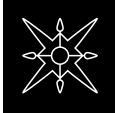
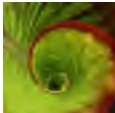













**LOMBARD ODIER**  
LOMBARD ODIER DARIER HENTSCH

# Sustainability Report 2019

# Sustainability Report 2019

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## A word from our Managing Partners

On behalf of my fellow Managing Partners, I am delighted to introduce our Lombard Odier Group 2019 Sustainability Report. Our purpose, with this report, is to outline our sustainability approach for all of our stakeholders and illustrate how we manage our commercial, social and environmental impact and deliver on our deep-founded commitments. The preparation of this report has been guided by the Global Reporting Initiative (GRI) Standards, the most widely accepted global framework for sustainability reporting.

This Sustainability Report was compiled in the midst the COVID-19 pandemic. The crisis has overwhelmed health services and disrupted global economies, with severe consequences for lives and livelihoods. In the aftermath of the pandemic, we believe that many pre-existing trends — ranging from the digitalisation and electrification to the climate transition of the economy — will be greatly accelerated. Sustainability dynamics affect risk and return. And understanding this is more important than it has ever been.

Standing firm in the midst of a storm requires us to be prepared for the unexpected. And the COVID-19 emergency has undoubtedly taught this lesson to many. Since our founding in 1796, we have witnessed and weathered many crises. Thus, our long-standing experiences puts us in good stead to overcome this challenge. Our history has equally, and humbly, taught us to look ahead to anticipate changes and to constantly rethink the world around us. This enables us to provide fresh and insightful perspectives for our clients and ourselves.

We have sought to act as responsible entrepreneurs and stewards of capital. As a privately owned global wealth and asset manager, our duty is to prudently invest our clients' assets with our prime objectives being optimal risk-adjusted returns and resilience. Not only do we promote the long-term growth of our clients' financial capital, but we also ensure its transmission to the next generation. In the same way, we have carefully preserved, grown and transmitted our own business through generations.

Today, we are living through a Sustainability Revolution that will affect everyone and everything on our planet. This revolution is influencing the way governments act, industries function, consumers behave and the way we invest capital. It is creating opportunities, as well as risks — such as stranded assets — across sectors.

The financial industry is making capital increasingly available to companies that embrace the transition towards a more sustainable economic model by innovating, re-positioning and, in some cases, by re-inventing themselves. The pandemic has shed light on the importance of the people and talent that underpin our activities and those of the companies in which we invest. A strong company culture, with clear vision and values, encourages good governance, integrity, stability and innovation. In managing our clients' wealth and assets, we strive for sustainability by pursuing the highest standards in research, transparency, ethics and care. We seek to help our clients deploy their capital in areas and industries that we believe will be sustainable in terms of their finances, business practices and underlying business models.

We do not work alone. We are a part of a broader social and environmental ecosystem, and we are proud to have achieved B Corp certification in 2019. In our view, companies that are taking measures to become more sustainable will be better positioned to respond to the many unstoppable trends and changes in motion today. Aligning ourselves with those who are encouraging the transition to a more sustainable economic model is key. We have found an ally in the Energy Transitions Commission and are signatories to their COVID-19 recovery statement. This powerful statement outlines seven priorities to help the global economy recover, while building a healthier, more resilient, net-zero-emissions economy in a post-COVID world.

“ We aspire to participate as active  
thought leaders in the transition  
to a more sustainable economic model  
and strive to lead by example ”

Patrick Odier  
Senior Managing Partner

These central convictions form our investment philosophy. In addition, they shape our approach to our own business and operations; these being two sides of the same coin — a vision that to act sustainably is fundamental to the future viability of our activities and our understanding of risk and return. Our independence and entrepreneurial mindset enable us to identify opportunities and risks, as well as to act decisively in developing convictions and aligning ourselves with our clients, families and entrepreneurs whom we serve worldwide. Our enduring goals have been, and will continue to be, to attract best-in-class talent, develop long-standing relationships with our clients and advise them on how to sustainably invest their capital. This is how we can contribute to the growth and development of sustainable finance. We firmly believe that the world is moving towards a more sustainable economic model, but we also recognise that all stakeholders must work together to achieve it.

We look forward to doing even more to optimise our clients' returns while contributing to the transition to a sustainable economy, thereby perpetuating the sustainable values that have driven our business for over 220 years.



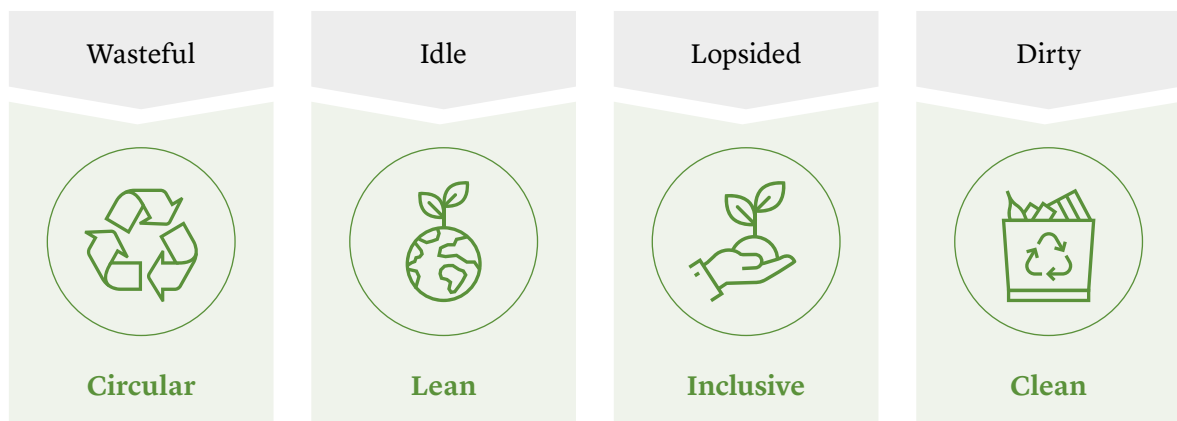
Patrick Odier  
Senior Managing Partner

# Introduction

Banks play a pivotal role in our broader economy and society. As a global wealth and asset manager, we understand that what makes our economies and societies thrive over the long term will also be good for our business and that we must, therefore, understand the social, environmental and economic effects of our actions. We believe that we are already in the midst of a Sustainability Revolution, in which businesses and societies are transforming in response to the growing recognition that the only business model that can offer long-term success is one that enables a Circular, Lean, Inclusive and Clean (CLIC) economy.


Thus, we believe that the world must move on from the WILD (Wasteful, Idle, Lopsided and Dirty) model upon which our economy is currently built; and where assets have been wasted, the benefits of economic growth have often been lopsided, and the generation of environmental pollution has been widespread. In its place, we must establish the CLIC economy. This economy will leverage efficient means of production and consumption, as well as the sharing economy, to reduce the wasteful accumulation of idle assets. The CLIC economy will reduce our dependence on extracting ever more mineral resources and leverage the substantial value of the materials and components that constitute the products we so readily discard today.

## Moving from a WILD to a CLIC economy



Source: Lombard Odier Investment Managers (LOIM)

We believe that our interests as a business and those of the society in which we operate are aligned. Thus, to ensure that we make a positive contribution to all of our stakeholders — including our clients and employees, portfolio companies, local communities, NGOs, suppliers and academia — is also to ensure the long-term success of our firm through improved operational efficiency and lasting partnerships.



Seven core values, as stated in our Code of Conduct and Shared Values, underpin Lombard Odier's approach to sustainability. We apply these values to all aspects of our business:

*We act with integrity.*

*We respect our clients.*

*We avoid conflicts of interest.*

*We protect the reputation of our firm.*

*We respect the individual.*

*We are open and honest in our communication.*

*We are committed to the common good.*

We express these values as commitments in the policies and processes we have put in place for our Group and through the activities we undertake as an investor on behalf of our clients. At the end of 2019, Lombard Odier's total client assets stood at CHF 299 billion. Accordingly, we believe we are in a position to influence a large proportion of the economy through our actions.

When considering our impact on and responsibilities towards our stakeholders, we look to several key global frameworks. Lombard Odier is a signatory of the United Nations Global Compact and supports its Ten Principles on human rights, labour, the environment and anti-corruption. With the Ten Principles in mind, and building on an existing base of compliance with applicable laws and regulations, our sustainability commitments take into account the following key considerations:


- › Sustainable finance and impact investing
- › Human rights and conditions of work, including safety and health, diversity, fair and equal treatment of all employees, hours of work and wages
- › Community involvement, development and investment
- › Corporate philanthropy and employee volunteering
- › Anti-bribery and anti-corruption measures
- › Corporate governance and ethics
- › Carbon issues and environmental impact
- › Involvement of and respect for diverse cultures and disadvantaged people
- › Customer satisfaction and adherence to principles of fair competition
- › Accountability, transparency and performance reporting



We aim to link our sustainability activities to the UN's Sustainable Development Goals (SDGs), focusing on those upon which we can have the most significant impact across our operating geographies. At the same time, we recognise the need to develop our sustainability commitments and adapt our efforts as the issues we focus on continue to evolve.

In so doing, we are confident that we will create tangible benefits for our own business, including:

- › Improved innovation, competitiveness and market positioning
- › Better services for our clients
- › Better anticipation and management of an ever-expanding spectrum of risk and opportunity
- › Improved reputation management
- › Enhanced staff recruitment, development and retention
- › Increased operational efficiency and productivity
- › Improved ability to attract and build effective and efficient supply chain relationships
- › Enhanced ability to address change



“ We recognise the need to develop our sustainability commitments and adapt our efforts as the issues we focus on continue to evolve ”

Annika Falkengren  
Managing Partner



## Becoming a B Corp

In March 2019, Lombard Odier obtained B Corp certification, one of the most widely recognised private sustainability certifications granted to companies that practice corporate sustainability at the highest level. B Corp certifications are awarded by B Lab, initially a New York-based global non-profit that has evolved into a global organisation. There are currently over 3,000 certified B Corporations across 150 industries in 71 countries. We are part of a worldwide network of like-minded entrepreneurs in which certified B Corps endeavour to use business as a force for good, aiming to have a positive impact on the economy and society.

The certification process delved into five key areas: Governance, Workers, Community, Environment and Customers. Each area was, in turn, thoroughly analysed to determine our actions and achievements precisely. We appreciated this process because a neutral third-party assessment highlighted both our strengths and areas in which we could improve. Accordingly, the B Corp assessment forms an essential part of our roadmap going forward.

B Lab recognised our investment philosophy as a positive contributory factor to our certification. Our conviction is that sustainability will not only drive returns but also determine which companies succeed over the long term. We have been integrating sustainability into our products and services since 1997 and continuously refine our approach and analysis. As a result, B Lab named us as a “Best for the World” Honouree 2019 in the Customer category for creating a positive impact through our products. Our support for the wider community was also recognised. We have integrated a sustainable framework into our supply chain and promote social improvement through our philanthropic and community efforts.

