



Stewardship at LGT

2024



| Forward-looking
| for generations



Cover image

Ludwig Ferdinand Schnorr von Carolsfeld, "The valley of Chamonix with the Mont Blanc", 1848

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H.S.H. Prince Max von und zu Liechtenstein (right) and Olivier de Perregaux

Building resilience

Dear Reader,

At LGT, we believe that stewardship holds promise for driving positive environmental, social and governance change. It goes beyond managing investments, embodying our responsibility to deliver long-term value for our clients while contributing to a sustainable future for generations to come. This philosophy is deeply rooted in LGT's mission and reflects the values the Princely Family has upheld for centuries: thinking and planning with the long-term in mind while contributing to a more sustainable and resilient world.

In today's volatile world, where businesses grapple with political uncertainty, global conflicts, supply chain disruptions and the escalating impacts of climate change, stewardship is more critical than ever. Active dialogue with companies allows us to gain deeper insights into their operations and strategies while offering constructive feedback that fosters mutual understanding and drives meaningful progress.

Stewardship is central to LGT's investment strategy. By engaging with companies on critical issues such as climate change, biodiversity loss and human rights alongside corporate governance, we aim to mitigate systemic risks and support the transition to a sustainable global economy. Our goal is to foster resilience – not only for the companies we invest in but for the broader systems on which we all depend.

This third edition of our Stewardship Report highlights our efforts to create positive change through proxy voting, engagements and collaborative initiatives. The case studies demonstrate how we have worked to shape resilient businesses while championing transparency and accountability in our activities.

We continue to be encouraged by the growing recognition of stewardship's importance. For example, public interest in stewardship and proxy voting has increased, with the media and politicians playing a large role in its mainstreaming. The high-profile votes on the Tesla CEO's pay package and AstraZeneca's executive remuneration drew widespread attention, underscoring the pivotal role investors play in shaping corporate governance and aligning leadership with long-term shareholder value.

While progress takes time, our commitment to fostering long-term relationships and driving meaningful change is unwavering. Together with you, our valued clients, partners and stakeholders, we aim to address the global challenges and risks financial actors face, and look to build a more sustainable future.

Thank you for your trust and partnership as we continue this vital work.

Kind regards,



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



Olivier de Perregaux
CEO LGT Private Banking

1. Policy context and disclosure





1.1 The organisation, its clients and investment beliefs

Organisation

LGT Group is a leading international Private Banking and Asset Management organisation that has been fully controlled by the Liechtenstein Princely Family for over 90 years. As at 31 December 2024, LGT managed assets of CHF 367.5 billion (USD 405.6 billion) for wealthy private individuals and institutional clients. LGT employs over 6000 people who work out of more than 30 locations in Europe, Asia, Australia, the Americas and the Middle East.

The LGT Group is comprised of the Private Banking LGT Private Banking (LGT PB), which includes UK-based LGT Wealth Management (LGT WM) Asset Management divisions (LGT Capital Partners (LGT CP)). They are managed as independent companies.

The Foundation Board, which is chaired by H.S.H. Prince Max von und zu Liechtenstein, is the supervisory body of the LGT Group. The LGT Group assumes stewardship responsibilities via LGT Private Banking (LGT), including LGT Wealth Management, through engagement, collaborative initiatives, voting and public policy advocacy.

Through its engagement activities, LGT looks to enter into constructive and thoughtful dialogue with companies to encourage activities in the best interests of clients, society and other stakeholders.

Sections 1 and 2 of this report focus on LGT Private Banking, with section 3 highlighting the activities of LGT Capital Partners.

Clients

LGT serves a diverse client base that is comprised of private individuals, independent financial advisors, charities and endowments, mutuals and friendly societies and family offices. Each client, whether they are a high-net-worth individual, institutional investor or entrepreneurial family, has unique goals and aspirations that LGT strives to manage. Central to LGT's approach is a commitment to building long-term partnerships rooted in trust and mutual understanding. Whether managing the financial affairs of family offices or crafting sustainable strategies for charities and endowments, LGT provides tailored solutions that align with clients' priorities and help create lasting value for future generations.

Defining stewardship

Stewardship is a vital tool that sits at the heart of LGT's investment strategy.

"Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society, on which returns, and client and beneficiary interests, depend."

This definition is based on the 2020 UK Stewardship Code and the definition used by the Principles for Responsible Investment (PRI), the world's leading proponent of responsible investment.

Philanthropic activities: LGT Venture Philanthropy

LGT's commitment to systemic change is exemplified through its philanthropic arm, LGT Venture Philanthropy (LGT VP). Focused on health, education and the environment in sub-Saharan Africa and India, LGT VP provides flexible, multi-year funding to local organisations delivering scalable solutions to systemic problems.

Through the LGT Impact Fellowship, experienced professionals are matched with partner organisations to offer strategic business expertise. Since 2007, LGT VP has supported 79 organisations, matched over 200 fellows and improved the lives of 17 million people.

In 2024, LGT VP launched the implementation of Thriving Communities, a strategy to address systemic barriers, enhance collaboration with funders and promote financial sustainability. This includes building a collective philanthropy platform for philanthropists and families to join the Princely Family in scaling positive impact for generations. This approach demonstrates LGT's values in action, leveraging its resources and partnerships to create meaningful and lasting societal impact.

"We live in a time of unprecedented challenges to society and the planet. At LGT Venture Philanthropy we invest philanthropic capital with great care and ambition to scale local solutions to these global challenges. The time to act is now." – Oliver Karius, CEO, LGT Venture Philanthropy

LGT's investment philosophy and strategy

LGT's investment philosophy centres on prioritising clients' interests and delivering portfolios tailored to their specific needs and aspirations. Every decision reflects LGT's commitment to clients' needs, prudent management and sustainable thinking.

Key tenets of LGT's investment philosophy and strategy

1. **Commitment to servicing clients:** LGT constructs portfolios to align with each client's unique goals, placing a strong focus on their needs and aspira-

tions. Its experienced portfolio managers are dedicated to overseeing investment decisions, daily mandate management and personalised interactions, fostering enduring client relationships. Through transparent reporting and regular reviews, LGT ensures clients are informed and engaged in their financial journey.

2. **Risk-conscious approach:** LGT blends deep market insights with a risk-conscious approach to manage portfolios, seeking long-term success amid uncertainties. Its disciplined and systematic approach prioritises broad diversification and risk efficiency, delivering resilient and diversified investment solutions with transparency. LGT's robust risk management framework is adjusted continuously to mitigate risks effectively, fostering stable results.

3. **A focus on sustainability:** LGT's private ownership and the Princely Family's historical commitment to sustainability empower the organisation to set long-term goals, including aiming for net-zero emissions by 2030 within its operations and part of its own investments. LGT is a signatory to the UN Global Compact (UNGC), Principles for Responsible Investment (PRI) and Principles for Responsible Banking (PRB), and a founding member of the Net-Zero Banking Alliance (NZBA). Additionally, LGT has developed a proprietary ESG analysis tool, considering the broader impact of its business activities on society and the environment, prioritising long-term sustainability over short-term financial gains.

4. **Rigorous investment process and research:** LGT employs a high-conviction investment approach, focusing on consistent and sustainable returns over the long term. Its independent and unbiased stance ensures alignment with clients' requirements, while its global approach provides the flexibility to invest across various asset classes, sectors and geographies.

LGT's asset class implementation

LGT's investment approach spans a wide range of asset classes to ensure a well-diversified and resilient portfolio for clients. Direct investments include:

- **Equities:** Focused on long-term value creation, selecting companies demonstrating strong governance, sustainable business models and innovative growth potential. LGT's equity research process is built on the cornerstone principles of quality at a reasonable price and a strong economic moat.
- **Fixed income:** LGT's fixed income implementation approach includes government and corporate bonds, with an emphasis on stability and risk mitigation. Green bonds and other instruments aligned with sustainability goals are also incorporated where appropriate.
- **Alternative investments:** Access to private equity, hedge funds and other exclusive opportunities to diversify portfolios and enhance returns.
- **Sustainable and impact investments:** Capital allocated to projects and companies delivering measurable environmental and social benefits alongside financial returns.

LGT adopts a range of stewardship approaches that can be tailored to suit the unique characteristics of each asset class.

Fund managers

Aiming to deliver the best outcomes, LGT carefully selects and works with leading fund managers across these asset classes. This approach leverages the expertise of specialist managers who demonstrate robust investment processes, a commitment to sustainability, where relevant, and the ability to deliver consistent long-term returns. By partnering with high-quality fund managers, LGT ensures that clients benefit from deep market insights and a diverse set of investment opportunities.

This combination of direct investments and carefully selected fund managers ensures clients benefit from the breadth of market opportunities while minimising reliance on the performance of any single asset type.

LGT's stewardship strategy

LGT recognises that stewardship is integral to promoting resilient investments as well as the transition to a just and low-carbon economy. Its stewardship strategy focuses on achieving two key outcomes:

1. **Fulfilling fiduciary duty:** As stewards of clients' investments, LGT's primary responsibility is to deliver stable, long-term returns in line with contractual obligations, objectives and risk parameters.
2. **Contributing to a sustainable future for clients, LGT's owner and wider society:** Through sound capital management, LGT aims to contribute to a safer and more sustainable future for clients, their families and future generations.

As a universal owner, LGT invests across various asset classes, sectors and geographies, allowing clients to capitalise on a wide range of market opportunities while minimising reliance on individual investment performance. However, despite these diversification benefits, the portfolio can be exposed to systemic risks such as climate change and socioeconomic instability.

To counter these risks, LGT employs a stewardship strategy that is both proactive and collaborative, focusing on global alignment with local regulatory frameworks and client-specific requirements. Through its influential position, LGT collaborates with peers and regulators to advocate for sustainable

Universal ownership

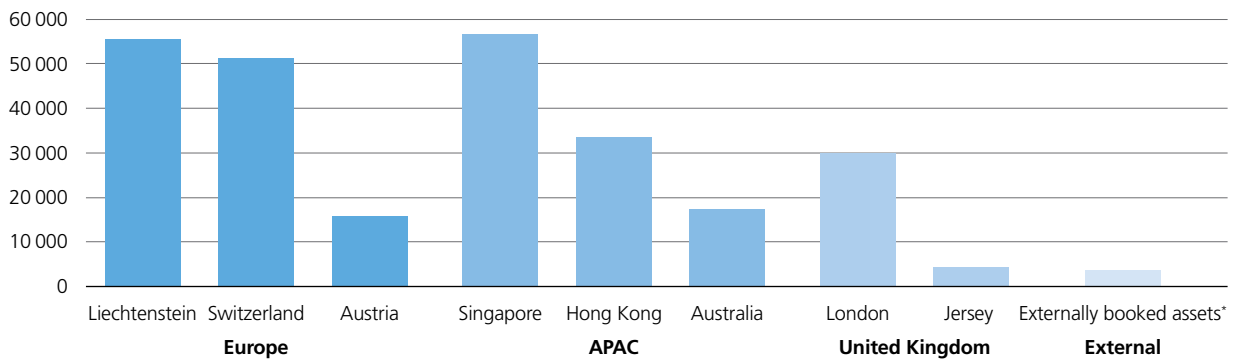
Universal ownership refers to the concept that large investors effectively own a broad segment of the global economy through their diversified portfolios. Defined by the UN-backed Principles for Responsible Investment (PRI) and UNEP Finance Initiative, it means these investors have a vested interest in the overall health and sustainability of the economic system, as their long-term returns are closely tied to its success. As universal owners, investors seek to mitigate systemic risks such as climate change and social inequality through active stewardship and engagement with companies and policymakers.

practices, aiming to mitigate systemic risks and ensure that investments contribute positively to the broader economic system. For detailed insights into LGT's approach to market-wide and systemic risks, refer to [section 2.2: Market-wide and systemic risks](#).

The principle of universal ownership highlights the interconnectivity between LGT's diversified portfolios and the global economy, guiding its efforts to tackle systemic challenges such as climate change and social inequality. This focus on addressing broader issues also aims to enhance risk-adjusted returns for clients.

LGT PB's assets under management by region

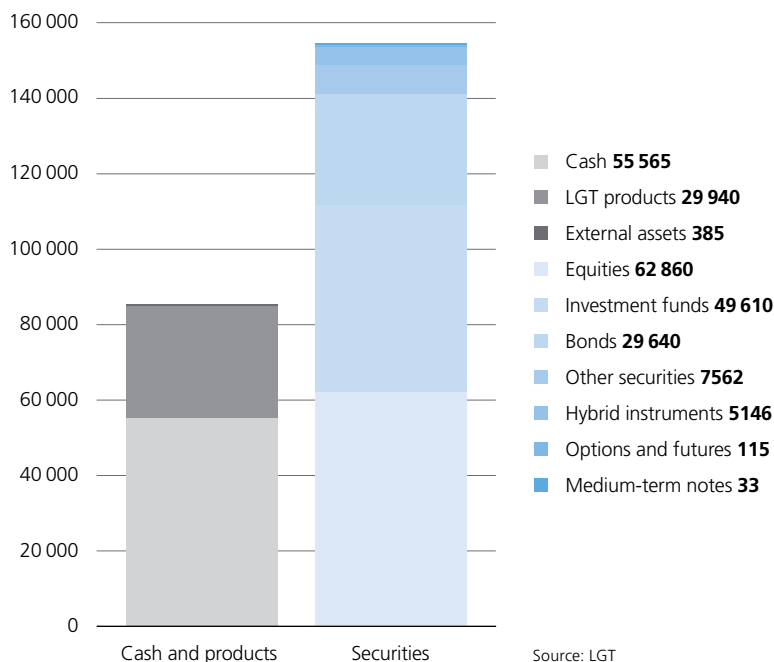
in CHF (million)



* Externally booked assets are client assets held in accounts located outside the client's home jurisdiction.
Source: LGT

LGT PB's assets under management by asset type

in CHF (million)



Source: LGT

1.2 Governance and resources

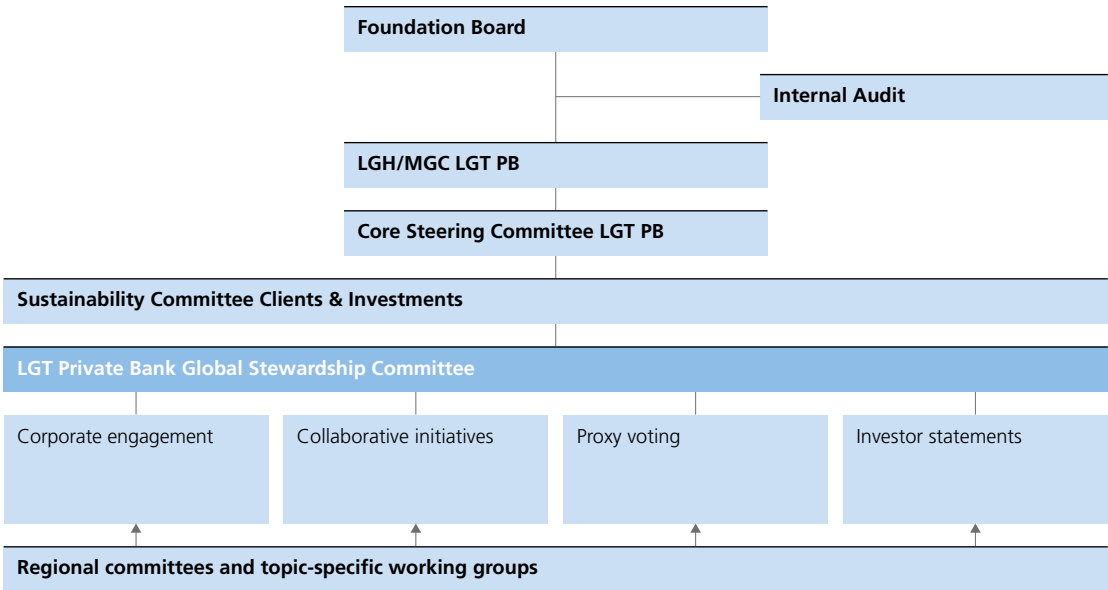
Governance structure for stewardship

LGT has a comprehensive and evolving governance structure in place to ensure the firm is well positioned to implement the LGT Sustainability Strategy 2030, of which stewardship is a key tenet. Through LGT’s stated mission and purpose, “forward-looking for generations” the management of LGT’s assets supports effective stewardship. The Global Stewardship Committee (GSC), established in May 2023 as a sub-committee of the Sustainability Committee Clients & Investments, provides strategic guidance on stewardship activities across LGT.

