LGT CAPITAL PARTNERS

Active Ownership Report 2024
LGT Capital Partners Sustainable Equities and Fixed Income

lgtcp.com

January 2024 – December 2024

Introduction: Active ownership – an integral part of our holistic approach to ESG integration

Active ownership is a key component of LGT Capital Partners' investment approach for our sustainable equity and fixed income strategies. It represents one of four pillars in our holistic approach to integrate environmental, social and governance (ESG) considerations into the investment process. We believe that we have a responsibility as a sustainable investor to use our position to try to influence the behavior of companies and to motivate them to act in the best interests of society, investors and other relevant stakeholders.

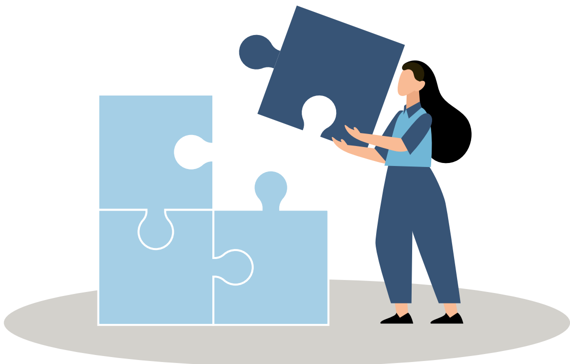
In line with our investment philosophy, our engagement activities are conducted by the Sustainable Equity and Fixed Income investment teams. We believe that this assessment model provides a holistic view and gives a deep understanding of risks and opportunities for investee companies. The Sustainable Equity and Fixed Income investment teams have been managing sustainable strategies since 2009. Engaging in dialogue with companies on ESG matters has therefore been an integral part of the investment process for more than a decade. To enable us to better consolidate and track engagement activities, we integrated a proprietary engagement tool into the teams' research platform in 2020. As our tools and processes evolve, we are continuing to enhance the ways in which we conduct and monitor engagement. Our engagement efforts today have an outcome-oriented focus that is both measurable and traceable.

In this publication, we report on the active ownership activities carried out by LGT Capital Partners' Sustainable Equity and Fixed Income investment teams on behalf of investors during 2024. Our active ownership guidelines can be found here.

Holistic approach: Active ownership–one pillar of our ESG activities

Exclusions
- Activity based: Exclusion of certain harmful sectors
- Conduct based: Exclusion of UN Global Compact violators
- Worst-in-class (exclusion of 4th quartile)

Active ownership
- Proactive dialogue with companies
- Reactive engagement
- Collaborative initiatives
- Proxy voting
- Green and social financing



Integrating ESG factors
- Quantitative and qualitative assessment
- Combining business operations and product/service impacts
- Integration of controversies and negative news flow

Measuring and impact
- Environmental footprint
- ESG scores
- CO_2 attribution
- SDG measurements
- Net zero commitment
- Benchmark comparison

Our approach to active ownership for our sustainable equity and fixed income strategies

Our different active ownership activities include:

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

Direct engagement: proactive and research-related dialogue

As part of the initial and ongoing ESG assessment, sector specialists cultivate an ongoing dialogue with companies within LGT Capital Partners' sustainable universe. This dialogue allows us to discuss the firms' current ESG efforts and to seek to drive positive change in areas with scope for improvement. We may at times be invested in companies that do not perform well in certain ESG aspects but are on track to implement changes in order to improve. In these cases, engagement is key to gain a better understanding of the processes implemented and to identify measurable progress. Research-related engagement gives companies the opportunity to provide further clarification and insight into their ESG practices and ambitions.

Our increased understanding and knowledge of the ESG practices of companies or issuers allow us to identify areas for improvement and to carry out objective-oriented engagements with companies to improve or scale up their efforts on ESG aspects.

Reactive engagement

We systematically monitor the companies/issuers held in our portfolios and recommendation lists based on their ESG score and negative news flow. Data provided by RepRisk – which continuously screens over 150,000 publication channels in 23 languages worldwide – allows us to identify any negative developments in a timely manner. This enables us to focus on specific, relevant issues for reactive engagement. In our reactive engagements, we request clarification of the controversy that was flagged and, if the alleged issue is confirmed to exist, we seek to understand how the company will address that issue, put measures in place and take action to avoid the risk of the issue reoccurring.

Investor collaboration

Over recent years, LGT Capital Partners made increasing efforts to join collaborative engagement initiatives to work alongside other investors in cases where our engagement objectives are aligned and we believe there is a higher probability of achieving a positive result through such collective efforts. Further details about our collaborative engagement efforts can be found below and in the chapter Engagement examples.

Collaborative engagements ongoing in 2024[1]

Environmental Social Governance

In 2022, LGT Capital Partners joined a collaborative effort of Climate Action 100+, with the aim of ensuring the world's largest corporate greenhouse gas (GHG) emitters take necessary action on climate change. We act as a collaborator in the engagement for Paccar, with a focus on fleet electrification and climate policy engagement.

Environmental Social Governance

In 2023, LGT CP joined engagement groups for Danone, Kellanova and L'Oréal as part of Nature Action 100, a new global engagement initiative with a focus on setting clear expectations and driving urgent action on nature-related risks and dependencies in key sectors that are deemed to be systematically important in reversing nature and biodiversity loss by 2030. During 2024 we decided to exit the Kellanova engagement initiative as it is going through a merger with Mars.

Environmental Social Governance

In 2023, LGT Capital Partners joined the Net Zero Engagement Initiative (NZEI), launched by the Institutional Investors Group on Climate Change (IIGCC). Focus is on fostering credible corporate net zero transitions plans. We are taking a lead engagement role with Geberit and Knorr-Bremse.

Environmental Social Governance

In 2023, we also joined PRI Advance, the largest social stewardship initiative to date, with a focus on human rights and social issues. We have signed up to it as an endorser and are currently on the waiting list for our preferred engagement companies. We expect new company engagements to become available in 2025.

Proxy voting in equity investments

Exercising our voting rights in line with our sustainable investments objectives and principles is a key aspect of our active ownership efforts. In the section of the report about proxy voting, we explain in detail how we exercise our voting rights – closely following the Socially Responsible Investment (SRI) Proxy Voting Guidelines provided by Institutional Shareholder Services Inc. (ISS) – and we outline our efforts to enhance voting transparency. This includes reporting on our voting decisions, including the applicable rationale, on a monthly and annual basis. We also define the criteria for significant votes, provide examples and give a breakdown of voting decisions in relation to this.

[1] LGT CP ongoingly assess its membership and signatory status in relation to the above organizations. The scope and breadth of LGT CP-related entities covered by such membership or signatory status may depend on the organization and its prerequisite conditions and/or signatory-driven scoping requirements.

Engagement selection process

Regarding our active ownership efforts, it is crucial for us to efficiently allocate resources, strategically prioritize engagements, build expertise and align our efforts with concerns identified by us and our stakeholders. This ensures deeper and more effective engagement with companies, leading to meaningful change and accountability.

Our engagement selection process within the sustainable equity team adopts a top-down data model based on four working streams:

- Reactive
- Ongoing engagements
- Proxy voting
- Thematic priorities

For each of these areas, our aim is to shortlist companies that are relevant for engagement based on certain criteria. This includes companies with flagged controversies and a higher risk of violations of standards, ongoing engagements where we seek to generate high-quality impact, significant votes where we voted against management (for our equity investments), and finally, companies targeted for our thematic engagement priority of climate action. Companies are shortlisted in the area of climate action if they show poor performance on ESG metrics – including Principle Adverse Impact (PAI) indicators – that are relevant to our sub-pillars of net zero alignment, circular economy and responsible value chain. For example, the ESG metrics and PAIs considered for the sub-pillar of net zero include: GHG emissions intensity (Scope 1 – 3 relative to industry peers), Science Based Targets initiative (SBTi) targets and share of renewable energy. Our thematic priorities are outlined in the next section on engagement ambitions and outcome.

Fixed Income approach to engagement

In the Fixed Income Developed Markets team, our engagement efforts focus on encouraging both the private and the public sector to provide green and social financing. As investors, we have committed to a minimum allocation of 50% use-of-proceed bonds in our sustainable global aggregate funds.

We aim to achieve the following objectives during the engagement process:

- Deepen our understanding of the issuers and sectors
- Enable better sustainability outcomes in green and social financing frameworks
- Push for more transparent sustainability disclosures within green and social financing frameworks

Our engagement approach and expectations are focused on the following issuer categories in fixed income:

Investment grade corporates: this issuer category represents the largest engagement opportunities based on the size of the debt market. Our dialogue with these issuers centers on the quality of their green and social financing frameworks and transparency.

Sovereign issuers: our engagements with sovereigns focus on debt management departments to encourage sustainable financing options. We also explore collaborative engagement initiatives such as the PRI Collaborative Sovereign Engagement on Climate Change.

Supranational issuers: when engaging with supranational issuers, we seek to encourage more transparency within their sustainable financing frameworks in relation to post-issuance reporting as well as the quality of their sustainability frameworks.

Engagement escalation process

We believe that through engagement, we gain the ability to exert greater influence in order to shape real-world outcomes than if we take the alternative route of divestment. If, however, our ongoing assessment of an active engagement case, including the actions of the company or issuer of securities, leads us to conclude that our defined objectives are unlikely to be met, we will either terminate, or pause and review, the engagement process. Further escalation strategies may be implemented. We may use one of the following escalation strategies: reducing or completely divesting our holdings in a company's securities, voting against the company's board of directors and/or considering a collaborative engagement. Our escalation process is shown below.

Escalation process

Research stage
- Extensive research to identify material ESG risks and opportunities
- Selection process in place to prioritize engagements

Objective-oriented engagement
- Dialogue with companies to drive positive change, with clear predefined objectives
- Reminders, more assertive tone and targeted communication at senior level if efforts prove unsuccessful
- Progress, or a lack of it, is monitored in our engagement tool

Collaborative engagement
- Collaborative initiatives are considered if they are aligned with our sustainable investment objectives and principles and if collective action would be a powerful tool to achieve positive results
- An extensive assessment will be carried out to evaluate the initiative and approval is needed from the relevant committee

Proxy voting
- We exercise our voting rights in a way that supports agenda items that are in line with our sustainable investment objectives and principles, such as achieving the goal of net zero by 2050 or sooner. This may include voting against board members or specific voting decisions on agenda items
- We track ongoing engagements with related voting escalations in our engagement tool

Divestment/position adjustment
- Divestment, or the reduction of the position to reflect the risk, is the final step when no progress has been achieved regarding the identified material issue, adversely affecting our investment rationale, and our engagement efforts and voting actions have proven unsuccessful
- Communication externally and to the company if divestment is considered key

Engagement ambitions and outcome in 2024

What are our ambitions and why?

