

Portfolio Decarbonization

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Investors interested in addressing climate change through their investment strategies generally focus on aligning their portfolios with the Paris Agreement, which will require reducing CO₂ intensity across portfolio holdings by 50% compared to 2019 levels by 2030. The following three approaches enable a decarbonization of portfolios:

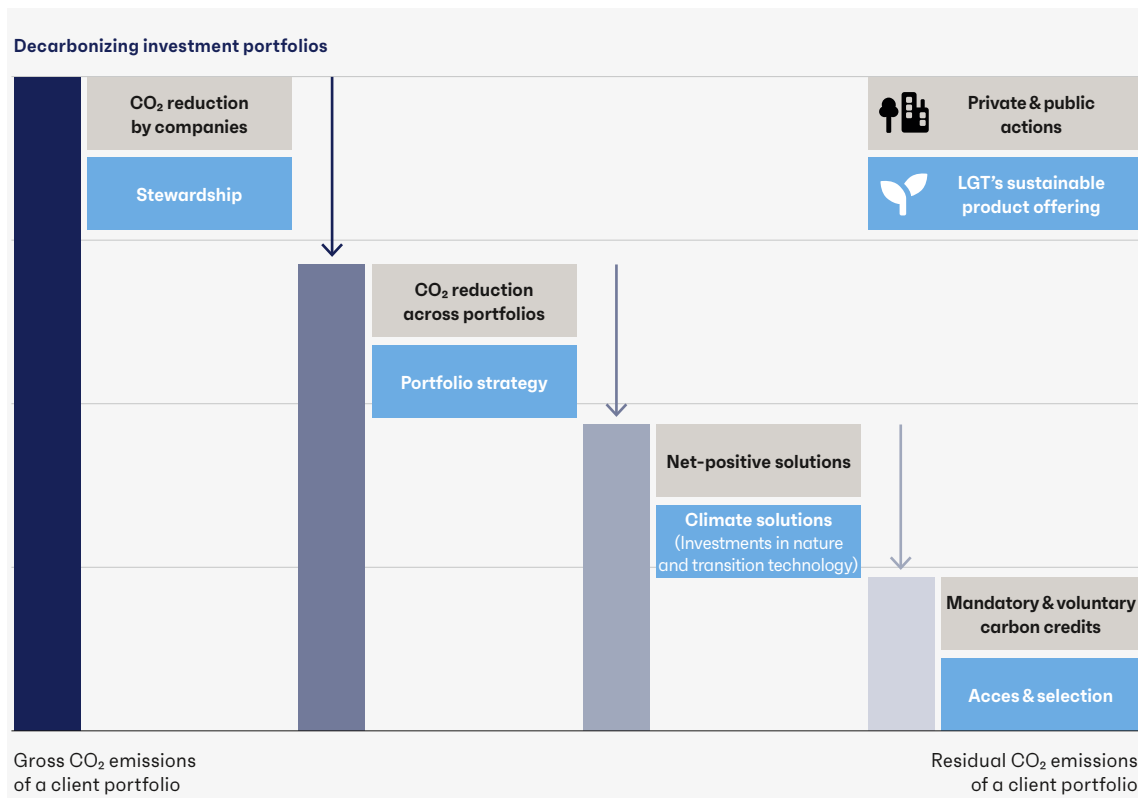
First, it is important to recognize that a significant portion of CO₂ emissions reductions in client portfolios must come through the reduction of CO₂ by investee companies themselves. Investors can ensure that investee companies follow through with these reductions through stewardship, which includes both proxy voting as well as active engagements with investee companies.

A second key step in aligning portfolios with the Paris agreement will involve decarbonizing investment strategies themselves. This does not require excluding carbon intensive industries, but it can be accomplished by shifting holdings to less carbon intensive companies within industries and using low-carbon benchmarks as a means for managing low-carbon strategies.

A third important strategy for reducing the overall emissions intensity of portfolios will be net negative investment opportunities which can counter-balance CO₂ emissions in investment portfolios. Nature-based investment strategies are an emerging asset class which can have a positive effect on the carbon footprint of client portfolios.

While these strategies will help clients reduce the carbon intensity of their investments, there will always remain residual CO₂ emissions in portfolios throughout and well beyond 2030. Though these residual emissions cannot be reduced to zero in the near-term LGT Private Banking will develop opportunities for clients to participate in the growing carbon credit markets, which can help to achieve positive climate impacts, beyond the investment portfolio. LGT Private Banking is committed to working with clients to help them find opportunities through all of these strategies and thereby mitigate climate change through investment strategies.

How to decarbonize a portfolio?



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