 2012	National energy mix including nuclear power 100% hydropower
Geneva	Since 2007	100% hydropower
Lausanne	Since 2007	90% hydropower, 10% green power
Lugano	Since 2010 Since 2012	88% hydropower, 12% national energy mix including nuclear power 100% hydropower
Lucerne	Since the establishment of the branch in 2004 Since 2012	National energy mix including nuclear power 100% hydropower
Zurich	Since 2008 Since 2008	Glärnischstrasse, Bleicherweg 1, Stockerstrasse: 100% hydropower Bleicherweg 2: 92% hydropower, 8% solar power

A positive trend in direct energy consumption has been observed since 2010: by the end of 2012, it had fallen by 24 percent in absolute terms and by 21 percent per full-time employee (FTE). Thanks to lower energy consumption, our CO₂ emissions fell from 2828.1 tonnes to 1897.9 tonnes over the same period.

Direct energy consumption	2012	2011	2010
Electricity in megawatt hours	10 592.4	10 198	11 341.5
Heating energy in megawatt hours	3 343	5 260.2	6 981.7
Total energy in megawatt hours	13 935.4	15 458.2	18 323.2
Total energy in megawatt hours per FTE	8	9.1	10.2

Building management

To improve the energy efficiency of our locations and conserve natural resources, we conducted analyses of the buildings at our locations in Liechtenstein and Switzerland (Pfäffikon) and defined corresponding measures.

Since 2009 we have had solar panels on the LGT Service Center in Bendern, which produce around 50 000 kilowatt hours of thermal energy per year, corresponding to around eight percent of the building's annual requirement.

Our buildings in Liechtenstein are equipped with heat recovery systems. These help to significantly reduce energy consumption, pollutant emissions and, not least, heating costs. Here the stale air is extracted from the rooms and passed through a heat exchanger, which transfers its warmth to the fresh air coming into the

building. The exhaust air is used to temper the supply air; thus the supply air can be heated at cold times of the year and cooled during the summer months.

Since October 2011, we have been using 100 percent bio gas for our locations in Liechtenstein. In 2012, at our main building in Vaduz we replaced the old combined heat and power installation with a modern cooling unit, which is used in winter as a heat pump and saves us 2008 megawatt hours of natural gas per year. We also use the waste heat from our server rooms to heat the building. Owing to these measures, the use of heating energy from renewable energy sources at our locations in Liechtenstein has risen to 100 percent. In Switzerland, our Zurich branch has been using 30 percent bio gas since 2011. The share of renewable heating energy in Switzerland thus stands at four percent.

Promotion of climate protection measures

Since May 2012, the Swiss Climate Foundation and the LIFE Climate Foundation Liechtenstein have engaged in cross-border collaboration. Through this cooperation, funds for climate protection are available from the Swiss Climate Foundation for small and medium-sized enterprises in Liechtenstein, too. Acting as the representative for the Liechtenstein banks, LGT Group sits on the Board of Trustees and the Advisory Board of the Swiss Climate Foundation. In 2012, the Swiss Climate Foundation supported four Liechtenstein companies, providing total funds of CHF 143 400.

Heating energy

	2012	2011	2010
Gas in megawatt hours	2 818	4 972.9	6 912.2
Heating oil in megawatt hours	10.9	10.4	13.2
Bio gas in megawatt hours	444.7	203.7	-
Solar energy in megawatt hours	69.4	73.2	56.4
Total heating energy in megawatt hours	3 343	5 260.2	6 981.7
Total heating energy in megawatt hours per FTE	1.9	3.1	3.9

Water consumption

LGT's water consumption is limited to sanitary facilities, building technology and cleaning and maintenance. Since 2007, to save water we have been using flow restrictors on the water taps at our locations in Liechtenstein and Switzerland.

	2012	2011	2010
Total water consumption in cubic meters	38 665.8	36 116.6	43 071.1
Total water consumption in cubic meters per FTE	22.1	21.2	23.9

Socially and environmentally responsible procurement

LGT follows a long-term-oriented product and procurement strategy, taking sustainability criteria into account. For example, we purchase office material that is produced in an environmentally friendly and socially responsible way and require the manufacturer's certificate of compliance. It is important to us that the products, from their manufacturing through to their disposal or recycling, are in line with our sustainability principles. These include the adoption of high occupational health and safety standards, the observation of human rights, the sparing use of natural resources and the prevention of corruption. The procurement guidelines, which were set out in 2011, are gradually being integrated into the contracts we have with our business partners.