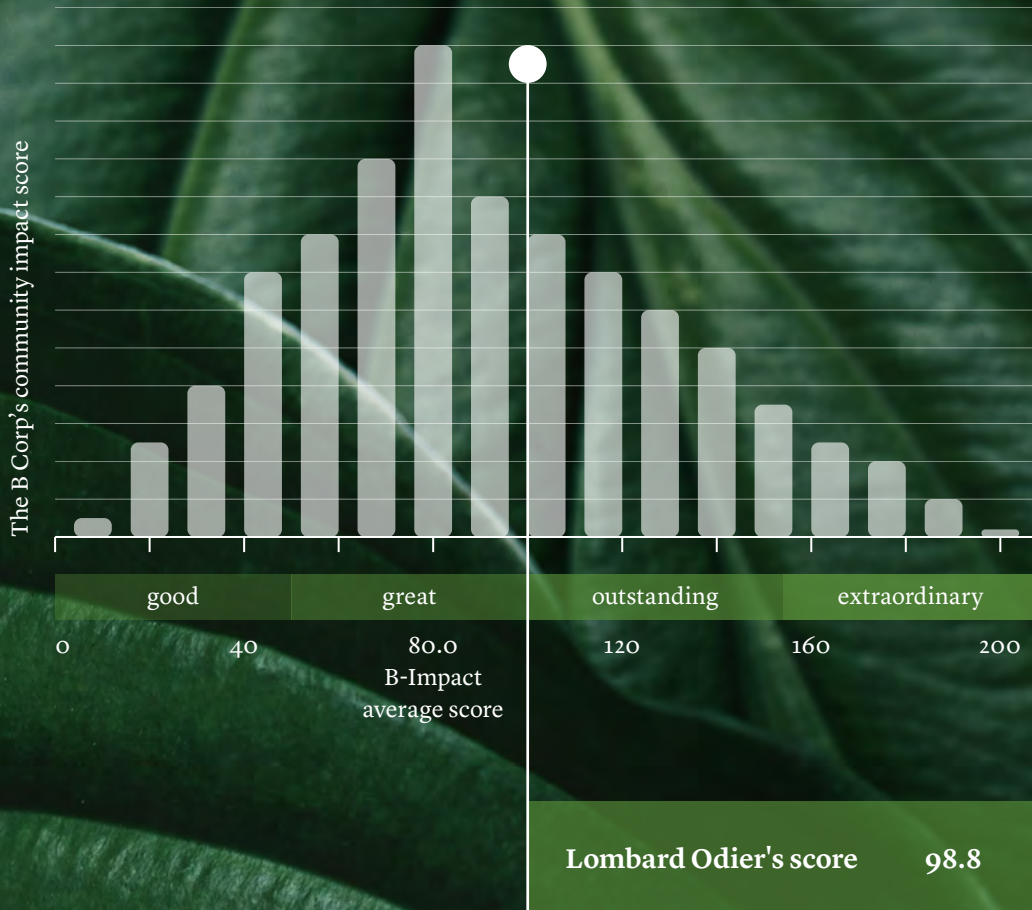
Achieving B Corp certification demonstrates full alignment with our product and services strategy. It drives us to be in the forefront in setting standards for good business, emphasising the message that the financial industry can be a powerful catalyst towards economic sustainability. We understand that a growing number of people want to work for a company that they recognise as having a positive impact, and so our reputation as a socially responsible employer is increasingly important. Thus, our focus on sustainability also helps us to attract and retain talent.

Lombard Odier achieved a B Impact assessment score of 98.8 out of 200, well above the 80-point certification threshold. B Lab will reevaluate our B Corp certification in 2022. Further details, as well as Lombard Odier’s Disclosure Report, are available at [bcorporation.net](https://www.bcorporation.net)



# Best For The World 2019 Customers Honoree

Lombard Odier achieved 98.8 B Impact assessment score, well above the 80-point average



## Building Bridges

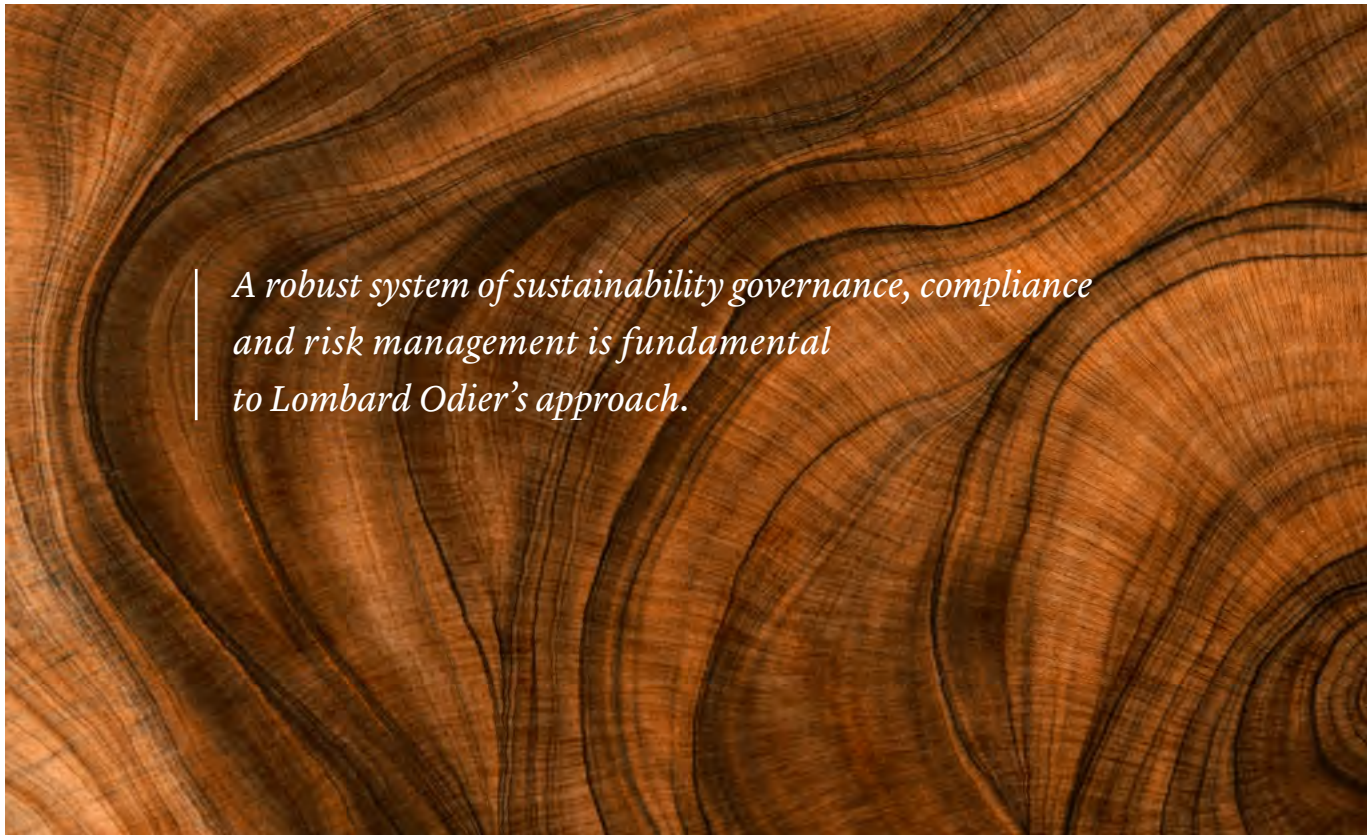
Lombard Odier participated in the creation of the Building Bridges Week and chaired the first Sustainable Finance Summit, which took place in Geneva in October 2019. These events share a common purpose: to accelerate the transition towards sustainability. The initiatives, which are supported by the Swiss Confederation, aim to bring about an unprecedented coalition between the financial community, representatives of international organisations, and federal, cantonal and municipal authorities. Such an alliance would help maximise the impact of the UN's Sustainable Development Goals (SDGs) by forging deeper connections between these goals and the world of finance.

*Thanks to its unique ecosystem, Switzerland has a special role to play in building bridges and accelerating the implementation of Agenda 2030 by fostering responsible investment.*

The week featured 31 events organised and supported by 52 partners that brought together some 800 decision-makers and influential thought leaders. The next Building Bridges Week will take place in 2021.



# Sustainability governance and managing risk



*A robust system of sustainability governance, compliance and risk management is fundamental to Lombard Odier's approach.*

## Governance and oversight

At the Lombard Odier Group level, our sustainability governance has two key centres of responsibility:

- › **Our Sustainability Steering Forum** oversees our sustainability philosophy, investment approach, and related policies;
- › **Our CSR Steering Forum** ensures that our non-investment related actions, operations and policies are aligned with our sustainability values.

Both forums consist of senior management representatives from across our business, thus including the wide range of groups involved in driving Lombard Odier's sustainability work. The Sustainability Steering Forum and the CSR Steering Forum report to the Board of Managing Partners. While we review our sustainability policies at least once a year, we may also update them as and when required (e.g. with the introduction of a new regulation, or following an internal policy update). The Board of Managing Partners must approve all policy introductions, amendments and retirements.



Additional groups responsible for layers of oversight and governance around the implementation of our sustainable investment philosophy and policies report to the Sustainability Steering Forum, and one or more members of the management team oversee each group:

#### **Stewardship Committee:**

- › **The Lombard Odier Investment Management (LOIM) Stewardship Committee** is responsible for overseeing and guiding our stewardship responsibilities for internally managed funds. It consists of representatives from across our asset classes; our dedicated sustainability teams; and the Compliance, Risk and Legal departments. It reviews and provides guidance on voting and engagement and serves as an escalation mechanism when necessary. The Committee is responsible for the final sign-off on voting and engagement reports to boards and committees.

#### **Investment teams:**


- › **LOIM Sustainability Forums:** Within each asset class or investment team, investment professionals act as internal ESG (Environmental, Social, Governance)/SRI (Socially Responsible Investment) specialists in close collaboration with the central Sustainability and ESG teams. LOIM Sustainability Forum members are particularly involved in the implementation and monitoring of Sustainable Investing policies and features across the portfolios or mandates of each investment team.
- › **Private Client Business:** The Investment Committee consists of the Chief Investment Officer and the Product Category Heads. This Committee works with investment specialists across our different asset classes.

All our portfolio managers and analysts have full access to all of our sustainability-related data and analyses and are expected to stay up-to-date on important sustainability-related developments, especially where they could have a material impact on an investment (e.g. where a particular sustainability challenge or ESG issue is financially relevant to companies operating in the sector an analyst is covering).

## Risk management

We have built accountability into our risk management infrastructure and implemented it throughout the Group. We base our operational risk framework on the ‘three lines of defence’ model.

- **1<sup>st</sup> line of defence**  
Business, Operations, IT  
In owning and managing their day-to-day risks, our business and support units are our first line of defence.
- **2<sup>nd</sup> line of defence**  
Risk, Compliance,  
Legal, Finance, HR  
Our Risk, Compliance, Legal, Finance and Human Resources teams represent our second line of defence. They provide an additional safety net against risks by providing oversight and monitoring (independent controls), defining the risk management framework, providing support and training to the first line of defence, and driving the implementation of adequate risk and compliance rules and frameworks.
- **3<sup>rd</sup> line of defence**  
Internal Audit  
Internal Audit is our third line of defence, ensuring independent verification of the completeness, efficiency and adequacy of our overall internal control system. With an unlimited scope of intervention, Internal Audit reports to the Group Supervisory Board and the Bank’s Audit Committee of the Board of Directors.



All our employees are educated in managing risk and must complete regular training programmes, including Code of Conduct, information security and data protection training. Depending on an employee’s role, they may also be required to complete specialised training. Our Group risk taxonomy provides a standard definition of risk types across all of our activities and legal entities, and allows for the consolidation of risks according to this definition. We also break down the main strategic/business, reputation, operational and financial risk categories into sub-categories where those risks are relevant to Lombard Odier. We regularly assess our risk process as part of our decision-making processes and governance structures.

Our Compliance unit ensures that we conduct our business diligently and fairly. It also ensures that our Group's activities comply with current regulatory and legal requirements as well as with our in-house regulatory codes, such as our Code of Conduct.

Our Operational & Counterparty Risk teams consist of experienced professionals covering counterparty and operational risks and are wholly independent of our portfolio managers. We have a three-layer process for sustainability risk management oversight:



**SRI Restrictions on tobacco, coal and unconventional oil & gas, and level 5 controversies** — LOIM has introduced restrictions on investments in companies whose revenues derive from tobacco, coal or unconventional oil & gas above certain thresholds for their actively managed public funds. CIOs may override these restrictions where there are appropriate reasons for doing so (for example, where a company is transitioning to a more sustainable model but is currently over the revenue threshold). We apply the same approach to companies impacted by a level 4 or 5 controversy. We update the list of companies affected by these restrictions daily, and the risk management team discusses and reviews these holdings with LOIM portfolio managers weekly. These holdings are also subject to review by the Stewardship Committee, which includes a senior representative from the risk management team.



**Monitoring exposure to stocks ranked in the bottom two ESG quartiles on a GICS sector level 2 basis** — We give additional scrutiny to holdings with ESG ratings in the third or fourth quartiles relative to their Global Industry Classification Standard (GICS) level 2 peers. The risk management team discusses holdings with below-average ratings with our portfolio management teams to ensure they take appropriate measures to mitigate ESG-related risks within the fund.



**Monitoring overall portfolio compliance with the investment process using internal benchmarks to compare holdings** — Our internal benchmarks screen out names that are considered low ESG as well as level 5 controversies. The risk management team uses this to encourage managers to either improve their ESG rating or to engage with companies for change or improved sustainability disclosure.