LGT’s stewardship governance is embedded within a broader structure that supports its sustainability goals:

- **Foundation Board:** Provides strategic oversight and supervision, ensuring accountability for LGT’s Sustainability Strategy 2030.
- **LGH/MGC¹:** Defines LGT PB’s strategic direction and guiding principles, ensuring sustainability remains integral to decision-making.
- **Core Steering Committee:** Meets regularly to discuss strategic priorities and monitor the implementation of the Sustainability Strategy 2030.
- **Sustainability committees:** Sustainability Committees including Operations, Risk & Governance, Data, and Clients & Investments oversee the operational execution of sustainability initiatives.

LGT PB’s governance structure



¹ Refers to the executive management meeting of LGT Group Holding (LGH) and the meeting of the Group CEO (MGC).

Global Stewardship Committee roles and responsibilities

Committee responsibility	Description
Regulatory and commitments oversight	Ensuring compliance with regulatory requirements and stewardship-related commitments.
Engagement and voting	Monitoring the execution of proxy voting and corporate engagement activities.
Reporting and transparency	Overseeing the development and publication of stewardship activity reports for clients and stakeholders.
Strategic goals	Reviewing goals set within the Sustainability Strategy 2030 that affect stewardship activities.
Public policy advocacy	Ensuring consistency and alignment of public policy positions with LGT's stewardship principles.

Global Stewardship Committee roles and responsibilities

The Global Stewardship Committee (GSC) serves as the central body providing strategic direction for all stewardship activities. It ensures alignment with LGT's Sustainability Strategy 2030, setting key objectives for engagement, proxy voting and escalation, as well as monitoring the integration of stewardship into the investment process.

Roles and responsibilities

Stewardship at LGT is supported by a clearly defined governance framework, integrating global oversight, regional expertise and operational execution. Regional implementation is guided by the Stewardship Reference Groups in the UK and Europe, which provide critical oversight to ensure that stewardship practices reflect local regulatory requirements and market-specific contexts while adhering to global objectives.

LGT's stewardship efforts are globally aligned, locally responsive and guided by clear objectives. This desire to be adaptive at a local level is reflected in the structure of the Stewardship team. At the core of this coordination is the Global Stewardship Lead, based in the UK, who plays a pivotal role in aligning stew-

ardship activities across regions and ensuring they remain in sync with global priorities.

LGT's Stewardship team operates globally, with analysts based in the UK contributing to company and fund manager engagements, proxy voting and the integration of stewardship across investment strategies. To further support the global team, a Sustainability Specialist and relevant investment and product teams in Europe collaborate to implement stewardship strategies, deliver regional engagement activity and oversee proxy voting. In APAC, a Sustainability Specialist drives stewardship efforts, ensuring alignment with local market dynamics and regulatory frameworks. This global structure enables LGT's experts to represent the firm in collaborative initiatives and industry forums, while applying their global expertise in a local context.

Sustainable investment specialists across regional teams and portfolio managers are not formally part of the Stewardship team. However, they provide valuable expertise and operational insights to support stewardship activities. This collaborative structure ensures that LGT's stewardship commitments are implemented effectively across markets and regions.

Allocation of resources

To support its stewardship and sustainability objectives, LGT allocates various resources to ensure its activities are effective and meaningful, including:

- **Technology and tools:** Tracking platforms like Esgaia are used to consolidate engagement data, track interactions and monitor outcomes, while ISS ProxyExchange supports efficient proxy voting decisions.
- **Proxy advisory firms:** LGT utilises Institutional Shareholder Services (ISS) for voting recommendations guided by their Sustainability Proxy Voting Guidelines.
- **ESG data providers:** Alongside its proprietary tool, the ESG Cockpit, LGT leverages partnerships with MSCI, ISS, Sustainalytics, Refinitiv, Ethical Screen and RepRisk, which provide comprehensive ESG data that support its investment decisions and stewardship activities. See more in [section 2.6: Monitoring service providers](#).
- **Engagement services:** Columbia Threadneedle's Responsible Engagement Overlay (reo®) enables LGT to participate in collective engagement efforts led by a large team of specialists addressing systemic sustainability challenges. LGT uses Columbia Threadneedle's reo® service for several products in Europe.

Training and development

Ensuring that employees have the necessary skills and expertise to support effective stewardship and sustainable investing practices is a key priority for LGT. Through structured training programmes, professional certifications and ongoing knowledge-sharing initiatives, LGT equips its employees with the tools needed to navigate the evolving sustainability landscape and uphold the company's commitment to responsible investment.

As part of the onboarding process, all employees must complete a mandatory sustainability and sustainable investing training that introduces LGT's approach to sustainability, ensuring a strong foundation for all staff. In 2024, LGT launched a second training module focused on greenwashing prevention, which was extended to all staff as a key component of its first line of defence against greenwashing risks.

Beyond this, employees are encouraged to pursue professional certifications, such as the CFA Certificate in ESG Investing and the CFA Impact Investing Certificate. Regular onsite training sessions with internal and external sustainability experts provide opportunities for knowledge sharing, enabling employees to stay up to date on emerging ESG issues and trends. Furthermore, participation in workshops, industry forums and regulatory discussions ensures that employees remain informed about the latest developments in stewardship and sustainability.

Diversity, equity and inclusion

LGT places diversity, equity and inclusion (DEI) at the heart of its corporate culture and governance. Recognising diversity as both a moral imperative and a business priority, LGT aims to achieve its 30-40-50 target by 2030:

- 30% women in senior management positions
- 40% women across all management levels
- 50% women in the overall workforce

To support these goals, LGT has implemented several key initiatives:

- **Gender diversity dashboards:** Providing real-time insights to support inclusive recruitment, succession planning and promotions.
- **Advance partnership:** A collaboration with the Swiss business association Advance, offering



LGT's 2024 Summer Internship Cohort in the UK.

employees networking, mentoring and leadership development opportunities.

- Training and leadership programmes: Including unconscious bias training and inclusive leadership courses.
- Global pulse checks: Regular employee surveys to refine DEI initiatives.

LGT actively fosters diversity in the financial sector through:

- Mentoring and outreach: In 2024, LGT hosted the Girls for Leadership event in Liechtenstein. The organisation provides mentoring for female high school students to inspire future leaders.
- Internships and placements: In 2024, a summer programme for 12 interns was conducted in the UK, with placements arranged through partnerships with GAIN, 10 000 Black Interns, 10 000 Able Interns and King's College Socio-Economic Group, among others.
- Industry commitments: Membership in Progress Together, a UK government initiative to enhance socio-economic diversity in financial services.
- Transparency and reporting: Leading on disclosure with gender and ethnicity pay gap reporting² for the second consecutive year for LGT in the UK.

Through these initiatives, LGT reinforces its commitment to building a diverse, inclusive and equitable workplace that fosters innovation and long-term success.

Accountability and continuous improvement

LGT's governance structure supports accountability and continuous improvement in stewardship and all other areas of the bank. Policies are reviewed annually by the Global Stewardship Committee (GSC) and relevant committees to ensure alignment with regulatory changes, market developments and client expectations. Feedback from stakeholders, combined with tools like Esgaia, ensures that stewardship activities remain dynamic and relevant for LGT's clients.

Combining robust governance, strategic resource allocation, a strong DEI focus and ongoing training, LGT aims to demonstrate its commitment to delivering effective stewardship.

² [Pay Gap Report 2024](#)

1.3 Stewardship policies and review

LGT's stewardship policies and procedures provide a robust framework for delivering consistent and effective stewardship activities. These policies ensure that stewardship is embedded across LGT's investment process, aligning with client priorities, regulatory requirements and the organisation's broader objectives.

Stewardship at LGT encompasses a wide range of approaches, often aimed at influencing and driving positive change at asset level or more widely. If successful, these efforts may enhance both the return and sustainability profile of investments. Beyond direct engagement with companies, LGT also leverages its credibility, expertise and resources to influence broader stakeholders – such as policymakers, standard setters and peers – thereby shaping an ecosystem that supports sustainable investment practices and long-term value creation.

Key stewardship policies

To guide its stewardship activities, LGT employs several key policies, which are reviewed regularly to ensure alignment with best practices and evolving requirements. LGT's various stewardship policies and documents outline its approach for creating long-term value through responsible investment practices. By integrating engagement, voting and public policy advocacy, these policies ensure alignment with client objectives and sustainability goals.

The following table outlines the core policies and their review processes:

Policy	Description	Review process
Stewardship policy (UK)	Outlines the principles guiding LGT UK's approach to engagement, voting and collaboration.	Reviewed annually by the Sustainable Governance Committee (SGC) (UK) to ensure alignment with regulatory changes and best practices.
Stewardship framework (Europe)	Outlines the processes and governance for stewardship for LGT Europe.	Reviewed annually by the GSC.
Global voting principles	Provides a framework for proxy voting, emphasising sustainability objectives and governance standards.	Reviewed annually by the GSC and approved by relevant management committees.
Escalation process document (Europe)	Defines the process for addressing concerns with investee companies through engagement escalation in Europe.	Reviewed annually by the GSC to ensure consistency with engagement objectives.
Conflicts of interest policy	Ensures that stewardship activities are conducted free from conflicts of interest.	Regional policies reviewed annually by Compliance and Risk committees; Europe-specific Europe Conflict of Interest statement on stewardship reviewed by the GSC.
Sustainable investing policy (UK)	Establishes guidelines for integrating ESG considerations into investment processes for the UK.	Reviewed annually by the SGC (UK).
Sustainable investing directive (Europe)	Provides ESG integration guidance for the European market.	Reviewed every three years by the Sustainability Clients and Investments Committee.
Global sustainable investing directive	Covers ESG aspects on investment processes for products and services within LGT as well as greenwashing prevention across all functions.	Reviewed periodically by the Senior Management Board.

Core pillars of stewardship at LGT

The core pillars of stewardship at LGT are voting, engagement and public advocacy.



Voting

Voting refers to the exercise of voting rights on management and/or shareholder resolutions to formally express approval (or disapproval) on relevant matters. In practice, this includes taking responsibility for the way votes are cast on topics raised by management, as well as submitting resolutions as a shareholder for other shareholders to vote on (in jurisdictions where this is possible).

Voting can be done in person, during an Annual General Meeting (AGM) or by proxy. Ballot items are not always closely related to environmental or social issues and cover financial performance, risk management, strategy and corporate governance matters.



Engagement

Shareholder engagement captures any interactions between the investor and current or potential investee companies on ESG issues and relevant strategies, with the goal of improving (or identifying the need to influence) ESG practices and/or improving ESG disclosure. It involves a structured process that includes dialogue and continuously monitoring companies. These interactions might be conducted individually or jointly with other investors.



Public policy advocacy

Companies are operating in an increasingly complex global regulatory environment. LGT aims to contribute its skills and expertise to public policy discussions in the best interests of its clients and portfolio companies. LGT actively responds to consultations, participates in pan-industry working groups and contributes to investor letters when LGT deems appropriate. Sustainable investors are only as good as the policy environment they work in. Together with its international partners and networks, LGT contributes to practitioner working groups, becomes a signatory to investor statements and responds to consultations.

The LGT Global voting principles

The LGT Global voting principles³ provide a structured framework for exercising proxy voting rights across portfolios, with an emphasis on material ESG risks. Voting decisions are informed by the ISS Sustainability Proxy Voting Guidelines⁴ but are assessed on a case-by-case basis to reflect specific company or market contexts. Key issues include board diversity, executive remuneration, climate accountability and adherence to internationally recognised sustainability standards. Together, the voting principles and stewardship policy enable LGT to seek positive changes and safeguard the long-term interests of its clients and the broader market.

Process for review of investor statements

An investor statement is a formal declaration or letter that can be signed by a group of asset owners or investment managers to communicate their position, commitments or expectations with regard to specific sustainability issues. It allows like-minded investors to coalesce and articulate priorities, demonstrate accountability and engage relevant stakeholders. The process for reviewing and approving investor statements at LGT ensures that all public commitments align with the organisation's stewardship priorities, sustainability strategy and client values. Investor statements are rigorously evaluated by relevant internal committees, including the Global

³ [LGT Global voting principles](#)

⁴ [Institutional Shareholder Services. Sustainability International Proxy Voting Guidelines. January 2025.](#)

Stewardship Committee, to confirm consistency with LGT's principles and regulatory requirements. This collaborative approach enables LGT to maintain accountability and transparency in its external communications while contributing meaningfully to industry-wide initiatives.

LGT's process for becoming a signatory to investor statements



1.4 Conflicts of interest

For LGT, managing conflicts of interest (COIs) is essential to maintaining the integrity of its stewardship activities and upholding the trust placed in it by its clients and stakeholders. Effective stewardship depends on the impartiality and professionalism of its actions, ensuring that decisions align with fiduciary duties and broader sustainability goals. Conflicts of interest can undermine this trust, leading to decisions that prioritise individual or organisational gain over client interests. Recognising and mitigating such conflicts is fundamental to LGT's commitment to transparency, accountability and ethical investment practices.

Conflicts of interest

A conflict of interest (COI) arises when two or more persons are involved in a business transaction and have opposing or irreconcilable interests. LGT defines a COI as any situation where an employee's personal or organisational interests conflict with their professional responsibilities. This could occur when professional judgment is impaired, objectivity is influenced, or duties to clients or third parties are compromised. Examples include situations where an employee's personal interests diverge from the interests of the organisation, or where relationships with external service providers create biases in decision-making.