Engagement theme 2020–2025: climate action

Net zero by 2050 or sooner

- Ambition to be 1.5°C aligned
- Science Based Targets for the short, medium and long term
- Transition plans
- Transparency on reporting across the value chain and progress achieved
- Green and social financing

Circular economy

- Promote reusable/recyclable/ compostable materials to limit waste
- Increase proportion of recycled content while reducing virgin material consumption
- Efficient use of material with fewer spills across the value chain

Responsible value chain

- Identification, monitoring and disclosure of nature-related risks and dependencies relating to issues such as deforestation and water pollution
- Policies and targets to protect and restore biodiversity and ecosystems, especially in high-risk areas e.g. eco-sensitive zones and water-stressed areas
- Use of high-quality data and transparent reporting that spans the entire value chain; including suppliers, distributors and end-consumers
- Integration of social aspects, e.g. human rights and labor conditions, discrimination and harassment

Our objectives

- Accountability
- Trackability
- Transparency
- Reduction in CO_2 emissions, energy consumption, water consumption, waste

- Safe and responsible use of natural resources
- Protect environment and human rights across the value chain

- Improve human health and wellbeing
- Support diversity, equity and inclusion

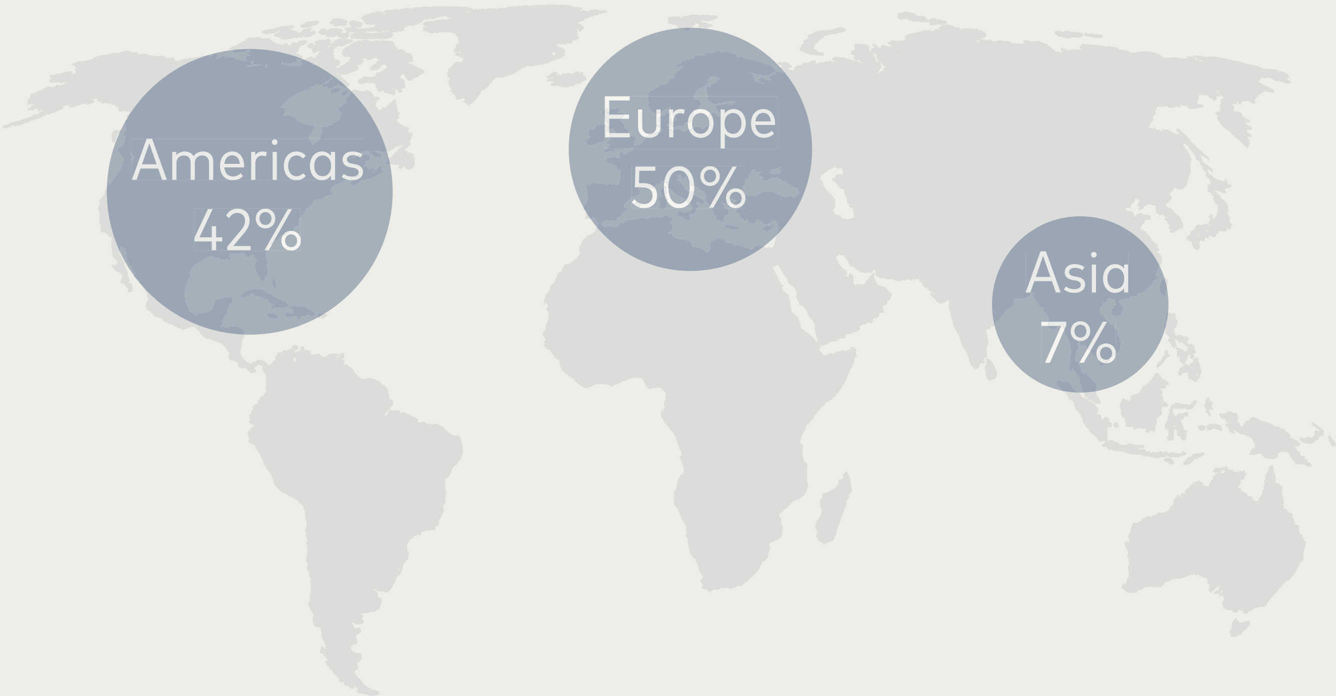
Monitoring our active ownership activities

We track, assess and review the effectiveness of our active ownership activities. Through our proprietary engagement tool, we log each engagement with related company details, ESG category and topics, SDG alignment, type of engagement, activities, response quality, milestones and any escalation steps taken (including proxy voting). Below is the compiled data of our engagement outcomes from 2024.

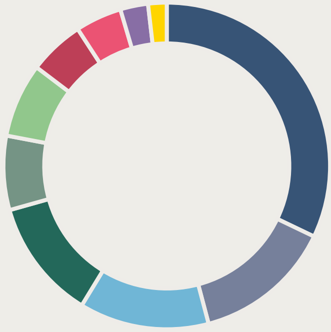
Where did we engage?

54 companies engaged with	93/109[1] engagements where dialogue was established	16[2] countries engaged in

Geographical split



Sector

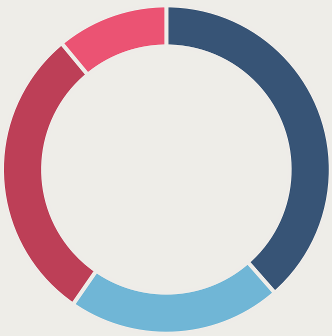


Consumer staples	32%
Health care	14%
Utilities	13%
Financials	12%
Information technology	7%
Consumer discretionary	7%
Industrials	6%
Materials	5%
Communication services	3%
Real estate	2%

Source: LGT Capital Partners. Data from 1 January 2024 to 31 December 2024.
[1] From 2023, we clearly identify engagements where dialogue has been established, further details can be found in the chart "Milestones".
[2] Data based on location of company headquarters.

On what topics did we engage?

Category



Topics – Top 10

Climate action (GHG, transition)	16%
Supply chain management	11%
Biodiversity	9%
Sustainability disclosure	7%
Health and safety	6%
Water risks	6%
Circular economy	6%
Executive remuneration	6%
Diversity, equity and inclusion	5%
Human rights	5%

Sustainable Development Goals (SDG) split

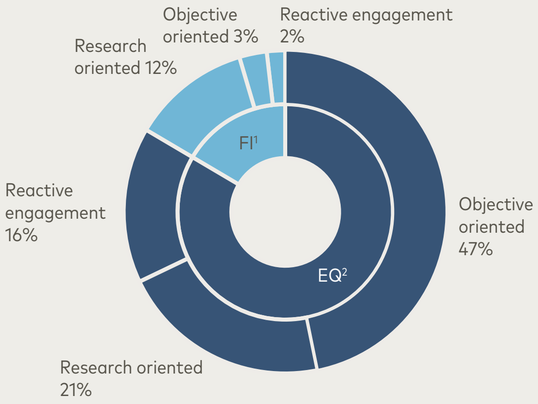
82% of our engagements in 2024 were linked to the UN SDGs

1	"No poverty"	1%
2	"Zero hunger"	0%
3	"Good health and well-being"	6%
4	"Quality education"	0%
5	"Gender equality"	4%
6	"Clean water and sanitation"	5%
7	"Affordable and clean energy"	1%
8	"Decent work and economic growth"	8%
9	"Industry, innovation and infrastructure"	2%
10	"Reduced inequalities"	2%
11	"Sustainable cities and communities"	2%
12	"Responsible consumption and production"	15%
13	"Climate action"	14%
14	"Life below water"	4%
15	"Life on land"	10%
16	"Peace, justice and strong institutions"	6%
17	"Partnerships for the goals"	0%

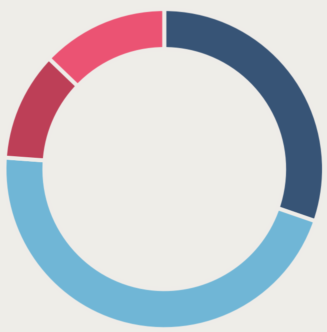
Source: LGT Capital Partners. Data from 1 January 2024 to 31 December 2024.

How did we engage and what was the response?

Type of engagement

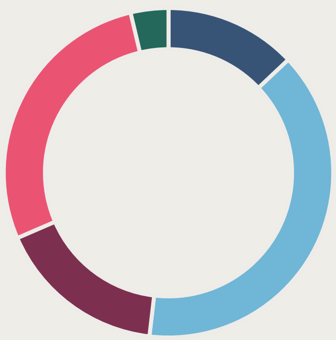


Response quality[3]



Good	30%
Standard	46%
Poor	11%
None	13%

Milestones[4]



Milestone 1: Initial communication sent to engagement company	13%
Milestone 2: Dialogue established	39%
Milestone 3: Company commits to address issue(s)	17%
Milestone 4: Company develops a strategy to address issue(s)	28%
Milestone 5: Issue(s) resolved/ strategy effective	4%

Source: LGT Capital Partners. Data from 1 January 2024 to 31 December 2024.
[1] Fixed income
[2] Equities
[3] Good: Company responded with detailed information on specific issues addressed and/or was open to actively engaging in a dialogue on the matter. Standard: Company provided answers to the topics addressed during the dialogue and referred to relevant documents for further information on actions taken. Poor: Company responded but provided generic responses and avoided the specific questions asked; referred to generic documents and has shown little commitment to issue addressed.
[4] Only demonstrates milestones of our objective-oriented engagements.

Engagement examples environmental

ING Group

Banking and financial services
Net zero strategy

Engagement type: Individual, objective oriented

Background: ING is a European bank offering a range of financial services, including savings, payments, investments, loans and mortgages. As part of its climate ambition to achieve net zero alignment by 2050 or sooner, ING prioritizes the most carbon-intensive sectors where decarbonization efforts can have the greatest impact. In 2018, the bank introduced its Terra approach, a sector-specific framework to guide its lending and investment portfolio towards this goal. While ING's framework is among the most comprehensive in the industry, it still faces certain challenges. By seeking to address those challenges, it can also reinforce its commitment to a net zero future.

Objective: Establish a more credible and robust net zero strategy, focusing on the following areas:

1. Science-Based Targets Initiative (SBTi) validation
   - Enhance credibility and demonstrate alignment with best practices in climate action.
2. Strengthening of Terra approach
   - Alignment with the 1.5°C climate target, definition of binding commitments and effective enforcement mechanisms, and measures to address controversies around fossil fuel financing.

Engagement: Our dialogue with ING began in 2021 with an initial call with its Investor Relations team. This discussion was research focused. Its purpose was to give us an understanding of ING's overall approach to managing climate-related risks and the implementation of its Terra approach. At the time, the Terra approach applied to nine high-emitting sectors, with five sectors aligned, three sectors close to alignment and one sector(aviation) not on track.

