



Wealth
Management

Fund Engagement Report

2025



| Forward-looking
| for generations

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Cover image

Franz Anton von Scheidel, detail from "Depictions of conchilliae in watercolour after Johann Carl Megerle von Mühlfeld (1765–1840)", late 18th century
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Introduction

Engaging the fiduciary value chain

At LGT Wealth Management, sustainable practices are an integral part of our ethos. As sustainable investment practices continue to develop, it is increasingly important for us to engage with our fund managers and understand how far they have progressed on their ESG integration journey.

As a wealth manager and steward of client assets, it is our responsibility to ensure we assess how the fund managers we select assess sustainability considerations alongside traditional financial metrics to help mitigate risks and identify opportunities.

Each year, we send our annual Sustainability Due Diligence Questionnaire (DDQ) to the third-party fund managers we invest in on behalf our clients. The DDQ enables us to build a clearer picture of managers' approaches to sustainability, track progress over time, and highlight examples of best practice to help drive improvements across the industry.

We recognise the time and effort that goes into completing these questionnaires and are grateful for the thoughtful responses we receive.

Thank you to everyone who completed the 2025 DDQ. Now in its fourth year, this report summarises the results, highlights notable year-on-year changes, and showcases examples of leading practice. Building on the 2024 report, we have included a 'meeting expectations' section, reflecting progress against the expectations we set for fund managers last year. We have also retained the 'fund manager expectations' section to provide further clarity on where managers can focus their efforts going forward.

Highlights

2024	2025	
126	▶ 141	responses analysed, over 40,000 data points collected
78%	▶ 82%	average question response rate
86%	▶ 89%	percentage of funds with a formal stewardship policy
80%	▶ 83%	percentage of funds expecting human rights reporting

Data collection

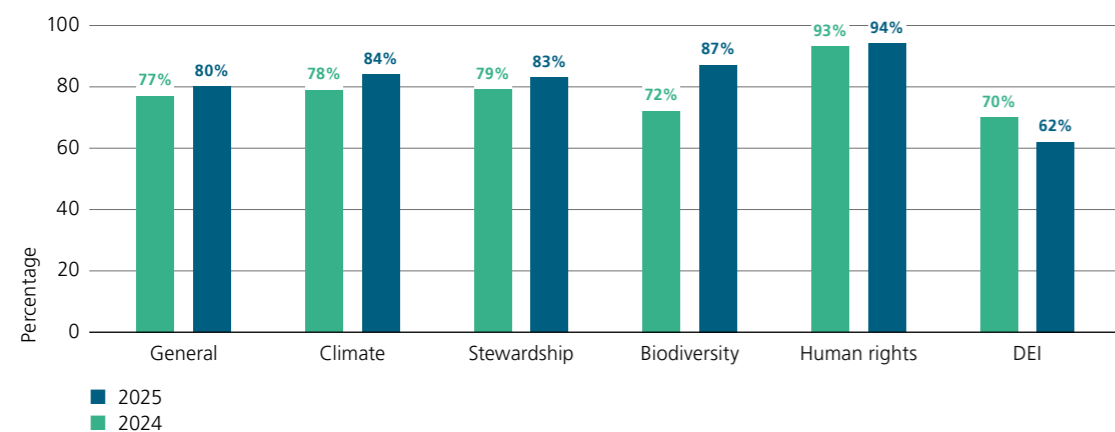
Reviewing the responses

We were pleased to receive 141 responses this year, a 12% increase from 2024, providing us with over 40000 data points for meaningful analysis. Of the 60 funds that classify themselves as sustainable, 29 are actively held within LGT's Sustainable Model Portfolios.¹

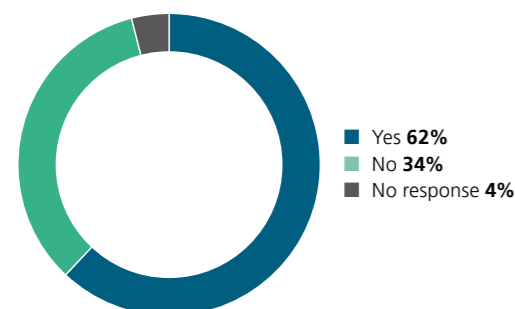
Data accuracy and accountability are crucial in evaluating sustainable investment practices. This year, an

average of 82% of questions were answered across all fund responses, and 62% of submissions were reviewed directly by the fund management teams. These figures highlight strong engagement with sustainability topics and a meaningful step forward in oversight and accountability. Moving forward, we aim to achieve full review by fund management teams to ensure comprehensive oversight and accountability.

Question response rate per topic



Responses reviewed by the fund manager



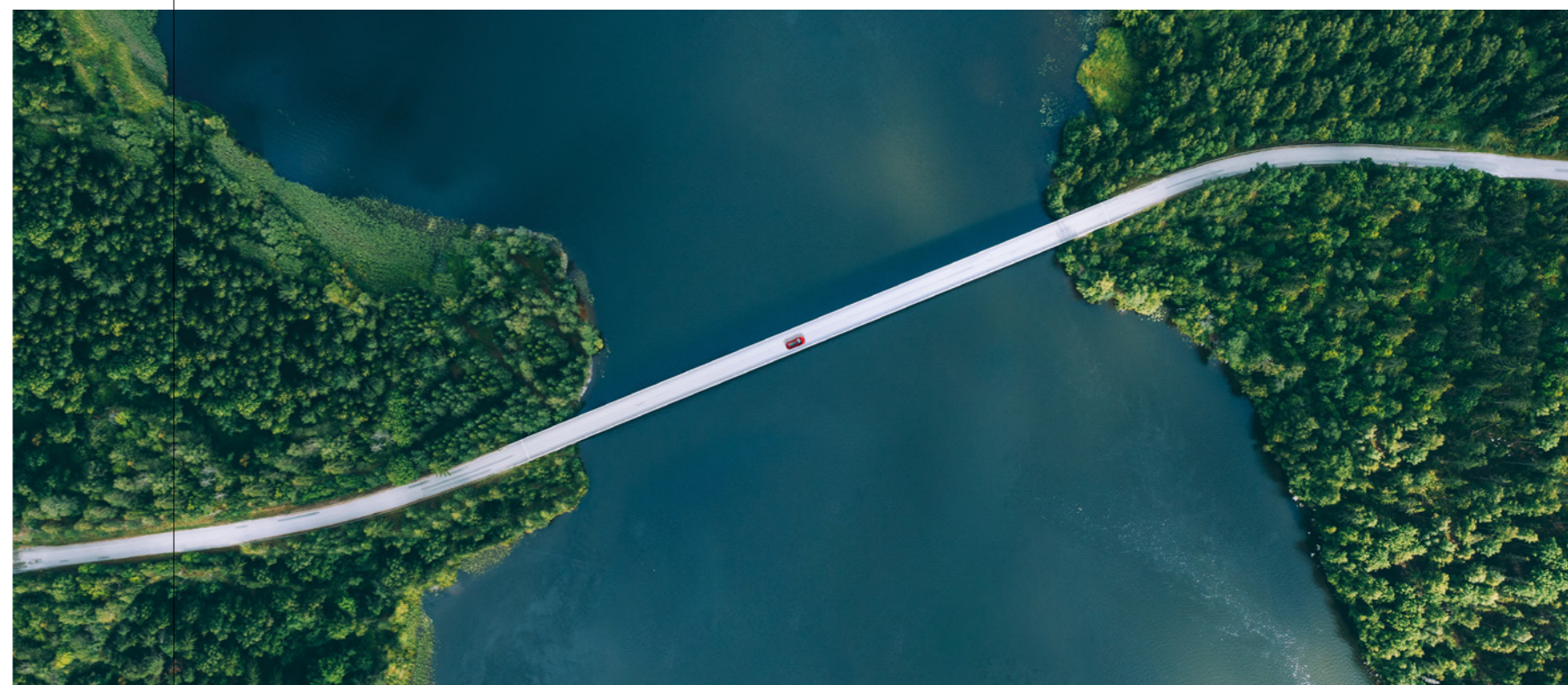
Response transparency

Increasing transparency is a key indicator of progress. In this era of 'greenhushing', robust communication underscores fund managers' commitment to sustainability issues and their willingness to share this information externally. We have collaborated with fund managers throughout the year to enhance their sustainability reporting, and this is reflected in the quality and volume of responses with an overall 82% question response rate in 2025. This continues the broader trend of increased disclosure across the industry, even as we observe a bifurcation globally, where stewardship and responsible investment approaches are advancing more quickly in some regions than others.