Identifying conflicts of interest

To ensure effective stewardship, LGT has in place a conflict of interest mitigation strategy. This begins with the identification of potential conflicts, and in-

volves regularly reviewing investment and stewardship activities to pinpoint areas where conflicts may arise. For example, when voting on shareholder resolutions, LGT ensures that its decisions prioritise client interests over LGT's. Additionally, its compliance teams maintain a record of relationships between employees, third parties and investee companies that could lead to bias. If an employee has a personal or financial connection to a company under engagement, it is flagged as a potential conflict and recorded in a regularly updated register under LGT's Persons Discharging Managerial Responsibilities as well as in conjunction with LGT's Politically Exposed Persons and Special Focus Customers lists and registers.

Transparency is critical in this process, and LGT requires employees to disclose any personal interests or external affiliations that could influence its stewardship responsibilities. This proactive approach ensures potential conflicts are identified early and addressed appropriately. Furthermore, LGT leverages advanced compliance tools to track and manage potential conflicts across portfolios and engagements, enhancing LGT's ability to mitigate risks effectively.

Preventing conflicts of interest

Prevention is key to LGT's approach to managing conflicts of interest. By fostering a culture of accountability and putting in place robust governance frameworks, LGT aims to minimise the risk of conflicts arising. Clear policies and guidelines are central to this effort, with LGT's COI policies outlining expected behaviours and providing actionable guidance for managing potential conflicts. Employees are required

to review and acknowledge these policies, both at the outset during their induction training and regularly throughout their employment with LGT to reinforce their understanding.

To ensure impartial decision-making, LGT implements segregation of duties, particularly between teams involved in investment management and those conducting stewardship activities. For example, stewardship analysts operate independently of portfolio managers, reducing the potential for competing priorities. Regular training programmes equip employees with the knowledge to recognise and address conflicts effectively, fostering a culture of integrity and awareness. Additionally, clear escalation protocols ensure that identified conflicts are promptly reported to senior management or the compliance team for resolution. Oversight committees, such as the Global Stewardship Committee, provide an additional layer of scrutiny, reinforcing accountability. Finally, LGT demonstrates its commitment to transparency by publishing detailed stewardship reports that disclose potential conflicts and the measures taken to address them.

Navigating a conflict of interest in Disney's AGM voting

LGT is committed to responsible stewardship while ensuring transparency and alignment with client interests. This commitment was demonstrated, for example, when a client with a discretionary portfolio requested to vote on their Disney shares in a personal capacity at The Walt Disney Company's Annual General Meeting (AGM), rather than following LGT's standard voting process. This presented a potential conflict of interest – balancing discretionary management with the client's individual voting preferences.

To address this, LGT engaged with the client directly, ensuring they had access to relevant insights and resources, including a webinar hosted by Glass Lewis featuring Nelson Peltz of Trian Partners. LGT clearly outlined the firm's rationale for supporting Peltz's nomination to Disney's board – citing the company's underperformance, governance challenges and CEO succession issues – while also explaining why LGT had withheld support for other candidates. This transparent approach allowed the client to make an informed decision while ensuring that LGT's stewardship principles and fiduciary responsibilities were upheld.



By proactively managing this situation, LGT ensured that the client's voice was respected without compromising the firm's governance framework. The client expressed satisfaction with the engagement process, and their advisor acknowledged LGT's diligence in balancing discretion with personalised service.

1.5 Dialogue with clients and beneficiaries

At LGT, maintaining exceptional client service is a core priority. Regular updates allow LGT to demonstrate its commitment to sustainable investing and highlight the progress of its stewardship activities. LGT's stewardship approach is unified across the organisation, with tailored communications and client outreach approaches implemented in different regions to ensure that client needs are met effectively. This ensures clients experience a cohesive and consistent approach, aligned with LGT's values and principles.

Client communications

LGT is committed to providing transparent and timely communication to its clients through a variety of channels. Regular publications offer insights into stewardship, sustainable investing and the broader investment landscape. Key reports include:

- **Stewardship Report:** Published annually, this report provides detailed insights into LGT's stewardship activities, including engagement outcomes, voting case studies and collaborative initiatives.
- **Sustainability at LGT:** This annual report highlights how ESG considerations are integrated across LGT's business practices and investment strategies, reflecting its commitment to sustainable investing.
- **LGT Group Annual Report:** Offers a comprehensive overview of LGT's performance and strategic direction, and includes LGT's sustainability statements.
- **Statement of assets:** Clients invested in certain products where stewardship is a core part of the strategy receive updates in their statement of assets, describing the efforts being taken with regards to the engagement activities. These are tailored to the individual client and therefore not available publicly.
- **Factsheets:** Each quarter, LGT's UK-domiciled funds and charity portfolios (CAF) showcase voting information as well as an engagement case study for a company in the fund or a collaborative engagement relevant to the funds' strategy.

The majority of reports are accessible through the LGT website, reflecting the organisation's commitment to transparency and accountability. In addition to these reports, LGT engages clients through newsletters, market updates and tailored communications to keep them informed and involved. In addition, a number of supporting materials are available upon request.

Events

LGT hosts events to engage with clients, beneficiaries and stakeholders, providing platforms to discuss key topics and promote meaningful dialogue. One of the highlights of 2024 was the LGT Climate Conference, held in Singapore. This event brought together over 300 clients, prospects, experts, scientists, investors and industry leaders to discuss challenges and opportunities in transitioning to a low-carbon economy, including the role of stewardship in facilitating the transition. The conference emphasised the long-term costs of inaction on climate change, the need for tangible progress and the pivotal role investors can play in shaping a sustainable future.

Regional events, such as panel discussions and thought leadership forums, complement these larger conferences by focusing on specific client needs and local issues. These events are an integral part of LGT's commitment to fostering engagement and promoting collective action on sustainability challenges.

LGT engages clients through structured client surveys and thought panels, which it uses to gather valuable feedback and explore client priorities to better shape LGT's business activities:

- **Client surveys (quantitative):** Designed to gain meaningful insights into clients' experiences, priorities and motivations, as well as their views on key topics such as sustainable investing and the ESG landscape.
- **Thought panels (qualitative):** A series of focus groups in which clients can share their perspectives

Engaging with clients on stewardship

LGT supports its stewardship activities through tailored communications and client outreach approaches. In 2024, LGT in the UK hosted its inaugural stewardship panel event in London, which focused on the evolution of the stewardship industry and voting trends. Speakers included Lindsey Stewart, Director of Stewardship at Morningstar Sustainalytics, and Georgia Stewart, CEO and co-founder of Tumelo, who shared insights on pass-through voting and integrating investor views into engagement practices. This event underscores LGT's dedication to informing clients about stewardship and paves the way for additional events across the UK and Europe in the coming year.

on LGT's services, emerging trends, challenges and other areas of interest, encouraging open and constructive dialogue.

To keep clients informed, LGT issues frequent updates through publications like "Insights" and "The Brief" LGT's client-directed thought leadership platforms, a weekly investing newsletter and a video series. For clients seeking regular updates, a monthly sustainable investing update newsletter delivers insights on market trends, regulatory changes and stewardship activities.

Commitment to responsiveness and compliance

Across all regions, LGT ensures compliance with local regulatory requirements for client communication,

looking to deliver a consistently strong service to clients and stakeholders. Portfolio managers and relationship managers are dedicated to answering client enquiries promptly and comprehensively, offering tailored information and insights that meet the needs of every client. This approach reinforces trust and supports long-term partnerships with clients.

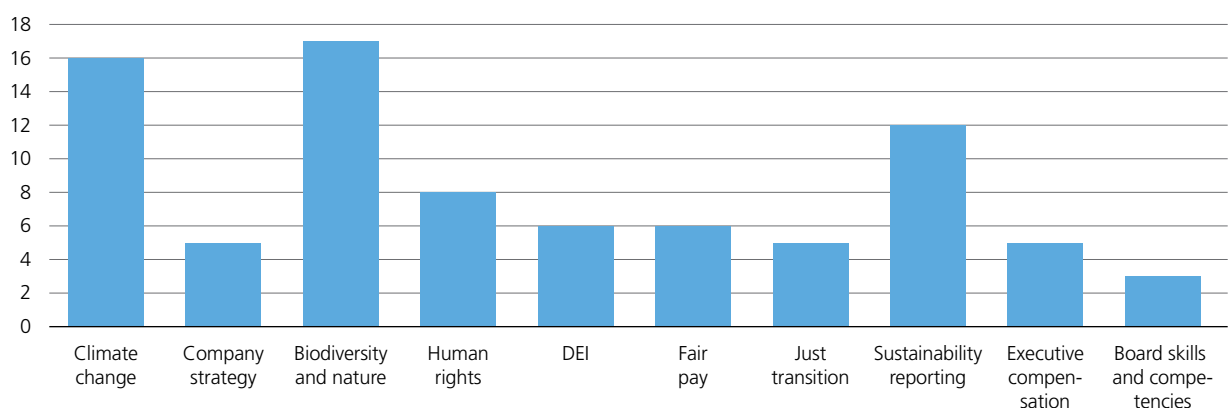
Building client feedback into LGT's stewardship approach

Feedback from clients is integral to LGT's stewardship approach. LGT gathers client perspectives through methods like direct polling, surveys and webinars.

Regional activities, such as London-based panel events and thought panels, enable clients to contribute directly to stewardship strategies. For example, at a recent Engaging the Engagers client event, LGT polled clients on their engagement preferences and desire for pass-through voting.

Broader initiatives, such as the Singapore Climate Conference, complement regional efforts by fostering international dialogue on critical issues like climate change and systemic risk. This unified approach ensures that all feedback – whether gathered locally or through broader engagements – is reflected in LGT's stewardship strategy.

Issues on which clients want LGT to engage on their behalf



Source: LGT; data from a survey conducted at an LGT WM client event in the UK

2. Activities and outcomes report





2.1 Integration of stewardship and investment

Stewardship priorities

At LGT, stewardship is integrated into the investment process to promote long-term sustainable value for clients and beneficiaries. Through a focused approach to engagement, proxy voting and public policy advocacy, LGT considers material environmental, social and governance (ESG) risks and opportunities across asset classes, geographies and investment styles. Guided by its Sustainability Strategy 2030, LGT prioritises systemic issues such as climate change, biodiversity loss and fairer societies, recognising their potential to significantly impact both portfolio performance and societal outcomes. This section demonstrates how stewardship priorities are aligned with LGT’s investment strategies, supported by tools such as ESG data providers and engagement examples.

LGT defines a systemic issue as one which could affect a large number of investible companies, including their supply chains. Due to this interconnectedness, action on one such issue could safeguard and affect more than one company’s performance.

While new or emerging issues can be explored and engaged upon, the four key stewardship priorities – strong and robust governance, climate change, biodiversity and nature, and fairer societies – represent LGT’s understanding of the systemic issues which are likely to affect portfolios.

Strong and robust governance

At the helm of any successful business or strategy is a robust and strong governing mechanism.



Climate change

The risks and opportunities of climate change can have a material impact on the profitability, valuation and long-term prospects of a business.



Biodiversity and nature

LGT considers nature a tool for preserving the natural world and limiting the impacts of climate change.



Fairer societies

LGT’s long-standing reputation as a responsible employer extends to its supply chain and investee companies.

Strong and robust governance practices

A strong governing mechanism is at the heart of any successful business or strategy. While LGT reviews the governance of each company in scope according to local best practices and examples of governance, certain principles are, in general, considered material for all companies. For example, LGT expects company boards and governing bodies to demonstrate:

- **Independence:** This can take various forms, depending on regional norms. However, the structure should be independent enough to ensure that no individual or group can control or dominate board decision-making processes.
- **Integrity:** Companies should have strong policies and practices to prevent conflicts of interest, ensure they are not involved in corruption and that the overriding principle of independence is not compromised.
- **Relevant expertise:** In an ever-changing world, the role of boards of directors and trustees is constantly evolving. LGT believes that boards must be comprised of members with the skills needed to support their company's long-term success.

Climate change

LGT believes that the risks and opportunities associated with climate change can have a material impact on a company's profitability, valuation and long-term value creation. Understanding the transition, physical and liability risks that businesses face as they move to a low-carbon economy is vital. This enables LGT to understand managed and unmanaged risks, as well as the viability of entire sectors, business models and companies.

Through engagement, LGT reviews companies' decarbonisation plans, emphasising the role of science in lowering emission trajectories, and the importance of international disclosure standards such as the European Sustainability Reporting Standards (ESRS) and the Taskforce on Climate-related Financial Disclosures (TCFD).

LGT is committed to reporting in line with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations for assessing and disclosing climate-related financial risks. LGT has identified four key areas in its efforts to reduce financed and own greenhouse gas (GHG) emissions: client investments, own investments, credits and loans and operations. LGT's TCFD report provides information on how climate-related risks associated with these four areas have been embedded in its governance, strategy and risk management. The report also outlines LGT's targets in these areas. Read LGT's integrated TCFD reporting as part of the ESRS-E1 on lgt.com/sustainability-report-2024.

In addition, LGT recognises that climate change affects both nature and people, and supports a just and fair transition that puts people at the centre. This people-first approach extends to LGT's understanding of energy systems as well as ensuring that labour forces are adequately skilled and remunerated for the shift towards a low-carbon economy.

Biodiversity and nature

Biodiversity and nature are core pillars within LGT's stewardship strategy, reflecting the essential role they play in maintaining ecosystems, mitigating climate change and supporting long-term economic resilience. LGT recognises the importance of collaborating with companies to help them understand their risks, dependencies and impacts on nature. This engagement enables businesses to develop strategies for building resilient supply chains and operations that minimise harm to critical natural resources. By fostering sustainable practices, LGT aims to drive meaningful progress in conserving biodiversity and promoting environmental stewardship. Prioritising biodiversity is integral to LGT's commitment to supporting sustainable development and long-term value creation.

Fairer societies

LGT advocates for fairer societies in which all humans are treated with dignity. However, the realisation of wide-scale fairer societies is complex due to widespread structural inequality and multifaceted social issues. Often, issues which appear to exist in isolation, such as labour exploitation, are emblematic of larger systemic issues affecting families, societies and populations. LGT believes that stewardship can contribute positively to mitigating these issues.

LGT's own long-standing reputation as a responsible employer extends to its supply chain and investee companies. It is a supporter of the UN Guiding Principles on Business and Human Rights, as well as the OECD Guidelines for Multinational Enterprises. LGT expects its investees to uphold the same principles on human and labour rights, and promotes stronger decent work practices, for example, in the areas of health and safety, and diversity, equity and inclusion, through its dialogue with companies.

In addition, LGT is a founding partner of Finance Against Slavery and Trafficking (FAST), and through this commitment endeavours to provide "access to remedy" for survivors and victims of modern slavery and human trafficking.

The Finance Against Slavery and Trafficking initiative (FAST)

Article 4 of the Universal Declaration of Human Rights prohibits slavery worldwide. Nevertheless, an estimated 40 million people live in modern slavery, with numbers disproportionately affecting women and girls (roughly 71 % of victims), as well as children, who make up 25 % of victims.⁵ Banks and financial institutions may be directly or indirectly involved in such activities through their lending or investments' value chains. For example, textiles, automotive, hospitality and construction are key sectors that the World Benchmarking Alliance has identified as at high risk of forced labour in their operational or value chains.