Use of recycled paper

We are increasingly transitioning to computer-based, paperless work processes. We print documents on both sides of the paper (double-sided printing) and raise our employees' awareness about saving paper. All brochures are printed carbon neutral on FSC-certified paper. Since April 2012, we have been using 100 percent recycled paper for internal documents. Manufactured carbon neutral and chlorine free, the paper bears the "Blue Angel", a recognized seal of quality for particularly environmentally friendly products. It is made from recycled fiber won from recovered paper.

Paper consumption

	2012	2011	2010
Paper consumption in tonnes	95.7	82.6	101.9
of which FSC paper	100%	100%	100%
of which 100% recycled paper	61%	0%	0%
Total paper in kilograms per FTE	54.8	48.5	56.4

In 2012 paper consumption increased by around 16 percent compared to the previous year due to various special effects. Against 2010, however, it was six percent lower.

Waste statistics

	2012	2011	2010
Waste at locations in Switzerland/Liechtenstein in tonnes	198.4	221.4	174.5
Extrapolated across LGT Group in tonnes	258.1	276.5	232.1
Total waste in kilograms per FTE	150	160	130

We have precise statistics on waste generation only for our locations in Liechtenstein. In Switzerland, we are generally not the sole tenant in a building. The data in the table therefore represent estimates or extrapolations for the whole Group. The increase in waste in 2011 primarily reflects the clearing of the site in Lausanne (Pully) and partial renovation of the LGT Service Center in Bendern.

More power, better harvests – and clean, healthy air

LGT compensates for its carbon consumption by purchasing emission certificates in accordance with the Carbon Standard. By doing so, it can support a project developed by South Pole Carbon, a Zurich-based company, which aims to cover the rising energy requirements in China's mountainous south-west region by promoting the construction of run-of-river hydro plants.

“Before I visited Nujiang in Yunnan Province for the first time, I had no idea how different the economic and social conditions were in China”, Li Yin is still surprised to admit. For the last four years, Li Yin, the project manager for South Pole Carbon, who grew up in Beijing, has made regular visits from China's capital to the picturesque, untamed mountainous region of Nujiang in the south-west of the country. South Pole Carbon is an internationally active company, which develops innovative, climate-friendly projects to reduce carbon emissions.

Until recently, wood was a major energy source. Meals were usually cooked on an open fire, and electricity was obtained from dirty and inefficient diesel generators. The steadily increasing demand for power led to deforestation and soil erosion, which in turn sharply increased the danger of landslides.

More than ten ethnic minorities live in this poor region, and no one would begrudge them the right to economic development

and improved living conditions. But to achieve this worthy goal, it has been proposed that enormous dams be constructed along the Salween, one of the last free-flowing rivers in China.

“If one takes a short-term perspective, it's certainly more expensive to bet on sustainable energy sources.”

Max Zeckau, media spokesperson for South Pole Carbon

The Salween is one of the largest watersheds in the Himalayas. Mountains covering six climatic zones – from 760 to 6740 meters above sea level – soar over the river's swirling water. Along its course, scientists have found 173 animal species, 417 bird and 59 reptile species, of which 79 are in danger of extinction. On account of this abundant biodiversity, ten years ago UNESCO declared the western slopes of the Gaoligong mountain range a World Heritage Site.

Almost 800 000 tonnes of carbon saved

Within the scope of a carbon reduction project in Nujiang and throughout the entire south-western mountain range, around 100 small and micro power plants are being installed, which use water flowing over natural height differences to generate sustainable electrical energy. Because they operate without dams there are no negative effects on the flora, fauna and landscape. Emission-free power generation and the long-term security of the project are supported with the proceeds from the emission certificates. Consequently, in just the last two years almost 800 000 tonnes of carbon emissions were saved. A welcome side effect is the reduction in respiratory illnesses thanks to healthy air, especially inside homes.



Training on the ground: Farmer Li Sancai (right) benefiting from Li Yin's tips.



Nature conservation: The Salween, one of the last free-flowing rivers in China that is not obstructed by dams.

The project is an example of how certificates to reduce carbon emissions can be used to promote environmentally and socially sustainable development. “If one takes a short-term perspective, it’s certainly more expensive to bet on sustainable energy sources”, explains Max Zeckau, media spokesperson for South Pole Carbon in Zurich. “If it weren’t for the internationally traded carbon certificates, more coal-fired power plants would be built to meet the rising demand for power.” Coal-fired power plants are cheaper than the emission-free hydroelectric plants. These funding shortfalls can be overcome with the certificates that enable companies such as LGT to become CO₂-neutral.