We recognise that the quantifiable nature of certain questions presented challenges in data collection,

particularly within the Diversity, Equity and Inclusion (DEI) section, where we observed an 8% decline in response rates compared to last year. This lower response rate can be attributed to several factors, such as the difficulty in accurately recording ethnicity data, the sensitive nature of the data, current macro tensions regarding the topic, as well as simply having a greater number of responses this year. We will continue to engage with managers on these issues to drive further improvements.

Thank you again to those managers who engaged with our written questions, providing exemplary cases of sustainable practices. In this year's report, we have highlighted specific examples to add greater context and depth to the quantitative data.



¹ Sustainable funds refers to those funds that self-identified as an Article 8 or Article 9 Fund under the EU SFDR and or are pursuing UK SDR labels including Sustainable Impact, Sustainable Improvers, Sustainable Focus, and Sustainable Mixed Goals.

Sustainable policies and processes

In this section, we evaluate the strength of fund-level sustainable investing policies, processes and commitments to sustainability initiatives.

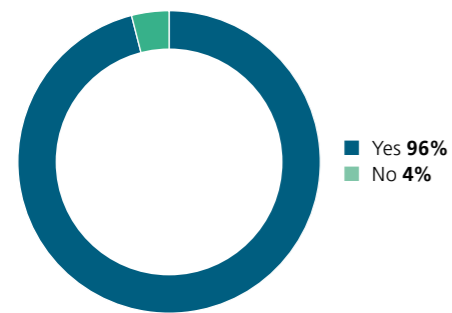
Responsible investment policy

The Principles for Responsible Investments (PRI) defines a responsible investment policy as a strategy and practice to incorporate ESG factors in investment decisions and active ownership.

Currently, 96% of funds, including all sustainable funds, have a responsible investment policy. This demonstrates the industry's growing expectations and commitment towards managing sustainability risks.

Almost all funds now have a formal policy addressing sustainable investment, and 70% incorporate ESG considerations into their investment processes. While the Principles for Responsible Investment (PRI) and the UK Stewardship Code remain the most significant memberships for our managers, it is encouraging to see active collaboration through a variety of other initiatives.

Does your fund have a formal policy covering your approach to responsible investment?

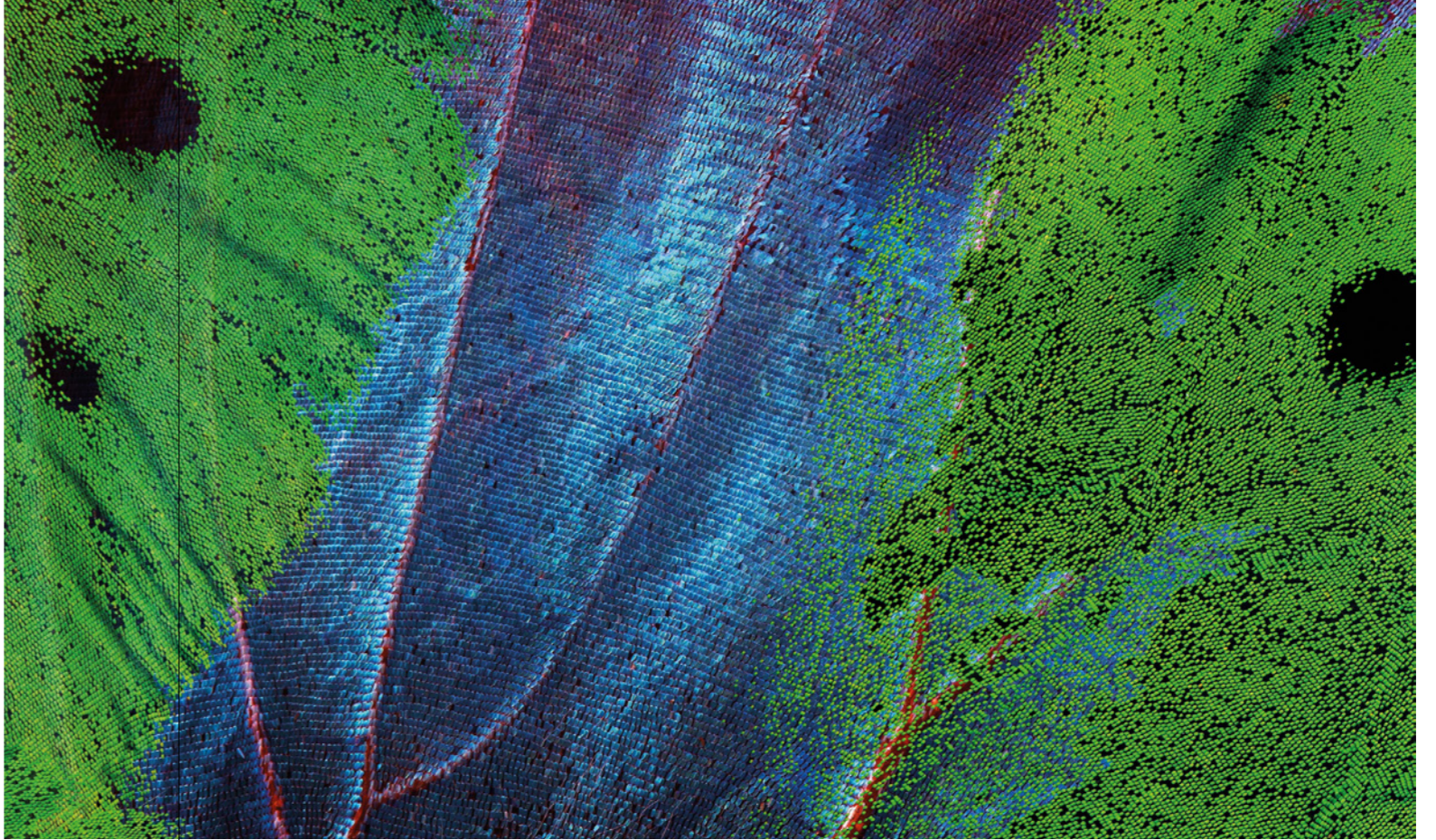
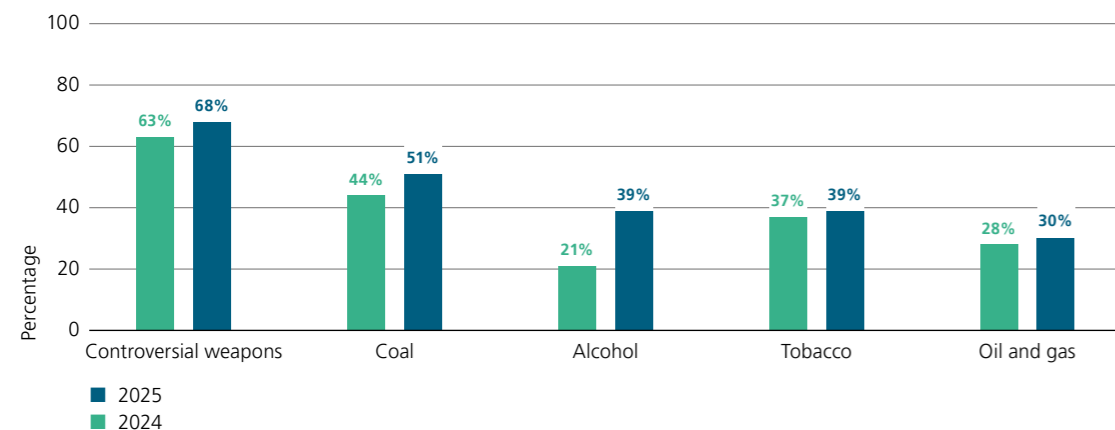


Sustainability exclusion integration

Fund exclusions are a key tool for managing both values-based and financial risks. By ruling out specific sectors, managers can mitigate reputational and regulatory risks while ensuring alignment with long-term sustainability objectives.

In 2025, the use of exclusions increased markedly, with alcohol-related restrictions nearly doubling compared to 2024 and the majority of other categories also rising. This trend reflects both growing regulatory momentum and shifting investor expectations, underscoring the continued importance of

Most common fund exclusions



exclusions as a tool for managing sustainability risks and building more resilient portfolios.

Controversial weapons exclusion

In a year where geopolitical tensions reached a precipice and we saw record bond issuance around national security, it was interesting to note that many of our managers stayed the course around their controversial weapons² exclusions. In fact, a small increase in funds applying exclusions around controversial weapons was noted from 63% to 68%.