To actively support the UN in the fight against slavery and human trafficking, the government of Liechtenstein launched the Liechtenstein Initiative on Finance Against Slavery and Trafficking (FAST) in 2018.

FAST aims to raise awareness of these important issues in the financial sector and to combat slavery and human trafficking. As a socially responsible private bank, LGT has actively supported the FAST initiative since its inception.

⁵ [UNODC Global Report on Trafficking in Persons 2022](#)

Highlights of LGT Group's stewardship journey

2012

- LGT CP introduces proxy voting

2013

- LGT CP begins engaging with companies on ESG matters

2019

- LGT CP joins Climate Action 100+

2020

- LGT CP integrates a proprietary engagement tool
- LGT WM (UK) develops a stewardship strategy
- LGT WM (UK) introduces proxy voting for its direct holdings

2021

- LGT PB and LGT CP communicate their net-zero goals

2022

- LGT WM (UK) joins the investor network Farm Animal Investment Risk and Return (FAIRR) for a just transition in animal agriculture
- LGT PB develops its Sustainability Strategy 2030
- LGT PB (Europe) enters into an agreement with Columbia Threadneedle Investments
- LGT PB joins Climate Action 100+ and PRI's Advance initiative
- LGT PB signs Finance for Biodiversity Pledge

2023

- LGT PB (Europe) completes its first year of voting for the Focus Sustainability Fund
- LGT onboards the services of Esgaia, a leading third-party engagement and voting tracking platform
- LGT's Global Stewardship Committee approves a set of public voting principles to outline its approach to voting
- LGT PB expands its Stewardship Strategy on a global level
- LGT PB & LGT CP join Nature Action

2024

- LGT PB agrees new framework for the classification of engagements
- LGT PB (Europe) begins voting for the Transition Enablers Fund
- LGT WM (UK) hosts first client event on stewardship

2024 milestones

In 2024, LGT achieved several important milestones as part of its ongoing efforts to enhance stewardship practices. In March, LGT launched proxy voting for its Transition Enablers fund, marking a significant step in integrating stewardship into its investment processes for specific funds.

In May, LGT introduced a new engagement classification system designed to reduce the risk of tokenistic stakeholder engagement and improve transparency. Under this system, all engagement interactions are tracked and classified based on their purpose and structure. For an engagement to qualify as a "structured engagement", it must address a material sustainability issue with pre-defined objectives and milestones. Interactions focused on material sustainability issues without specific company asks are classified as "investor dialogues", while all other interactions are recorded as meetings. LGT also enhanced its engagement tracking system and provided training to staff who conduct engagements to ensure the new framework is fully implemented by 2025. For further details on LGT's engagement classification approach, refer to [section 2.3: Engagement](#).

In October, LGT deepened client engagement by hosting its inaugural UK client event, attended by over 30 private clients and charity representatives, which explored AGM season insights and global stewardship trends.

2.2 Market-wide and systemic risks

Addressing global challenges

Stewardship is an important tool supporting the transition to a low-carbon and resilient global economy. As a universal owner, LGT recognises its responsibility to tackle interconnected risks that can affect multiple sectors, economies and stakeholders. These include climate change, biodiversity loss and global inequality – challenges that pose significant risks while also offering opportunities for sustainable innovation and long-term value creation. A detailed definition of universal ownership can be found in [section 1.1: The Organisation, its clients and investment beliefs](#).

Through its global stewardship strategy, LGT aims to achieve two key outcomes:

1. Fulfil its fiduciary duty to deliver stable investment returns for clients while adhering to agreed objectives and parameters.
2. Create a safer and more sustainable future for clients, their families and future generations through sound capital management.

LGT's diversified investments across asset classes, sectors and geographies reduce the impact of individual investments' performance on its portfolios. However, this broad exposure also increases the bank's vulnerability to systemic risks, such as climate change, which affect the entire economy. To address these risks, LGT engages with companies on key issues like climate change policies, nature-related risks, digital privacy, modern slavery and human rights, and diversity, equity and inclusion, creating opportunities to improve portfolio performance while generating positive societal impacts.

Key market-wide and systemic risks

1. **Climate change:** Climate change presents both physical and transition risks that significantly impact global markets. LGT integrates these risks into

its investment decisions by encouraging companies to align with net-zero targets, disclose greenhouse gas emissions (GHG) and implement science-based decarbonisation strategies in line with the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment Framework (NZIF).

2. **Nature-related risks:** Biodiversity loss poses systemic risks to industries reliant on ecosystem services, such as agriculture, forestry and fisheries. LGT collaborates with selected companies to integrate biodiversity considerations into corporate strategies, minimising dependencies on fragile ecosystems and building resilient operations. This approach fosters opportunities in the circular economy and nature-positive investments. To further strengthen its efforts, LGT onboarded NatureAlpha, a leading provider of tools for assessing and addressing nature-related risks, to enhance its capacity to evaluate and mitigate biodiversity impacts across portfolios.
3. **Global inequality and human rights:** Structural inequalities and human rights violations present risks to business continuity and societal stability. LGT actively engages with companies to improve labour rights, supply chain transparency, and diversity, equity and inclusion (DEI) practices. Through its partnership with the FAST initiative, LGT supports efforts to eliminate forced labour and promote fair work conditions, particularly in high-risk sectors like textiles and agriculture.

For further information on LGT Group's identification of material impacts, risks and opportunities, see the Sustainability statements in the LGT Group Annual Report 2024, which can be accessed at lgt.com/sustainability-report-2024.

Public policy advocacy

LGT recognises that investors are only as effective as the regulatory environments in which they operate. To address systemic risks, LGT actively participates in public policy advocacy, contributing to regulatory discussions and advancing sustainability initiatives. The following are key examples of LGT's policy advocacy:

- **Net-Zero Banking Alliance:** As a founding member, LGT contributes to setting decarbonisation standards for mortgages and lending activities.
- **Investor statements:** LGT is a signatory to key investor statements, including the 2024 Global Investor Statement to Governments on the Climate Crisis and the Finance Sector Statement on Plastic Pollution.⁶
- **Regulatory consultations:**
 - Responded to the Financial Markets Law Committee's consultation on ESG factors in pensions.
 - Participated in PRI and IIGCC consultations on reforms to the UK Stewardship Code.
- **Industry engagement:** LGT is active in the IIGCC External Fund Managers Working Group and IIGCC UK Stewardship Working Group, developing resources related to aligning portfolios with net-zero goals when using external fund managers.
- **Policy advocacy letters:** LGT in the UK has signed on to several open letters, including the:
 - **Institutional Investors Group on Climate Change (IIGCC), UK Sustainable Investment and Finance Association (UKSIF) and Principles for Responsible Investment (PRI) Joint Letter:** A collaborative letter to incoming Prime Minister Keir Starmer advocating for policies to position the UK as a leading hub for green finance.
 - **The CCLA & Find it, Fix it, Prevent it campaign:** A letter to Daniel Zeichner, UK Minister of State at the Department for Environment, Food and Rural Affairs, addressing the urgent need to combat modern slavery within agricultural visa schemes.
 - **The Investing and Saving Alliance (TISA) Letter on Financial Education:** A communication from TISA to Prime Minister Keir Starmer, highlighting the importance of integrating financial education into school curriculums.
- **Sustainability Disclosure Requirements (SDR):** Engaged with the Independent Investment Managers Initiative, Virtuvest and other external groups to support regulatory alignment.
- LGT also contributes to PRI Regional Policy Reference Groups (Global, UK and Swiss), ensuring alignment with evolving market standards.

⁶ [UNEP-FI 2024 Global Investor Statement to Governments on the Climate Crisis](#)



Holcim and InfluenceMap

Engagement case study LGT in Europe

Sector	Materials
Country	Switzerland
Status	Ongoing
Background	LGT established a direct engagement with Holcim on the topic of climate change. In addition to the direct engagement with Holcim, LGT is member of the Climate Action 100+ (CA100+) collaborative engagement group covering Holcim. Holcim is an important company for LGT, given that it is the single largest source of CO ₂ emissions in client portfolios in Europe. Based on previous engagements, both direct and collaborative, LGT pivoted its engagement approach to a multi-stakeholder engagement in 2024.
Action	<p>LGT conducted an in-depth analysis of Holcim’s business model to identify key sustainability challenges, with a specific focus on carbon emissions and the company’s pathway to achieving net zero. Holcim has made significant progress over the past several years, including issuing a science-based CO₂ emissions reduction target and contributing to guidance on science-based targets for the cement industry. The company is also transitioning its business away from traditional cement and towards sustainable building products, making Holcim uniquely positioned as a leading company for the climate transition.</p> <p>One important tool for assessing progress on engagement goals is the CA100+ scorecard, which assesses companies’ performance on a wide range of metrics and is used by institutional investors focused on climate change. One of Holcim’s areas of weakness on the scorecard has been its lobbying practices, which are an important aspect that measures how companies influence policy frameworks for transitioning to a low-carbon economy. LGT identified InfluenceMap as a critical stakeholder in this context, as it assesses climate lobbying practices for the scorecard.</p> <p>Throughout the year, LGT organised joint meetings with InfluenceMap and Holcim to support Holcim in improving transparency and mutual understanding. During the meetings, InfluenceMap learned about Holcim’s reasons for its lobbying activities, and Holcim learned about areas of public disclosure that would significantly improve its standing in InfluenceMap’s assessment. By fostering the dialogue between these two stakeholders, LGT fostered understanding and respect on both sides.</p>
Outcome	The engagement will continue into 2025, with discussions focusing on potential enhancements to Holcim’s reporting on lobbying activities. The desired outcome would be higher quality disclosure on lobbying activities by Holcim, and a more accurate assessment of Holcim’s stance on climate policy, which would in turn lead to a greater understanding of Holcim’s performance on climate change issues among investors more broadly.

2.3 Engagement

Engagement at LGT

Engagement is a core element of LGT's stewardship strategy, enabling constructive dialogue with investee companies, fund managers and other stakeholders. Through engagement, LGT aims to address material ESG risks and opportunities, strengthen governance and support sustainable long-term value creation for clients. These interactions are conducted both proactively, to address emerging opportunities, and reactively, to mitigate risks and improve practices.

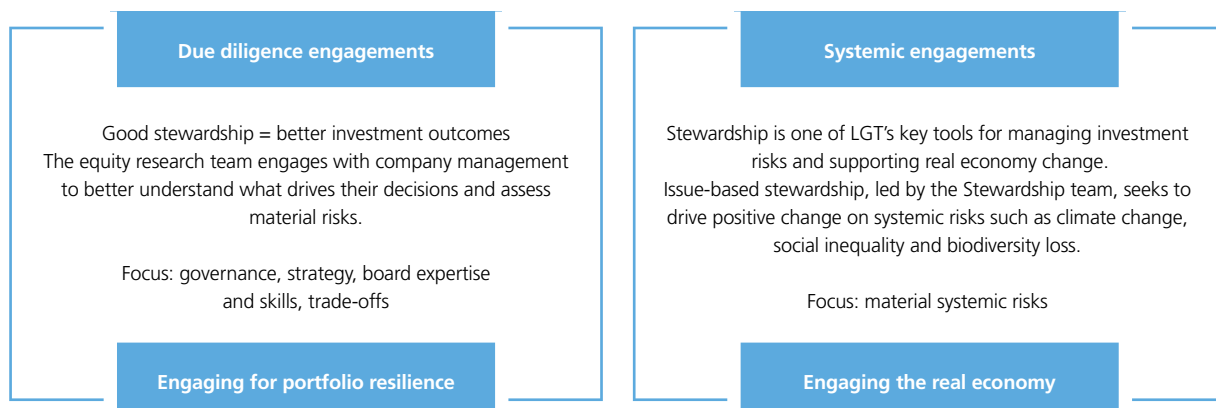
Engagement topics are selected based on their materiality to long-term value creation, alignment with client objectives and relevance to systemic sustainability challenges. LGT leverages ESG research, proprietary tools and insights from ESG data providers to identify risks and opportunities. Building on its Sustainability Strategy 2030 and Climate Ambition 2030, LGT has identified the following priorities: climate change, biodiversity and nature, and fairer societies, upheld by robust governance mechanisms.

While new or emerging issues can be explored and engaged upon, these four key stewardship priorities represent LGT's understanding of the systemic issues which will affect portfolios. LGT defines a systemic issue as one which could affect a large number of investible companies, including their supply chains. Due to this interconnectedness, action on one such issue could safeguard and affect more than one company's performance.

LGT believes engagement can be approached through two distinct channels:

1. **Due diligence engagements:** Company-specific engagements aimed at enhancing portfolio outcomes by addressing risks or opportunities that could impact financial performance and valuation.
2. **Systemic engagements:** Engagements that focus on market-wide risks, reflecting LGT's role as a universal owner to drive long-term systemic change across economies and sectors.

Why LGT pursues engagements



In 2024, LGT engaged on the following themes:

- Corporate governance
- Climate change policies and net-zero plans
- Nature-related risks
- Artificial intelligence
- Modern slavery and human rights
- Diversity, equity and inclusion

Methods of engagement

LGT tailors its approach to engagement depending on the issue, its materiality and the desired outcome. Engagement activities are conducted through:

- **Direct engagement:** Conducting one-on-one discussions with company leadership or fund managers to raise specific concerns and encourage change.
- **Collaborative engagement:** Working alongside other investors, networks or coalitions to amplify influence, particularly on systemic or sector-wide challenges.
- **Multistakeholder engagement:** Participating in discussions with a broader group of stakeholders, such as policymakers, industry groups and NGOs, to address systemic risks or sector-specific challenges holistically. In 2024, LGT started to implement a multi-stakeholder approach to direct company engagement. LGT strongly believes in constructive collaboration, particularly as the complexity of sustainability issues continues to grow. This leads to challenges for companies, investors and other key stakeholders. By far most companies and stakeholders have good intentions and are interested in long-term value creation for the company and stakeholders. However, the increasing complexity can make it difficult to fully understand material sustainability issues and to propose workable solutions. Constructive engagements with companies and stakeholders can help address the complexity and add value.

- **Engagement via third parties:** In 2022, LGT in Europe signed an agreement with Columbia Threadneedle's Responsible Engagement Overlay (reo®) for third-party engagement services. Through this agreement LGT leverages engagement services to supplement internal resources, track progress and enhance engagement activities. In these engagements, Columbia Threadneedle engages on behalf of its clients, LGT and peers, leveraging the combined assets to address material sustainability issues with companies.
- **Policy engagement:** Leveraging its skills and expertise to engage in public policy discussions, contribute to consultations, participate in pan-industry working groups and support sustainable investment by collaborating with international partners, becoming a signatory to investor statements, and fostering a policy environment that benefits LGT's clients and portfolio companies.

Engagement, as a concept, can be interpreted in various ways. To bring clarity and transparency to this process, LGT breaks its engagement activities down into three distinct categories that form the foundation of LGT's engagement framework, enabling the Stewardship team to select the most effective approach for addressing specific objectives.