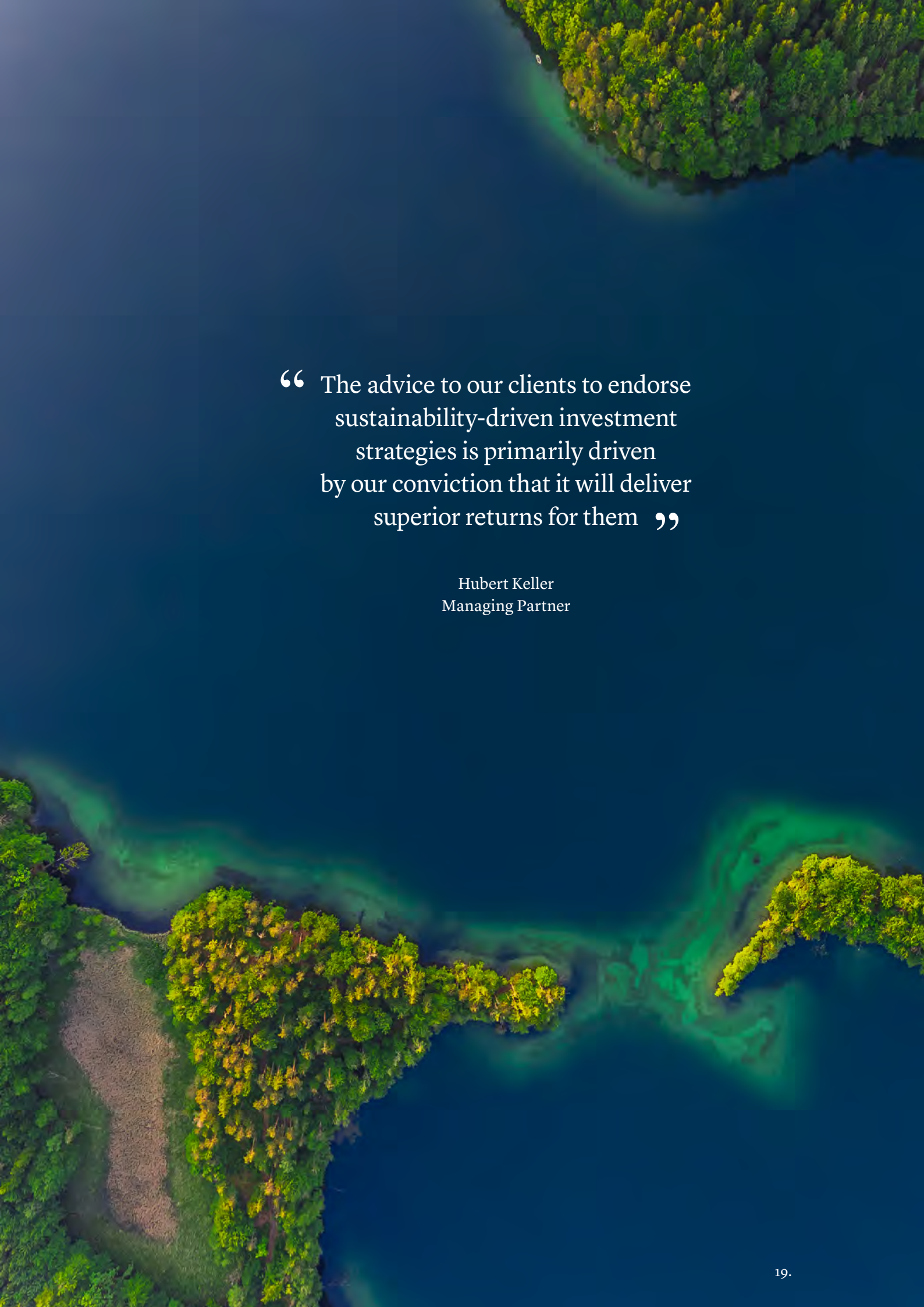
# Investments

## Investment practices, sustainability and stewardship

As an investor, we support the transition of our economies to more inclusive and sustainable models. We believe that sustainability is the single biggest factor affecting the way we interact with companies today and that it will not only drive returns, but also determine which companies succeed over the long term.

Lombard Odier has built a robust sustainability investment framework and, in mapping the investment landscape, we have identified several sustainability dynamics that we believe will shape risk, return and corporate success over the next decade. It is our belief that such dynamics are ushering in a new paradigm and exposing investors to certain risks, which includes stranded assets, regulatory instability, reputational fallout, environmental surtaxes, costs from lengthy court proceedings and heightened market volatility, to name just a few. However, these risks are also a new source of investment opportunities. For example, clean energy, low-carbon real estate, enhanced mobility, inclusive technologies and microfinance are all significant areas of innovation that represent considerable growth prospects.

As a global wealth and asset manager, our priority is to best meet our clients' long-term objectives while fostering the adoption of economic models consistent with the UN's Global Compact and Sustainable Development Goals (SDGs). Therefore, we believe it is essential that we use our products, services and relationships to support and accelerate this transition. We do this by embedding sustainability in our investment processes and portfolios and through strong collaborative initiatives that contribute to shaping our industry.

An aerial photograph of a river winding through a dense, green forest. The river is a deep blue color, and the surrounding trees are a vibrant green. The perspective is from above, looking down at the river and the forest.

“ The advice to our clients to endorse sustainability-driven investment strategies is primarily driven by our conviction that it will deliver superior returns for them ”

Hubert Keller  
Managing Partner

Lombard Odier has been a signatory of the six United Nations Principles for Responsible Investment (UNPRI) since 2007, and we are committed to developing our business in line with these principles:


## 1 Incorporation of ESG issues into investment analysis and decision-making processes

Lombard Odier supports and promotes the use of ESG criteria as a crucial part of our sustainability philosophy. We have been integrating these criteria into our investment decision-making for over 20 years, and have developed our own proprietary models to ensure we benefit from the most robust and decision-relevant information possible. In turn, this allows us to better understand how companies are positioned with regard to the sustainability issues most pertinent to their long-term performance, and to identify those achieving measurable results on the journey towards greater sustainability.

### **Implementation of sustainable investment (internally managed funds)**

At Lombard Odier, sustainability is a cross-team collaboration between our investment teams and dedicated sustainability experts. This means that we use a blend of systematic and fundamental analysis at all levels of the investment process. It also increases our capacity to identify risks and opportunities and to turn these insights into actionable intelligence. Over the last year, we have significantly expanded our in-house sustainable investment expertise and resources to continually enhance our ability to help clients position their portfolios for the transition to a sustainable economy across asset classes.

Within Lombard Odier Investment Managers (LOIM), we have two dedicated sustainability teams that are primarily responsible for research and analysis regarding material, forward-looking sustainability challenges or traditional ESG issues; and for providing a centralised framework for our stewardship efforts. We share the results from the work these teams perform with our private banking business to align the Group's asset management and investment activities.

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1. **Sustainable Investment Research, Strategy & Stewardship Team (SIRSS)** is responsible for identifying, analysing and mapping material sustainability challenges likely to affect the long-term viability of companies' business activities and models. The team maps the exposure of different sectors and industries to sustainability challenges and companies' susceptibility to those challenges, working closely with sector analysts, investment teams and the ESG Solutions team. The SIRSS team also works to develop and launch new sustainable investment products and solutions and is responsible for the internal verification of green bonds.

In addition, the team is responsible for carrying out LOIM's strategic objectives on stewardship by working directly or in industry collaboration with investee companies to promote sustainable business practices and models and enhance long-term value for clients. To reflect the complex and multi-faceted nature of sustainability challenges, the team brings together eight sustainability specialists with a range of skillsets that include investment banking, macroeconomics, lifecycle analysis, data science, stewardship and communications.

2. **ESG solutions team** is responsible for conceiving, developing and distributing ESG metrics and in-house evaluation tools. The team collects comprehensive conventional and alternative data to assess companies' sustainability by examining their business practices, products and services. Our in-house scoring system includes our proprietary 'CAR' (Consciousness, Actions, Results) methodology, which we use to favour companies achieving tangible results in terms of making their business practices more sustainable. The team also verifies that companies' business practices comply with the highest international ESG standards for their industry and measures their alignment with the UN's SDGs. Additionally, the team monitors the occurrence and severity of controversies with the potential to affect companies and their stakeholders. For sovereign entities, the ESG solution team has also built an in-house model that assesses their sustainability.

The team bases its measures on a government's commitments, actions and achievements toward achieving the SDGs by 2030. Finally, the team is responsible for measuring the various environmental impact metrics and the alignment of portfolios temperature with the Paris Agreement on climate change. Each of these tools is integrated into our investment teams' processes through screening, best-in-class exclusion approaches for our systematic teams and integration into the decision-making process for our high-conviction teams.

## 2 Be an active owner with ESG issues incorporated in ownership policies and practices

Stewardship is a fundamental part of our investment process, and we have set out the basis for our engagement with companies in our [Engagement Policy](#)

This level of engagement relates to our asset management business, while our private clients business integrates best practices adapted to its business model. Thus, we look at ‘engagement’ in its fullest sense — not only in terms of how we vote at shareholder meetings, but also how we maintain an open and continuous dialogue with a company throughout the investment lifecycle. We use the intelligence and analysis that the Sustainable Investment Research Strategy & Stewardship and ESG solutions teams generate to drive our dialogue and voting power with companies. This empowers us to have informed discussions with those companies and target issues we think are material to their long-term financial stability and performance. In line with our commitment to stewardship and transparency, we disclose our proxy voting record on a retrospective quarterly basis via the [Vote Disclosure Service](#) provided by Institutional Shareholder Services, our proxy research and execution provider.

In early 2020, we became supporters of the Climate Action 100+ initiative, a global collective effort engaging the 160 worst polluters to achieve change. We also became members of the Green Bond Principles, which promote integrity in the Green, Social and Sustainability Bond market through guidelines recommending transparency, disclosure and reporting. At the time of publishing this Report, we were among the Top 25 largest green bond investors globally in terms of the value of our holdings.

## 3 Seek appropriate ESG disclosure by the entities in which we invest

Lombard Odier continuously engages with companies to better understand their ability and willingness to transition to a more sustainable economy. Here, disclosure is critical; not just for us as investment managers, but also for the stability of the wider financial system and the global economy. We regularly encourage the companies we invest in to provide transparent disclosure of decision-relevant information regarding ESG issues.

This is why Lombard Odier supports the final recommendations of the Financial Stability Board’s (FSB) Task Force on Climate-Related Financial Disclosure (TCFD). The TCFD recommendations will improve our ability to analyse companies’ material risks, as well as their readiness for the transition to a decarbonised economy. Since 2015, we have also supported an investor group run by the United Nations that encourages stock exchanges to adopt guidelines that require listed companies to report non-financial data in a transparent and standardised way.

## 4 Promote acceptance and implementation within the industry

Lombard Odier has been both a co-founder and active participant in many initiatives and associations that promote the adoption of socially responsible investing throughout the financial industry:

- › Active member of Sustainable Finance Geneva (SFG), which promotes sustainable finance and positions Geneva as a sustainable finance centre
- › Founding partner and active member of Swiss Sustainable Finance (SSF)
- › Founding partner and active member of the Global Impact Investing Network's (GIIN) Investors Council
- › Signatory of the 2019 Global Investor Statement on Climate Change
- › Signatory of the Carbon Disclosure Project (CDP)
- › Signatory of the Task Force on Climate-Related Financial Disclosure (TCFD)
- › Participant in Climate Action 100+
- › Member (Investors) of the Green Bonds Principles
- › Member of the Energy Transitions Commission

## 5 Work together for better implementation

Lombard Odier supports UNPRI collaborative initiatives and is actively involved with local, national and international regulatory and political authorities in promoting a sustainable finance framework. The PRI Collaboration Platform is a unique private forum that allows signatories to pool resources, share information and enhance their influence on ESG issues.

## 6 Transparency on our own activity and implementation progress

Lombard Odier completes the annual UNPRI transparency reporting and assessment. These transparency reports are publicly available on the [UNPRI's website](#).