At LGT, since 2012 we have looked to exclude exposure to controversial weapons using an industry standard threshold exclusion of 10% of revenue. In a year where so much investor attention has understandably turned toward security and defence, it's encouraging to see that fund managers are continuing to uphold baseline exclusions in this area, reinforcing that certain thresholds remain standard within responsible investment approaches.

Our exclusions

Thermal coal

Controversial weapons

At LGT, exclusions form an important foundation of our investment approach. We apply exclusions on thermal coal and controversial weapons across all direct equities investments, aligning with our policy of excluding investments that pose significant environmental, social, or governance risks.

Our sustainability exclusions

Alcohol

Tobacco

In addition to the LGT Group exclusions, the LGT Wealth Management sustainable investment proposition also includes two further formal exclusions. Our exclusions against alcohol and tobacco are based on their negative contributions to personal and public health and the associated social impacts.

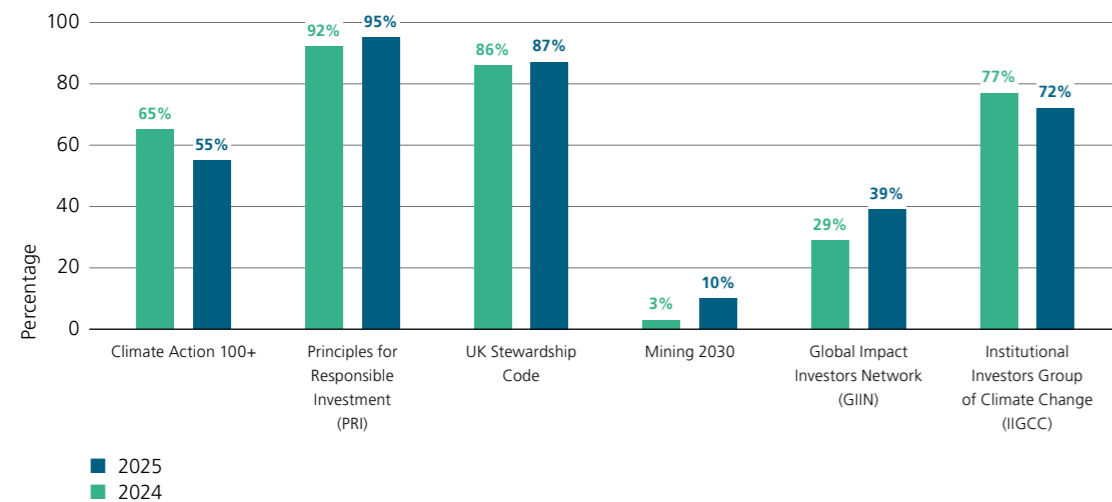
² The term 'controversial weapons' refers to military weapons that either cause combatants disproportionate suffering or that if used, result in a large number of innocent victims, especially civilian victims. For more information on our exclusions and policy on the exclusion of controversial weapons here [exclusion policy here](#).

Investor initiatives and collaborations

Collaboration is a key part of LGT's sustainability ethos, and our monitoring framework tracks fund managers' participation in external initiatives. We recognise that, in the current environment, managers may face resource constraints and macroeconomic challenges that limit their ability to join every initiative. Nevertheless, certain initiatives have become industry standards, and we are pleased to report that almost all funds held in portfolios are engaged with at least one. The Principles for

Responsible Investment (PRI) and the UK Stewardship Code remain the most prevalent, each with over 85% membership. We have also observed a notable rise in participation in newer initiatives such as Mining 2030, while membership in some longer-standing initiatives, such as Climate Action 100+, has seen slight declines—reflecting broader market dynamics, particularly in the United States. We thank fund managers for their continued transparency in communicating any changes to their memberships.

Funds that are a member of or signatory to the following initiatives

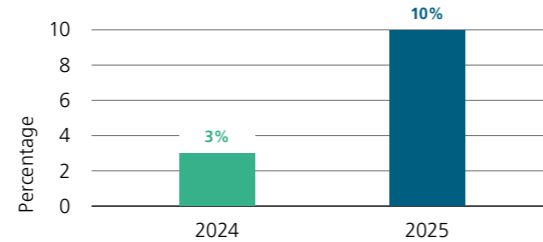


Mining 2030

Mining 2030 is a global, investor-led initiative launched in 2023 to help drive a more responsible and sustainable mining industry by the end of the decade. Supported by PRI and the United Nations Environment Programme (UNEP), the goal is to align the mining industry with stronger standards on human rights, biodiversity, community engagement, and governance.

As a supporter of Mining 2030, LGT is pleased to see proactive engagement in the initiative and welcomes its ongoing development.

Mining 2030 signatories



Global Impact Investors Network (GIIN)

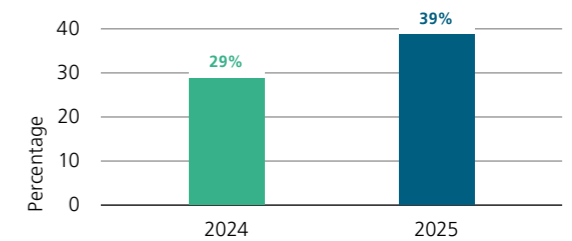
The GIIN is the largest community of impact investors, dedicated to scaling investments that deliver both financial returns and positive social and environmental outcomes. GIIN's Impact Reporting and Investment Standards (IRIS+) help set standardised metrics for investors, allowing for aligned reporting and improved comparability for impact investors.

The growth in GIIN signatories is an encouraging sign of the continued momentum behind impact investing.

Impact Investors

While responsible investors seek to manage ESG risks and ensure investments meet a minimum sustainability standard, an impact investor goes further, intentionally targeting investments that deliver measurable positive social or environmental outcomes alongside financial returns.

Global Impact Investors Network signatories



Meeting expectations

Last year, we advised fund managers on specific areas of improvement for the following year. From 2024, we are happy to see:

- An increase in funds with a responsible investment policy.
- A net increase in the proportion of funds becoming active members of relevant industry initiatives.

2026 fund manager expectations

As a responsible allocator of capital, LGT aims to foster continual improvement in our managers' ESG integration practices. Some specific areas LGT would like to see continued growth include:

- All funds to have a responsible investment policy.
- A steady rise to continue in how fund managers are becoming and staying active members of relevant industry initiatives.

Climate

Tackling climate change remains a top priority for our clients and owners. By embedding sustainable practises into our investment approach, we seek to build a more resilient future, meet the expectations of those we serve, and manage the long-term risks and opportunities that environmental change presents. In this section, we draw on the Institutional Investors Group on Climate Change's (IIGCC) Net-Zero Investment Framework to evaluate fund managers' alignment with the Paris Agreement and to assess the ambition of their net-zero commitments.

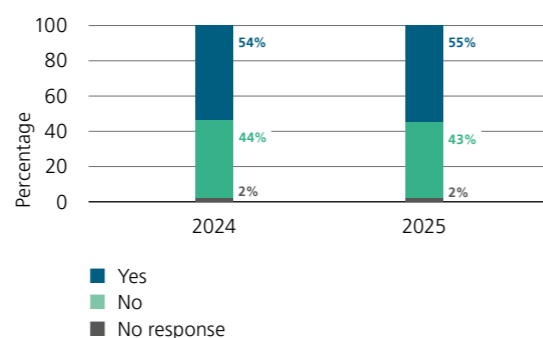
Almost two thirds of funds now have Net Zero commitments in place with 2050 goals. There has also been a notable increase in fund asset alignment with IIGCC categories, in line with increasing importance to have a forward-looking net zero practice. Additionally, we have also noted another increase in the funds conducting scenario analysis.

Climate scenario analysis

Scenario analysis is a valuable tool used to simulate and understand how a fund's underlying holdings might be affected by various factors, such as physical climate change and transition risks. This analysis is crucial for futureproofing portfolios against climate risks, and we encourage all investment strategies to incorporate it in some fashion.

Following the Taskforce on Climate-related Financial Disclosure (TCFD) recommendations, which became mandatory in 2023 for asset managers with over GBP 20bn in AUM, the adoption of scenario analysis has increased. The percentage of funds conducting this analysis has risen from 54% to 55%, including the increase in DDQ submissions, up from 47% in 2023.

Have you undertaken any scenario analysis for the fund?