These categories are:

- **Interaction:** Initial, exploratory discussions to establish dialogue and better understand company strategies.
- **Investor dialogues:** Two-way, targeted discussions on material sustainability issues, aimed at gaining insights and influencing company behaviour.
- **Structured engagements:** Focused, time-bound initiatives with defined objectives and measurable outcomes, designed to address specific risks or opportunities.

Meetings and/or interactions are often the initial step in fostering a constructive relationship with investee companies, providing an opportunity to build rapport and open lines of communication. Investor dialogues

are employed to monitor the progress of sustainability issues that, while not currently material, warrant ongoing observation to ensure responsible management. Structured engagements are reserved for addressing material sustainability issues that require targeted action by the company. Successful engagements may combine elements from all three categories, reflecting the complexity and dynamism of sustainability challenges.

For concrete examples, see the engagement case studies throughout this report.

management proposals at AGMs, or submitting private or public letters to outline specific concerns. Additionally, LGT collaborates with other investors and relevant stakeholders to amplify its influence, particularly when addressing systemic challenges that require collective action. By following a structured and transparent approach to escalation, LGT ensures accountability and emphasises the importance of addressing material risks to protect long-term client interests and promote positive outcomes.

Monitoring and measuring progress

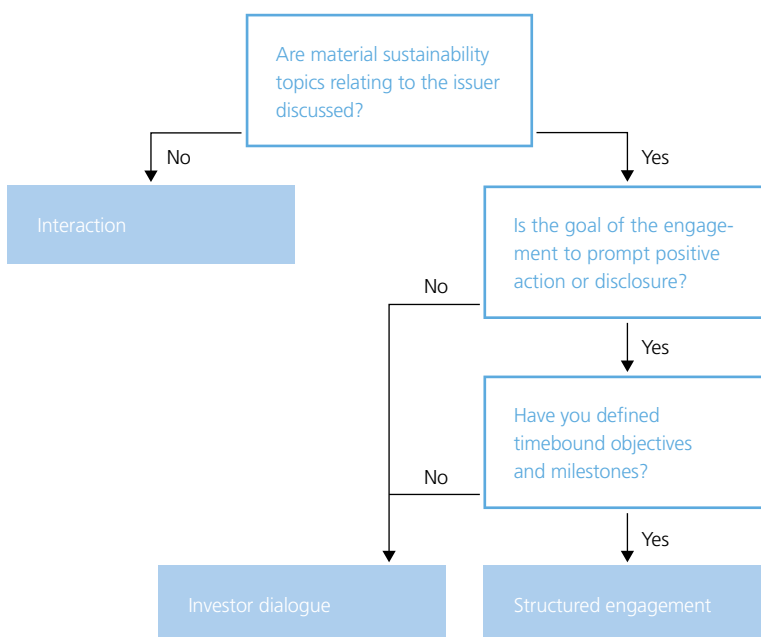
To ensure engagement activities are effective, LGT systematically tracks and monitors progress using Esgaia, a centralised platform that consolidates and analyses engagement data. Esgaia allows the Stewardship team to record engagement activities, track progress towards predefined objectives, and monitor recurring themes or risks that may influence future investment decisions. By identifying when escalation is necessary to achieve meaningful change, the platform supports a structured and data-driven approach to stewardship. Through this robust monitoring framework, LGT ensures its engagement strategy remains transparent, focused and fully aligned with its clients' long-term sustainability priorities.

Engagement in practice

The following case studies provide concrete examples of how LGT's engagement strategy is applied in practice, demonstrating its commitment to addressing material ESG risks and opportunities. By combining direct, collaborative and multistakeholder engagements, LGT aims to address both company-specific risks and broader systemic challenges, supporting sustainable long-term value creation for clients and contributing to more resilient economic and environmental systems.

Each engagement reflects LGT's structured approach to stewardship, where objectives are clearly defined, progress is monitored and escalation measures are implemented where necessary.

Types of engagement actions



Purpose and escalation of engagement

The purpose of engagement is to encourage companies and fund managers to improve sustainability practices, mitigate ESG risks and adopt strategies that align with long-term value creation. When engagements fail to deliver sufficient progress, LGT implements escalation strategies to reinforce its expectations and drive meaningful change. These strategies may include raising concerns directly at the board or senior management level, voting against



ENEL (investor dialogue)

Engagement case study LGT in the UK

Sector	Energy
Country	Italy
Status	Ongoing
Background	<p>In April 2024, a tragic incident occurred at ENEL's Bargi hydroelectric plant during refurbishment operations, resulting in the deaths of seven workers and injuries to two others. The incident raised significant concerns about ENEL's health and safety (H&S) practices, particularly in its oversight of contractors, as well as its governance of safety-related risks. Worker strikes and criticism of ENEL's safety protocols ensued after the event, highlighting systemic issues in the company's contractor management practices.</p>
Action	<p>LGT engaged with ENEL's ESG team to address these concerns and gain a deeper understanding of the company's response to the incident and its broader H&S governance framework. The engagement covered:</p> <ul style="list-style-type: none">▪ The immediate response to the Bargi disaster, including emergency relief efforts and collaboration with authorities.▪ Governance of H&S, including the integration of safety metrics into executive remuneration and board-level oversight.▪ Mechanisms for contractor qualification, safety audits and adherence to ENEL's Health, Safety and Environment Terms. <p>During the discussion, ENEL detailed its EUR 2 million emergency relief fund for victims' families and outlined plans to strengthen its contractor qualification and audit processes.</p>
Outcome	<p>LGT acknowledged ENEL's transparency and its commitment to improving H&S practices but expressed ongoing concerns about contractor safety management and reporting. LGT provided recommendations to ENEL, including:</p> <ol style="list-style-type: none">1. Increasing transparency by reporting near-miss incidents and disbursing relief funds.2. Strengthening contractor safety oversight with more frequent audits and training initiatives.3. Enhancing board-level accountability for H&S governance. <p>LGT will continue to monitor ENEL's progress in implementing these measures and will engage further to ensure alignment with global H&S best practices.</p>

Structured engagement: Local remuneration standards for global companies

Engagement case study LGT in Europe

Sector	Capital goods and consumer services
Country	UK
Status	Ongoing
Background	<p>In 2024, LGT initiated a structured engagement campaign focused on executive compensation – a material sustainability issue that directly influences the incentives for senior executives and, consequently, the company's strategic direction. Recent trends have shown that long-term incentive plans (LTIs) are becoming increasingly complex, driven partly by the global nature of many companies. As a long-term investor, LGT in Europe prioritises value creation over the pursuit of short-term goals.</p> <p>Through LGT's company analysis, which informs proxy voting decisions, it became evident that the remuneration policies of several companies did not align with LGT's internal guidelines or those of its proxy research provider. As a result, LGT voted against the remuneration policies and/or reports of these companies during the 2024 AGM season. The companies in question are listed outside the US but have substantial exposure to the US market. To address these concerns, LGT in Europe launched an engagement campaign to share its voting rationale with the companies and set clear expectations for the 2025 AGM.</p>
Action	<p>LGT reached out to the companies, requesting additional details and explanations about their executive remuneration policies. During these discussions, it became apparent that the companies faced a specific challenge: attracting US-based executives, which was important due to their significant US market exposure. However, doing so required offering US-style compensation packages, which differ markedly from the remuneration structures typically expected in their European home markets. In response to this information, LGT engaged with its proxy research provider to explore a position on this matter, though the provider has yet to formalise guidance.</p> <p>During company meetings, LGT emphasised the importance of adopting a "comply or explain" approach, according to which companies can either:</p> <ul style="list-style-type: none">▪ Adopt a US-style remuneration approach, providing detailed explanations in their remuneration reports to justify deviations from local best practices.▪ Follow the remuneration best practices of their primary listing market.
Outcome	<p>This engagement campaign is ongoing, as significant differences between US and European remuneration structures continue to create friction between companies and investor expectations, as observed during the 2024 voting season. LGT has clearly communicated its expectations to the companies involved in this engagement. Leading up to the 2025 AGMs, LGT will evaluate each company's remuneration systems on a case-by-case basis, focusing on the additional explanations provided for deviations from local best practices. Depending on the outcome of this analysis, LGT may escalate its engagement efforts. This could include voting against remuneration reports and/or policies where insufficient progress or justification is observed.</p>





AstraZeneca – Engaging on bio-diversity assessment frameworks

Engagement case study LGT in the UK

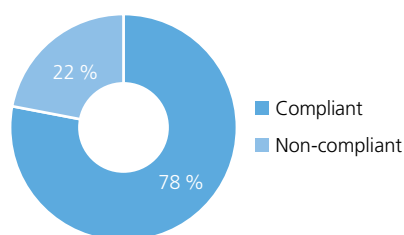
Sector	Healthcare
Country	UK
Status	Ongoing
Background	AstraZeneca is a leading pharmaceutical company. In September 2024, AstraZeneca, released its first biodiversity positioning statement, recognising that understanding its impacts and dependencies on biodiversity across an international supply chain is a complex challenge. Biodiversity is an important resource for pharmaceutical companies like AstraZeneca, as approximately 50 % of small molecule drugs approved between 1981 and 2019 were derived from natural sources.
Action	In June 2024, LGT hosted members of AstraZeneca’s team at its offices for a conversation about the company’s biodiversity efforts, its development of the leading lung cancer treatment drug Tagrisso as well as the oral GLP-1 currently in testing phase. LGT pressed AstraZeneca on the timeframe for its nature risks and dependencies report, flagging the importance of understanding which risks, such as chemical pollutants in water sources and loss of key ingredients through deforestation, were most material.
Outcome	AstraZeneca’s team reassured LGT of its focus on this topic, with work being conducted and due for publishing in early 2025 on the mapping of key ingredients, as well as the locations where this sourcing is most at risk from nature disturbances. It also provided further details on plans to continue training its board on this important issue. The AstraZeneca team plans to integrate a number of TNFD metrics within the company’s CSRD report and will welcome further feedback once these numbers have been published. While its explanations offered greater transparency, LGT will continue to monitor regional and local targets as AstraZeneca gains a better understanding of the lifecycle analysis of its drugs and treatments.

Focusing on diversity, equity and inclusion at UK Investment Trusts

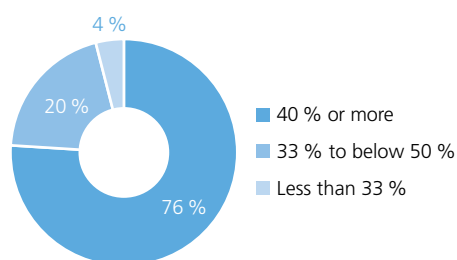
Engagement case study LGT in the UK

Sector	Multiple sectors
Country	UK
Status	Ongoing
Background	<p>LGT is committed to promoting best practices in corporate governance and fostering diversity and inclusion across the companies in which it invests. Inclusive and diverse workplaces are proven to drive innovation, attract and retain talent, and strengthen reputation and brand value.</p> <p>The Parker Review serves as a key benchmark for improving representation of ethnic minorities on UK boards. According to the latest update⁷, 96 % of FTSE 100 companies have achieved the target of having at least one ethnic minority director on their boards, a significant increase from 47 % in 2017. Similarly, 70 % of FTSE 250 companies have met this target, with ongoing efforts to achieve full compliance by the 2024 deadline.</p> <p>Diversity is not merely a matter of compliance or box ticking. It is about identifying the right talent for the role and ensuring that governance structures remain robust and effective. LGT believes that fostering cognitive diversity – through a mix of skills, backgrounds, genders and ethnicities – helps boards avoid “group think” and enhances decision-making, delivering better outcomes for all stakeholders.⁸</p>
Action	As part of its stewardship responsibilities, LGT engaged with 51 investment trusts across client portfolios to discuss their diversity practices. These engagements focused on assessing progress towards achieving the Parker Review targets, understanding challenges and discussing strategies for achieving compliance.
Outcome	<p>The findings from these engagements were encouraging, with 78 % of the companies compliant with the Parker Review’s recommendations while maintaining strong female representation at board level.</p> <p>For the companies not yet compliant, several challenges emerged:</p> <ul style="list-style-type: none"> Boards with smaller talent pools, particularly in niche specialisations, faced difficulties in finding suitable candidates. These individuals are often “over-boarded” due to high demand. Some companies cited constraints in expanding their board size but outlined strategies to prioritise diversity when vacancies arise, such as from planned retirements. <p>Despite these challenges, most companies expressed a clear commitment to aligning with the Parker Review recommendations. They recognised the value of enhancing diversity and inclusion while maintaining high board quality.</p>

Parker review progress



Female representation at board level⁸



⁷ Parker Review Committee. Improving the Ethnic Diversity of UK Business: March 2024 Report. March 2024.

⁸ Financial Conduct Authority. Review of research literature that provides evidence of the Impact of Diversity and Inclusion in the Workplace. 2021.

Collaborative engagements

LGT takes an active role in a number of collaborative, industry-leading initiatives focused on engagement.

Climate Action 100+

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change in order to mitigate financial risk and to maximise the long-term value of assets. The initiative focuses on 168 of the world's biggest corporate emitters, and 600+ investors.



LGT has been a member of Climate Action 100+ since 2022, and is part of the engagement team for Holcim, a major cement manufacturer. LGT's engagement focuses on Holcim's integration of a just transition into its decarbonisation strategy and its setting of net-zero targets.

IIGCC's Net Zero Engagement Initiative

The Institutional Investors Group on Climate Change (IIGCC) is a membership organisation focused on bringing the investment community together to make significant progress towards a net-zero and climate-resilient future by 2030, in line with the goals of the Paris Agreement.

LGT became a member of IIGCC's Net Zero Engagement Initiative in 2022.



Nature Action 100

Nature Action 100 is a global investor-led engagement initiative focused on supporting greater corporate ambition and action to reverse nature and biodiversity loss.

Nature Action 100



LGT has been a member since 2023 and works with Nestlé and Novartis, which have been identified as major drivers of nature loss due to their large impact on habitat loss and overexploitation of resources.

Mining 2030

The Global Investor Commission on Mining 2030 is a collaborative investor-led initiative seeking to define a vision for a socially and environmentally responsible mining sector overall by 2030, and to develop a consensus about the role of finance in realising this vision.



LGT has been a signatory since 2023. No specific target companies have been defined as of yet, and LGT will engage where it sees fit, following best practice standards set by the initiative.

Advance

Advance is a PRI-led collaborative initiative where institutional investors seek to advance human rights and positive outcomes for people through investor stewardship.



LGT has been a signatory since 2022. Engagement is currently underway with companies in the metals and mining, and renewable sectors. LGT is part of the engagement team for one of these companies, NextEra Energy, and has been focusing on its solar supply chain, its human rights policies and practices, and Indigenous rights across its US sites.

Find it, Fix it, Prevent it

Find it, Fix it, Prevent it is an initiative started by CCLA Investment Management that aims to bring the investment management industry together to push for meaningful, effective corporate action to end modern slavery.



LGT became a signatory in 2022 and is engaging with companies in the construction sector, including Redrow, Taylor Wimpey and Marshalls.

