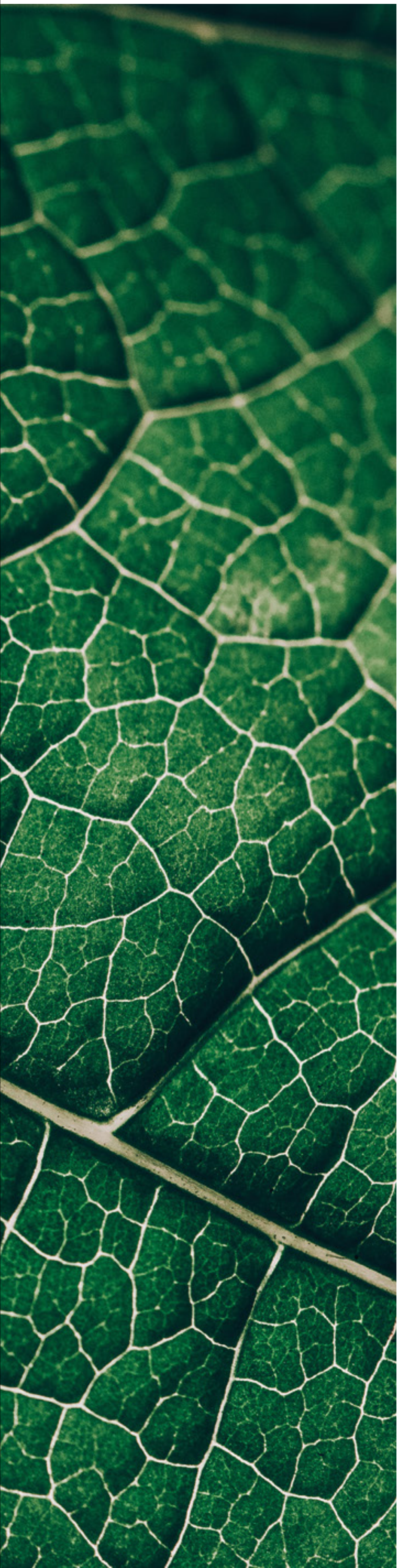
Wealth
Management

Stewardship report

2023

Forward-looking
for generations

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



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Stewardship in 2022

2022 was another pivotal year for stewardship at LGT Wealth Management. We expanded our work in this space by engaging with a number of board chairs on issues including diversity and climate, voting on a record number of proposals and collaborating with peers to mobilise the industry on sustainable finance.

Improved governance

We restructured our Sustainable Governance Committee, adding our Chief Investment Officer, Head of Compliance and Legal and Head of Front Office, alongside our Head of Sustainable Investing and Intermediary Investment Services, to ensure the highest level of buy-in from across the business on our stewardship activities.

One of the first things they approved was our renewed Stewardship Policy, highlighting the progress made on engaging companies and managers, and our newly emboldened efforts on public policy engagement.

Internal training

During 2022, all front office teams received in-depth training through small group sessions on the voting and engagement activities at LGT Wealth Management, as well as broader sustainable investing issues such as:

- How the business approaches controversies
- LGT's net zero ambitions
- The Task Force on Climate-Related Financial Disclosures
- The important role of stewardship for the long term.

Taking action

We added our name to collaborative engagements like Climate Action 100+ and the Finance for Biodiversity Pledge. We also built our understanding of key issues like deforestation across supply chains in our portfolios to vote in line with our beliefs.

Amplifying our voice through public policy engagement, we were appointed to the United Nations Principles for Responsible Investment (PRI) Global Policy Reference Group. This enabled us to lend our views to UK policies, such as the proposed Sustainable Disclosure Regulation and the UK Government's role in pushing climate change ahead of COP27.

We will comment on this year's annual general meeting (AGM) season and some key activities in the following report. We welcome questions and comments from clients and our stakeholders as we continue to refine our approach and voice around stewarding capital.

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Real world impact doesn’t come from divesting our portfolios away from controversial sustainability issues. Stewardship allows us to move companies in the right direction to create real change.

Siobhan Archer, Sustainable Investing Specialist

Our approach to stewardship

Definition

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, environment and society.
UK Stewardship Code

As discretionary investment managers, we are 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.

Our primary duty is to maximise investment returns for our clients whilst operating within the confines of our contractual obligations as well as 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 society. Through active stewardship, we can maximise risk-adjusted returns and generate positive real world impact.

We discharge our stewardship responsibilities through three primary avenues:

Avenues of stewardship resposiblities

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

Direct
We engage with our direct equity holdings and fund managers on a regular basis through meetings, letters and roadshows.

Collaborative
We are a member of a number of collaborative engagements where we pool our capital with other investors to amplify our asks.

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.

Stewardship process

Over the last year, we have been working to create an integrated process for engagements, and the escalation and sign-off of our proxy voting activities. Our engagement is centred proactively around thematics, such as climate or net zero, as well as on reactive issues linked to an upcoming AGM or a recently identified controversy.

Once we have established our stance on a specific issue or resolution, we vote consistently with that across our full shareholding. This puts the full weight of our ownership behind our stance, as well as ensuring consistency of message to the investee companies.