In 2022, we followed up with ING to assess its progress in implementing the Terra approach and its ambition to align its loan portfolio with net zero by 2050. We raised concerns about challenges in misaligned sectors, ING's position on financing fossil fuel expansion and controversies surrounding the coal projects Cirebon I & II in Indonesia. We received responses via email that did not fully answer our questions – particularly regarding processes to deal with misaligned sectors, primarily the aviation sector, which continued to be impacted by the disruption caused by the Covid-19 pandemic.

In 2024, we engaged with ING once again. This time, we held a meeting with the Climate Lead and a representative of Investor Relations. We welcomed this opportunity to speak to a dedicated climate expert, who provided more detailed insights into ING's progress and key adjustments to the Terra approach. The meeting also identified areas for further improvement, particularly in advancing ING's net zero strategy commitments and strengthening escalation processes.

Outcome and status: SBTi: ING recognizes the importance of the SBTi standard in setting climate targets. ING has shared its targets for validation, aligning with the second version of the framework for financial institutions. The timeline for approval is currently unclear but it is expected to be finalized by early 2025. We view this as positive and will follow up on it in due course.

Assessment and enforcement: The bank is maintaining a clear focus on the most material sectors for its net zero alignment goals and is exploring ways to extend its Terra approach to business banking. Currently, all sectors covered are aligned with the 1.5°C ambition with the exception of shipping, which is expected to soon become aligned through the Poseidon Principles, as well as steel, which has recently gone off track. The dairy sector has been newly added.

To address misalignment, ING takes three key actions:

1. Offboarding of clients that fail to meet transition criteria
2. Onboarding of lower-emission clients with strong transition plans
3. Supporting existing clients through transition financing

In September 2024, ING launched the ESG.X tool to evaluate the Climate Transition Plans (CTPs) of its clients. We consider this to be an important development. To date, around 2,000 clients have been assessed and integrated into transaction approval processes. ING is focusing on large corporates while extending its approach to small- and mid-sized clients. It also aims to share this tool externally in collaboration with other banks. We will monitor developments and encourage ING to expand this approach beyond its 2,000 large corporates.

The enforcement process has been strengthened with clearer definitions and accountability targets. ING has set a 2026 target to apply stricter financing conditions to clients that are unwilling or unable to align with its pathways. For those failing to make progress, decisions will be escalated to the relevant committee, with the potential for financing to be terminated entirely. ING is in the process of collecting data and monitoring progress but has not yet provided any specific disclosure on escalations. This will therefore be a key area of follow-up.

Fossil fuel financing: ING has committed to fully phasing out financing for oil and gas exploration and production by 2040, i.e. ahead of the date defined in IEA guidance. It will cease new financing for pure-play upstream oil and gas companies developing new fields and halt funding for LNG export terminals after 2025. In the area of coal, ING stopped financing new coal-fired power plants in 2015 and is on track to reduce lending for individual coal power plants to almost zero by 2025. The controversial Cirebon project in Indonesia was the last coal plant financed before the introduction of this policy, and ING has confirmed that it will dispose of its remaining commitment by the end of 2025. While these steps mark progress, it is unclear how due diligence is applied to buyers of such assets and whether sustainability criteria are part of its exit process. We are encouraging ING to address this gap and to provide more clarity moving forward.

L'Oréal

Personal care company
Nature and biodiversity, part of Nature Action 100

Engagement type: Collaboration, objective oriented

Background: L'Oréal, the world's largest beauty company, sources more than 1,750 raw materials from 345 plant species. Biodiversity is of key importance to the company, which has committed to sustainable and responsible ingredient sourcing. Despite the urgent need to reverse biodiversity loss, nature-related issues have historically received less attention from investors than climate change. The disclosure of biodiversity data remains limited, and risks in this area tend to be harder to define than many other ESG priorities.

In 2023, as part of our efforts to intensify our focus on biodiversity, LGT Capital Partners joined the Nature Action 100 (NA100) initiative alongside more than 200 institutional investors that manage nearly USD 30 trillion in assets. This investor-led initiative addresses biodiversity challenges and places an emphasis on companies that have a critical role to play in reversing nature and biodiversity loss. These companies are targeted based on the following criteria:

- Operations in key sectors that are essential for biodiversity
- Significant potential impact on nature (as assessed by the Finance for Biodiversity Foundation)
- Large market capitalization within their sector

LGT Capital Partners is part of the engagement group for L'Oréal, which is recognized as an industry leader in biodiversity. For example, it ranks second among manufacturers of personal and household products in the Nature Benchmark by the World Benchmark Alliance. Its nature-focused targets include:
By 2030:

- 100% of bio-based ingredients for formulas will be traceable and sustainably sourced, with no link to deforestation
- 95% of ingredients in formulas will be biobased, derived from abundant minerals or from circular processes
- All products will be eco-designed
- Total land occupancy for ingredient production to remain at 2019 levels

By 2025:

- 100% of plastic packaging will be refillable, reusable, recyclable or compostable, with 50% made from recycled or bio-based sources

We seek to engage with L'Oréal to address areas for potential improvement identified by the engagement group. Further, by engaging with a company that demonstrates leadership in this area, we can also gain valuable insights to shape our biodiversity engagement with other firms. As biodiversity is still a relatively new focus area for investors, benchmarking and external expertise are important in guiding our ambitions.

Objective: Drive action that aligns the company's business model with the targets and goals of the Global Biodiversity Framework.

Engagement: The initiative entered its engagement phase in September 2023, with letters sent to the 100 targeted companies. The letters outlined calls from investors (defined in June 2023) for companies to take six key actions to help reverse nature loss. These actions focus on the following areas: Ambition, Assessment, Targets, Implementation, Governance and Engagement.

In 2024, the engagement group held meetings to allocate responsibility for research areas and to define priority gaps that could be addressed with L'Oréal. In response to the group's request, L'Oréal participated in a meeting in September 2024. The company was represented by its Investor Relations ESG Lead, Water and Biodiversity Director and Environmental Leadership Director.

Outcome and status: In our initial meeting with L'Oréal, we discussed a wide range of topics related to biodiversity and sustainability, including deforestation policies, pollution management, packaging and governance oversight.

L'Oréal reaffirmed its current deforestation targets, which are designed to meet regulatory requirements, while highlighting efforts to extend its engagement beyond tier 1 suppliers and to further support smallholder farmers in achieving a just transition.

On packaging, it is encouraging to see that the company remains committed to its targets, although it has acknowledged systemic challenges in the recycling infrastructure. Through research and collaboration with partners, it is seeking to improve recycling technologies. However, additional clarity is needed regarding efforts in policy engagement, partnerships and innovation beyond the Ellen MacArthur initiative, which remains their primary platform for engagement.

Regarding pollution management, soil-related efforts include regenerative agriculture programs and ecosystem impact assessments, with further reporting expected under the Corporate Sustainability Reporting Directive (CSRD). L'Oréal has made progress on target-setting for water use, water quality and the eco-scoring of products' impacts across its value chain. However, achieving granular assessments during the product use phase, beyond controlling the biodegradability attributes of ingredients, remains challenging.

Governance is evolving, with commitments to enhanced Board-level incentives and knowledge on these topics improving but still requiring further upskilling. While L'Oréal has not yet adopted The Taskforce on Nature-related Financial Disclosures (TNFD) or Science Based Targets for Nature (SBTN) frameworks, it has actively followed their development and is a member of SBTN's corporate engagement program. The company has conducted a double materiality assessment in line with these frameworks, the results of which will be disclosed in the upcoming CSRD reporting.

This engagement provided valuable insights into L'Oréal's progress and helped to identify areas for further discussion. Another meeting with the company is expected to take place in 2025.

Unilever

Fast-moving consumer goods (FMCG) company Packaging

Engagement type: Individual, research related

Background: Unilever is a global consumer goods company supplying personal care, nutrition, beauty and wellbeing, home care and ice cream products. Over the years, the company has been recognized as a strong advocate for sustainable business practices. In early 2024, under the leadership of its new CEO Hein Schumacher, Unilever announced that it was scaling back several longstanding environmental and social commitments. For a company widely regarded as a leader in corporate responsibility, this indicated a significant change in direction.

One key area affected by this step was packaging and plastics. In 2017, Unilever became the first major global consumer goods company to commit to making 100% of its plastic packaging reusable, recyclable or compostable by 2025. The company also committed to halving its use of virgin plastic by 2025. These ambitious targets set an industry benchmark and inspired similar efforts among its competitors. In 2024, these targets were revised. The goal to halve virgin plastic usage was scaled back to a one-third reduction by 2026. Similarly, the target date for achieving 100% reusable, recyclable or compostable plastic packaging was delayed to 2030 for rigid plastics and to 2035 for flexible plastics.

By engaging with Unilever, we sought to obtain a clearer understanding of its revised approach to plastics and how the company plans to navigate the complex landscape of sustainability in the packaging space. Unilever's decision reflects broader challenges faced by companies in the food and personal care sectors, many of which are struggling to meet plastics reduction targets. Insights into the tensions between setting ambitious sustainability goals on the one hand, and addressing financial and regulatory constraints on the other, are also valuable when engaging with other relevant holding companies.

Engagement: In the first half of 2024, we contacted Unilever to better understand the company's recent updates to its ESG targets, including the adjustment or removal of several commitments that it had recently announced. We proposed holding a call but Unilever responded to our inquiries via email.

On the specific question of packaging, we sought to understand why Unilever decided not to maintain its original 2025 target for achieving 100% reusable, recyclable or compostable plastic packaging. Considering that many of its peers, particularly those supporting the Ellen MacArthur Foundation's Global Commitment, continue to target 100% by 2025, we also inquired whether Unilever's revised goals signaled its departure from the Global Commitment and its associated ambitious targets.

We acknowledged the significant challenges that companies face in the drive for more sustainable packaging, particularly the lack of recycling infrastructure and the higher costs associated with the use of recycled materials. In this context, we sought to obtain more concrete insights into the actions that Unilever has taken to address these obstacles. We were particularly interested in understanding which industry initiatives Unilever views as critical, the technological investments it has made to advance recycling and sustainable packaging, and which innovations the company is exploring or leveraging to solve these issues.

Outcome and status: Unilever emphasized its ongoing commitment to being a leader in addressing environmental and social challenges. It stated that while it has fallen short on some of its ambitious plastic packaging goals, important progress has still been made, e.g. the company has reduced virgin plastic use by 18% (against a 2019 baseline) and increased recycled plastic usage to 22% of its global portfolio, keeping it on track to meet the goal of 25% by 2025. The Ellen MacArthur Foundation's 2023 progress report also recognized Unilever as one of the businesses making significant advances in the area of sustainable packaging.

