

# LIONTRUST RESPONSIBLE CAPITALISM REPORT

for the calendar year 2023  
and FRC Stewardship Code response

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# LIONTRUST'S KEY STATISTICS FOR 2023

all data as at 31 December 2023

## LIONTRUST TOTAL AUMA

£27.8bn

## PEOPLE & DIVERSITY

223 41% 43% 6%

Headcount as at 31 December 2023

Female representation across Liontrust

Female representation on Liontrust Asset Management Plc Board of directors

Voluntary turnover

## EMPLOYEE ENGAGEMENT

82%

Employee engagement survey response rate in 2023 (82% in 2022)

## GROUP'S COMMITMENT TO REDUCING EMISSIONS

Signatory to NZAM

Taking action under SBTi

## INVESTMENT TEAMS AND STEWARDSHIP

852 477 >12k

engagements

different entities engaged

12,265 proxy votes cast (representing 98% of votable proposals)

## NET ZERO

45%

Group's AuMA committed to net zero (up from 41% AuMA originally committed in May 2023)

GROUP

INVESTMENTS

## WELCOME FROM JOHN IONS, CEO



As active investors, Liontrust's fund management teams continually make decisions to add value over the long term for all our clients. This is core to Liontrust being a guardian of our investors' savings.

There are many other ways in which Liontrust has responsibilities to investors, employees, stakeholders, the planet and society through the decisions we make every day, known as Responsible Capitalism. This report discusses how we carry out these responsibilities, how we are progressing, where we need to do more and what our priorities are for the future.

These responsibilities range from engagement with the companies we invest in, through commitments to net zero, DEI (Diversity, Equity, Inclusion) and the well-being of employees, to contributing to the financial services industry and our community,

In 2023, Liontrust made significant progress across these different areas of responsibility. For example, our investment teams undertook a total of 851 engagements with companies, spanning a range of issues including those that are ESG-related. Liontrust has developed further our DEI strategy, moved forward on net zero commitments and considered meaningful ways to engage companies on emerging biodiversity exposures.

Liontrust has also played its part in the wider financial community, feeding back on consultations and contributing expertise and support on a number of important issues.

These are all detailed in this report, which we hope you find informative, useful and interesting.

A handwritten signature in black ink, appearing to read 'John Ions', written in a cursive style.

JOHN IONS, CEO





## SCOPE OF THIS REPORT

This report, produced on behalf of Liontrust Fund Partners LLP and Liontrust Investment Partners LLP, covers Liontrust's Responsible Capitalism activities during the calendar year 2023. These include its activities with regard to stewardship, engagement, voting and risk, as well as work with associations and communities,

governance and sustainability. All the Group's operations, offices, and investments are covered in this report. This report also includes Liontrust's response to the UK Stewardship Code. References to the Group's responses for the Stewardship Code principles are noted at the end of this report.

## TERMINOLOGY AND DEFINITIONS

The areas and definitions of ESG and Sustainability often vary widely. For clarity, Liontrust uses the following terms to mean:



### ESG

"Environmental, social and governance" related issues and/or risks and opportunities. These areas, risks and/or opportunities could have a potential impact on the returns, competitiveness, and/or the resiliency (over the longer term) of Liontrust's own business and/or of the investments that Liontrust makes on behalf of clients. ESG-related exposures may be integrated into Liontrust's investment processes in a clear and transparent way. Where possible, Liontrust evidences in this report how and the extent to which its seven investment teams approach and use ESG integration.



### Sustainable Investment

Refers to the Liontrust Sustainable Future funds which are managed according to the Sustainable Investment team's investment process.



### Materiality

Generally, Liontrust defines materiality for its own business as those exposures (risks and/or opportunities) which may have an impact on its revenues, its competitiveness, and/or its resilience as a business. Liontrust's investment teams define materiality according to their individual investment processes.

## EXECUTIVE SUMMARY

Liontrust's Responsible Capitalism platform has developed considerably since April 2022. This annual report documents the ESG / Responsible Capitalism-related activities and initiatives that Liontrust undertook in the calendar year 2023 for its own operations and with regard to the investments its fund management teams made on behalf of clients.

This report also contains the Group's response to the Stewardship Code. As such (and similar to last year's report), this outlines Liontrust's purpose, values, and strategy and relates these to the Group's Responsible Capitalism platform. Also contained in the report is information about Liontrust's governance structure, how the Group assesses its own risks, and mitigates those risks to which it has greater exposure. There are details on Liontrust's associations and memberships during the year as well as an introduction to Liontrust's new charitable foundation.

At Liontrust, investment processes are key. This report covers not only the processes of each of its seven investment teams, but also each team's Responsible Capitalism / ESG-related activities in the context of their investment process. The spheres of stewardship and ESG integration include engagements, net zero commitments (as appropriate), and proxy voting. This report highlights (where possible) how these activities impact, go hand in hand with, and/or follow through to an investment decision.

Responsible Capitalism is an integral part of the Group's business and is detailed, as such, in this report in terms of how it supports Liontrust's clients, employees, shareholders, stakeholders, and the wider community.

# LIONTRUST'S PURPOSE AND WHAT THE GROUP STANDS FOR

## PURPOSE

Liontrust's purpose is to **enable investors to enjoy a better financial future**.

## WHAT LIONTRUST STANDS FOR

Everyone at Liontrust strives to achieve this purpose **by being guardians of investors' savings**. The Group's approach to investment management and its culture contribute to this effort.

### Long-term investment performance

Liontrust fulfils its purpose by meeting investors' expectations of longer-term investment performance. To achieve longer-term investment performance, Liontrust focuses on managing funds and portfolios in which its seven investment teams have particular expertise. Each of Liontrust's investment teams has a distinct, rigorous and repeatable process, which Liontrust believes is key to generating good client outcomes and effective risk control.

Liontrust believes that staying true to an investment process helps to create an in-built risk control, especially in more challenging environments, by preventing managers from buying stocks and funds for the wrong reasons. Liontrust's investment teams' investment processes are reviewed internally on a regular basis to ensure adherence. This also means that investors in Liontrust funds can be confident that they know exactly how their money is being managed.

### Service to clients

Liontrust employees are focused on delivering good outcomes for clients and consider client needs in all actions and activities. The Group strives to provide excellent service and communications to clients and be transparent about the management of its funds and the Group's business as a whole.

### Inclusive Group culture

Liontrust seeks to foster an environment in which all employees are engaged and empowered to participate actively in the business, to help achieve the Group's purpose and strategic objectives, and to act according to its values. Every Liontrust employee is accountable for their commitments and actions, as well as for delivering on Group promises.

While Liontrust's business is dynamic and ambitious, it also promotes positivity with a culture of trust, support and respect for one another. Liontrust employees collaborate regularly and are open-minded to new ideas, challenge and debate.

The Group promotes diversity, equity and inclusion and values psychological safety. All of Liontrust's employees are responsible for upholding the highest standards of integrity, being trustworthy and transparent while making decisions with a clear sense of fairness.

The following pages contain an assessment of how and the extent to which Liontrust fulfilled its purpose during 2023. Before that assessment, the Group's strategic objective and the pillars designed to help it fulfil that purpose are listed, as these are referenced later in the report.



Everyone at Liontrust strives to achieve our purpose **by being guardians of investors' savings**. The Group's approach to investment management and its culture contribute to this effort.



# STRATEGIC OBJECTIVE

Liontrust's overall strategic objective is to **grow its business** through its seven strategic pillars. These strategic pillars are linked to the Group's purpose (covered before and after this section) and are defined and/or measured as follows:



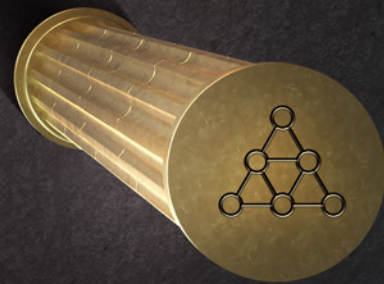
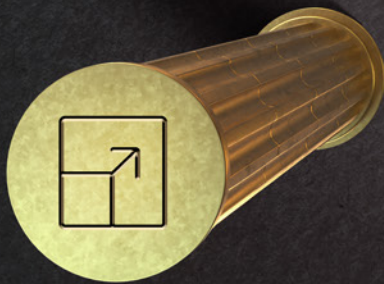
1  
Be a responsible company and investor



2  
Deliver market leading investment performance over the longer term



3  
Diversify the fund range



4  
Expand distribution and the client base



5  
Enhance the investor experience



6  
Attract and develop talent



7  
Develop the business infrastructure to help drive growth



## **1 Be a responsible company and investor, which is defined as:**

- a. Being compliant with applicable rules and regulations
- b. Knowing the companies in which the Group invests, and integrating ESG considerations, where appropriate
- c. Meeting operational and investment-related net zero targets
- d. Taking account of and reporting on engagement and proxy voting across the Group's investment teams
- e. Being a diverse and inclusive employer and investor

## **2 Deliver market-leading investment performance over the longer term, as measured by:**

- a. Outperforming fund benchmarks and IA sectors (where appropriate) over different periods in the longer term
- b. Understanding how clients and the market see Liontrust, through awards and ratings and through interactions and research
- c. Having Liontrust funds perform as expected and delivering value

## **3 Diversify the Group's fund range, as measured by:**

- a. Launching new funds where the Group believes it has the appropriate investment expertise and there is sufficient demand from investors
- b. Recruiting investment teams managing new asset classes or with different investment processes to those already at Liontrust
- c. Acquiring new businesses with asset classes and investment processes not already offered by Liontrust

## **4 Expand the Group's distribution and client base, as measured by:**

- a. Widening Liontrust's client base
- b. Establishing new distribution agreements
- c. Increasing market share
- d. Entering new markets
- e. Making acquisitions that enhance the breadth and range of the Group's business

## **5 Enhance the investor experience and retention, as measured by:**

- a. Ensuring excellent client and investor service and reporting
- b. Delivering a strong and engaging experience at physical and online events
- c. Clear and engaging communications
- d. Increasing brand awareness, understanding, association and engagement
- e. Improving engagement through social media and other digital channels

## **6 Attract and develop talent, as measured by:**




- a. Attracting new talent to the business
- b. Gaining and keeping talent through acquired businesses
- c. Providing employees with training, development, and support for attaining work-related qualifications
- d. Leveraging the feedback from the workforce engagement survey to ensure the business continues to have a positive, inclusive and nurturing culture

## **7 Develop the business infrastructure to help drive growth, as measured by:**






- a. Developing Liontrust's IT and internal systems
- b. Utilising new technology to facilitate the development of the business
- c. Enhancing the Group's data management and analysis
- d. Protecting against cyber attacks
- e. Ensuring system breaches and failures are minimised







## The extent to which we fulfilled our purpose in 2023

In last year's report for the calendar year 2022, Liontrust provided an assessment of how and the extent to which the Group fulfilled its purpose for that year. This assessment for 2023 follows a similar pattern to enable year on year comparisons.

Purpose component	Definition / link to strategy	Overall 2023 performance	Explanation
<b>FINANCIAL RETURN</b>			
For investors	<p>Deliver long-term financial performance (from Group investments for investors).</p> <p><b>Links to strategy:</b> Two of the Group's strategic pillars are:</p> <ul style="list-style-type: none"> <li>- Deliver long-term investment performance and</li> <li>- Be a responsible company and investor</li> </ul>	 <b>Successful</b>	<p>Over five years, 86% of Liontrust UK-domiciled funds were in the first or second quartile of their respective IA sectors (Source: Financial Express, as at 31.12.23, total return, net of fees, income reinvested, excluding the Liontrust Multi-Asset Funds, most of which do not have sector benchmarks, and funds in the IA Specialist sector). In the Responsible Capitalism report for calendar 2022, the percentage of Liontrust UK-domiciled funds that were in the first or second quartile of their respective sectors for the five years to 31.12.22 was 84%.</p> <p>For more information, see the Liontrust Asset Management PLC Annual Report and Financial Statements for an update on the Group's fund performance during the financial year. Additional information can also be found in Liontrust's Assessment of Value reports.</p>
	For shareholders	<p>Support longer-term rise in Group's share price.</p> <p><b>Link to strategy:</b> Deliver long-term investment performance.</p>	 <b>Continuing</b>
	<p>Pay dividend (reported on fiscal year or "FY" basis)</p> <p><b>Link to strategy:</b> Deliver long-term investment performance.</p>	 <b>Successful</b>	<p>50p per share was paid in August 2023 as a second interim dividend payment in FY '23.</p> <p>22p per share was paid in January 2024 as a first interim dividend payment in FY '24.</p> <p>The total dividend during the fiscal year 2023/24 was 72.0 pence per share (2022/23: 72p; 2021/22: 72p; 2020/21: 47p.)</p> <p>For more information, see the Liontrust Asset Management PLC Annual Report and Financial Statements.</p>





Purpose component	Definition / link to strategy	Overall 2023 performance	Explanation
For stakeholders	<p>Integrate ESG considerations into investment decisions in a way that supports each team's investment process.</p> <p><b>Link to strategy:</b> Be a responsible company and investor.</p>	 <b>Continuing</b>	<p>Each investment team has its own methodology (as appropriate) for considering ESG and other risks and opportunities in its investment process and (where applicable) engaging holdings on these issues. Some teams are supported by Liontrust's Responsible Capitalism team in their engagement work with holdings. Liontrust's investment teams also vote their proxies; for voting reports, see the Group's website at: <a href="https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor">https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor</a></p>
	<p>Evidence the link between ESG integration, engagement, proxy voting and investment decisions.</p> <p><b>Link to strategy:</b> Be a responsible company and investor (by knowing what Liontrust funds own on behalf of clients and linking this with engagements and proxy voting).</p>	 <b>Continuing</b>	<p>Liontrust's Responsible Capitalism report is published annually in April. The report details how the Group's investment teams integrate ESG considerations (as appropriate) within their investment processes and includes examples of engagements (as available) that the teams undertake during the year.</p>
	<p>Grow the business.</p> <p><b>Link to strategy:</b> Expand Liontrust's distribution and client base is a strategic pillar for the Group.</p>	 <b>Successful</b>	<p>In May 2023, Liontrust conditionally agreed to acquire Swiss asset manager, GAM. However, the deal did not complete as it did not have the backing of GAM's shareholders. Liontrust's strategy continues to be focused on diversifying its fund range, distribution capability and talent to grow the business.</p>
For employees	<p>Support longer-term rise in the Group's share price.</p> <p><b>Links to strategy:</b> Two of the Group's strategic pillars are</p> <ul style="list-style-type: none"> <li>- Deliver long-term investment performance and</li> <li>- Attract and develop talent.</li> </ul>	 <b>Continuing</b>	<p>Liontrust has a save as you earn (SAYE) scheme which was launched in 2023 and a share incentive plan (SIP).</p> <p>To 29 December 2023, when the Group's share price was 630p, Liontrust's share price has returned:</p> <ul style="list-style-type: none"> <li>1 year (from 3 Jan 23) = -45%</li> <li>3 years (from 4 Jan 21) = -53%</li> <li>5 years (from 2 Jan 19) = +6%</li> </ul> <p>(Source: Bloomberg, sterling, end of day)</p> <p>Liontrust's share price, along with other financial groups and companies in other sectors, was impacted by a difficult macro-economic and geopolitical environment which included inflation concerns.</p>
	<p>Provide training and career development for employees.</p> <p><b>Links to strategy:</b> Attract and develop talent.</p>	 <b>Successful</b>	<p>In 2022, the Group initiated a Senior Leadership Programme for leaders across the business – this initiative continued in 2023 and was extended to Leadership training across the business. The purpose of this training has been multifaceted and includes the improvement of communications across the business. (For more information, see the employee section of this report.)</p> <p>In 2023, Liontrust also provided training for all staff across aspects of diversity, equity and inclusion (DEI).</p>

Purpose component	Defined as / how this links to Group strategy	Overall 2023 performance	Explanation
<b>SOCIAL RETURN</b>			
For Liontrust employees and shareholders	Provide a nurturing working environment. <b>Link to strategy:</b> Attract and develop talent.	 Continuing	Liontrust undertook its annual engagement survey in December 2023.  The Group's DEI committee worked in 2023 to raise awareness of events such as International Women's Day, Black History Month, Mental Health, PRIDE, etc., and to provide information and awareness sessions on inclusion.  Liontrust's Senior Leadership (and other Leadership) programmes also provided support for defining and aligning the Group's culture with its Leadership Charter and has a NED with responsibility for Employee Engagement.
	Put in place a strategy and actions to help increase the DEI of Group employees. <b>Link to strategy:</b> Attract and develop talent.	 Continuing	Liontrust's DEI Committee, formed in 2021 and chaired by the COO/CFO, works to increase the inclusivity of the Group's culture. During 2023, Liontrust offered several DEI training sessions on inclusion and celebrated diversity through International Women's Day, Black History Month, PRIDE, Mental Health Awareness Week, and other DEI-related events.
	Grow talent. <b>Link to strategy:</b> Attract and develop talent is a strategic pillar.	 Continuing	Liontrust offers career development support (including for career-related exams, leadership training, and mentoring) to help employees grow and improve their expertise. Liontrust's Senior Leadership (and other Leadership) programmes also continued in 2023.
For stakeholders	Contribute to the financial sector / community. <b>Link to strategy:</b> Being a responsible company and investor.	 Successful	Liontrust is associated with, participates in, and lends its expertise to a number of activities, groups, and functions supporting the financial sector and industry. (For more information, see the section on associations and initiatives in this report.)
	Invest in companies helping to solve social issues. <b>Link to strategy:</b> Be a responsible company and investor is a strategic pillar (which involves helping enhance the world around us).	 Successful	Liontrust's Sustainable Investment team, which as of end December 2023 managed over one-third of Liontrust's AuMA, seeks to generate strong returns from investing in companies aiming to deliver profits through positive social and environmental impacts. The fund managers on this team look at the world through the prism of three mega trends:  – Better resource efficiency (cleaner), – Improved health (healthier) and – Greater safety and resilience (safer) – and 20 themes within these.  In addition, Liontrust's Global Fixed Income team offers funds which are classified as Article 8 under SFDR, meaning that the funds follow SFDR's rules for promoting social and environmental characteristics.
	Respect human rights <b>Link to strategy:</b> Be a responsible company and investor.	 Continuing	<b>Investments:</b> Some of Liontrust's investment teams assess the risk of human rights abuses in their investments (this may be done through the team's ESG risk factors, third party research data on human rights and controversies, and/or through materiality assessments).  <b>Group:</b> Liontrust endeavours to guard against human rights abuses in its supply chains. Business partners may be subject to various forms of vetting. Liontrust's statement on modern slavery is published at: <a href="http://www.liontrust.co.uk/about-us/corporate-sustainability/human-rights">www.liontrust.co.uk/about-us/corporate-sustainability/human-rights</a>



Purpose component	Defined as / how this links to Group strategy	Overall 2023 performance	Explanation
	<p>Be involved with and support local communities.</p> <p><b>Link to strategy:</b> Be a responsible company and investor is a strategic pillar (which involves being involved in the community).</p>	 <b>Continuing</b>	<p>Liontrust undertakes a number of activities that support local communities. These include:</p> <ul style="list-style-type: none"> <li>• numeracy and financial literacy for school children</li> <li>• Wildlife conservation with Zoological Society of London (ZSL)</li> <li>• Sports opportunities for young people</li> </ul> <p>(For more information, see the section on Communities in this report.)</p>

## ENVIRONMENTAL RETURN

	<p>Aim for net zero by 2050.</p> <p><b>Link to strategy:</b> Develop the business infrastructure is a strategic pillar (which includes ensuring the Group's business is resilient and operates efficiently).</p>	 <b>Continuing</b>	<p><b>Investments:</b> The Group became a signatory to NZAM in May 2022 and Liontrust's investment teams have committed a portion of AuM to the Group's net zero goal. Engagement with holdings on net zero, carbon emission reduction strategies, and interim targets is ongoing.</p> <p>Liontrust has set a near term science based target (to show its commitment to reducing emissions in line with the Paris Agreement) of having 52% of the Group's listed equity and corporate bond portfolios by market value setting SBTi validated targets by 2027 from a 2022 base year.</p> <p>Net Zero update – while there is some information provided in this report about how net zero-committed funds are making progress against this target, Liontrust will publish more information in its TCFD product level reports for its UK domiciled funds by the end of June 2024 (as required by the FCA). These reports will provide more details on the carbon emissions of some of Liontrust's funds.</p> <p><b>Group:</b> Liontrust has set near-term science based targets to reduce its emissions in line with the Paris Agreement. Liontrust aims to reduce absolute scope 1 and 2 GHG emissions 42% by 2030 from a 2022 base year.</p> <p>Liontrust's business is carbon neutral through the use of offsets. The Group also currently uses renewable energy, as available, from the grid. Liontrust Asset Management (LAM) will report on its net zero progress in its TCFD report which will contain information on the Group's entities and be published by end June 2024 on the Group's website.</p>
	<p>Invest in companies helping to solve environmental issues.</p> <p><b>Link to strategy:</b> Being a responsible company and investor is a strategic pillar (which includes helping to enhance the environment).</p>	 <b>Successful</b>	<p>The Sustainable Investment team seeks to generate strong returns from investing in companies aiming to deliver profits through positive social and environmental impacts. (For more information on the Sustainable Investment team's process, engagements and holdings, see the teams' section in this report.)</p>

### Linking purpose with long term value

Liontrust's activities, as they are linked to the Group's purpose and strategy, are evaluated above. Each year, the Group engages in these activities, creating both shorter and longer-term value that leads to benefits for the economy, environment and society. Liontrust sees these benefits as those which help minimise the costs to the environment from its operations. It also seeks to maximise the return to stakeholders, shareholders, investors and the environment from its business operations.

### Liontrust's purpose guides stewardship, investment strategy, and decision making

Liontrust's purpose, to enable investors to enjoy a better financial future, leads the Group's Responsible Capitalism, stewardship, and decision making processes. Responsible Capitalism is a key component of the Group's overall strategy: Liontrust aims to evidence, where appropriate, the extent to which ESG considerations are integrated into investment decisions, evidence the engagements and proxy voting that its investment teams undertake (as appropriate), and demonstrate the Group's overall stance on creating value for stakeholders, shareholders, investors and the environment. Liontrust's Board, executives, and senior managers support its Responsible Capitalism vision and aim to continue making it a pivotal component of the Group's longer-term strategy.

## STRATEGIC OBJECTIVE

Responsible Capitalism is the platform on which Liontrust brings together its ESG integration, stewardship, and sustainability-related activities.

Responsible Capitalism is about focusing on what matters most to our clients, our employees, our wider stakeholders and our investments. It's also about exercising effective stewardship when managing the assets that clients entrust to the Group and reporting on (and evidencing) outcomes from engagements and other stewardship-related activities.

### LIONTRUST'S OPERATIONS

Liontrust assesses its own exposures (risks and opportunities) and reports on these in its Annual Report and Accounts. The Group aims to manage these exposures well, be transparent on how they are managed, and link the management of key exposures to its strategy and remuneration, as appropriate.

### LIONTRUST'S INVESTMENTS

Liontrust's investment teams point to their investment processes in determining what matters most when investing for clients. Each team is expert in managing its funds and understanding its holdings. Each may focus engagement with holdings on material topics, including those that are related to the environment, social and/or governance (ESG) areas. Teams may consider outcomes from engagements when making investment decisions. The teams practice effective stewardship through knowing their investments, engaging with holdings, exercising proxy voting, and reporting on these.

Understanding the material issues that Liontrust's holdings face (as determined by the investment teams' processes) is frequently part of fundamental analysis, and may help the investment teams make better investment decisions over the longer term. Overall, integrating these considerations may also help create shareholder value and deliver investment performance for our clients.

### FOR CLIENTS

Many of Liontrust's clients are interested in knowing what their funds hold and why. They also want to know how Liontrust's ESG integration and stewardship practices affect the investment decisions that impact longer-term fund performance. Liontrust aims to report on this, as much as possible, from an evidenced-based perspective so clients can have more information on their investments.

Liontrust's clients may also have their own concerns about social and environmental issues and want to know how investments made on their behalf are performing in these spheres. For transparency, Liontrust reports on these aspects in the following contexts: by fund, investment process, and in terms of the engagement and proxy voting undertaken by the investment team.

Liontrust's duty to clients is central to the activities of all departments at Liontrust. The Group aims to enhance the investor experience and enhance positive outcomes. To do this, the Group seeks to understand the needs of its retail, adviser, and institutional investors so that it can service these more effectively.

Within the scope of the FCA's Consumer Duty, the Group recognises that some investors may be vulnerable or have other, very specific needs. Liontrust has always sought to provide investors and clients with what they need to understand more fully the investments that they make through the Group's products.

### FOR EMPLOYEES

As with clients, there are things that matter to Liontrust's employees, such as the quality of the working environment, fair remuneration, having a voice at work, and inclusivity. Liontrust employees have a say in the day-to-day operations of the company and in shaping the Group's culture. Liontrust undertakes an employee survey at the end of each calendar year to enable employees to feed back to the Group. Participation in this survey at the end of 2023 was 82% (2022: 82%).

### FOR STAKEHOLDERS

Liontrust stakeholders include the Group's suppliers, associations, shareholders, and the financial and wider community. Liontrust's relationships with each of these groups is explained more in this report (see the section on Associations and Initiatives). Ultimately, the Group aims to treat others fairly and openly, meet its deadlines, service its contracts, and maintain healthy relationships across its business network and operations.

# What Liontrust sees as effective Responsible Capitalism and stewardship








Liontrust sees effective Responsible Capitalism and stewardship as having the following components. The following is a summary of the Group's work in these areas during 2023:

Component	What it consists of	Liontrust's work in this area in 2023
<b>OPERATIONS</b>		
1	<b>Identify, prioritise, and report on the Group's key exposures and how these are managed</b>	Publishing information in the Group's Annual Report and Accounts about its key exposures and how the Group is managing these. Reference to this is also contained in this report.
2	<b>Build and continue to enhance a culture that is beneficial to the business</b>	Increasing awareness of a variety of events and occasions across the Group and creating a culture of inclusivity. Offering mental health support to employees.
<b>INVESTMENT</b>		
1	<b>Know an investment well and understand its exposures when investing</b>	Knowing the investments made on behalf of clients. Understanding the material exposures that could impact an investment's performance, competitiveness, and resilience.
2	<b>Undertake engagement on material issues (which are determined by the investment process)</b>	Focusing on the issues relevant to the investment thesis during engagement. This helps to send the most effective message to holdings about what Liontrust teams see as material to their businesses and their well-being.
3	<b>Vote proxies</b>	Voting in line with stated policies and investment processes. Publishing regular and transparent information on votes.
4	<b>Report</b>	Report on the Responsible Capitalism and stewardship-related activities of investment teams and by Liontrust as a Group to evidence that Liontrust does what it says it does. Where possible / practical, show the connection between ESG integration, stewardship, and investment decisions.
5	<b>Advocate</b>	Engage on and push for actions that are beneficial to the financial performance and the going concern of the underlying investment.



## Review of Liontrust's Responsible Capitalism objectives for 2023

At the end of 2022, Liontrust reported that one of its goals was to enhance Responsible Capitalism across its business and its investments during 2023. This enhancement would be achieved through specific objectives that were linked to the Group's seven strategic pillars. The objectives and the degree to which the Group achieved these during the year are as follows:

Strategic pillar link	Area	Description of objective	Degree to which this was achieved in 2023	Actions taken to meet objective in 2023
<b>GROUP</b>				
Attract and develop talent	Senior (and other) Leadership Training	The Group continued the work started in 2022 on training senior leaders across the business with collaborative working practices, mentoring and supporting teams, and ensuring a cohesive culture.	 Successful	The Group rolled out Leadership training to a second and third cohort of employees.  Liontrust established its Leadership charter which was communicated to the Group in September 2023. The points in this charter may be linked to appraisals going forward.
	Training and mentoring	The Group will continue to offer coaching and in 2024 will initiate an internship programme.	 Ongoing	Coaching was provided for some employees whose roles or positions have been identified as needing this support.  Plans for rolling out an internship programme are advanced. Liontrust's Responsible Capitalism team will participate in this in the summer of 2024.
Be a responsible company and investor	Environmental footprint (waste and water)	The Group may measure its current (baseline) environmental footprint for waste, water (and other related areas) and set targets for these reductions.	 Ongoing	In 2023, Liontrust measured its operational emissions baseline (scope 1, 2 and 3). Waste and water have been included in the Group's scope 3 emissions. For 2023, the Group also included calculations for capital goods and upstream transportation and distribution
	Carbon and risk	Liontrust may consider more effective ways to undertake carbon scenario testing in its risk management framework and explore science based targets (SBTs) for the Group's operations.	 Successful	Liontrust included climate scenario testing for its ICARA report and for its risk management assessments which consider climate risks for the Group's operations and its investments.  In 2023, Liontrust set near-term science-based targets to show the Group's commitment to reducing emissions in line with the Paris Agreement goals.
<b>INVESTMENTS</b>				
Be a responsible company and investor	Data and insights	Liontrust's Responsible Capitalism team will continue assisting the investment teams in assessing and reporting on ESG-related areas for engagement and voting purposes.  Liontrust will also continue capturing the insights from investment teams to build a data set for analysis, auditing, and reporting purposes and to enable the investment teams to evidence what they do.	 Successful	The Responsible Capitalism team continued to assist Liontrust's seven investment teams with engagement on ESG-related topics and with proxy voting administration. The team also supported the business overall with ESG-related reporting and helped the investment teams evidence the ESG related work that they do. At the end of 2023, Liontrust completed work on improving its internal systems for data management which helps the Group prepare for future reporting requirements.
	Carbon scenario testing	For investment teams committing AuM to the Group's net zero commitment, Liontrust will review creating functionality to allow investment teams to understand the potential impact of their investment decisions on fund carbon metrics.	 Ongoing	The Group is working towards having greater tools and visibility on the impact of trades and on fund WACIs in a "pre-trade" environment. This work continued in 2023 with the trialling of various systems.
Enhance the investor experience and retention	IT systems	The Responsible Capitalism team, working with the business, will work towards developing a bespoke system to house data and ESG-related insights for the investment teams for auditing, analysis, tracking data and reporting to clients.	 Successful	In 2023, the Group enhanced its research management system (RMS) to help the investment teams with data collection and audit. The system also helps keep track of the Group's engagements and investment decisions which aids reporting on Responsible Capitalism related areas (such as proxy voting, engagements, and evidencing the ESG integration and stewardship-related work undertaken by the investment teams.)