In addition, we are committed to providing quality, transparent reporting to our clients on non-financial factors. This includes, for example, detailed analysis of companies' exposure to and management of controversies, ESG scores, carbon intensity and industry exclusions. We believe this gives our clients a clearer view of the environmental and social profile of their portfolios.



## **Interview with Nathalia Barazal**

Partner, Head of Convertible Bonds  
Lombard Odier Asset Management (Europe) Ltd.

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### **Focus on our integration of sustainability in investments**

Lombard Odier Investment Managers (LOIM) is the asset management business of Lombard Odier Group. With over 130 investment professionals and a network of 13 offices across Europe, Asia and North America, we are a global business. Our fund platform provides institutions access to a comprehensive range of high conviction and systematic investment expertise that covers the investment spectrum.

### **Why is sustainability so important to investment outcomes?**

We believe we are in the midst of a Sustainability Revolution. Our economy is already transitioning towards a Circular, Lean, Inclusive and Clean, or 'CLIC', model. In 2020, the COVID-19 pandemic has demonstrated that sustainability dynamics — including, for example, air pollution — are fundamentally re-shaping our understanding of risks and opportunities across all sectors and asset classes. We must be able to analyse how those dynamics are likely to affect companies' future outcomes and feed that intelligence into our investment decision-making.

### **Lombard Odier was one of the pioneers of sustainable investment. What are we doing to ensure the firm stays at the cutting edge of this issue?**

This is absolutely critical to us. Over the last 20+ years, we have built a set of proprietary tools and techniques to understand how sustainable companies actually are, not just how sustainable they say they are. In 2019, we significantly expanded our sustainability expertise, bringing in new people, tools and data to make sure we continue to understand the complex, multi-faceted nature of sustainability and how it could affect investment outcomes for our clients in the future.

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## **How does sustainability affect our investment decisions, and how do we engage with the companies in which we invest?**

Sustainability is a close collaboration across the whole firm, especially between our investment teams and dedicated sustainability experts. This means we can embed sustainability at all levels of the investment process and across all asset classes. We also proactively engage with companies to increase our understanding of their willingness and ability to transition and to encourage more sustainable business practices and models. Throughout all of this, we focus on the most material issues to each sector, industry and company.

## **How important is it that Lombard Odier leads by example by holding itself to the highest standards of sustainability?**

This is essential not just to our ability to meet our clients' objectives but also to ensure the long-term sustainability of our business. Our actions in terms of environmental impact, positive interactions with the communities around us, the well-being and career development of our employees, and diversity and inclusion, are of paramount importance to us as a firm and to our clients.

Trust is an absolutely fundamental element of successful asset management. And we cannot build trust if we do not lead by example.



## Ethical Considerations

While we generally believe it is better for investors to be able to determine the values-based exclusions in their own portfolios, there are some exceptions where we believe the potential negative impact of a sector or security on society is too great. At Lombard Odier, we have two Group-wide exclusions:



### **Controversial weapons:**

We do not invest in companies that produce, trade or store controversial weapons (i.e. biological and chemical weapons, anti-personnel mines, cluster weapons, depleted uranium, white phosphorus) as defined by the United Nations conventions. These controversial weapons indiscriminately kill, seriously injure and maim civilians, and often continue to do so long after conflicts have ended. With the exception of depleted uranium and white phosphorus, the production and use of such weapons have been banned or outlawed by several international treaties, namely the Biological and Toxin Weapons Convention (BWC - 1972), the Chemical Weapons Convention (CWC - 1993), the Ottawa Treaty on Landmines (effective 1999) and the Convention on Cluster Munitions (Oslo Convention - 2008).



### **Essential food commodities:**

Wheat, rice, corn and soybeans are the four kinds of cereal that form the basis of the global human diet and are critical components in achieving SDG 2 - Zero Hunger. Stable food prices are a crucial component of food security for many at-risk populations. The increasing volatility of their prices directly impacts such populations, who are sometimes forced to spend over 80% of their income on food to survive. The UN Special Rapporteur on the Right to Food has stated that the emergence of a speculative bubble and trade in commodity derivatives was a significant factor in the global food price crisis in 2007 and 2008, and has advised a restrictive approach to dealing in such instruments. As we are concerned about the potential impact of commodities investments on the volatility of essential food prices, Lombard Odier has decided to permanently exclude all financial instruments that invest in essential foods.



## Climate change and environmental issues

In February 2020, Lombard Odier launched its Climate Transition strategy, which captures opportunities across all sectors created by the urgent need to transition to net-zero emissions and adapt to a warmer climate.

Capturing such opportunities requires that we rethink the traditional approach to excluding carbon-intensive sectors. Fundamentally, positioning a portfolio for the transition to net-zero emissions means addressing these economically-critical yet hard-to-abate sectors. The global economy cannot grow without them, even when net-zero emissions is achieved. Excluding these sectors from the investment opportunity set leaves investors less able to capture opportunities and address the system-level change that is urgently required.

“ We believe it is critical to build a Climate Transition investment universe that includes solution providers as well as transition candidates from hard-to-abate sectors ”

Frédéric Rochat  
Managing Partner



It should also include companies that benefit from the need to adapt to an increasingly carbon-damaged world. Building this universe requires an enhanced understanding of companies' carbon footprint that goes beyond traditional, simplistic and popular metrics. To fully capture the opportunity, it is vital to consider the true impact generated by the overall interaction of companies' activities.

This strategy leverages Lombard Odier's robust, forward-looking, science-based approach to identify companies that benefit from growth opportunities and competitive advantage as the transition continues to accelerate. Lombard Odier fully supports the goal of the Paris Agreement to restrict the global average temperature increase to well below 2°C above pre-industrial levels and to pursue efforts to limit this increase to no more than 1.5°C above pre-industrial levels.



## Stewardship

This section refers to LOIM, our asset management business. Our private client business is adopting many best practices adapted to the private banking business model. We believe in the importance of stewardship as an indispensable investment tool.

*For us, investment stewardship means entering into meaningful dialogue with companies around enhancing and ensuring sustainable, long-term outcomes for the assets entrusted to us by our clients.*

In turn, this also leads to sustainable benefits for the economy, environment and society. LOIM incorporates [The Oxford Martin Principles for Climate-Conscious Investment](#) and the recommendations of TCFD into the heart of its overall stewardship activities.

Sustainability is the single biggest factor affecting the way we interact with companies today. As such, the stewardship of sustainability enables us to encourage companies to secure an orderly transition and to adapt and increase their resilience. Engagement on sustainability issues allows us to go beyond systematic data screening and integration by testing, challenging and influencing a company's sustainability profile. We have, therefore, set ourselves the goal of embedding an active dialogue with companies on sustainability issues as an integral part of our investment process. We do this regardless of whether we are equity or fixed-income investors. Traditionally, equity investors have taken the lead on engagement, particularly in regards to corporate governance risks. However, from the very beginning, we have taken a cross-asset approach to building our sustainability analyses and tools. We continue to prioritise active ownership with our equity holdings, as described above.

We also recognise that exercising voting rights is an essential part of investment management and of the stewardship activities we undertake on behalf of our clients. We seek to vote in line with our clients' long-term interests. As an overriding principle, we look to the two leading global governance standards (G20/Organisation for Economic Co-operation and Development (OECD), 2015, and International Corporate Governance Network (ICGN), 2017) when determining how to vote.

The outcomes of the engagements influence our investment considerations, and we link our voting to engagement outcomes. This ensures a circular and consistent stewardship approach.

When it comes to fixed income, particularly in the case of corporate bonds, we believe that dialogue with companies is a critical aspect of credit analysis, since this provides a better understanding of the issuer's risk profile. The unique characteristics of this asset class lend themselves to dialogue on issues besides equity investments. Leverage, liquidity and tail-risks are among the key topics, which become even more important for lower-rated issuers.





## **Interview with Nathalie Haym**

Senior Client Portfolio Specialist,  
Bank Lombard Odier & Co Ltd

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### **Focus on our private clients' approach to sustainability**

We seek to be the private bankers of reference for entrepreneurs and their families – not just today, but over the long term, generation after generation. Through our global Investment Solutions team, we generate innovative investment insights and employ them within a robust yet nimble asset allocation framework.

### **How strong is the interest of our private clients in understanding the sustainability performance of their portfolios?**

Very strong. In the last year or so, we saw a dramatic increase in requests from clients who want material evidence that their portfolio is sustainable. All age groups are now involved. What strikes me is that clients are increasingly knowledgeable around sustainability issues. Now, they want to finance the companies and technologies that will enable the transition to a more sustainable world, and they want to be actors in that change. The sustainability report that we produce, along with our three-pillar analysis of companies, are instrumental in demonstrating that we are genuinely committed to delivering on these objectives.

### **How do you structure a portfolio for, say, a client with a general interest in sustainability?**

Of course, such a portfolio would respect our general risk-adjusted return guidelines. But we also carefully select all investment vehicles for their sustainable qualities. Funds must have a credible investment process, and direct holdings must score highly in terms of financial strength, business practices and their business model's sustainability. We may replace some traditional alternative investments with impact solutions, such as development finance and thematic funds. Last but not least, we exclude companies with serious controversies and empower our clients to exclude any sectors or products with which they are uncomfortable.

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**What if that client has a specific focus on, for example, SDG 14 (Life Below Water) and wants this to be recognised in their portfolio?**

Our sustainability analysis and capabilities enable us to understand how a company's practices contribute to achieving the 17 SDGs. As a result, we can identify those companies having the most significant positive impact on SDG 14 (or any other SDG) and prioritise them in the portfolio. But I would also advise the client to consider those SDGs that are closely linked to SDG 14, such as SDGs 6 (Clean Water and Sanitation), 12 (Responsible Consumption and Production) and 13 (Climate Action), in shaping their portfolio to further strengthen its relevance, impact and diversification as well as its performance potential. Thanks to our sustainability reporting, which shows, in a very user-friendly way, how their portfolio relates to the 17 SDGs, the clients can then easily monitor their investments.

**What is the most frequent question our bankers get from clients concerning sustainability or Lombard Odier's work in this area?**

“Does sustainability mean giving up performance?” And the answer is no. We believe companies that are aligned with the transition to a sustainable economic model will be the winners as we move towards a CLIC economy. Companies that cannot or will not transition are likely to lose their competitive advantage, become increasingly exposed to stranded asset risks, or find that their license to operate is increasingly questioned.



# Technology solutions

Lombard Odier's Technology & Operations (T&O) unit has created several proprietary IT solutions over the years, a practice which has enabled our partners and us to simplify our processes and focus on our core business. These solutions are used by a range of carefully selected independent financial institutions in Europe<sup>1</sup>. For example, our banking platform, G2, with its easily deployable and highly flexible infrastructure, is used to manage billions in assets and thousands of accounts. G2 is independent and fully integrated with our front office, banking operations and accounting services. Other private banks, institutional investors and family offices use our platform for their operations, just as we use it for our own.

The G2 banking platform includes:

- › Portfolio analysis, management and reporting, CRM functions, mobile solutions, digitisation
- › Trading and forex, risk management, compliance and tax
- › Accounting and management information systems, regulatory and financial reporting

Meanwhile, our Global Assets+ tool offers assets servicing, consolidation and reporting, with first-class global custody and state-of-the-art technological tools.

- › Manage stock exchange transactions, identify trends and risks, implement and monitor overlay strategies
- › Monitor the performance of a portfolio segment, evaluate the ESG criteria and measure allocation effects
- › An interactive interface with our secure technology built-in, developed entirely in-house

## Ecole Polytechnique Fédérale de Lausanne (EPFL)

Lombard Odier supports innovation in technology and is a founding partner of the EPFL Center for Digital Trust, a partnership between researchers, industry, the public sector and civil society to define and realise a shared vision: re-inventing trust mechanisms that will contribute to prosperous, peaceful societies in the digital age.

Our technology solutions have allowed us to adjust our ways of working amidst the COVID-19 crisis seamlessly. Our Business Continuity Plan, which has been in place for several years, prepared us for what would otherwise have been inconceivable: the virtually overnight transition to working from home for nearly all of our employees globally. Thanks to solutions already in place and the hard work of our technology and logistics teams, by mid-March 2020, almost 80% of our colleagues had made the switch. And, at the same time, we adjusted G2 to facilitate a rapid shift to home working for every company that uses it.