An integral part of the project, which is subject to the strict criteria of the Social Carbon Standard (see box), involves the training of local farmers and setting up a library with agricultural books and training DVDs. New farming methods are also taught in seminars and workshops. “In the workshops I learned more than just new techniques for improving farming methods and increasing harvests”, said Li Sancai, a local farmer. Qia Fulin,

“We also learned how the market functions and how we can contribute to the economic development of the region.”

Li Sancai, farmer

another farmer, benefits from livestock breeding research. “What I learned in the workshop helps me in my daily work”, she is pleased to say.

“We also learned how the market functions and how we can contribute to the economic development of the region”, added Li Sancai. “Those are the most important building blocks that will help us to increase our income and reduce poverty in the region.”

The generation of sustainable power contributes to this development. “By modernizing existing hydro plants, we are helping to preserve the wonderful nature of the Nujiang region”, enthused Li Yin, who is a passionate hiker. “If this region can be opened up for tourism in the future, that will also provide a further economic boost.” ♦

Social Carbon Standard

The Social Carbon Standard is a standard that was developed over ten years ago by the Brazilian Ecologica Institute. In addition to reducing carbon emissions, projects certified in accordance with this standard must offer long-term social and economic added value for the project region. To ensure that the social projects meet the needs of the local community, local people are involved in the evaluation and development of them. Regular assessment and monitoring of the projects forms an important component of the Social Carbon Standard. “For example, we not only have to prove how many people took part in our agricultural training programs, we also have provide exact documentary evidence of their learning success”, explained Max Zeckau of South Pole Carbon.

For further information: www.socialcarbon.org and www.southpolecarbon.com

Our engagement as an employer

Assuming social and environmental responsibility is an integral part of our corporate culture. It is important to us that our employees identify with our values and wish to undertake a long-term commitment to our clients.

A responsible employer

We offer our employees an attractive and inspiring working environment and encourage their development. We invest around CHF 2000 per person per year in education and training.

Since 2010, our private bankers have been developing their advisory skills and expertise on a Master's program that has been specially developed for LGT – a kind of internal university for client advisers. By the end of 2012, around 70 participants had successfully graduated from the course. LGT has decided to supplement this demanding program with an internal certification procedure and to certify all our client advisers in Liechtenstein, Switzerland and Austria by the end of 2014.

Being successful in business requires more than expertise – and with this in mind we place a particular emphasis on developing the personality of our employees. Established in 1995, the LGT Academy Foundation (since 2010 renamed the Liechtenstein Academy

Foundation) offers our employees various programs in the area of holistic personality development, i.e. for the integrated development of the mind and body. Every year around 180 employees take advantage of the programs on offer, which we are continuing to develop further.

Identifying and nurturing talented individuals early on

The training of the next generation is a long-established and important part of our employee development. As a certified training bank (in accordance with guidelines issued by the Swiss Bankers Association), we are committed to providing young people an entry into working life that is based on practical experience and is varied. Our programs address the professional and personal development of young people, as well as the social aspects of vocational training. We employ around 90 percent of our apprentices after they have completed their apprenticeship.

Every two years we offer ten university graduates an 18-month training course which allows them to develop their personal skills and knowledge for a specific function. Around 30 trainees have participated in the program since it was started in 2008.

Work-life balance

LGT has been a member of Profawo, a not-for-profit organization that provides childcare services and advice, for a number of years. We try to accommodate any employee who requests to work part-time.

Ideas@LGT: fuel for sustainable growth

Ideas are an important driver of innovation for making structures, processes, products and services even more sustainable. Introduced in 2012, our idea pool enables our employees to make suggestions and actively participate in the successful development of LGT. Every year the Group Executive Committee selects and rewards the best ideas.

Headcount statistics of LGT Group	2012	2011	2010
Headcount			
Headcount (FTEs)	1 748.4	1 703	1 805.4
Full-time headcount	1 587	n.a.	n.a.
Part-time headcount	161.4	n.a.	n.a.
Apprentices	30	29	28
Graduate trainees	9	10	10
Bank entry at high school graduate level	7	7	7
Key performance indicators			
Average years of service in years	8.6	8.6	n.a.
Average age in years	41.4	41.2	41
Diversity and equality of opportunity			
Number of nationalities	49	44	54
Share of women in total workforce	36.6	36.2	35.7

Our social engagement

Many of our employees volunteer their services to the community in which they live and work. To encourage voluntary work we set up the Employee Volunteering Program, which enables employees to get involved in assisting selected partner organizations in their leisure time. The program ranges from sporadic assignments to long-term support of projects.