# Responsible Capitalism objectives for 2024

As Liontrust continues to develop Responsible Capitalism, it will focus in 2024 on the following areas:

Plc / Investments	Area	Alignment with Strategic Pillar	Objective
Group	People	Attract and retain talent	Progress the Group's DEI strategy.  Possible focus areas within DEI for 2024 include: disability, neurodiversity and social mobility.
			Implement an internship programme to help support the development of ESG-related talent pipeline.  Continue to provide training to the Group board on Responsible Capitalism/ESG related areas, as needed.
	Supporting ESG / Stewardship-related groups	Be a responsible company and investor	Expand Liontrust's support for ESG/Responsible Capitalism-related bodies in terms of donating employee time, expertise, and assistance with conferences, market information and for other, more academic opportunities.
Group and Investments	Biodiversity	Be a responsible company and investor	Develop ways that the Group can advocate for biodiversity through – its business and engagements with holdings and – its sponsorship and involvement with biodiversity-related groups and activities
Investments	Labelling and reporting	Be a responsible company and investor	Ensure that the Group is in line with and abides by the UK Sustainability Disclosure Requirements (SDR) and investment labels which come into effect in 2024.  Ensure Liontrust keeps up to date with and abides by other, regional legislation focusing on the structure and reporting for ESG / Sustainability-related funds (such as the Sustainable Finance Disclosure Regulation, or SFDR, in Europe).





## LIONTRUST'S VALUES

Liontrust's values are excellence, courage and responsibility. These relate to the Group's purpose of **enabling investors to enjoy a better financial future** and link to the Group's strategic pillars.



### EXCELLENCE

Liontrust strives for excellence in its products, service and professionalism. It prides itself on the quality of its fund management teams and the knowledge and ability of its staff across the business. The Group provides first-class service, is transparent about the management of its funds, portfolios and its business, and communicates clearly and frequently.

- **Link to purpose:** Striving for excellence across the Group's business helps ensure that Liontrust will be able to provide the right kind and degree of support and services that clients need, thereby enabling investors to enjoy a better financial future.
- **Link to strategic pillar:** Be a responsible company and investor.



### COURAGE

Liontrust does not follow the herd and has the courage to have independence of thought. The Group's fund managers have the courage of their convictions and have differentiated and robust investment processes. The business has the courage to follow the rules, make decisive decisions and to be innovative and nimble.

- **Link to purpose:** Having the courage to have independent thought may help Liontrust's investment teams service investors and may help add to stakeholder value. This, in turn, may help enable investors to enjoy a better financial future.
- **Link to strategic pillar:** Be a responsible company and investor.



### RESPONSIBILITY

All Liontrust's employees are personally accountable for their commitments, actions and for delivering on their promises. Staff are also responsible for supporting each other, collaborating and being open to challenge and debate. Employees have a responsibility to act in the best interests of investors and shareholders. The Group seeks to uphold the highest standards of integrity in all its actions. The Liontrust Asset Management Plc Annual Report and Financial Statement connects the Group's values with its risk culture.

- **Link to purpose:** As Liontrust's employees take responsibility for their actions, for serving clients and for upholding integrity, they help create a culture which is best positioned to help enable clients to enjoy a better financial future.
- **Link to strategic pillar:** Be a responsible company and investor.



# LIONTRUST'S SUPPORT OF ASSOCIATIONS AND INDUSTRY INITIATIVES

## LIONTRUST ALIGNS ITS INVESTMENTS WITH INDUSTRY INITIATIVES

Liontrust works across multiple areas, including financial, Responsible Capitalism, ESG and stewardship, to donate its time and expertise to help markets function more smoothly and effectively. It does this partly by assisting with providing education in ESG and stewardship through various industry events during the year. It also does this by horizon-scanning so that the Group can manage its own (current and emerging) risks and opportunities more effectively.

There are at least two ways in which Liontrust has aligned its investments with industry initiatives for Responsible Capitalism:

- First, most of the groups in Liontrust's sphere of influence support or promote transparency and evidence-based reporting in terms of integrating ESG/Sustainability. As such, Liontrust works to evidence what each of its investment teams does in this area. Over time, the investment teams will evidence how the ESG/

Stewardship work that each does flows through to its investment decisions and will demonstrate this link in its reporting.

- Second, around one-third of Liontrust's AuMA is managed by the Sustainable investment team, which incorporates the use of ESG-related screens, themes, and its proprietary sustainability matrix when making investment decisions. This provision of sustainable funds for clients directly supports, partially or wholly, the work of many of the groups and associations that Liontrust supports or is a member of / signatory to, in terms of responsible investing.

## LIONTRUST'S SPHERES OF INFLUENCE IN 2023

Liontrust works with groups and associations in the financial sector to keep up-to-date with regulatory changes; contribute experience and thought leadership; service clients more effectively; promote best practice in markets; and ultimately, to help ensure global markets run efficiently and effectively. Groups and associations that Liontrust actively worked with in 2023 include (these are listed alphabetically):

Association	Specific component or action	Involvement type	Involvement detail
30% Club Investor Group	N/A	Member	Member of this investor group.
CCLA	CCLA's Corporate Mental Health Benchmark	Signatory to CCLA's letter	In 2023, Liontrust was a signatory to CCLA's letter in its campaign to companies encouraging them to have a robust strategic approach to workplace mental health management.
CDP (Carbon Disclosure Project)	2023 CDP Science Based Targets Campaign	Signatory to the letter (and supporter of CDP)	This letter called on approximately 12,000 of the most impactful companies globally to set Science-Based emissions reduction targets. In May 2023, Liontrust supported this Campaign (and supported the Campaign in 2021 and 2022.)
Diversity Project	2023 Diversity Project Goals and Progress Tool	Member	In 2023, Liontrust participated in the Diversity Project's Goals and Progress Tool which allows the organisation to track and monitor 5 year targets for DEI. This helps Liontrust have a contextualised understanding of DEI in the finance sector.
	Mental Health Workstream	Supporter	Liontrust's Product Manager was an active member of this workstream and assisted with the publication of an industry Mental Health Report in May 2023 and a Mental Health Support Provider Directory. Liontrust contributed to both publications.
FCA (Financial Conduct Authority)	FCA's consultation paper on Diversity and Inclusion	Provided feedback	Liontrust provided feedback on this consultation through the IA in November 2023, highlighting the possibility of companies taking a materiality approach to DEI-related exposures.
FRC (Financial Reporting Council)	FRC Stewardship Code	Signatory	Liontrust Investment Partners LLP were signatories of the Code in 2023 (as well as 2022 and 2021.) Liontrust reports annually within this reporting framework.
	FRC Stakeholder Insight Group (SIG)	Member	Liontrust's Head of Responsible Capitalism joined the FRC's Stakeholder Insight Group (SIG) in December 2023. Liontrust aims to support the FRC, through the SIG, by providing insights and an external perspective on governance issues.

Association	Specific component or action	Involvement type	Involvement detail
IA (Investment Association)	IA's Fixed Income Committee	Member	Liontrust's Co-head of Global Fixed Income team attends these meetings which help the team keep abreast of regulatory developments for this asset class.
	IA's SFDR Implementation Forum	Member	Liontrust's Responsible Capitalism team regularly attends these meetings which help Liontrust understand how the market is approaching the SFDR rules and guidelines.
	IA's Stewardship Committee	Member	Liontrust's Responsible Capitalism Head is a member of this group, keeping Liontrust keep up to date with market views on stewardship-related reporting.
	IA's Stewardship Reporting Working Group	Member	Liontrust Responsible Capitalism team members attend this, helping the Group keep up to date with market views on stewardship-related reporting.
IEN (Intentional Endowments Network)	Corporate Engagement competition hosted by IEN for university students in April 2023	Contributed as a judge in this competition	Liontrust's Head of Responsible Capitalism participated as a judge for student submissions in this competition which enables current undergraduate and graduate students to have "real world" ESG-related investment analysis and engagement.
IIGCC (Institutional Investors Group on Climate Change)	IIGCC's 2023 Global Investor Statement to Governments (May 2023)	Signatory to the letter / statement	This letter encouraged governments to ensure carbon targets are in line with limiting global temperatures to a 1.5°C rise. The Investor Agenda and its seven founding partners (including IIGCC, PRI, and CDP of which Liontrust is a signatory/member) sponsored this statement. (Liontrust also supported this statement in 2022 and 2021.)
	IIGCC Policy Advisory Group member – overarching strategic oversight on climate policy	Participant	Liontrust's Responsible Capitalism team participated in this working group.
	IIGCC Sovereign Bonds and Country Pathways - Working Group meeting	Participant	Liontrust's Responsible Capitalism team attended this meeting in June 2023 which helped the Group understand where the market is headed with regard to reporting on carbon for sovereign debt.
	IIGCC UK Taxonomy Working Group	Participant	This working group focuses on feeding back to the GTAG to help investors and financial market participants have clarity on how companies are seeking to move towards a more sustainable level of performance and to help inform investment decisions and accelerate transition finance.
LSE (London Stock Exchange)	LSE's Green Economy Summer Reception and panel discussion in July 2023	Panellist	Liontrust's Head of Responsible Capitalism participated as a panellist.
Montreal Carbon Pledge		Supporter	Liontrust's Sustainable Investment funds became a signatory in 2021 and continue to support this pledge.
Nature Action 100 ("NA 100")	Engaging with holdings identified by Nature Action 100	Participant	Responsible Capitalism team, on behalf of the Global Fundamental team, began engaging with a holding identified by NA 100. Liontrust's Sustainable Investment team began engagements with three other holdings in its funds that were identified for engagement by NA 100. This collective engagement opportunity enables Liontrust to explore and expand the approach of its investment teams to exposures related to biodiversity.

Association	Specific component or action	Involvement type	Involvement detail
NZEI (Net Zero Engagement Initiative)	Engaging with holdings as part of the Net Zero Engagement Initiative	Participant	Responsible Capitalism team, on behalf of the Global Fundamental team, began engaging with BAE Systems. This collective engagement opportunity enables Liontrust investment teams to have more engagement with holdings about net zero.
Oxford University, Kellogg College	Liontrust attended Kellogg College's annual Sustainable Finance event in December 2023	Participant	Liontrust has attended and contributed to this event since Majedie's initial involvement in November 2020. (Majedie was acquired by Liontrust in April 2022).
Plastic Solutions Investor Alliance (PSIA)	Liontrust joined in January 2024.	Supporter	In January 2024, Liontrust signed the Investor Declaration on Plastic Pollution and committed to working out an approach to engage some holdings (particularly those held in funds managed by the Sustainable Investment team) on plastics.
Plastic Solutions Investor Alliance (PSIA)	Liontrust joined in January 2024.	Supporter	In January 2024, Liontrust signed the Investor Declaration on Plastic Pollution and committed to working out an approach to engage some holdings (particularly those held in funds managed by the Sustainable Investment team) on plastics.
PRI (Principles for Responsible Investment)	PRI Annual Assessment Report	Member of the PRI	Liontrust submitted its assessment report to PRI on time in the summer of 2023 for the 2022 calendar year.
	PRI Just Transition Investor Working Group,	Participant	This working group works to promote a just transition, socially, in the energy transition. Liontrust's Sustainable Investment team participates in this working group.
TCFD (Taskforce on Climate-Related Financial Disclosures)	Entity and product level TCFD reports	Supporter	Liontrust published its TCFD report in 2023 and will do so again in 2024 along with product level TCFD reports for its UK domiciled funds.
UKSIF (UK Sustainable Investment and Finance Association)	UKSIF's Good Money Week, 2-8 October 2023	Sponsor	Liontrust sponsored this event in 2023. A member of Liontrust's Sustainable Investment team participated in a podcast as part of this event.
Workforce Disclosure Initiative (WDI)	Liontrust's Sustainable Investment team encourages target companies to report on their human capital management metrics.	Supporter	The Sustainable Investment team has actively supported the WDI in its engagements with holdings and promoted more transparent reporting on human capital metrics.

Liontrust employees attend a large number of conferences and industry-related meetings over the course of a year. The instances listed above are a portion of these.

# REMUNERATION AND OVERSIGHT

## REMUNERATION

As part of the executive remuneration scorecard, Liontrust allocates a 30% weighting to ESG factors. The chart below shows how this 30% was allocated in FY 2022/23 compared to the allocation for FY 2023/24:

Component	Weighting in FY 2022/23	Weighting in FY 2023/24
Attraction and retention of talent	(This was not a component.)	10%
Diversity, Equity, Inclusion (DEI)	10%	10%
ESG integration	10%	10%
Aligning executive pay and pension allocations across Liontrust's workforce	10%	(Completed in 2022; no longer required in 2023/24.)

## OVERSIGHT OF RESPONSIBLE CAPITALISM

Responsible Capitalism is the Group's platform for its ESG, sustainability and stewardship-related activities. Principle oversight of Responsible Capitalism is as follows:

### Executive level

John Ions, CEO, Liontrust


### Board level

Rebecca Shelley, Liontrust Asset Management's Senior Independent Director (SID), oversees the Group's Responsible Capitalism activities and chairs the Responsible Capitalism Committee

### Liontrust's structure

The structure in place for governing Responsible Capitalism at Liontrust is as follows

### Executive Directors



**John Ions\***  
CEO



**Vinay Abrol\***  
COO / CFO

### Non-Executive Directors



**Alastair Barbour**  
Non-Executive  
Chairman



**Rebecca Shelley**  
SID




**George Yeandle**  
NED



**Mandy Donald**  
NED



**Miriam Greenwood**  
NED

-  Audit and Risk Committee Chair
-  Nomination Committee Chair
-  Remuneration Committee Chair

\*SM&CR Senior Management Functions (SMF)



## LIONTRUST'S EXECUTIVE DIRECTORS

Chief Executive Officer (CEO) and Chief Finance Officer/Chief Operations Officer (CFO/COO)

The CEO and the CFO/COO have executive oversight of Responsible Capitalism. The CEO is the line manager for the Head of Responsible Capitalism, who provides regular updates to both the CEO and the CFO/COO on progress of the Responsible Capitalism strategy for the Group. Both the CEO and the CFO/COO are strong supporters of developing Responsible Capitalism across Liontrust.

## BOARD

Liontrust's Board is responsible for those aspects of Responsible Capitalism relating to the listed company, including ESG-related reporting and obligations that the PLC has to ESG-related bodies, such as NZAM (the Net Zero Asset Managers' initiative), and TCFD reporting. It is also responsible for ensuring appropriate processes and controls are in place across the Group to meet wider Responsible Capitalism obligations. One of Liontrust's Non-executive Directors (NEDs) is designated as the Board member with specific oversight for Responsible Capitalism.

On a regular basis, the Board receives an update from the Head of Responsible Capitalism covering the Group's progress on ESG integration, Responsible Capitalism-related compliance and

reporting matters, and the overall connectivity between Group strategy and Responsible Capitalism. These updates primarily take the form of discussions and are minuted as part of the Board papers.







The Board receives updates on a regular basis from the Head of Responsible Capitalism on the Group's commitment to NZAM. This includes the Group's progress towards achieving net zero for its business, as well as in the investments the fund management teams are making.

The Board strongly supports the Group's efforts in Responsible Capitalism, as it contributes to Risk Management and is a potential competitive advantage for the Group's business.

## Board members

Liontrust's Board is comprised of individuals who have experience covering the breadth of asset management. Members have experience across the environmental, communications, financial, investment, operational and leadership spheres. From time to time, the Board receives updates, informal training, and/or specific information relating to Responsible Capitalism, carbon emissions, proxy voting, diversity, consumer duty, cyber security, whistleblowing, employee training and benefits, employee mental health and wellbeing, and other topics for which the Board has requested information or for which it requires updates.

## LIONTRUST MANAGEMENT COMMITTEE MEMBERS

 <b>Ed Catton*</b> Chief Risk Officer RISK	 <b>Martin Kearney*</b> Chief Compliance Officer COMPLIANCE	 <b>Simon Hildrey*</b> Chief Marketing Officer MARKETING	 <b>Neale Soffe*</b> Head of Operations OPERATIONS
 <b>Ian Chimes*</b> Head of Global Distribution SALES	 <b>Tony Morrison*</b> Head of Finance FINANCE	 <b>Clare Prince*</b> Head of Product PRODUCT	

## Board committees

The following Board committees oversee various aspects of Responsible Capitalism:

Board committee	# of times it met in 2023	Function with regard to Responsible Capitalism in 2023	Effectiveness in calendar year 2023
Audit and Risk Committee	6	<ul style="list-style-type: none"> <li>Oversees the Group's financial reporting, risk framework and the smooth functioning of internal controls.</li> <li>Oversees the Group's tax policy and strategy.</li> </ul>	<p><b>Successful</b> in oversight of risk and internal controls. No crystallisation of material risks. Oversight includes RC related risks and exposures for Group.</p> <p><b>Successful</b> in overseeing Group's tax policy and strategy.</p>
Remuneration Committee	6	<ul style="list-style-type: none"> <li>Determines Director and senior management remuneration and the Group's remuneration structure.</li> <li>Oversees the link between executive pay and the management of the Group's key exposures, including those that are ESG related.</li> <li>Responsible for employee incentives and ensuring the fair remuneration of employees.</li> </ul>	<p><b>Successful</b> in creating ESG-weighted allocation to executive remuneration for 2023/24. These areas include:</p> <ul style="list-style-type: none"> <li>Attraction and retention of talent</li> <li>DEI</li> <li>ESG integration</li> </ul> <p><b>Ongoing</b> in terms of overseeing Employee Value Proposition and communicating that internally and externally.</p>
Nominations Committee	5	<ul style="list-style-type: none"> <li>Responsible for the diversity, composition, and skill set of the Board.</li> <li>Oversees diversity and recruitment policies of the Group.</li> <li>Oversees Group HR policies.</li> </ul>	<p><b>Successful</b> in terms of skill sets and DEI for board.</p> <p><b>Ongoing</b> development of Group's DEI strategy.</p> <p><b>Successful</b> in overseeing Group HR policies. No crystallisation of material risks.</p>

### LIONTRUST'S MANAGEMENT COMMITTEES ("MANCOS")

Liontrust's Management Committees, "ManCo's", are the governing bodies of Liontrust's two regulated subsidiaries, Liontrust Fund Partners LLP ("LFP") and Liontrust Investment Partners LLP ("LIP"). The ManCos meet at least four times each year and are responsible for running the authorised Liontrust entities; ensuring they meet their regulatory requirements; assisting the CEO in carrying out the Group's strategy, including the strategy's Responsible Capitalism aspects; ensuring the Group's legislative requirements around human rights and employment are fulfilled; assessing the Group's regulatory, compliance, and operational related risks, including those around financial crime, bribery, cyber security and people; reviewing any incidents; and ensuring the Group's plan for business continuity and disaster recovery are operational.

### RESPONSIBLE CAPITALISM COMMITTEE ("RCC")

As a sub-committee of the LIP ManCo and reporting to the LFP ManCo, the Responsible Capitalism Committee, or "RCC", is the

governing body for Responsible Capitalism at Liontrust. In 2023, it was headed by the Head of Responsible Capitalism (in December 2023, this leadership changed to the Group's Senior Independent Director on the Board). Members of the RCC include Liontrust's:

- CEO
- CFO/COO
- Senior Independent Director (SID) who also has responsibility for Responsible Capitalism
- the Chief Risk Officer
- the Chief Marketing Officer
- the Head of Liontrust's Sustainable Investment team
- the Head of Human Resources
- the Head of Responsible Capitalism.

The RCC meets four to six times each year to approve actions and/or policies initiated or updated by the Responsible Capitalism team. It also approves Responsible Capitalism-related reports and publications and has oversight of the Responsible Capitalism-related activities undertaken at Liontrust. Papers for each committee meeting are submitted in advance of the RCC meetings and all actions are minuted.

#### RESPONSIBLE CAPITALISM TEAM

Liontrust's Responsible Capitalism team, led by the Head of Responsible Capitalism, has a remit to implement the Group's Responsible Capitalism strategy across its operations. The Responsible Capitalism team provides investment teams with information on material exposures that their investee companies may face. These material exposures include, but are not limited to, ESG-related exposures that could impact the prospects of a company. The Responsible Capitalism team oversees related policies (which are approved by the Responsible Capitalism committee and include the Group's Engagement policy, Proxy Voting policy, Corporate Governance guidelines, and ESG integration policy); administers Liontrust's proxy voting (as agreed with each investment team); reports annually on Liontrust's Responsible Capitalism-related activities; helps to deliver ESG reporting for the Group and its funds, including reports required under European and UK regulations; and plans and implements Liontrust's net zero commitments across its operations and investment funds committed to net zero.

#### PORTFOLIO RISK COMMITTEE ("PRC")

The Portfolio Risk Committee (PRC), chaired by Liontrust's Chief Risk Officer, is responsible for the management of investment risk in the

Group's regulated entities. This oversight encompasses portfolio risk management systems and operations, together with the monitoring of portfolio risk investment restrictions. The PRC also monitors portfolio performance and investment processes, establishing parameters for exception reporting and ensuring that appropriate client communications are prepared, as necessary. The PRC ensures that investment teams have appropriate risk processes in place and that each fund has an agreed risk profile which details all the monitored risk controls and the risk limits for each fund. This process enables the committee to monitor and measure the risk of Liontrust's funds' positions and their contribution to the Group's overall risk profile. The PRC also oversees and reviews ESG integration into investment processes, ensuring that funds are run in line with ESG commitments. Exception reporting highlights if there is a gap between what is promised by each investment team and what is delivered.

The Chief Risk Officer, who has over 20 years of experience heading up Liontrust's Risk function, is responsible for risk at the firm level, overseeing all risk management of the Group. The Chief Risk and Compliance Officers report directly to the COO and have a dotted line to the Chair of the Audit and Risk Committee to ensure there are no conflicts of interest. Other members of the PRC include:

- Chief Compliance Officer
- Head of the Multi-Asset investment team
- Head of Performance and Data Insights
- Head (or Deputy Head) of Investment Operations
- Head of Performance



## EFFECTIVENESS OF BODIES CONTRIBUTING TO LIONTRUST'S OVERSIGHT OF RESPONSIBLE CAPITALISM

Governance component	What it did in 2023	Effectiveness with regard to Responsible Capitalism and stewardship	Ways in which it could improve
CEO, CFO/COO	Provided strategic direction and tone from the top.	Effective in communicating to the business the Group's overall strategy and how Responsible Capitalism is part of that.	The CEO and CFO/COO navigated a proposed M&A, thoughtfully considered how Responsible Capitalism is integrated into the Group's business, and have driven the business forward.
Management Committees ("ManCos")	Had oversight of compliance with regulations in the jurisdictions in which Liontrust's entities operate. Had regular updates from Responsible Capitalism at meetings.	The Group remained compliant in 2023.	The ManCos continue to have oversight of the Group's activities across jurisdictions and the Group remains compliant across these.
Responsible Capitalism Committee	Met four times in 2023. Approved the Group's application for science based targets, updated policies, and supported a number of Responsible Capitalism - related activities.	The committee provided support to the Responsible Capitalism team through discussion, debate and helping approve actions and drive forward related activities.	The committee will have wider representation from across the investment teams and the business. The committee will focus more on Strategy in 2024.
Responsible Capitalism team	Working to evidence ESG integration by investment teams. Reported in a timely manner, updated policies, and helped set Responsible Capitalism-related strategy for the Group.	Successful in supporting Liontrust's investment teams, reporting on time, and setting the Responsible Capitalism strategy for the Group.	In 2023, the team focused heavily on reporting which is set to continue with new regulations in the UK and changing regulations in the EU.
Portfolio Risk Committee (PRC)	Ensured each investment team adhered to its investment process.	Successful in its enhanced oversight of ESG-related elements of investment processes	The team could consider how to integrate the monitoring of carbon risk for funds that have a net zero commitment.

## RESPONSIBLE CAPITALISM-RELATED PAY ACROSS THE BUSINESS

As part of their remit and oversight, Liontrust's department heads take into consideration a number of areas in which Liontrust has exposure, including attracting and developing talent, adherence to regulatory requirements, DEI, cyber and data security, and health and safety. These factors contribute, overall, to Liontrust's culture and the efficient running of its business. Specific departments have these components as part of their remit, meaning that there may be closer links between the component and pay. These include:

Area	Team	Headed by	Duties and link to pay
Attraction and retention of talent	Human Resources	Head of Human Resources	Leads the Group's efforts in terms of training, coaching, and wellness. The team, therefore, has closer ties to pay and bonus for these elements than may be the case for others.
Cyber and data security	IT department  All Liontrust employees	Chief Technology Officer	In addition to providing Liontrust with day-to-day IT support, this team oversees, with the help of the Group's virtual Chief Information Security Officer, the Group's technology and the safekeeping of its technology systems, platforms, and sensitive data. It is important to note that the IT team and Chief Technology Officer are only part of the solution for preventing cyber-attacks and data loss.  All Liontrust employees have responsibility for protecting data and for noticing and reporting anything unusual or irregular in terms of IT / cyber activity.
Adherence to regulatory requirements	Compliance team; Legal team	Chief Compliance Officer and Head of Legal	Both these teams have responsibilities to ensure that the Group adheres to all regulatory requirements in the jurisdictions in which it operates. These aspects are linked to pay for the teams and for their department heads.
Sustainable Investment	Sustainable Investment team	Head of Sustainable Investment	This team manages just over one third of Liontrust's AuMA (as at the end of December 2023). The team is responsible for adhering to its Sustainable Future investment process and for reporting along SFDR and other requirements. The Head of Sustainable Investment and its team members are remunerated on the basis of their individual responsibilities with regard to the investments the team makes. Team members have both financial and ESG integration components to their roles.
Liontrust's ESG / sustainability-related activities	Responsible Capitalism team	Head of Responsible Capitalism	This team proposes Responsible Capitalism-related strategy, provides ESG information to and undertakes ESG-related engagements on behalf of some investment teams, undertakes proxy voting administration, manages a number of related projects for the Group, leads on the Group's net zero commitment, supports the Human Resources team on people programmes, and produces ESG/sustainability-related annual reporting for the Group. These aspects of service to the Group are linked directly to the team's pay.
Understanding (and putting in place mitigants for) the Group's key exposures	Risk team	Chief Risk Officer	The Risk team measures, monitors, and reports on the Group's key exposures, among other things. Several of these key exposures are ESG-related. The team also monitors the investment teams' adherence to their investment processes, in which there may be ESG-related components.
	Board and other Group departments	Board members; other Group department heads	The Board and other department heads are responsible for putting in place and executing plans to mitigate the Group's key exposures.

## GOVERNANCE AND INVESTMENT IN SYSTEMS, PROCESSES, RESEARCH AND ANALYSIS

Liontrust continues to invest in systems to enhance the Group's ability to provide the best possible service to clients. These include enhancements to the Group's internal platforms (including its research management system and its operational management system) to ensure the Group can report on data and topics in which clients and stakeholders are interested (such as emissions, engagements with holdings, and on Liontrust's inclusion and diversity initiatives).

In 2023, the Group enhanced its research management system which will help the investment teams record and have an audit trail for investment decisions, engagements, proxy voting, and other stewardship and Responsible Capitalism-related activities.

In terms of research and analysis, Liontrust supports its investment teams by purchasing research (including ESG-related data and information) from brokers and other third party research providers to enhance the investment analytics undertaken by the Group's investment teams. This research (and cost) is reviewed annually to ensure the teams are receiving the most appropriate research for their needs.

Additionally, in 2023, Liontrust's Responsible Capitalism team investigated the data and approach to biodiversity metrics as undertaken by several providers. Liontrust is keen to develop a methodology for considering biodiversity exposures faced by Liontrust holdings in a way that is helpful to the investment teams. Under the Taskforce on Nature Related Financial Disclosures, or

TNFD, the Group anticipates needing to report on this aspect of its holdings in the future. As such, Liontrust is working to establish a framework for this.

## HOW LIONTRUST'S GOVERNANCE ENABLES RESPONSIBLE CAPITALISM AND STEWARDSHIP

Liontrust's governance structure, oversight, and focus on Responsible Capitalism create an environment in which stewardship and ESG integration can thrive. As explained above, the Group's executives and Board fully support Responsible Capitalism. There are checks and balances in place to ensure that Responsible Capitalism-related policies are followed and that the investment teams adhere to their investment processes, including to ESG integration components, where applicable. These checks support the investment teams' voting their proxies and engaging on material and investment process-related issues, as appropriate. Liontrust reports annually on its Responsible Capitalism-related activities through a number of different reports, including this publication, the Group's TCFD, CDP and PRI submissions.

## RATIONALE FOR THE APPROACH TO GOVERNANCE THAT LIONTRUST HAS TAKEN

Liontrust has internal compliance and sign-off to ensure adherence to required regulations and laws regarding marketing and providing information to clients, investors and wider stakeholders. The Group believes these processes and systems effectively monitor and ensure adherence to requirements and enable effective stewardship. Liontrust employed the help of external auditors to ensure that its internal systems are functioning well and to understand how the Group can improve these, if at all, going forward.