An integrated process

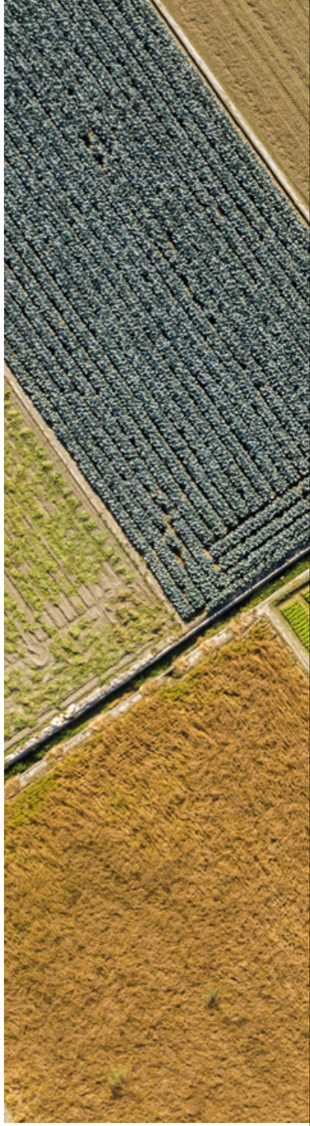
Research
- ESG risks are reviewed for every holding
- Sustainability research is produced by our proxy adviser company, Institutional Shareholder Services (ISS)
- This is led by the Stewardship team and delivered by Research

Committee decision
- All decisions are ratified by existing LGT Wealth Management Investment Committees
- Stewardship and ESG data points are reviewed as part of the decision-making process

Engagement
- This consists of both thematic and ad hoc letters, emails, calls and meetings linked to a controversy or AGM issue
- We also engage in constructive dialogue with companies and managers

Proxy voting
- One consistent voting approach is taken across our full shareholding, prioritising sustainable outcomes
- This approach creates a clear voting record including rationale and alignment with policy

Reporting
- Stewardship activities are systematically reported on an annual basis
- Ad hoc reporting is provided to clients and stakeholders
- Internal live dashboards are produced for Investment Managers



Voting summary

In 2022, we broadened our voting coverage to vote on all holdings in our clients' portfolios, including our investment trusts universe.

We voted at AGMs for 176 companies and investment trusts, across 16 different countries. The new markets we voted in were Australia (due to a dual listing of an existing mining company), Denmark and Norway (due to new fund additions), Canada, Jersey and the Isle of Man (due to the addition of investment trusts). We voted at over 200 meetings over the last year and on over 3 300 individual proposals.

A proposal (or resolution) is a recommendation or requirement that a company or its board of directors should take a particular action on. They can be proposed by the company's management, where management would like to garner broad support for an issue, or by a shareholder to improve the company's processes.

Shareholder resolutions have been rising over time due to shareholder activism, yet still form a much smaller portion of the resolutions raised at company meetings. The regulatory environment in different jurisdictions can impact the ease and ability for shareholders to raise such proposals. For example, in the US, shareholder activism is quite advanced because shareholders only need to own more than USD 2 000[1] in stock or 1% (whichever is lower) of a company to be able to submit a proposal. By contrast, in the UK and certain European countries, there are stricter laws around shareholder proposals: proponents must own at least 5% of the company, making it significantly more difficult to file a resolution.

During 2022, the industry saw a large increase in shareholder resolutions, with companies like Amazon and Alphabet receiving 17 and 15 shareholder proposals respectively. Within our voting season, we saw shareholder proposals increase from 73 in 2021 to 125 in 2022, representing a 71% increase. As a proportion, shareholder resolutions only represented about 5% of all resolutions, highlighting the need for further investor escalation on ESG issues.

2022 voting vs 2021 voting

	Issuers voted on	Markets voted	Total number of meetings voted at	Total proposals voted
2022	176	16	213	3 338
2021	83	11	90	1 041

Source: LGT Wealth Management voting data, ISS, accessed 31 Dec 2022

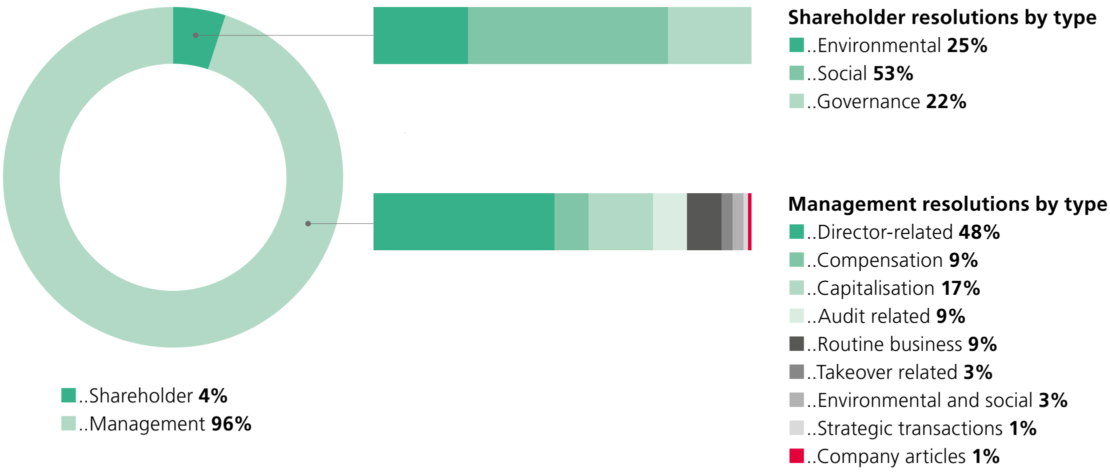
[1] 'This threshold is outlined in Rule 14a-8 of the Securities Exchanges Act and from January of 2023 will enter a grandfathering transition period whereby the threshold will increase to include a holding period, i.e. USD 2 000 for at least three years.' source: www.unpri.org/filing-shareholder-proposals/filing-a-shareholder-proposal-in-the-us/11003.article

2022 voting proposals breakdown

The majority of proposals we saw in 2022 were brought about by management – a total of 2 634 (96%). These focused on issues of compensation, board and corporate structure or capitalisation. Shareholder resolutions made up a smaller share, at 125 (4%) among our equity holdings in 2022.