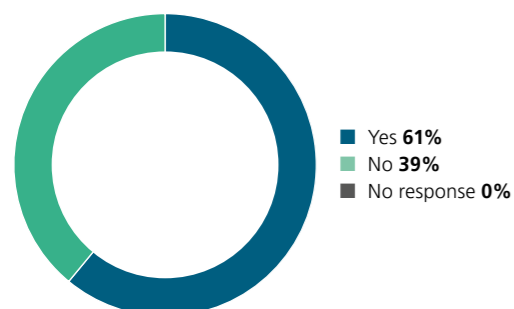


Net-zero commitment

A net-zero commitment is a key first step in the journey to lower carbon emissions. This year, 61% of the 141 funds reported having a net zero commitment including client assets.

While the percentage of sustainable funds with such a commitment has remained relatively stable, it is encouraging to see a growing emphasis across all funds on lowering carbon emissions.

Does your organisation have a net-zero commitment by 2050 or sooner which includes client assets?

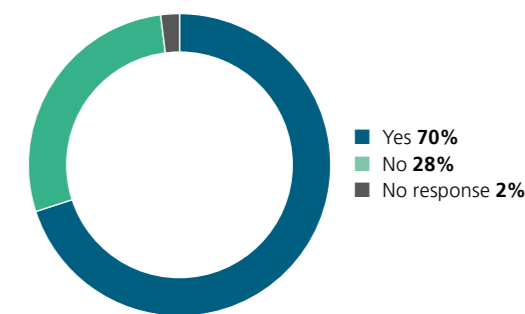


Just Transition and social risk

The Just Transition refers to greening the economy in a way that is both fair and inclusive, ensuring the benefits and challenges of this transition are equitably shared, creating decent work opportunities and leaving no one behind.

This year, 70% of funds are considering the Just Transition and social risks, an increase from 65% last year. We are pleased to see that funds are focused on protecting workers and communities from being left behind in the shift to a low-carbon economy.

Do you consider the Just Transition and social risk?





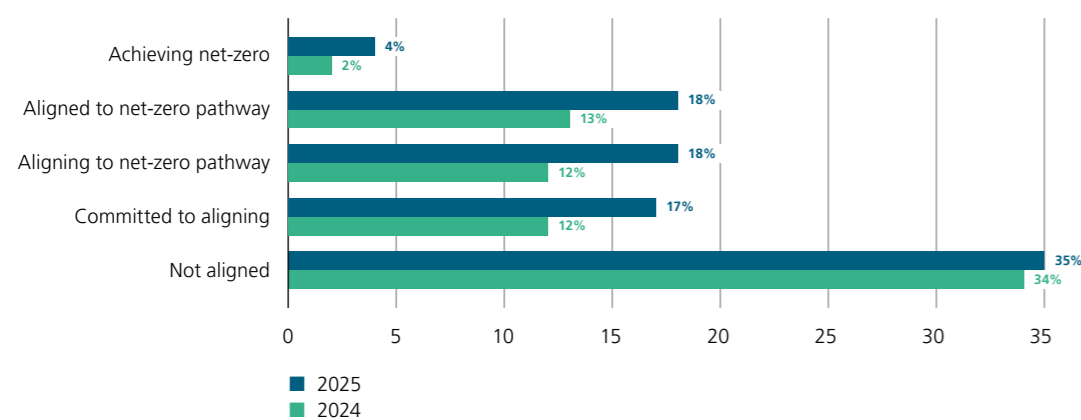
Fund asset alignment

The assessment of a fund's net-zero strategy is a highly debated topic. As asset allocators, we consider both the fund manager's intentional selection strategy and conduct a look-through analysis to evaluate the progress of underlying holdings towards net-zero. Our fund assessment framework incorporates both approaches. This chart illustrates the per-

centage of a fund's underlying companies that are committed to a net-zero pathway.

Among respondents, over 55% of the companies held by funds were committed to aligning with net-zero. Within sustainable funds, this figure rises to 72%, with 41% of companies already aligned to a net zero pathway.

Average percentage of fund's assets aligned with IIGCC categories



Case study

Engagement: Tetra Tech

Fund: Ninety-One Global Environment Fund*

In Q4 2024, Ninety-One engaged with Tetra Tech, a leading technical consulting firm specialising in decarbonisation, climate mitigation, and biodiversity. With an asset-light, high-margin model and the majority of its revenues generated in the US, Tetra Tech benefits from structural growth in climate-related spending. The company's skilled workforce provides a strong competitive advantage through talent retention and a market-leading delivery track record.

The engagement focused on enhancing disclosure of Tetra Tech's "carbon avoided" KPI, a metric central to Ninety-One's theory of change. By improving the quality of this disclosure, investors can better assess how the company is scaling its climate-positive solutions and identify opportunities to shift growth toward business segments delivering the greatest decarbonisation impact. This, in turn, supports both financial returns and real-world climate outcomes.

Ninety-One also engaged on employee engagement disclosure, recognising the importance of culture in a people-driven business. Best-practice examples were shared, such as publishing an aggregate employee engagement score, providing functional and regional breakdowns, and pursuing external accreditations like Great Place to Work. Ninety-One also encouraged greater transparency on initiatives including leadership training and employee resource groups, enabling more objective assessments of workplace culture.

These engagements remain ongoing, with Ninety-One continuing to work with Tetra Tech to improve transparency and drive impact across its climate and human capital strategies.

*Fund is held in the LGT Sustainable Model Portfolio.

Case study

Engagement: US infrastructure consulting firm

Fund: AXA US Short Duration High Yield Bond Fund

In 2024, AXA IM engaged a US infrastructure consulting firm to propose enhanced climate-related disclosure and integration of sustainability into project delivery. As a key player in infrastructure design and engineering, the firm is poised to influence the decarbonisation of large-scale projects worldwide.

The engagement centered on improving transparency around the firm's climate strategy, including its approach to reducing Scope 3 emissions in client projects and aligning with science-based targets. AXA IM encouraged the firm to report on two key performance indicators (KPIs) central to its position, those being carbon emissions avoided, and total water treated. AXA IM were pleased to hear that the firm has committed to reporting on both KPIs.

Discussions also covered workforce sustainability, with AXA IM advocating for greater transparency on employee engagement and training related to climate resilience and sustainable design. By tracking and reporting these metrics, the firm can evidence its role in building internal capabilities to meet the growing demand for low-carbon infrastructure.

AXA IM will continue to engage with the firm to monitor improvements in climate-related disclosure and the integration of sustainability into its operational and project-level decision-making.

Case study

Engagement: Jubilee

Fund: Fidelity UK Smaller Companies Fund

Since early 2022, Fidelity has been engaging with Jubilee Metals Group, a company that recovers valuable metals like copper and chrome from mining waste in Southern Africa, to encourage it to set clear plans to reduce its greenhouse gas emissions. From the initial engagement, Fidelity made it clear to the CEO that meaningful targets were essential for the future and that the absence of such commitments could lead to voting action.

This message was reinforced at Jubilee’s 2022 AGM, where Fidelity voted against a director to underline its concerns. The following year, Fidelity met with the new Chair of the Sustainability Committee to outline expectations for a comprehensive strategy and measurable targets. Ahead of the 2023 AGM, the Board Chair was engaged directly. When no progress had been made by the meeting, Fidelity once again voted against a director.

In October 2024, sustained investor engagement yielded results. Jubilee announced decarbonisation targets, including reducing Scope 1 emissions intensity by 10% and Scope 2 intensity by 15% by 2025, halving both Scope 1 and 2 intensity by 2030, sourcing 50% of power from renewables by 2030, and carbon neutrality by 2040.

Fidelity views these commitments as a significant step forward and will continue to engage with Jubilee to ensure these ambitions are translated into tangible action.

Meeting expectations

Last year, we advised fund managers on specific areas of improvement for the following year. From 2024, we are happy to see:

- An increase in funds conducting climate scenario analysis.
- A greater percentage of underlying assets having science-based climate commitments.

2026 fund manager expectations

As a responsible allocator of capital, LGT aims to foster continual improvement in our managers’ ESG integration practices. Some specific areas LGT would like to see growth include:

- More funds setting interim targets on their net zero commitments.
- Stronger climate focused engagement with holdings ahead of voting during AGM season.
- Galvanised by the increase in Just Transition considerations, we would like to see more funds adopting formal commitments in this area.

Stewardship

In this section, we assess the strength of fund-level stewardship policies, escalation methods and strategies used to help safeguard portfolios from risks and accelerate positive change.

The practice of stewardship has seen significant global growth in recent years, marked by key developments including the streamlined UK Stewardship Code 2026, reducing reporting burdens by around 30%. The updated code is designed to be more outcomes-focused, and introduces tailored principles for asset managers, asset owners, and service providers, recognising the distinct roles each play in responsible investment.