# MANAGING CONFLICTS OF INTEREST AND INSIDE INFORMATION

## CONFLICTS OF INTEREST

As an asset manager, Liontrust has exposure to a range of conflicts of interest across its operations. The Group aims to manage these for the benefit of clients and investors and to ensure effective systems and processes. (Liontrust's Conflict of Interest Policy is published on its website at: <https://www.liontrust.co.uk/regulatory> )

Such instances may include (but are not limited to):

Potential situation	Risk in this situation
Liontrust (corporate) clients and/or significant shareholders are issuers of securities which are held by Liontrust funds and/or other fiduciary accounts managed by Liontrust.	Fund managers use their proxy votes to support (corporate) clients or major shareholders instead (or to the detriment) of the client (i.e. an investor in Liontrust's fund(s)).
Liontrust (corporate) clients and/or business partners are proponents of shareholder resolutions which Liontrust funds do not support.	Fund managers vote in line with (corporate) clients and/or business partners which doesn't support (or actively runs contrary to) the best interests of investors in the fund (who are Liontrust's clients).
Liontrust Directors sit on the Boards of public companies that are held in funds and/or other fiduciary account(s) managed by Liontrust.	Fund managers may be swayed to vote in line with management of these companies in support of Liontrust Directors, rather than in the best interests of clients (where these are different).
Liontrust shares may be held in funds and/or other fiduciary accounts managed by Liontrust.	Fund managers may feel influenced to vote in line with Liontrust (their employer) rather than in the best interests of investors (Liontrust's clients), if these are different.
The shares of companies in which Liontrust Board members serve as senior executives are also held in Liontrust funds and/or other fiduciary accounts managed by Liontrust	Fund managers may feel influenced to vote in support of the companies in which Liontrust Board members serve as senior executives, rather than in clients' best interests (where these are different).

## Managing conflicts of interest

The Group manages these through a conflicts register which is maintained by Liontrust's Compliance team. The register contains details on the:

- Nature of the conflict of interests
- Those employees, roles, or external individuals involved or potentially impacted by the conflict of interest
- Date(s) of the existence of the conflict of interest
- Ownership or oversight of the specific conflict
- Details on how the conflict is managed and audited

## Identifying potential conflicts of interest

All Liontrust employees must notify Compliance of any potential conflicts of interest within the business that they find. Fund managers are responsible for disclosing any potential conflicts of interest relating to a holding, including that which relates to proxy voting.

## Definition and examples of potential conflicts

Conflicts of interest management at Liontrust is a very specific part of the Group's wider approach to conflicts. As such, this section refers only to conflicts of interest and not to wider conflict management at Liontrust. For the purposes of this section, Liontrust defines a conflict of interest as a situation where the outcomes of one party are incompatible with the outcomes of other parties and where there is a risk of damage to the interests of one party.

## Escalating a conflict of interest for the purpose of finding a resolution

Liontrust's Compliance team works with other departments to ensure conflicts of interest are logged properly on the register. This is for the purpose of ensuring that any events determined to be conflicts of interest are managed effectively and recorded in the course of day-to-day business, and that an escalation process exists and is used for the purposes of managing conflicts. The escalation process for resolving conflicts of interest is:

- A Liontrust employee (who may be a fund manager) alerts Liontrust's Compliance team to a potential conflict of interest. The Compliance team lists the conflict on the Group's Conflict of Interest register.
- Any employee who feels that they need to do so can escalate the conflict of interest to the Head of Compliance.
- The Head of Compliance may, in turn, raise this issue with the Executive Directors or with the Board, depending on the nature of the conflict of interest

### Examples of potential conflicts of interest in 2023

Many of the potential conflicts of interest listed below may be fundamental to the Group's business in that there is always a chance these situations exist. Therefore, they are monitored constantly. (All these appeared in Liontrust's Responsible Capitalism report for calendar year 2022:)

Such instances may include (but are not limited to):

Situation	Explanation
Liontrust's Fund manager(s) personally owning shares in companies they also hold in their funds	In an event where Liontrust fund managers invest in the shares of a company in which they also have personal investment, the risk is that the fund manager could be inclined to engage with or vote the stock according to how he/she thinks would be in their own best interests, rather than in the best interests of Liontrust's clients/investors. To help minimise this risk, Liontrust requires fund managers (and other employees) to declare (and keep up to date) their personal holdings so that the business understands what fund managers hold personally. All Liontrust employees are required to seek permission to trade in Liontrust shares and other listed shares in advance of doing so and to abide by the Group's rules in this area, including with regard to a minimum holding period.
A client is also a company in whose stock Liontrust fund(s) invest	The situation could arise in which Liontrust fund(s) hold the stocks of a large, UK-based Group which is also a client for whom Liontrust manages money. In these instances, there is essentially a Chinese wall between the owning of the stock (and engaging the group and/or voting shares as part of this ownership) and managing the client relationship. While fund managers may be involved in both sides of the equation, the buying/selling/weighting of the stock in the portfolio is kept entirely separate from the management of the client relationship. Fund position(s) in this group are added to, retained, reduced or exited as per the best interests of investors in the fund.
A Board member is a non-executive at a company whose shares are held in Liontrust funds	There are currently two examples of this situation at Liontrust. <ul style="list-style-type: none"> <li>• The Chairman of the Board of Liontrust is also a NED on the Board of a company which is also a holding in Liontrust fund(s).</li> <li>• The Senior Independent Director (SID) on Liontrust's Board is a member of the Board of another listed company which is held by Liontrust funds.</li> </ul> The Chairman's and the SID's interests are listed in Liontrust's compliance register and both individuals are aware of Liontrust's Conflicts of Interest policy.
Companies whose shares are held in Liontrust funds are also companies that provide services to Liontrust	Several of the companies held in Liontrust funds provide services to Liontrust. In these situations, there is a Chinese wall between choosing a service provider (managed by Liontrust's risk, operations, or other team) and the decision to hold a stock in Liontrust's funds (a decision made by the relevant investment team).

### Reducing the Group's exposure to conflicts of interest

Liontrust employees undertake annual training on how to manage conflicts of interest so that the Group continues to act in the best interests of investors in every situation. The training is updated periodically; if a material change in the policy occurs, employees must attest that they understand and will fulfil the requirements of the updated policy.

### Conflicts of interest and stewardship

Liontrust takes the management of conflicts of interest seriously. Effective management of this area ensures that the Group can maintain credibility across its own business operations; ensure that the investment processes of its fund management teams are followed; and provide an environment in which engagements with holdings and proxy voting follow each team's investment process. The Group is transparent regarding its conflict of interest policy and keeps detailed information on any potential or actual conflict of interest for oversight and audit purposes. Ultimately, this approach provides stability to the Group's overall Responsible Capitalism platform.

## INSIDE INFORMATION

### Definition

Inside information is any information that Liontrust employees, including its fund managers, may obtain which is not in the public domain. The abuse of inside information (i.e. using this information to trade or influencing others to trade using this information) is a breach of insider trading rules and is strictly forbidden at Liontrust.

### Reducing the Group's exposure to risks related to inside information

Liontrust has some exposure to the risk of insider trading, but this risk is mitigated by the use of strict controls around the receipt and sharing of inside information. Liontrust's Compliance team operates an Insider List which is regulated by the Group's Insider List policy. (This is specific to Liontrust Asset Management Plc inside information. The Financial Crime and Market Abuse Policy covers market soundings and other, non-Liontrust Asset Management, inside information. See below for more details.)

Front office employees receive annual training and regular guidance on the rules around inside information and how to manage it effectively. Liontrust has a "one in, all in" policy on inside information in which the ability is removed for fund managers to trade any stock on the "stop list" on the Group's dealing platform.

### Instances in which Liontrust employees may hold inside information

From time to time, the Group's investment managers or other employees may be made "inside" for the purpose of market sounding. In such circumstances, Liontrust's Compliance team acts as a gatekeeper and tight controls are established so that those Liontrust individuals are not permitted to trade. These include pre-trade restrictions on Liontrust's dealing systems for trading in funds and in personal accounts (for which pre-approval must be sought and given before a Liontrust employee trades on a personal account). The Group's Compliance team operates as a gatekeeper for all market soundings and follows the processes documented in the Group's Financial Crime and Market Abuse Policy and related procedures. The Compliance team confirms with the fund managers once the information is made public before removing any restrictions.

Other instances in which fund managers or employees may come into possession of inside information is in working with smaller companies. These companies may be less experienced with procedures and/or protocol regarding inside information and may relate information that is considered inside and/or market sensitive. In such instances, or in instances where Liontrust employees and/or fund managers are made inside inadvertently during discussions with companies, the same restriction and documentation process is followed as for market sounding. In instances where it is unclear as to whether the information disclosed is considered inside information, Liontrust will err on the side of caution and restrict the company until further clarification can be given.



Liontrust communicates  
regularly and clearly  
with its suppliers



# LIONTRUST'S WORK WITH SUPPLIERS

## LIONTRUST'S SUPPLIERS AND PROVIDERS

In carrying out its function as an asset manager, Liontrust works with a number of suppliers. These include ESG data providers, trading platforms, research providers for investment-related information, proxy voting platforms, back office service providers, audit, legal, marketing services, and others.

This section focuses on the relationship Liontrust has with its most significant service providers in terms of oversight and management of the contracts it has that relate to Responsible Capitalism and the quality of the service the suppliers provide. In terms of service providers for ESG-related data and proxy voting services, the Group uses MSCI and ISS respectively.

## HOW LIONTRUST WORKS WITH ITS SUPPLIERS

Liontrust, which has a procurement policy and process, maintains a counterparty and selection process to govern how it manages its relationship with each supplier. There is a risk categorised approach to managing a counterparty, with more significant relationships receiving more oversight. For example, the Group's banks are subject to a credit review on an at least a monthly basis and are integrated into Liontrust's operational resilience planning.

The Group has set up the Operations and Outsource Oversight committee to formally oversee the relationship with its outsourced providers. This committee meets monthly. Liontrust's relationships with other suppliers are managed by the relevant department but always subject to requisite compliance, legal and risk oversight. The designated individual keeps in close contact with each supplier and monitors and assesses the cost, timeliness and quality

of the service provider's work, and feeds back to the supplier on its performance. In most cases, the supplier (on their side) has a relationship manager who oversees their company's relationship with Liontrust. Engagement is generally undertaken with this person first and escalated, if needed.

## SUPPLIER SELECTION

As part of the selection process, Liontrust expects to engage with at least three potential suppliers and undertakes due diligence to ensure the Group receives what it needs and has contracted for from each supplier. Appropriate controls are in place for this selection, including due diligence on anti-bribery and slavery policies.

Inevitably, there are times when service providers don't meet Liontrust's expectations in terms of their work. If these instances happen repeatedly, Liontrust engages with the supplier to understand what the issues are, if solutions can be found, and what the Group can expect from the supplier going forward.

## COMMUNICATING CLEARLY WITH SUPPLIERS

Liontrust communicates regularly and clearly with its suppliers, including those that provide ESG data or other Responsible Capitalism-related services, to ensure the suppliers understand what and how the data they provide is used by Liontrust. This communication takes place during regular catch ups, if and when problems arise, and during annual meetings. Liontrust makes specific requests of its suppliers that provide ESG data – in terms of breadth, scope, accuracy, and data storage – to enable the Group to fulfil the ESG data needs of its investment teams and reporting requirements.

## Examples of engagements that Liontrust undertook with ESG-related suppliers in 2023



### MSCI

Liontrust uses MSCI ESG Manager MSCI One for a range of services, including licencing for benchmarking and for the provision of ESG-related data and information through the MSCI ESG Manager. During 2023, Liontrust engaged with MSCI ESG Manager services to discuss:

- The various contracts that Liontrust has with MSCI covering a range of ESG-related data
- IT tech issues with getting and extracting information from MSCI's platform and with running reports

- Payment periods for Liontrust's contracts
- Notification of when MSCI's information on underlying companies is updated
- Explanations around how MSCI defines "aligned", "SBTi approved", and other net zero related data points

During 2023, Liontrust found MSCI to be increasingly helpful with its services. MSCI's client servicing improved (from 2022) in terms of assisting Liontrust with getting responses more quickly to its queries. While not all services were available at the times Liontrust needed, MSCI worked hard to help Liontrust find work arounds and offered alternative solutions.



## ISS

In 2023, Liontrust engaged regularly with ISS, its proxy voting research provider and platform. Throughout the year, Liontrust found ISS to be responsive and constructive in its approach to resolving proxy voting related problems that had arisen. Liontrust engaged ISS on a number of topics, including:

- the content and timely publishing of research recommendations
- liaising with custodians to ensure amended instructions were processed
- account and policy administration and consolidation.

At the end of 2023, Liontrust fed back concerns that ISS:

- uses the same research guidelines for UK small-cap issuers as it does for large cap
- could publish proxy voting related research earlier to allow more time for vote consideration by the investment teams
- could publish research updates earlier (in advance of voting deadlines)

During 2023, ISS provided Liontrust with training on how to use existing features in its platform that could help the Group with reporting, such as with codifying voting proposals by the ESG pillar. ISS provided ad hoc updates on regulatory requirements and industry best practices with regard to voting. At the end of 2023, ISS also sent updated policy options. Liontrust considered whether it wanted to make any changes to the Group's custom voting policies on the back of these updates.

## ENGAGEMENTS WITH OTHER SUPPLIERS

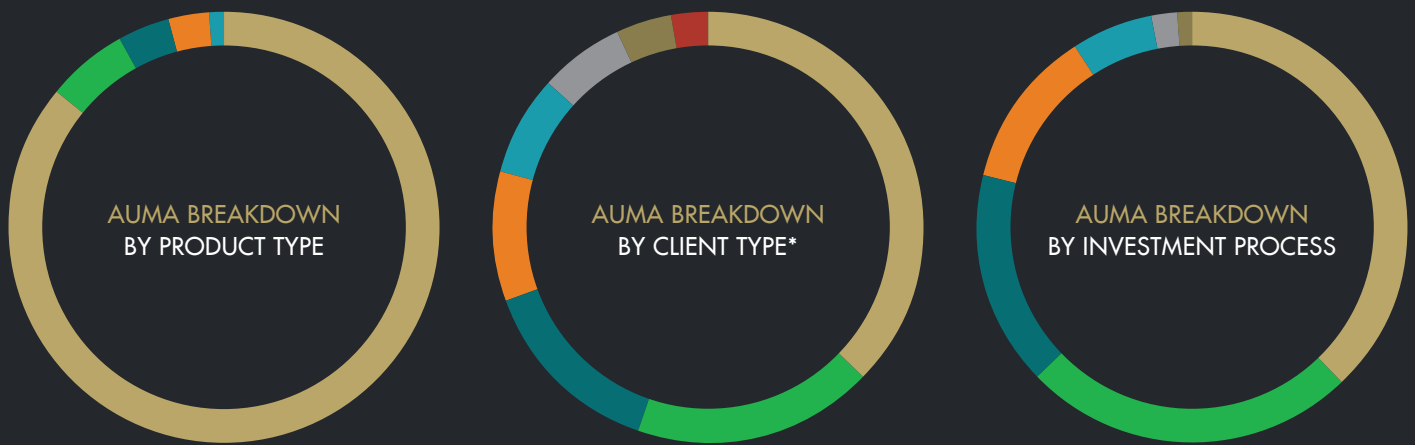
Liontrust has a contractual relationship with each of its suppliers. They are each impacted by the way Liontrust conducts its business and operates as an asset manager. As such, Liontrust aims to maintain good working relationships with its suppliers.

At the end of 2022, Liontrust ceased working with one of its cleaning suppliers and moved to a cleaning provider whose values and conduct aligns more closely with the Group's expectations of its vendors. Liontrust also increased wages for all operatives from the National Living Wage to the London Living Wage.

# LIONTRUST'S COMMITMENT TO CLIENTS

## LIONTRUST'S CLIENTS

Liontrust services clients predominantly in the UK, but also internationally. At the end of 2023, the Group's clients were:



UK Retail Funds & MPS	86%	Financial Adviser	37.5%	Sustainable Investment	38%
Institutional Accounts & Funds	6%	Wealth Manager	18.1%	Economic Advantage	25%
Investment Trusts	4%	Life & Pensions	14.1%	Multi-Asset	16%
International Funds & Accounts	3%	Institutional	9.7%	Global Fundamental	12%
Alternative Funds	1%	D2C/Execution Only	7.6%	Cashflow Solution	6%
		Platform	6.3%	Global Innovation	2%
		Fund Manager	4.2%	Global Fixed Income	1%
		Other	2.6%		

\*Data as at 30 November 2023

## BREAKDOWN OF ASSETS UNDER MANAGEMENT AND ADVICE (AUMA)

At the end of December 2023, Liontrust's AuMA stood at £27.8 billion (2022: £33 billion). This was broken down by type as follows:

£m	Sustainable Investment	Economic Advantage	Multi-Asset	Global Fundamental	Cashflow Solution	Global Innovation	Global Fixed Income	Total
Total AUMA	10,456	6,978	4,459	3,236	1,753	699	231	27,811
UK Retail	9,673	6,352	4,309	1,647	1,099	699	45	23,824
Institutional	300	447	0	437	539	0	0	1,723
International	483	179	0	37	6	0	186	891
Investment trusts	0	0	0	1,115	0	0	0	1,115
Alternative	0	0	150	0	109	0	0	259

Source: Liontrust Asset Management Plc as at 31.12.23.

## UNDERSTANDING CLIENT NEEDS

### Seeking client and investor views

Liontrust undertook a number of actions during the year to seek client and investor views and to help the Group improve its services to clients. In 2023, some of these included:

- Undertaking surveys with professional intermediaries
- Providing quantitative and qualitative research for professional intermediaries and retail investors
- Reporting on the Assessment of Value

- Participating on a Consumer Duty panel to understand client needs
- Assessing the feedback/research the Group provided
- Evaluating investor behaviour (e.g. online usage)

### Progress made in 2023 towards enhancing the investor experience

At the end of 2022, Liontrust reported that there were ways in which the Group would enhance the client or investor experience. The following chart shows the steps that were outlined at the end of 2022 and the progress that the Group made with these in 2023.

	Step identified at end 2022	Progress made in 2023
1	Make changes to the website to enhance the user experience. Ensure the website is quicker and easier to find information, particularly regarding the Group's funds	<p>The following additions were made to the Group's website in 2023:</p> <ul style="list-style-type: none"> <li>• Accessibility tools for vulnerable visitors</li> <li>• Ongoing WCAG (Web Content Accessibility Guidelines) ratings of components</li> <li>• Pop up questions asking if visitors can find everything they need, or want more information on funds</li> <li>• Testing pages with visitors to evaluate improvements</li> </ul> <p>The following steps were taken to improve the Group website in 2023:</p> <ul style="list-style-type: none"> <li>• Implemented Fund Finder to make it easier for visitors to find relevant pages</li> <li>• Expanded forms of content including educational and explainer articles</li> <li>• Redesigned the home page and insights</li> <li>• Promoted the email preference centre so visitors can sign up to receive content for specific funds and from specific investment teams</li> <li>• Redesigned the email preference centre to make it easier to navigate</li> </ul>
2	Make enhancements to the multi-asset tools centre on the Group's website	The Group enhanced the customer journey of the tools centre and promoted its availability to clients.
3	Encourage clients and investors to sign up to receive investment insights	Liontrust promoted the availability of the email preference centre on the website and in its communications to investors.
4	Expand the range of investment insights and educational content	The Group continually expands the number of educational articles and has introduced explainers of investment and market issues.
4	Expand reporting on Group funds	In 2023, Liontrust published its TCFD report, updated its Responsible Capitalism report, and reported through a number of templates, including for the PRI and CDP. In 2024, the Group will publish entity and product level TCFD reports for its UK domiciled funds.



## COMMUNICATING WITH CLIENTS ON RESPONSIBLE CAPITALISM

During 2023, Liontrust undertook extensive reporting on its Responsible Capitalism (stewardship, sustainability, ESG integration, and proxy voting) related activities. These reports or updates included:

Date	Item	Link	What it covered / contained	Effectiveness of communication
April 2023	Responsible Capitalism report for calendar year 2022	<a href="https://www.liontrust.co.uk/about-us/corporate-sustainability/responsible-capitalism-report">https://www.liontrust.co.uk/about-us/corporate-sustainability/responsible-capitalism-report</a>	Liontrust's response to Stewardship Code  Report and evaluation of Liontrust's Responsible Capitalism-related activities and how these support and adhere to the Group's purpose, strategy, and values	Effectively covered the Group's Responsible Capitalism and stewardship activities.
Quarterly, 1 month in arrears	Proxy voting records	<a href="https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor">https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor</a>	In 2023, Liontrust published its proxy voting records on its website for each quarter, one month in arrears. The voting was listed by holding.	Proxy voting is sufficient but could contain more information (e.g. holdings by fund/team and voting rationales).
June 2023	Liontrust's Annual Report and Accounts	<a href="https://www.liontrust.co.uk/investor-relations/annual-report">https://www.liontrust.co.uk/investor-relations/annual-report</a>	Contains information on the Group's TCFD statement and net zero strategy.  A heat map outlining the Group's key exposures, including those related to ESG  Details on Liontrust's DEI efforts, its employee survey, and people programmes	Effective in providing information on these areas.
June 2023	Sustainable Investment Team's Annual Review 2022	<a href="https://www.liontrust.co.uk/fund-managers/sustainable-investment">https://www.liontrust.co.uk/fund-managers/sustainable-investment</a>	Provides details on the Sustainable Investment team's investment process, team members, engagement examples, and information on topics, such as the energy transition.	Effectively informs investors on team outlook and activities for 2022.
July 2023	CDP response	<a href="https://www.cdp.net/en/responses?queries%5Bname%5D=liontrust">https://www.cdp.net/en/responses?queries%5Bname%5D=liontrust</a>	Submitted the Group's response to the CDP which covers how Liontrust manages its climate-related risks and opportunities.	Submitted response
August 2023	PRI annual submission	N/A	Responded to the PRI's annual survey on Liontrust's activities around ESG integration, engagement, and proxy voting.	Submitted response
October 2023	Liontrust's sponsoring UKSIF's Good Money Week	N/A	Members of the Group's Sustainable Investment team participated in a podcast as part of this event.	Sponsored event
November 2023	Sustainable Investment Team's (virtual) Annual Conference	N/A	Focused on the Sustainable Investment team's investment process, engagement and proxy voting activities in 2023.	Effectively communicated the team's activities and outlook

## SEEKING CLIENTS' AND INVESTORS' VIEWS

Each year, Liontrust conducts three types of surveys and research (on a recurring basis) with professional intermediaries and retail investors. Liontrust has chosen to utilise these surveys and research approaches because the Group has found them to be effective in understanding how clients see Liontrust, its funds, the service it provides and its brand, as well as clients' investment intentions, what sources of information they use and how they select funds.

### Surveys with professional intermediaries

These surveys, conducted 10 times a year, ask about the Liontrust brand, advertising and content compared to other asset managers. The measures include awareness, attribution, engagement, knowledge, opinion, contact, impact and future demand.

### Quantitative and qualitative research with professional intermediaries and retail investors

This in-depth research, undertaken twice a year, covers market sentiment, view of sustainable investing, investors' viewpoints about the leading asset managers in each asset class, understanding awareness and perception of Liontrust and its peers, how Liontrust's communications and services rate, and what investors think of Liontrust's advertising and sponsorship.

### Research on the Assessment of Value

This research is undertaken on an annual basis and asks professional intermediaries and retail investors about their perception of whether Liontrust is providing value for money, investors' satisfaction with the information Liontrust provides, how investors see the communications and literature that Liontrust offers, investors' experience of service from Liontrust, and their overall experience with Liontrust.

## EVALUATION OF INVESTOR FEEDBACK IN 2023

In November 2023, Liontrust submitted its TCFD product level report template to the Consumer Duty panel on which retail, institutional and other investors sit. The panel provided valuable feedback on the template; the comments and suggestions provided by the panel were then used to improve the user-friendliness of the template for TCFD product level reports for the 2023 calendar year.

## EVALUATING INVESTOR BEHAVIOUR

Liontrust is able to monitor how clients and investors interact with our communications and content via the website, emails, social media and other digital channels. This enables Liontrust to enhance customer journeys on the website and to develop content and communications.

## TAKING ACCOUNT OF CLIENT VIEWS

As a result of the research and analysis of investor behaviour, Liontrust is:

- Making changes to the website to enhance the experience and ensure it is quicker and easier to find information, particularly for fund information
- Making enhancements to the multi-asset tools for clients
- Encouraging clients and investors to sign up to receive investment insights
- Expanding the range of investment insights and educational content
- Expanding reporting, including impact reports

## ALIGNMENT WITH CLIENTS' STEWARDSHIP/INVESTMENT POLICIES

Liontrust manages its assets in alignment with client stewardship and investment policies. These include:

### Segregated mandates

Liontrust manages a number of segregated client accounts which require alignment with clients' specific sustainability or stewardship policies or needs. For these, screening, engagement and/or proxy voting requirements are agreed as part of the Investment Management Agreement (IMA) and are adhered to by the investment team managing these accounts. Related client reporting also incorporates these requirements into account reports on a regular basis.

### Pooled vehicles

Some of the Group's funds offer clients a sustainable/ESG integration approach to investing. For example, Liontrust's Sustainable Investment team and Global Fixed Income teams manage pooled funds with sustainable objectives and/or approaches.

### Sustainable pooled vehicles and monitoring adherence

Liontrust's Sustainable Investment and Global Fixed Income teams manage pooled funds with sustainable objectives and/or approaches.

These approaches are set out in the documentation for the individual funds and are monitored by Liontrust's PRC. The Sustainable Investment team's Advisory Committee also provides feedback to the Sustainable Investment team on a regular basis with regard to the team's approach to themes and investments. The team is free to accept or reject the feedback provided by the Advisory Committee, depending on whether the team's analysis supports the needs and expectations of its clients.

## INSTANCES WHERE LIONTRUST MAY NOT BE ABLE TO MANAGE ASSETS IN LINE WITH CLIENTS' POLICIES

Liontrust manages a number of pooled vehicles for which individual client (stewardship, voting, and/or engagement-related) policies cannot be adhered to. This is because, by their nature, pooled vehicles consist of (often) many underlying investors, all of whom may have varying views on stewardship, proxy voting and/or engagement practices. In these instances, Liontrust states upfront that it cannot manage an array of policies and, instead, follows its own policies in these areas. Should clients need their own, specific guidelines to be followed, then Liontrust's client servicing team can help find a segregated mandate (or other) solution.

## INVESTMENT TIME HORIZONS

Each of Liontrust's funds sets out in its prospectus and legal documentation the time horizon that is considered appropriate to deliver the needs of the clients. These range in scope and are appropriate to the respective fund, the team managing the fund on behalf of clients, and the intended or target market for the fund.



## LIONTRUST'S COMMITMENT TO NET ZERO

As with any business, Liontrust emits greenhouse gases in its own operations and its value chain. Most importantly, as an asset manager, it must also consider the emissions of the companies in which it invests on behalf of clients.

### CATEGORIES OF EMISSIONS

Liontrust's emissions (from operations and investments) fall into the following categories:

- **Scope 1** – the direct emissions from Liontrust-owned and controlled resources
- **Scope 2** – indirect emissions from the generation of purchased energy
- **Scope 3** – all indirect emissions (not included in scope 2) that occur in the Group's value chain. For Liontrust (as with all asset managers) Scope 3 includes emissions from companies that the Group invests in.

### NET ZERO BY 2050

Liontrust has joined various initiatives relating to net zero and is committed to achieving net zero greenhouse gas (GHG) emissions by 2050 across its business and investments. This commitment covers the Group's:

- **business operations** – to reduce its own emissions as well as help promote well-functioning financial systems
- **investments** – to understand the key exposures that Liontrust's investments face with regard to climate change and to make well-informed investment decisions (which forms part of Liontrust's fiduciary duty to clients).



### Commitment for operations

In 2023, Liontrust set near-term science based emissions reduction targets (which were approved by the Science Based Targets initiative, or SBTi) to show the Group's commitment to reducing emissions in line with the Paris Agreement goals. As part of this, Liontrust commits to:

- Reducing its absolute scope 1 and 2 GHG emissions by 42% by 2030 against a base year of 2022.

### Commitment for investments

As part of Liontrust's near-term science based emissions reduction targets approved by SBTi, the Group also commits to having 52% of its listed equity and corporate bond portfolios by market value setting SBTi validated targets by 2027 from a 2022 base year.

In May 2022, Liontrust signed up to the Net Zero Asset Managers' initiative (NZAM). This commitment covers the Group's net zero targets for the investments it makes on behalf of clients. At the time it joined, Liontrust committed approximately 42% of its AuM to NZAM. As at the end of December 2023, the percentage of the Group's AuM that was committed to net zero had risen to 45%.

Interim targets for Liontrust funds committing to net zero are as follows:

- **By 2025** – a 25% reduction in the fund's WACI (weighted average carbon intensity) as compared to the WACI of the fund's benchmark at the end of December 2019
- **By 2030** – a 50% reduction in the fund's WACI as compared to the WACI of the fund's benchmark at end December 2019

### Investments with SBTi commitments

Liontrust targets having 52% of its AuMA with commitments to SBTi by 2027. The Group's holdings with commitments to SBTi has increased over the past year:

% of total in-scope AuMA with approved SBTs in 2023	% of total in-scope AuMA with approved SBTs in 2022
42%	33%

## MEASURING PROGRESS AGAINST TARGETS

### Liontrust's operations

In 2023, Liontrust worked with Good Business to calculate its emissions for scope 1 and 2 and scope 3. (Scope 3 covers purchased goods and services, capital goods, fuel-and-energy-related activities, upstream transportation and distribution, waste, business travel, and employee commuting). The Group's footprint (which consists of scope 1 and 2 and not scope 3 emissions) as at 31 December 2023 was 19.6 tCO<sub>2</sub>e (market based); (2022: 16.7 tCO<sub>2</sub>e, market-based) This equated to a market based GHG emissions intensity of 0.091 tCO<sub>2</sub>e/Full Time Employee for 2023 (2022: 0.078 tCO<sub>2</sub>e/Full Time Employee). See the table opposite for more details of this footprint assessment.

Going forward, Liontrust will report on progress made against its near term science based emissions reduction targets. Part of this update will be provided in the Group's TCFD entity level report which will be published on Liontrust's website by the end of June 2024.

### Greenhouse Gas Emissions performance

The following information summarises Liontrust's direct and indirect environmental performance over the calendar year ending 31 December 2023. This statement has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which implement the government's policy on Streamlined Energy and Carbon Reporting. During the reporting period, Liontrust's measured Scope 1 and 2 emissions (location-based) totalled 65.4 tCO<sub>2</sub>e (2022: 75.9 tCO<sub>2</sub>e). The Group's indirect scope 3 emissions from business travel consisting of air, rail, mileage emissions and hotel stays totalled 702 tCO<sub>2</sub>e (2022: 337 tCO<sub>2</sub>e).