As a proportion of all resolutions, shareholder resolutions dropped from last year with the inclusion of the investment trust universe, which very seldom sees shareholders raise issues at the board level.

Proposal types



Source: LGT Wealth Management voting data, ISS, accessed 31 Dec 2022

Proposal trends

An interesting trend we observed in 2022 was the rise of social proposals from shareholders, covering issues from gender and ethnicity pay gap reporting to third party audits on working conditions.

As mentioned previously, Amazon and Alphabet saw the highest amount of shareholder proposals. At Alphabet, social issues dominated shareholders' themes, with proposals focusing on human rights risk assessments, board diversity, racial equity audits and establishing a social issues board committee. Meanwhile, the shareholder proposals at Amazon focused on plastic usage, reporting on charitable contributions, publishing tax transparency reports, the use of artificial intelligence facial recognition systems and protecting the freedom of association and collective bargaining.

The rise in shareholder proposals has played a large role in emphasising the importance investors are now placing on environmental and social issues. For example, 78% of shareholder resolutions related to environmental and social areas, whereas the vast majority of management resolutions related to routine organisational and procedural areas.

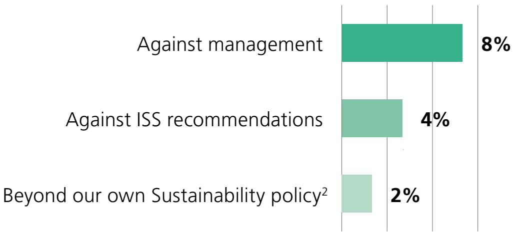
On the management proposals side, unsurprisingly, director-related proposals made up the largest share. As the popularity of 'Say on Climate' proposals continued (promoting the transition to net zero), environmental proposals grew at the management level from 1% in 2021 to 2% in 2022.

How we voted in 2022

Over the last year, we have continued to work with Institutional Shareholder Services (ISS) to cover our voting activity in the 16 different markets in which we invest directly. We have subscribed to ISS' Sustainability Policy, allowing us to vote progressively on all issues at all companies, really using the power of voting to transform businesses and have our voice captured. Despite Sustainability being the default policy, we do not always vote in line with ISS' recommendation. Each proposal is independently scrutinised to ensure it aligns with the broader strategy we are pursuing with the company, as well as to ensure there are no unintended outcomes.

In total, we voted against management 258 times in 2022, around 8% of all votes.

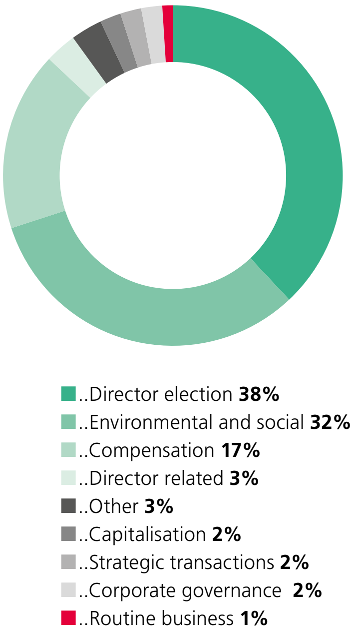
How we voted



Source: LGT Wealth Management voting data, ISS, accessed 31 Dec 2022

The largest share of votes against management pertained to director re-elections. There are a number of reasons for this and each case is reviewed on an independent basis. For example, we vote against the chair of the board or committee when we feel they are not taking the company in the best direction for the long term, their appointment is deemed a conflict of interest or they are no longer creating shareholder value.

Votes against management



Source: LGT Wealth Management voting data, ISS, accessed 31 Dec 2022

The second most important reason we vote against management is for environmental and social reasons. These can include plans on gender and ethnicity reporting, proposals on climate change transition plans or issues of labour discrimination. We will often vote to support shareholder resolutions where the ask is reasonable and there are no unintended costs for the company.

Compensation is another issue we routinely scrutinised during 2022. It is in the interest of all shareholders that executive renumeration is regularly evaluated, guided by open and transparent KPIs or structures, and rewards behaviour and achievement of executives. It is best practice for companies to give shareholders a say on pay, allowing them to approve changes in the renumeration report or via an annual vote on the renumeration report.

[2] 'Beyond our own sustainability policy' refers to the custom benchmark we have chosen with ISS, our proxy adviser. This will refer to a vote where we chose to diverge from the advice and follow our internal decision.

Voting: case studies

Executive pay

In 2022, there were a number of pay packages that we as shareholders viewed to be disproportionate in light of company performance and rising input costs. One example is the renumeration package that was awarded to Jamie Dimon, CEO of J.P. Morgan Chase & Co.

J.P. Morgan offered shareholders an advisory vote on their CEO's pay package. An advisory vote is one in which shareholders can express their opinion, but the outcome of the vote is not binding. Dimon's total compensation was USD 96 million, with a one-off bonus payment of USD 34 million payable in 2022. Shareholders questioned the lack of transparency and awarding of the bonus, following a year when J.P. Morgan's profits were down 22%. 69% of shareholders voted overwhelmingly against the pay package, however management still went ahead and awarded Dimon the pay.