The 30 % Club UK Investor Working Group

The 30 % Club is a business-led campaign to boost female representation at board and C-Suite level in the world's biggest companies.



LGT has been a member of the Investor Working Group since 2022. The group consists of over 40 investors in the UK looking to engage beyond just the boards of UK companies to increase the number of women and ethnic minorities in leadership positions to 30 % and more. No specific target companies have been defined, and LGT will engage where it can within its investment trust universe.

Collaborative engagement

Modern slavery presents a significant and escalating risk within the construction sector, with 18 %⁹ of forced labour victims globally employed in this field. Addressing these risks remains a top priority for LGT. In collaboration with the Cabinet Office, CCLA Investment Management and the Supply Chain Sustainability School, LGT organised a round table aimed at CEOs of the FTSE 350 construction and building materials companies. This event saw participation from 17 major UK-listed and private construction firms, including strategic suppliers to the UK government, alongside speakers dedicated to combating modern slavery risks. LGT emphasised the need for investors to seek transparency from the construction companies they invest in, as supply chain risk equates to financial risk. Following the event, companies pledged to support the Bright Future initiative, which offers survivors of modern slavery a pathway to employment. Furthermore, these companies committed to exploring the establishment of an intelligence network to share information on potential cases of labour exploitation across construction projects.

⁹ Unseen UK. Helpline Annual Assessment 2023, p. 52.

2.4 Exercising rights and responsibilities

Voting at LGT

Voting is a vital component of stewardship, as it enables shareholders to voice concerns and hold management to account. At LGT, voting is a central and increasingly important pillar of stewardship. Voting is a regulated activity, subject to the specific requirements of each market. As a result, implementation varies across the regions where LGT holds shares. In the UK, LGT votes on all directly held equities included on its buy list, as well as those held within funds and client portfolios. In Europe, LGT votes on select fund vehicles where it is the beneficial owner of the shares. LGT maintains robust voting practices where regulatory and operational conditions support effective stewardship, and continuously assesses opportunities to responsibly broaden its voting coverage over time.

Shareholders can vote on proposals, recommending or requiring that a company or its board of directors takes a particular course of action. Most proposals are put forward by management in order to adhere to regulations or garner broad understanding or support on a particular issue. However, shareholders can put forward their own proposals if they would like to solicit an action from management. To further enhance transparency, LGT has onboarded a proxy vote disclosure tool.¹⁰

Proxy voting is an avenue that is generally less frequently pursued in private banking than in the in-

stitutional investors segment. This is due to a number of regulatory hurdles imposed by custodians and companies in terms of consolidating shares or reporting on various metrics. However, LGT believes that facilitating the voting process for private clients is a significant opportunity for driving positive change.

LGT works with its sustainable investing and its other investment teams to review voting recommendations and ensure alignment with long-term interests when voting at each company. LGT utilises the research and implementation services of Institutional Shareholder Services Inc. (ISS) to facilitate the voting process.

2024 proxy voting in numbers:

- 217 issuers voted on
- 24 different markets
- >3700 proposals,
- 96 % of which were brought by management

For LGT's equity holdings, the majority of proposals were put forward by management (96 %). These primarily addressed issues related to compensation, the board and corporate structure and capitalisation. Shareholder resolutions totalled 4%. While the majority of shareholder proposals are tabled in the US due to the more favourable filing environment and lower threshold for raising an agenda item, the practice is becoming more common at companies in Europe and the UK.

¹⁰ [LGT Global voting principles](#)

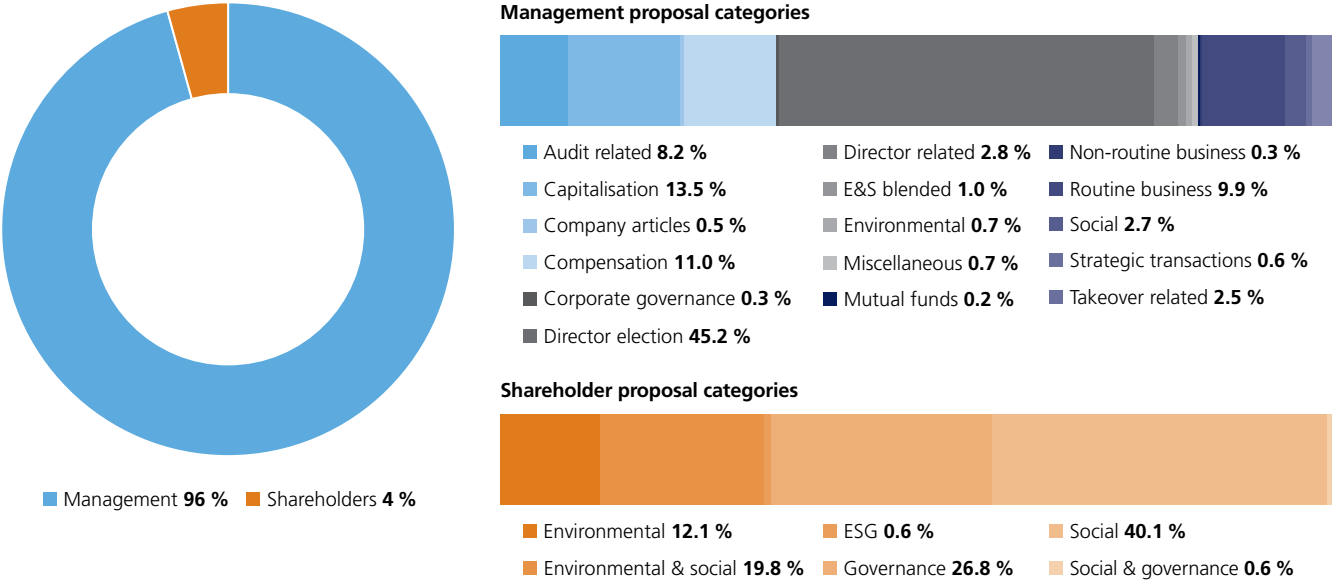
LGT’s voting decision-making process

How LGT voted – in numbers in 2024

LGT voted against management 238 times in 2024. Of the 6 % of votes against management, most fell into one of two categories. The largest share pertained to director re-elections and addressed topics ranging from conflict of interest or disagreement over long-term strategic direction to leadership not creating sufficient shareholder value. Each case was reviewed independently.

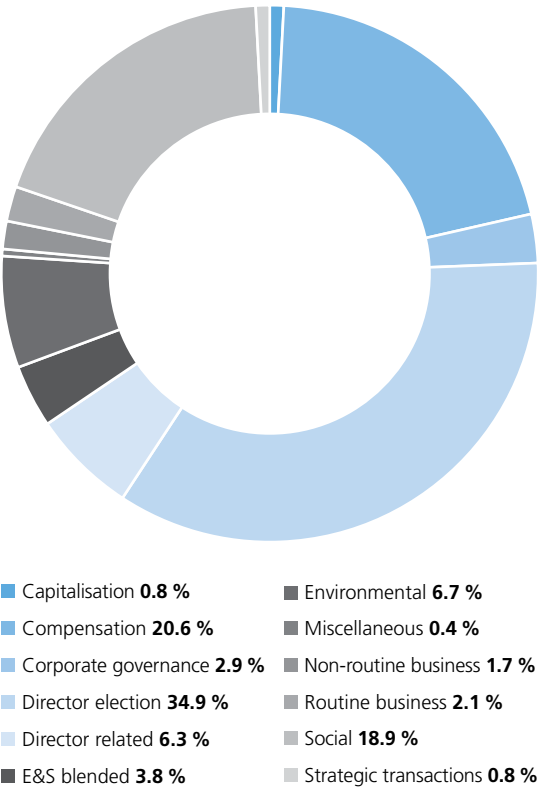
Compensation and social issues were the second-most-frequent reason that LGT voted against management. Here, the specific topics addressed included plans relating to gender and ethnicity reporting, proposals for climate change transition plans and labour discrimination. LGT often votes in support of shareholder resolutions that are reasonable, address material sustainability issues and carry no unintended costs for the company.

Proposal breakdown across LGT Private Banking voting



Source: LGT

Breakdown of votes against management



Source: LGT

Decline in support for environmental and social proposals

While shareholder proposals have increased overall, support for environmental and social proposals (ESPs) has declined significantly, particularly at the largest asset managers. Overall, average shareholder support for environmental and social (E&S) resolutions fell to 16 % in 2024, down from 19 % in 2023 and 28 % in 2022, continuing a decline from a peak of 33 % in 2021.¹² This trend highlights a growing divergence in voting behaviour, despite continued investor demand for action on sustainability issues. The decline underscores the importance of robust engagement with asset managers to ensure alignment on long-term value creation and sustainability priorities. For more details on LGT's engagement efforts with asset managers, refer to [section 2.5: Selection and monitoring of external managers](#).

¹¹ At times, LGT may vote differently from the recommendations of its specialist ISS Sustainability Policy. This is reflected in the Vote actions chart on this page.

¹² Morningstar. "Proxy Voting on Sustainability: The Big Three Hold the Key", August 2024.

Vote actions¹¹



Source: LGT

Exercising rights beyond listed equities

In addition to listed equities, LGT ensures that stewardship responsibilities extend across other asset classes where relevant. For private markets, LGT works with external fund managers, including its captive fund manager LGT Capital Partners, to integrate stewardship considerations, encouraging active ownership and ESG alignment within their investment strategies. LGT's due diligence surveys and ongoing engagement processes ensure that managers prioritise sustainable investment practices and address material ESG risks.

Conflicts of interest

During the reporting period, no conflicts of interest arose in relation to LGT's voting activities. For further details on how LGT identifies and manages potential conflicts of interest, refer to [section 1.4: Conflicts of interest](#) for a comprehensive overview of LGT's Conflicts of Interest Policy.

Voting in practice

The following case studies demonstrate how LGT exercises its voting rights to hold companies accountable and address material ESG issues. Each example reflects LGT's commitment to a thoughtful, case-by-case approach to voting, guided by its stewardship priorities and supported by independent analysis. By voting on key proposals, LGT seeks to improve corporate practices, mitigate risks and align long-term business strategies with sustainable outcomes.



BHP Group – Climate transition action plan

Voting case study LGT in the UK

Sector	Materials
Country	Australia
Status	Voted AGAINST
Background	<p>BHP Group is a global metals and mining company specialising in iron ore, copper, metallurgical coal and nickel, with operations mainly located in Australia, Chile, Brazil, Canada and the US. Given its sector, BHP is one of the world’s largest greenhouse gas (GHG) emitters and a focus company on the Climate Action 100+ list.</p> <p>In its latest Climate Transition Action Plan (CTAP), BHP made notable strides in increasing disclosure, particularly regarding forward plans and investments aimed at reducing Scope 3 emissions from the steel value chain.</p> <p>This is a welcome step forward, however, key issues remain unaddressed. Notably, the plan lacks short-term emissions targets across Scope 1, 2 and 3, while the medium-term target to reduce Scope 1 and 2 emissions by 30 % by the end of financial year 2030 is aligned with a “well below 2 °C” pathway rather than a more rigorous 1.5 °C scenario, which falls short of global standards. Furthermore, BHP has not set a comprehensive medium-term target for all material Scope 3 emissions, specifically in steelmaking, which accounts for the majority of total emissions.</p>
Action	<p>LGT acknowledges BHP’s progress in reducing operational emissions and its improved transparency but remains concerned over the lack of detailed, time-bound strategies for achieving interim emissions reduction targets. As a result, LGT voted against the new CTAP.</p>
Outcome	<p>Despite these shortcomings, BHP’s CTAP received approval from over 91 % of shareholders. This result underscores the need for ongoing engagement with the company to encourage stronger commitments in future climate strategies.</p>





Amazon – Shareholder proposal on working conditions

Voting case study LGT in the UK

Sector	Consumer discretionary
Country	US
Status	Voted FOR
Background	<p>Shareholders brought 14 proposals to the table at Amazon's 2024 AGM, with a focus on social as well as environmental issues, including human rights, equal pay, Scope 3 emissions and plastic use.</p> <p>One proposal was put forward by activist investor, Tulipshare Ltd, requesting an independent report on working conditions in Amazon's warehouses. This sought to address ongoing concerns about employee safety, high injury rates and the impact of Amazon's performance metrics.</p> <p>The proponent cited investigative reports and statistics that show Amazon's employees suffer higher injury rates than the industry average, contrasting with the CEO's claims that injury rates are "about average". For example, in 2022, Amazon employed 36 % of US warehouse workers but accounted for 53 % of all serious injuries in the industry. Other reports alleged high attrition rates costing Amazon USD 8 billion per year and noted that the company had faced regulatory scrutiny, including state and federal investigations for potential workplace violations and efforts to hide injuries.</p>
Action	<p>While Amazon has invested over USD 1 billion in safety initiatives since 2019, with another USD 750 million planned for 2024, disparities between its disclosures and external reports remain a concern. Ensuring worker safety and decent working conditions is a priority for LGT. As such, LGT supported an independent audit to enhance transparency and credibility, particularly given the regulatory and reputational risks.</p>
Outcome	<p>The proposal received over 31 % shareholder support, reflecting significant shareholder concern, however, it did not pass. This marks the third consecutive year such a proposal has been submitted, with previous support levels of 44 % in 2022 and over 35 % in 2023.</p>

Procter & Gamble – Re-election of board members

Voting case study LGT in the UK

Sector	Consumer staples
Country	US
Status	Voted AGAINST
Background	<p>Procter & Gamble (P&G) is a global consumer goods leader, offering products in beauty, personal care, home care and baby care. Known for brands like Tide, Pampers, Gillette and Olay, P&G operates in over 180 countries. It has been identified as a significant GHG emitter and is included in the Climate Action 100+ focus list.</p> <p>Despite being a signatory to the Forest Positive Coalition of Action, P&G has been criticised for insufficient action in addressing deforestation and forest degradation in its supply chain, particularly its sourcing of wood pulp and palm oil. There have been significant concerns about its impact on critical ecosystems, including the Canadian boreal forest and tropical forests in Southeast Asia, which are significant carbon sinks and home to numerous Indigenous communities and diverse wildlife. During the 2020 AGM, 67 % of shareholders supported a proposal urging P&G to accelerate its efforts to combat deforestation, signalling serious investor concerns.</p> <p>In 2021, environmental advocacy groups, including the Natural Resources Defence Council (NRDC), Friends of the Earth and the Rainforest Action Network, launched the “Vote No” campaign. This initiative urged investors to vote against specific P&G board members, citing insufficient progress on human rights issues and unsustainable sourcing practices. In 2023, descendants of P&G’s founders also sided with the “Vote No” campaign.</p>
Action	<p>The recent advocacy by environmental organisations and the founders’ descendants highlights the urgency of addressing unsustainable sourcing practices. This issue, along with other controversies regarding plastic pollution and human rights violations emphasises the need for stronger leadership. Additionally, LGT advocates for the separation of the CEO and Chair roles – both currently held by Jon Moeller – to promote greater accountability. As a result, LGT voted against the re-election of Jon Moeller, Joe Jimenez (Head of the Governance and Public Responsibility Committee) and Patricia Woertz (the longest-serving board member).</p>
Outcome	<p>All three board members were re-elected, but their support levels declined. Specifically, Jon Moeller was supported by 90.6 % of shareholders (down from 91.4 % in 2023), Joe Jimenez by 91.8 % (down from 96.6 %) and Patricia Woertz by 87.7 % (down from 90.3 %), indicating a growing minority of investors expressing concerns.</p>