We are pleased to see proactive engagement reflected in this year’s results. More funds reported engaging with policymakers, while the proportion of funds with a formal stewardship policy remained consistent. Encouragingly, the overall number of engagements undertaken has increased.

Fund-level stewardship policy

A comprehensive stewardship policy offers guidance on the timing and methods for engaging with and escalating issues concerning holdings. While establishing a formal policy is a crucial initial step, we acknowledge that the specifics of implementation, components, and details can vary, influencing the actions taken.

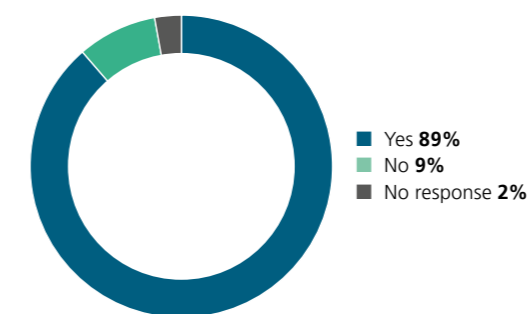
There has been no change in the percentage of funds with stewardship policies: 89% of all funds, including all sustainable ones, hold them.

Engaging with policymakers

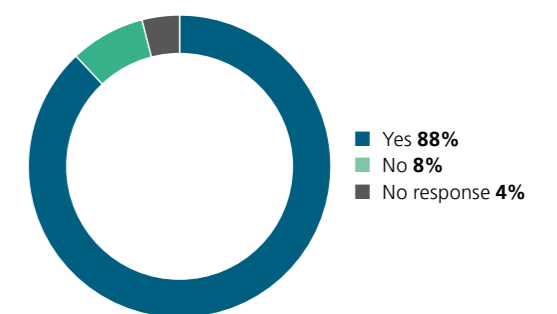
Engaging with policymakers is an essential part of building a more sustainable financial system. While fund managers can influence companies directly through stewardship, lasting systemic change often requires supportive regulation and clear standards. By contributing investor perspectives, funds can help shape policies that promote long-term value creation and enhance cooperation.

88% of funds report engaging with policymakers, an increase from 86% in 2024. We are pleased to see this steady rise, reflecting fund managers’ growing recognition of the importance of their role in shaping the regulatory and policy landscape.

Do you have a stewardship policy that pertains to your organisation and the fund?



Does your organisation engage with policymakers for a more sustainable financial system?

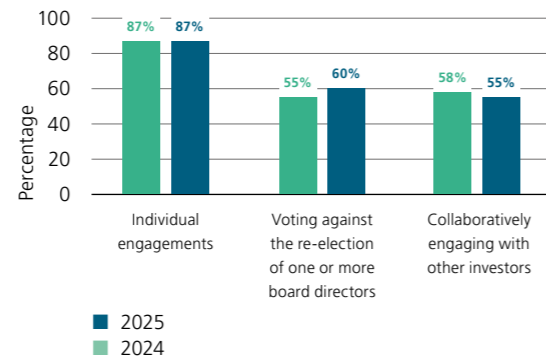


Escalation strategies employed this year

While many engagements span multiple years, the activities and strategies that fund managers undertake with their holdings provide valuable insights into the level of their stewardship activity and effectiveness.

Last year, nearly 90% of funds completed individual engagements. Additionally, there was a significant increase in the percentage of funds voting against annual financial reports, and the number of funds filing shareholder resolutions tripled.

Percentage of funds that employed the following methods of escalation strategies



Case study

Engagement: NatWest Group

Fund: Columbia Threadneedle Investments European Social Bond

In 2024, Columbia Threadneedle Investments engaged with NatWest on its Social Bond aimed at advancing gender equality. Building on that work, in the first half of 2025 the team focused on enhancing the additionality of NatWest's future bond issues. They encouraged the bank to allocate more proceeds to new loans, ensuring that capital raised would deliver fresh, measurable impact rather than simply refinancing existing activities.

NatWest responded constructively. When they next went to the primary market, they issued a bond supporting loans to affordable housing, with 15% of the proceeds directed towards new lending. In a subsequent meeting, NatWest's debt team confirmed they are looking to embed this additionality approach across future bond programmes.

The fund continues to hold the original NatWest gender bond and uses it as a positive example when engaging with other issuers. It demonstrates the value of well-structured, targeted bonds backed by comprehensive impact reporting.

Case study

Engagement: Innovent Biologics

Fund: Fidelity China Special Situations

Fidelity engaged with Innovent Biologics, a leading China-based biotechnology company, to strengthen its corporate governance. The primary recommendation was for an independent director to chair the nomination committee, given concerns about the CEO holding both the CEO and Nomination Committee Chair positions.

Ahead of the 2024 AGM, although they have not yet fully adopted the recommendation, Fidelity granted a one-time exemption from their voting policy due to positive corporate governance enhancements in the past year, such as the appointment of two new independent directors and improved board gender diversity. Shortly after the AGM, the company went a step further, announcing that the CEO would step down as Nomination Committee Chair, with the role passing to an independent director.

This swift and positive response demonstrates a clear willingness to address governance concerns. Fidelity commend Innovent's actions and will continue to monitor its progress on ESG matters to ensure these improvements are embedded over the long term.

Meeting expectations

Last year, we advised fund managers on specific areas of improvement for the following year. From 2024, we are happy to see:

- An increase in the number of funds with a formal stewardship policy.
- An increase in the number of funds engaging with policymakers for a more sustainable financial system.

2026 fund manager expectations

As a responsible allocator of capital, LGT aims to foster continual improvement in our managers' ESG integration practises. Specific growth areas we are seeking include:

- All funds to hold a stewardship policy.
- Stronger and continued collaboration through policymaker engagement and collaborative engagement initiatives.

Biodiversity

In this section, we evaluate the emphasis placed on biodiversity risks in fund policies and disclosures, as well as the metrics used to measure exposure to these risks.

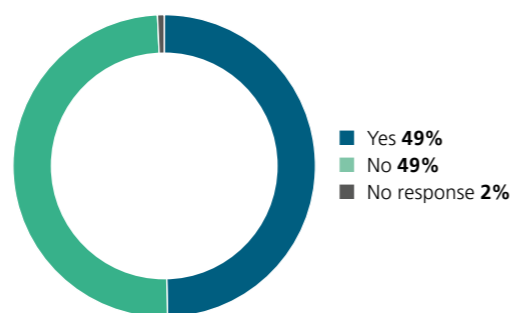
We are pleased to report significant progress on biodiversity this year compared to 2024, with more funds adopting formal biodiversity policies, publicly supporting the TNFD, and collecting a broader range of biodiversity metrics.

Biodiversity risk policies

Biodiversity policies set out a manager's commitment to assessing companies' nature-related risks and opportunities, as well as their engagement strategies on biodiversity. Effective management of these risks can strengthen supply chain resilience, limit exposure to nature-related challenges, and support long-term value creation for shareholders.

This year, 49% of funds reported having a biodiversity policy, an increase from 44% in 2024.

Does your fund have a biodiversity and nature-related risks and opportunities policy?



Biodiversity approaches are evolving, driven by frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the science-based targets for nature. These frameworks provide structured approaches for assessing and mitigating nature-related risks, supporting more informed investment decisions. Investor action groups like Nature Action 100 further amplify this focus, fostering collaboration and collective action to protect and restore biodiversity.

Taskforce on Nature-related Financial Disclosures (TNFD)

The TNFD aims to deliver a risk management and disclosure framework for organisations to report and act on nature-related risks.

Public support for the TNFD rose from 47% to 59% this year. This rebound, following last year's decline, reflects growing market momentum, increasing recognition of the framework, and its integration with broader reporting systems. Notably, CDP has announced that from 2025, its main questionnaire will include nature-related disclosures aligned with the TNFD.

Third party data providers

Biodiversity data remains difficult for funds to access or record directly, making third-party data providers valuable for offering useful metrics to assess investee companies. Additionally, companies' external certifications and memberships in initiatives can help funds more objectively evaluate their holdings.

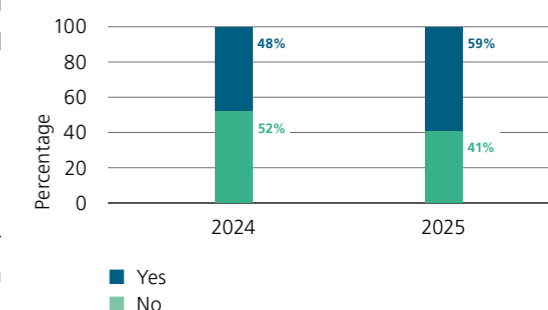
In 2025, half of respondents noted using third-party data providers to address this challenge, an increase from 36% in 2024. This highlights the increasing importance to firms of utilising biodiversity data in evaluating holdings.

