February 2025

Global voting principles

LGT Group Foundation

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Introduction

The voting policy provides broad guidelines, within which voting decisions are assessed and implemented on a case-by-case basis. A degree of flexibility will be required when interpreting the guidelines to reflect specific market, company and meeting circumstances.

Voting is a core component of our stewardship approach. It allows us to constructively work with boards to voice shareholder concerns and improve practices. At LGT, proxy voting is aligned with our engagement activities. This means that under certain circumstances, LGT may deviate from the voting principles to acknowledge progress made through the engagement process or as part of our escalation approach. Our approach to stewardship is further outlined in our stewardship policies. If you would like to receive more information on stewardship at LGT, please contact our experts at stewardship@lgt.com.
This policy covers voting entities in the LGT Group which belong to the LGT Private Banking segment, including the division LGT Private Banking Europe and LGT Wealth Management UK LLP (together from here on referred to as LGT). We have partnered with one of the world's leading proxy advisor companies, Institutional Shareholder Services (ISS), to provide ballot distribution services, tracking and voting recommendations.

LGT subscribes to ISS' Sustainability Policy, ensuring that each vote highlights the importance of the sustainable agenda with the respective company. Whilst ISS provides us with voting recommendations, we do not always cast our vote in line with this – for example, we may hold a different view on behalf of our clients or see a potentially negative outcome. The voting policy is reviewed annually and approved by our Global Stewardship Committee.

Scope of the voting principles
This policy applies to funds and portfolios eligible for voting within the LGT Private Banking Europe and LGT Wealth Management LLP divisions. Currently, within LGT Europe, the Focus Sustainability Fund and the Sustainable Transition Enabler Fund are subject to the voting principles outlined in this policy, with plans to expand coverage over time. For LGT Wealth Management LLP, the policy encompasses all discretionary portfolios. It should be noted that, at this time, LGT Private Bank Asia is not included under this policy. This is also the case for investment funds of LGT Fund Management Company Ltd., if the portfolio management of an investment fund is delegated to a third party

Operational items

Financial results/director and auditor reports

The general recommendation of financial statements and statutory reports is to approve them unless there are concerns regarding the accounts or audit procedures and/or the company has not been responsive to shareholder questions about specific items that should be publicly disclosed. In these cases, the vote is likely to be negative.

Approval of non-financial information statement/report

LGT will generally vote for the approval of mandatory non-financial information statement/report, unless the independent assurance services provider has raised material concerns about the information presented.

Appointment of auditors and auditor fees

LGT will most often vote for the re-election of auditors and proposals authorising the board to fix auditor fees, unless:

- There are serious concerns about the effectiveness of the auditors.
- The lead audit partner(s) has been linked with a significant auditing controversy.
- Audit fees are undisclosed.

Allocation of income

Following ISS' Sustainability Policy, LGT will generally vote for approval of the allocation of income, unless:

- The dividend payout ratio has been consistently below thirty percent without adequate explanation, or
- The payout is excessive given the company's financial position.

Board of directors

At LGT, we view the board of directors as the ultimate drivers of a company's long-term strategy. Therefore, it is extremely important they encapsulate best-in-class governance characteristics and are accountable to all stakeholders. Boards should comprise a diverse range of skills, knowledge and experience, and maintain sufficient independence to challenge the executive and hold the company to account. When voting on re-elections of directors, we always take into account the regional or local corporate governance specificities before we finalise our decision.

Director elections

LGT will most often vote for management nominees in the election of directors, unless:

- There are clear concerns over questionable finances or restatements.
- There have been questionable transactions with conflicts of interest.
- The board fails to meet minimum regional corporate governance standards, including board independence standards. For example, LGT will commonly vote against the (re)election of any non-independent board member (excluding the CEO) if less than one third of the board members are independent.
- There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities.

Diversity

Following the ISS Sustainability Policy, LGT will evaluate diversity on boards in international markets when reviewing director elections, to the extent that disclosures and market practices permit.

LGT can vote against or withhold from the chair of the nominating committee if the board lacks a level of gender identity in line with regional and sectoral diversity standards. Please see the appendix for further details.

Material ESG failures

LGT will vote against or withhold from directors individually, on a committee, or potentially the entire board due to:

- Material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks.

Climate accountability
For companies that are significant greenhouse gas (GHG) emitters, such as those targeted by Climate Action 100+,, through their operations or value chain, LGT will generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case by case basis) in cases where the company is not taking the minimum steps needed to be aligned with a net-zero by 2050 trajectory.