Takeda Pharmaceuticals – Excessive CEO remuneration

Voting case study LGT in Europe

Sector	Pharmaceuticals
Country	Japan
Status	Voted FOR & AGAINST
Background	<p>Takeda Pharmaceutical Company Limited is a Japan-based company that operates primarily in the pharmaceutical industry. The company focuses on the research, development, manufacturing and sale of pharmaceutical products, general medical products, quasi-drugs and healthcare products, both within Japan and internationally. Additionally, the company works on enhancing its pipelines at research and development centres located mainly in Japan and the United States. Given the cutting-edge nature of Takeda Pharmaceuticals' business, it is in constant global competition for high calibre staff.</p> <p>At the 2024 AGM, the annual bonus of the CEO was up for a vote. According to ISS research, between 2022 and 2023, only 835 out of over 20 000 executives in Japan received an annual bonus in excess of JPY 100 million (approx. CHF 560 500). The total remuneration for the CEO, Christophe Weber, during this period was JPY 1 723 million (approx. CHF 9 656 000). Given the ROE, a peer comparison and ESG concerns, LGT's proxy research provider proposed a vote against not only the bonus, but also against the re-election of Christophe Weber to the board.</p>
Action	<p>LGT takes a long-term view and believes in engaging in a constructive dialogue with the company. It therefore considered the two proposals separately. LGT agrees with the proxy research provider that the total remuneration amount is an outlier in comparison to peers and that it is difficult to understand considering the ROE.</p> <p>However, LGT considers the ESG concerns to have been addressed in large part. In addition, LGT recognises that in the Japanese context, voting against the president, CEO and representative director of a company is a measure of last resort.</p> <p>LGT therefore decided to vote against the annual bonus, but for the re-election of Christophe Weber.</p>
Outcome	<p>The proposal regarding Christophe Weber's annual bonus received approval of 73.63 %. Dissent of more than 20 % is considered significant and should lead to a shareholder consultation by the company. Christophe Weber was re-elected with 76.22 % of votes, which shows that while there is strong dissent, other investors applied the same strategy as LGT and supported the re-election while voting against the annual bonus.</p>



Tesla – Proposal to change state of incorporation



Voting case study LGT in Europe

Sector	Automotive
Country	US
Status	Voted AGAINST
Background	<p>Tesla, Inc. designs, develops, manufactures, sells and leases electric vehicles and energy systems. It operates in two segments: automotive, and energy generation and storage. The automotive segment covers electric vehicle design, development, manufacturing, sales, leasing, regulatory credits, used vehicle sales, non-warranty services, body shop and parts, supercharging, insurance and retail merchandise.</p> <p>At Tesla’s 2024 Annual General Meeting (AGM), shareholders were asked to vote on a proposal to change the company’s state of incorporation from Delaware to Texas. While Institutional Shareholder Services (ISS), LGT’s proxy research provider, recommended supporting the proposal, LGT conducted an independent analysis due to the potential risks associated with such a move.</p> <p>Tesla is currently involved in several controversies and legal cases, making it essential to operate within a well-established business court system to safeguard shareholder rights and investor interests. The Delaware Court of Chancery is one of the most experienced business courts in the United States, with a history dating back to 1792 and modernisation in 1992. It is the preferred choice for more than 300 Fortune 500 companies due to its expertise in handling complex corporate disputes.</p> <p>In contrast, the Texas Business Court system only became fully operational in September 2024, just months after the AGM was held. With only 55 Fortune 500 companies incorporated in Texas and no established track record, the Texas system introduces significant uncertainty for investors.</p> <p>Based on this analysis, LGT determined that the established Delaware court system offers superior protections and lower risks for shareholders compared to the newly formed Texas system.</p>
Action	LGT therefore decided to prioritise the lower level of uncertainty provided by the Delaware Court of Chancery and, as a result, to vote against the proposal to change Tesla’s state of incorporation to Texas.
Outcome	The proposal ultimately received 12.7 % of votes against, indicating moderate shareholder dissent. However, the majority of shareholders who participated in the AGM voted in favour of the change in incorporation.

2.5 Selection and monitoring of external managers

External fund managers

LGT takes a global approach to stewardship, ensuring that its priorities and ESG considerations are embedded across regions. While this approach provides a unified framework, it is also adaptable to local market dynamics, enabling regional business units to tailor their strategies to specific client needs and regulatory environments.

As a wealth manager and allocator of capital in the UK, LGT invests a significant proportion of its assets in third-party managed funds and collectives. It is therefore vital that LGT's stewardship priorities and the values of its clients are reflected in its relationships with these managers and the investments they oversee.

Similarly, LGT's European business leverages both internal expertise and external fund managers to deliver diversified investment solutions across a broad range of asset classes, including private markets such as private equity, real estate and infrastructure. To ensure alignment with its clients' values, LGT integrates ESG considerations into its investment processes, supported by its proprietary LGT ESG Cockpit. LGT leverages the data from the LGT ESG Cockpit to conduct a look-through of third-party funds and thereby score the sustainability quality of third-party funds. These scores are then used to assess the suitability of third-party funds for clients in Europe who have chosen a sustainability profile according to MiFID.

Incorporating stewardship into monitoring and engagement

Due to its wider investments in third-party fund managers, LGT WM (UK) formalised its fund manager engagement in 2022, recognising the importance of holding fund managers accountable for their stew-

ardship practices and ESG integration. In 2024, it conducted its third annual due diligence survey, evaluating fund managers across seven key issues: ESG approach, stewardship, climate change, biodiversity, net zero, diversity and inclusion, and human rights.

The survey results provided LGT in the UK with a detailed understanding of the strengths and weaknesses of its fund managers in terms of sustainability and enabled it to track their progress over time. Highlights from the 2024 survey include:

- **136 responses analysed**, up from 109 in 2023.
- **72 % of fund managers** have committed to achieving net zero by 2050, extending these commitments to their client assets.
- **57 % of fund managers** are conducting climate scenario analysis, although sustainable funds were less likely to report using scenario analysis in 2024.
- **48 % of funds** have adopted a formal biodiversity risk and opportunity policy, up from 39 % in 2023.
- Over **80 % of fund managers** align with the UK Stewardship Code and the PRI (Principles for Responsible Investment), with increasing memberships in FAIRR, the International Corporate Governance Network (ICGN) and the Investor Alliance for Human Rights. Read more in LGT Wealth Managements 2024 Fund Sustainability Engagement Report.¹³

¹³ [LGT WM's 2024 Fund Sustainability Engagement Report](#)

UK Wealth Managers on Climate Group

In October 2024, as a member of the UK Wealth Managers on Climate Group, LGT joined eight other firms in signing a letter to fund and asset managers collectively representing GBP 165 billion in assets under management. This initiative underscores LGT's commitment to addressing the climate crisis and fostering real-world emissions reductions.

The letter outlined three critical steps for fund managers to advance their net-zero ambitions:

1. Improve ambition: Set clear and measurable net-zero commitments, disclose progress transparently and ensure targets cover all assets under management.
2. Build action: Fully integrate net-zero targets into investment processes and communicate them effectively to clients.
3. Increase influence: Use stewardship activities to encourage real-world emissions reductions and align with net-zero goals.

By signing this letter, LGT highlighted what the group of eight wealth managers considers best practice and supported a collective push towards net-zero goals. This initiative reflects LGT's leadership in setting clear expectations, fostering collaboration and driving meaningful action in the investment industry.

feedback to support the development of best practices. In 2024, LGT in the UK engaged with several of its largest fund managers to better understand their stewardship practices, proxy voting approaches and progress on ESG integration.

A key area of focus was the global decline in support for E&S shareholder proposals. Engagements revealed that while some fund managers voted against anti-ESG proposals aimed at blocking environmental or diversity initiatives, their overall support for E&S shareholder proposals remained limited. For instance, one fund manager attributed its lack of support to concerns about financial materiality and proposals being overly prescriptive, such as requests for specific greenhouse gas emissions targets. Despite these limitations, this manager expressed openness to collaborating with LGT in the UK to address these challenges, including exploring mechanisms for incorporating investor input into voting decisions.

All fund managers engaged were highly responsive, providing detailed policy documents and participating in in-depth discussions on their voting policies and stewardship priorities. These dialogues also opened pathways for future collaboration, such as potential pilot programmes to increase client influence over voting decisions in specific markets.

LGT's fund research team in Europe monitors third-party fund managers on ESG topics such as climate change and SDGs, in two- to three-year intervals. In scope of the monitoring exercise are all fund managers of actively managed funds. In 2022, 73 fund managers were surveyed. The fund research team has sent dedicated climate due diligence questionnaires to managers to understand their approach to net-zero target setting, decarbonisation strategies and climate solutions.

Setting expectations for external managers

LGT in the UK sets clear expectations for fund managers, emphasising the importance of incorporating stewardship into their investment processes. Fund managers are expected to align their engagement and voting practices with LGT's priorities, which include addressing systemic issues such as climate change, biodiversity loss and human rights. By ensuring that fund managers uphold these principles, LGT strengthens the connection between its clients' values and the investments made on their behalf.

Tracking and escalating engagement

LGT in the UK monitors fund managers' progress on key sustainability metrics through its due diligence survey and regular dialogue. This process includes identifying areas for improvement and providing

2.6 Monitoring service providers

Use of proxy advisors

LGT utilises ISS's services to provide voting recommendations across 24 different markets in which LGT invests directly and in which company Annual General Meetings (AGM) have taken place. To streamline the decision-making process, LGT has subscribed to the ISS Sustainability Proxy Voting Guidelines, enabling it to highlight the importance of material sustainability issues with companies' boards and hold them to account on their sustainability ambitions.

Despite the ISS Sustainability Guidelines being the main policy, LGT does not always vote in line with ISS's recommendations. Each proposal is independently scrutinised to ensure it aligns with the broader strategy it is pursuing with the company, as well as to ensure there are no unintended outcomes. This means that LGT does, on occasion, vote against ISS's recommendations if it comes to a different conclusion based on its in-house research and analysis.

To monitor the quality of ISS's recommendations, LGT conducts periodic reviews and engages with ISS to ensure its Sustainability Proxy Voting Guidelines align with LGT's stewardship priorities. Informed, independent scrutiny is essential for responsible stewardship at LGT, ensuring proxy voting decisions reflect the specific context of the company and sector.

On occasion, rules-based approaches can fail to account for relevant nuances. For example, the current ISS Sustainability Policy does not consistently account for potential backward steps in climate targets, such as the inclusion of Scope 3 emissions in companies' climate action plans. LGT typically conducts its own

research and analysis to evaluate whether a company's climate strategy aligns with the broader transition to a low-carbon economy and meets LGT's expectations for meaningful progress. This ensures that voting decisions support long-term climate resilience and do not unintentionally undermine global net-zero goals. By combining ISS's Sustainability Guidelines with its independent analysis and engagement efforts, LGT takes a robust and thoughtful approach to responsible stewardship.

One example of this involves Shell, one of the world's major oil and gas corporations. ISS had recommended endorsing Shell's 2024 Energy Transition Strategy. However, LGT opposed the policy due to the removal of crucial Scope 3 emissions targets, which constitute more than 90 % of Shell's total emissions, and the absence of updates to Scope 1 and 2 targets since 2016. Moreover, Shell discarded its 2035 net carbon intensity (NCI) reduction target of -45 %. LGT maintains that a robust climate transition policy must incorporate Scope 3 emissions to align with the Paris Agreement and global climate objectives. Despite ISS's recommendation, LGT's independent analysis concluded that opposing Shell's climate transition policy was essential in order to advocate for stronger and more meaningful climate action.

Engagement with ISS

As part of its commitment to ensuring that proxy voting aligns with its stewardship priorities, LGT actively engages with ISS on the development and refinement of its policies. LGT participates in ISS's policy development process by providing detailed input through surveys and consultations. Recently,

the Stewardship team completed the ISS Survey on the Benchmark Policy and contributed to the consultation on the ISS Sustainability Policy, highlighting areas for improvement on key sustainability and ESG issues. LGT also attended a round table discussion on the ISS Sustainability Proxy Voting Guidelines, helping to ensure that ISS's policies remain robust, aligned with best practices and capable of supporting LGT's stewardship goals.

Service provider resourcing and tools

To supplement its internal stewardship capabilities, LGT leverages a range of external service providers, tools and technology enablers. These partnerships enhance LGT's ability to conduct in-depth analysis, execute stewardship activities effectively and provide robust insights to clients.

ESG data providers and the LGT ESG Cockpit

LGT relies on leading ESG data providers, including ISS, MSCI, Ethical Screen, Refinitiv, RepRisk, Inrate and Sustainalytics, to support its stewardship and investment decision-making processes. These providers supply raw data that feeds into LGT's proprietary ESG Cockpit, a tool used to manage sustainability risks and assess the sustainability quality of investments.

The LGT ESG Cockpit is the firm's proprietary tool for evaluating the sustainability quality of issuers – including companies, countries and supranational organisations – as well as financial instruments such as equities, bonds, funds and ETFs. Each receives a Sustainability Rating ranging from one to five stars, with one star indicating the lowest and five stars the highest sustainability quality.

LGT also applies controversial weapons and thermal coal exclusion policies across all investment decision-making processes. ESG data points are integrated throughout the investment decision-making process

to enable LGT to make informed, responsible decisions. This is done by leveraging data via LGT's proprietary tool, the ESG Cockpit.

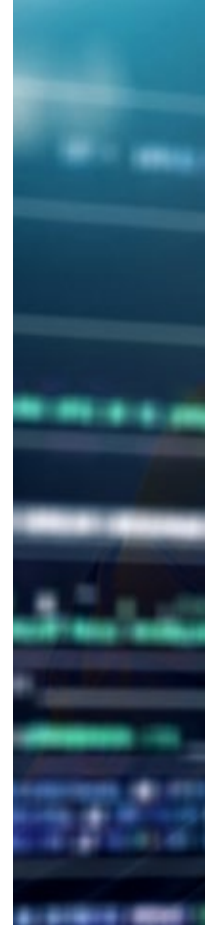
Technology enablers

LGT uses advanced technology platforms to streamline research, analysis and portfolio management processes. Tools such as ASR Macro, Bloomberg and FactSet provide real-time market insights, macroeconomic analysis and portfolio-level data integration. These platforms enable LGT to evaluate market trends and company performance efficiently, ensuring investment decisions are grounded in timely and accurate information.