Biodiversity metrics

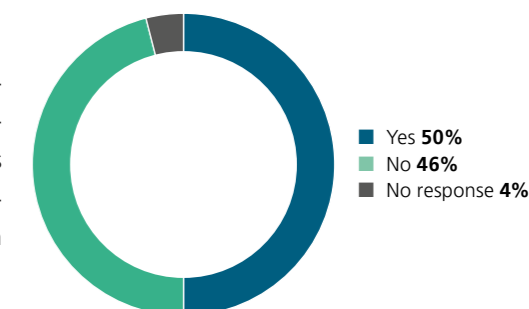
Biodiversity metrics remain challenging to capture, but 2025 has brought important progress. TNFD's expanded metrics framework and innovations such as AI-based species mapping and high-resolution satellite monitoring are enabling more consistent and decision-useful reporting.

Against this backdrop, more funds are now measuring biodiversity metrics, underscoring the growing recognition of biodiversity as a core driver of resilience, risk management, and long-term value creation.

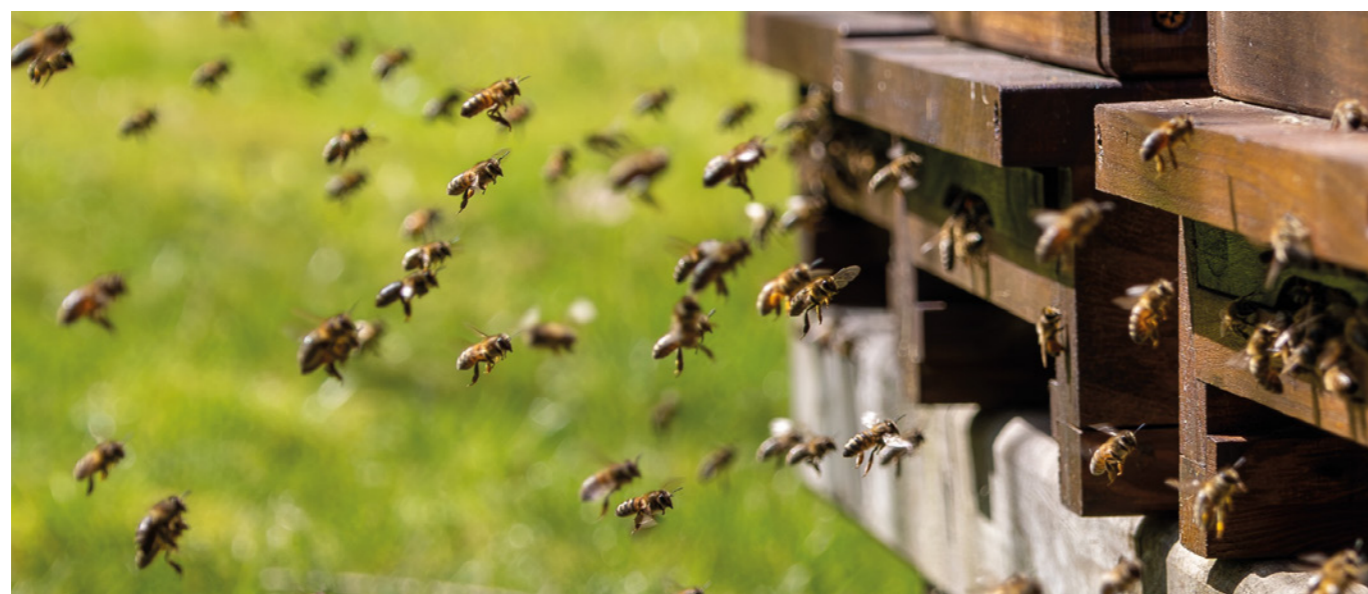
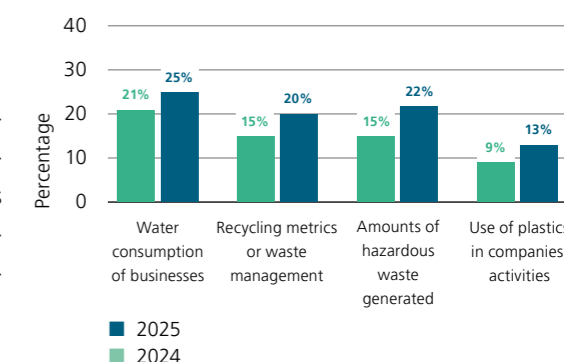
Funds that publicly support the Task Force on Nature-related Financial Disclosures



Do you utilise third-party biodiversity data providers?



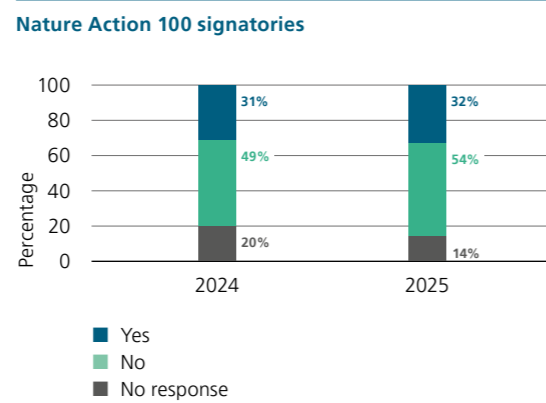
Percentage of funds that utilise the following biodiversity metrics



Nature Action 100

Nature Action 100 is a global investor-led initiative which commits signatories to collective action pressuring greater corporate ambition on biodiversity. Members must engage with companies in key sectors deemed important in reversing nature and biodiversity loss by 2030.

As an active member, we are pleased to see support for Nature Action 100 has increased again this year, from 30 funds in 2024 to 45 funds in 2025.



Case study

Engagement: Croda International

Fund: Impax Environmental Markets*

Since 2020, Impax has engaged with Croda on climate risk, with a focus on Scope 3 emissions from bio-based materials. The company has made strong progress against its science-based targets, with lifecycle data now covering 70% of its product portfolio. In 2023-2024, this engagement broadened to include nature-related impacts, aligned with Croda's 'Land Positive' commitment.

While a full nature assessment is still in progress, Croda believes it has addressed all material aspects in line with the Corporate Sustainability Reporting Directive (CSRD), TNFD, and Science Based Targets Network (SBTN) frameworks. Discussions have focused on managing the company's most significant nature dependencies and impacts, in particular land-use change and freshwater use, given its reliance on crop-based and bio-based raw materials. Croda is also exploring the introduction of FLAG (forest, land and agriculture) targets as a proxy for land-use change, providing a measurable way to reduce its nature-related footprint.

Croda is currently reviewing its overall sustainability leadership strategy with both its executive team and board. Clearer nature-related targets are expected in upcoming disclosures, and Impax will continue to engage closely to ensure these commitments are both ambitious and deliverable.

*Fund is approved for LGT Sustainable Portfolios.

Case study

Engagement: Emerging Market Bank

Fund: A leading asset manager – regional equity income fund

Our fund manager engaged with an emerging market bank through the Finance Sector Deforestation Action (FSDA), a collaborative investor initiative aimed at eliminating deforestation driven by financial institutions. The engagement focused on the bank's policies and practices related to deforestation, conservation, and human rights. Since then, the bank has made meaningful progress, including adopting a No Deforestation No Peat and No Exploitation (NDPE) policy and introducing financing restrictions to prevent the conversion of High Conservation Value areas. The bank also reported to CDP for the first time, disclosing its loan exposure to key forest risk commodities.

Dialogue has centred on the bank's goal of ensuring 100% ISPO or RSPO certification for its palm oil clients by 2025 and the processes it uses to engage with these clients. The bank has also implemented an alert system to capture feedback from media and NGOs regarding human rights or environmental issues within its client base. Our fund manager encouraged the bank to increase transparency in how such grievances are addressed.

The bank is at an early stage in exploring the TNFD framework and is discussing it with larger clients. Given the agricultural sector's significance in its loan portfolio, The bank has expressed a willingness to adopt best practices, and our fund manager has provided targeted feedback. The next phase of engagement will involve sourcing and sharing best practice examples from Asian peers on TNFD adoption, agricultural sector policies, and biodiversity management.

Meeting expectations

Last year, we advised fund managers on specific areas of improvement for the following year. From 2024, we are happy to see:

- A greater proportion of funds adopting a biodiversity policies.
- An increase in Nature Action 100 signatories.