“ Banking technology has become so crucial that it represents a genuine competitive advantage ”

Alexandre Zeller  
Managing Partner

<sup>1</sup>These institutions are based in countries that are members of the Financial Action Task Force (FATF), and are under the supervision of the Swiss Financial Market Supervisory Authority (FINMA) or equivalent foreign authorities.

#### France Digitale

Lombard Odier has supported France Digitale since 2016. Established in 2012, France Digitale's mission is to transform France into a territory that champions startups, locally and further afield. A significant part of this mission is to raise awareness of the potential economic and social impacts of the digital ecosystem.



## Interview with Francesco Di Lella and Derik Schupbach

Development, Technology & Operations, Bank Lombard Odier & Co Ltd

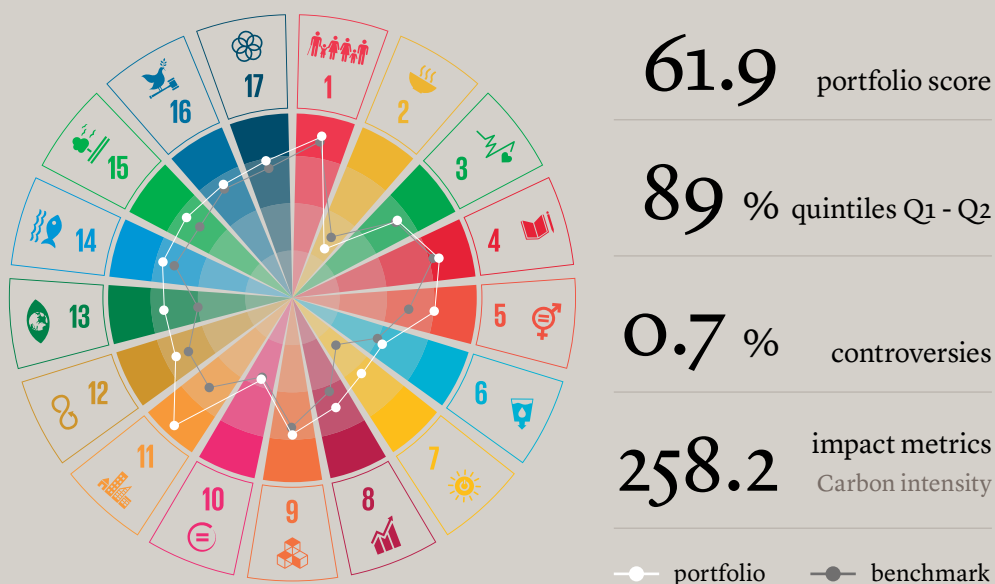
### Focus on our sustainability reporting tools

Our development teams are in charge of the technical aspects of our sustainability tracking and reporting tools, which our portfolio managers and bankers use every day. We determine and integrate sustainability performance into our analysis of the optimal portfolio allocation for each client.

### What indicators do we include in our clients' tool for tracking portfolio sustainability performance?

The tool combines several sustainability figures to give a top-down, multi-angled view. At the highest level, we have the overall sustainability score of the portfolio. Then, we have scores for each line. We can raise warnings when a company is involved in excluded or restricted activities, such as tobacco or pesticide production. We can also get carbon and water intensity metrics for each company and then aggregate these figures for the entire portfolio. Finally, we highlight the exposure of the portfolio and its underlying assets to the UN's 17 Sustainable Development Goals.

### Sustainability overview of a hypothetical portfolio.



## **What makes Lombard Odier's sustainability solution unique?**

One of the differentiators is the combination of several sustainability data sources within our calculation engine, which was developed by our asset management business, LOIM. Through technology, we have been able to leverage and transpose their expertise in sustainability to the private banking world.

As a result, sustainability is deeply embedded in our portfolio management and construction process. We can precisely monitor sustainability figures over time and use them to trigger investment decisions, as well as for reporting purposes.

## **What could we develop further?**

The current solution, which is the result of a close collaboration between business and technology units, is intended for a portfolio manager who already has a solid understanding of sustainability metrics. The next step could be to develop a version for the end client that is more intuitive and includes interactive aspects. These features would be integrated into our client digital solutions suite, My LO.

# Reducing our footprint

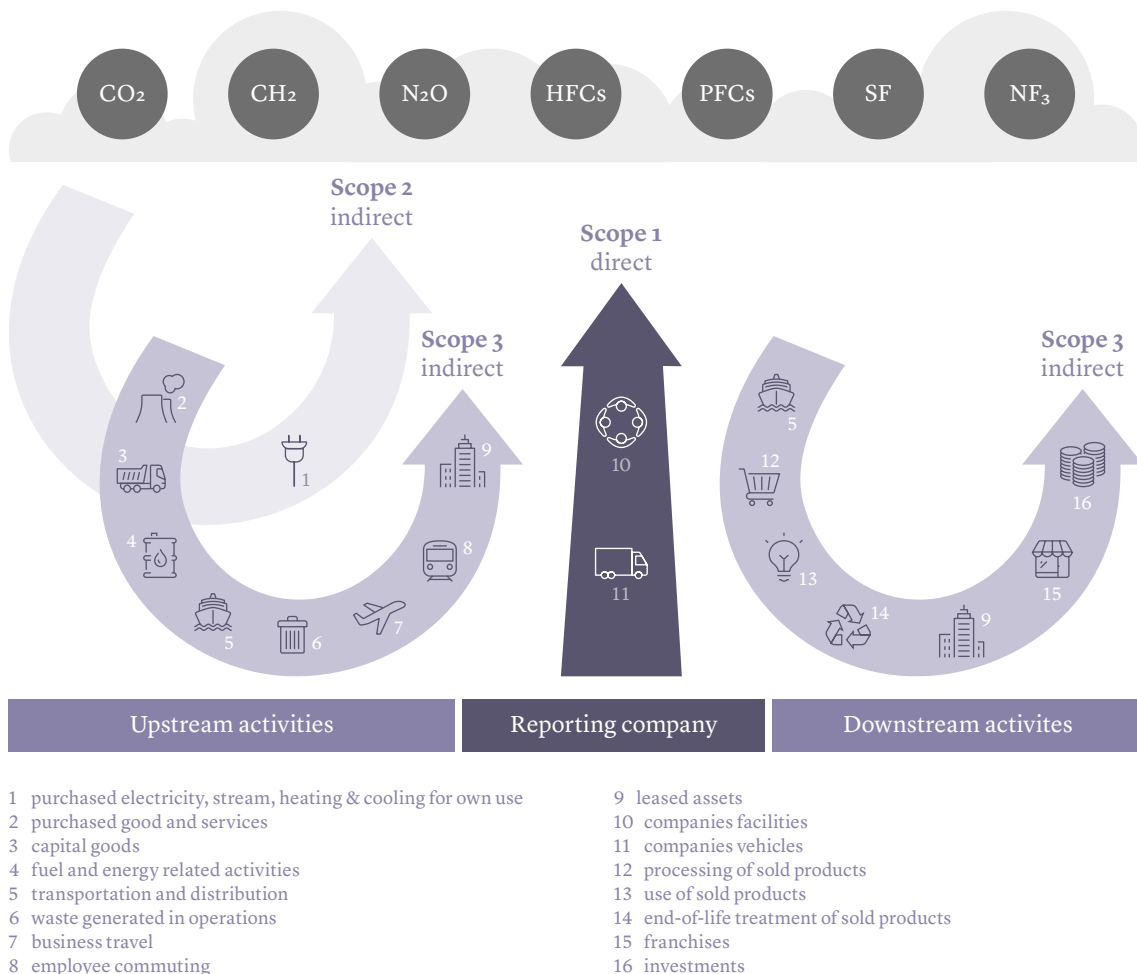
Throughout the years, we have taken many steps to minimise our environmental impact. Building on lessons learned from our 2019 carbon footprint analysis, our focus remains on formalising our environmental sustainability strategy. In addition, we began exploring potential solutions for making our new headquarters more sustainable. We calculate our carbon footprint using the Greenhouse Gas (GHG) Protocol standards. Our 2019 carbon footprint analysis covers Scope 1, Scope 2 and some elements of Scope 3 emissions. We aim to identify and measure additional Scope 3 downstream emissions in future analyses.

**Scope 1:** direct emissions from controlled sources including natural gas and fuel oil.

**Scope 2:** indirect emissions from purchased electricity, steam, heat and cooling.

**Scope 3:** indirect emissions (not included in scope 2) that occur in our value chain, such as business travel, supply chain (tier 1), waste.

## GHG Protocol Scope Guidance



As a Group, Lombard Odier emitted 7,294 tons CO<sub>2</sub>e in 2019.

Our emissions per scope were as follows:

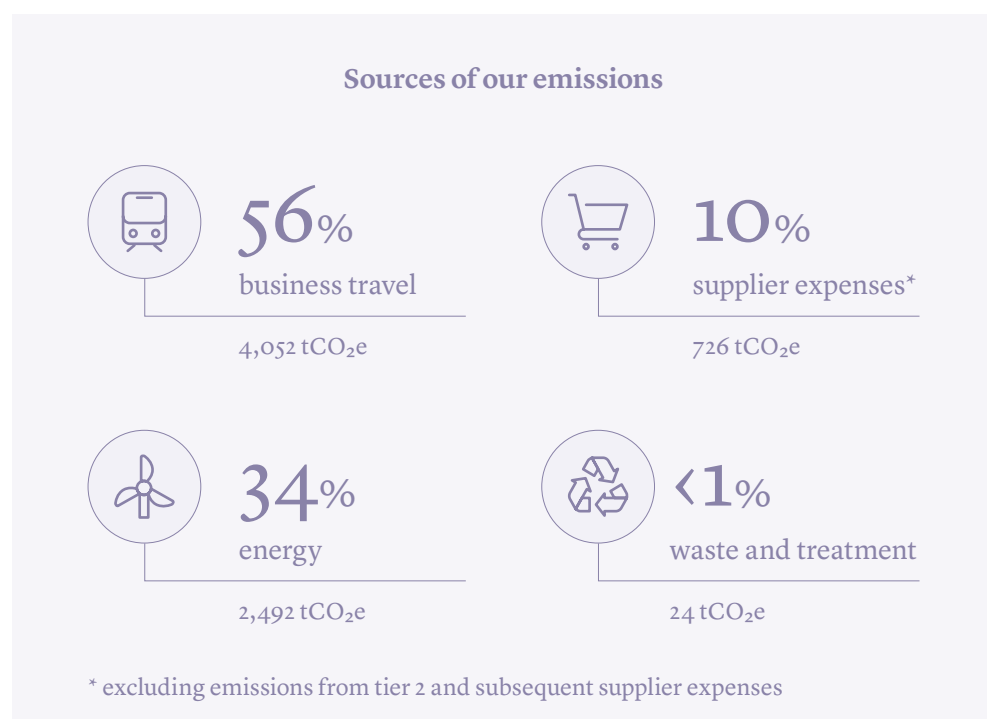
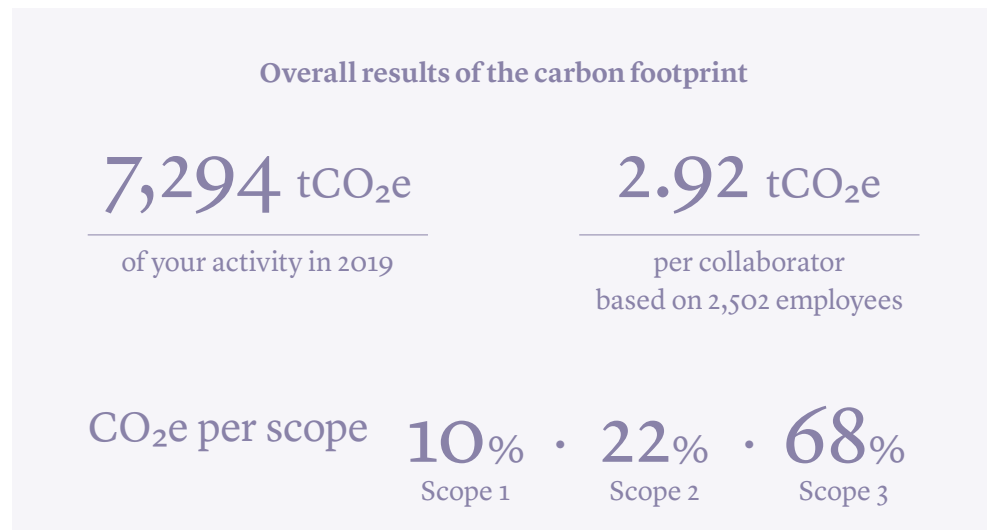
**Scope 1:** 729 tons CO<sub>2</sub>e

**Scope 2:** 1,605 tons CO<sub>2</sub>e

**Scope 3:** 4,960 tons CO<sub>2</sub>e

Energy consumption accounts for 34% and business travel accounts for 56% of our emissions.