Proxy voting and stewardship service providers

To enhance its stewardship efforts, LGT partners with the following service providers:

- **ISS:** Provides proxy voting research and recommendations, enabling LGT to assess proposals and vote on issues such as corporate governance, climate action and diversity policies. However, as noted previously, LGT retains the flexibility to vote against ISS's Sustainability Proxy Voting Guidelines where appropriate.
- **Columbia Threadneedle:** Columbia Threadneedle's Responsible Engagement Overlay (reo®) service extends LGT's capacity for engagement, enabling the firm to advocate for sustainability improvements alongside other investors who subscribe to the service. Columbia Threadneedle engages on behalf of client assets invested in LGT's leading sustainability offering – the Focus Sustainability mandate and fund vehicles – as well as its Transition funds and the assets of clients who have selected an Enhanced+ sustainability MiFID profile. Engagement outcomes are reported to these clients to ensure transparency around the key focus areas of Columbia Threadneedle's engagement activities.





- **Esgaia:** In 2023, LGT Private Banking onboarded Esgaia, a leading third-party engagement and voting tracking platform. Esgaia consolidates engagement and dialogue data into a centralised, practical platform, helping to address information asymmetry and improving transparency. The platform has significantly enhanced LGT's reporting capabilities, allowing the organisation to better serve its clients and stakeholders with detailed insights into engagement outcomes.

Monitoring and alignment

LGT continuously evaluates the services provided by its external partners to ensure they meet high standards of quality and effectiveness. This includes assessing the accuracy of data, relevance to LGT's stewardship objectives, and the ability to adapt to evolving market dynamics and regulatory expectations.

LGT sources ESG data from six different providers and maintains regular communication with them, as well as with other market participants, to stay informed about emerging methodologies and datasets. Whenever feasible, LGT engages in trials to evaluate the applicability of these new datasets. Up-

dates on individual data points are diligently reviewed for significant shifts, with any inconsistencies reported to the respective providers.

In addition, LGT monitors emerging datasets over time and conducts comparative analyses across providers to assess coverage and quality. Identified concerns or suggestions for methodological improvements are communicated to the providers to support future developments.

By integrating these external resources with its internal expertise, LGT ensures that its stewardship activities remain impactful, forward-looking and aligned with client expectations.

Engagements via LGT's dedicated service provider Columbia Threadneedle

Engagements are long-term commitments and require dedicated resources. There is therefore a limit to the scope and breadth of engagements that LGT's in-house teams can manage while ensuring quality. To expand and accelerate its engagement efforts, LGT in Europe entered into an agreement with Columbia Threadneedle Investments for its reo® services in 2022.

Through these services, LGT in Europe is represented as part of a pool of USD 572 billion¹⁴ externally managed client assets under engagement, collectively presenting one powerful voice of capital engaging on material sustainability issues, with a 24-year track record of active ownership¹⁵. LGT in Europe benefits from leveraging over 40 responsible investment subject matter experts through access to targeted engagement with issuers covering financially material sustainability factors.

In 2023, the service was expanded to cover clients invested in the retail fund of LGT in Europe's dedicated sustainable portfolio management strategy, as well as portfolio advisory clients with the Enhanced Plus sustainability profile. Following this successful expansion, the scope was further broadened in 2024 to include the newly launched transition portfolio management strategies in Europe.

In line with the recommendations of the Swiss Stewardship Code, LGT monitors and reviews the work done by its third-party engagement service provider.

Among other things, this is done through ongoing reviews of quarterly case studies and portfolio-specific reports. This process will be further formalised in 2025 through the creation of a set of case studies for relationship managers, based on Columbia Threadneedle's engagement cases.

Columbia Threadneedle engagements on behalf of LGT

- **424** total engagements¹⁶
- **98** human rights and labour standards engagements
- **136** climate-focused engagements
- **17** public health engagements
- **89** corporate governance engagements

¹⁴ Columbia Threadneedle. Internal data, as of Q3 2024.

¹⁵ Columbia Threadneedle. "Responsible Investment and reo® Service."

¹⁶ Represents the total number of engagement topics raised by Columbia Threadneedle across 226 engagement activities.

Costco Wholesale – A holistic approach to sustainability risks

Engagement case study LGT in Europe via Columbia Threadneedle

Sector	Consumer staples
Country	US
Status	Ongoing
Background	<p>Costco is an American multinational corporation operating in over 800 locations. As a major retailer with a global supply chain, Costco faces various environmental and social risks, including climate change, deforestation and labour standards issues. Columbia Threadneedle on behalf of LGT engaged with the company to understand its strategies for mitigating these risks and ensuring responsible business practices.</p>
Action	<p>Columbia Threadneedle, on behalf of LGT and other investors, spoke with Costco's investor relations directors about how the company manages social and environmental risks in its operations and supply chain. The discussion covered topics such as climate risk assessment, supply chain monitoring and board oversight of sustainability issues.</p> <p>Costco highlighted its comprehensive supply chain risk assessment and monitoring processes, which involve internal teams and third-party auditors who take a risk-based approach.</p> <p>The company is involved in initiatives addressing modern slavery in various industries and has implemented additional age verification measures following recent cases of child labour in the US market.</p> <p>Finally, the discussion also covered Costco's efforts to integrate sustainability aspects into purchasing practices, such as collecting greenhouse gas data from suppliers, addressing deforestation and human rights issues, and improving traceability in commodity supply chains.</p>
Outcome	<p>Costco's sustainability programme appears well-tailored to the risks it faces, with a holistic approach to managing environmental and social issues across its operations and supply chain.</p> <p>However, Columbia Threadneedle encouraged the company to provide additional reporting on the reinvestments and contribution of energy-efficiency measures in its climate transition plan.</p> <p>While the board receives briefings from the sustainability director, Columbia Threadneedle suggested further exploring ways to strengthen board oversight and exposure to sustainability issues. Overall, it is believed that the company is responding well to risks, however, Columbia Threadneedle would encourage further integration into purchasing practices and a focus on identifying nature-specific metrics.</p>



3. Stewardship within the LGT Group





3.1 Stewardship at LGT Capital Partners

As a responsible investor with a long-term focus, Capital Partners' (LGT CP) stewardship work is conducted with the aim to create value both for LGT CP's investments and for society. LGT CP believes that investors can drive lasting change and enhance shareholder value by engaging with companies, managers and peers on ESG issues. Engagement is therefore an essential part of its ESG activities. The topics for engagement are often determined through initial and ongoing ESG assessment. However, LGT CP also benefits from the identification of negative flags through its systematic controversy screening process. This helps it identify material issues for engagement on companies held directly or indirectly through LGT CP managers in a targeted manner. LGT CP has played an active role in shaping the ESG agenda within the asset management industry for many years.

Engagement with external managers

Engaging with external managers on ESG issues is a strategic priority for LGT CP. The aim is to further increase managers' awareness of various ESG topics and to emphasise their importance. This engagement is facilitated by an annual manager assessment process, which helps to identify excellence in implementation and flags areas for improvement. For many years, LGT CP has specifically sought to engage with its lower-rated managers. As part of these efforts, best practices that have been observed among leading managers, and the outcomes of industry working groups are shared to inspire other managers who are still at an earlier stage in terms of ESG integration and climate action.

In conversations with external managers, one of the focus areas of engagement is reducing portfolio GHG emissions with the aim of achieving the Princely Strategy's net-zero targets. A significant amount of time has been dedicated to managers, particularly within liquid asset classes, and having them explain their approach and calculation methodology as a way to support them in managing their portfolios within their allocated emissions budget.

Diversity, equity and inclusion (DEI) is a key topic of engagement. Over the years, a clear increase in the focus on DEI has been observed and most of LGT CP's fund managers now have a DEI policy in place.

Proxy voting with external managers

LGT CP requires its external managers who invest in listed stocks to exercise voting rights on its behalf. Managers are obliged to vote on any holdings that exceed 5 % of the total assets in the segregated account or when the segregated account holds 1 % or more of any single issuer's shares.

LGT CP advises managers to utilise the ISS Socially Responsible Investment (SRI) voting policy but accepts equivalent policies such as Glass Lewis or internal voting policies that consider ESG factors. LGT CP continuously monitors voting activity and conducts a comprehensive annual review.

Stewardship with direct public holdings

Stewardship and active ownership have been a key element of LGT CP's sustainable strategies since they

Engagement theme 2020–2025: Climate action

For the five-year period from 2020 to 2025, LGT CP selected climate action as a thematic stewardship priority, which in turn is comprised of three pillars.



Net zero by 2050 or sooner

- Ambition to be 1.5 °C aligned
- Setting science-based targets for the short, medium and long term
- Introducing credible transition plans
- Increasing transparent reporting across the value chain
- Supporting green and social financing



Circular economy

- Promoting re-usable/recyclable/compostable materials to limit waste
- Increasing share of recycled material used while reducing virgin material consumption
- Using materials efficiently, with less waste across the value chain



Responsible value chain

- Identifying, monitoring and disclosing nature-related risks and dependencies such as deforestation and water pollution
- Implementing policies and targets to protect and restore biodiversity and ecosystems
- Integrating social aspects, eg human rights and labour conditions, discrimination and harassment

were first launched in 2009. As a result, the Sustainable Equity and Fixed Income investment teams now have well over a decade of experience in engaging with companies on ESG matters. In 2020, this was formalised in the form of a proprietary engagement tool built into the teams' research platform.

LGT CP's stewardship activities include:

- Direct engagement
 - Proactive dialogue to drive positive change and measurable outcomes
 - Research-related engagement
- Reactive engagement
- Investor collaboration
- Proxy voting for equity investments

More information on LGT CP's engagement approach and outcomes can be found in its [Active Ownership Report 2024](#).¹⁷

Stewardship at LGT CP in numbers 2024

- 54 companies engaged with
- 109 engagements, 93 of those engagements resulted in a dialogue
- >50 % of engagements were objectives-oriented
- 82 % were linked to the UN Sustainable Development Goals (SDGs)

Voting for direct public holdings

LGT CP upholds a fiduciary duty to work with companies and issuers of securities to serve the best interests of investors, society and other relevant stakeholders. For over a decade, proxy votes have been exercised in alignment with its sustainability strategy. This involves exercising voting rights whenever possible to:

- Enhance the level of reporting disclosures.
- Align management compensation with key ESG performance indicators and emissions targets.
- Support strategic measures to expedite or adapt to a low-carbon business model.

¹⁷ LGT Capital Partners uses the term "active ownership" interchangeably with "stewardship".

LGT CP adheres to ISS's Socially Responsible Investment (SRI) Proxy Voting Guidelines but reserves the right to deviate from the recommendations when necessary.

A complete list of the proxy voting record is published and updated monthly on the LGT CP website. In addition, it publishes an annual report containing detailed information on voting instructions and the rationale for all voting items. The complete list of all proxy voting activities is on the LGT CP website.¹⁸

Engagement with direct public holdings

As part of LGT CP's initial and ongoing qualitative ESG assessment, its sector specialists are in frequent dialogue with companies within its sustainable universe. They meet with companies to discuss their ESG efforts and seek to drive positive change in areas with scope for improvement.

Public policy advocacy at LGT CP

Tycho Sneyers, Managing Partner and Chairman of LGT CP's ESG Committee, has served on the UN Principles for Responsible Investment's (PRI) Board of Directors since 2018. He was elected to this role three times by peers in the asset management industry. As a Board member, he has helped shape the priorities of the PRI. In doing so, Sneyers has served as a voice for the alternative assets community on the Board, and has worked to increase the PRI's focus on the SDGs by chairing the SDG Advisory Committee.

In 2021, LGT CP joined the ESG Data Convergence Project. The initiative aims to create a critical mass of meaningful, performance-based ESG data from private companies by agreeing on a standardised set of ESG metrics.

¹⁸ [LGT Sustainable Equities: Proxy Voting Report \(2025 YTD\)](#)



PepsiCo – Report risks related to biodiversity and nature loss

Voting case study LGT CP

Sector	Consumer staples
Country	US
Status	Voted FOR
Background	<p>PepsiCo publicly discloses targets to reduce deforestation, increase the adoption of regenerative agriculture practices and sustainably source its raw ingredients. The company also reports its approach to managing nature-related risks based on TCFD and GRI guidelines, as well as through its annual responses to the CDP Forest, Water and Climate questionnaires.</p> <p>While PepsiCo received fairly high scores in 2023 for its CDP responses, it did not disclose additional information in a section where the Climate questionnaire asks companies to assess and report risks related to biodiversity in their operations. The company has addressed and disclosed information on certain areas related to biodiversity, however, additional transparency is needed to help shareholders evaluate whether PepsiCo is effectively addressing biodiversity and nature-related risks. This is particularly important given the inherent risks in its complex supply chain, including allegations in 2024 related to deforestation and human rights violations.</p>
Action	LGT CP voted in support of the proposal to issue a report on the material impacts that biodiversity risks have on its business operations and supply chain. Also, LGT CP contacted the company in 2024 about related matters to better understand its efforts to align with its stated 2022 commitment to achieve a 100 % deforestation-free palm oil supply chain.
Outcome	Rejected. For: 18.4 %; against: 81.6 %.

Iberdrola – Supply chain management

Engagement case study LGT CP

Sector	Utilities
Country	Spain
Status	Ongoing
Background	<p>Iberdrola, a global leader in renewable energy, faces significant risks related to non-compliance in its supply chain, particularly allegations of forced labour among Chinese PV equipment suppliers in Xinjiang. The company has relied on third-party audits, but concerns remain about their credibility. LGT CP has urged Iberdrola to enhance transparency by disclosing auditor credentials, audit processes and how non-compliance cases are addressed, while also expanding oversight beyond the major suppliers.</p>
Action	<p>LGT CP looked to enhance supply chain visibility by encouraging Iberdrola to improve audit transparency, report non-compliance cases with a detailed breakdown and disclose outcomes. LGT CP also asked Iberdrola to include ESG scoring for its small suppliers.</p> <p>LGT CP has engaged with Iberdrola’s sustainability and ESG teams on the topic of supply chain transparency and monitoring since 2022. During that time, LGT CP has encouraged the company to provide greater disclosure on its ESG scoring and non-compliant suppliers. In 2023 and 2024, LGT CP followed up on supplier assessments and audit results in high-risk regions, including discussions on Iberdrola’s involvement in the Solar Stewardship Initiative for local audits in China.</p>
Outcome	<p>To date, around 90 % of procurement volume has been audited. In 2023, 265 of 1507 critical suppliers were flagged for risks, leading to corrective measures for 93 suppliers, sanctions for 19 and contract terminations for two. Transparency has improved with the introduction of reporting on complaints by category. However, more detailed reporting on audit findings by specific risk categories would enhance insights into supply chain vulnerabilities and align with best practices. Although Iberdrola has not yet disclosed the proportion of audits conducted in-house versus by third parties, it has improved visibility on high-risk region audits. This includes collaboration with Bureau Veritas and participation in sector initiatives like the Solar Stewardship Initiative, launched in 2024.</p> <p>Furthermore, while progress has been made in supplier assessments and the company has provided assurances that no forced labour exists among tier 1 suppliers, more focus is needed on lower-tier suppliers to ensure full supply chain oversight. LGT CP will continue monitoring audit outcomes in high-risk regions.</p>





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