The company has attributed the downward revision of its targets to external factors, such as an inadequate global recycling infrastructure and the need for collaboration between governments, retailers and the petrochemical industry. Unilever further acknowledged that initial assumptions about technological and infrastructure developments proved overly optimistic. It underscored the need for systemic change, stating that voluntary industry initiatives alone cannot address the scale of the issue and that robust regulations and harmonized global efforts are vital. We were encouraged to note that Unilever has been actively advocating for systemic solutions, including:

1. Supporting a UN treaty on plastic pollution with legally binding global rules and measures
2. Accelerating the implementation of mandatory and well-designed extended producer responsibility (EPR) schemes
3. Agreeing on well-designed reuse policies tailored to specific markets or categories

We also view as positive the fact that Unilever will remain a signatory of the Ellen MacArthur Foundation's Global Commitment, aligning its revised goals with the initiative's vision. The Foundation's recent Global Commitment 5 Years In report acknowledged that the initiative would evolve beyond 2025, incorporating lessons learned to continue driving impact. Unilever has pledged to share its experiences and insights as part of this collaborative effort.

This engagement provided valuable insights into the challenges facing Unilever in the area of sustainable plastics and the progress it has made. As we continue to deepen our understanding of challenges and opportunities for Unilever, this engagement may shift toward more objective-oriented discussions in the future. At present, we are gathering further input on existing practical solutions and Unilever's views on the most critical opportunities for companies to collaborate more effectively. This should help us as investors to engage with the broader industry and push for innovation and the development of the necessary technology and infrastructure.

Verbund AG

Utility company
Net zero

Engagement type: Individual, research oriented

Background: Verbund AG is Austria's largest energy provider, covering around 40% of the country's electricity needs. As one of Europe's leading producers of hydropower and the first utility company to issue a green bond in the DACH region, Verbund is setting new benchmarks for sustainability in energy production.

While its operations are primarily concentrated in Austria and Germany, Verbund recently made a strategic move into the Spanish market. The acquisition of several solar and wind power project companies signals Verbund's ambition to become a key player in Spain's renewable energy sector. Verbund also maintains a presence in Italy, Romania and Albania.

Following its acquisitions in Spain, we sought to gain deeper insights into Verbund's future investment plans in alternative renewable energy. This comes at a critical time given the current uncertainty surrounding renewable energy projects in Europe. Additionally, we wanted to find out more about Verbund's commitment to net zero and how it aligns with the Net Zero Investment Framework.
Given that it is one of the core holdings in our sustainable fixed income funds, Verbund's leadership in renewable energy and sustainability is a critical area of focus for us.

Engagement: We began our dialogue with Verbund in September 2023, when we met with two of its senior executives at a utilities conference in London. Our meeting focused on the company's expansion into Spain, and we discussed the current challenges regarding renewable energy projects in Europe. Verbund explained that cash flows, interest rates and future power prices are the key sources of uncertainty for renewable energy projects. It added that under the current set-up, wind and solar investments can only be seen as diversification factors alongside the regular business. The Verbund senior executives we met also pointed out that regulatory issues are adding to the complexity of the energy transition and that policymakers do not seem to be fully aware of the complexity of this area.

Following this initial dialogue, we reached out to the company again in 2024 to enquire about its plan to align with the goals of the Paris Agreement. We sought confirmation about the development of a net zero transition plan in line with the Net Zero Investment Framework, including:

1. a comprehensive net zero commitment
2. aligned GHG targets
3. emission performance disclosures
4. a credible decarbonization strategy

Verbund responded within a month, stating that it was working on these targets and indicating that they would be published within a few weeks.

In October 2024, we received full details of the company's net zero plan, which we evaluated and considered to be robust. Verbund aims to become climate neutral by 2040 and to achieve net zero by 2050. The plan consists of a clear strategic path with measurable targets. It sets out a 74% reduction in greenhouse gas emissions by 2030, with a further reduction of around 90% by 2040 (against a 2020 baseline).

To achieve these targets, Verbund has introduced targets along the entire value chain that include the expansion of green energy generation, especially in southern Europe, as well as the large-scale marketing of hydrogen in Austria.

The transition plan was awarded the highest possible rating of NZ-1 (leading) by the rating agency Moody's in terms of the plan's ambition, implementation and governance.

Outcome and status: Verbund remains an attractive issuer for our sustainable investment strategies, given its position as a leader in renewable energy and its commitment to sustainability in the DACH region. We will closely monitor the company's progress towards achieving its net zero targets, ensuring alignment with the Net Zero Investment Framework and broader sustainability goals.

In addition, we will actively follow Verbund's expansion plans, particularly its strategic entry into the Spanish market and its efforts to establish a leading position in solar and wind power across Europe. Considering the ongoing uncertainty surrounding wind and solar energy projects in its core market of Austria, maintaining an open and constructive dialogue with Verbund will remain a priority. This close engagement will help us to stay informed about developments at the company and support our long-term sustainable investment objectives.

Engagement examples social

Akamai

Content delivery and security provider Supply chain management

Engagement type: Individual, objective oriented (update)

Background: Akamai provides distributed edge and cloud computing, security and content delivery solutions, helping businesses to develop and run applications and workloads while securing their digital experiences.

In 2021, Akamai announced its new 2030 Sustainability Goals, including a commitment to establishing a responsible supply chain. To achieve this, Akamai introduced its Responsible Supply Chain Program (RSCP), an important step towards the further alignment of suppliers with the company's values and towards meeting regulatory requirements in areas such as the environment, labor and human rights, ethics and sustainable procurement.

At the time of our initial engagement in 2022, Akamai had introduced a robust supply chain policy and process for evaluating suppliers during the procurement process. However, it had not yet established monitoring processes and specific key performance indicators (KPIs) to assess continued supplier compliance. Akamai expressed its intention to discuss these gaps with its ESG team and to explore the introduction of clearer monitoring processes and KPIs for ongoing supplier evaluation. When we followed up with Akamai in 2023, the company said that it was still working on these procurement metrics.

Objective: Introduce relevant KPIs over the next two years to monitor and evaluate the effectiveness of supply chain management.

Engagement: We first reached out to the company in 2022 via email to understand Akamai's supply chain management practices. We asked Akamai questions about its supply chain policy, its responsible supply chain program and the consideration of any KPIs going forward in order to monitor compliance and progress among its suppliers.

We continued the dialogue in 2023 with a meeting involving the CFO and representatives of the Investor Relations team. During this discussion, we encouraged the company to share further details regarding its supply chain management and to initiate a continuous monitoring process, as well as aiming to define relevant KPIs.

In 2024, we followed up again via email to review the progress made in supplier monitoring and to inquire about the establishment of clear KPIs.

Outcome and status: In 2022, Akamai partnered with EcoVadis to enhance the sustainability evaluation of its supply chain. EcoVadis provides detailed scorecards that assess how effectively suppliers and partners integrate sustainability practices in line with Akamai's principles. Leveraging this platform, Akamai gathers performance data from suppliers, enabling it to take a structured approach to supplier assessments and to its collaboration with suppliers in order to implement corrective actions or improvement strategies and to monitor progress over time. The company expect its suppliers to monitor and implement high standards within their operations and extended supply chains, making improvements where necessary to align with Akamai's expectations. Akamai reported that 122 supplier scorecards were received in 2023 through this initiative, representing about 53% of the suppliers invited to participate. While the data gathered demonstrates the program's reach, a formalized framework and results from monitoring and KPIs have not yet been externally communicated.

Akamai's 2023 ESG Impact Report nevertheless highlighted notable progress. The company stated that it had expanded its RSCP and worked with EcoVadis to define clear goals and KPIs. These statements were in line with information that the company shared with us during our earlier discussions. Despite this progress, the ESG Impact Report lacked comprehensive details about the monitoring framework and the specific metrics that will be used.

In our most recent discussion with Akamai, the company acknowledged that aspects of its supplier monitoring program are still under development, with further details expected to be provided in its 2024 ESG disclosures. This acknowledgment signals a positive trajectory, demonstrating Akamai's commitment to refining its supply chain management approach and related disclosures. We expect more clarity and actionable outcomes in the coming year and will continue to monitor this closely.

Iberdrola

Renewable energy company
Supply chain management

Engagement type: Individual, objective oriented (update)

Background: Iberdrola is an electricity and gas supplier with operations in Spain and other countries worldwide. It is also a global leader in renewable energy sources. Non-compliance and controversies along its supply chain are among the most severe risks facing Iberdrola and our engagement with Iberdrola has long focused on these aspects. A key area of concern has been allegations about the use of forced labor among its Chinese PV equipment suppliers, especially those operating in Xinjiang Province.

During our previous discussions, Iberdrola informed us that it was unable to directly visit or monitor certain supplier sites in Xinjiang Province. Instead, the company relied on third-party auditors to certify the suppliers' adherence to human rights standards, and no forced labor cases were reported. However, concerns remained regarding the credibility and transparency of these audits and certifications. To address these issues, we encouraged Iberdrola to provide greater clarity about the identity and credentials of the auditors involved, as well as more detailed disclosures about their processes, as well as identified cases of non-compliance and how they are managed. Additionally, we wanted to see progress in terms of coverage, as our initial discussions covered major suppliers representing 80% of Iberdrola's procurement volume.