2026 fund manager expectations

As a responsible allocator of capital, LGT aims to foster continual improvement in our managers' ESG integration practices. Some specific areas LGT would like to see growth include:

- Increased engagement with the biodiversity questions within the DDQ.
- More sustainable funds adopting formal biodiversity policies.
- Funds taking an active approach to sourcing reliable biodiversity data.
- Greater engagement with holdings over biodiversity issues, including collective action through Nature Action 100+.

Human rights

In this section, we assess the implementation of human rights policies and due diligence, as well as the most common metrics measured and reported on by our funds.

Human rights-focused engagements continue to grow in importance amid tightening regulation. The EU's Corporate Sustainability Due Diligence Directive (CSDDD) was formally adopted in 2025, joining frameworks such as the California Transparency in Supply Chains Act in requiring companies to identify, prevent, and address human rights impacts across their value chains. At the same time, the first wave of CSRD-aligned reports has revealed uneven disclosure on human rights topics, highlighting gaps in incident reporting, remediation, and supply chain transparency. These developments have heightened expectations for investors to engage with companies on due diligence and disclosure practices. Proactive engagement helps mitigate reputational and legal risks while supporting ethical practices and long-term value creation.

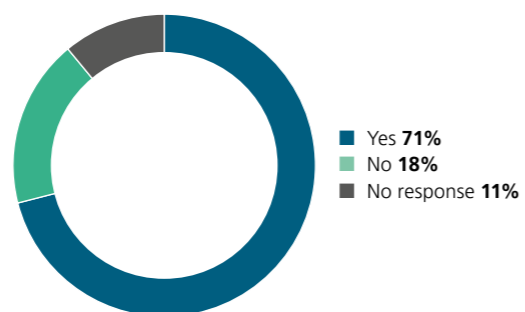
Awareness of human rights considerations has grown in 2025, with more funds monitoring their supply chains, expanding expectations for company reporting on human rights issues, and increasing the use of human rights due diligence processes.

Human rights due diligence

Human rights due diligence is a core element of identifying, preventing and mitigating adverse impacts that may lead to legal liabilities, operational disruptions, and reputational risks. It also plays an essential role in promoting ethical supply chains and broader societal well-being.

In 2025, 100 funds reported undertaking human rights due diligence, up from 80 in 2024, reflecting its growing recognition as a standard practice across the industry.

Does the fund conduct any human rights due diligence?



Supply chain monitoring

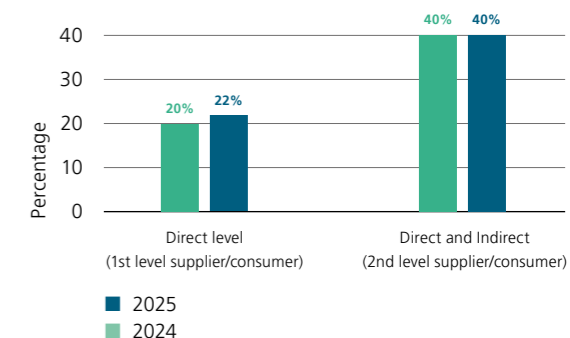
Conducting due diligence on holdings is a core component in identifying, preventing and mitigating the adverse impacts of failing to safeguard human rights.

There has been a statistically significant increase, with 79% of funds now performing due diligence on their holdings. This percentage remains consistent among sustainable funds, indicating that human rights due diligence is becoming a standard practice.

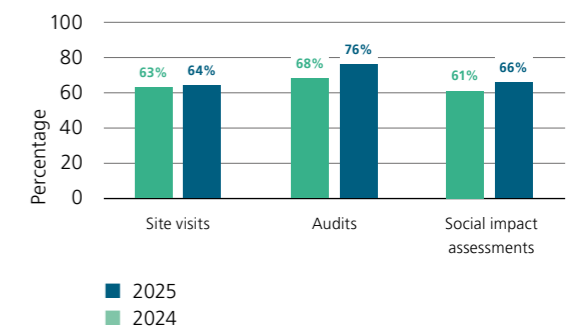
Human rights data and reporting

The types of human rights data that funds collect and review are crucial to building a comprehensive view of a company's practices and performance. Access to firsthand information, such as site visits, audits, and social impact assessments, can surface potential concerns and highlight material risks. In 2025, we observed a further increase in the share of funds reviewing these sources of information, and 75% now expect and analyse company policies on modern slavery. This growing focus supports both effective risk management and the promotion of ethical business conduct.

To what extent do you track human rights issues within the supply chain of your holding companies?



Percentage of funds that regularly expect reporting on and review of the following



Case study

Engagement: Tesco

Fund: Legal & General UK 100 Index Trust

In 2023, Legal & General launched a campaign focused on addressing income inequality among the world's largest food retailers, Tesco included, urging them to ensure a living wage not just for their own employees but also for those working through contractors and within supply chains. While Tesco already pays a real living wage to its direct staff, the challenge lay in its extended workforce, particularly contractors and upstream suppliers.

In 2024, Legal & General met with Tesco's supply chain procurement team to underscore the importance of extending living wage coverage beyond direct employees. Since then, Tesco has taken notable steps to strengthen its broader approach to fair pay. For instance, in March 2024 it implemented its largest single investment in store colleague pay, increasing the hourly rate to GBP 12.02, above the Real Living Wage.

Moreover, Tesco has made strong strides in its supply chain commitments. As part of its Sustainable Livelihoods strategy, the company is reviewing purchasing practices to better support producers paying living wages, particularly in sectors such as bananas, tea, and clothing. In early 2025, Tesco pledged to close existing living wage gaps in its UK banana supply chain, offering a top-up to producers earning below the benchmark wage.

These developments represent meaningful movement beyond internal pay improvements. They demonstrate how a retailer can leverage procurement policies to elevate standards across its entire value chain.

Case study

Engagement: Amazon

Fund: Baillie Gifford Global Discovery Fund

Baillie Gifford has a long-standing engagement with Amazon, and in 2024 they met with the company's experienced ESG team to discuss a range of ongoing sustainability issues. The conversation covered employee engagement, supply chain transparency, human rights considerations linked to cloud-hosting, AI governance, and Amazon's continued commitment to decarbonisation.

The discussion was open and constructive, with Amazon providing data-backed evidence to address each concern raised. On employee engagement, Baillie Gifford learned about "Dragonfly", a company-wide software tool that collects safety-related feedback and turns it into measurable actions. In 2023 alone, over 200,000 observations were addressed through this system, contributing to injury rates now falling well below the industry average. Amazon also outlined its work to improve supply chain oversight, aiming to reduce the risk of human rights abuses across its vast global network.

On climate, the company reaffirmed its substantial decarbonisation goals, including contracting 28GW of renewable power in 2023, more than half the installed capacity of the UK. Finally, the appointment of AI expert Dr. Andrew Ng to the board was highlighted as a step to strengthen oversight of the opportunities and risks presented by artificial intelligence, both socially and commercially.

Given the scale and complexity of Amazon's operations, regular engagement will remain essential. Amazon's willingness to have open conversations on challenging issues was admired, and Baillie Gifford will continue to engage constructively while voting thoughtfully on shareholder proposals.



Meeting expectations

Last year, we advised fund managers on specific areas of improvement for the following year. From 2024, we are happy to see:

- A greater number of funds conducting human rights due diligence.
- A greater proportion of funds expecting site visits, audits, and social impact assessments from holdings.

2026 fund manager expectations

As a responsible allocator of capital, LGT aims to foster continual improvement in our managers' ESG integration practices. Some specific areas LGT would like to see growth include:

- More funds setting formal human rights policies and conducting due diligence.
- Funds to take a more active approach in due diligence, expecting audits and site visits from holdings.
- A higher amount of funds monitoring the indirect supply chain of holding companies.

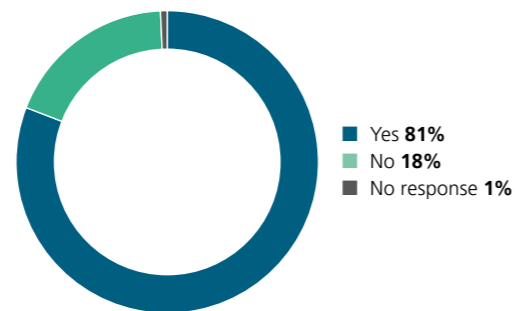
Diversity, equity and inclusion

In this section, we assess how funds are monitoring and engaging with their holdings on diversity, equity, and inclusion (DEI) issues.

