



Wealth
Management

Stewardship policy



A look inside the Princely Collections

For more than 400 years, the Princes of Liechtenstein have been passionate art collectors. The Princely Collections include key works of European art stretching over five centuries and are now among the world's major private art collections. The notion of promoting fine arts for the general good enjoyed its greatest popularity during the Baroque period. The House of Liechtenstein has pursued this ideal consistently down the generations.

We make deliberate use of the works of art in the Princely Collections to accompany what we do. For us, they embody those values that form the basis for a successful partnership with our clients: a long-term focus, skill and reliability.

www.liechtensteincollections.at

Bauer brothers, Hortus Botanicus, detail from
"Tropaeolum majus", 1779

© LIECHTENSTEIN. The Princely Collections, Vaduz–Vienna

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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 toolkit



Voting

As part owners of the publicly listed companies we invest in, we are regularly invited to vote on management's plans and direction for the company at annual general meetings. 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 policy advocacy

As regulation on sustainable finance increases, investors are increasingly subject to new reporting and practices designed by policymakers. 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 Active Ownership report, which is available on request or via the website.

2. Direct engagement

a. 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.

b. 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.

c. Through a specialist engagement provider

In 2022, LGT Group entered into a partnership with BMO Global Asset Management's Responsible Engagement Overlay to help us 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 like 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.

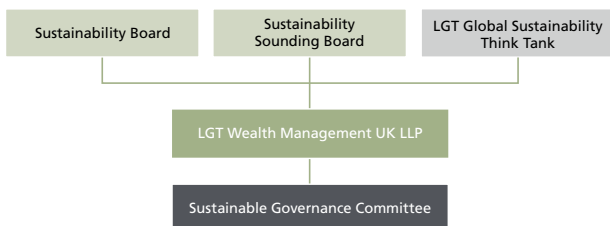
A robust governance structure

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.



Stewardship in practice

Voting on “Say on Climate” Plans

- Over the past five years, climate change has become more and more important in the context of proxy-voting, with an increasing number of companies issuing “Say on Climate” proposals.
- These management or shareholder sponsored votes allow investors the option to vote on the business’ climate plan and how often they report to shareholders on progress.
- Climate action is one of our key stewardship priorities, therefore we have been increasingly active across this topic in our voting and engagement activity.
- In 2021, we voted in favour of 84% of environmental shareholder resolutions, including votes on climate transition plans.



Voting in action

- In 2021, we voted against the approval of BHP’s Climate Transition Action Plan, in line with the recommendation of ISS. This was due to concerns over the company’s Scope Three emissions targets, which relied on both divestment of oil and gas businesses and technology innovations to provide iron ore to steelmakers, creating material risk in the long term. In addition, there was concern that BHP’s net-zero commitments have not been approved by the Science Based Targets Initiative.
- In the same year, ExxonMobil’s 2021 Annual General Meeting (AGM) proved to be a significant win for climate change voting, when shareholders, including LGT, voted in independent directors who were nominated by hedge fund Engine No.1. We were pleased to vote in favour of all three directors.

Promoting diversity and inclusion



- We take diverse representation on boards seriously, recognising diversity of thought and experience creates more robust conversations and decisions.
- Diversity is an area we are seeking to improve in, both internally and externally through the companies and funds in which we invest.
- Our commitment to diversity and inclusion is reflected in our engagement and voting work on gender representation on boards.
- If the gender representation is not in line with the Hampton-Alexander Review (an initiative launched in 2016 by the UK Government to promote women's representation in senior leadership), we are able to vote against the nominating chair of a board.

Parker Review

- In the UK, the Parker Review recommended that all FTSE 100 companies include at least one ethnic minority background board member by 2021 and all FTSE 250 constituents conform with this same policy by 2024.
- As the AGM season approaches, we will engage with companies without the required representation to understand their plans and timeframe to comply with the Parker recommendations.

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 Active Ownership 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.

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.

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.

“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.”

Jonathan Marriott, Chief Investment Officer
LGT Wealth Management





Bauer brothers, Hortus Botanicus, "Lilium", 1776/1804 © LIECHTENSTEIN. The Princely Collections, Vaduz-Vienna

“Our stewardship approach allows us to amplify our impact and create real world change.”

Ben Snee, CEO LGT Wealth Management

Important information

LGT Wealth Management UK LLP is authorised and regulated by the Financial Conduct Authority ("FCA"). Our regulation details are set out in the FCA register: Firm Reference No: 471048; register.fca.org.uk/. Registered in England and Wales: OC329392. Registered office: 14 Cornhill, London, EC3V 3NR.

LGT Wealth Management Jersey Limited is incorporated in Jersey and is regulated by the Jersey Financial Services Commission in the conduct of Investment Business and Funds Service Business. Registration number: 102243; www.jerseyfsc.org/industry/regulated-entities, Registered office: 30-32 New Street, St Helier, Jersey, JE2 3TE.

LGT Wealth Management US Limited is authorised and regulated by the Financial Conduct Authority and is a Registered Investment Adviser with the US Securities & Exchange Commission ("SEC"). Our regulation details are set out in the FCA register: Firm Reference No: 585547; register.fca.org.uk/ and the SEC Investment Adviser Public Disclosure: www.adviserinfo.sec.gov/IAPD/Default.aspx. Registered in England and Wales: 06455240. Registered Office: 14 Cornhill, London, EC3V 3NR.

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