



Wealth
Management

Stewardship policy

Shaping positive outcomes for future generations



Forward-looking
for generations

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Cover image
Bauer brothers, Hortus Botanicus, detail
from "Tropaeolum majus", 1779
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Our approach to stewardship

As discretionary investment managers, we are long-term stewards of the money our clients have entrusted to us. Reflective of our long-term thinking and client-centric focus, stewardship is an integral part of our investment process.

Ensuring our investment decisions and recommendations are taken with our clients' best interests in mind is at the heart of our stewardship responsibilities. We keep the future in mind when we make decisions today, by looking beyond the short term.

The responsibility of long-term stewards includes:

- ensuring that company boards are independently scrutinising management
- recognition and management of environmental and social risks.

Our primary duty is to maximise investment returns for our clients whilst operating within the confines of our contractual obligations and the objectives, goals and other parameters we have agreed with our clients.

Through sound financial management of our clients' capital, we also look to achieve a secondary outcome: a safe and sustainable future for our clients and the generations to come. As universal owners, we recognise that the health of the economy relies on a healthy planet and healthy people and, through active stewardship, we can maximise risk-adjusted returns and generate positive real-world impact.

Our stewardship toolkit



Voting

As part owners of the publicly listed companies we invest in, we are regularly invited to vote on management plans and company direction at AGMs. We can vote in favour of a proposal, against management or abstain, to inform management of our views on a particular issue. Voting is a vital component of our stewardship approach as it allows us to constructively work with boards to voice shareholder concerns and improve practices.



Engagement

We view engagement as pro-active and reactive dialogue with investee companies or fund managers, which allows us to identify the long term drivers of value and provide constructive feedback on how these players can improve their sustainable behaviours. Engagement can occur independently through strong relationships with businesses and managers, or collaboratively, relying on the strength in numbers and a unified voice.



Public advocacy policy

As regulation of sustainable finance increases, investors are increasingly subject to new reporting and practices designed by policy makers. It is in our interest, and the interest of our clients, that we work together with policymakers to ensure that policies are well-designed and implemented to improve market practices on sustainability.

Shaping stewardship outcomes

We believe stewardship offers investors an additional avenue to maximise risk-adjusted returns and a new lens through which to scrutinise companies' sustainability commitments. Through our own stewardship activities, we aim to shape outcomes which will safeguard economic systems and ensure positive associated outcomes, such as a just transition to net-zero carbon dioxide emissions. We discharge our stewardship responsibilities through four primary avenues:

1. Voting

LGT Wealth Management systematically vote on equity holdings held in client portfolios and have partnered with one of the world's leading proxy advisor companies Institutional Shareholder Services (ISS) to deliver on this. Our relationship with ISS enables us to conduct voting on all approved companies held in our discretionary investment portfolios across LGT Wealth Management. We are subscribers to ISS' Sustainable Policy, ensuring that each vote highlights the importance of the sustainable agenda with the respective company.

Whilst ISS provides us with voting recommendations, we do not always cast our vote in line with this – for example we may hold a different view on behalf of our clients or see a potentially negative outcome.

All voting decisions are reviewed and approved by the relevant investment committee responsible for the underlying security. Any decision that deviates from our approved ISS sustainability policy is referred to our Sustainable Governance Committee for approval.

We communicate voting outcomes in our annual Stewardship report, which is available on request or via the website.

2. Direct engagement

With companies

We believe direct engagement allows open and constructive dialogue with the companies held in our client portfolios. This dialogue assists our research team and helps us gain a better understanding of the risks businesses face and where they are looking to progress. We also engage with companies on material issues such as diversity and inclusion, biodiversity and climate practices.

With third party fund managers

As part of our rigorous fund selection process, we monitor third party fund managers on a routine basis. The process requires annual reporting through our due diligence questionnaire. This covers general environmental, social and governance (ESG) activities, climate pledges, approaches to biodiversity, human rights, diversity and inclusion, as well as distinct impact metrics. The results and progress seen by companies in these areas helps us to formulate our expectations and where we can work with third party managers to improve their approach.

Through a specialist engagement provider

LGT Group partners with BMO Global Asset Management's Responsible Engagement Overlay, to help conduct market-leading corporate engagements with equity and corporate bond holdings.

This partnership enables us to engage with investee companies on a broader range of ESG issues and leverage on the experience of BMO's team. Through this partnership, we can report to clients on a greater number of engagements.