Category	Activity	2022 GHG Emissions (tCO2e)	2023 GHG Emissions (tCO2e)	% change
<b>SCOPE 1</b>				
Stationary combustion	Heating oil	13.5	13.6 Δ	1%
Fugitive emissions	A/C unit	-	-	N/A
<b>SCOPE 2</b>				
Electricity (location-based)	Purchased electricity	62.4	51.7 Δ	-17%
Electricity (market-based)	Purchased electricity	3.24	5.98 Δ	85%
<b>SCOPE 3</b>				
Purchased goods and services	Spend	5,258	11,671	122%
	Water Supply	0.743	0.390	-47%
Capital goods	Spend	N/A	44.1	N/A
FERA	Heating oil and purchased electricity	10.9	19.9	82%
Upstream transportation and distribution	Spend	N/A	6.62	N/A
Waste	Recycling	0.0811	0.463	471%
	Landfill	0.332	0.790	138%
	Waste to energy	0.0426	0.0432	1.4%
Business travel	Air travel	246	615	150%
	Rail travel	12.3	16.8	36%
	Road travel	46.5	52.9	14%
	Hotel stays	32.7	17.6	-46%
Employee commuting	UK commuting	118	112	-4.9%
	Luxembourg commuting	7.34	8.41	15%
	WFH UK	59.4	57.3	-3.6%
	WFH Luxembourg	1.62	1.59	-2%
Scope 1 & 2 Total (location-based)		75.9	65.4	-13.9%
Scope 1 & 2 Total (market-based)		16.7	19.6	17.2%
Total GHG emissions (location-based)		5,869	12,691	116%
Total GHG emissions (market-based)		5,810	12,645	118%

## CARBON INTENSITY

Liontrust's carbon intensity for 2023 was as follows (compared to calendar year 2022). Liontrust's carbon intensity is calculated using a Full Time Equivalent (FTE) of employees of 215.84. (This FTE figure is defined as including part time workers on a pro-rata basis; excluding third party contractors; including fixed term contractors; and excluding those on maternity leave.)

Intensities	2022 GHG Emissions Intensity	2023 GHG Emissions Intensity	% Change
Scope 1 & 2 intensity per FTE (location-based)	0.349	0.303 $\Delta$	-13%
Scope 1 & 2 intensity per FTE (market-based)	0.0780	0.091 $\Delta$	17%

Note: The emissions intensity calculation is based on a figure of 215.84 Full Time Equivalent (FTE) in 2023. In 2022, a figure of 218 for Full Time Employees, as opposed to Full Time Equivalent, was used. Liontrust will report on a Full Time Equivalent basis going forward to allow for year on year comparison.

$\Delta$  2023 data subject to independent limited assurance under ISAE (UK) 3000 and ISAE 3410. The assurance report provided by KPMG can be found at the end of this report.

Liontrust reporting criteria for Greenhouse Gas emissions is available in the Responsible Capitalism report.

## OFFSETTING EMISSIONS

To help partially offset the Group's carbon emissions for 2023, Liontrust plans to purchase in May 2024 credits for tonnes of carbon emissions. Liontrust has done this since 2019 via gold standard projects. The chart below outlines projects that Liontrust supported in 2023 (for 2022):

Date purchased	Number of carbon credits	Gold Standard projects
May 2023 (for calendar year 2022)	Credits for 354 tonnes of carbon emissions to cover its scope 1, 2, and business travel emissions	<ul style="list-style-type: none"><li>co2balance which focuses on delivering clean water access to families in Mozambique (204 tonnes)</li><li>Betulia Energy and Biodiversity Restoration Project in Honduras (150 tonnes)</li></ul>

## Liontrust's investments

In this report, each of the seven investment teams reports on

- Whether or not it has committed funds to net zero
- Where it has committed funds. An update is provided on the WACI of each fund as compared to 1) its 2019 benchmark WACI and 2) its WACI from the end of December 2022.

For information on the net zero/carbon related engagements of Liontrust's investment teams, or the Responsible Capitalism team on their behalf, refer to the individual investment team section reports within this report.

## WHERE LIONTRUST REPORTS ON PROGRESS AGAINST ITS NET ZERO TARGETS

Following the Group's initial commitment in May 2022, Liontrust reported to NZAM in May 2023 on its targets for its operations and investments. The Group published subsequent updates in its CDP submission in July 2023 and to the PRI in August 2023. Information on the Group's net zero commitment is also in its TCFD report, which will be published on its website in June 2024 (for the 2023 calendar year). Links to the reports (which are published at the time this report was published) are listed below.

Reporting on net zero commitment	Date published	Web link to report
Report to NZAM	May 2023	<a href="https://www.netzeroassetmanagers.org/signatories/liontrust-asset-management/">https://www.netzeroassetmanagers.org/signatories/liontrust-asset-management/</a>
Group TCFD report	June 2023	<a href="https://www.liontrust.co.uk/about-us/corporate-sustainability/climate-change-and-the-environment">https://www.liontrust.co.uk/about-us/corporate-sustainability/climate-change-and-the-environment</a>
CDP annual submission	July 2023	<a href="https://www.cdp.net/en/responses?queries%5Bname%5D=liontrust">https://www.cdp.net/en/responses?queries%5Bname%5D=liontrust</a>
PRI annual submission	August 2023	The scores from this report are available upon request.

As indicated above, Liontrust will publish in June 2024 its TCFD entity level report and product level reports for each of its pooled, UK domiciled funds. TCFD reports for segregated mandates will be available to clients of those funds upon request from the end of June 2024.

### CLIMATE RELATED INITIATIVES

Liontrust sponsors the following projects to help reduce emissions from the financial services industry:

#### Net Zero Now – Net Zero Financial Advisors Protocol

Liontrust worked with Net Zero Now to support and create the Net Zero Financial Advisors Protocol in 2022. The goal of this initiative is to support financial advisers in their efforts to measure, reduce and compensate for their carbon emissions in an effort to reach net zero. The Protocol also aims to provide an industry standard against which these efforts can be assessed and certified.

The Net Zero Financial Advisors Protocol will

- provide clarity and consistency for financial advisers wanting to take positive climate action
- represent the standard against which financial advisers can be certified, enabling them to evidence their progress towards net zero to clients, employees and other stakeholders.

Net Zero Now has created similar protocols in a range of sectors, including Accountancy (with ICAEW, ACCA, AAT and Sage Group); Law (with The Law Society); Hospitality (with The Sustainable Restaurant Association, Coca-Cola and Pernod Ricard); and Hair and Beauty (with L'Oréal and the British Beauty Council) among others.

Liontrust's Sustainable Investment team is part of an industry steering committee, led by Net Zero Now, which includes the Chartered Institute of Securities and Investments (CIS) and other industry bodies. The Committee is tasked with reaching an industry

consensus on how the global guidelines that govern net zero – including the GHG Protocol, the Science Based Targets Initiative and the Oxford University Principles of Net Zero Aligned Carbon Offsetting – should be interpreted by financial advisers.

### Sustainable Trading

Liontrust is a founding member of Sustainable Trading. Launched on 22 February 2022, Sustainable Trading is dedicated to improving ESG-related practices within the financial markets trading industry. Sustainable Trading will bring firms together to devise practical solutions to industry-specific ESG issues. For firms that already undertake many of these best practices, Sustainable Trading will help create positive recognition for the excellent work that has been put into place. For firms that are earlier in the development of E, S and G improvements for their trading business, the best practices can serve as a guide on where there may be opportunities to improve. ESG-related areas of consideration include the environmental impact of how the financial trading industry builds, maintains, and operates trading infrastructure, along with social issues such as diversity, equality and inclusion, employee wellbeing, and engagement with communities.

Sustainable Trading will also develop a mechanism for self-assessment and benchmarking, using a measurement framework to demonstrate comparable progress on the delivery of the practices across the sector, facilitating an ethos of continuous E, S and G improvement.

The company's website is <https://sustainable-trading.org>

### Liontrust's Sustainable Investment team's 1.5 Degree Transition Challenge

The Sustainable Investment team launched its 1.5 Degree Transition Challenge in 2020 and engages with its investee companies and bond issuers, encouraging them to increase their ambition to decarbonise. The team wants its investments to transition in a timely, just and profitable way by using renewables and clean tech. This Challenge complements Liontrust's commitment as a Group to achieve net zero by 2050.







## LIONTRUST'S COMMITMENT TO ITS EMPLOYEES

Liontrust values its people and intends to nurture a working environment and culture that attracts talent to its business, develops it, and retains it longer term. Among other things, the Group wants to:

- Hire the talent that best fits its recruitment needs
- Retain the talent that enables it to carry out its role as an asset manager and fulfil client and investor needs
- Create a working environment that is nurturing yet challenging; encourages a healthy work-life balance; provides opportunities for staff to develop their careers and progress; places value on mental health; and focuses on servicing clients and investors.

### REVIEW OF 2022 OBJECTIVES FOR LIONTRUST'S PEOPLE PROGRAMME

In its Responsible Capitalism report for the calendar year 2022, the Group set out the following People Objectives which the Group worked to advance in 2023:

Objective set in 2022	Status	Actions taken in 2023
Continue advancing the Group's leadership training programmes to enhance managers' and employees' leadership capabilities	 Successful	Liontrust rolled out its Senior Leadership programme from September 2022 – April 2023 and then its Leadership training to a second and third cohort of employees beginning in May 2023.
Continue working with external groups to attract early talent from diverse backgrounds	 Ongoing	During the year, Liontrust worked with Investment 20/20 to recruit early talent.
Develop a summer internship programme for 2024	Scheduled to take place	A six-week internship programme (with Liontrust's Responsible Capitalism team) is scheduled to take place in the summer of 2024.
Roll out Mental Health First Aiders at Liontrust locations. Partner with Mental Health at Work to create a strategy around mental health, raise awareness and improve support for all employees	 Successful	Liontrust has selected and trained Liontrust employees to be Mental Health First Aiders. These individuals are available to speak and work with staff.
Build out succession planning, talent management and development opportunities across the business	 Ongoing	The Group has succession plans in place across all its departments and teams. There is further work being done to integrate career planning into Liontrust's Talent Management Framework
Roll out a Leadership Charter to provide purpose, inspire and provide common language around leading and managing at Liontrust	 Successful	The Group's Leadership Charter was published across the business in October 2023 and linked to the annual appraisal.
Expand and further develop the Group's diversity, equity and inclusion (DEI) initiatives <ul style="list-style-type: none"> <li>• Ensure the Group has measurements in place covering its business</li> <li>• Target the Group's largest DEI related exposures first</li> <li>• Link this to Group strategy and to the attraction and retention of talent</li> </ul>	 Ongoing	Liontrust's DEI committee, with support from the Responsible Capitalism team, developed a DEI strategy and formulated action points for the Group to help it expand its overall diversity. One action point is for the Group to determine its largest exposures with regard to diversity.  DEI components are also included in the annual targets for Liontrust's Board of Directors.



In 2024, the DEI Committee aims to address other DEI-related areas such as disability, neurodiversity, and social mobility



## ENGAGEMENT SURVEY

For the fourth year, Liontrust undertook an annual staff engagement survey. During 2023, the Group changed its survey provider to Culture Amp, a platform that provides a suite of science-backed employee engagement tools. Liontrust sees measuring staff engagement as important in helping improve key business outcomes; collecting feedback at scale; taking informed action on improving company culture or experiences at work; and understanding areas of improvement.

With the new provider, the Group has more nuanced feedback than previously and has access to a range of UK benchmarks. The December 2023 survey had a 82% participation rate, meaning the majority of staff chose to respond. Liontrust's engagement score against five core engagement questions is 71%, which aligns with other UK financial services measured in 2023, whose engagement score is also 71%.

Liontrust's approach to flexible working, connection with management, and teamwork are areas of strength, with positive feedback of 85%+. Group employees have also highlighted areas where Liontrust needs to focus. These areas centre mainly around leadership, feedback and recognition where the positive scores is 64%+.

## DEI (DIVERSITY, EQUITY, INCLUSION)

Liontrust is committed to building a workplace that fosters diversity, equity and inclusion for its employees. Achieving diversity and inclusion is an ongoing objective for the Group (see #7 of Liontrust's people objectives above) and one that the financial services industry is working to achieve, especially in terms of recruiting women and individuals from under-represented ethnic and/or educational backgrounds. While it takes time for DEI-related efforts

to have an impact, Liontrust is working towards greater inclusivity and diversity in its workforce.

During 2023, the Group undertook the following events/efforts as part of raising awareness for DEI:

- Training and webinars provided by Mental Health at Work: a series of Mindful Mondays meditation sessions
- Inclusion as a Strategic Driver training
- Pride Month
- World Menopause Day – Menopause Awareness Webinars
- Black History Month
- International Women's Day

In 2024, the DEI Committee aims to address other DEI-related areas such as disability, neurodiversity, and social mobility, in addition to some of the areas mentioned above that the Group is raising awareness of and providing training and support for.

## DEI - a component in remuneration

Importantly, Liontrust's Executive remuneration is linked to DEI. Overall, Liontrust's Executive remuneration scorecard has a 30% allocation to ESG components for 2022/23. Within this 30%, 10% focuses on working to increase Liontrust's DEI.

## Diversity stats

Liontrust aims to have a diverse workforce and is in the process of working towards this goal. At 31 December 2023, the Group had a total headcount of 223 (which includes employees, partners and fixed term contractors). Currently, the Group's diversity statistics for gender and ethnicity are:

Gender: gender split (by):

Gender	Board		Senior Managers		All career levels (total)		Partners	Employees
	2022	2023	2022	2023	2022	2023	2023	2023
Female	37.5% (3)	43% (3) Δ	15% (2)	25% (4)	37% (88)	41% (91) Δ	13% (4) Δ	45% (87) Δ
Male	62.5% (5)	57% (4) Δ	85% (11)	75% (12)	63% (151)	59% (132) Δ	87% (26) Δ	55% (106) Δ

Source: internal as at 31/12/23

## Gender diversity across Liontrust committees

Committee	Total number of members	# of women 2022	# of women 2023
LFP Management Committee	8	1	1
LIP Management Committee	5	0	0
Responsible Capitalism Committee	6	3	3
Performance and Risk Committee	5	0	0

(Liontrust's Regulatory Change Forum, which was included in this chart in 2022, was disbanded in 2023.)

Source: internal as at 31/12/23

## Ethnic diversity across the Group

Ethnicity	% of workforce 31 December 2022	% of workforce 31 December 2023
Asian or Asian British	12%	13%
Black, Black British, Caribbean or African	4%	3%
Mixed or multiple ethnic groups	3%	4%
Other ethnic group	3%	3%
Prefer not to say/Unknown	8%	5%
White	70%	72%

Source: Liontrust internal, 31/10/23

Board ethnicity: one of Liontrust's Board members is from an ethnically diverse background.

## OPPORTUNITIES FOR CAREER DEVELOPMENT ADVANCEMENT

The following is a list of ways that Liontrust helped its employees develop their careers in 2023 (compared with 2022):

Opportunity	Details for 2022	Details for 2023	Benefit
<b>EMPLOYEE TRAINING / DEVELOPMENT</b>			
<b>Financial support for career-related exams</b>	Liontrust financially supported employees taking exams for: <ul style="list-style-type: none"> <li>• Investment Management Certificate (IMC)</li> <li>• Chartered Financial Analyst (CFA) (all levels)</li> <li>• CFA ESG certificate</li> </ul>	In 2023 Liontrust continued to financially support employees taking exams for: <ul style="list-style-type: none"> <li>• Investment Management Certificate (IMC)</li> <li>• Chartered Financial Analyst (CFA) (all levels)</li> <li>• CFA ESG certificate</li> </ul>	Helps advance employees' knowledge of industry and job-related functions which enables employees to service clients better.
<b>Attending conferences/events for professional development</b>	Attended PRI's annual conference in Nov 22.  Attended IIGCC's annual conference in Nov 22.	Attended the IIGCC annual conference (London)  Attended the World Knowledge Forum in South Korea. This event was presented in partnership with Kellogg College, Oxford.	Helps employees expand industry and role-specific knowledge, develop a network and enable them to enhance their performance and develop their careers. Therefore, this helps employees service clients better.
<b>Networking events/Lunch and Learns</b>	Employees attended BNY's Future ESG Leaders' event in November 2022.  Lunch and learn sessions were hosted by various teams across Liontrust during the year.	Liontrust continued to host Lunch and Learn sessions in which various departments across the business provided updates/training.	Attending industry events enables employees to enhance their knowledge, build their network of contacts and understand the industry landscape.  Lunch and Learns help employees understand Liontrust's business and functions better and build relationships with other colleagues.
<b>Coaching/mentoring for employees</b>	Eighteen senior leaders and key employees across the business participated in the Senior Leadership programme.  Where staff transitioned into new roles or needed managerial skills, Liontrust arranged coaching.	The Senior Leadership programme was rolled out further in 2023 with a second and third cohort of employees participating in leadership training.  Of those employees participating in the Group's Leadership programme, the following took up one on one coaching: <ul style="list-style-type: none"> <li>• 11 employees (55% of cohort 1)</li> <li>• 32 employees (80% of cohort 2 and 3)</li> </ul>	Supports / advances individual employee's career development.
<b>Career self-development events</b>	N/A	In November 2023, Liontrust offered a month of career (self) development planning, seminars on "sparking your career journey", and on "being your own coach".	There was considerable take up of these self-development events which enabled employees to be responsible for their career development and direction.
<b>Library of bite size courses</b>	These courses are available online to employees and cover a range of different topics including creative, technical and professional skills, as well as wellbeing and remote working.	Courses continued to be available to employees online and covered a range of topics/areas.	Allows employees to dip in and out of training modules as it suits them.



Opportunity	Details for 2022	Details for 2023	Benefit
<b>RECRUITMENT</b>			
<b>Early stage recruitment from groups focusing on diversity</b>	The Sustainable Investment team hired four graduates from the Investment 20/20 recruitment programme and Marketing recruited one for Digital.	In 2023, Liontrust continued to draw from Investment 20/20 for interns.	Enables the business to tap diverse, early stage talent.
<b>FLEXIBLE WORKING</b>			
<b>Flexible working: (3 days in the office; 2 days working from home)</b>	Liontrust employees took advantage of flexible working. Days varied by team, role and work schedule.	In 2023, Liontrust employees continued to have flexible working on a 3/2 basis. Working from home days may vary by team and role.	Helps employees manage their working week and potentially have a better work/life balance.

### MENTAL HEALTH AWARENESS

In 2023, Liontrust took strides to build mental health awareness. The Group partnered with Mental Health at Work throughout the year and in January 2023, Liontrust introduced Mindful Mondays which offered employees the opportunity to dial into sessions in which they could meditate and/or focus on non-work related activities. In February 2023, Liontrust's Product Manager, an Ambassador for the Diversity Project, assisted the Diversity Project's Mental Health workstream to develop a report on how companies are driving change with respect to mental health in the industry and helped create a Mental Health Support Provider directory. Liontrust employees were invited to participate in the survey that helped form the toolkit. Liontrust also trained and put in place Mental Health First Aiders to help staff during the year across all parts of the business.

### EMPLOYEE BENEFITS

Liontrust offers its employees a competitive package of benefits. These include:

- Wellness benefit
- Private Health Care
- Healthcare cash plan
- Bike scheme – 3% take up by employees
- Save as you earn ("SAYE") – 27% take up by employees
- Share incentive plan ("SIP") – approximately 76% take up by employees
- Non-contributory pension
- Charitable contribution matching – 2% of employees take this up
- Maternity/Paternity leave
- Employee training/coaching – see chart above on coaching
- Career/professional development (including sponsorship for work-related exams/courses)

### WORKFORCE ADVISORY FORUM

Liontrust's Workforce Advisory Forum consisted of elected representatives from across the business, including a non-executive director. The purpose of this Forum is to advise the Management Committees, the Nomination Committee, and the Board on issues relating to the Group's workforce. This Committee supports the Group in identifying issues relating to the wellbeing and the engagement of employees and helps implement appropriate strategies for the development of a diverse workforce. The Forum has been influential in shaping the approach to flexible working across the business. The Forum has also advised on office facilities, staff wellbeing, and the Group's engagement survey.

### SOCIAL COMMITTEE

Liontrust's Social Committee organises social events for the Group. This fosters a sense of community and belonging across the Group. In 2023, the Marketing Department organised a summer social at ZSL London Zoo, which provided an opportunity for more than 100 attendees from across the Group to meet at a venue which promotes wildlife and biodiversity. Liontrust continues to sponsor ZSL which is a global conservation charity and which undertakes efforts to protect the Asiatic lion from extinction. The Social Committee also organised the Group's Christmas Party in December and various sporting events throughout 2023.

### ONGOING EMPLOYEE COMMUNICATION

Liontrust hosts community groups through the internal communications system, Microsoft Viva Engage. The platform allows for two-way communication on business updates, events and news topics. This gives the opportunity to release information quickly, company-wide, and to special interest groups.







## LIONTRUST'S SUPPORT FOR COMMUNITIES

Liontrust continues to work with a number of charities and local communities to help society and nature in the following ways:

Objective	Group supported
Raise financial awareness financial literacy	<p>Liontrust has partnered with:</p> <p><b>Newcastle United Foundation (NUF)</b> – to help break down barriers that primary school children face in understanding and learning about numeracy and finance. This aims to improve primary school children's understanding of money and give them the confidence to thrive in school maths lessons. Correct answers to math questions have increased from 32% to 73% among Year 4 children and from 55% to 76% among Years 5 and 6 children following the programme.</p> <p><b>10ticks</b> – to deliver worksheets and new digital maths education to primary and secondary schools across the UK. 10ticks works with over 8,000 teachers across the UK, to make over 10,000 worksheets (covering a variety of pedagogical styles such as problem solving, puzzles, games, investigations, consolidation, Action Maths and Mastery) available to their pupils. Over 20% of secondary schools are signed up to 10ticks.com, 10ticks.co.uk or both out of the targeted 4,171 schools. 2,103 primary schools have signed up to 10ticks.com, 10ticks.co.uk or both via Liontrust. There are approximately 4.5 million children in this sector so the programme is reaching potentially 450,000 children.</p>
Promote biodiversity advocacy / wildlife conservation	<p><b>Zoological Society of London (ZSL)</b> – Liontrust continues to sponsor the global conservation charity, ZSL, and its efforts to protect the Asiatic lion from extinction. The partnership has expanded to support the wider conservation of animals and nature. In India and Nepal, ZSL is working with both governments to conserve the Terai Arc, a transboundary landscape of temperate forest and rich grassland that supports many species including Asian elephants, greater one-horned rhinos, gharial, Bengal tigers and pangolins. ZSL works closely with local communities on the edges of protected areas to develop sustainable, nature-based livelihoods and improve coexistence with wildlife. Notable achievements are:</p> <ul style="list-style-type: none"> <li>• 173 threatened species and subspecies are safeguarded in ZSL's Zoos, including Asiatic lions</li> <li>• Five new species of frog found in Vietnam</li> <li>• 1,764 Partula snails, bred at conservation Zoos, reintroduced to French Polynesia</li> <li>• 137 in-country conservationists supported through EDGE Fellowship programme and alumni network</li> <li>• 73 scientists working to understand and conserve the Indian Ocean in a project led by ZSL</li> <li>• 7,474 people received training from ZSL in key areas, including human-wildlife conflict mitigation techniques and alternative livelihoods</li> <li>• 300 rangers, police officers and customs officials trained in illegal wildlife trade mitigation methods</li> <li>• 128 community banks supported in six counties, helping almost 4,594 members</li> </ul> <p>In 2023, Liontrust investigated the use of ZSL's information on companies and their involvement with three commodities (natural rubber, palm oil, and timber) as part of its assessments into biodiversity-related metrics. This assessment is continuing. Liontrust also engaged with ZSL on ways in which the Group could assist with more biodiversity/conservation activities and projects run by the charity.</p>
Provide opportunities for young people	<p><b>Blackpool FC Girls' Emerging Talent Centre</b> – Liontrust is a principal partner and the front-of-shirt sponsor for Blackpool Football Club Community Trust Girls' Emerging Talent Centre (ETC). The Centre is designed to be a central hub, working with grassroots clubs, schools and local coaches to identify talented female players, and is part of the FA Pathway towards the Lionesses.</p> <p>Thanks to the Liontrust partnership, the Blackpool ETC is one of only 15 of the 72 that is free of charge to players. This is essential in an area such as Blackpool where deprivation and low income is above the national average, and it allows the programme to become a more universal offer. Around 60 local women, from the Under 18s, Development Squad and First Team, have been given the opportunity to play grassroots football for free.</p> <p>Since the Blackpool ETC was launched, three girls have been nominated for the England Talent Pathway and two more have been invited to play at Manchester City and Manchester United's Pro Game Academy squads.</p>



## LIONTRUST'S CHARITABLE FOUNDATION

The Liontrust Foundation was registered with Companies House and the Charity Commission in 2023. Liontrust has committed to funding the Foundation and there will be a fundraising plan to increase the capital available to invest.

The purpose of the Liontrust Foundation is to use the power of entrepreneurship and innovation to drive social mobility and the recovery of nature, with a key focus on promoting diversity, equity and inclusion in both areas.

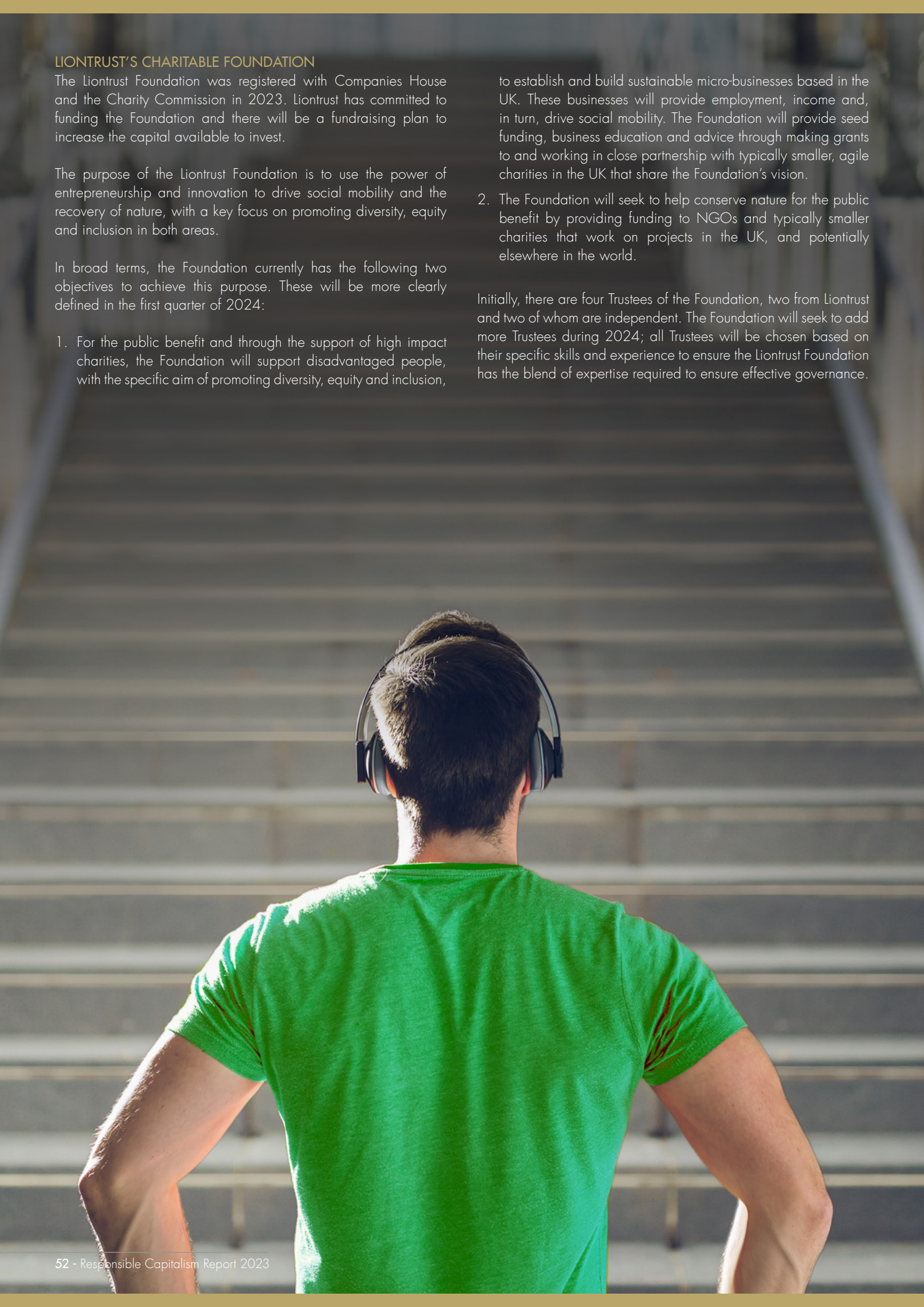
In broad terms, the Foundation currently has the following two objectives to achieve this purpose. These will be more clearly defined in the first quarter of 2024:

1. For the public benefit and through the support of high impact charities, the Foundation will support disadvantaged people, with the specific aim of promoting diversity, equity and inclusion,

to establish and build sustainable micro-businesses based in the UK. These businesses will provide employment, income and, in turn, drive social mobility. The Foundation will provide seed funding, business education and advice through making grants to and working in close partnership with typically smaller, agile charities in the UK that share the Foundation's vision.

2. The Foundation will seek to help conserve nature for the public benefit by providing funding to NGOs and typically smaller charities that work on projects in the UK, and potentially elsewhere in the world.

Initially, there are four Trustees of the Foundation, two from Liontrust and two of whom are independent. The Foundation will seek to add more Trustees during 2024; all Trustees will be chosen based on their specific skills and experience to ensure the Liontrust Foundation has the blend of expertise required to ensure effective governance.





# INVESTMENTS, ENGAGEMENT AND PROXY VOTING

## INVESTMENT PHILOSOPHY

At Liontrust, there is no house view or top-down approach to managing funds. Investment teams have the freedom to manage their portfolios according to their own processes and market views. At the end of 2023, Liontrust had seven investment teams, all with their own approach to investing.