Going forward, reducing our carbon footprint will continue to be a significant area of focus in our sustainability efforts.



Our business relies on maintaining a close relationship with our clients, and this involves a significant amount of business travel. We are mindful of the environmental impact of such travel, and continuously strive to reduce our footprint by identifying ways to do so as efficiently as possible. Over the past two years, our employees have taken 17% more train journeys, 15% fewer flights and 14% fewer hotel stays. We encourage videoconferencing and in 2019 we saw a 9% increase in such meetings compared to 2018. In addition, we favour hotels that have a meaningful sustainability programme in place.

*We subscribe, where we can, to renewable energy solutions for our 28 offices in 24 jurisdictions. Our Geneva offices use 100% renewable electricity sources, while some smaller international offices are dependent on local availability.*

Since 2016, over 80% of the heating in our Geneva offices derives from reused heat generated by our servers and thermal energy from inside the building. In 2019, we undertook a Paperless Challenge in a bid to reduce the number of pages we print. This challenge enabled us to reduce printing by 17% overall.

2019 also saw the launch of our Zero Plastic initiative to eliminate single-use plastics and replace all containers with either recyclable or compostable solutions in all our offices. Several offices have implemented water fountains as well as water bottles and coffee mugs made from sustainable materials.

Lombard Odier celebrated World Environment Day 2019 by exploring alternative ways of commuting to work to encourage employees to choose greener modes of transport in the long term. In an effort to reduce our collective carbon footprint, we also launched a car-sharing platform for our Geneva employees. We have introduced smart recycling bins in all our Geneva offices, replacing the traditional rubbish bins with a selective sorting solution. We will equip these bins with chips that send an alert when they need emptying. This will help us to optimise our building operating costs and improve our housekeeping service.



In early 2020, our printing plant in Geneva, which handles 10 million impressions a year, won the Imprim'Vert eco-label. The label rewards printing works that comply with ecological criteria, such as banning toxic products and optimising electricity consumption. Created in 1998 by the French Chambre des Métiers (Chamber of Trade), the label sets and verifies a standard recognised throughout the printing industry.





## Selected sustainability achievements

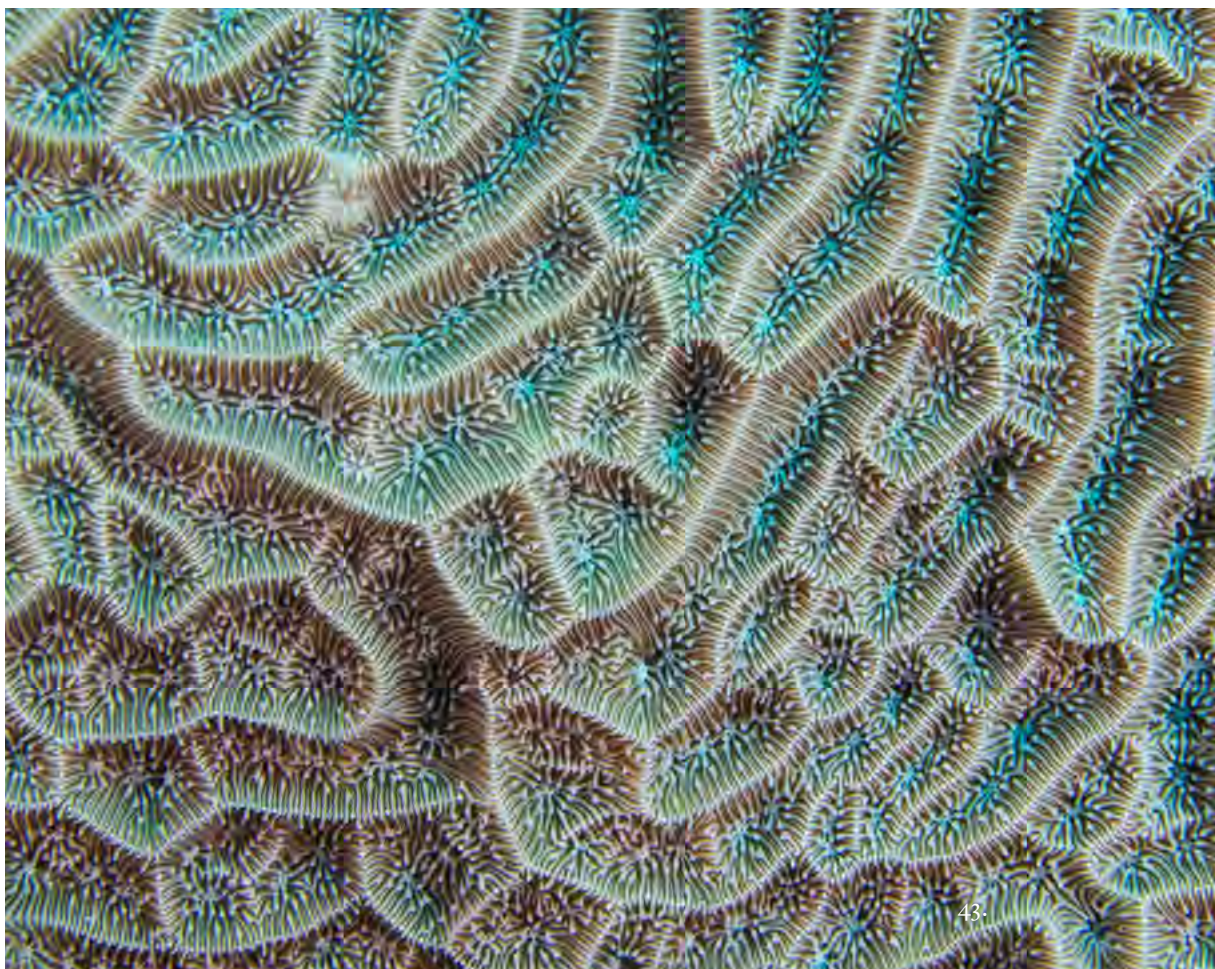


## An increasingly sustainable supply chain

As we set out in our Procurement Guidelines, we seek to engage with suppliers who have adopted meaningful corporate responsibility policies and programs that cover and actively support ethical conduct, diversity, social responsibility and environmental sustainability. In 2020, we are focusing on strengthening a sustainable procurement framework, in which potential new suppliers will have to prove they comply with all laws and regulations — including Human Rights — in their country of operation, as well as meet our environmental requirements. In our 2020 Supplier Code of Conduct, we will reaffirm our commitment to requiring that all our suppliers align their business practices with the Ten Principles of the UN Global Compact.

If a supplier does not meet our sustainability criteria, we will discuss the discrepancies with them using our standards so that they can undertake the required improvements independently. Through transparency and sharing best practices, we believe that we can achieve an optimal procurement chain.

In the past few years, we have rethought our range of office supplies in Geneva to move towards sustainable products. In early 2020, we welcomed a new caterer to our in-house restaurant in Geneva, which offers sustainable, locally sourced food. Our new partner works directly with over 70 farming partners throughout Switzerland. More generally, we have given priority to local suppliers and supported local business development for several years.





## Interview with Olivier d’Introno

Directeur Industrie & Services, PRO

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### Focus on one of our key suppliers

For many years, Lombard Odier has worked with PRO, a private social enterprise based in Geneva. PRO manages the office supply items we keep in stock, and this partnership enables us to be flexible and responsive in handling our daily supply needs. Founded in 1987, PRO creates sustainable jobs for people encountering challenges in entering the mainstream job market.

To find out more: [pro-geneve.ch](http://pro-geneve.ch)

### Tell us about your employees.

We have more than 450 employees, including people with mental, physical and sensory disorders, those who find themselves unexpectedly unemployed at an advanced age and young people who have never held a job. PRO also trains apprentices in various trades and provides job opportunities for immigrants.

Having a job and a daily routine provides a social identity and the self-esteem that comes from knowing that they are adding dignified value to society.

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**In 1998, PRO was one of the first companies in Geneva to be certified according to the international environmental management standards, ISO 14001. How is your environmental sustainability work developing?**

We are continuously working on improving our environmental profile. And since we are ISO 14001 certified, we follow a strict set of measures. We recycle as much as possible and are working towards a zero single-use plastics and food waste environment. We engage with our clients to promote the same actions from their side and, therefore, we continuously engage with Lombard Odier on the sustainability aspects of our collaboration. We strive to have discussions with our clients on carbon reduction measures, product improvements, sharing best practices as well as ongoing learnings and improvements.

**What can bring additional value to your employees' interaction with your clients?**

One of the most rewarding experiences for many of our employees is the opportunity to work in-house at a client, 'on secondment' from PRO. This helps them feel genuinely integrated into the mainstream job market, and so this is an area that we would very much like to explore further.

## Sustainability at our new headquarters

Our sustainability philosophy has shaped the development of our new headquarters in Bellevue, on the right bank of Lake Geneva, currently under construction. The building will be sized to gather up to 2,600 employees under one roof and aims to embody the highest standards of sustainability. We are constructing our building with a robust framework in regards to material use, energy provision, circularity, employee well-being and other sustainability-related criteria. We aim to achieve three different certifications that vouch for the standard of a sustainable building: SNBS (Standard Nachhaltiges Bauen Schweiz), Minergie-P and BREEAM®.

We are planning to include many sustainable solutions when developing and maintaining our new headquarters, including :

- › Locally sourced and sustainable materials, where possible
- › Solar panels on the roof to add to our renewable energy sourcing
- › Joining the GeniLac project, a 100% renewable thermal solution that uses the water of Lac Léman to cool and heat buildings
- › Rainwater collection and reuse
- › Improved recycling solutions
- › Promoting green mobility, including recharging stations for electric cars and bikes
- › A fitness centre to help employees maintain an active lifestyle and promote well-being

2020-21 will bring significant developments and innovations for both the interior and exterior of the building.

*The building will be sized to gather up to 2,600 employees under one roof and aims to embody the highest standards of sustainability.*



© Herzog & de Meuron

— TROOF



## Interview with Christine Binswanger

Senior Partner, Herzog & de Meuron

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### Focus on our new headquarters

Herzog & de Meuron, the globally renowned Swiss architecture firm, has designed our new headquarters. This distinguished practice is behind many landmark buildings, including, to name but a few, the Tate Modern in London, the De Young Museum of San Francisco, the National Stadium in Beijing, the Elbphilharmonie in Hamburg and the Goetz Collection in Munich. Lombard Odier and Herzog & de Meuron share both a focus on sustainability and the desire to create a building that thoroughly embodies our values.

### What defines a sustainable building?

Sustainability rests on three pillars: Environmental, Social, and Economical. A truly sustainable building addresses all three dimensions, although discussion around sustainable construction is, unfortunately, often reduced to just the environmental aspect. That said, in this respect, the location of a building is an essential factor for its long-term ecological footprint. Bellevue is well connected to public transportation, allowing staff to get to work with a low CO<sub>2</sub> impact. There will also be a significant amount of bike parking spaces and auxiliary functions for cyclists.

We will limit the building's energy consumption through compact massing, which refers to having a good ratio between volume and façade. In addition, cantilevering floor slabs will protect the highly transparent façade from heat impact while maintaining ample daylight, reducing the need for artificial lighting.

Sustainable sources will help to cover the building's energy needs. These will include a connection to Geneva's GeniLac, which uses the lake as a source of energy for cooling; and, on the roof, a photovoltaic plant to generate electricity.

## **How do you think about social impact when you and your team design a building?**

A building that offers social, functional, and aesthetic qualities, as well as ample flexibility, is valued by everyone. In turn, this ensures its potential to be used for a long time, which is the most effective means of reducing grey energy<sup>1</sup>. The new Lombard Odier building will offer employees a workplace of extraordinary quality, and everyone will enjoy generous views onto the lake, mountains, and green spaces in the surroundings. Large-scale floor plates with open plan offices will offer flexibility for changing team sizes and many different kinds of enclosed spaces for focused work, as well as collaborative spaces. The design fosters both concentration and interaction; employees will not just be working at their desks all day long. Additionally, there are various options for where to eat and practice sports, both indoors and out: on the terraces, in the gardens and at the nearby lake.