Partner organizations

Educational/social

- Gump- & Drahtesel, www.gump-drahtesel.ch
- Infoklick.ch, www.infoklick.ch
- Procap Schweiz, www.procap.ch
- Heilpädagogisches Zentrum des Fürstentums Liechtenstein, www.hpz.li

Environmental

- Stiftung Umwelt-Einsatz Schweiz (SUS) and Pro Natura, www.umwelteinsatz.ch
- Bergwaldprojekt/Caritas-Bergeinsatz, www.bergwaldprojekt.ch

The Employee Volunteering Program was launched in 2011 with the “Bicycles for Africa” campaign, together with our partner organization Gump- & Drahtesel. Some 30 employees collected over 500 old bicycles. We held another collection in 2012 and over 600 disused bicycles were brought in. Gump- & Drahtesel shipped the bicycles in containers from Basel to Africa, and in particular to Burkina Faso, Ghana and Zimbabwe, where bicycles are a vital means of transport for the people.

To date, over 50 LGT employees have been involved in the Employee Volunteering Program, which is also part of our training for apprentices and graduate trainees.

LGT Venture Philanthropy

Everybody should be able to live in dignified circumstances and have a fair chance for development. LGT Venture Philanthropy was established with this mission in mind by H.S.H. Prince Max von und zu Liechtenstein in 2007. The foundation supports 26 organizations in Latin America, Africa, India, Southeast Asia, Europe and China and through them improves the sustainable quality of life of around seven million less advantaged people.

LGT Venture Philanthropy applies the principles and approach of venture capital and private equity to the area of philanthropy (so-called impact investing). It makes long-term direct investments in young, strongly growing organizations that take an entrepreneurial approach to creating social or ecological added value for less advantaged people.

In particular, it provides them with capital and expertise, on-site advice and access to key investors and networks. The foundations, impact investment funds and advisory services – originally based on professional and entrepreneurial principles and designed for the philanthropic involvement of the Princely Family of Liechtenstein – are in the meantime also used by clients who wish to make a positive impact. The Princely Family invests USD five to ten million per year in the portfolio organizations of LGT Venture Philanthropy.

Experience philanthropy

At our “House of Philanthropy Solutions” in Zurich, we show innovative solutions that organizations we support have developed, namely in the following areas: education, water, health, nutrition, renewable energy, resource management and markets for social investments.

iCats Program

Expertise and knowledge transfer are particularly important to the organizations that we support. As in the private sector, social organizations depend on efficient processes, transparent financing models, professional management and well-functioning IT systems. Through its iCats Program, LGT Venture Philanthropy places people who can bring professional experience and expertise to the organizations, providing on-site team support for a period of eleven months. To date, 72 experts from 16 countries have provided their assistance at the portfolio organizations.

Further information on LGT Venture Philanthropy can be found at: www.lgtvp.com

Head of Human Resources steps into a different role

Gustav Stendahl draws on his many years of professional experience to coach unemployed people. And together with employees from LGT he has collected over 1000 bicycles for Africa.



Lending a helping hand: Gustav Stendahl takes part in LGT's campaign to collect for "Bicycles for Africa".

"I'm actually a socially-oriented person. Even so, I've had little involvement in social projects in the past," says Gustav Stendahl, who has been Head of Group Human Resources at LGT since 1999. Family, friends, other commitments and, not least, my job have always had priority. "As I've got older, I've thought more and more about getting engaged socially," adds the Swede. "I've been lucky in my life, and now I'd like to help others."

More can be achieved by joining forces. With this in mind, together with a project team he developed a so-called employee volunteering program – a kind of platform for voluntary work at selected partner organizations. LGT employees were to be given the opportunity to do charitable work with the support of the Bank. Stendahl, who had already planned a sabbatical for that year, took the opportunity to do a stint himself at Gump- & Drahtesel, the first social organization to be selected by the

Bank for the employee volunteering program. Gump- & Drahtesel accompanies unemployed people and offers them various coaching and training programs that should help them to reintegrate into the working world. The organization also runs recycling workshops where unemployed people repair old bicycles.