3. Collaborative engagement

Collaborative engagement occurs when a group of like-minded investors come together to engage with a particular company. Many challenges faced by companies are systemic and as such require collective action across sectors and industries. Our parent company, LGT Group, is a member of the Principles for Responsible Investment, the Institutional Investors Group on Climate Change and the Finance for Biodiversity Pledge Foundation. These initiatives allow us to participate in collaborative engagement frameworks, such as Climate Action 100+ (the largest investor engagement targeting the 100 most polluting companies) or Nature Action 100 (which focuses on biodiversity).

4. Public policy advocacy

Our role as a responsible steward extends beyond our investment portfolios; it includes providing decision-makers with valuable insights and data from the investment management industry. We actively respond to consultations, participate in pan-industry working groups and contribute to investor letters when we deem appropriate.



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Stewardship allows us to move
companies in the right direction
to create real change.

Siobhan Archer, Global Stewardship Lead

A robust governance structure

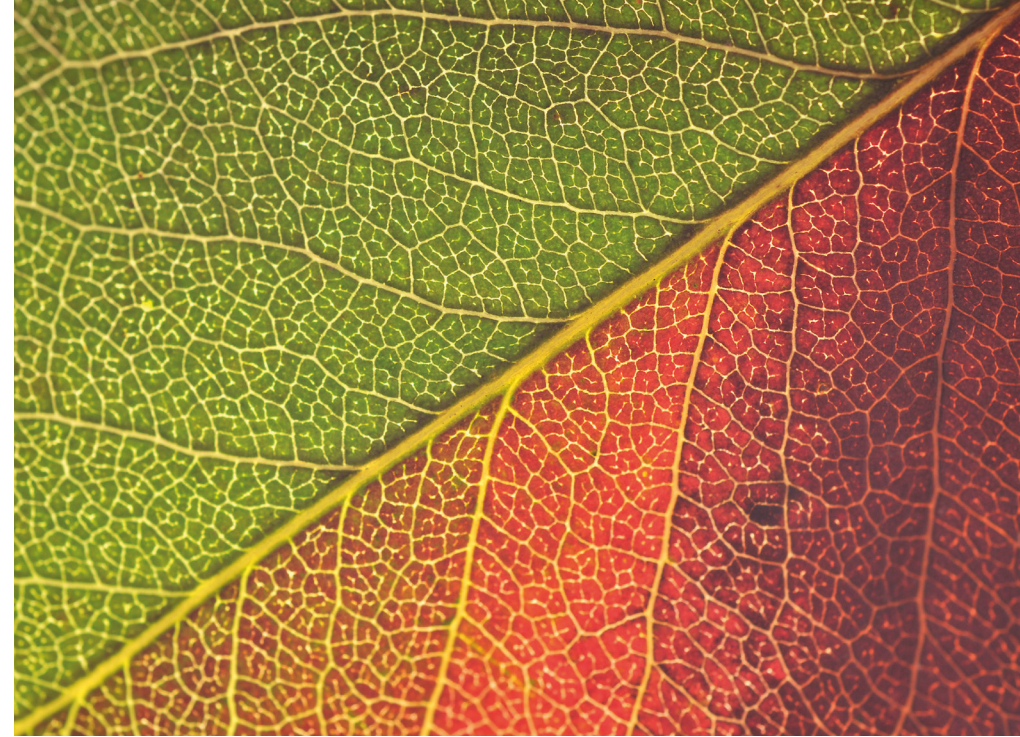
As an organisation, it is important that stewardship is fully integrated within the business and benefits from strong oversight by our senior executives.

To ensure consistency and alignment of approach, as well as sound implementation across the business, our Sustainable Governance Committee (SGC) was formed. The SGC sets out the house view on stewardship and acts as the highest level of decision-making on stewardship related topics.