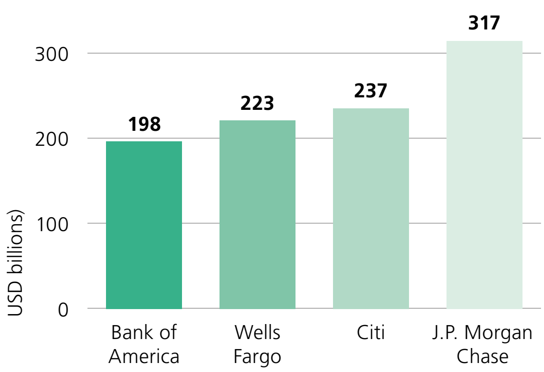
Fossil fuel lending at the big banks

The 2021 International Energy Agency's (IEA) report stated 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 financers. 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 financers

Fossil fuel funding 2016 to 2020



Source: www.ran.org/publications/banking-on-climate-chaos-2021/

and, despite their pledges to tackle climate change, their proportion of lending to oil majors had increased. Following approval from the International Equity Committee, we decided to act against ISS' policy and 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.

Biodiversity rises to investor's attention

Biodiversity is a relatively new area for investors and shareholders, with many only just beginning to map their impact and dependencies on nature. Procter & Gamble (P&G) is a consumer goods company that produces commonly used products like Bounty kitchen roll, Charmin toilet paper, Always period products and Pampers for babies, which are all products highly dependent on natural resources like forests.

During 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.

Last year, we had voted against the re-election of one of these board members, Angela Braly, for her lack of commitment on deforestation as chair of the Public Responsibility Committee, as well as her conflicting role on the board of ExxonMobil, an oil and gas company.

We engaged Nature Alpha, 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. Forests play an important role in sequestering carbon to protect against global warming and allowing for biodiversity. Following this analysis, we decided to vote against Angela Braly's reappointment to the board, as well as the Board's chairman and CEO, Jon Moeller and Patricia Woertz respectively.

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Our owner’s long-term vision is synonymous with our stewardship approach, allowing us to engage with companies to futureproof them for the green and just transition.

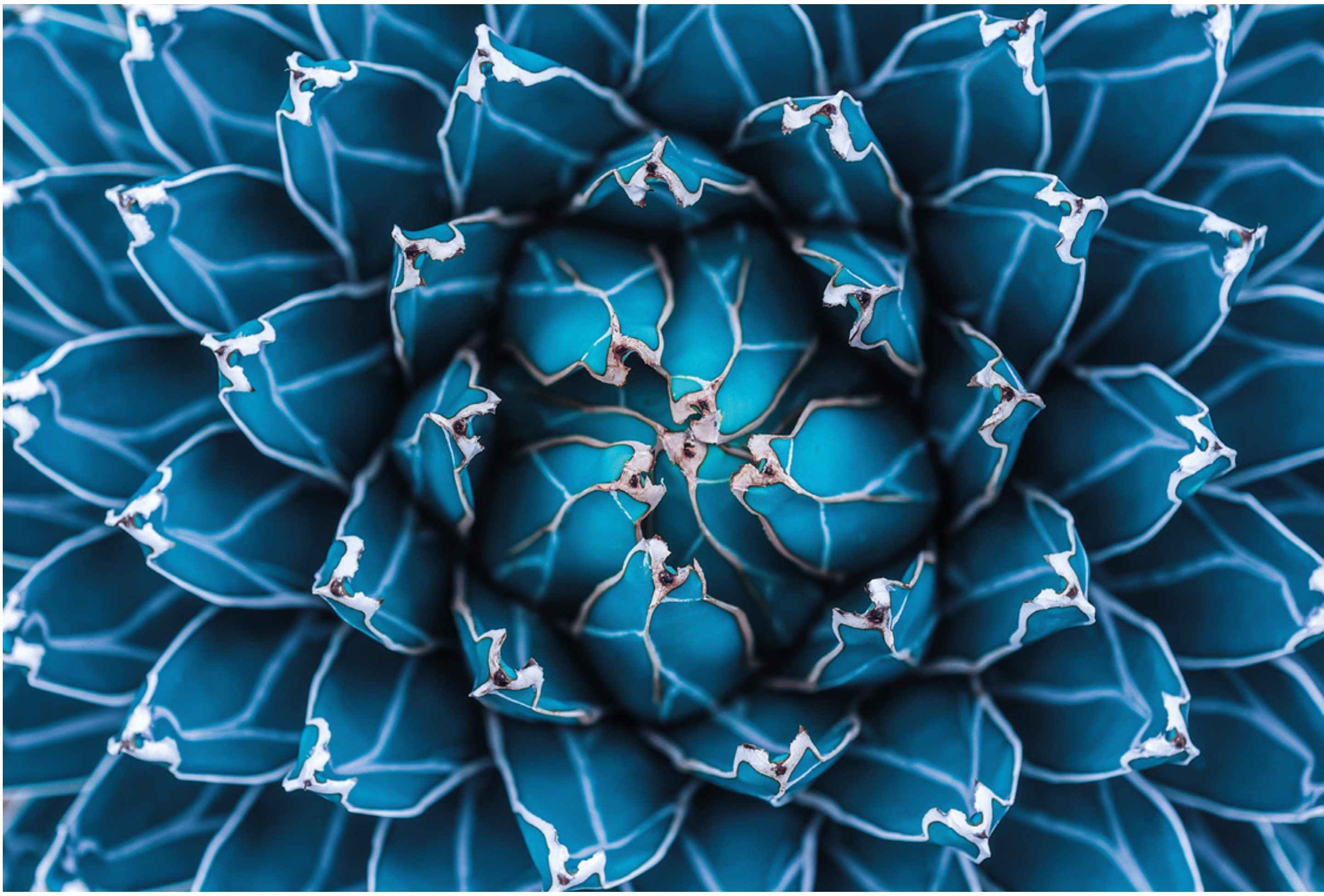
Phoebe Stone, Head of Sustainable Investing

Engagement summary

We view engagement as reactive and proactive dialogue with investee companies and fund managers, conducted either directly or through collaboration with other investors who share similar views.