Within this context, Liontrust approaches Responsible Capitalism by focusing on what matters most when making investment decisions. For each team, this will be slightly different, but all teams believe in the effectiveness and ability of their investment process to make a financial return for investors. Some teams aim to understand the risks and opportunities that their holdings face – including those that are ESG related – and engage on these matters. Teams vote their proxies, as appropriate.

Below are Liontrust's beliefs with regard to how its investment teams approach investing. The subsequent pages outline each team's investment philosophies, investment process and ESG components.

## INVESTMENT PROCESSES ARE CENTRAL TO LIONTRUST

As an asset manager, Liontrust acts as a guardian of investors' assets, helping investors achieve their financial goals. Managing these assets are Liontrust's investment teams. Each investment team has a robust, repeatable investment process, distinct from the other Liontrust teams' approaches, and each aims to meet the objectives of the funds it manages.

Liontrust believes that:

- Investment processes are key to long-term performance and effective risk control.
- Staying true to the teams' documented investment processes helps to create an in-built risk control for our fund managers, especially in more challenging environments, by preventing them from investing in companies and funds for the wrong reasons.
- Documenting an investment process means investors in our funds and portfolios know exactly how each team manages their money.

## INVESTMENT PROCESSES GUIDE STEWARDSHIP

Liontrust's investment processes guide the teams' stewardship and decision making. Where possible, the investment teams vote their proxies (see the proxy voting section in this report for more information). Many teams also engage their holdings on material issues (see each investment team's section for engagement examples). Proxy voting decisions and engagements are led by the team's investment process. In 2023, Liontrust's funds followed their investment processes and the Group reported on their stewardship activities. The differences between approaches to the integration of ESG-related areas, stewardship, engagement, and voting stems from the different investment processes of each investment team and to a smaller degree by asset class (rather than by geography).

## ENGAGEMENT

### Definition of engagement

Regarding its investments, Liontrust sees engagement as an in-person or virtual meeting, or any written correspondence with a potential or current holding for the purposes outlined below. The meeting usually consists of representative(s) from Liontrust investment team(s)

and/or representatives from Liontrust's Responsible Capitalism team undertaking the engagement on behalf of investment team(s). Dialogue is usually undertaken with a company's executives, senior managers, and/or board members. Specialists from a company may also be involved in the engagement, including but not limited to sustainability, operational, and/or departmental experts. Engagement may focus on specific issues in a single engagement session or be topics that are discussed over longer periods of time.

### Scope of engagement

During 2023, Liontrust undertook a wide range of engagements. These included, but were not limited to:

- Liontrust's investment teams (or the Responsible Capitalism team on their behalf) engaged with holdings and/or potential holdings and in some instances with government on industry bodies regarding legislation and/or consultations
- The Responsible Capitalism team engaged industry bodies and government on a range of topics
- Liontrust's Group Secretariat, Finance team and Operations team fed back to industry bodies on a number of consultations

### Purpose of engagement

Many of Liontrust's investment teams undertake engagement with companies (or with fund managers in the case of the Multi-Asset team) in part to:

- To understand the financial, operational, and or governance related situation(s) of the investment(s)
- To follow up, express concern, and/or provide feedback to holdings on specific issues and/or on their management of specific issues/areas
- To encourage holdings to take specific (or general) steps to manage issues, events, and/or exposures better
- Ultimately, to maintain and/or improve the (longer-term) value of the holding

### Engagement priorities

Each of Liontrust's investment teams follows its own investment process and sets its own engagement priorities. An explanation and examples, where available, of how each team prioritises engagement prior to holding, monitoring throughout the holding, and exiting are set out in the teams' sections of this report. Generally, engagements are prioritised by each team based on the investment teams' individual process and how each team defines the materiality of any particular issue.

## ENGAGEMENT ON CARBON/NET ZERO

### Engaging holdings on net zero

In 2023, Liontrust started engaging its holdings specifically on net zero and/or on climate related exposures. Liontrust's Responsible Capitalism team, on behalf of the investment teams, undertook approximately 17 engagements with holdings, contacting them by email to ask about details concerning the holdings' interim targets for net zero, any links to remuneration with carbon reductions, and how the group sees its net zero commitment going forward. This initial round of engagement was undertaken with holdings that were deemed to be amongst the highest emitters across the fund

management teams' holdings. This engagement will be more focused in 2024 and have the added aim of encouraging holdings to set science based targets to be aligned better to the Paris Agreement.

### AuM committed to net zero

An initial 42% of Liontrust's AuM was committed as part of the Group's joining NZAM in May 2023. This figure rose to 45% as at 31 December 2023. This AuM came from the investment teams who wanted to support the commitment and who felt that it sits comfortably with their individual investment processes.

The Group aims for more of its AuM gradually to join the commitment – an aim which should be possible as more carbon data from companies becomes available and as reporting methodologies for different asset classes become more standardised.

### Liontrust's investment teams that have committed AuM to net zero

Each investment team at Liontrust follows its own investment processes when managing client assets. Liontrust does not have a CIO nor a top down thematic requirement for its investments. Each team's investment process helps determine the holdings and the weightings in the team's funds, the engagements undertaken by the team, as well as how each team addresses topics such as controversial weapons and the reduction of carbon emissions.

The table below provides a summary of Liontrust's investment teams and their position (for pooled funds) on net zero. (This stance does not necessarily include certain asset classes, such as alternatives, for which net zero commitment approaches are still being worked out by the market. It also does not necessarily include segregated mandates or emulated funds. For segregated mandates, the decision to aim for net zero lies with the asset owner.)

Investment team	Pooled funds are net zero committed	Rationale for not (yet) committing to net zero (where appropriate)	Undertook engagement during 2023 on climate related topics
Sustainable Investment	X	N/A	X
Economic Advantage	N/A	The Economic Advantage team has not committed its funds to Liontrust's net zero goal. This is due in large part to the lack of reliable data on carbon emissions for its holdings. The team does, however, consider any material risks regarding carbon/ climate change when making investment decisions and does engage its holdings on this topic, where the team deems this to be relevant to investment process.	X
Multi-Asset	N/A	The Multi-Asset team does not have data on carbon emissions on the team's fund of fund holdings. It aims to commit to net zero when this information becomes available for the majority of its underlying holdings.	N/A
Global Fundamental (GFT)	X (except for income funds managed by the team)	In the first half of 2023, the GFT managed Tortoise, a long/short fund that is no longer managed by the team, which was not included in the team's commitment due a lack of clarity on how to address short positions with regard to carbon. The team's income funds are also not included in this commitment.	X
Cashflow Solution	N/A	The Cashflow Solution team has not committed its funds to Liontrust's net zero goal due to what the team sees as a lack of accurate data and a number of moving targets within the commitment.	X
Global Innovation	X	N/A	X
Global Fixed Income	X (except for sovereign debt holdings)	The team aims to add sovereign debt to its net zero commitment when more information is provided by the market on how to do so.	X

### Engagement statistics for 2023

As active fund managers, many of Liontrust's investment teams meet and engage with current and prospective investee companies each year.

In 2023, Liontrust's investment teams (or the Group's Responsible Capitalism team on their behalf) undertook a total of 851 engagements with companies spanning a range of issues, including those that are ESG-related. These engagements consisted of what were often multiple engagements with the same company over the course of the year. Liontrust investment teams engaged 477 different companies during 2023.

### Who attended

On behalf of Liontrust, representatives of the Group's investment teams and/or members of Liontrust's Responsible Capitalism team (on behalf of the investment teams) attended the engagements with companies.

Those attending on behalf of current or potential investments included: board members, senior management, investor relations and/or experts within organisations. Often, the topic being discussed would have some impact on which individuals attended the engagements.

### What was discussed/topic statistics

The investment teams' engagements with current or potential holdings in 2023 covered a range of topics, including financial performance, balance sheet strength, group strategy, remuneration, board structure, climate change, energy transition, supply chain oversight, human rights, and other financial and/or ESG-related issues. For the calendar year 2024, Liontrust intends to publish in detail by topic the engagements undertaken by its investment teams.

### Escalating issues with companies

The escalation of issues with companies is determined by and is in keeping with each investment team's investment process. In the instance where an investment team (or the Responsible Capitalism team on their behalf) escalates engagement with a holding, this may be because:

- the holding, for any number of reasons, did not provide satisfactory information during previous engagement(s) on the particular issue or topic
- the exposure of a holding to a particular issue for which engagement has been undertaken has increased, posing potentially greater concern to the investability and/or profitability of the holding
- the team considers shareholder value to be threatened or at risk for a particular reason or due to a particular issue

### What escalation might look like

For those teams whose investment processes incorporate an escalation approach for engagement, the following may illustrate the approach (although each investment team may have its own escalation process):

**Normal level:** discussion with senior management and/or executives of fund holdings on matters of importance to the investment team, as determined by the team's investment process

**Escalation (step 2):** focused dialogue on a particular issue with executives (which may include the Chair of the Board and/or the SID, where appropriate) of a holding; the investment team may state its preference or feedback on the management of a particular issue

**Escalation (step 3):** In cases when a desirable outcome is not achieved through escalation, then Liontrust's investment teams may choose a stronger stance, with continued engagement with the executives of the holding. Some issues may take a number of years to resolve; when an investment team decides to remain invested, it may choose to reduce the weighting in the holding. In any event, the investment team will continue to monitor the issue.

### Collective / collaborative engagements

Liontrust also undertook collective engagement during 2023. Groups with which Liontrust collaborated for engagement purposes included:

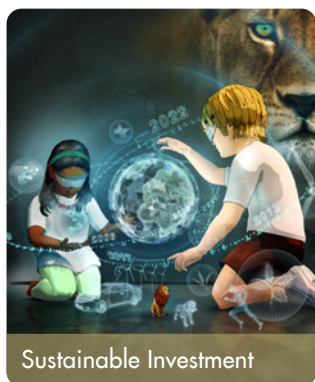
- Workforce Disclosure Initiative
- NZEI (Net Zero Engagement Initiative)
- Nature Action 100

## Investment teams, investment beliefs and their processes

Liontrust investment teams each apply their own distinct investment processes to the management of their funds and portfolios. Each team's investment beliefs and processes service clients in that each team follows its investment process; uses its investment process to determine engagement and engagement topics; and how to vote its proxies. In 2023, clients were served well in this aspect as each client knows what to expect of their funds, given the information

and communication on the teams, their investment processes, their due diligence and their stewardship activities.

The following section looks at the teams, their processes, their engagement examples (as appropriate), and the funds that each team has dedicated to Liontrust's net zero commitment (where appropriate). As at the end of December 2023, Liontrust's seven investment teams were:



Sustainable Investment



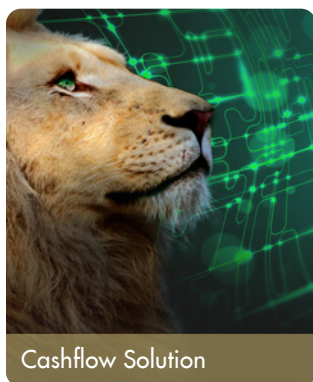
Economic Advantage



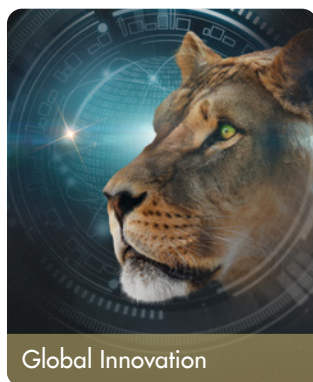
Multi-Asset



Global Fundamental



Cashflow Solution



Global Innovation



Global Fixed Income

## SUSTAINABLE INVESTMENT TEAM (EQUITY AND FIXED INCOME)

### INVESTMENT PHILOSOPHY/BELIEFS

- ✔ Sustainable companies have better growth and are more resilient over the longer term than the market gives them credit for.
- ✔ In supporting sustainable companies (as defined by the team's investment process), the team can accelerate environmental and social improvements.
- ✔ The team aims to invest in strong growth trends defined by its 20 sustainable themes. Each of these themes aims for a cleaner, healthier and safer planet.
- ✔ The team excludes investment in companies with activities that are harmful to the planet and/or people, such as fossil fuels, tobacco, arms and gambling.
- ✔ The team aims to invest in businesses that proactively manage its interactions with society and the environment, including in such areas as customer relationships, employee satisfaction and retention, supply chains, energy efficiency, waste reduction and material recycling.
- ✔ The team selects investments that are aligned with its sustainable investment themes; have strong management of sustainability-related exposures; are able to generate strong returns as they grow; and whose shares offer significant valuation upside on a five-year perspective.

### TEAM FACTS

- ✔ Funds managed by this team equate to approximately 38% of Liontrust's AuMA (as at end December 2023)
- ✔ 18-member team led by Peter Michaelis
- ✔ Team manages a range of equity, fixed income and managed funds using its Sustainable Future investment process
- ✔ Team's investment process has been applied to the management of its funds since 2001

### DIFFERENTIATOR

- ✔ All of the sustainable elements in the team's investment process are fully integrated within the team.
- ✔ Every team member is responsible for all aspects of financial and ESG analysis relating to an investment.

### MORE INFORMATION

- ✔ Available at: <https://www.liontrust.co.uk/fund-managers/sustainable-investment>







## SUSTAINABLE INVESTMENT TEAM'S ADVISORY COMMITTEE

The Sustainable Investment team has an external Advisory Committee which provides advice specifically to the Sustainable Investment team about its funds and holdings. This advice does not overlap with Liontrust's business, overall Group strategy, or with the views of Liontrust's other investment teams.

## COMMITMENT TO NET ZERO

The Sustainable Investment team has committed its funds to net zero in three ways:

1. Committing funds to Liontrust's pledge to NZAM to achieve net zero by 2050
2. Launching its 1.5 Degree Transition Challenge in 2020 and engaging with investee companies and bond issuers to encourage them to increase their ambition to decarbonise. The

team wants its investments to transition in a timely, just and profitable way by using renewables and clean technology.

3. Joining the Montreal Carbon Pledge - the Sustainable Investment team's funds became a signatory to this in 2021 and the team continues to report along this commitment.

The team's funds that are committed to net zero are listed in the table below. Note that the fund WACI numbers for end 2023 are computed with the actual AuM of the fund in USD as at the end of December 2023. This methodology differs from the fund WACI numbers to the end of 2022 when the total AuM of each fund was assumed to be \$1 billion. The change to actual AuM figures comes as Liontrust now has the ability to include this in the computation. Going forward, Liontrust plans to continue using actual AuM when computing WACI numbers so that more accurate, year-on-year WACI comparisons can be made.

Funds	Benchmark used for MSCI ESG analysis	Benchmark WACI end 2019	Fund WACI end 2022	Fund WACI end 2023	End 2023 fund WACI lower than 2019 benchmark WACI by
<b>EQUITY FUNDS</b>					
Liontrust Sustainable Future Managed	Customised	138.2	42.9	32.9	76%
Liontrust Sustainable Future Global Growth	MSCI World	168.2	27.3	24.8	85%
Liontrust Sustainable Future Managed Growth	MSCI World	168.2	26.4	24.8	85%
Liontrust Sustainable Future UK Growth	MSCI UK	111.1	41.4	28.4	74%
Liontrust Sustainable Future European Growth	MSCI Europe ex UK	161.7	54.9	36.4	77%
Liontrust GF Sustainable Future Global Growth	MSCI World	168.2	26.4	24.8	85%
Liontrust GF Sustainable Future Pan-European Growth	MSCI Europe	148.5	49.1	28.6	81%
Liontrust UK Ethical	MSCI UK	111.1	58.6	40.4	64%
GF Sustainable Future US Growth Fund	MSCI US	167.7	(Launched in 2023)	32.3	81%
<b>BOND FUNDS</b>					
Liontrust Monthly Income Bond	iBoxx Sterling Corporates 5-15	128.8	80.4	65.4	49%
<b>BOND AND MANAGED FUNDS WITH SOVEREIGN DEBT</b>					
Liontrust GF Sustainable Future European Corporate Bond	iBoxx Euro All Maturities	146.0	112.8	83.4	43%
Liontrust Sustainable Future Corporate Bond	iBoxx Sterling All Maturities	150.5	86.4	70.1	53%
Liontrust GF Sustainable Future Multi Asset Global	MSCI World	103.2	51.8	41.3	60%
Liontrust Sustainable Future Defensive Managed	Customised	107.5	49.6	40.0	63%
Liontrust Sustainable Future Cautious Managed	Customised	117.0	47.2	36.7	69%





## Preventing irreversible damage from the climate crisis

### 1.5-degree Transition Challenge

The team continued to encourage companies to adopt strategies to reduce absolute carbon emissions at a rate consistent with limiting global warming to 1.5 degrees. The team raised the issue with 51 companies and made 12 specific requests for change.

Examples of engagement on this topic include:

Company	Sector/Theme	Date(s)	Discussion topic	Discussion points
Ashtead Group PLC	International equipment rental	8 Feb 2023	1.5 degree Transition Challenge	The team reiterated its previous request for Ashtead to set targets and reduce absolute emissions in line with limiting global warming to 1.5 degrees and for a clear strategy to do this with near-term targets.
	Theme: Delivering a circular materials economy	8 Mar 2023	Positive impact of products and services	<p>The team reiterated its previous request for Ashtead to set targets and reduce absolute emissions in line with limiting global warming to 1.5 degrees and for a clear strategy to do this with near-term targets.</p> <p>Ashtead faces a significant challenge when it comes to electrification of its fleet because of a lack of planned charging infrastructure and upgrades to substations in the US. On near-term science-based targets, the company does not believe that the necessary electric charging infrastructure capacity will be in place, so has been unable to commit to these targets. The company will use a qualitative statement rather than targets for Scope 3 emissions and focus on customer demand, given too much is currently outside its control. The company noted that its sustainability representative is the Chair of the European Rental Association and is currently focused on furthering industry-wide Scope 3 guidance and assumptions.</p> <p>The company's trials with hydrotreated vegetable oil as a sustainable fuel for HGVs is going well but supply and sustainability are not guaranteed. It is partnering with its equipment suppliers to develop electric and more efficient and lower-impact machines.</p> <p>Although a high emitter, the growth of Ashtead's business means a move towards rented equipment and away from owned equipment, which results in significant emissions savings as well as safety improvements. Ashtead states that one JCB mini excavator rented out replaces the need for 10 owned ones, saving the equivalent of 32.5tCO<sub>2</sub>e (equivalent to the annual emissions of seven cars).</p> <p>The team requested data to demonstrate better the positive impacts of more of its rental products and services versus owned equipment. The team is reassured that Ashtead is working on the analysis and the methodology needed to demonstrate credibly the merits of its offering to its customers. Ashtead has committed to updating the team on this work in 2024.</p>
Trustpilot Group PLC	Digital platform for consumer reviews	21 Sep 2023	1.5 degree Transition Challenge	The team requested that Trustpilot reduce absolute emissions in line with the team's 1.5-degree transition challenge and discussed the progression of targets.
	Theme: Connecting people	28 Nov 2023		<p>In a focused follow-up meeting, the team was informed that the group has appointed a consultant to help better define emissions and the group described its carbon emissions profile in detail along with its system to track emissions data. The team learned that emissions predominantly come from business travel and procurement; nearly half of its emissions are generated from procurement where only 9% of its suppliers have Science-based targets. As such, the group will aim to use suppliers that are signed up to the Science Based Targets Initiative (SBTi). When it comes to other emissions, Trustpilot uses AWS servers, which accounts for about 6% of emissions (AWS has a 100% renewable target by 2025).</p> <p>Corporate TCFD reporting and Climate Transition Plans were also discussed as well as the responsibilities for implementing the group's strategy on this topic.</p> <p>Trustpilot has made significant progress since the team first began to engage on this issue and the team welcomes the company's validation of SBTi, likely due in the first half of 2024 (with credible IFRS disclosures by March 2025) and is reassured that the group has a sufficient plan underway to meet the 1.5-degree transition challenge.</p>



Company	Sector/Theme	Date(s)	Discussion topic	Discussion points
Trex Company, Inc	Composite decking from recycled materials  Theme:  Delivering a circular materials economy	9 Feb 2023	1.5 degree Transition Challenge	<p>The team raised concerns that Trex has yet to introduce emissions reduction targets and strongly urged the company to set and disclose absolute emissions reduction targets as well as asking about internal targets. The team discussed the barriers the company faced in setting and achieving targets and the group's responsibilities for setting climate strategy and emissions reductions.</p> <p>Trex explained that it is in the early stages of reporting and feels the pressure to set absolute reduction targets but won't do this until it's been through the correct process. The group will most likely share targets in 2025.</p> <p>The team requested that Trex report on the split of emissions between transportation and manufacturing, which the group will consider doing. On Scope 3 emissions, the team requested that the group report on this in 2024. Trex said it appreciates the team's challenge on this topic, noting that it helps push this forward internally.</p>

### Banking sector – financing oil and gas exploration

Over 2023, the team engaged on climate and conducted a sector-wide engagement initiative across its bank holdings. The focus of the initial round of discussions was on companies' existing policies and exposures around financing the oil and gas sector and, specifically, new oil and gas exploration activities.

These discussions have enabled the team to understand better current company policies, to ascertain how well aligned these policies are with the team's objectives and helped to establish which holdings will likely be most progressive in managing this exposure in the coming years. The information the team received from this initiative will be used to refine investment eligibility criteria where necessary and to enable the team to make specific requests for change to further best practice.

Thirteen companies were included in this initiative: Banco Santander, S.A; Barclays PLC; BNP Paribas S.A.; BPCE SA; Cooperatieve Rabobank U.A.; Credit Agricole SA; HSBC Holdings Plc; ING Groep

NV; Investec Plc; Lloyds Banking Group plc; NatWest Group Plc; Société Générale S.A.; and Standard Chartered Plc.

### Preserving and restoring nature

#### Natural capital impacts and dependencies

The team engaged with investee companies to encourage better information and reporting of natural capital impacts from their activities, products and services, and from policies and programmes that preserve and restore nature and promote biodiversity. This allowed the team to understand better companies' dependencies on natural capital and how this might impact financial returns.

The engagement has been helpful in ascertaining how prepared investee companies are for reporting through new disclosure recommendations such as the Taskforce for Nature-related Financial Disclosures (TNFD).

The team is participating in engagement with other investors through the Nature Action 100 collaborative initiative. Examples of engagement on this topic include:

Company	Sector/Theme	Date(s)	Discussion topic	Discussion points
Smurfit Kappa Group PLC	Paper-based packaging products  Theme:  Delivering a circular materials economy	10 Dec 2023	Biodiversity; Nature Action 100	<p>The team has been selected to join the investor group for leading engagement with Smurfit on the Nature Action 100 (NA100) collaborative initiative. The team met with Smurfit Kappa to explain its involvement and ascertain the extent to which the company believes it meets the NA100 investor expectations. The team also asked about some of the biodiversity frameworks that the company uses to report on how it manages nature risks. Smurfit has already responded to NA100 and the company has a longstanding position of disclosing on key areas like biodiversity impacts as part of its materiality assessments. Smurfit's impacts have been reviewed and targets have been assigned so the company is likely to have already satisfied some of the NA100 investor expectations. The team expects that, in time, Smurfit will be a leader in terms of TNFD reporting.</p> <p>The team also asked the group about its 'double materiality' framework conducted by a big accountancy firm and was given some examples, which reassured the team that Smurfit Kappa is truly analysing its dependencies on nature. The company has a number of targets already in place and many are tied to incentives; ESG objectives are incorporated into a revolving credit facility and five targets need to be met to get the best margin. Forest targets are also part of executive remuneration. Performance against KPIs is considered by the Board twice yearly. Board members include policy experts and ministers, academics and ambassadors, and ex-management of FMCG companies.</p> <p>The team encouraged the company to look more closely at the SBTN and freshwater targets and will be looking at what specific requests for change it can make alongside other investors through the NA100 initiative which began in January 2024.</p>
Iberdrola SA	Clean energy power generator  Theme:  Increasing electricity from renewable sources	28 Nov 2023	Biodiversity	<p>The team met with Iberdrola to encourage the group to align its reporting with TNFD following the launch in September of the reporting framework's final recommendations and guidance. Iberdrola has an ambitious biodiversity plan which targets having a net-positive impact overall on biodiversity by 2030 and the team was reassured to hear that the company will publish a TNFD-aligned report by the second quarter of 2024, ahead of peers. The company intends its reporting to be applicable to all its operations worldwide but is being realistic around both the level of supplier involvement with the plan and the water reduction targets it can achieve. Iberdrola noted that its long-term goals for the company align with and improve biodiversity measures such as those for water usage as the group moves away from intensive usage of thermal units to more sustainable areas like green hydrogen.</p>

Company	Sector/Theme	Date(s)	Discussion topic	Discussion points
AstraZeneca PLC	Pure-play biopharmaceuticals company  Theme:  Enabling innovation in healthcare	20 Dec 2023	Biodiversity	AstraZeneca publicly commits to biodiversity targets and has a pharmaceutical and water policy. The company operates an 'impact dashboard' across the life cycle of its products and monitors medicines and the impact on the aquatic and external environments. AstraZeneca has a biodiversity action plan on its operational sites; the team asked for an example of what the group has done and were shown some examples on the group's website. AstraZeneca aims to engage with external stakeholders and put in place concrete risks and commitments on agriculture and marine materials. The team requested that the company links executive remuneration with net zero and nature-related goals and were told that this would be appropriate, over time.
Equinix Inc.	Efficient global data centre operator globally  Theme:  Improving the efficiency of energy use	23 Oct 2023  5 Dec 2023	Water consumption	Equinix's CDP Water Security submission has not been made public so the team requested the company share this with investors. The team also raised concerns that the company is behind on reporting water consumption data despite this being a material environmental issue given its use in cooling data centres and requested that the group commits to reporting on its consumption, on water stress, and on release water management targets. The company said it would follow up on these requests.  Equinix explained that water has increasingly moved up on its materiality matrix and that the group is now turning attention to water usage to inform its water management programme. Water stress is a recent part of this, so the company is in the data collection phase across its global portfolio. In addition, the team requested facility level water accounting, which the group stated was not yet published in its CDP water submission.  The team reiterated these requests during another meeting later in the year, also requesting that the company align reporting with TNFD reporting and look at SBTN targets for freshwater consumption.

### UK Water companies

Over 2023, the team met with all six UK water companies for which bonds are held across its range of fixed income and managed funds, building on its engagement with these companies over 2022. The focus in 2023 was on four key areas – companies' environmental performance, the strategy to markedly improve this, managing biodiversity and strengthening the link between environmental performance and remuneration.

To see the improvement that investors and broader society want in UK water management will require substantial investment and the team's holdings in the better managed UK water company bonds will support this much needed investment. The team continues to speak with stakeholders outside the water industry to get a more balanced view on companies' performance and where priorities lie.

Overall, of the UK water companies, Severn Trent stands out as a clear industry leader, with very close and explicit links between environmental performance and remuneration throughout the organisation. This business is proactively managed and has the best environmental performance of the group - which, as an industry, it is widely accepted is in dire need of improvement.

This analysis is being used to inform sustainability assessments likely to influence investment decisions as the team ensures it invests in only the better managed companies. Position sizes and exposure are being adjusted accordingly based on the takeaways from the engagement to ensure the team is best positioned for upcoming catalysts such as Ofwat's draft determination and the Environment Agency investigation. Examples of engagement on this topic include:

Company	Sector/Theme	Date(s)	Discussion topic	Discussion points
Anglian Water Group Ltd.	UK water and wastewater services  Theme:  Improving the management of water	10 Nov 2023	Environmental performance	Anglian Water has strong biodiversity measures in place before the release of the TNFD, taking a nature-first approach to works and projects. The team requested that the company report to this standard, and Anglian signalled it is working towards this, noting the biggest challenge is around the net biodiversity gain.  On the innovation front, the company displayed an interest in the team's suggestion of an investor-led quorum that brings together water companies, regulators and third-party stakeholders to discuss strategies that can help deliver positive outcomes.  The team discussed the importance of the link between environmental performance and remuneration. The team also requested clarification to their remuneration policy to better enforce the link between these two elements.

Company	Sector/Theme	Date(s)	Discussion topic	Discussion points
Severn Trent PLC	UK water and wastewater services  Theme: Improving the management of water	4 Dec 2023  28 Jun 2023  25 May 2023	Environmental performance	<p>The team was encouraged by the performance from Severn Trent who are the leader in this sector, having attained the highest four-star rating from the Environment Agency for its environmental performance, as well as a leading position from the regulator, OFWAT. That said, the team is still looking for meaningful improvements in four key areas.</p> <p>The company is also ahead of the curve in capital expenditure, with innovative net zero sites to be operational ahead of peers and collaborative projects with both domestic and international peers.</p> <p>On managing biodiversity, the team discussed TNFD and asked the company to report to this standard. The company committed to this, expecting to report in line with the recommendations by 2025, but pointed out that reporting is still somewhat in flux.</p> <p>On remuneration and incentives, Severn Trent has stretching targets in place for annual compensation that now makes up 30% of variable pay, which has been and is expected to continue to increase. The team requested further clarification to their remuneration policy to better enforce the link between these two elements, acknowledging that Severn Trent is leading the UK water sector in this regard.</p>
Thames Water Utilities Finance PLC	UK water and wastewater services  Theme: Improving the management of water	7 Dec 2023	Environmental performance	<p>In its meeting with Thames Water, the team concluded that the company appears well-prepared to implement the TNFD recommendations and has a biodiversity net gain policy. Despite challenges related to the highly urbanised location of its assets, it is still conducting many biodiversity improvement projects, including ones at freshwater streams and wetlands.</p> <p>However, the company failed to convince the team on the pace of its environmental improvements; its ambitious plan seems contingent on high allowed returns being set by Ofwat, and subsequent shareholder equity following that.</p> <p>Thames Water is clearly investing significantly to improve the environmental impacts of its water assets and improve biodiversity, but the Thames Tideway Tunnel project (to improve water quality and create significant capacity, due to be operational by 2025) only impacts just over 10% of Combined Sewer Overflows (CSO) in the Thames network. The pathway to improvement for the significant number of CSOs outside of the Thames was less clear.</p> <p>Although the company links environmental performance and remuneration, the team requested that it better align incentives with environmental performance which the company has said it will investigate.</p>

### Ensuring worker wellbeing

The Workforce Disclosure Initiative (WDI) currently has the support of 56 investor signatories, managing a total of over \$10 trillion in assets and aims to improve corporate transparency and accountability on workforce-related issues.