<sup>1</sup> Grey energy is the energy inherent in a building throughout its life cycle, from production to disposal.

## **Will clients recognise the Lombard Odier that they know?**

Absolutely! We designed the building in close collaboration with Lombard Odier, and it will very much reflect the bank's values as well as create an impressive client experience, all by maximising the perception of nature's stunning beauty. This project proves that Lombard Odier is a bank that rethinks everything. In moving to this new, transparent, contemporary building, the bank will further optimise its interaction with clients, embrace sustainability in all its dimensions and create a workplace that is state-of-the-art with regards to efficiency as much as employee well-being.



## Our colleagues

Our colleagues are at the centre of our decisions and strategy. Accordingly, we continually develop and adopt initiatives designed to improve the quality of their working lives. Lombard Odier strives to provide an ethical and inclusive workplace for all employees, as outlined in our Code of Conduct and Shared Values and other internal policies.

“ Lombard Odier strives to provide an ethical and inclusive workplace for all employees ”

Christophe Hentsch  
Managing Partner

Our annual employee survey gives us detailed feedback on engagement levels and highlights areas for improvement. Through the definition of action plans for each unit, we ensure a continued dialogue. In 2019, participation in the survey increased to 86% from 79% the previous year. We received particularly positive feedback on improved communication and collaboration, as well as the perception of our client focus. The key area for improvement is personal development, which we are emphasising in our HR initiatives for 2020.



During the current COVID-19 pandemic, close to 80% of our employees are working from home. For our colleagues whose presence in the office is essential for the running of our business, we work with the appropriate social distancing and hygiene measures in place. Thanks to our technological solutions and the dedication of Lombard Odier's staff, the transition to a home-working environment has gone seamlessly. We provide continuous support to our employees who have been affected by the virus, either directly or via their families. We also support the mental and physical well-being of our employees globally to ensure optimum health and work-life balance during the crisis.



### **Diversity**

Lombard Odier recognises diversity as an area of continuous improvement and includes diversity training in its ongoing staff training program. This is comprised of Workplace Diversity and Inclusion training, Preventing Discrimination and Harassment, as well as manager training on Unconscious Bias. Our Gender Initiative and Female Leadership programmes support women each year in their leadership training and career advancement.



### **Employee benefits**

Depending on the country and office, Lombard Odier employees enjoy a range of benefits including maternity, paternity and adoption leave and pay; subsidised travel passes; health insurance; access to an in-house restaurant; e-vehicle charging stations and concierge services.

Our pension system provides a significant level of coverage and services. In addition, we believe in the importance of employee participation in the strategic decisions of the Fund, from the definition of benefits to the investment philosophy and strategic allocation. Therefore, each dedicated working group is paritarian by nature, leading to an open dialogue and enabling a sound, trusting relationship between the bank and its employees. This continues a tradition of providing a robust pension solution for our employees that began in 1910, when we became one of the first private Swiss companies to establish an employee pension fund.



### **Career Development**

As highlighted in our 2019 employee survey, our colleagues wish to see an emphasis on training and actions that can help develop their careers. Therefore, in 2020, we are extending our offering of leadership training courses as well as subject-specific online courses. In 2019, we delivered over 3,000 professional and technical courses, an increase of almost 28% compared to 2018. 72% of all completed training courses focused on compliance and regulatory topics, but we also saw more participation in personal development and leadership courses. Our increased focus reflects a sustainable choice to invest in our human capital's professional and technical expertise, soft skills and managerial competencies.



### **Work/Life Balance**

We believe it is important for all our employees to be able to establish a healthy work/life balance that includes a focus on well-being. Lombard Odier supports flexible hours, part-time solutions and remote working in ways that both promote the well-being of our employees and empower them to manage their professional and personal responsibilities effectively. The majority of our staff have secure remote access to all the systems and applications they need to perform their day-to-day activities, either via a company-issued laptop or remote access through a secure channel. Our state-of-the-art communications technology also enables teams to stay highly connected with each other and with clients, regardless of location. Many of our teams are split between locations on an ongoing basis, which makes this kind of digital connectivity central to our working practices. This has the added benefit of ensuring we can support and promote flexible working for our employees.

We aim to provide a range of ongoing wellness programs to support the physical and mental well-being of our staff. For example, in Geneva, over 25 groups in the Sports and Leisure programme engage in a number of sports and cultural activities.



### **Volunteering Policy**

Lombard Odier supports employees who wish to do volunteer work within their community or for charitable institutions. Supporting volunteers helps us to build relationships with local communities, creates another way for us to increase our positive impact and provides our employees with opportunities to develop skills and leadership qualities in a non-work setting. These opportunities also improve their morale, physical health and work/life balance by enabling them to give back to their communities.

2019 snapshot of our employees

64 %

men

36 %

women

69

nationalities

21\* %

of senior management  
were women

159\*

employees  
were promoted

86 %

of employees participated  
in our global employee  
survey

94 %

of employees participated  
in at least one training  
session

\* not including Lombard Odier Investment Managers (LOIM)



# Philanthropy and community engagement

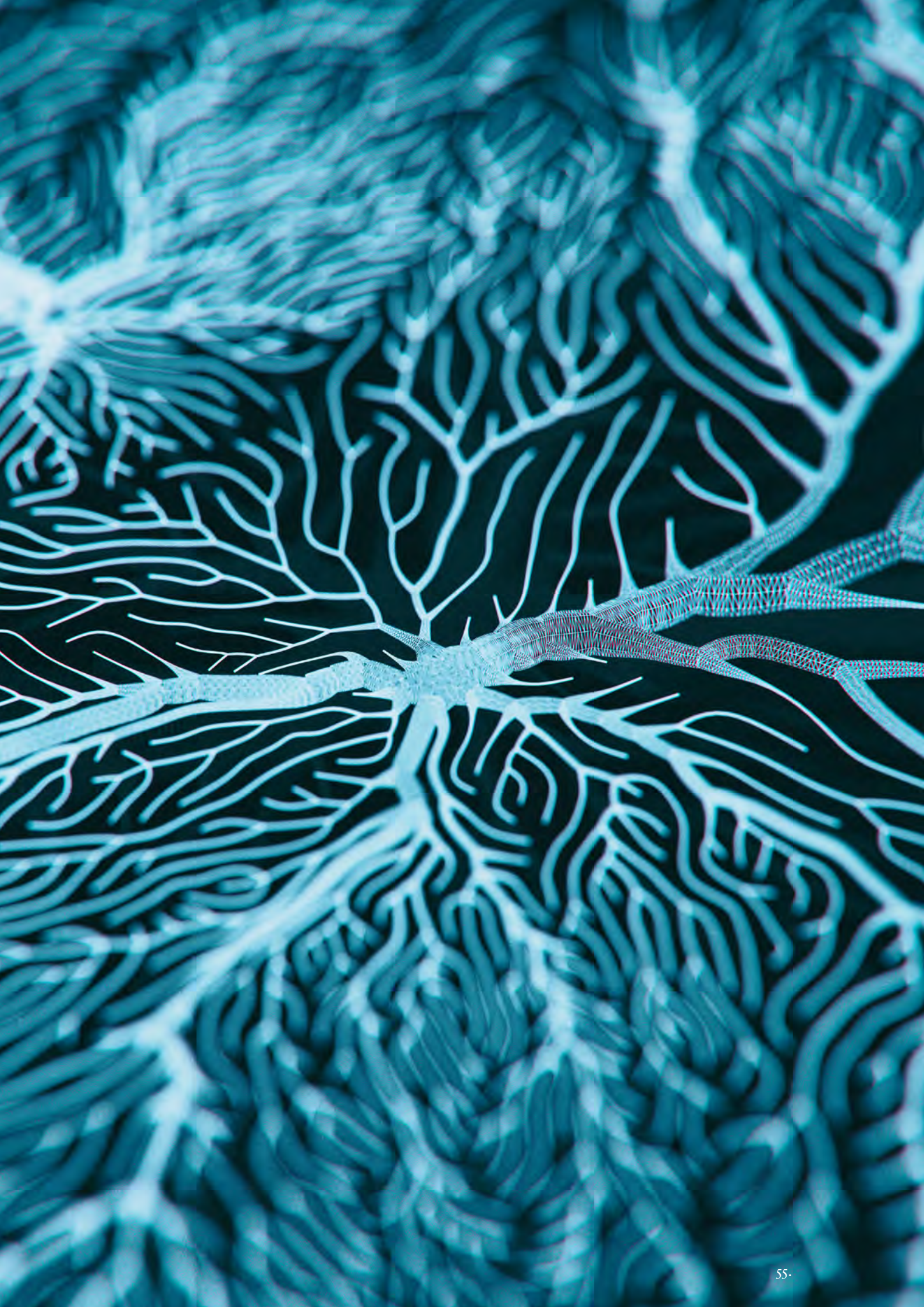
Lombard Odier has a long history of supporting social improvement through philanthropy. This can take the form of creating new financing solutions or bringing together new partnerships to catalyse action.

“ As technology and markets change  
the way we live, work and think,  
we aim to be at the forefront  
of innovative philanthropy ”

Denis Pittet  
Managing Partner

Our corporate foundation, Fondation Lombard Odier, carries out the philanthropic activities of our Group and its Managing Partners. The Foundation funds forward-looking solutions through catalytic philanthropy and innovative finance to drive positive impact, especially in the fields of education and humanitarian action. The goal is to work with grantees upon whom the Foundation can have an impact and to whom it can offer more than just funding. The Foundation is managed by our dedicated in-house philanthropy advisory team.

Next to our corporate foundation, with Fondation Philantropia we also offer an "umbrella foundation" structure to clients which functions like a donor-advised fund. The philanthropist can create their own 'sheltered fund' that offers functionalities similar to an autonomous foundation while benefiting from the economies of scale of the umbrella structure. Since its creation, Fondation Philantropia has opened 28 tailor-made funds where donors also can partner with other philanthropists to support projects that might not exist without cost-sharing and access to bundled expertise.



## Supporting humanitarian efforts and science

- › In 2017, Fondation Lombard Odier partnered with the International Committee of the Red Cross (ICRC) to launch the world's first humanitarian impact bond, the Program for Humanitarian Impact Investment (PHII). The PHII mobilised CHF 26 million of public and private money to build physical rehabilitation centres in Mali, Nigeria, and the Democratic Republic of the Congo, demonstrating the scope of what is possible when social investors interact strategically.
- › The objective was to find new ways to meet an immense need. The ICRC, the world's largest provider of physical rehabilitation services in developing and fragile countries, estimates that, of the 90 million people worldwide with physical disabilities who need a mobility device, 90% do not have access to adequate physical rehabilitation services. This often leads to social and economic exclusion.
- › Central to the solution was innovative finance. The PHII leverages a pay-for-outcomes model to transfer innovation risk from traditional public sector humanitarian donors to private investors and build a new generation of centres. The key metric used to measure success is an efficiency ratio that looks at the number of mobility devices provided per staff member at each centre.
- › A group of high-profile Outcome Funders (the governments of Belgium, Italy, Switzerland, and the UK, as well as the La Caixa Foundation), whose risk financing is contingent upon the social outcomes achieved, will purchase the 'outcome' (the achieved project result) from the social investors.

Lombard Odier believes in using the power of education and technology for good. Working with our strategic partner, École Polytechnique Fédérale de Lausanne (EPFL), Fondation Lombard Odier acted as a seed funder of the Venice Time Machine (VTM), a 'Big Data of the past' project. More recently, we became a founding partner of the EPFL Center for Digital Trust, a partnership between researchers, industry, the public sector and civil society to define and realise a shared vision: re-inventing trust mechanisms that will contribute to prosperous, peaceful societies in the digital age.

Moreover, we are convinced that knowledge and education are critical to effective philanthropic action. Fondation Lombard Odier is a founding partner of the University of Geneva's Centre for Philanthropy, where we promote research, knowledge dissemination, awareness and dialogue between professionals and stakeholders who are taking philanthropy into the future. We are also actively involved in collaborative platforms for foundations such as SwissFoundations, the European Foundation Centre and the European Venture Philanthropy Association.