The minimum steps needed to be considered to be aligned with a net-zero by 2050 trajectory are:
- Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD).
- The company has declared a target of net-zero by 2050 or sooner and the target includes scope one, two and relevant scope three emissions.
- The company has set a medium-term target for reducing its GHG emissions.

Expectations about what constitutes "minimum steps needed to be aligned with a net-zero by 2050 trajectory" will increase over time.

Combined chair/CEO
LGT is committed to upholding regional corporate governance standards through our voting outcomes. We understand that each country has its own distinct corporate governance characteristics and that boards will be composed of different structures. Our general expectation is that board members are sufficiently independent so that no single individual or small group of individuals can dominate decision-making.

In line with our ISS Sustainability Policy, LGT will generally vote against the (re)election of combined chair/CEOs; this expectation is set out for widely held UK or European companies where this is the norm. In instances of family-owned businesses and family-run leadership, we will review this expectation on a case by case basis. LGT will also consider the rationale provided by the company and any control mechanisms on the board (i.e. lead independent director, high overall board independence, high independence of key committees).

Capital structure

Preferred stock
LGT reviews each capital structure vote on a case by case basis, however LGT will generally:
- Vote for the creation of a new class of preferred stock or for issuances of preferred stock up to fifty percent of issued capital unless the terms of the preferred stock would adversely affect the rights of existing shareholders.
- Vote against the creation of a new class of preference shares that would carry superior voting rights to the common shares.

Share repurchase plans
LGT will generally vote for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria:
- A repurchase limit of up to ten percent of issued share capital.
- A holding limit of up to ten percent of a company’s issued share capital in treasury (“on the shelf”).
- Duration of no more than five years, or such lower threshold as may be set by applicable law, regulation, or code of governance best practice.

Compensation

Executive compensation-related proposals
Executive renumeration is a key factor in ensuring management is appropriately incentivised and aligned with the best interests of the business and its stakeholders.

LGT will evaluate management proposals seeking ratification of a company's executive compensation-related items on a case by case basis.

LGT expects companies to provide shareholders with clear and comprehensive compensation disclosures:

- The level of disclosure shall be sufficient for shareholders to make an informed decision and shall be in line with what local market best practice standards dictate.
  - Remuneration report disclosure is expected to include amongst others:
    - Amounts paid to executives;
    - Alignment between company performance and payout to executives;
    - Disclosure of variable incentive targets and according levels of achievement and performance awards made.
- The board shall demonstrate good stewardship of investor's interests regarding executive compensation practices.
  - There shall be a clear link between the company's performance and variable incentives. Financial and non-financial conditions, including ESG criteria, are relevant as long as they reward an effective performance in line with the purpose, strategy, and objectives adopted by the company.
  - The level of pay for the CEO and members of executive management should not be overly excessive relative to peers, company performance and market practices.
- The company shall maintain an independent and effective compensation committee:
  - In certain markets, the compensation committee shall be composed of a majority of independent members, as per the Sustainability Advisory Services policies on director election and board or committee composition.

Advisory vote on executive compensation (Say-on-Pay) management proposals

LGT will vote on a case by case basis on management proposals for an advisory shareholder vote on executive compensation. We may vote against these resolutions in cases where boards have failed to demonstrate good stewardship of investors' interests regarding executive compensation practices.

Environmental and social issues

Environmental and social proposals

One of LGT's main drivers in adopting ISS' Sustainability Policy was that it generally supports standards based ESG shareholder proposals that enhance long-term shareholder and stakeholder value. This means that generally our votes will focus on resolutions seeking greater transparency and/or adherence to internationally recognised standards and principles.

LGT will commonly vote in favour of social and environmental proposals that seek to promote good corporate citizenship while enhancing long-term shareholder and stakeholder value. In determining votes on shareholder social and environmental proposals, the following factors are considered:

- Whether the proposal itself is well framed and reasonable.
- Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value.
- The possibility that sales, assets and earnings could be affected.
- Whether the company has already responded in some appropriate manner to the request embodied in a proposal.
- What other companies have done in response to the issue.
- Whether there are significant controversies, fines, penalties or litigation associated with the company's environmental or social practices.
- Whether implementation of the proposal would achieve the objectives sought in the proposal.

