

Liontrust Asset Management - ESG integration policy

Purpose

Liontrust's investment teams **will integrate ESG considerations into their investment processes where it is suitable, practical, and meaningful to do so in the context of their individual investment processes**. The decision on how to do this and the degree to which this is done (and the degree to which it impacts the investment decision) is at the sole discretion of each investment team.

Liontrust investment teams value the information that ESG integration brings to the investment process. ESG integration may help to identify and/or prioritise potential, material risks and opportunities that an asset faces over the investable time horizon of Liontrust funds. Understanding these issues may help the investment teams make better informed investment decisions over the longer term.

Scope

This policy covers Liontrust's investment teams, which are:

1. Sustainable Investment
2. Global Innovations
3. Cashflow Solutions
4. Economic Advantage
5. Multi-Asset
6. Global Fixed Income
7. Global fundamental

Definitions

By ESG integration, Liontrust investment teams refer to the various ways in which they consider, analyse, and/or assess the materiality of ESG related issues in the context of their respective investment processes. The table below provides an overview of what each team currently does in terms of ESG integration.

Liontrust sees ESG integration as important in understanding the potential risks and/or opportunities that may impact an investment's going concern over the investable time horizon of the fund in which an investment is held. While Liontrust's investment teams have different approaches to integrating ESG considerations, the group aims to report on what measures are used and where, if at all, these considerations impact, whether or not the team holds an investment or the weighting that the investment is given in a fund.

Ideally, in situations where the investment process permits and where it is applicable, ESG integration (or the consideration of material ESG related risks and opportunities) goes hand in hand with engagement on these issues and may have bearing on the investability or weighting of the investment in the portfolio. ESG integration may also impact proxy voting decisions.

Liontrust's definition of ESG integration is in line with the definition used by the Principles for Responsible Investment, which is: "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions". (source: [A practical guide to ESG integration for equity investing \(unpri.org\)](https://www.unpri.org/principles-for-responsible-investment)).

ESG integration vs Sustainability labels

For the avoidance of doubt, it should be noted that a fund's undertaking some element of ESG integration does not necessarily or automatically make it an ESG or Sustainability fund. The investment team, in creating a fund, decides what aspects of ESG integration will best suit clients' needs and how to label the fund. ESG integration is only one component of a wider menu of ESG and/or stewardship related activities (such as engagement, proxy voting, the use of screens and/or themes) that investment teams can apply.

Liontrust's Sustainable funds, managed by the group's Sustainable Investment team, carry the Article 9 designation under SFDR, the European legislation. Liontrust's Global Fixed Income team also manages funds aligned to Article 8 under SFDR. Liontrust's remaining funds are currently considered to be "mainstream" but many still carry an element of ESG integration.

How Liontrust investment teams approach ESG integration

Liontrust's investment teams incorporate ESG considerations using a wide range of approaches and apply this integration to varying degrees in their processes. A full description of these approaches is contained in Liontrust's Responsible Capitalism 2022 report, which can be found on the Liontrust website at (www.liontrust.co.uk).

Sources of information for ESG integration

Liontrust's investment teams use a range of resources on which to base ESG considerations. The group subscribes to third party research providers which provide details on screening across areas of activity (for both negative and positive parameters), themes, controversies, and for GHG emissions (scope 1, 2 and 3). Liontrust's Responsible Capitalism team also provides analysis to the teams that wish to use it on potential material exposures (including those for ESG related areas) on holdings in Liontrust funds. The teams may use this information where it fits into and/or supports the teams' investment processes and approaches to ESG considerations.

How ESG integration impacts proxy voting and engagement with holdings

In considering, analysing, or assessing the exposures or risks that are held by Liontrust funds, the investment teams may have a more accurate view of the risks or opportunities that holdings face. This may help direct engagement with underlying holdings, so that the more material issues (to the underlying holding over the investable time horizon of the fund) may be addressed. This, in turn, may help investment teams make more informed decisions regarding investment and proxy voting.

Reporting on ESG integration

Information on the approaches and degree to which Liontrust's investment teams integrate ESG considerations is contained in Liontrust's Responsible Capitalism 2022. Two of Liontrust's investment teams (the Sustainable team and the Global Fundamental team) have also published their own reports on their approach to ESG integration and how this impacts the investment decisions made by the team. These reports, the Sustainable Investing team's Impact report for 2022 and the Global Fundamental Team's Responsible capitalism 2021 report, are published on the Liontrust website at www.liontrust.col.uk.

Review of the policy

This policy is overseen by the Responsible Capitalism team and is reviewed annually. When updating this policy, the team takes account of changes in regional legislation and what is expected from Liontrust clients.

January 2023