From frustration to success

The coach for LGT employees became a coach for the unemployed for two weeks. "Many have lost their jobs due to the financial and economic crisis," he says. Among them, young people who were unable to finish their apprenticeship and older people who can't find a job because of their age. "The longer someone is out of work,

the harder it is to get them back into work," comments the 56-year-old human resources expert. Many of the unemployed also have limited language skills and little training. Helping them get out of their desperate situation is, therefore, no easy

"Many have lost their jobs due to the financial and economic crisis."

Gustav Stendahl

task, according to Stendahl. His recipe for success? "There's no simple recipe – coaching has to be as individual as the person and their circumstances." Most important of all is that they have to keep up their motivation, no matter how difficult the

situation. Stendahl also demands of them that, “they have to want to get a job and be prepared to work hard to find one.”

One of the aims of the Gump- & Drahtesel coaching program is to provide encouragement to the unemployed. But good will alone is not enough. This is why practice job interviews are frequently held and analyzed, and job application documents are checked and optimized in a personal talk. During his assignment, Gustav Stendahl could draw upon his own experience – his know-how as a human resources expert and over 30 years of professional experience in the field at various companies in Germany, Italy and Switzerland – to give tips to the unemployed and to provide advice and support to the Gump- & Drahtesel coaching team.



The bicycles collected by LGT are a vital means of transport in Africa.

Generally, up to 40 unemployed people take part in the two-month program. The success of the program speaks for itself: after completing the program, around 80 percent of the participants find a job. Others, though, remain unemployed long term. “There’s a fine line between frustration and success. The course brings some stability to the life of the unemployed,” he says. “It’s like being part of a big family – everyone helps each other,” adds Stendahl, who grew up as one of five siblings in Stockholm.

Gustav Stendahl discovered Gump- & Drahtesel’s “Bicycles for Africa” campaign during his stint of voluntary work. He worked with unemployed people, helping them to collect old bicycles. Together they repaired them in the organization’s bicycle recycling workshop, getting them ready for exporting to Africa. In selected countries such as Burkina Faso, Ghana and Zimbabwe where there is often a lack of affordable transportation, the bicycles are then sold locally at very reasonable prices by local partners. Enthused by the idea, Stendahl organized a bicycle collection in 2011. It also marked the launch of the LGT Employee Volunteering Program. Around 500 bicycles were collected by both employees and the local population and brought to the LGT Service Center in Bendern. On one Saturday in the fall, over 30 employees prepared the bicycles for transport to Africa. Another collection was held the following year and over 600 disused bicycles were brought in. “It was a resounding success,” remarks Gustav Stendahl, who has managed to not only

mobilize LGT employees but also his own family: his 20-year-old daughter and 25 year-old-son both took part in the Bank’s first bicycle collection, and his wife in the second.

“It’s like being part of a big family – everyone helps each other.”

Gustav Stendahl

future collections organized by the Bank’s Employee Volunteering Program. Together with other employees – and undoubtedly again with his family. Success also motivates people outside the Bank. ◆

Gustav Stendahl undertook a voluntary assignment at Gump- & Drahtesel again in 2012. In future, he intends to provide support as a coach to the unemployed once or twice a year. And, of course, he will also be taking part in

The joy of helping others together

With the Employee Volunteering Program, the LGT Group provides its employees with the opportunity to get involved in assisting selected organizations in the areas of education, environment and society in their leisure time or during their vacation. The program ranges from sporadic assignments to long-term support of projects. It was set up in 2011 as part of the Bank’s sustainability concept. Over 50 employees have been involved in the program to date.

For a sustainable economy and financial industry

LGT Group is also involved in numerous international associations, organizations and networks, in order to make a contribution to sustainable development. The most important memberships are:

UN Global Compact

The United Nation's corporate social responsibility network and a voluntary initiative to promote the social engagement of businesses. Companies commit themselves to recognizing, supporting and implementing the UN Global Compact's ten principles in the areas of human rights, labor, the environment and anti-corruption.
www.unglobalcompact.org

This sustainability report from LGT serves as a progress report under the United Nation's Global Compact.



European Sustainable Investment Forum (Eurosif)

Europe-wide network and think-tank. Its mission is to develop sustainability through European financial markets. Members include institutional investors, financial service providers, academic institutes, trade unions and non-governmental organizations (NGOs).
www.eurosif.org



Forum Nachhaltige Geldanlagen (FNG)

Industry association promoting sustainable investment in Germany, Austria and Switzerland.
www.forum-ng.org



Eurosif, jointly with FNG, awards the transparency logo for sustainable mutual funds, among them LGT's sustainable investment funds.