The Sustainable Investment team believes that while there has been recent progress made in workforce-related reporting, there remains a lack of meaningful data around corporate workforce and supply chain practices and therefore supports the WDI in its aim to provide companies and investors with comparable workforce data.

Over 2023, the team requested 98 companies to participate in the WDI survey. Of these 98 companies, 42 (43%) participated in the WDI survey. The team has been cited as a leading contributor to the initiative, coming second out of the 20 active investors in terms of the number of companies it engaged with.

### Other examples

The team also engaged with investee companies on a range of other topics, including ensuring worker wellbeing, improving corporate diversity, sustainability strategy and reporting, remuneration and incentives as well as getting more detail around specific controversies.



Examples of engagement on this topic include:

Company	Sector/Theme	Date(s)	Discussion topic	Discussion points
Smurfit Kappa Group PLC	Paper-based packaging products  Theme: Delivering a circular materials economy	8 Feb 2023  6 Dec 2023	Impact metrics  Indigenous community controversy	<p>The team requested that Smurfit Kappa report on its contribution towards substituting plastic with innovative cardboard packaging and explored metrics and how it could estimate this. The company has agreed to consider reporting on these metrics.</p> <p>The team has long held a positive view of the way that Smurfit operates and the environmental benefits of its product. However, there is a complex situation in Columbia, where the company is in mediation with the Misak community.</p> <p>The team met with the company separately to get an update on the situation, following initial engagement with the company on this issue in 2022. Over 2023, the team met with Kirsty Brimelow KC, who highlighted the key issues companies should consider when operating in Colombia and when trying to resolve a dispute.</p> <p>The team also met with WWF-UK's Senior Programme Lead for Latin America to understand the complexity through an independent lens. The team had a number of correspondences with the company on this issue to ensure the risks of the controversy is being handled thoroughly and had a focused meeting to discuss the issue with the company. The team made a number of requests for information relating to the controversy, which the company actioned. The team continues to monitor this issue carefully.</p>
Daikin Corp.	Energy efficient air conditioners  Theme: Improving the efficiency of energy use	6 Dec 2023	Controversial weapons; PFAS (per-and poly-fluoroalkyl substances)	<p>The team met with Daikin to discuss two key issues. The first of these related to the company's exposure to the production of white phosphorous for the Japanese Ministry of Defence. The team was seeking assurance these were not being used for incendiary purposes, which is banned under the Geneva Convention. Daikin confirmed these were not used for incendiary purposes and are used purely for training purposes. The company confirmed that no harm is caused to anyone from these products, although it was not able to guarantee in the future that these products would never be used in any theatre of war, despite stating it did not ever expect this.</p> <p>The second issue related to PFAS, which are chemicals produced within its chemical division. Daikin confirmed the production of these products complied with all regulatory requirements and acknowledged that the regulatory standards on PFAS are getting stricter. The group is committed to finding alternate products, but stopped short of exiting this business as it feels it has a responsibility to its customer as a supplier.</p> <p>The team's Advisory Committee in December agreed that Daikin did not breach the team's screens, but acknowledged the increased risks to the investment case. The team subsequently exited the position from the Sustainable Future funds.</p>
Evotec SE	Drug discovery solutions  Theme: Enabling innovation in healthcare	2 Feb 2023	Board composition and diversity	<p>The team had a good discussion with Evotec's Chairman on board composition and diversity, sustainability disclosure and responsibilities as well as the link to these, and returns within corporate targets and remuneration.</p> <p>The team requested that the company include return metrics in remuneration targets and increase the focus and disclosure on the positive impact of the company's products and services.</p> <p>The team also requested that it be included in its materiality assessment. The team's views were factored into this analysis in the third quarter through the company's advisor along with views from other investors. Other commitments from the company will be followed up in 2024.</p>

Company	Sector/Theme	Date(s)	Discussion topic	Discussion points
Intuitive Surgical, Inc	Robotic surgery Theme: Enabling innovation in healthcare	3 May 2023	Sustainability strategy and reporting	<p>The team met Intuitive Surgical to discuss how its patient and customer-centric business model has succeeded over time as well as its progress on sustainability and impact reporting.</p> <p>On reporting, the team requested a few additional refinements over time; firstly, a potential aggregate level impact metric for the business and, secondly, more disclosure and metrics to demonstrate how the company ensures high levels of product integrity - for example, patient safety through manufacturing standards, audits, or steps along the way to spot issues. Several ideas were suggested, and the team will follow this up with the company.</p>
Markel Group Inc.	Speciality insurance provider Theme: Insuring a sustainable future	6 Mar 2023 24 Jan 2023	Worker wellbeing	<p>The team requested that Markel report on key metrics which would better allow it to ascertain how well it performs on key areas - employee satisfaction and engagement levels, voluntary employee turnover, diversity statistics as well as any associated targets for improvement.</p> <p>The team also requested the company highlight the percentage of employees that own shares in the company and details schemes that encourage share ownership throughout the organisation.</p> <p>Markel acknowledged that it could do a lot more, and the team followed up by email explicitly reiterating the need for this data.</p>
Nagarro SE	Information Technology Services Theme: Improving resource efficiency	21 Jun 2023	Board gender diversity	<p>On governance, the team explained that it welcomes the steps Nagarro has taken to increase the size of the Board, something the team has previously discussed, along with the appointment of a larger auditor which is also in motion.</p> <p>The team reminded the company that it voted against the election of the two new Board members, primarily due to the lack of gender diversity on the Board, and reiterated its request to improve this.</p> <p>The team also reiterated the importance of establishing independent audit, nomination and remuneration committees, acknowledging that although this can be time consuming, it is all part of being a public company.</p>
Trainline PLC	Online train ticket retailer Theme: Making transportation more efficient and safer	22 Jun 2023	Board gender diversity	<p>The team voted against Trainline's Chair of the remuneration committee due to lack of female representation on its Board.</p> <p>In discussing this issue, the company argued that of its seven Board members, two are women and one has an ethnic minority background. The company listed four years ago and since then it has added three new board members, two of which are women. The company stated that it is happy with the current skillset and does not plan to increase the size of its Board at present. The company explained the difficulty in finding experienced female talent with a technology background that can complement its Board.</p> <p>The team requested the Board improve its gender balance over the next 12 months and believes it is likely that the next appointment to the Board will be a female.</p>
Palo Alto Networks, Inc.	Leader in network and cloud security software Theme: Enhancing Digital Security	10 Jan 2023	Remuneration and incentives	<p>Palo Alto has had a reputation for generous stock-based compensation (SBC) but this is under review. The team met with the company to find out about its new thinking around incentives and communicate its preference in de-emphasising SBC in favour of performance indicators that are more aligned with shareholder outcomes.</p> <p>The company clarified that it will reduce SBC as a percentage of revenues and recognises that it is a complicated issue with cyber talent still scarce. The team pointed out that currently executives are incentivised on billings, revenue growth, operating margin and total shareholder return (TSR) and, of these, only TSR is affected by stock-based compensation. The company responded that it recognises this is not perfect alignment with shareholders, but it will evolve in this direction.</p> <p>The team also requested an ESG modifier to executive awards, such as human capital, diversity and climate change.</p>

## GLOBAL COMPACT-RELATED CONTROVERSIES

Below is a list of some of the corporates held by the team that have been flagged by MSCI as failing or being on the watch list for controversies against the Global Compact:

Company	Description of status	Topic	Issue
Iberdrola	Watch list	Impact on Local Communities	The company has faced criticism over environmental impact to livelihoods relating the Teles Pires Dam and lack of consultation with Indigenous communities.
SP Transmission (owned by Iberdrola)	Watch list	Impact on Local Communities	(same as above)
Unilever	Watch list	Biodiversity and land use	The company has been criticised by NGOs over its alleged contribution to global plastic pollution. The team is meeting with the company to discuss this issue and press for an improved strategy with regard to single use plastics.

### Adherence to Liontrust's Controversial weapons policy

- The Sustainable Investment team adheres to this policy, which excludes investment in companies with involvement in cluster munitions, anti-personnel land mines, biological weapons and/or chemical weapons. The team's funds will also not invest in companies with involvement in nuclear weapons or which supply key components used in the selling of controversial weapons.

The team's funds also exclude companies that have >5% of turnover from the production of full weapons systems or critical components of weapons systems or which have >£100 million revenue from offensive weapons systems.

- Liontrust's controversial weapons policy can be found from the following web page: <https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor>



## Investment process for equities

The investment process is a high-conviction, bottom-up approach whereby sustainability is explicitly integrated throughout. The process is designed to capture long-term investment opportunities from transformative changes in the global economy, tied to the idea that over time economies become more sustainable. The investment process follows two core stages.



### Identifying superior stocks for the equity portfolios

The first stage – stock selection – has four key filters: thematic; analysis; sustainability analysis; business fundamentals; and valuation. For idea generation, any investment needs to satisfy these four key filters to be eligible for investment.

**1. Thematic analysis:** the team works to better understand the big sustainable trends that are happening and analyse these themes to check which companies will be potential winners or losers from major multi-decade changes in different parts of our economy. Why is this relevant to investors? This helps identify potential areas of the economy and the companies that will experience structural growth, and helps inform the investment decisions and give the team conviction in the businesses they own. The team feels most investors under-estimate the speed, scale and persistency of such trends within our economy. The team therefore looks at the world through the prism of three mega trends:

**Better resource efficiency (cleaner):** using our resources more efficiently (water, recycling of waste, lower-carbon energy sources and energy efficiency)

**Improved health (healthier):** improving quality of life through better education, healthier lifestyles and diet or better healthcare

**Greater safety and resilience (safer):** making the systems consumers rely on safer or more resilient, including car safety, keeping our online data safe with cyber security and spreading risk through appropriate insurance mechanisms.

The team then examines 20 themes within these and identifies companies with significant exposure to at least one of these themes.

**2. Sustainability analysis:** While a company might have significant exposure to a theme, the team also has to check how sustainable the rest of its activities are. For each business, the team determines the key ESG factors that are important indicators of future success and assess how well these are managed via the team's proprietary **Sustainability Matrix**.

Every company held in the portfolio is given a **Matrix rating**, which analyses the following aspects:

- **Product sustainability** (rated from A to E): Assesses the extent to which a company's core business helps or harms society and/or the environment. An "A" rating indicates a company whose products or services contribute to sustainable development (via the investment themes); and "E" rating indicates a company whose core business is in conflict with sustainable development (such as tobacco or very polluting activities such as coal-fired electricity generation).



### Constructing resilient portfolios

- **Management quality** (rated from 1 to 5): Assesses whether a company has appropriate structures, policies and practices in place for managing its ESG risks and impacts. Management quality in relation to the risks and opportunities represented by potentially material ESG issues are graded from "1" (excellent) to "5" (very poor). Companies must score C3 or higher to be considered for inclusion in the funds.

### 3. & 4. Business fundamentals and valuation analysis:

Companies in which the team invests have robust business fundamentals with a proven ability to deliver high returns on equity (RoE) through sustaining margins and asset turnover. Typically, these companies have a maintainable competitive advantage through scale, technology or business model. For any stock in the team's portfolios, the team would expect to find the following:

- **Growth:** theme-driven: growing addressable market, market share gainers, structural tailwinds
- **Resilient returns:** high-quality companies – high barriers to entry, aligned management team, sustainable and a competitive advantages that will endure
- **Quality of earnings:** resilient, dependable – recurring revenues, cash flow conviction. The team then predicts the likely sales, earnings and other financial returns it expects to see from these companies over the next three to five years, integrating a view of its quality into these.

The team then predicts the likely sales, earnings and other financial returns it expects to see from these companies over the next three to five years, integrating a view of its quality into these. Applying the relevant valuation multiple allows the team to derive a price target achievable in the next three years. When this shows significant upside (the team typically looks for greater than a 10% return per annum), the investment is recommended as a buy and available to be included in the funds.

### Building resilient portfolios

From the superior stocks identified, the team builds portfolios combining the best 40 to 60 names to diversify risk and reduce volatility of returns. This results in exposure across a wide variety of industry sectors (via a spread of the team's sustainability themes) and benefits from potentially distinct and uncorrelated growth drivers. Outperformance will come from the stocks the team chooses, while disciplined portfolio construction aims to minimise the volatility of returns.

There is low turnover in the portfolios, with holding periods typically greater than five years. Apart from continual monitoring of relevant news, research and price movements, there are also annual reviews of every position's investment thesis.

The team prefers to sell a stock when it reaches a valuation where it cannot see further upside, and where the case for selling and recycling it into an investment with greater return prospects is compelling. The alternative case is when the future does not turn out quite as envisaged and events reveal a side to the company or sector the team did not anticipate. Where this negates the original investment thesis, the team will sell the stock.

The team will not formulate new reasons to hold on to an under-performing investment. Although selling is sometimes necessary, the team looks through short-term fluctuations in markets or share prices and focuses on the long-term investment horizon. The depth and rigour of the research gives the team the confidence to stand firm if the fundamentals are strong, even when the market moves against it.

## Investment process for fixed income

Macroeconomic analysis is used to determine the team's top-down view of the world and this helps shape all aspects of portfolio construction and appetite for risk. After this, the managers aim to focus on high-quality issuers and believe this can reduce bond-specific risk. The team's assessment of quality is a distinctive part of the process, in which it combines traditional credit analysis with a detailed sustainability assessment based on the proprietary model.

### STAGE 1: IDENTIFYING SUPERIOR BONDS

First, the team selects the bonds that it believes will generate superior investment performance. The team focuses on high-quality issues and believes this can enable the team to reduce bond-specific risk.

#### A. Find high quality companies

The in-house research includes the following:

##### ESG analysis

For each company, the team determines the key ESG factors that are important indicators of future success, and assesses how these are managed. The team does this through its proprietary sustainability matrix, which is used by both the bond and the equity teams. Where relevant, the team aims to identify companies whose core products or services are making a positive contribution to society or the environment in some way. The team believes that evidence of excellent company management is instrumental to avoiding issues where tail risk is underpriced. Reducing tail-risk is a key element that drives long-term returns in the team's bond portfolios.

##### Credit analysis

This involves a fundamental review of the company to identify its ability to meet its debt obligations. The team looks at:

- The company's management in terms of its track record, its consistency, level of cross involvement, level of control exercised and make up of non-executives
- Company performance from earnings stability to growth patterns to relative performance and pricing power
- The business strategy such as its investment strategy, funding and foreign currency policy, type of growth (eg. M&A versus organic) and the business risk
- Industry factors including barriers to entry, and industry threats and patterns

##### Macroeconomic analysis

The team formulates strategy by looking at the interest rate positioning, asset allocation and aggregate credit rating exposures based on macro views. This approach ensures that the investment process remains balanced, incorporating top-down views as well as bottom-up analysis. The team also incorporates other macro influences into the analysis, including political factors, economic analysis, regulatory issues and ESG analysis. For government bonds, this involves a review of the sovereign from an ESG perspective to assess its suitability for investment. MSCI Sovereign rating data is used as an input into the process, overlaid with the team's own analysis. The team specifically focus on the following:



- Environment – fossil and nuclear fuel usage, water usage, energy management
- Social – education and technology, provision of basic needs and the economic environment
- Governance – financial capital and management, political governance and democratic rights
- Controversies – general controversies, involvement in armed conflicts and international sanctions. This information is distilled into a sovereign rating (completed annually) and presented to the broader team for discussion and approval.

#### B. Assessing returns versus downside risk

The fund managers assess individual bonds to determine whether they believe the bonds offer attractive, long-term returns. However, given the asymmetric risk associated with corporate bond investing, the probability of default is fully assessed alongside a view of recovery values for each individual investment.

#### C. Valuing the bond

Valuations are assessed on the basis of both absolute and relative returns. Simply put, there is no point in investing in a bond merely because it is cheap relative to other bonds in the sector if the team believes that the total returns are not attractive. As such, they look for opportunities across the capital structure of an issuer and across markets, i.e. the UK, US and Europe. Within this, the team evaluates the value of a bond relative to both other corporate and government bonds. This approach is consistent with the principal aim of delivering attractive long-term returns to investors.

## Sustainability Matrix

Every corporate debt issuer identified for inclusion in the portfolio is given a Sustainability Matrix rating, which analyses the following aspects:

- Product sustainability (rated from A to E): Assesses the extent to which a company's core business helps or harms society and/or the environment. An A rating indicates a company whose products or services contribute to sustainable development (e.g. renewable energy); an E rating indicates a company whose core business is in conflict with sustainable development (e.g. tobacco).
- Management quality (rated from 1 to 5): Assesses whether a company has appropriate structures, policies and practices in place for managing its ESG risks and impacts. Management quality in relation to the risks and opportunities represented by potentially material ESG issues are graded from 1 (excellent) to 5 (very poor). Companies must score C3 or higher to be considered further for inclusion in the funds.

## STAGE 2: CONSTRUCT RESILIENT PORTFOLIOS AND CONTROL RISK

### Portfolio construction

From the available "buy" recommendations identified in Stage 1, the team selects the best combination of 60 to 100 bonds for inclusion in a focused portfolio that is constructed to safeguard against sustained downside risk. Investment managers are expected to deliver positive investment performance relative to a relevant performance measure over the medium term while adhering to defined risk parameters and fund-specific investment restrictions.

Portfolio construction is reviewed continually to ensure that it reflects the high-level strategy of the team and is consistent with the policy objective. The portfolio is also assessed to ensure that it has appropriate levels of diversification and to identify correlation within the portfolio, with consideration given to factors such as asset allocation, duration and yield curve, sector positioning and stock selection. Portfolio positioning is reviewed by an independent performance and risk team via both daily analysis and a more formal review cycle.

### Active management

The portfolio is actively managed using a high-conviction approach with a focus on access to market liquidity. The team believes that having a more concentrated, lower turnover approach improves investment performance.

### Risk controls

The team ensures that it minimises unwanted risk, but will use risk where there is a high level of conviction in a particular bond or theme. The team considers the risk return potential of each position and aims to deliver a return that is commensurate with the level of risk undertaken. In addition, consideration is given to the risk profile of the portfolio as a whole and each holding's contribution to the overall risk.

### Screening

All holdings must adhere to the funds' screening criteria. These can be found at <https://www.liontrust.co.uk/search?query=screening%20criteria&page=1&take=10> for the Sustainable Future fund and the Liontrust UK Ethical Fund.

## Sustainable Investment team's approach to Engagement (equity and fixed income)

Engagement is integral to how the Sustainable Investment team ensures it invests in high-quality companies. Engaging with companies on key ESG issues gives the team greater insight and helps it to identify leading companies and bond issuers and encourage better business practices. Through making specific requests for change and raising ESG issues, the team challenges and encourages companies to proactively manage the wider aspects of their businesses, which, in turn, protects their longer-term prospects.

The team has actively engaged in this way for 23 years on a range of issues including: driving membership of and disclosure under the

UN Global Compact; promoting decent work within supply chains; seeking the end of modern slavery; and a range of collaborative engagements around palm oil, tax and nutrition.

### Engagements

Over 2023, the team met and corresponded with companies relating to four proactive engagement initiatives and company specific issues. It made 153 specific requests for change with 125 companies on a number of key ESG issues, raising 420 ESG issues with companies. The success of its 2023 activity is assessed in the team's Annual Engagement and Voting Review.





# ECONOMIC ADVANTAGE TEAM

## INVESTMENT PHILOSOPHY/BELIEFS

- ✓ A fundamental principle of competitive markets is that profits regress to the mean.
- ✓ Profitable industries attract new entrants who act to drive prices down and take market share.
- ✓ Over the last 20 years, the amount of competition faced by many companies has increased, driven by factors such as the deregulation of markets, the removal of trade barriers, easy access to capital and advances in technology and communication.
- ✓ The secret to successful investing is to identify those few companies that have a durable competitive edge (an “economic advantage”) which allows them to defy industry competition and sustain a higher-than-average level of profitability for longer than expected. This surprises the market and can lead to strong share price appreciation.

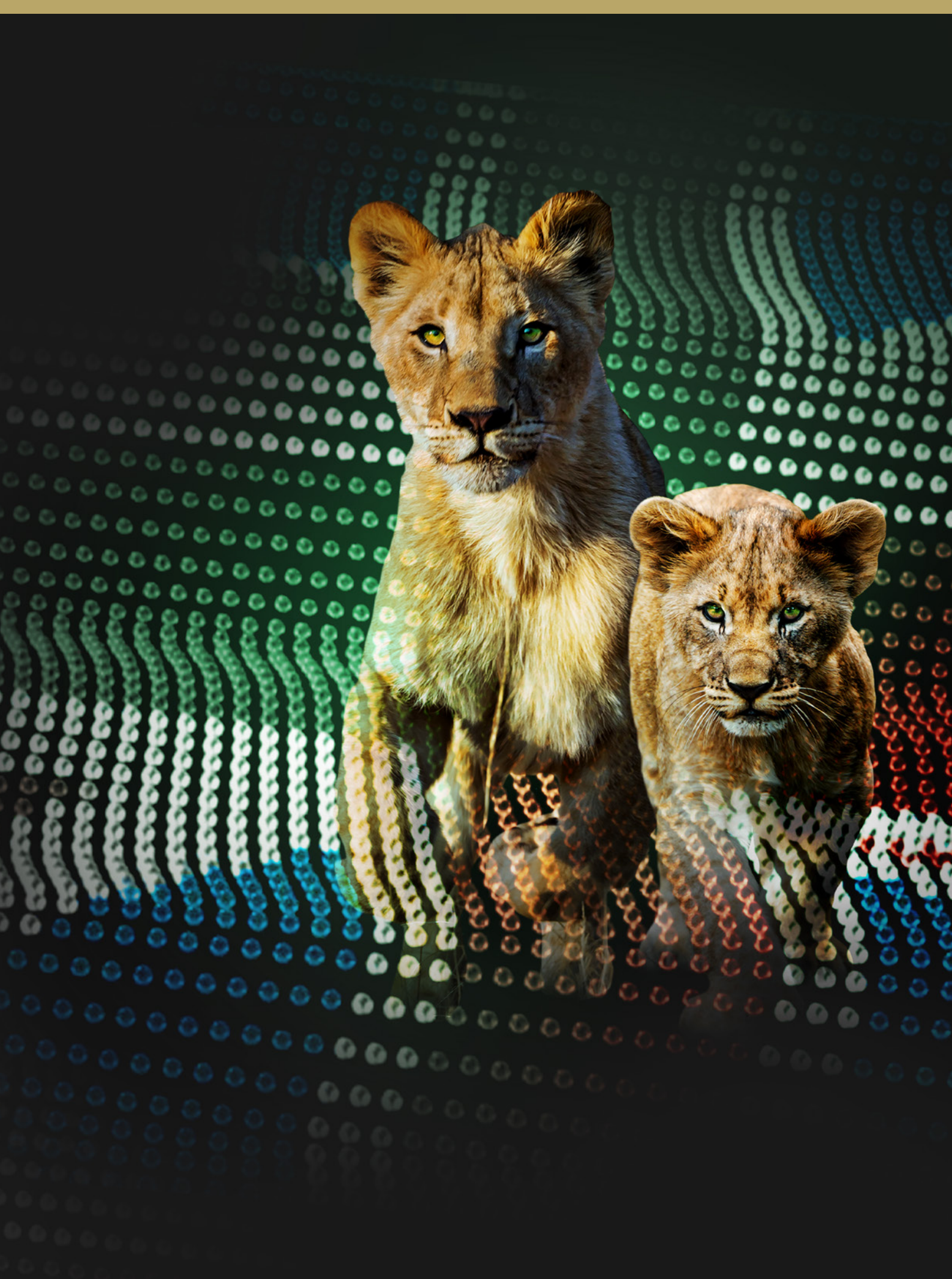
## TEAM FACTS

- ✓ Funds managed by this team equate to approximately 25% of Liontrust’s AuMA (as at the end of December 2023)
- ✓ Six-strong investment team led by Anthony Cross
- ✓ Team has a long track record of successfully identifying companies with strong economic advantage. This has delivered strong relative performance across different market environments.
- ✓ Investment process origins date back to 1998.

## MORE INFORMATION

- ✓ Available at: <https://www.liontrust.co.uk/fund-managers/economic-advantage>







## ENGAGING GOVERNMENT / LEGISLATORS / INDUSTRY BODIES

The Economic Advantage team has been engaging with the UK Government to raise concerns about the health of the UK equity markets and to call for policy intervention. Central to this has been discussing and evidencing the importance of UK equity markets to the wider economy through the jobs they create and tax revenues they pay.

Finding ways to boost the market on both the supply and demand side is an essential part of 'going for growth'. This activity has included meeting with officials at HM Treasury and forming part of a group that penned a letter for The Times in November 2023 calling for the Chancellor to introduce a "British ISA". The team believes this is one of the quickest and easiest to implement among the proposals that have been suggested: to receive tax breaks the ISA has to be invested in UK companies, thereby having a positive impact on the UK economy. There are also reforms needed to improve the attractiveness of the UK as a place to list - with so many companies being taken off the market through acquisition.

The team intends to continue to engage and highlight the problems facing the UK equities market.

## ENGAGEMENT WITH HOLDINGS: PURPOSE/OBJECTIVE

The Economic Advantage team engages its holdings on factors material to its investment process.

## COMMITMENT TO NET ZERO

The Economic Advantage team has not committed its funds to Liontrust's support for NZAM. This is due in large part to the lack of reliable data on carbon emissions for its holdings. The team does, however, consider any material risks regarding carbon climate change when making investment decisions and does engage its holdings on this topic when the team deems this to be relevant to its investment process.

## Engagement on climate change

During the year, the team engaged its holdings on a variety of climate change related issues, including:

Company	What the group does	Date	Discussion topic(s)	Discussion summary	Impact on investment decision (if any)
BP	Oil and gas company	August 2023	Intangible assets: distribution network; IP; and net zero	The team met with BP's CEO following the group's first half results. The discussion centred on the intangible asset strengths of the business, such as with BP's acquisition of TravelCentres of America. The team asked how this has improved BP's distribution network on US highways and provided a platform for four of five of BP's transition growth engines. The team asked about the strength of the group's IP. For example, the team asked about BP's R&D focusing on developing crops that don't compete for water or food and about BP's developments in seismic algorithms enabling the group to see through salt and dramatically drive efficiencies in extracting hydrocarbons. The team also asked about BP's net zero plans and how the group has driven methane emissions to close to zero. The team covered other topics, including BP's trading performance, the political backdrop, how the group might use generative AI, and the impact of extreme heat on the business's operations.	This discussion sought to reinforce the investment thesis that BP's distribution network would be a powerful enabler for the transition and that the company is in possession of significant IP.
Shell	Oil and gas company	August 2023	Intangible assets: distribution and IP, net zero, and renewables	In August, the team met with Shell and discussed how the company uses data to optimise its production and maintenance of assets. (Shell is the third biggest credit card issuer in the world and therefore has access to rich data on purchases.) The team asked about the investment Shell is making in R&D and its intentions to open a direct air capture technology centre. The team asked how Shell might use AI to drive further improvements in its operations. The team asked about the tone set by the new management and its strategy as outlined at Shell's CMD, including how Shell is approaching net zero and whether its investments in renewables will focus on the areas where the company feels it has a competitive advantage. The team also asked about the importance of Shell's trading arm and the current political backdrop.	As above
James Cropper	Advanced materials and paper packaging group	August 2023	Net zero strategy	The team met with James Cropper to discuss the group's results and its capital allocation decisions surrounding the group's future energy business. The team asked about Cropper's net zero strategy, its ambition to stop using gas fired boilers, and its potential move to heat exchangers by 2025. The group provided details on why it views this move as a competitive advantage for their luxury brand customers.	The discussion helped inform and reinforce the IP and customer relationship arguments in the investment thesis

## Engagement on other ESG related topics

The team also engaged its holdings on other ESG topics, where these were deemed to be material to the investment process. Examples include:

Company	What the group does	Date	Discussion topic(s)	Discussion summary	Impact on investment decision (if any)
Instem	Life Sciences Software	September and October 2023	Governance; long-term prospects; bid for company	The team met with Instem several times (both with the group's executives and an independent NED) following the board recommending a bid from French Private Equity firm Archimed. The team believed that the offer fundamentally undervalued the long-term prospects of the business. The team also engaged Instem on the governance around the discussions and decisions to recommend the bid.	The team determined it was in the best interests of unit holders to retain the full position rather than selling any part of the holding in the market to vote against the deal.
YouGov	Public opinion and data company	July 2023	Acquisition risk	The team met with YouGov's management to discuss its acquisition of GfK. While the team was supportive of the placing and the deal, the risk profile of the company had changed.	The investment team updated the risk score for the business following the acquisition. This moved the target band down a level and resulted in a reduction in the position size of the holding.
Fonix	Mobile payments	November 2023	Regulatory risk	The team had a good meeting with Fonix on its businesses results, strategy and future prospects. The team asked about the group's regulatory risk (presented by the UK Gambling review) as the team perceives this to be a longer-term threat to the business.	Following engagement, the team updated the group's risk score, moving the company down a percentage in the target position size.

## Adherence to Liontrust's controversial weapons policy

- The Economic Advantage team chose in 2023 not to be governed by Liontrust's controversial weapons policy which excludes investment in companies with involvement in cluster munitions, anti-personnel land mines, biological weapons and/or chemical weapons. In 2024, however, the team has stated it will sign up to the policy. (Liontrust's controversial weapons policy can be found from the following web page: <https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor> )
- The team is unlikely, however, to invest in companies with ties to controversial weapons.

## ECONOMIC ADVANTAGE TEAM'S INVESTMENT PROCESS

"Economic advantage" is the collection of distinctive characteristics of a company that competitors struggle to reproduce, even if those competitors have understood the benefits arising from those characteristics. It is the managers' key belief, backed by their long-term experience exploiting companies with economic advantage, that only distinctive and hard to replicate intangible assets can form the basis of a sustainable competitive advantage. These characteristics provide a barrier to competition, thereby protecting profitability. The team prioritises three categories of intangible assets as the first gateway into the investment process:



Intellectual property



Strong distribution networks



Significant recurring business

Other important, intangible strengths the team look for include: franchises and licences; extraction rights; good customer databases and relationships; effective procedures and formats; strong brands and company culture. However, possession of these alone are not enough for consideration under the process.