Engagement plays a key role in understanding the motivations of our investee companies and complementing our research analysts' knowledge. All of our engagements are constructive and collaborative, whilst also usually looking to share insights at industry or company level, and to aid development on a specific topic.

In 2022, we focused our efforts on building our fund manager engagement programme, as well as conducting a series of direct engagements with companies on topics such as diversity and inclusion, linking compensation back to ESG and climate goals, and climate lobbying.



Engagement: case studies

Engaging with UK listed companies and the investment trust industry on diversity

The UK Parker Review was announced in 2016, encouraging ethnic diversity on UK boards. The series of recommendations on enriching business leadership through ethnic diversity includes targets applicable to FTSE 100 from 2021 and FTSE 350 companies from 2024.

As a UK-based wealth manager with large holdings in the UK investment trust landscape, we decided to demonstrate our commitment to ethnic diversity at board level by tackling the lagging market segment and pushing for greater change. It is important to us to consider all facets of encouraging diversity and to ensure companies take a thoughtful, process-based approach, with any appointments made in line with best fit for the board rather than being tokenistic efforts.

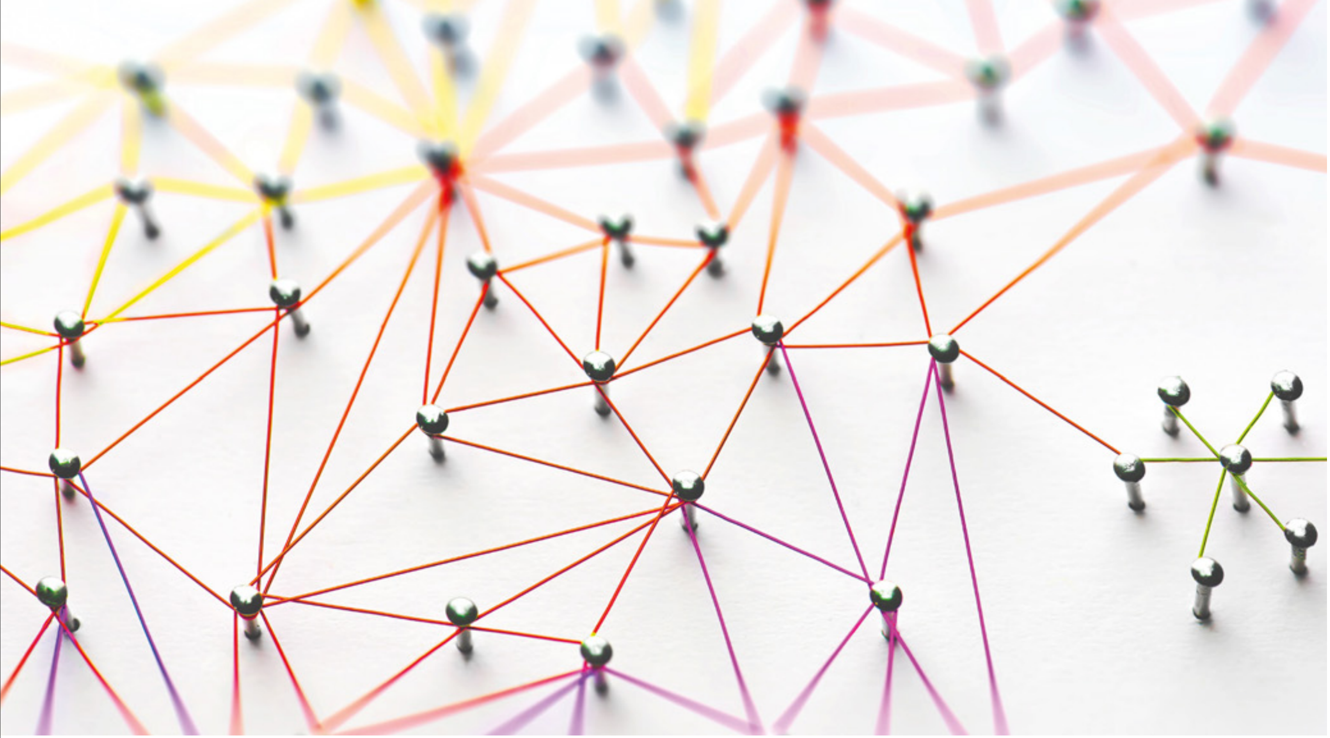
For this reason, our engagement approach focused on the appointment process of ethnic minority background directors, from board succession planning to the appointment of an executive search party and D&I clauses which could be integrated into recruitment RFPs and job descriptions.

In the first instance, we wrote to investment trust executives to inform them of our understanding of the Parker Review and its recommendations, as well as our desire for this segment of the market to comply ahead of any mandatory requirements to come. We also emphasised our significant influence through voting and our desire to support the board's longevity through consistency in directorships, despite this at times going against recommendations from our proxy voting adviser. In doing so, we often convinced the investee we were on their side.

Following the letters, we had a number of successful meetings with executives, board members and board chairs, during which we presented the importance of having an inclusive hiring and onboarding process. We requested trusts disclose a roadmap or plan to comply with the Parker Review recommendations in their bi-annual reports so that investors could understand their commitment. In one instance, a chairman also committed to publicly report diversity traits for the board members.