Objective: Improved visibility of the supply chain by adding relevant reporting metrics including:

- More information around audits carried out and transparency about the third parties that performed them
  - Focus on Chinese PV suppliers
- Reporting on incidents/non-compliance with the Supplier Code of Conduct
  - We expect to see the total number of issues identified, with a breakdown by category, e.g. health and safety, compensation and benefits (minimum wage), freedom of association, regular employment, child and young labor, discrimination and harassment
  - Reporting on the outcome of cases: how many have been resolved, are in progress, etc.
- Transparent ESG scoring methodology that includes small suppliers

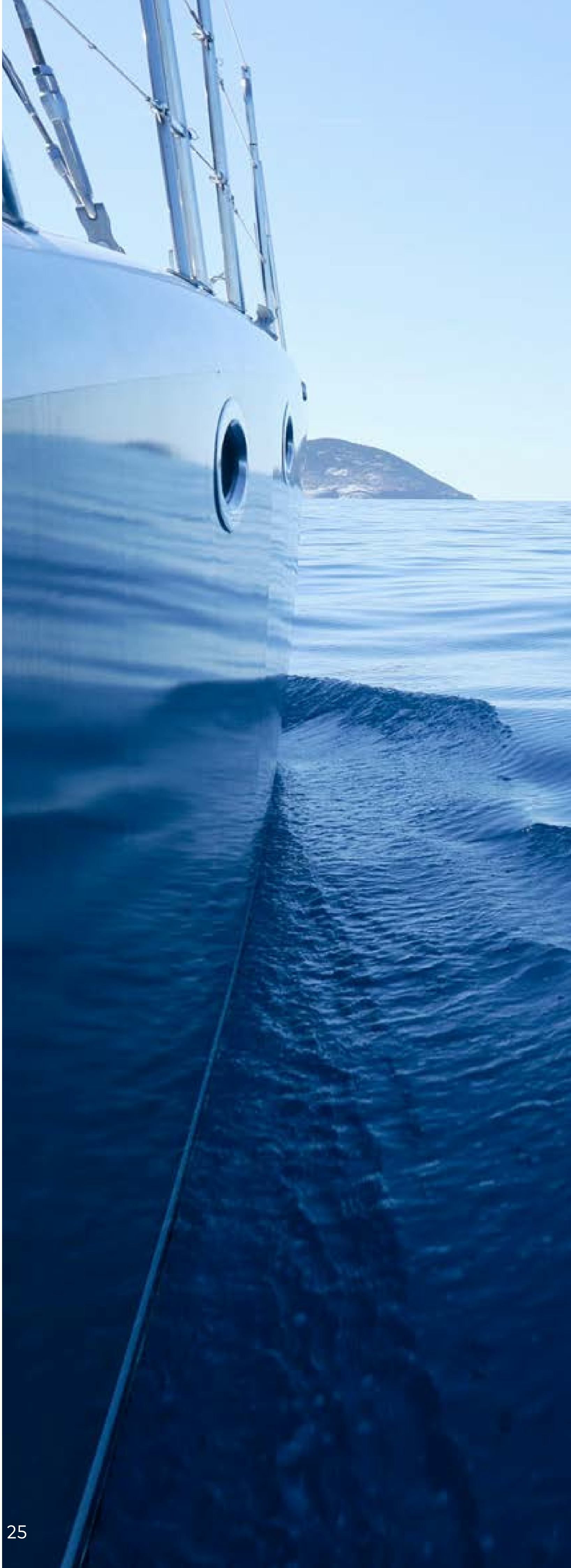
Engagement: Our initial engagement in 2022 with Iberdrola's Head of Sustainable Development focused on its supply chain monitoring tools and potential risks, particularly those related to labor conditions and human rights. During this discussion, we encouraged Iberdrola to provide greater transparency around its ESG scoring methodology and supplier engagement, including publishing the number of suppliers failing to meet ESG-related policies. In 2023 and more recently in 2024, we followed up with the Head of Fixed Income and ESG, as well as the ESG Investor Relations team, to review Iberdrola's progress in supplier assessments, including its audit results in high-risk regions. Discussions also touched on the Solar Stewardship Initiative (SSI), which Iberdrola joined to conduct local audits in China.

Outcome and status: In 2023, Iberdrola set itself the goal of sourcing over 85% of its purchases from sustainable suppliers in the 2023-2025 period. Supplier sustainability performance is assessed through ESG self-assessments, which are mandatory before contracts are awarded. The procurement process prioritizes sustainable suppliers, and those failing to meet minimum requirements or implement requested improvements within a set timeframe may be excluded. To ensure accuracy and verify supporting evidence, a "correctness factor" process involving third-party verification of supplier assessments is carried out.

To date, around 90% of Iberdrola's procurement volume has been audited. In recent years, the company has enhanced its Procurement and Supplier Management Activity Report, improving disclosures around audit plans, outcomes and corrective measures. In 2023, 28 ESG audits were conducted across Iberdrola's five key geographies, including China and Korea, with an additional 16 audits completed by Q1 2024, bringing the total to 44. These audits generally indicated strong ESG practices among suppliers. Of the 1,507 critical suppliers assessed in 2023, 265 were flagged as posing potential or actual risks, prompting corrective measures or improvement plans. Corrective measures were implemented for 93 suppliers, sanctions were imposed on 19 and contracts with two suppliers were terminated. It is encouraging to note that Iberdrola has begun reporting complaints by category and the associated disciplinary measures in its most recent Procurement and Supplier Report, reflecting advances in transparency. However, detailed reporting on audit findings categorized by specific risks would provide greater insights into supply chain vulnerabilities and align with best practices.

Although Iberdrola has yet to disclose the proportion of audits conducted by the company versus third parties, it provided increased visibility into audits in high-risk regions. This includes collaboration with third-party auditors such as Bureau Veritas and participation in sector initiatives like the SSI launched in 2024. Iberdrola has a seat on the SSI Board. Preliminary audits conducted by SSI in 2023 were not publicly disclosed but helped to establish key targets and next steps for 2024, including the development of a Supply Chain Traceability Standard that is scheduled for public launch in December 2024 following a consultation. Bureau Veritas' audits of Chinese solar companies have so far delivered satisfactory results, although only one audit of a Chinese battery manufacturer was conducted in 2024. Iberdrola has made progress in its supplier assessments, applying insights gained from solar supplier audits to other categories such as batteries, inverters, transformers and wind turbines. While the company has provided assurances that no forced labor exists among tier 1 suppliers, further attention needs to be directed at lower-tier suppliers to ensure comprehensive risk management and transparency. We intend to monitor the outcomes of the audits conducted in high-risk regions as Iberdrola further strengthens its supply chain oversight and disclosures.

Engagement examples governance



Ormat Technologies

Renewable energy company Board diversity

Engagement type: Individual, objective oriented

Background: Ormat Technologies carries out renewable energy projects with a focus on geothermal and recovered energy (REG). It is also expanding into photovoltaic (PV) and energy storage solutions.

The company's Nominating and Corporate Governance Committee has emphasized the importance of diversity on Ormat's Board of Directors. Under Ormat's Corporate Governance Guidelines, the Board must always include at least two female directors, with exceptions allowed during periods of director transitions. While Ormat adheres to this minimum, we hold a more ambitious view on Board diversity for our investee companies. We believe Boards in the US should aim for a composition that includes at least 40% underrepresented gender identities and 20% racially or ethnically diverse directors.

Prior to 2024, the Board of Ormat did not have at least 40% underrepresented gender identities. In 2023, three out of the Board's nine directors were female. This nevertheless represented a significant improvement from just 11% in 2021 and around 20% prior to that. We have used our voting power at Annual General Meetings (AGMs) and engaged with Ormat on improving its diversity initiatives.

Objective: Achieve a Board composition that includes at least 40% underrepresented gender identities, supported by an enhanced formal ambition to increase the minimum number of female Board members beyond the current requirement of two, as outlined in the company's Corporate Governance Guidelines.
Ormat Technologies Renewable energy company Board diversity

Engagement: At the AGM in May 2023, and in prior AGMs, we expressed our dissatisfaction over Ormat's lack of Board diversity by voting against the proposed re-election of the Chair of the Nominating and Corporate Governance Committee.

Following the AGM in 2023, we held a meeting with Ormat's COO, Head of Investor Relations and the Head of IR and ESG Planning & Reporting. During this discussion, we emphasized our decision to withhold support for the Chair of the Nominating and Corporate Governance Committee, as the company did not have at least 40% underrepresented gender identities on its Board. While acknowledging the company's recent update to its Corporate Governance Guidelines requiring the Board to have at least two female directors, we emphasized that this provision appeared to be a minimum threshold rather than a forward-looking target for improvement. We urged Ormat to demonstrate greater ambition and accountability. In particular, we asked how the company plans to move beyond the current 33% female representation and to incorporate additional quantitative criteria as the 40% gender threshold underpins our diversity-related voting principles.

At the end of 2024, we reconvened with the same Ormat representatives to follow up on the progress made. By the start of 2024, Ormat had successfully achieved greater Board diversity, reaching the target of at least 40% underrepresented gender identities. Consequently, this meeting focused on encouraging the company to increase the requirements of its formal Board diversity policy from the minimum of two female directors to a more ambitious target that ensures greater accountability.

Outcome and status: In May 2024, another female director joined Ormat's Board, bringing the total to four female directors out of nine and thus surpassing the 40% threshold for underrepresented gender identities. This achievement is closely aligned with our engagement objectives, and we were pleased to support the election of all directors at the AGM in 2024. Looking ahead, we remain committed to monitoring Board diversity. Should Ormat fail to maintain the 40% threshold in the future, we will revisit our approach and may again vote against the Chair of the Nominating and Corporate Governance Committee.

In our discussions with Ormat, it emphasized that its ambition is to reach a Board diversity level of around 40%. While Ormat is satisfied with its governance policies and the progress achieved, it pointed to challenges in attracting female talent within the utilities sector but acknowledged that the situation is gradually improving. It welcomed our feedback and committed to raising the matter with the Nominating and Corporate Governance Committee.

Overall, we believe that Ormat has demonstrated steady progress in improving gender diversity at Board level. While we do not see this as an urgent topic as long as the 40% threshold is maintained, we continue to encourage the company to increase its formal diversity ambition of having two female directors, as outlined in its Corporate Governance Guidelines. This will become critical if the Board's diversity level were to decline in the future.

Suzano S.A.

Paper and pulp producer SBTi target disclosure

Engagement type: Individual, research oriented

Background: Suzano is the largest paper and pulp company in Latin America and it has a presence in over 80 countries worldwide. It is among the ten largest producers of market pulp and the largest producer of eucalyptus pulp (paper) in the world. The company owns forest land and plants in Brazil, where it harvests timber and turns the timber into pulp and paper at its plants.

Suzano's eucalyptus-based business model is a cornerstone of its operations. It focuses on sustainably cultivating and managing eucalyptus plantations and using the wood harvested to produce pulp and other wood-derived products. Suzano sources 100% of its wood from planted forests, avoiding deforestation of native forests. When managing its plantations, the company seeks to protect water resources and soil quality, minimizing environmental impacts.

Concerns exist about the consequences of large-scale monoculture practices, including the depletion of water resources, land degradation and adverse impacts on traditional communities. Nevertheless, Suzano S.A. issued its first green bond in 2016 and it has attracted billions in green financing since then.

Suzano's ESG rating remains high, and the company had its first Second Party Opinion issued by Sustainalytics in November 2024, stating that the green financing framework is credible and impactful as well as being aligned with the four components of the Green Bond Principles 2021 and the Green Loan Principles 2023.

Engagement: Suzano is an attractive issuer of sustainable bonds for our sustainable investment funds and represents one of the highest ESG-rated issuers (78.8) in our emerging market issuer universe. In 2024, we incorporated the Net Zero Investment Framework (NZIF) Maturity Scale into our internal sustainability assessment, and Suzano is classified as a high-impact company and as "aligning" within the Maturity Scale. During our detailed disclosure assessment, it came to our attention that although the company joined the SBTi in 2021, it did not have SBTi approved targets. According to the SBTi website, Suzano has committed to a "near-term target" without a "net-zero target" but no further information was available.