### Identifying intellectual property

- Intellectual property assets include patents, copyrights, extraction rights, trade secrets and know-how.
- Patents are property rights that are granted by the state to an inventor. The inventor has exclusive rights for a period of time that prohibits others from imitating the invention.
- Copyrights protect the expression of ideas, not the ideas themselves.
- Extraction rights are legal permits allowing an individual or business to extract a resource from a specified area. Trade secrets represent pieces of information that are held within a company and not released to the outside world. They are often protected by non-disclosure clauses in employee contracts.
- Know-how relates to the particular knowledge that individuals have in a certain business area. This can range from the knowledge of how to perform a particular manufacturing process to service skills such as scientific translation.
- Intellectual property assets, particularly patents, copyrights and extraction rights, are often protected in law. In the case of patents and copyrights, this protection helps deliver significant product pricing power. Frequently, intellectual property assets are created and enhanced through a high level of expenditure on research and development (R&D). A company's accumulated R&D helps to enforce a barrier against competition.

### Identifying strong distribution networks

Distribution channels can be physical or digital. A physical distribution channel can either be formed through a network of appointed distributors or via a company's own distribution sites. When a company owns its distribution, as opposed to using

distributors, it is able to benefit directly from giving its customers strong local service and in return build up valuable local knowledge. A physical distribution channel takes time to build and can provide a powerful barrier to competition.

Increasingly, particularly in areas such as media and information technology (IT), companies are developing digital distribution channels. Market research and IT companies, for example, can send data direct to clients electronically. Once data connections are set up, and particularly when they become embedded in client systems, it becomes difficult for competitors to dislodge incumbents and hence a powerful barrier to competition is created.

### Identifying companies with significant recurring business

Recurring business can result from the strength of a company's product, from the convenience of its distribution network, or from strong customer relationships and brand. Certain companies are guaranteed a level of recurring business through the strength of their customer contracts and service agreements. A significant volume of repeat business (which the team defines as at least 70% of annual turnover) gives a company a high degree of earnings visibility. This visibility helps companies plan and drive long-term growth. Furthermore, contracted revenue will tend to have pre-arranged pricing structures. This limits sudden competitive pricing. Contracted recurring revenue is a powerful barrier against competition.

### Mutual reinforcement of economic advantages

The intangible assets that create an economic advantage are often mutually reinforcing. Strong intellectual property, for example, can be best exploited through an established distribution network. A brand will be strengthened by good customer relationships and culture. Repeat business will be aided by a strong brand. That is why companies with a real depth and breadth of intangible assets tend to have a significant economic advantage.

### Companies with economic advantage – the investment universe

Identifying companies with these assets gives the team a list of companies which can withstand competitive pressures. The team believes that these companies have the ability to deliver sustained earnings growth ahead of the market's expectations which in turn will lead to long-term share price outperformance.

### Financial advantage

Having identified whether a company possesses an economic advantage, it is next assessed for evidence of this theoretical advantage showing up as superior financial returns. The team assesses this using the Quest database (owned by Canaccord Genuity) which examines the cash flow return on capital (CFROC) to measure the economic return on gross invested capital. CFROC is real, post-tax and takes asset life and asset mix into account. For a company (or indeed any project) to be economically successful, it must make a higher return than the cost of the capital invested in it. Quest uses a long-run weighted average costs of capital (WACC) based on the capital asset pricing model (CAPM) as the benchmark against which CFROC is measured. A company which can earn a CFROC higher than its long-run cost of capital, and then reinvest this return back into the business, will benefit from compounding, which in the long run should lead to equity value creation and strong share price performance. The process will only invest in profitable companies.



### The role of valuation

Valuation is deliberately put last in the investment process. For FTSE 350 companies, five standard valuation metrics are used – P/E, EV/Sales, EV/EBITDA, Dividend Yield and Free Cash Flow Yield – the objective being to purchase a new holding at a discount to the market on at least one of these five measures to avoid overpaying. For small (non-FTSE 350) companies, a more pragmatic approach is adopted: assessing the value of a business relative to a basket of peers with similar attributes. By investing in value-generating companies with a long-term time horizon, the valuation paid at entry is somewhat less important to the share price return than the ability of the business to compound equity value. Often, potential investments lack long-term financial return data and are in emerging industries or technologies. At this end of the market, a qualitative, rather than quantitative approach, is therefore preferred, although as all companies must first be profitable, it is at least possible to have something on which to assess this value. A range of standard valuation metrics are used to look at potential investments from several different angles and the potential growth rate in earnings is also considered. The aim is not to overpay for the asset, and although some are acquired at relatively 'full' prices, 'bubble' type valuations are avoided due to perceived valuation risk.

### Equity ownership for smaller companies

The Economic Advantage team requires every smaller company to have at least 3% of its equity held by senior management and main Board Directors (PDMRs). The team monitors the equity ownership and a position will be sold if the shareholding of directors and senior management falls below 3%.

The team believes that equity ownership motivates key employees, helps to secure a company's competitive edge and leads to better corporate performance. It aligns the interests of employees with outside shareholders. The team also finds that an 'owner-manager' culture creates a more risk-averse approach with a focus on organic growth over acquisition-led growth and a healthy aversion to debt.

### Risk scoring

Risk scoring of investee companies determines stock weightings within the funds. Each company is graded against nine criteria to understand if the value of the investment could be materially negatively impacted by any of the following:

1. financial risk (including balance sheet, accounting risk, capital requirements and financial gearing)
2. product dependency
3. customer dependency
4. pricing risk
5. regulatory change
6. licence dependency
7. acquisition risk
8. valuation
9. ESG

These criteria are continually assessed so that stock weightings can be managed dynamically. Thus, while ESG factors do not exclude from consideration any investment which would otherwise qualify on account of its strong economic advantage credentials, they will be taken into account in determining the position size.

### Data sources and identification of risks

The team uses a third-party data provider, MSCI, to assist in identifying and understanding the ESG and sustainability risks of a proposed investment. The team is able to override the MSCI score if the score is inconsistent with the team's knowledge or understanding of a business, in either direction. For smaller companies not within the MSCI universe, the team will score for perceived ESG risk.

### Monitoring and analysis

The team monitors potential ESG issues associated with an investment. These may include the impact of company operations, governance practices and/or products and services that allegedly violate national or international laws, regulations, and/or other commonly accepted global norms. The team may also conduct fundamental analysis on each potential investment to further assess the adequacy of ESG programmes and practices of a company to manage the ESG risks it faces. In addition, the team monitors ESG risks on an ongoing basis through reviewing ESG data published by the company (where relevant) or selected data providers to determine whether the level of ESG risk has changed since the initial assessment was conducted. Where there is an increase in ESG risk, the exposure to the relevant security may be reduced, taking into account the best interests of investors in the fund.

### Impact on weighting/portfolio sizing

The information gathered from this analysis will be taken into account in deciding the size of the position that the investment team might take on behalf of a fund through the risk scoring process outlined above. The investment team may grade securities differently to data providers where the investment team believes that their ESG rating does not fully reflect the position of the relevant company or has not captured recent positive ESG related changes which have been implemented by the relevant company. Equally, the team may impose an ESG risk score on a matter not identified by MSCI.

### Difficulties of limited data

Some companies (for example smaller companies) may not be rated or covered by data providers and may publish little information on their ESG policies and sustainability risks. In these cases, the team's scope for analysis of ESG risk will be more limited.





## MULTI-ASSET TEAM

### INVESTMENT PHILOSOPHY/BELIEFS

- ✓ Investment markets are not fully efficient and the degree of inefficiency varies between them
- ✓ Sentiment can cause market prices to move away from their fundamental value over the short term
- ✓ Over the long term, markets tend to revert towards levels justified by their fundamentals
- ✓ Active management of asset allocation can add value through exploiting mispricing and their subsequent return to normal
- ✓ The team believes that equity markets remain the key driver of long term real returns
- ✓ But the team acknowledges that the volatility of the equity market is not suitable for all investors
- ✓ Within equity markets, factors such as value, growth, quality and size have inherent tailwinds due to either behavioural or market structure inefficiencies. Each of these factors in isolation can be volatile but a combination of these factors should outperform the broader index over time
- ✓ The team believes that, with time horizon and budget allowing, active management will, on average, outperform passive exposures. Exceptions to this are deep, liquid and efficient markets such as government bonds and indices with low cross-sectional volatility or high concentration
- ✓ Asset allocation is the means by which the team combines complementary asset classes together to create a risk and return profile that is appropriate for different investor cohorts
- ✓ The team believes that an appropriate time horizon is essential and as a result, a long-term, disciplined, robust and repeatable process will give investors the best chance of long-term outperformance

### TEAM FACTS

- ✓ Liontrust's Multi-Asset team manages around 16% of Liontrust's AuMA (as at the end of December 2023)
- ✓ The team manages a variety of target risk funds and portfolios, returns focused funds, and income funds and portfolios
- ✓ The team is led by John Husselbee

### MORE INFORMATION

- ✓ Multi-Asset team <https://www.liontrust.co.uk/fund-managers/multi-asset>



### COMMITMENT TO NET ZERO

The Multi-Asset team cannot include its funds in Liontrust's net zero commitment due to a lack of carbon data for third-party funds. The team is eager to support Liontrust's net zero commitment, however, and is looking for ways to get carbon data for all its sub-managed funds to enable it to support this target.

### ENGAGEMENT PURPOSE/OBJECTIVES

The Multi-Asset team engages with the managers of its underlying funds during regular updates on portfolio positioning and performance.

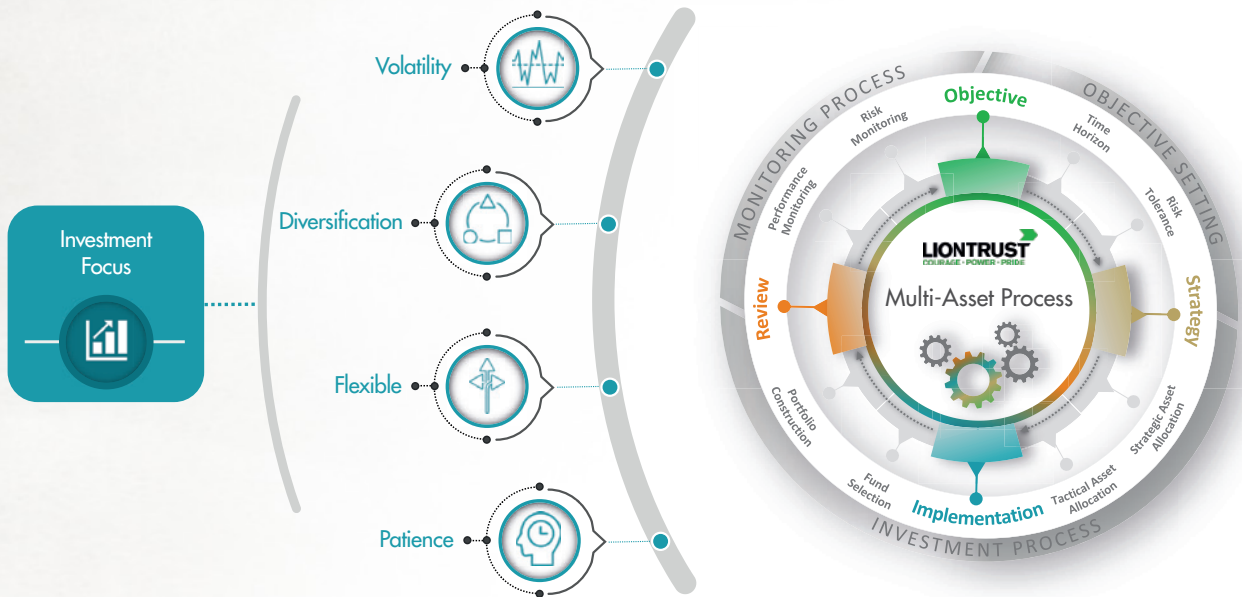
The team has opted not to include any engagement examples for the 2023 calendar year.

### ADHERENCE TO LIONTRUST'S CONTROVERSIAL WEAPONS POLICY

- Liontrust's controversial weapons policy excludes investment in companies with involvement in cluster munitions, anti-personnel land mines, biological weapons and/or chemical weapons. The policy can be found from the following web page: <https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor>
- The Multi-Asset team cannot adhere to Liontrust's controversial weapons policy as it does not have the relevant information for all the underlying holdings of the actively managed funds in which it invests for clients. In addition, the Multi-Asset funds and portfolios hold passive vehicles which generally invest in all stocks in an index and therefore potentially breach this controversial weapons policy. If the Multi-Asset team signs up to this policy, it may exclude passive vehicles from the commitment.



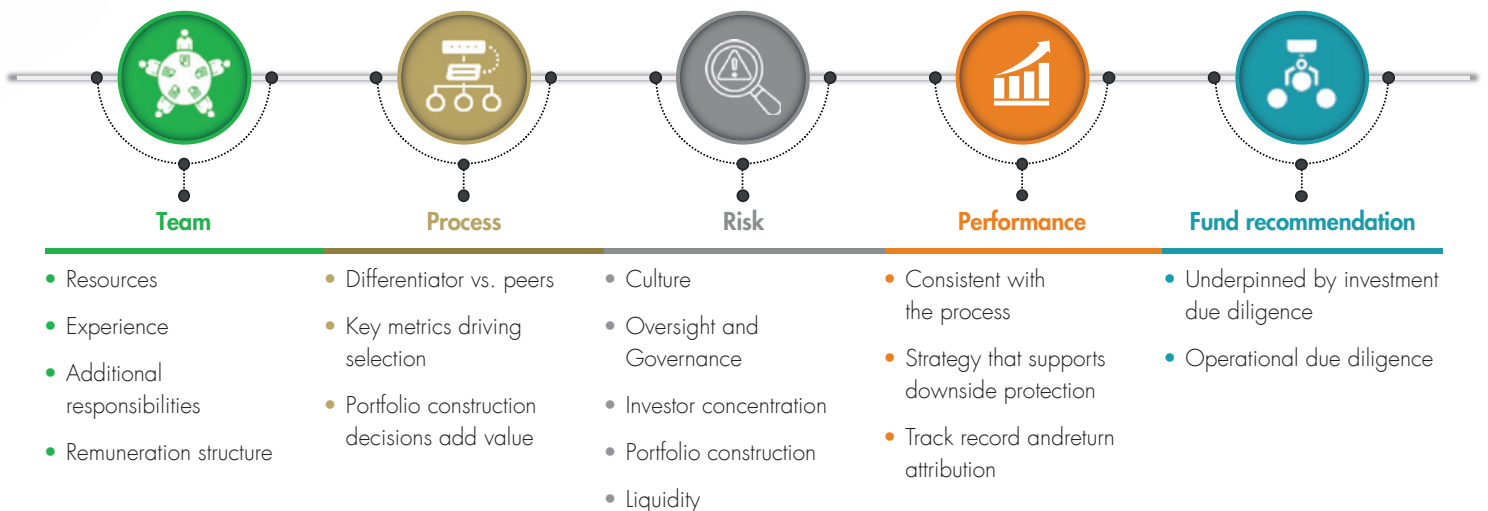
# Multi-Asset team's investment process



## Strategy and implementation



## Identifying managers for their merits in isolation and how they fit into the blend





## Asset allocation

- ✔ **Strategic Asset Allocation (SAA)** is the primary determinant of suitability and long-term risk and returns for investors.
- ✔ **Tactical Asset Allocation (TAA)** is used to enhance investors' risk-adjusted returns while ensuring the funds and portfolios' risk profiles are being met.
- ✔ The team believes that active management of asset allocation can add value for investors through exploiting mispricing in the market and the subsequent return to pricing justified by fundamentals.

### DRIVERS OF RETURNS

The Multi-Asset team believes investment markets are inefficient to varying degrees, with the most efficient being government bonds and indices with low cross-sectional volatility or high concentration. Sentiment can cause market prices to move away from their fundamental value over the short term and revert to levels that are justified by their fundamentals over the long term. Good active management will, over the long term, outperform passive exposures as they exploit inefficiencies and mispricing in investment markets. Equity markets are the key driver of long-term real returns. Within equity markets, factors such as growth, value, quality and size in isolation are volatile. But when combined within portfolios, these factors should outperform the broader index over time.

### Strategic Asset Allocation (SAA)

Numerous studies have demonstrated that SAA informs the majority of the risk and return of a portfolio over the long term.

The SAA is essentially the default asset allocation should the fund managers have no views about the relative attractiveness of different asset classes.

- In determining the SAA, historical returns and volatilities of a range of asset classes, as well as their correlations with each other, and other market dynamics are collated and studied.
- Each Multi-Asset fund and portfolio has its own SAA, which is a function of its suitability, which in the context of target risk funds focuses primarily on the investment risk preferences of investors.

- The SAAs for the Liontrust Multi-Asset funds and portfolios are updated annually and have a long-term (15 years) time horizon. Where the Multi-Asset team perceives there to be meaningful departures of market pricing from fundamentals, they may decide to exploit these mispriced securities through the Tactical Asset Allocation.

### Tactical Asset Allocation (TAA)

TAA is the process through which the Multi-Asset team has an overweight or underweight exposure to an asset class or sub-asset class when compared to the SAA.

- The TAA may increase or decrease overall strategy risk depending on the Liontrust Multi-Asset team's view of the stage of the market cycle.
- Even if the Multi-Asset team decides to adopt a neutral risk position, it is still possible to express a view between asset classes and sub-asset classes without meaningfully altering the overall portfolio risk from neutral to the SAA. The Multi-Asset team refers to this as an Efficient Allocation (EA).





The TAA is reviewed and updated quarterly and follows these four steps:



### STEP 1: SECRET SCORING

- Multi-Asset team members provide a score for each asset class, sub-asset class, the overall market environment and a handful of other factors. The scores are between 1 and 5, with 1 being the most negative, 3 neutral and 5 being the most positive.
- Each team member scores more than 20 different categories and provides a justification for their scores. The scores are collated ahead of the TAA meeting at which the scores are debated.



### STEP 2: QUANTS

- Ahead of the TAA meeting, the team collates and digests a range of quantitative inputs. These are designed to provide either justifications for – or arguments against – the thrust of the views expressed in the secret scoring.
- The quants data cover a wide array of asset classes and sub-asset classes and provide a quantitative perspective on, for example, the relative attractiveness of an equity market both against other markets and against its own history.
- The output and component parts of the quants are assessed in the TAA meeting and are used as an objective complement to the more qualitative inputs from the Secret Scores.



### STEP 3: TAA MEETING

- In the TAA meeting, the Liontrust Multi-Asset team collates all of the inputs from the above two steps and debates alongside other views expressed. Every team member is encouraged to contribute.
- The output from the TAA meeting is the first cut of the team's asset class scoring grid, with each of the asset classes and sub-asset classes allocated a score of between 1 and 5.
- The overall market environment is also scored out of 5.



### STEP 4: INDEPENDENT INPUT

- The Liontrust Multi-Asset team is acutely aware of the risks of "group think" and of anchoring to previous quarters' scores.
- To reduce these risks of group think, the team comprises a group of individuals with different backgrounds and experiences to ensure there is a significant amount of cognitive diversity.
- To further combat the risks of group think and anchoring, the Liontrust Multi-Asset team employs an independent consultant to challenge the first cut of the asset class scoring.
- At the conclusion of the TAA process, scores that have stood up to scrutiny are accepted and those that have not may be adjusted modestly.
- The output from this meeting is the final TAA scorecard for the quarter.
- This scorecard informs the risk budget and the over- and under-weights that the Multi-Asset team expresses through portfolio construction.

## PORTFOLIO CONSTRUCTION

- The purpose of portfolio construction is to take a fairly abstract concept in the form of a TAA and to express it in an investable form for each strategy that the Multi-Asset team manages.
- Portfolio construction takes account of the output from the TAA as well as the input from the manager selection process.

The portfolio construction consists of four steps:



### STEP 1: FACTOR SELECTION

- Different equity factors such as value, growth, quality or size have significantly different performance characteristics. The team believes these factors have inherent tailwinds to long-term performance predominantly due to behavioural investment shortcomings or due to other inefficiencies, such as shortcomings inherent in market cap weighted market indices.
- These factors have demonstrated long-term outperformance when compared to market cap weighted indices but the performance of each factor when viewed in isolation can have significant tracking errors and outperformance can be sporadic.
- Blending factors can overcome some of these shortcomings and result in a performance profile more akin to the market cap weighted reference while maintaining good prospects for long-term outperformance.
- The team believes it is essential to apply a rigorous research process to the combination of different factor blends in each region rather than rely on arbitrary weightings methodologies.
- The team tests the performance and interaction of factors versus each other over the long term and it identifies a blend which it believes will provide the most effective risk-adjusted exposure to the equity region in question.
- This blend forms the target factor allocation which the team implements through manager selection.
- The outputs from this process are reviewed annually but the Multi-Asset team may undertake tactical deviations away from the long-term targets as part of the quarterly TAA process.



### STEP 2: ACTIVE AND PASSIVE

- The majority of the Liontrust Multi-Asset funds and portfolios make use of active and passive vehicles.
- The decision of where to use passive vehicles depends on two main considerations: availability and suitability.
- Due to the significant growth in passive vehicles over the past couple of decades, there is now a wide range available, meaning that most asset classes or sub-asset classes can be invested in passively.

- Suitability is, therefore, the prime determinant of whether a passive or active vehicle is chosen.
- Suitability can depend on a wide array of factors such as the time horizon and the nature of the asset class, for example its efficiency, liquidity and index composition.
- Within equity markets, active managers have historically found more success in some regions than others.
- The Liontrust Multi-Asset team has developed a robust and repeatable method through which to identify the appropriate blend between active managers and passive vehicles in different equity regions. The three key inputs are:
  1. Cross-sectional volatility of a given index.
  2. The percentage of stocks that have historically outperformed the index.
  3. The level of index concentration.
- Indices that demonstrate high cross-sectional volatility, a high percentage of stocks out-performing, and a low level of index concentration have tended to provide the greatest opportunities for manager outperformance.
- The outputs from this step are target percentage allocations to active managers or passive vehicles which are embedded in the portfolio targets.
- The outputs from this process are reviewed annually but the Multi-Asset team may undertake tactical deviations away from the long term targets as part of the quarterly TAA process.



### STEP 3: TARGETS SET

- The combination of TAA aligned with factor selection and decisions on active managers and passive vehicles create a detailed set of parameters to inform portfolio construction.
- The output from these stages combined with the manager selection are consistent target manager allocations for each region, asset class or sub-asset class.
- Each asset class or sub-asset class is assigned a weight through the TAA process and the combination of the target manager allocations and the TAA weights provides a target holding size for every manager in each of the Liontrust Multi-Asset funds and portfolios.



### STEP 4: RISK CHECKS

- Liontrust's Multi-Asset funds and portfolios are managed to carefully considered mandates and risk parameters and, ahead of implementation, the team tests the new portfolio targets to ensure they comply with all appropriate portfolio rules and restrictions.

## MANAGER SELECTION

The Manager selection process contains a number of distinct steps.



### STEP 1: UNIVERSE FILTERING

- Investors in funds or managers are fortunate to have tens of thousands of potential investments available to them. The potential downside of such an abundance of choice is that, without effective filtering, it is possible for a research process to become overwhelmed.
- The Liontrust Multi-Asset team has access to a number of industry recognised databases which enable effective, proprietary, universe definition and filtering.



### STEP 2: QUANTITATIVE AND QUALITATIVE RESEARCH

- The overall manager selection process cannot rely solely on quantitative or qualitative inputs. Rather it is a blend of both forms of analysis that underpin the Liontrust Multi-Asset team's investment manager choices.
- Managers are subjected to significant levels of quantitative analysis to ensure that the Multi-Asset team understands current and past positioning in detail.
- This aids the team in interpreting the manager's true investment style and whether that style has been expressed persistently in the past.
- Past performance is a useful indicator of past success but it cannot be relied upon as an indicator of future performance.
- Indeed, analysis of past performance is less about the outright level of performance – although serial underperformers would not be attractive to the team – but most important are the characteristics within performance. This relates to the stylistic exposure of managers, which is assessed through holdings-based style analysis. Performance is also considered on a disaggregated basis to identify the attributed drivers of performance.
- Active managers should demonstrate skilful stock picking over and above other factors which can be more akin to luck. The qualitative side of fund manager research is extremely helpful in this regard.
- The sorts of areas that the Liontrust Multi-Asset team will consider are manager philosophy and process, team structure, business structure and incentivisation, stock selection process, portfolio construction, historical and current positioning.



### STEP 3: OPERATIONAL DUE DILIGENCE AND SECURITY SET UP

- Operational Due Diligence (ODD) is an often overlooked element of the manager selection process. In fact, it is an essential part of taking on managers to ensure that the funds are appropriate from non-investment related considerations and to ensure that trading and implementation take place seamlessly.
- ODD matters because without it the ability of the Multi-Asset team to efficiently trade and rebalance the funds and portfolios would be reduced.
- ODD is split into two main areas – initial DD and ongoing DD – and the purpose is to ensure that the selected funds are suitable not just from an investment perspective but also from an operational and compliance perspective.
- Dealing information and specific questions are answered to ensure the investment is possible and also suitable for the Multi-Asset funds and portfolios, such as whether the Fund is a UCITS regulated scheme and is there a minimum investment.
- Once invested, ongoing DD is performed.

#### Implementation

- The implementation process varies slightly between Liontrust Multi-Asset funds and portfolios.
- The principles behind the implementation of either are the same, however, ensuring the Multi-Asset team implements in a manner that treats customers fairly, creates consistency across the ranges wherever possible, finding an optimal balance between trading and portfolio turnover, and ensuring the implemented holdings reflect the Liontrust Multi-Asset team's views generated through the investment process.
- Underpinning all of this is the need to remain suitable for investors from a risk and mandate perspective.
- While the Liontrust Multi-Asset team takes its fiduciary duty to investors extremely seriously, they also ensure there are effective checks and balances internally. These include pre and post-trade compliance checks and regular performance reviews.
- This ensures the Liontrust Multi-Asset funds and portfolios are scrutinised and reviewed to verify that the team is fulfilling its commitment to investors.





# Serengeti

# GLOBAL FUNDAMENTAL TEAM

## INVESTMENT PHILOSOPHY/BELIEFS

- ✓ The funds managed by the team have a variety of approaches. The core of the team's investment approach is deep, fundamental research driven by original thinking to find share price inflection points that can drive long-term performance. The managers look for distinct inflection points and drivers of returns for the different funds.
- ✓ The funds (with the exception of the emerging markets funds) undertake materiality assessments, engagement, and assigning resiliency and conviction scores for each holding.

## TEAM FACTS

- ✓ GFT manages approximately 12% of Liontrust's AuMA (as at the end of December 2023)
- ✓ The team, led by James de Uphaugh (until February 2024 when he retired and Imran Sattar was promoted to Head of GFT), manages UK Equity, Equity Income, Global Equity and Emerging Markets portfolios.

## DIFFERENTIATOR

- ✓ Team members use materiality assessments to integrate the considerations of key risks and opportunities which may include ESG risks/opportunities if material (or potentially material in the future).

## MORE INFORMATION

- ✓ Available at: <https://www.liontrust.co.uk/fundmanagers/globalfundamental>

## COMMITMENT TO NET ZERO

GFT's funds that are committed to net zero are listed in the table below. Note that the fund WACI numbers for end 2023 are computed with the actual AuM of the fund in USD as at the end of December 2023. This methodology differs from the fund WACI numbers to the end of 2022 when the total AuM of each fund was

assumed to be \$1 billion. The change to actual AuM figures comes as Liontrust now has the ability to include this in the computation. Going forward, Liontrust plans to continue using actual AuM when computing WACI numbers so that more accurate, year-on-year WACI comparisons can be made.

Funds	Benchmark used for MSCI ESG analysis	Benchmark WACI end 2019	Fund WACI end 2022	Fund WACI end 2023	End 2023 fund WACI lower than 2019 benchmark WACI by
LF Liontrust UK Equity Fund	FTSE All Share	125.0	84.4	63.0	50%
GF UK Equity Fund**	FTSE All Share	125.0	95.5	64.1	49%
LF Liontrust UK Focus Fund	FTSE All Share	125.0	68.4	24.9	80%
GF Global Equity Fund	MSCI AC World	185.9	50.2	32.7	82%
LF Liontrust Global Focus Fund	MSCI AC World	185.9	61.6	41.8	78%
Liontrust GF International Equity Fund	MSCI AC World ex USA	201.7	75.1	53.7	73%
Liontrust GF US Equity Fund	S&P 500	165.9	18.4	15.5	91%
US Opportunities Fund**	S&P 500	165.9	—	15.5	91%
Balanced Fund*	MSCI World	168.2	12.4	41.5	75%
China Fund*	MSCI China	234.0	94.3	94.2	60%
Emerging Markets Fund*	MSCI Emerging Markets	315.8	114.5	131.0	59%
Global Alpha Fund*	MSCI AC World	185.9	16.0	41.8	78%
India Fund*	MSCI India	502.8	497.9	664.0	32% higher
Japan Equity Fund*	Topix Japan	99.8	285.0	97.5	2%
Latin America Fund*	MSCI EM Latin America	247.7	240.7	227.4	8%

\*In 2023, these funds moved from being managed by Liontrust's Global Equity team (which was disbanded in 2023) to management by the Global Fundamental Team.

\*\*These funds were not included in the Group's net zero count in last year's Responsible Capitalism report.



## ENGAGEMENT PURPOSE/OBJECTIVES

GFT funds undertake engagement with holdings and/or potential holdings in part to:

- Understand how a company manages the key risks and opportunities identified by the team as being material to the company over a fund's investable time horizon
- Understand the financial, strategic, and/or competitive position of a company

- Help support or refute the team's conviction in a holding and/or its investment rationale for holding the stock

### Engagement on climate change

During the year, the team (or Liontrust's Responsible Capitalism team on its behalf) engaged its holdings on a variety of climate change related issues (see examples below.)