Climate change

Following ISS' Sustainability Policy, LGT also has set out some high-level principles around climate proposals:

- LGT will tend to vote for shareholder proposals seeking information on the financial, physical, or regulatory risks companies face related to climate change – on its operations and investments, or on how the company identifies, measures, and manage such risks.
- LGT will usually vote for shareholder proposals calling for the reduction of GHG emissions.
- LGT will often vote for shareholder proposals requesting a report/disclosure of goals on GHG emissions from company operations and/or products.

- LGT will vote case by case on shareholder proposals that request the company to its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan.

Say on Climate (SoC) management proposals

LGT will consider each "Say on Climate" Proposal individually. A Say on Climate proposal is a management proposal that requests shareholders to approve the company's climate transition action. LGT will consider the following areas when deciding how to vote:

- The extent to which the company's climate related disclosures are in line with TCFD recommendations and meet other market standards.
- Disclosure of its operational and supply chain GHG emissions (scopes one, two and three).
- The completeness and rigour of company's short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions in line with Paris Agreement goals (scopes one, two and three if relevant).
- Whether the company has received third-party approval that its targets are science-based.
- Whether the company has made a commitment to be "net-zero" for operational and supply chain emissions (scopes one, two and three) by 2050.
- Whether the company discloses a commitment to report on the implementation of its plan in subsequent years.
- Whether the company intends to allow further votes on follow-on plans.
- Whether the company's climate data has received third-party assurance.
- Disclosure of how the company's lobbying activities and its capital expenditures align with company strategy.
- Whether there are specific industry decarbonisation challenges.
- The company's related commitment, disclosure and performance compared to its industry peers.

Other items

Reorganisations/restructurings

In line with the ISS Sustainability Policy recommendations, LGT will vote on reorganisations and restructurings on a case by case basis.

Mergers and acquisitions

In line with the ISS Sustainability Policy recommendations, LGT will vote case by case on mergers and acquisitions, taking into account the following:

- Valuation: is the value to be received by the target shareholders (or paid by the acquirer) reasonable?
- Market reaction: how has the market responded to the proposed deal? A negative market reaction will cause ISS's analysts to scrutinise a deal more closely.
- Strategic rationale: does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favourable track record of successful integration of historical acquisitions.
- Conflicts of interest: are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders?
- Governance: will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.
- Stakeholder impact: impact on community stakeholders including impact on workforce, environment, etc.

Antitakeover mechanisms

Following the ISS Sustainability Policy recommendations, LGT will generally vote against all antitakeover proposals unless they are structured in such a way that they give shareholders the ultimate decision on any proposal or offer.

Appendix 1 – regional and market specific differences

Board of directors – diversity

Following the ISS Sustainability Policy, LGT will evaluate diversity on boards in international markets when reviewing director elections, to the extent that disclosures and market practices permit.

- For **Japan**, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, we can vote against incumbent representative directors if the board lacks at least one director of an underrepresented gender identity.
- For **Malaysia,** LGT may vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.
- For **Canada and Australia**, we can generally vote against or withhold from the chair of the nominating committee if the board is not comprised of at least thirty percent underrepresented gender identities. For **Canada,** LGT could also vote against or withhold from the Chair of the Nominating Committee if the board has no apparent racially or ethnically diverse members.
- For the **UK**, in line with the Alexander Hampton Review and the Parker Review, we generally vote against or withhold from the incumbent chair of the nominating committee if:
  – the board is not comprised of at least thirty three percent underrepresented gender identities, or
  – the board lacks at least one racially diverse director.
- For **continental European markets**, we generally vote against or withhold from chair of the nominating committee if the board is not comprised of at least fourty percent underrepresented gender identities.
- Voting against or withholding from other director nominees is always reviewed on a case-by-case basis.

Share repurchase programmes

LGT will generally vote for market repurchase authorities (share repurchase programmes) if the terms comply with the following criteria:

- A repurchase limit of up to ten percent of issued share capital
- A holding limit of up to ten percent of a company's issued share capital in treasury ("on the shelf")
- Duration of no more than five years, or such lower threshold as may be set by applicable law, regulation, or code of governance best practice.

Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed on a case-by-case basis for markets where higher limits are considered normal practice.

Market-specific exceptions

For Singapore, LGT generally votes for resolutions authorising the company to repurchase its own shares, unless the premium over the average trading price of the shares as implied by the maximum price paid exceeds five percent for on-market repurchases and twenty percent for off-market repurchases.

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