In June 2024, we contacted the company to request further information on its current SBTi status. The company responded by providing detailed information on two targets on reducing emission intensity. It further explained that it had submitted its GHG emission reduction ambition to the SBTi in 2023 (in line with a 1.5°C net zero above pre-industrial levels scenario) and had included both its own emissions and emissions from its value chain. It explained that its proposal was still being evaluated by the SBTi.

Outcome and status: At the time of writing this report, we had reached out to the company again but no further information was available. Its status on the SBTi website remains unchanged. We intend to contact Suzano again in mid-2025 if no further details are provided on the SBTi website.

Proxy voting[1]

We actively exercise our voting rights and engage with the companies that we invest in. We believe that over the long term, a well-developed relationship between a company and its investors can lead to increased shareholder value and attractive returns. We believe, LGT Capital Partners has a responsibility to influence companies and issuers of securities in order to serve the best interests of investors. As shareholders, we use our voting rights whenever possible in order to:

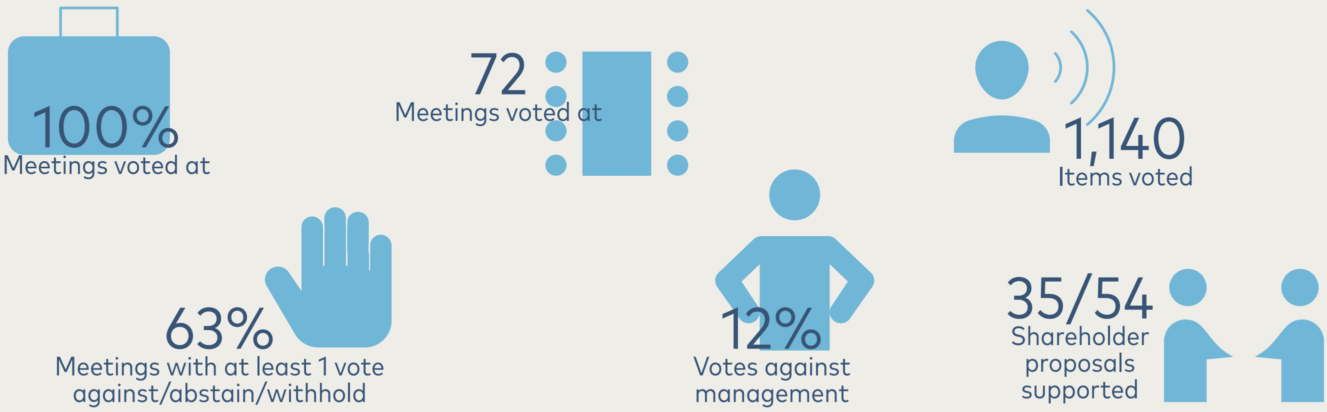
- Improve the level of reporting disclosures;
- Align management compensation to ESG key performance indicators and emissions targets;
- Support strategic measures to accelerate or adapt to a low-carbon business model.

LGT Capital Partners closely follows the Socially Responsible Investment (SRI) Proxy Voting Guidelines provided by Institutional Shareholder Services Inc. (ISS) but may deviate from the recommendations if our assessment of the situation is different.[2] All voting recommendations are reviewed individually.

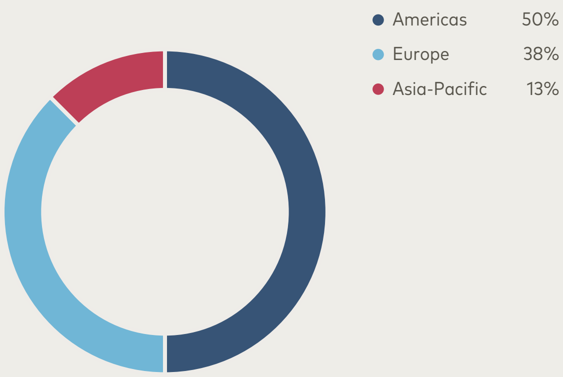
Voting transparency

We aim to provide transparency around our voting activities and publish a monthly report and an annual report with detailed information on our voting instructions and the rationale for all voting items. A complete list of all proxy voting activities in 2024 is available on our website at here.

Facts and figures



Meetings voted by region



Source: LGT Capital Partners, ISS. Data from 1 January 2024 to 31 December 2024.

[1] Includes all of LGT Capital Partners' dedicated sustainable strategies, which include a direct equity allocation: LGT Sustainable Equity Global strategy, LGT Sustainable Quality Equity Hedged strategy, LGT Sustainable Equity Europe strategy, LGT Sustainable Equity Market Neutral strategy, LGT Sustainable Strategy 5 Years, LGT Sustainable Strategy 4 Years, LGT Sustainable Strategy 3 Years. Does not include client mandates.

[2] This applies for LGT Capital Partners' sustainable direct equity allocation.

Significant votes

We disclose around sustainability-related voting agenda items and significant votes to ensure accountability and transparency for our clients and other stakeholders.

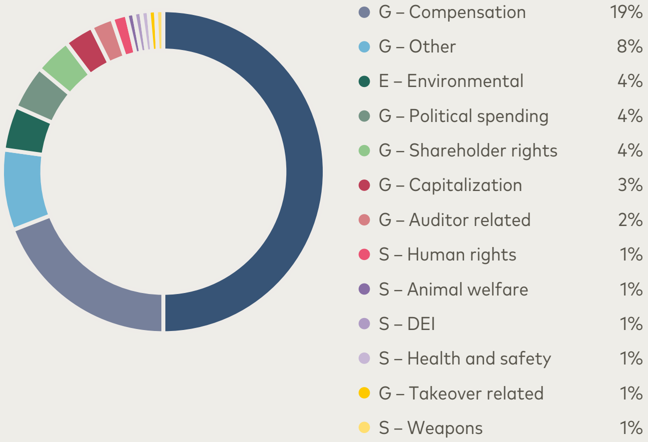
Significant votes match one or more of the following criteria:[1]

- Votes against management recommendations.
- Voting agenda items of particular importance to our sustainable investment objectives and principles.
  - This could relate to votes on "Say on Climate" (net zero transition plans), board diversity or human rights, among other topics.
- Voting agenda item that relates to an ongoing engagement with an investee company.
  - In 2023, we started tracking engagements with related voting escalations in our engagement tool.
- Larger share of ownership or collaboration with other investors.
- Voting agenda items that received attention and are of importance to stakeholders, clients and the investment teams.
  - The investment teams can flag votes as significant in our voting tool going forward as part of the voting process to facilitate tracking.

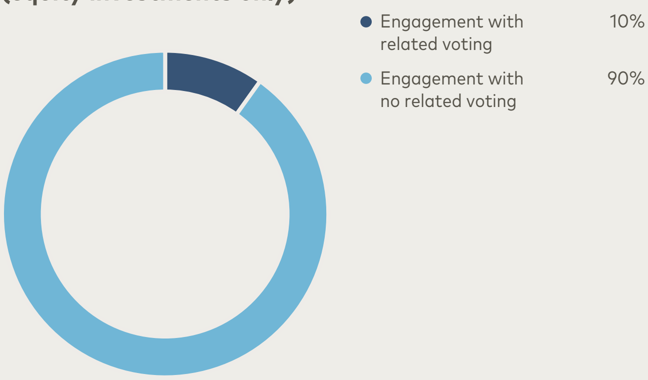
Below a breakdown of our voting decisions in relation to:

- Votes against management recommendations.
- Proportion of engagements with a related vote action (equity investments only).
- Votes on selected topics in relation to management and SRI policy recommendations.

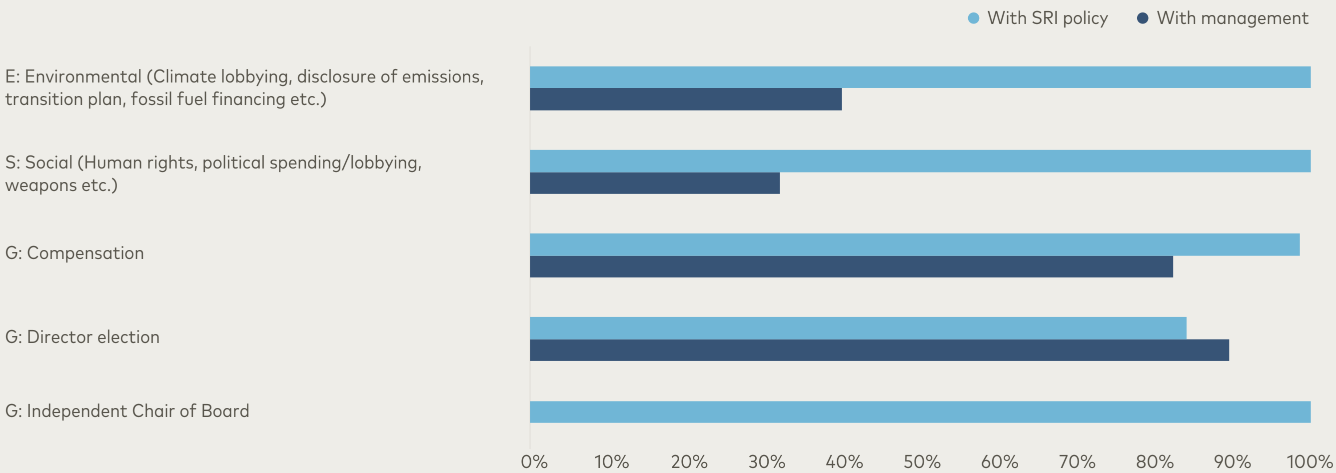
Breakdown of votes against management by issue



Proportion of engagements with a related vote action (equity investments only)



Votes on selected topics in relation to management and SRI policy recommendations



Source: LGT Capital Partners, ISS. Data from 1 January 2024 to 31 December 2024.

[1] This applies for LGT Capital Partners' sustainable direct equity allocation.

Example of significant votes 2024

Biodiversity and nature

Environmental Social Governance

PepsiCo
Proposal text: Report risks related to biodiversity and nature loss
Proponent: Shareholder
LGT Capital Partners vote instructed: For
Management recommendation: Against
Vote result: Rejected. For 18.4%, against 81.6%
Voting rationale: PepsiCo publicly discloses targets to reduce deforestation, increase the adoption of regenerative agriculture practices and sustainably source its raw ingredients. The company also reports its approach to managing nature-related risks through reporting based on TCFD and GRI guidelines as well as in annual responses to the CDP Forest, Water and Climate questionnaires. While PepsiCo received fairly high scores in 2023 for its CDP responses, it did not disclose additional information in a section where the Climate questionnaire asks companies to assess and report risks related to biodiversity in their operations. The company has addressed and disclosed information on certain areas related to biodiversity. However, additional transparency is needed to help shareholders evaluate whether PepsiCo is effectively addressing biodiversity and nature-related risks. This is particularly important given the inherent risks in its complex supply chain, including allegations in the course of 2024 related to deforestation and human rights violations. We contacted the company about this matter to better understand its efforts to align with its stated 2022 commitment to achieve a 100% deforestation-free palm oil supply chain.