The focus on process rather than outcome was one that gained us favour with the boards, and one we have since seen changes from. For example a large UK entertainment company in our portfolio was one of the companies in scope of our engagement.

- We wrote to their investor relations team to understand their roadmap for improving ethnic diversity at the board level.
- The company was quick to respond and tell us in confidence that their candidate whom they were due to announce at the upcoming AGM had dropped out due to COVID-19 related reasons and that they were re-enlisting their executive search party to find someone with similar credentials.
- They were keen to show us their diversity policy as well as the training they had put the board through. The company also stressed that they may not be able to update us ahead of the AGM, but the open communication and strong policies gave us enough confidence to ascertain their genuine commitment to improving ethnic diversity on their board.
- Therefore, we decided to vote in favour of all directors and we were pleased to see that, only a few weeks after the AGM, they announced the appointment of their first South East Asian director.



Engaging on climate lobbying

Climate lobbying is the act of directly lobbying and/or spending money to block or delay regulations designed to avert the climate crisis.

In the US, lobbying was highly regulated until the 2010s, when political spending at the Federal level reached a record figure of USD 3.5 billion following the passing of the Affordable Care Act (also known as ObamaCare). Since this initial boom, political spending in the US has continued to swell: the 2020 Presidential Election saw flows exceeding USD 14 billion. A lot of this spending is considered 'dark money', as companies are not required to report their spending nor how their donations align to broader corporate purpose or societal progress. This lack of transparency makes it difficult to track and follow flows.

In September 2022, several companies and fund managers came under scrutiny for their sponsorship of the State Financial Officers Foundation (SFOF), a US organisation that champions freedom of speech, society and civil discourse. Whilst the SFOF have done important work around financial education, their corporate lobbying efforts have focused on trying to undermine climate efforts such as the SEC's proposed climate risk and disclosure rule and through interests with the American Petroleum Institute.

It came to light that one of our fund managers was a gold sponsor for SFOF and another was a silver sponsor. We reached out to the managers as soon as we became aware of the issue, expressing our discomfort. We took a stronger approach with the first manager, one we use for money markets across multiple solutions including in our sustainable portfolio, where there was a clear conflict in values. Whilst investor pressure led to both managers ending their sponsorship and membership of the SFOF, we made the decision to replace this first fund in sustainable portfolios to ensure close alignment with clients' interests.

We also identified several companies who were sponsors of the SFOF, including Mastercard Inc. and Visa. To us, this issue highlighted a broader problem of misalignment of political spending and stated values. For example, Mastercard states that it is "committed to doing well by doing good", a vision that inspires "everything" the company does. Furthermore, the company has a net zero by 2040 goal and openly proclaims its efforts in addressing scope three emissions. However, this vision appears to be misaligned with the company's political expenditure, as supporting SFOF could harm Mastercard's chances of meeting its targets. This has prompted us to undertake a larger engagement stream on the incongruency of political spending, including asking companies to publish their political expenditure reports, including nominal spending amounts and linking these donations back to mission statements and company values.

Collaborative initiatives

At LGT Wealth Management, we have joined several collaborative engagements to engage on issues alongside other like-minded investors. Collaborative initiatives allow us to amplify our voice by pooling assets and sharing research, as well as presenting a unified front.

Climate Action 100+

Climate Action 100+ (CA100+) is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. With 700 investors, representing USD 68 trillion in assets under management, CA100+ is the most prominent collaborative engagement initiative to date.

Advance

Advance is a stewardship initiative where institutional investors work together to take action on human rights and social issues. Investors use their collective influence with companies and other decision-makers to drive positive outcomes for workers, communities and society in the mining and metals and renewables sector. Advance is endorsed by 220 investors representing USD 30 trillion in assets.

The Finance for Biodiversity Pledge and Foundation

The Finance for Biodiversity Pledge and Foundation is an investor-led network of 126 signatories with EUR 18.8 trillion in assets that looks to recognise and protect nature, by taking ambitious action on biodiversity. We are part of a working group called Nature Action, which is establishing a collaborative engagement initiative on the worst companies in terms of their impact on biodiversity.

The 30% Club UK Investor Working Group

The 30% Club UK Investor Working Group was established in 2011 and brings together more than 40 investors with GBP 11 trillion in AUM to drive changes with companies on inclusion and diversity.

FAIRR

FAIRR is the Farm Animal Investment Risk and Return Initiative, a collaborative investor network that raises awareness of the material ESG risks and opportunities caused by intensive livestock production. FAIRR has over 320 investor members representing USD 67 trillion in AUM.

Collaborative initiatives: case study

Climate Action 100+

A total of 159 focus companies are measured annually on their progress against CA100+'s 'Three Asks' (to cut emissions, improve governance and strengthen climate-related financial disclosures) and business alignment with the goals of the Paris Agreement. The latest report from Climate Action 100+, published in October 2022, sees improvements across the world, especially in Europe.[3]

Each focus company is measured against the following criteria and scored on their ability to meet, partially meet or not meet the criteria.

CA100+ criteria and scoring

1 Net zero GHG emmissions by 2050 ambition
2 Long-term (2036-2050) GHG reduction targets
3 Medium-term (2026-2036) GHG reduction targets
4 Short-term (up to 2025) GHG reduction targets
5 Decarbonisation strategy
6 Capital alignment
7 Climate policy engagement
8 Climate governance
9 Just transition
10 TCFD disclosure

NO. DOES NOT MEET ANY CRITERIA
PARTIAL, MEETS SOME CRITERIA
YES. MEETS ALL CRITERIA
NOT CURENTLY ASSESSED
NOT APPLICABLE

Source: CA100+

European results

The hard work of many investors across Europe is beginning to show results. Corporate net zero commitments have strengthened and are translating into long- and short-term targets.