Asian Corporate Governance Association (ACGA)

This independent, non-profit organization promotes the implementation of sustainable corporate governance practices in companies and authorities throughout Asia and supports the long-term development of Asian economies and capital markets.

www.acga-asia.org



Asian Corporate Governance Association

UNPRI

This network of international investors promotes responsible investment and supports incorporating principles of exemplary corporate governance into portfolio construction in accordance with ESG criteria.

www.unpri.org



Carbon Disclosure Project

This independent, non-profit organization champions the reduction in greenhouse gas emissions and sustainable water use by businesses and cities.

www.cdproject.net



Profawo

The aim of this non-profit organization is to provide professional childcare service solutions to complement family-based care and offer advice when needed to its members about balancing family and career.

www.profawo.ch



The Swiss Climate Foundation

The Swiss Climate Foundation unites various major service enterprises from Switzerland and since 2012 also from Liechtenstein. It has supported 128 SME projects to the tune of CHF 5.5 million since being established in 2008. Since 2012 LGT has donated its net gains from re-distributed CO₂ levies to the Swiss Climate Foundation.

www.klimastiftung.ch



Sustainability performance indicators at a glance

		2012	2011	2010
Economic (page 9 ff.)				
Sustainable products				
Investment volume of sustainable investments	CHF m	914	505	229
Financial indicators				
Assets under administration	CHF m	102 118	86 932	86 079
thereof client assets under administration	CHF m	99 448	84 486	83 547
thereof LGT's Princely Portfolio	CHF m	2 670	2 446	2 532
Total operating income	CHF m	957	709	883
Group profit	CHF m	216	70	148
Appropriation of Foundation earnings and dividends	CHF m	-150 ¹	-75	-75
Group equity capital after appropriation of Foundation earnings and dividends	CHF m	3 345	2 932	3 084
Total assets	CHF m	27 192	26 252	24 388
Ratios				
Tier 1	%	21.5	17.5	19.3
Cost/income	%	64	75 ²	70 ³
Rating⁴				
Moody's		Aa3	Aa3	Aa3
Standard & Poor's		A+	A+	A+
Ecological (page 16 ff.)				
Total energy consumption	MWh	13 935.4	15 458.2	18 323.2
Electricity	MWh	10 592.4	10 198	11 341.5
Heating energy	MWh	3 343	5 260.2	6 981.7
Paper consumption	Tonnes	95.7	82.6	101.9
of which FSC paper	%	100	100	100
of which 100% recycled paper	%	61	0	0
Waste	Tonnes	258.1	276.5	232.1
Water consumption	m ³	38 665.8	36 116.6	43 071.1
CO ₂ emissions	Tonnes	2 931.4	3 211.4	3 683.8
Social (page 24 ff.)				
Headcount (FTEs)		1 748.4	1 703	1 805.4
of which women	%	36.6	36.2	35.7
Part-time headcount		161.4	n.a.	n.a.
Number of apprentices		30	29	28
Average years of service	Years	8.6	8.6	n.a.
Training costs per employee	CHF	2 010	1 936	1 786

¹ Proposed

² Excluding charges in connection with the sale of LGT Bank in Liechtenstein & Co. OHG

³ Excluding payment to German authorities in 2010

⁴ LGT Bank Ltd., Vaduz (formerly LGT Bank in Liechtenstein Ltd., Vaduz)





The illustrations in this brochure are details from “Illustrations of scallops after Johann Carl Megerle von Mühlfeld (1765–1840)”, before 1801

Illustrations of scallops

Studies of natural objects have been a favorite with collectors since the 16th century. Besides being an objective, most naturalistic representation of the subject, these works always have considerable aesthetic charm and artistic value, just like the watercolor series of sea shells and sea snails by Franz Anton von Scheidel.

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Note on data collection

The environmental performance indicators mentioned in this report are collected in accordance with the requirements of the German Association for Environmental Management and Sustainability in Financial Institutions (VfU) (2010) and ecoinvent Centre (2007). Concrete data is available for our

locations in Liechtenstein and Switzerland, where three-quarters of LGT Group employees work. We use this data to extrapolate consumption across all our locations.

Risk note/Disclaimer

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“For us, sustainability means conducting our activities in a socially responsible manner and with a long-term, holistic view.”

H.S.H. Prince Max von und zu Liechtenstein, CEO LGT Group

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