Clean energy financing

Environmental Social Governance

Morgan Stanley
Proposal text: Report on clean energy financing ratio
Proponent: Shareholder
LGT Capital Partners vote instructed: For
Management recommendation: Against
Vote result: Rejected. For 22.5%, against 75.8%, abstain 1.7%
Voting rationale: Morgan Stanley has committed to mobilizing USD 750 billion in low-carbon and clean energy financing by 2030 to support the transition to a low-carbon future. While the company provides transparency on its carbon-intensive sector targets and financed emissions metrics, it does not disclose its clean energy financing in relation to overall financing. A key challenge is the lack of a defined standard for such disclosures. Recently, three other companies announced plans to publish their clean energy financing ratios, highlighting the need for a harmonized approach. Disclosing this ratio would help shareholders to assess Morgan Stanley's progress toward its climate goals. In addition, aligning its activities with a net zero by 2050 pathway would strengthen its position as a leader in the global energy transition.

GHG emission disclosure

Environmental Social Governance

Ross Stores
Proposal text: Disclose all material value chain GHG emissions
Proponent: Shareholder
LGT Capital Partners vote instructed: For
Management recommendation: Against
Vote result: Rejected. For 25.9%, against 74.1%
Voting rationale: Ross Stores has reported its Scope 1 and Scope 2 emissions, as well as certain Scope 3 categories, including business travel and fuel- and energy-related emissions. The company has set a net zero target for 2050, including Scope 3, with an interim goal to cut Scope 1 and Scope 2 emissions by 42% by 2030. Expanding disclosures to include additional material Scope 3 categories would give shareholders better insight into its progress towards these goals and its approach to managing climate-related risks. Greater transparency would also support the company in meeting future regulatory requirements.

Artificial intelligence (AI)

Environmental Social Governance

Alphabet
Proposal text: Report on risks related to AI-generated misinformation and disinformation
Proponent: Shareholder
LGT Capital Partners vote instructed: For
Management recommendation: Against
Vote result: Rejected. For 17.6%, against 82.2%, abstain 0.3%

Environmental Social Governance

Microsoft
Proposal text: Report on risks related to AI-generated misinformation and disinformation
Proponent: Shareholder
LGT Capital Partners vote instructed: For
Management recommendation: Against
Vote result: Rejected. For 18.7%, against 81.3%

Voting rationale: Generative AI (gAI) presents significant risks as it can contribute to misinformation and disinformation, with potential negative impacts on human rights and democratic processes. Companies involved in developing and deploying gAI may face escalating legal, reputational and financial risks if these technologies are introduced without thorough risk assessments and safeguards.

Alphabet has stated that its enterprise risk frameworks, product policies and tools are designed to mitigate risks related to AI-generated misinformation and disinformation. Similarly, Microsoft discloses various measures, including its collaboration with partners, to address misinformation and disinformation across its services.

However, increased transparency and detailed disclosures on how both companies are managing these risks, particularly in light of recent controversies, regulatory developments and the potential for litigation, would provide shareholders with critical insights.

Environmental Social Governance

Alphabet
Proposal text: Publish human rights risk assessment on the AI-driven targeted ad policies
Proponent: Shareholder
LGT Capital Partners vote instructed: For
Management recommendation: Against
Vote result: Rejected. For 18.5%, against 81.2%, abstain 0.3%
Voting rationale: Targeted advertising is central to Alphabet's business model, and the company has taken steps to encourage responsible AI use and targeted advertising. Alphabet asserts that its existing policies, practices and oversight make a human rights risk assessment unnecessary. However, given the increasing regulatory, legal and reputational scrutiny of targeted advertising practices, the performance of an independent human rights assessment would offer valuable insights into how Alphabet is addressing potential challenges and would enable shareholders to better evaluate the human rights impacts of the company's targeted advertising policies.

Environmental Social Governance

Microsoft
Proposal text: Report on AI data sourcing accountability
Proponent: Shareholder
LGT Capital Partners vote instructed: For
Management recommendation: Against
Vote result: Rejected. For 36.2%, against 63.8%
Voting rationale: Microsoft faces growing risks linked to copyright infringements and the use of third-party data to train its models. The company's commitment to defending commercial clients in copyright lawsuits highlights its awareness of these challenges. While Microsoft shares substantial information about its efforts to safeguard client privacy, it provides little detail on how it evaluates and mitigates risks associated with the use of copyrighted or external data in AI training. Greater transparency around its data sourcing practices and the handling of copyrighted materials would enhance accountability and build trust in its AI operations, enabling shareholders to better evaluate how the company manages these risks.

Board diversity

Environmental Social Governance

Related to over 30 investee companies
Proposal text: Election of directors
Proponent: Management
LGT Capital Partners vote instructed: Against (the election of Chair of the Nomination Committee)
Management recommendation: For
Voting rationale: At AGMs in 2024, we voted against (or, depending on the market, withheld/abstained on) the election of directors at over 30 investee companies due to insufficient Board diversity. We believe that it is in the best interests of shareholders for management to give serious consideration to Board diversity to achieve at least 40% representation of underrepresented gender identities. This criterion applied to nearly 100% of the markets in which we voted in 2024. In the case of a lack of Board diversity, we vote against the election of Chair of the Nomination Committee (or, depending on the market, we withhold/abstain) or of other Board members on a case-by-case basis. We choose to generally not vote against the incumbent members of Nomination Committees in such cases, i.e. we express our dissatisfaction about an insufficiently diverse Board by voting against the Chair and engaging on the topic with the company. We are reluctant to vote against all Board members as they, themselves, often strengthen the Board's diversity.

In some cases, we observed progress during the year after we actively engaged with the company and previously exercised votes to express dissatisfaction with Board diversity. Examples include IDEXX Laboratories and Universal Display, which have improved their Board diversity levels to 36% and 40%, respectively. In recognition of these positive developments, we supported the re-election of the Chairs of their Nomination Committees at the 2024 AGMs, acknowledging the positive trend toward more diverse Boards.

Board independency

Environmental Social Governance

Colgate-Palmolive
Proposal text: Require independent board chair
Proponent: Shareholder
LGT Capital Partners vote instructed: For
Management recommendation: Against
Vote result: Rejected. For 33.8%, against 65.8%, abstain 0.4%

Environmental Social Governance

Intercontinental Exchange
Proposal text: Require independent board chair
Proponent: Shareholder
LGT Capital Partners vote instructed: For
Management recommendation: Against
Vote result: Rejected. For 29%, against 71%

Voting rationale: At Colgate-Palmolive, Noel Wallace has served as President and CEO since 2019 and as Chairman since 2020. At Intercontinental Exchange, Jeffrey Sprecher has held the roles of CEO since the company's inception and Chairman since November 2002. The Board's primary responsibility is to represent shareholders, oversee management and ensure accountability. For this reason, having an independent Chair is vital for strong corporate governance. While we recognize that some large companies operate effectively with a combined Chair and CEO structure, separating these roles is generally in the best interests of shareholders. Combining the positions can lead to potential conflicts of interest, such as when the Chair, tasked with overseeing the CEO's performance, also serves as the CEO, undermining the objectivity required for this responsibility when both roles are held by the same individual.

Appendix: Engagement list

Please find below a list of the companies the Sustainable Equity and Fixed Income teams engaged with in 2024.

Company[1]	**E**	**S**	**G**	**Main topics of engagement**	**Sector**	**Country**[2]	**Team (EQ[3]/FI[4])**
ACEA SpA	Y	N	N	Net Zero Engagement Initiative – energy transition planning	Utilities	Italy	FI
adidas AG	N	Y	N	Fair wages	Consumer discretionary	Germany	EQ
Agilent Technologies Inc	N	N	Y	ESG-linked compensation	Healthcare	USA	EQ
Akamai Technologies Inc	Y	N	N	Emissions targets	Information technology	USA	EQ
Akamai Technologies Inc	N	Y	N	Diversity, equity and inclusion	Information technology	USA	EQ
Akamai Technologies Inc	N	Y	N	Supply chain management	Information technology	USA	EQ
Alpha Services and Holdings SA	N	N	Y	Green and social financing	Financials	Greece	FI
Alphabet Inc	N	N	Y	Anti-competitive behaviour	Communication services	USA	EQ
Apple Inc	N	Y	N	Forced labor	Information technology	USA	EQ
Banco Santander SA	Y	N	N	Deforestation policy and framework	Financials	Spain	EQ
Banco Santander SA	N	N	Y	Regulatory compliance: sanctions/AML/KYC	Financials	Spain	EQ
Banco Santander SA	Y	N	N	Net zero strategy and transition financing	Financials	Spain	EQ
Banco Santander SA	N	N	Y	Remuneration policy	Financials	Spain	EQ
Chocoladefabriken Lindt & Spruengli AG	N	Y	N	Living income	Consumer staples	Switzerland	EQ
Chocoladefabriken Lindt & Spruengli AG	N	Y	Y	Supply chain disclosure: child labor	Consumer staples	Switzerland	EQ
Chocoladefabriken Lindt & Spruengli AG	Y	N	N	Sustainable farming	Consumer staples	Switzerland	EQ
Chocoladefabriken Lindt & Spruengli AG	N	Y	N	Food safety	Consumer staples	Switzerland	EQ
Contemporary Amperex Technology Co Ltd	Y	N	N	Carbon emissions	Industrials	China	EQ
Contemporary Amperex Technology Co Ltd	Y	N	N	Circularity: battery production	Industrials	China	EQ
Danone SA	Y	N	N	Nature and biodiversity loss (Nature Action 100)	Consumer staples	France	FI
Davide Campari-Milano NV	Y	N	N	Decarbonization: SBTi targets	Consumer staples	Italy	EQ
Davide Campari-Milano NV	Y	N	N	Water management	Consumer staples	Italy	EQ
Davide Campari-Milano NV	Y	N	N	Sustainable packaging	Consumer staples	Italy	EQ
Davide Campari-Milano NV	N	Y	N	Responsible drinking	Consumer staples	Italy	EQ
Davide Campari-Milano NV	Y	Y	N	Sourcing: sugar supply chain	Consumer staples	Italy	EQ
Diageo PLC	N	Y	N	Responsible drinking	Consumer staples	UK	EQ
Diageo PLC	Y	N	N	Water pollution	Consumer staples	UK	EQ
Diageo PLC	N	N	Y	Remuneration: ESG KPIs linked to short-term remuneration	Consumer staples	UK	EQ
Diageo PLC	N	N	Y	Remuneration: ESG KPIs linked to long-term remuneration	Consumer staples	UK	EQ
Diageo PLC	Y	N	N	Plastic packaging: reusable	Consumer staples	UK	EQ
Enexis Holding NV	Y	N	N	Net Zero Engagement Initiative – energy transition planning	Utilities	Netherlands	FI
Estee Lauder Cos Inc	Y	N	N	Packaging: global commitment	Consumer staples	USA	EQ
Estee Lauder Cos Inc	Y	N	N	Packaging: reusable, recyclable or compostable			
Estee Lauder Cos Inc	Y	N	N	Safe ingredients	Consumer staples	USA	EQ
Estee Lauder Cos Inc	Y	N	N	Bio-based sourcing	Consumer staples	USA	EQ
Estee Lauder Cos Inc	N	N	Y	Executive remuneration	Consumer staples	USA	EQ
Estee Lauder Cos Inc	N	N	Y	Multi-class capital structure	Consumer staples	USA	EQ
Estee Lauder Cos Inc	N	N	Y	Board independence	Consumer staples	USA	EQ
Estee Lauder Cos Inc	Y	N	N	SBTi targets: long-term	Consumer staples	USA	EQ