- 100% of European focus companies have now set a net zero target, with 81% also covering scope three emissions (representing a 400% increase since March 2022)
- 63% of Institutional Investors Group on Climate Change (IIGCC) companies have a 1.5°C aligned long-term target (representing a 42% increase since March 2022)
- 40% of European focus companies have short-term targets aligned to a 1.5°C pathway (representing a 20% increase since March 2022).

Global results

The updated assessments show that focus companies have continued to improve their disclosures, as shown by the Disclosure Framework, since March 2022. The results show that:

- 75% of focus companies have now committed to achieve net zero emissions by 2050 or sooner, across all or some of their emissions footprint (up from 69% in March 2022).
- Over a third of focus companies have set long-term targets that align with a 1.5°C pathway (an increase of 9% from March 2022)
- 92% of focus companies have some level of board oversight of climate change (a slight increase from 90% in March 2022)
- 91% of focus companies have aligned with Task Force on Climate-related Financial Disclosures (TCFD) recommendations either by supporting the TCFD principles or by employing climate-scenario planning (small increase from 89% in March 2022).

[3] www.climateaction100.org/wp-content/uploads/2022/10/October-2022-Benchmark-interim-assessments_public-summary_Final_13Oct22.pdf

Fund manager engagement

As the majority of our assets are invested in third party fund managers' products, we believe that a key part of our role is acting as the intermediary for our clients. It is important therefore to extend our stewardship practices into the collectives space.

On an ongoing basis

Monthly

We track all fund performances, risk characteristics and volatility profiles. We review the holdings against our mandate and ensure the client's values are being upheld. We also review any key controversies on a monthly basis.

Quarterly

We compile all holdings in every fund and run them through our sustainable rating tool, S-Max, for scoring changes. We contact every manager to understand buy and sell decisions, as well as their rationales for those actions. We also engage with the managers on any engagements with companies and their outcomes.

Annually

Every year, we do a full review of all of our funds in terms of performance on key issues as part of our fund manager engagement. They respond to 150+ questions and share voting stats and engagement case studies.

> "Extending our stewardship efforts to our fund managers was a natural progression given regular close contact.
>
> Siobhan Archer, Sustainable Investing Specialist

In the spring of 2022, we began our fund manager engagement. We wrote to our sustainable fund managers with a 150+ due diligence questionnaire (DDQ) requesting information on seven of our key sustainability issues (see below). Following a successful programme, we extended the questionnaire to all core managers as well, receiving responses from nearly all managers.

What did our DDQ include?

- 7 sustainability areas
- 150+ questions
- Fund plus entity level
- Responses from over 80 managers

ESG appropach

Stewardship

Climate

Biodiversity

Net-zero

Diversity and inclusion

Human rights

Following the data collection exercise, we have now been able to compare our funds based on sustainability KPIs. This has allowed us to distinguish the sustainable focused managers from our core managers. Using internal dashboards, we can now review over 80 managers across multiple different issues. The dashboards also allow us to quickly highlight areas of improvement or discrepancies, enabling us to shape our engagement into tangible and measurable outcomes.

Fund manager engagement results

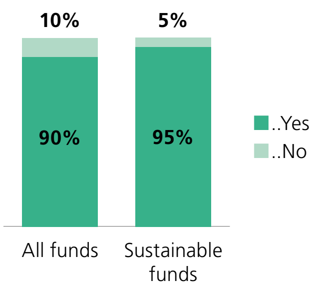
We are now in the process of combining all the findings and data points into an overall report on our fund managers' sustainability performances which will help us prioritise areas for upcoming engagement activities. Initial responses indicate that whilst climate is top of every investor's mind, human rights and biodiversity are areas requiring more attention.

Responsible investment policy

The PRI defines a responsible investment policy as a strategy and practice to incorporate ESG factors in investment deicisons and active ownership.

Out of the 81 funds we asked, 89% of the funds had some form of a responsible investment policy (95% for sustainable funds). This is in line with expectations.

Responsible investment policy

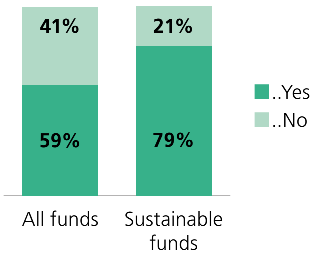


Source: LGT Wealth Management

Sustainable investment objectives

Linking sustainable investment objectives to variable compensation for company executives is useful in that it prioritises sustainability at the management level and holds management accountable on the progress of these objectives.

58% of fund managers said that the companies held in their fund have sustainable investment objectives linked to variable compensation. Looking at the sustainable funds, this drastically increases to 79%.

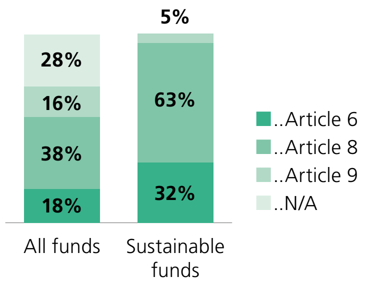


Source: LGT Wealth Management

Sustainable Finance Disclosure Regulation (SFDR)

While not yet implemented in the UK, we had asked our funds whether their funds aligned to the SFDR or the equivalent EU regulation.