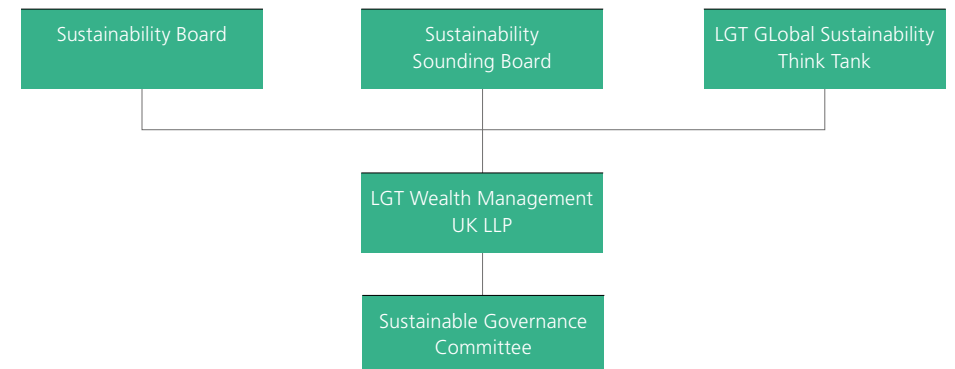
Proxy-voting and engagement decisions are embedded within each of the securities' underlying committees (i.e. UK Equity Committee, International Equity Committee), however where a decision is not immediate or there is no precedent, this can be referred to the Sustainable Governance Committee.

The overall policy and approach is reviewed and updated annually or more frequently if required.

You are able to see the trades on your portfolio via the LGT Wealth web portal or third party platform.



Governance structure



Stewardship in practice

Case study: voting on fossil fuel lending

The International Energy Agency states that, to reach net zero by 2050, all new oil, gas or coal development must cease immediately.

As responsible stewards, we screen the revenue and loan books of financial institutions. We consider not only the net position, but also the direction of travel that the institution is taking, any new loans and their value.

The Interfaith Center on Corporate Responsibility (ICCR) filed a number of shareholder resolutions at the world's largest fossil fuel financiers. The resolutions urged the banks to "Adopt a Fossil Fuel Lending Policy consistent with the IEA's NZ by 2050 Scenario" in order to remain credible in their net zero commitments.

In April 2022, we reviewed the proposals and found that Bank of America, J.P. Morgan, Citi and Wells Fargo were among the top five fossil fuel financiers and, despite their pledges to tackle climate change, their proportion of lending to oil majors had increased.

Following approval from our internal International Equity Committee, we decided to support the shareholder proposals. Whilst not reaching majority support, the proposals garnered 12.8% support which is over the SEC's required 5% in order for a proposal to be submitted again.



Case study: voting on biodiversity concerns

Forests play an important role in sequestering carbon to protect against global warming and allowing for biodiversity.

Procter & Gamble, a consumer goods company, produces products like kitchen roll, toilet paper, period products and nappies that are highly dependent on forests.

In 2022, Friends of the Earth filed a notice urging shareholders of P&G to oppose the re-election of three board members for insufficient action on deforestation.

We engaged with a leading biodiversity data provider to crosscheck the claims by Friends of the Earth and, using geospatial data and supplier location coordinates, it was clear that P&G's supply chains were having an impact on Canadian primary forests and the Indonesian rainforest's size and species density.

Following this analysis, we decided to vote against the reappointment of the three board members.

Communicating with stakeholders

LGT's long-term and client-centric approach means we consider it vital to keep our stakeholders and clients informed on the progress of our sustainable investing and the development of our stewardship efforts.

We report on our voting and engagement via our annual Stewardship report which is available upon request or via our website. Additionally, we understand the need for collaboration in tackling some of the larger scale challenges and therefore we look to cooperate with our fund managers, our peers and the industry more widely when appropriate.

Clearly communicated



Managing conflicts of interest

LGT maintains a policy on managing conflicts of interest which is designed to ensure its decisions are taken wholly in the interest of our clients. We aim to ensure that all potential and actual conflicts are identified, recorded, evaluated, managed and monitored.

LGT does not engage in proprietary trading and therefore any conflict of interest between us and our clients with regard to the advice we give, investment decisions we may take on a discretionary basis, or the exercise of voting rights is eliminated.

Our conflicts of interest policy is available to clients upon request.

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For us, effective stewardship means we seek the best outcome for our clients by taking an active interest in both the financial and non-financial aspects of the companies and funds in which we invest on behalf of, or recommend, to our clients.

Sanjay Rijhsinghani, Chief Investment Officer

Stewardship in the industry

The UK Stewardship Code (Code) was first issued by the Financial Reporting Council (FRC) in 2010, with the latest edition effective from 1 January 2020. The FRC is an independent regulator which oversees the areas of auditing, financial reporting and corporate governance as well as stewardship in the financial services industry. The Code sets a clear benchmark for stewardship as 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.

The Code comprises a set of twelve principles for asset managers and asset owners, covering a range of expectations, from the monitoring of managers and service providers to collaborative engagement. We use the framework of the Code to formulate our own voting and engagement strategies.

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Investors should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.

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