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Company[1]	E	S	G	Main topics of engagement	Sector	Country[2]	Team (EQ[3]/FI[4])
Geberit AG	Y	N	N	Net Zero Engagement Initiative – energy transition planning	Industrials	Switzerland	EQ
Hasbro Inc	N	N	Y	Business ethics	Consumer discretionary	USA	FI
Heineken NV	N	Y	N	Responsible drinking	Consumer staples	Netherlands	EQ
Heineken NV	N	N	Y	ESG-linked remuneration targets	Consumer staples	Netherlands	EQ
Heineken NV	Y	N	N	Water consumption	Consumer staples	Netherlands	EQ
Heineken NV	Y	N	N	Water reduction targets	Consumer staples	Netherlands	EQ
Hermes International SCA	N	Y	N	Animal welfare	Consumer discretionary	France	EQ
Iberdrola SA	Y	N	N	Biodiversity	Utilities	Spain	EQ
Iberdrola SA	N	Y	N	Supply chain visibility and reporting	Utilities	Spain	EQ
Iberdrola SA	Y	N	N	Blade and turbine recyclability	Utilities	Spain	EQ
IDEXX Laboratories Inc	N	Y	N	Labor conditions and working environment	Healthcare	USA	EQ
IDEXX Laboratories Inc	N	Y	N	Diversity, equity and inclusion	Healthcare	USA	EQ
IDEXX Laboratories Inc	N	Y	N	Diversity, equity and inclusion	Healthcare	USA	EQ
IDEXX Laboratories Inc	Y	N	N	Decarbonization: SBTi targets	Healthcare	USA	EQ
ING Groep NV	Y	N	N	Net zero strategy and transition financing	Financials	Netherlands	EQ
ING Groep NV	N	Y	Y	Gender diversity	Financials	Netherlands	EQ
ING Groep NV	Y	N	N	Coal financing	Financials	Netherlands	EQ
Kering SA	N	N	Y	Responsible supply chain	Consumer discretionary	France	FI
Knorr-Bremse AG	Y	N	N	Net Zero Engagement Initiative – energy transition planning	Industrials	Germany	FI
LBI ehf	N	N	Y	Green financing disclosure	Financials	Iceland	FI
Linde PLC	Y	N	N	Carbon capture	Materials	USA	EQ
Linde PLC	Y	N	N	CDP alignment	Materials	USA	EQ
Linde PLC	Y	N	N	Green hydrogen	Materials	USA	EQ
L'Oreal SA	Y	N	N	Nature and biodiversity loss (Nature Action 100)	Consumer staples	France	EQ
LVMH Moet Hennessy Louis Vuitton SE	Y	N	N	Circular economy and alternative materials	Consumer discretionary	France	EQ
LVMH Moet Hennessy Louis Vuitton SE	N	N	Y	Animal cruelty	Consumer discretionary	France	FI
LVMH Moet Hennessy Louis Vuitton SE	N	Y	N	Supply chain traceability	Consumer discretionary	France	EQ
Medtronic PLC	N	N	Y	Independent board members	Healthcare	USA	EQ
Medtronic PLC	N	Y	Y	Product recalls	Healthcare	USA	EQ
Medtronic PLC	N	Y	N	Employee turnover	Healthcare	USA	EQ
MetLife Inc	N	N	Y	Green and social financing	Financials	USA	FI
Microsoft Corp	N	N	Y	Tax optimization	Information technology	USA	EQ
National Bank of Greece SA	N	N	Y	Green and social financing	Financials	Greece	FI
Ormat Technologies Inc	Y	Y	N	Local communities and ecosystems	Utilities	USA	EQ
Ormat Technologies Inc	N	Y	N	Board diversity	Utilities	USA	EQ
Ormat Technologies Inc	Y	N	N	Decarbonization: SBTi targets	Utilities	USA	EQ
Ormat Technologies Inc	N	N	Y	ESG-linked remuneration targets	Utilities	USA	EQ
Ormat Technologies Inc	Y	N	Y	Sustainability disclosure: biodiversity	Utilities	USA	EQ
Ormat Technologies Inc	Y	N	Y	Sustainability disclosure: water (CDP non-disclosure campaign)	Utilities	USA	EQ
Ormat Technologies Inc	N	N	Y	Board diversity policy	Utilities	USA	EQ
Ormat Technologies Inc	N	Y	Y	Battery sourcing	Utilities	USA	EQ
PACCAR Inc	Y	N	N	Net zero: fleet electrification and climate policy lobbying (CA 100+)	Industrials	USA	EQ
PACCAR Inc	N	N	Y	ESG-linked remuneration	Industrials	USA	EQ
PepsiCo Inc	Y	Y	N	Supply chain management: deforestation and human rights	Consumer staples	USA	EQ
Power Finance Corp Ltd	N	N	Y	Green Bond Framework disclosure	Financials	India	FI
REC Ltd	N	N	Y	Green Bond Framework disclosure	Financials	India	FI
Reckitt Benckiser Group PLC	N	Y	N	Product safety: risk of NEC associated with formula feeding	Consumer staples	UK	EQ
ResMed Inc	Y	N	Y	Sustainability disclosure: water (CDP non-disclosure campaign)	Healthcare	USA	EQ
Rio Tinto PLC	Y	N	N	Water pollution	Materials	UK	EQ
Segro PLC	N	N	Y	EU taxonomy data	Real Estate	UK	FI
Shenzhen Mindray Bio-Medical Electronics Co Ltd	N	Y	N	Data privacy	Healthcare	China	EQ

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Company[1]	E	S	G	Main topics of engagement	Sector	Country[2]	Team (EQ[3]/FI[4])
Shenzhen Mindray Bio-Medical Electronics Co Ltd	N	N	Y	Anti-corruption	Healthcare	China	EQ
Smith & Nephew PLC	Y	N	N	Decarbonization: SBTi-targets	Healthcare	UK	EQ
Starbucks Corp	N	Y	N	Anti-union practices	Consumer discretionary	USA	EQ
Stryker Corp	N	N	Y	Anti-bribery and corruption	Healthcare	USA	EQ
Stryker Corp	N	Y	N	Health and safety: fatality	Healthcare	USA	EQ
Suzano SA	Y	N	Y	SBTi targets	Materials	Brazil	FI
Swisscom AG	N	N	Y	Green and social financing	Communication services	Switzerland	FI
Taiwan Semiconductor Manufacturing Co Ltd	N	Y	N	Human resources and IP protection	Information technology	Taiwan	EQ
Tencent Holdings Ltd	N	N	Y	Rating: UNGC violation status by Sustainalytics	Communication services	Hong Kong	EQ
Unibail-Rodamco-Westfield	N	N	Y	EU taxonomy data	Real estate	France	FI
Unilever PLC	Y	Y	N	GMO crops	Consumer staples	UK	EQ
Unilever PLC	Y	N	N	Plastic packaging	Consumer staples	UK	EQ
Unilever PLC	Y	N	N	Protection and restoration of ecosystems	Consumer staples	UK	EQ
Unilever PLC	N	Y	N	Labor conditions and living wage	Consumer staples	UK	EQ
Unilever PLC	Y	N	N	Biodegradability	Consumer staples	UK	EQ
UnitedHealth Group Inc	N	N	Y	Sales practices	Healthcare	USA	EQ
Universal Display Corp	N	N	Y	Executive remuneration	Information technology	USA	EQ
Universal Display Corp	Y	N	N	GHG emissions	Information technology	USA	EQ
Verbund AG	Y	N	N	Net Zero Engagement Initiative – energy transition planning	Utilities	Austria	FI

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Head office

Pfäffikon (Switzerland)
Schuetzenstrasse 6, P.O. Box
CH-8808 Pfaeffikon
+41 58 261 8000

USA

New York
1133 Avenue of the Americas
30th Floor
New York, NY 10036
+1 212 336 0650

San Francisco
580 California Street
Floor 13, Suite 1330
San Francisco, CA 94104
+1 628 201 0050

EMEA

Dubai
Dubai International Financial Centre
Office 7–Level 3–Gate Village 10
P.O. Box 125115
Dubai 12511, United Arab Emirates
+971 4 401 9900

Dublin
30 Herbert Street
Third Floor
Dublin 2 D02 W329
+353 1 264 8600

London
1 St James's Market
London SW1Y4AH
+44 207 484 2500

Luxembourg
21, Allée Scheffer
2520 Luxembourg
+352 27 86 66 86

Frankfurt am Main
Taunusanlage 9–10
60329 Frankfurt am Main
+49 69 505 0604 701

Paris
43 Avenue de Friedland
75008 Paris
+33 1 81 80 5600

The Hague
WTC The Hague, Prinses Beatrixlaan 582
2595 BM The Hague
+31 70 701 8270

Vaduz (Liechtenstein)
Herrengasse 12
FL-9490 Vaduz
+423 235 2525

APAC

Beijing
Floor 61/Unit 01, China World Tower 3B
1 Jianguomenwai Ave
Chaoyang District
Beijing, P.R. China 100004
+86 10 5082 5354

Hong Kong
Suite 4203, 42/F Two Exchange Square
8 Connaught Place Central
G.P.O. Box 13398
Hong Kong SAR
+852 3841 78 88

Sydney
264 George Street
Suite 40.04, Level 40
Sydney NSW 2000
+61 2 7908 7777

Tokyo
9th Floor, Okura Prestige Tower
2-10-4, Toranomon, Minato-ku
Tokyo 105-0001
+81 3 4510 6900

LGT Capital Partners Ltd.
Schuetzenstrasse 6
CH-8808 Pfaeffikon

+41 58 261 8000
lgt.cp@lgtcp.com