Lombard Odier is partnering with CERN by committing financial support to six talented particle physics PhD students via the CERN & Society Foundation. These young researchers will continue their studies in Geneva as part of an international collaboration involving 181 institutions and agencies from 38 countries. The PhD students will take part in the ATLAS experiment, which consists of two general-purpose detectors at the Large Hadron Collider. CERN has and continues to use these detectors to investigate a wide range of physical phenomena, from the search for the Higgs boson to extra dimensions and the particles that could make up dark matter. We are reaffirming our commitment to a young generation of scientists driven to continually push the boundaries of technology to advance science and make progress in overcoming the challenges facing our society.









## Supporting our communities

Entrenched in Lombard Odier's culture is a deep sense of purpose to make a positive and lasting impact on our communities.

In February 2019, Lombard Odier launched a partnership with Alaya, a social engagement platform that links companies with volunteer opportunities in their cities or regions. Lombard Odier employees in Switzerland who wish to support charities by donating and volunteering can sign up and contribute to the well-being of our local community.

Examples of our community-focused engagement during 2019 include:

- › In the Annual Giving campaign run by Fondation Lombard Odier, our employees voted on their support for one of four selected organisations: Helvetas, Surfers Not Street Children, Adie or Singa. Each recorded vote triggered a donation by the foundation to the chosen non-profit. 56% of employees participated in the 2019 initiative. Our goal is to increase the participation rate for the 2020 campaign.
- › We helped our local community in the Bahamas after Hurricane Dorian devastated the country. Lombard Odier employees supported relief efforts by purchasing and delivering-much needed supplies to five shelters in Nassau.
- › We helped out at the Jardin de Montbrillant soup kitchen in Geneva.
- › In London, we organised fundraising activities benefiting Save the Children, Macmillan Cancer Support and the Marie Curie Hospice.
- › 90 participants from our Singapore, Hong Kong and Tokyo offices and partner banks spent part of an off-site day hand-sewing sensory mats for persons with dementia, benefiting the Alzheimer's Disease Association in Singapore. Sensory mats, made from a variety of fabrics, textures and objects, help reduce agitation and restlessness in dementia patients and improve their well-being.



## **Interview with Peter Maurer**

President, International Committee of the Red Cross

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### **Focus on linking philanthropy with innovative finance**

Established in 1863, the International Committee of the Red Cross (ICRC) operates worldwide, helping people affected by conflict and armed violence and promoting the laws that protect victims of war. An independent and neutral organisation, its fundamental mandate stems from the Geneva Conventions of 1949. Based in Geneva, Switzerland, the ICRC employs over 20,000 people in more than 80 countries. The ICRC is at the origin of the International Red Cross and Red Crescent Movement and three-time Nobel Prize Laureate.

**The Program for Humanitarian Impact Investment (PHII, or Humanitarian Impact Bond) has generated a lot of interest. It was a first of its kind and the ICRC's first undertaking in the world of innovative finance. What were the key takeaways and learnings?**

The humanitarian impact bond was indeed a positive learning experience for the ICRC. The first lesson for the ICRC is how vital it is to be clear on the problem to be addressed and the suitability of the HIB (Humanitarian Impact Bond) model. For example, outcomes-based mechanisms may work for certain types of long-term humanitarian endeavours, but less so for emergency responses. Second, we found that you need to secure the support of potential outcome funders and other key partners very early on. And, to be clear, outcome funders are more difficult to find than investors. Third, impact bonds are one tool in a toolbox of new financing models. Fourth, it is by putting projects on the table and maintaining an open dialogue with our partners that we will help to develop the market for new financing models in fragile settings.

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**The long relationship between the ICRC and Lombard Odier helped create an innovative financing solution for a humanitarian project in the physical rehabilitation space. In what other areas of humanitarian intervention do you envisage similar payment-by-results structures working?**

The ICRC has been investing time, effort and resources in the Goma West Water Supply Project, which aims to create water infrastructure in the west part of Goma city in DRC and establish a financially sustainable operating model. As we have seen with the dangerous COVID-19 pandemic, access to clean water is indispensable for people's health. More generally, our sense is that water and infrastructure, energy and physical rehabilitation are among the thematic approaches most suited to new financing models. Therefore, these are the most likely areas of focus for us over the next few years. However, we are still learning and exploring. It will be essential for us as a community to build on and scale successful pilots and models, but also to create the capacity to learn and explore existing and novel avenues going forward.

**Why did the ICRC embark on a journey toward humanitarian impact investing? In the ICRC's experience, how can financial institutions add value to humanitarian projects?**

For the ICRC, new financing models are about developing new ways of working and diversification of financing. When it comes to the former, we are looking at long-term projects completed in partnership with humanitarian, development and private sector stakeholders; and which share risks in innovative ways, have a certain scale, target efficiencies and take preventative approaches. And we have the ambition to mobilise development funding to de-risk private investments. We are looking to financial institutions to provide seed funding and technical assistance, particularly around structuring specific products, but also to help us find socially-minded investors and to mobilise investment themselves.

# Targets

In 2020, we intend to undertake several measurable initiatives to further our commitment to sustainability. We will track these initiatives, and add new ones, annually.

## Target timing

### 2020

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#### **Action**

Formulate and publish the following policies:

- Group CSR policy
- Supplier Code of Conduct
- Voting policy

#### **Comment**

While we already aim to undertake our business sustainably, we wish to formalise our approach.

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#### **Action**

Formalise our stewardship frameworks and alignment with industry best practice as it evolves. Enhance transparency and reporting on stewardship activity, including publishing our voting record on our website.

#### **Comment**

This is a vital part of our investment process, and we continue to formalise our guiding principles in alignment with frameworks such as the Oxford Martin Principles and improve our related infrastructure to maximise effectiveness, transparency and improve reporting.

## Target timing

### 2020-2021

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#### **Action**

Develop a framework for assessing the temperature alignment of sectors, industries, companies and portfolios. We will integrate this framework into our investment platforms.

#### **Comment**

This informs our scenario analysis and investment decision-making, enabling us to better identify companies that will gain competitive advantage and growth opportunities as the transition to a more sustainable economic model unfolds. It will also inform portfolio reporting.

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#### **Action**

Further reduce our carbon footprint.

#### **Comment**

Improve green mobility options for our employees. Identify sustainable solutions to implement in the construction and development of our new Geneva headquarters.

Target timing

2021

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**Action**

Identify the key links between Lombard Odier's sustainability strategy and the UN's Sustainable Development Goals.

**Comment**

We support all 17 SDGs, but will identify those strategic goals on which our business can have the most impact.



## Memberships, certifications and signatories

- › United Nations Global Compact
- › B Corp
- › UN Principles for Responsible Investment (UNPRI)
- › Carbon Disclosure Project (CDP)
- › Energy Transitions Commission (ETC)
- › Global Impact Investing Network (GIIN)
- › Institutional Investors Group for Climate Change (IIGCC)
- › IIGCC Global Investor Statement to Governments on Climate Change
- › Swiss Sustainable Finance (SSF)
- › Sustainable Finance Geneva (SFG)
- › Task Force on Climate-Related Disclosures (TCFD)
- › Economic Dividends for Gender Equality (EDGE)
- › Climate Action 100+

Lombard Odier is a signatory of the United Nations Global Compact. We want to make an active contribution to achieving the seventeen Sustainable Development Goals established by the UN Member States in the 2030 Agenda adopted by the United Nations in 2015.



UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.





# Independent Limited Assurance Report

## on the selected data and information of Lombard Odier Group Sustainability Report 2019 To the Board of Directors of Banque Lombard Odier & Cie SA, Geneva

We have been engaged to perform assurance procedures to provide limited assurance on the selected data and information of the 2019 Sustainability Reporting of Banque Lombard Odier & Cie SA, Geneva and its consolidated subsidiaries ("Lombard Odier Group") published in the Sustainability Report 2019.

### Scope and subject matter

Our limited assurance engagement focused on the selected data and information disclosed in the Sustainability Report of Lombard Odier Group for the year ended on 31 December 2019:

- Selected sustainability information and indicators: Total tons of CO<sub>2e</sub> emitted in 2019 on page 39, CO<sub>2e</sub> emissions of scope 1, scope 2 and scope 3 on page 39, the figures published in the box 'Overall results of the carbon footprint' and in the box 'Sources of our emissions' on page 39, the percentage increase in videoconferencing compared to 2018 on page 40, '% renewable electricity sources in Geneva' on page 42, '% decrease electricity use in Geneva over the past three years' on page 42, 'tons of paper and tons of plastic recycled globally in 2019' on page 42, 'tons of glass and metal recycled globally in 2019, including tons of coffee capsules' on page 42 and '% men', '% women', 'number of nationalities', '% women in senior management', '% participation in global employee survey', '% participation in at least one training session', 'number of employees promoted' published in the box '2019 snapshot of our employees' on page 53.
- The management and reporting processes to collect and aggregate the data as well as the control environment in relation to the data aggregation of these sustainability indicators.

### Criteria

The management reporting processes with respect to the sustainability reporting process and sustainability indicators were prepared by Lombard Odier Group based on the Lombard Odier Group sustainability reporting guidelines with reference to the 'GRI Standards' published in October 2016 by the Global Reporting Initiative and based on the Greenhouse Gas Protocol Initiative of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) (hereafter referred to as the 'suitable Criteria').

### Inherent limitations

The accuracy and completeness of sustainability indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. In addition, the quantification of the GHG emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine GHG emission factors and the values needed to combine e.g. emissions of different gases. Our assurance report should therefore be read in connection with Lombard Odier Group's guidelines, definitions and procedures on the sustainability reporting and the suitable Criteria.

### Lombard Odier's responsibility

The Board of Directors of Banque Lombard Odier & Cie SA is responsible for both the subject matter and the suitable Criteria as well as for the selection, preparation and presentation of the selected data and information in accordance with the suitable Criteria. This responsibility includes the design, implementation and maintenance of related internal control relevant to this reporting process that is free from material misstatement, whether due to fraud or error.

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### Our independence and quality controls

We are independent of Lombard Odier Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) that are relevant to our audit of the financial statements and other assurance engagements in Switzerland. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our responsibility

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention to indicate that the identified sustainability indicators selected and contained in this report are not stated, in all material respects, in accordance with the suitable Criteria.

We planned and performed our procedures in accordance with the International Standard on Assurance Engagements (ISAE 3000) (Revised) 'Assurance engagements other than audits or reviews of historical financial information', and, in respect of greenhouse gas emissions, with the International Standard on Assurance Engagements (ISAE 3410) 'Assurance Engagements on Greenhouse Gas Statements'. These standards require that we plan and perform the assurance engagement to obtain limited assurance on the identified sustainability information prepared, in all material aspects, in accordance with Lombard Odier Group's internal policies and procedures.

A limited assurance engagement under ISAE 3000 (Revised) and ISAE 3410 is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement. The procedures selected depend on the assurance practitioner's judgement.

### Summary of the work performed

Our assurance procedures included, amongst others, the following work:

- *Evaluation of the application of Group guidelines*  
Reviewing the application of the Lombard Odier Group internal sustainability reporting guidelines;
- *Management inquiry*  
Interviewing personnel responsible for internal reporting and data collection at Lombard Odier Corporate level;
- *Assessment of the key figures*  
Performing tests on a sample basis of the evidence supporting selected sustainability indicators regarding their completeness, accuracy, adequacy and consistency.

We have not conducted any work on data other than outlined in the subject matter as defined above. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

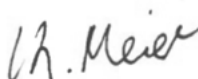
### Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the sustainability data and information outlined in the scope and subject matter section has not been prepared, in all material aspects, in accordance with the suitable Criteria.

PricewaterhouseCoopers AG



Stephan Hirschi



Konstantin Meier

Zurich, 07 July, 2020

# Get in touch

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More on Corporate Sustainability at Lombard Odier and our full report here:

[LombardOdier.com/corporate-sustainability](https://www.lombardodier.com/corporate-sustainability)

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Published July 2020.

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Certified



Corporation

“ Capital is a powerful accelerator  
in transitioning to a sustainable  
economic model ”

Patrick Odier  
Senior Managing Partner