Engaging on DEI issues can help to foster a more inclusive and innovative corporate culture, enhance decision-making and drive better financial performance. Additionally, it helps mitigate risks associated with homogeneity and ensures alignment with broader societal values, thereby strengthening the long-term sustainability and reputation of investments. A recent study has found a statistically significant relationship between higher percentages of Black, Indigenous, and People of Colour (BIPOC) management and stronger financial performance across eight standard metrics. This quantified relationship goes beyond inclusion benefits but also highlights tangible financial benefits to DEI.³

It's interesting to remark the increase of funds implementing DEI policies and adopting a range of diversity initiatives. While gender ratios showed no statistically significant change this year, this is expected given that progress depends largely on gradual staff turnover. DEI was also the only area where fund managers did not report an increase in engagement activity; however, with 89% already addressing issues such as board diversity, current engagement levels remain strong.

Does your organisation have a formal Diversity, Equity, & Inclusion (DEI) or equivalent policy?



DEI policy

A strong DEI policy is foundational to fostering fairness, inclusion, and opportunities for all employees, regardless of background. By setting clear expectations, it promotes a positive and respectful workplace culture, enhances innovation and collaboration, and boosts talent and retention. By setting responsible frameworks, DEI policies also act as a tool to help organisations comply with legal and ethical standards.

We are happy to see an increase in the amount of funds reporting a DEI policy, with 114 funds reporting they hold such a policy, up from 100 in 2024. We would like to see this momentum carried into the future, with more funds holding a DEI policy.

Engagement on DEI

Engaging investee companies on diversity, equity, and inclusion is an important way for fund managers to demonstrate their internal commitment to DEI. This year, more than 80% of funds, including every sustainable fund in the sample, reported engaging with companies on DEI issues.

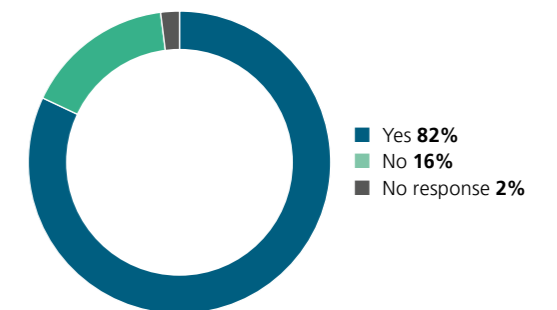
Almost two thirds of these focused on board diversity, highlighting the growing recognition of diverse leadership as a driver of long-term value.

DEI engagement topics

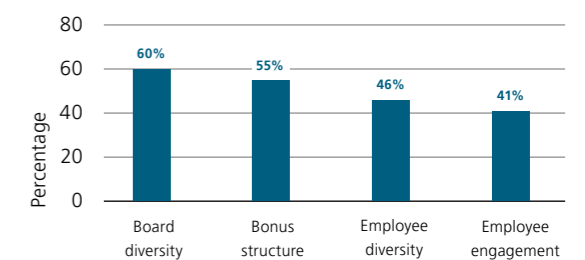
Engaging companies on DEI helps fund managers create long-term value and manage risk. Evidence consistently shows that diverse leadership teams deliver stronger financial performance, from higher revenue and return on equity to improved employee engagement. Investor engagement also signals that inclusion is integral to sustainable business success.

This year, more than 80% of funds engaged with holdings on at least one DEI topic, with over half focusing on board diversity and bonus structures. We hope to see this strong momentum for DEI engagement continue in the years ahead.

Do you proactively engage with investee companies on diversity or equity?



Percentage of funds that have the following DEI engagement



³ As you sow: The Diversity Dividend Key to Competitive Success. Access this [report here](#).

Case study

Engagement: Trustpilot Group

Fund: Liontrust Sustainable Future European Growth Fund*

Liontrust engaged with Trustpilot on several governance and diversity topics during 2024. Discussions covered the company's plans for ethnicity pay gap reporting and progress on increasing the representation of women in leadership roles within product and technology, currently standing at 17%. Liontrust encouraged the company to set ambitions for improving this figure over time.

The team also raised questions around the disclosure of performance targets linked to the CEO's bonus. Proxy adviser ISS had recommended voting against the remuneration report, citing a deviation from performance-based metrics. In response, the Remuneration Committee Chair wrote to shareholders explaining the rationale: the newly appointed CEO, who joined in mid-September, had a bonus linked to integration-related criteria rather than traditional financial or operational targets.

Liontrust requested that the feedback be considered as part of the company's upcoming review of its Directors' Remuneration Policy over the summer, with a view to improving clarity and transparency in future. After assessing the explanation provided, Liontrust were satisfied with the approach taken in this instance and voted in favour of approving the remuneration report.

*Fund is held in the LGT Sustainable Model Portfolio.

Case study

Engagement: Alphabet

Fund: Troy Trojan Ethical Fund*

Troy has been engaging with Alphabet to improve female representation at board level, as part of a broader initiative targeting all non-US investee companies with less than 30% female board membership. In a formal letter, Troy set out expectations for the company to establish diversity targets for both the board and senior management, backed by robust strategies to achieve them. Troy also encouraged Alphabet to build a diverse candidate pipeline, ensure succession planning incorporates diverse talent, and report regularly on progress against these targets.

Alphabet acknowledged the letter, and Troy will follow up within the next 12 months to assess progress. To reinforce the message, Troy escalated the engagement by voting against the Chair of the Nominating Committee at the 2023, 2024 and 2025 AGMs.

*Fund is approved for LGT Sustainable portfolios.



Meeting expectations

Last year, we advised fund managers on specific areas of improvement for the following year. From 2024, we are happy to see:

- A greater number of respondents currently hold a DEI policy.
- An overall increase in the proportion of funds conducting engagement on DEI topics.

2026 fund manager expectations

As a responsible allocator of capital, LGT aims to foster continual improvement in our managers' ESG integration practices. Some specific areas LGT would like to see growth include:

- All funds to have an internal diversity and inclusion policy.
- Funds to consider a wider range of topics on top of board diversity when evaluating a holding's DEI performance.
- A greater proportion of funds to engage with holding companies on DEI topics.

Conclusion

Thank you to our fund managers for your collaboration on this report. Your responses make this data invaluable, and we hope that sharing this report has provided you with insights into industry trends and current best practices. At LGT Wealth Management, we review each response carefully and use the data to inform our views on funds' approaches to sustainability as part of our due diligence process.

Summary

This year marked a clear evolution in fund managers' approaches to sustainability. Many have become increasingly selective about the initiatives they join, influenced by regulatory developments in the U.S. and shifts in investment strategies. However, among the initiatives they do support, particularly those focused on social issues or biodiversity, fund managers are demonstrating deeper and more active participation. This reflects a growing recognition of both their influence and the responsibility that accompanies it.

The momentum around climate-related considerations has continued to build. More funds are now conducting climate scenario analyses, aligning with the IIGCC, and expanding their screening processes. At the same time, biodiversity is gaining greater prominence, with rising numbers of managers supporting the TNFD, collecting more granular biodiversity data, and incorporating third-party data providers into their analyses.

Based on feedback from previous years, we have identified some key areas for continued growth and development for our fund managers. These targets will be a focus of our engagement with managers in the coming year.

Key targets for fund managers

- All managers to have a responsible investment and stewardship policy.
- Overall improvement to biodiversity policies and reporting.
- A greater focus on human rights and DEI looking forward.

Looking ahead

The year ahead will bring both progress and complexity in sustainability standards. In the UK, the Stewardship Code 2026 will place greater emphasis on outcomes-focused reporting, while TNFD and CDP are embedding nature-related disclosures into mainstream frameworks. At a global level, differences in regulatory pace and political priorities may create a more varied landscape, requiring investors to remain agile. Meanwhile, markets such as Hong Kong are continuing to advance governance reforms to strengthen board independence, diversity, and climate-related disclosures.

Amid a backdrop of evolving signals and shifting priorities, 2026 offers a valuable opportunity for continued progress. Gradual improvements in data, governance, and disclosure are helping equip investors with better tools to support a more sustainable and resilient financial system.



Thank you to all the fund managers who completed this exercise

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AllianceBernstein L.P.
Allianz Global Investors
Ardtur Investment Management
Artemis Investment Management LLP
AXA Investment Managers
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BlackRock, Inc.
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Media relations

Chloe Poole

Phone +44 (0)203 207 8466, chloe.poole@lgt.com

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LGT Wealth Management
14 Cornhill, London EC3V 3NR
Phone +44(0)20 3207 8000, info-uk@lgt.com

www.lgtwm.com