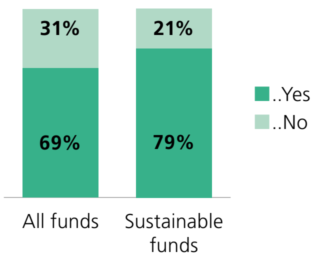
70% of funds confirmed an alignment to either Article 6, 8 or 9. We suspect with the UK's recently proposed Sustainability Disclosure Requirements (SDR), a higher percentage of funds will adhere to sustainability disclosures.



Source: LGT Wealth Management

Net Zero commitments by Fund Managers

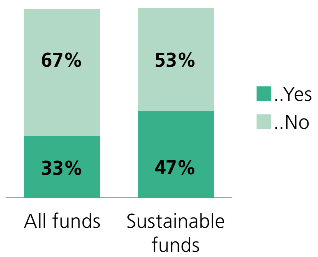
Nearly 80% of sustainable fund managers had net zero commitments, often which extended to the fund level and associated securities. Encouragingly, non sustainable fund managers also had a high commitment rate to net zero by 2050 demonstrating the popularity and importance of this target.



Source: LGT Wealth Management

Climate Scenario analysis

Despite the high level of commitment to net zero, we found that this didn't translate into climate scenario analysis across fund types. This observation can be attributed to the difficulty of data capture and accurate modelling tools to predict climate impacts on portfolios, however is one that we will engage managers on to ensure it becomes an area of focus.



Source: LGT Wealth Management

Data represents 81 funds used across LGT core products, of which 19 who responded were dedicated sustainable funds.

Public Policy Advocacy

Sustainable investors are only as good as the environment in which they work, therefore we view it as part of our responsibility to work together with international partners, networks and initiatives to raise awareness on ESG issues and drive change in regulation and policies. This involves sitting on practitioner working groups, signing onto investor statements and responding to consultations.

Industry working groups

LGT Wealth Management employee	Network group and role
Phoebe Stone, Head of Sustainable Investing and Intermediary Investment Services	FCA's Disclosures and Labels Advisory Group DFM Connect
Joanna Shackleton, Member of the LGT Wealth Management Board, Head of Human Resources	City of London Social Mobility Taskforce Member
Charlie Fisher, Senior People Officer	PIMFA, 40 under 40 ESG working group
Siobhan Archer, Sustainable Investment Specialist	PRI, Global Policy Reference Group Member
Abika Martin, Investment Manager	ACT Stewardship Council

Consultations and policies

We believe that, as investors, we have a duty to shape the financial system in a way that is conducive to a more sustainable future. Our voice as wealth managers differs to the usual feedback regulators hear from banks and asset managers. We use consultation opportunities to advocate for our intermediary financial adviser partners and to share concerns and interest from our private clients.

Name of consultation	Proposer	Date responded
FCA first consultation on Sustainability Disclosure Regime and investment labels	FCA	Dec 2021
Charities Commission "Responsible investment guidance" consultation	Charities Commission	20 May 2021
FCA second consultation and proposal on Greenwashing and SDR	FCA	Nov 2022
BEIS call for evidence on net zero	BEIS	27 Oct 2022
PRI's SEC sign-on letter on mandating GHG emissions reporting	SEC	14 Oct 2022
PRI Policy Handbook	PRI	01 Sep 2022
TNFD beta v.2 Framework	TNFD	Jul 2022

Investor statements

Investor statements or sign-on letters are a great way for us to amplify our voice by joining up with like-minded peers on a particular issue. This year, we focused our asks on climate change and biodiversity.

The 2022 Global Investor Statement to governments on the climate crisis

Alongside 603 other signatories, representing US USD 42 trillion in assets under management, we signed the investor statement to governments on the climate crisis.

As investors committed to net zero, we recognise the role of the private sector in driving and influencing solutions that will enable the world to stay on track with 1.5°C of warming.

Ahead of the 27th United Nations Climate Change Conference (COP27) held in Egypt in November 2022, we – alongside hundreds of investors around the world – called on governments globally to entrench five priority climate asks into their national legislation.

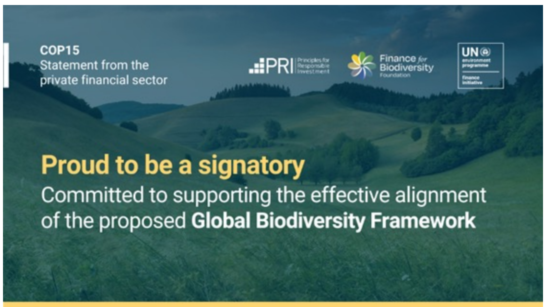
Effective policies, in line with limiting global warming to no more than 1.5°C, are essential for accelerating and scaling up private capital flows needed for a climate resilient, net-zero transition. You can read more about the asks **here**.

'Moving together on nature': statement from the private financial sector to the Conference of The Parties to the Convention on Biological Diversity

Against the backdrop of a volatile world, humanity is facing a triple planetary crisis of climate change, biodiversity loss and pollution. These impact millions of people around the world, especially the most vulnerable, as well as future generations.

Coordinated action is needed. We cannot reach net zero without halting and reversing nature-loss, and we cannot tackle biodiversity loss without tackling climate change. We, the financial community, have a role to play in this complex ecosystem.

Therefore, we alongside the UNEP Finance Initiative (UNEP FI), the PRI, and the Finance for Biodiversity Foundation and 150 other financial institutions, representing USD 24 trillion in assets, called upon delegates of COP15 to adopt an ambitious Global Biodiversity Framework.



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Acting as responsible stewards holds great promise for investors to bring about favourable environmental, social and governance changes.

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

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