Company	What the group does	Date	Discussion topic(s)	Discussion summary	Impact on investment decision (if any)
HSBC	Banking and financial services institution	February 2023	Net zero assessment in project financing	HSBC reported that it is building a new centre of excellence in terms of net zero which includes regional hubs with a focus on regulatory changes. When evaluating projects, HSBC assesses clients' transition plans and whether clients' plans align with net zero. In assessing clients' transition plans, HSBC uses sector-specific indicators over three areas: climate transition plans, policy compliance and finance-related emissions. The group engages with clients with the greatest material exposures to help formulate a decarbonisation plan that is stretching but achievable. HSBC also has a policy to phase out the financing of coal-fired power and thermal coal mining in the EU from 2030 and in the other markets by 2040.	No impact.
Standard Chartered	International bank	April 2023	Approach to carbon and risk weighted assets	In April 2023, GFT engaged with Standard Chartered on carbon. The group stated that it began including its climate assessment tool in its credit decisions following the BOE's recommendation in December 2019 that banks do this. The group uses an extensive survey to understand how clients approach climate exposures through facets like governance and energy-related strategy. The score from this survey feeds through to capital allocation forums and the climate risk team. Standard Chartered's approach is both quantitative and qualitative in terms of working with its clients and helping clients find ways to achieve carbon reductions. Currently, Standard Chartered does not have absolute restrictions on loans. The group has a 15% weighting for sustainability in its scorecard for executive remuneration – for all other employees, this weighting is 8%.	No impact.



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### Engagement on other ESG-related topics

During the year, GFT engaged holdings on other ESG-related topics, including:

Company	What the group does	Date	Discussion topic(s)	Discussion summary	Impact on investment decision (if any)
AJ Bell	Provides online investment platforms, stockbroker services	October 2023	Operational resilience; net zero	With cyber security, AJ Bell has engaged with specialist third parties to understand its own vulnerabilities. Twice a year, it undertakes a cyber deep dive with its board. In terms of carbon, AJ Bell is in the process of considering targets for carbon reduction and expects to establish these in 2024.	This engagement helped reinforce GFT's conviction and resiliency scores of 4 (above average) and 5 (excellent), respectively.
GSK	British pharmaceutical and biotech company	May 2023	Strategic priorities; innovation pipeline; carbon reduction; diversity and inclusion	GSK stated that its strategic priorities are: access to medicines, global health, diversity and inclusion (particularly in clinical trials), environmental sustainability, product governance and technical standards. GSK reports annually against these six areas. In terms of innovation priorities, GSK is focused on its long-acting innovation pipeline for HIV, making progress on asthma, new meningitis products, and strengthening its portfolio in infectious diseases. With carbon, GSK aims to achieve an 80% carbon reduction by 2030 across all scopes. The group is investing R&D to reduce the scope 3 carbon emissions of its inhalers. GSK has supplier standards and works with suppliers to help them reduce their carbon footprint as well. In terms of DEI, GSK thinks about diversity and inclusion beyond its own workforce, including in clinical trials and using the group's influence as purchasers.	This engagement helped reinforce the team's conviction in GSK.
Hargreaves Lansdown ("HL")	British financial services company	October 2023	Operational resilience	HL has undertaken external benchmarking assessments of its cyber security controls and has annual security testing on its cyber systems which is accredited by a third party vendor.	This engagement helped the team keep the conviction score and resiliency score at 3 (average).
Mondi	Produces packaging and paper	March 2023	EU regulation on deforestation; consumers' switch from plastics to paper	Mondi sees the EU's mandatory due diligence rule for EU-based organisations that import/export timber and printed paper as an opportunity given that the group's already responsibly sources its fibre. Mondi is also well positioned to benefit from consumers' switch from plastics to paper. The group makes fully recyclable coatings and utilises significant collaboration across the whole supply chain through its vertical integration.	This engagement helped reinforce the team's conviction in Mondi.

### ADHERENCE TO LIONTRUST'S CONTROVERSIAL WEAPONS POLICY

- GFT adheres to this policy which excludes investment in companies with involvement in cluster munitions, anti-personnel land mines, biological weapons and/or chemical weapons. Liontrust's controversial weapons policy can be found on this web page: <https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor>



## Global Fundamental team's investment process

GFT applies a number of investment approaches to manage funds. At the core of the team's investment approach is deep, fundamental research (including the explicit incorporation of material ESG factors) driven by original thinking to find share price inflection points that can drive long-term performance. The managers look for distinct inflection points and drivers of returns for the different funds.

### GLOBAL EQUITY

- The fund managers' process is based on the philosophy that change creates investment opportunities.
- The approach accepts the uncertainty associated with change and seeks to identify, through deep analysis of a company's fundamentals, when change has created an asymmetry of potential returns to the upside. The changes that the companies within the fund seek to exploit sit along a range.
- At one end is External Change. These changes originate outside of a company and can result in significant beneficial tailwinds. The catalysts for External Change are wide ranging and may include the arrival of a new technology that is transforming an industry, environmental change or demographic change that may take years to work through.
- At the other end of the range is Internal Change. These changes originate from within a company and enable it to re-engineer itself so that its future is very different from its past. The catalysts for Internal Change may include new management teams, restructuring or pivoting to new business models and products.
- The team seeks to identify companies that can exploit multiple change catalysts because this is often when change is most pronounced and the potential opportunity most advantageous.

### EQUITY INCOME

- The strategy seeks to provide a growing dividend yield alongside long-term capital growth.
- The fund managers focus on high-quality dividend paying companies. The managers apply a screen to identify quality, with each holding demonstrating five characteristics: i) Strong and/or improving returns; ii) Clean, cash generative financial model; iii) Prudent balance sheets; iv) Skilled, motivated management; and v) Attractive underlying markets.
- Following the screen, the research process involves operational due diligence to understand the company, its Competitive Powers, industry position and key risks and opportunities and financial diligence to understand a company's key value drivers, sources and uses of cash and the potential scenarios 'priced-in' at a moment in time.
- Competitive Powers are strategic characteristics that the managers believe underpin persistent profitability and enable quality to endure. There are seven Competitive Powers (scale economies, network effects, counter positioning, switching costs, branding, cornered resource and process power) and stocks within the Fund must have at least one of them.
- The Fund is actively managed and constructed with 30 to 50 stocks. Typical target stock weightings are of between 2% to 4% of NAV. The Fund will typically have a high tracking error and

active share against their respective benchmarks, which means it takes active positions against the index.

- The portfolio is broadly equally weighted across two distinct, but complementary, investment silos – Repeatable Cashflow and Dividend Growth at a Reasonable Price (GARP). This helps mitigate style bias and produces balanced portfolios, with the potential to perform across different market and economic cycles.
- Repeatable Cashflow: With this silo, the managers focus on more mature companies, which are directing more of their cashflows to dividends.
- Dividend GARP: With this silo, the managers focus on businesses in the growth/scale phase of the corporate lifecycle, generally reinvesting a higher proportion of their cash flows to drive growth.
- The Fund invests across the market-cap spectrum and the manager can invest a maximum of 20% of the portfolio in overseas stocks

### UK EQUITY

- The fund manager applies a flexible investment process, which avoids inbuilt style biases and enables the team to pursue investment alpha regardless of economic and market conditions.
- The fund manager focuses on shares that, in their view, offer the best risk/reward profiles, while ensuring the portfolio is well balanced and risk is carefully targeted.
- The fund manager is first and foremost a stock picker although macro-economic research is also woven into the team's bottom-up research.

### UK FOCUS

- The fund manager focuses on building a concentrated portfolio of high conviction investment ideas.
- The fund manager focuses on what they believe to be companies with a durable moat which protects their franchise and hence returns, which are typically capital light, high ROIC, cash generative businesses with structural growth.
- The fund manager is first and foremost a stock picker although macro-economic research is also woven into the team's bottom-up research.

### EMERGING MARKETS

For these funds, the team focuses on emerging leaders, which are companies that are well positioned to prosper in a world of rapid change. Given many disruptive products and business models have arisen in developed markets, their introduction and adoption rates across emerging markets are driving considerable growth at a consumer and commercial level. Therefore, emerging leaders alone have the resources and capabilities to survive and prosper given the huge levels of disruption seen across the whole economy. A common feature is their ability to create value for customers (either via a lower price and/or higher quality product and management that are focused on driving continuous improvement) and capture value for itself and its shareholders via a sustaining moat (such as unique assets, efficient scale, technology leadership, R&D investment and customer switching costs).

The Global Equity, Equity Income and UK Equity funds use materiality assessments, which are part of the team's proprietary fundamental research. Materiality assessments feed directly into the investment decisions the team makes on behalf of clients.

Materiality assessments are the approach by which the team examines and considers financial, operational, ESG and any other exposures faced by the team's holdings. This approach renders what the team believes to be a more accurate picture of the main risks and opportunities that a company currently faces as well as those that it could encounter going forward.

The team's approach to materiality has three primary steps:



**Identify and prioritise** (as part of the team's fundamental research)



**Engage and monitor**



**Score for resiliency and conviction**

The aim of this process is not only to measure the likelihood and impact of risks and opportunities that each holding faces, but to understand and, in some cases, influence how a company manages these exposures..

## Risk Monitoring

Independent and robust oversight from the performance and risk team and the IOC.

## Portfolio Construction

Our ESG work links our engagements with conviction levels, through a conviction score. This affects investment decisions and portfolio weightings.

## Idea Generation

Identifying a broad range of companies that can create wealth for our clients.

## Resiliency

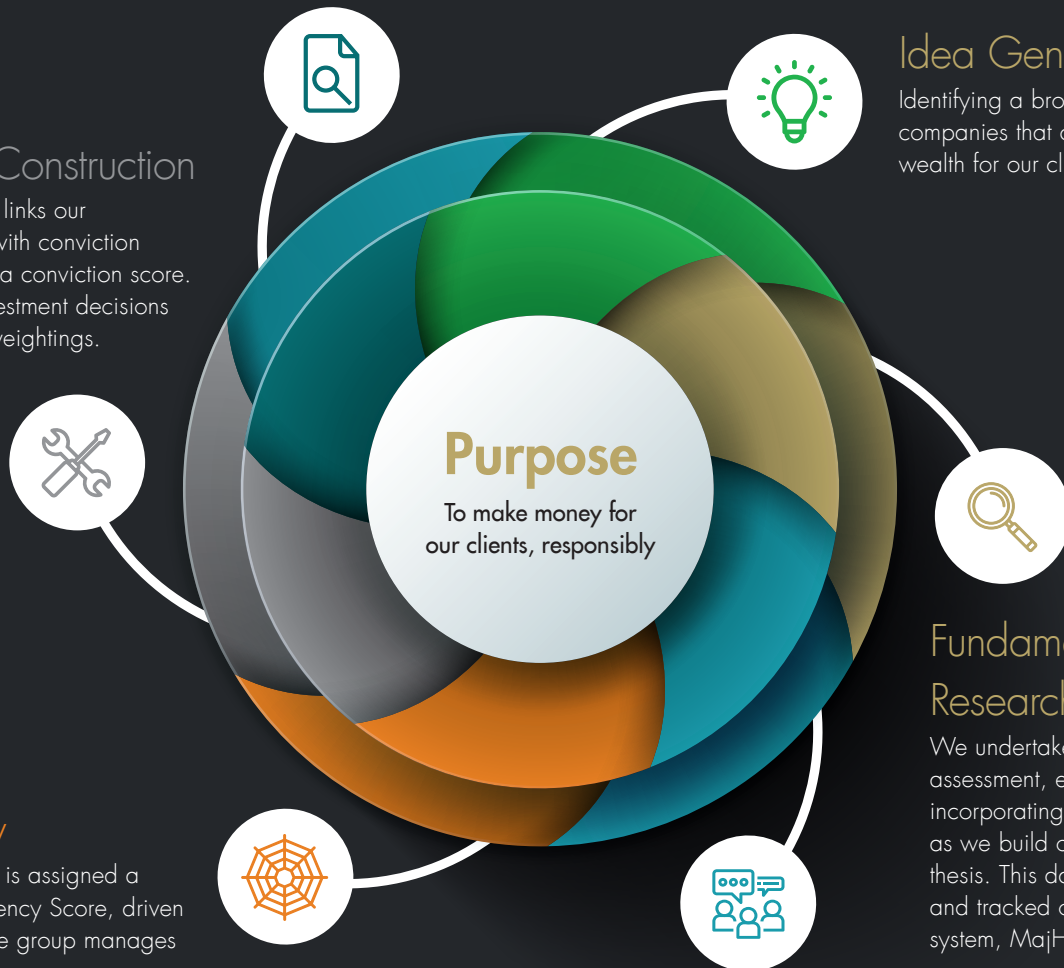
Each company is assigned a propriety Resiliency Score, driven by how well the group manages its key issues.

## Fundamental Research

We undertake a materiality assessment, explicitly incorporating ESG factors as we build our investment thesis. This data is captured and tracked on our propriety system, MajHive.

## Engage

Engagement topics feed from the materiality assessments. We dynamically track and monitor our engagements via MajHive.



## IDENTIFY AND PRIORITISE

The team integrates ESG considerations by undertaking materiality assessments of fund holdings. This enables the team to identify and prioritise the material risks and opportunities that an investment may face over the investable time horizon of GFT's funds, namely the next one to three years. The issues prioritised by the team are specific to each business, rather than determined by top-down checklists which may be too general or not overly specific to the individual holding. To analyse and record this information, the team captures and tracks holistic information on each company, across its operations and locations. Once the team has identified the spectrum of issues that a company faces, it determines the materiality of each by evaluating the likelihood that a risk or opportunity will take place (over the investable time horizon of the fund) as well as the impact that the exposures might have on the underlying business, should they take place. The team maps these exposures, y-axis on a matrix to indicate likelihood and the x-axis to indicate impact. The issues that have a higher degree of likelihood and which could have a higher degree of impact on the business are deemed to be the most material; these are a group's most important exposures. These appear in the upper right-hand quadrant of the materiality matrix, as shown in the example displayed in Figure 1.

## ENGAGE

The team engages holdings on their key risks and opportunities as identified and prioritised during fundamental research and

materiality assessments. These materiality assessments form part of the team's engagement with its holdings. The goal of the team's engagements is to understand how and the extent to which a company is managing its key issues. Where the team finds that a group is not demonstrating efficient management of a risk or opportunity, it engages the company, requesting that the group takes specific steps to manage these more effectively, for the benefit of both the company and its shareholders.

## RESILIENCY

Based on the team's assessment of how a group is managing its key issues, the team assigns a 1-5 rating (5 is the highest) as its proprietary resiliency score, which the team tracks over time. In cases where a company is managing some issues more effectively than others within the same group, the resiliency score may reflect an averaging of its approach across its issues. In practice, the score is often weighted towards the management of higher impact areas. Each member of the investment team provides a rationale for why they have attributed a specific resiliency score. This rationale is amended each time the team updates the score. Resiliency scores may rise or fall when a group improves, or, equally, slips in the management of its key issues. Resiliency scores can also change with the prioritisation of new areas or exposures which may or may not be managed effectively. The resiliency score may feed directly into the conviction score for a holding.

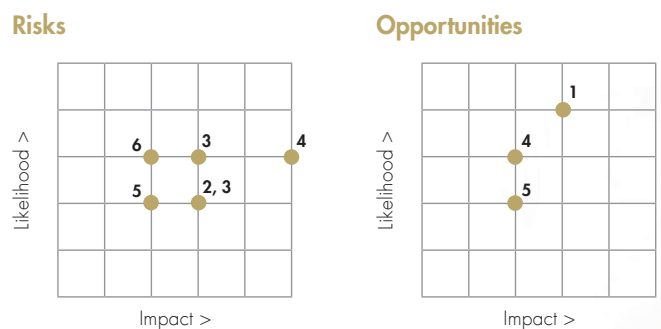


### Dunelm

#### Key issues:

1. Opportunity to gain share in the UK, upside to NPS, which should benefit from online marketing initiatives and CRM. The team has tangible evidence of this important leg of the thesis playing out with market share rising from 7.6% to 10.2% over the Covid period
2. Economic downturn risk to volumes, especially in higher ticket items.
3. Brand damage – responsible sourcing of raw materials. Supply chain oversight.
4. Store space and new formats. Management started to talk again about small space growth.
5. Need to attract and retain the best staff. The CFO left and the new CFO will need to demonstrate if the same tight control of financial guidance is kept.
6. Reduction of waste and packaging, managing end-of-life for products, using durable materials

Figure 1. Assessing and monitoring a Group's material issues



Source: Liontrust



## PORTFOLIO CONSTRUCTION AND CONVICTION

The team assigns each holding a proprietary conviction score which reflects how much conviction the team has that the holding will be a profitable investment in the fund(s). Similar to the resiliency score, the team's conviction score is 1 to 5 (5 is the highest). The conviction score amalgamates all the analysis undertaken by the team and may include, inter alia: macro and micro economic data; the valuation of the company and its competitors; the resiliency score assigned to the company by GFT; the prioritised exposures of a group; and the degree to which the company is managing these. While the team does not use a set equation for the conviction score, each manager assigns their conviction score and is responsible for the rationale for each. The conviction scores, together with other factors such as liquidity and company size, may have an impact on the weightings of each holding in the fund(s). The rise and fall of the team's conviction scores may also lead to an increase or decrease in a stock's weighting (see Figure 1 on the previous page).

## RISK MONITORING

Risk monitoring of the team's funds is undertaken by the team and Liontrust's Portfolio Risk Committee (PRC). The PRC meets regularly and, for GFT, reviews the conviction and resiliency scores of the holdings in the team's funds.



# CASHFLOW SOLUTION TEAM

## INVESTMENT PHILOSOPHY

- ✓ The managers believe cash flow is the most reliable guide to future profitability and stock price valuation. As forecasts are often unreliable, the scale of cash invested to support forecasts is key.
- ✓ The process invests in companies with strong cash flows and/or are attractively valued on cash flow and run by company managers committed to an intelligent use of cash flow.
- ✓ Investments are based on detailed analysis of company report and accounts.
- ✓ The investment process allows the managers to vary the style exposure of the fund to suit different market environments.

## TEAM FACTS

- ✓ Team manages around 6% of Liontrust's total AuMA (as at the end of December 2023)
- ✓ Funds are managed by James Inglis-Jones and Samantha Gleave
- ✓ Team uses quantitative and qualitative factors in its investment decisions and takes long and short positions in companies

## MORE INFORMATION

- ✓ Available at: <https://www.liontrust.co.uk/fundmanagers/cashflow-solution>



## COMMITMENT TO NET ZERO

The Cashflow Solution team has not committed its funds to Liontrust's support for NZAM. This is due in large part to the lack of reliable data on carbon emissions for the team's holdings.

The Cashflow Solution team does, however:

- incorporate into its stock screen an indication of climate-related risks as they relate to all stocks in the team's investable universe. It does this by evaluating climate-related risks as they relate to the companies identified by the Cashflow Solution investment process.
  - The team uses MSCI ESG ratings and reports as indications of climate-related risks.
  - These reports contain a detailed assessment of holdings' carbon emissions, climate change vulnerability, financing environmental impact and carbon footprints.
- engage with companies where there is particular cause for concern (or a company's climate score is particularly poor) in its management of climate-related risks

- monitor and act upon any unexpected changes to profits (arising from a number of extraneous sources, some of which may be as a consequence of climate risks) through the use of the team's Secondary scores.

## ENGAGEMENT PURPOSE/OBJECTIVES

- The team undertakes engagement with those holdings which are flagged by MSCI as having potential controversies relating to human rights, business practices, high carbon emission or other (potentially controversial) issues.
- For these, the team (or the Responsible Capitalism team, on its behalf) engages with holdings to understand the company's perspective on its potential involvement or behaviour in these areas. The team also seeks to understand what a company with higher carbon emissions is doing to reduce its footprint.

## Engagement on climate change

During the year, the team engaged its holdings on a variety of climate change related issues, including:

Company	What the group does	Date	Discussion topic(s)	Discussion summary	Impact on investment decision (if any)
Mercedes-Benz Group AG	German multinational automotive group	May 2023	Diesel emissions	Since Mercedes had issues with falsifying emissions over a decade ago, it has improved its risk management and has not had any new issues with diesel.	None
Groupe Renault ("Renault")	French automobile manufacturer	June 2023	Emissions breaches; EVs	Like other car manufacturers following the VW emissions scandal, Renault has been investigated for similar activities. However, no court decision has been handed down.  In terms of electric vehicles ("EVs"), Renault has built EVs and its E motor for over a decade and the proportion of its vehicles that are electric has risen substantially.	This engagement helped reinforce the team's conviction in GSK.
TotalEnergies	French multi-national integrated energy company	May 2023	Green hydrogen projects; interim targets for net zero	TotalEnergies has begun green hydrogen projects around the world, anticipating that in time a real market will develop for green hydrogen. In terms of net zero, the group believes it can achieve net zero by 2050 with an energy portfolio of 50% in renewables and electricity, 25% in low carbon (e.g. new molecules- biofuels, biogas, hydrogen and e-fuels) and 25% in oil and gas. The group's capex strategy to 2030 is for a third to be in low carbon energies. TotalEnergies is selling off its oil sands portfolio in Canada.	None

## Engagement on climate change

During the year, the team engaged its holdings on a variety of climate change related issues, including:

Company	What the group does	Date	Discussion topic(s)	Discussion summary	Impact on investment decision (if any)
Industria de Diseño Textil, S.A. ("Inditex")	Spanish multinational clothing company	January 23	Human rights; supplier oversight	The team engaged Inditex following accusations that the group had changed its tolerance stance for human rights abuses (Inditex had removed a statement for its Zara brand saying it would not tolerate human rights abuses). During engagement, Inditex related that it retains its no tolerance policy; that it has oversight of its supply chain with monitors and auditors on the ground; that it enforces its code of conduct for suppliers; and that around 98% of its products are sourced from A and B rated suppliers.	This engagement provided the team with enough comfort to initiate a position.
Banco Santander, S.A ("Santander")	Spanish multi-national financial services group	September 2023	Business practices	The team engaged on potential controversies, as highlighted by MSCI, around anti-competitive practices, customer relations, labour practices, and bribery and fraud. The group promised to update the team on these areas. With regard to labour management, the group is using internal surveys to get feedback from employees.	None
Société Générale S.A ("SocGen")	French financial services group	October 2023	Project financing	SocGen stated that it plans to streamline its business portfolio to align more with ESG, partly by simplifying its holdings across its business and focusing on where it can be profitable. The group commits to working with clients on (clients') net zero plans, accelerating its own decarbonisation plans, and looking for new, energy-efficient technologies and approaches. The group has also set new carbon reduction targets; for funding for oil and gas projects, these include: a 70% reduction in absolute carbon emissions by 2030 and an 80% reduction in upstream oil and gas exposure by 2030 versus a baseline of 2019.	None
Compagnie de Saint-Gobain S.A ("St Gobain")	French multi-national group which produces a range of materials	August 2023	Grenfell tower updates; alleged water contamination	Since the Grenfell cladding issue, St Gobain has implemented a number of improvements in its systems relating to product quality and safety, including whistleblowing procedures and incorporating ESG checklists into the group's control framework. Also, the group has facilities with alleged water contamination. Class action lawsuits have been settled for sites in New York and Vermont and the group is working with local authorities on other sites.	None
UniCredit S.p.A	International banking group	August 2023	Factoring carbon into lending decisions; sanctions fine in May 2019	UniCredit has been part of the Net-Zero Banking Alliance (NZBA) since 2021. In January 2023, the group published its targets for the Oil and Gas, Automotive and Power Generation sectors and will set net zero 2030 interim targets for other sectors by 2024. UniCredit is defining its group position plan, which will be updated by 2024. The group's main objective is to support clients in their climate transitions. It has policies on fossil fuels, including coal and oil and gas. In terms of the sanctions fine in May 2019, the group was fined \$1.3 billion by the US authorities for its role in helping clients from countries like Cuba, Iran, Libya and Sudan to circumvent US sanctions. This case has been concluded, both legally and economically, and the group has put controls in place to avoid future (related) issues.	None

## ADHERENCE TO LIONTRUST'S CONTROVERSIAL WEAPONS POLICY

- The Cashflow Solution team adheres to this policy, which excludes investment in companies with involvement in cluster munitions, anti-personnel land mines, biological weapons and/or chemical weapons.
- Liontrust's controversial weapons policy can be found on the following web page: <https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor>

## Cashflow Solution team's investment process

The Cashflow Solution process can be best described as focused on the forensic analysis of historic cash flows and balance sheet development as presented by companies in their annual report and accounts.

The team focuses on the historic cash flows generated and invested by companies to support their forecast profits growth. As forecasts are often unreliable, the scale of cash invested to support forecasts is key.

In the team's experience, companies that generate significant free cash flow after investments prove to be rewarding stock market purchases.

Companies that invest significantly more cash than they can produce to back bold forecasts of future growth often disappoint. Therefore the

team pays particular attention to both the quality and sustainability of company cash flow and the valuation investors attach to it.

For long/short portfolios the aim of the investment process is to complement the team's long investments with short sales of expensive companies run by company managers who combine over-confidence in their forecasting ability with a willingness to back their forecasts with substantial growth in operating assets such as property, equipment and stock.

They tend to generate very significant cash outflows after investments and carry significant forecast risk. If their profit forecasts prove too optimistic, the toxic blend of high financial leverage as a result of significant cumulative cash outflows, falling profitability and an expensive valuation often leads to a devastating impact on share price performance.

### STAGE 1

#### DEFINING INVESTABLE UNIVERSE

The first stage is to define the investable universe of companies with sufficient liquidity within the target geographic region.

### STAGE 2

#### CREATING THE CASHFLOW CHAMPIONS WATCHLIST

In order to identify companies' annual cash flow, balance sheet development and valuation efficiently across all equity markets, the team uses a simple screen as a starting point for further qualitative analysis. The investment screen consists of two cash flow ratios that are combined equally to highlight the characteristics that the team seeks.

The first is a quality screen (cash flow relative to operating assets) and the second is a value screen (cash flow relative to market value).

- **Cash flow relative to operating assets:** This ratio gives the managers a good idea of cash flow profitability and the scale of asset investment that has been undertaken. It provides them with a good sense of management prudence, financial leverage and sustainable growth potential.

- **Cash flow relative to market value:** The second ratio ranks companies according to how investors value a company's cash flow. It provides the managers with a good indication of investors' expectations regarding forecast growth and the potential stock return if those forecasts are wrong.

The ratios have been developed over a number of years and contain the managers' own proprietary definition of operating assets and cyclically adjusted, normalised cash flow (in a normal year excluding temporary or exceptional items).

Stocks are ranked in order of attractiveness across the two screens. The top 20%, or quintile, comprises the Cashflow Champions from which stock selections will be made for long-only portfolios. The top 20% of the list contains companies that are cheaper than the market (as measured by cash flow yield) with cash returns on operating assets that are better than the market.



STAGE  
3

### FUNDAMENTAL RESEARCH AND SECONDARY SCORING

The team's entire focus for the long-only investments is on this Cashflow Champions list. The team then conducts fundamental research on these stocks, scrutinising their annual report and accounts.

Cash flow data and balance sheet changes are often subject to large exceptional items or reflect a particular business cycle or accounting change. The aim at this qualitative stage is to make sure that the cash flow ratios accurately reflect the investment opportunity the managers are looking for.

They work carefully through all the accounts, notes and annual commentary. They look closely for any changes in accounting policies, unusual revisions to prior year accounts, the focus of remuneration policy and the stated forecasts for growth. The team wants to understand the management culture of the company. They do not attempt to understand a company's operations in enormous detail but do want a clear understanding of the importance they attach to cash flow generation and forecast risk. Companies are assessed according to four 'secondary scores', refining their cash flow attributes and style factors within the team's screen:

- **Momentum:** Businesses with strong momentum, high margins (indicative of an economic moat) and self-funded growth.

- **Cash Return:** Stable businesses with robust balance sheets, returning cash to shareholders through share buybacks, debt paydown and dividends (shareholder yield)
- **Recovering Value:** Recovering businesses with management focused on reining in capital expenditure and imposing working capital control, eager to return cash to shareholders. Investors are generally sceptical, hence the low conventional valuation
- **Contrarian Value:** Companies that have experienced prolonged tough trading conditions, with management responding by restructuring and selling off assets. Investors are very sceptical.

Once a shorter list has been generated through the application of secondary scores, the fund managers undertake qualitative analysis on these companies. The team:

- undertakes fundamental research, scrutinising the companies' annual report and accounts
- updates the data with any changes stemming from balance sheet changes impacted by large exceptional items or reflecting a particular business cycle or accounting change
- assesses the Group's management culture
- checks the MSCI ESG score for the stock to understand if there are concerns about the company from an ESG perspective

STAGE  
4

### MARKET REGIME INDICATORS

The managers apply a set of key proprietary indicators which allow them to designate the prevailing market regime. This, in turn, allows the team to optimise portfolio construction, targeting growth or value exposure as appropriate by emphasising

different secondary scores within stock selection. For long/short portfolios, net market exposure is also dynamically adjusted according to the market regime indicators. The key indicators the managers analyse include valuations, investor anxiety, corporate aggression and market momentum.

STAGE  
5

### PORTFOLIO CONSTRUCTION

The final stage of the process is to select stocks for portfolios. For long-only strategies, the managers believe the best returns are achieved through concentrated portfolios of 30 to 50 stocks that are equally weighted at inception. The managers focus on selecting stocks for portfolios from a diverse list of different industries with the uniting common thread of strong cash flows and the best secondary score attributes as identified by their regime indicators.

# GLOBAL INNOVATION TEAM

## INVESTMENT PHILOSOPHY

- ✓ The team believes innovation is a major driver of stock returns
- ✓ This is demonstrated by academic evidence and reflected in the team's own experience
- ✓ Innovative companies achieve higher long-term stock returns because:
  1. Innovative companies achieve superior growth
  2. Innovative companies build superior barriers to competition
  3. Innovative companies are resilient and adaptable in tough times

## TEAM FACTS

- ✓ Team manages approximately 2% of Liontrust's AuMA (as at end December 2023)
- ✓ Team is led by Storm Uru and James Dowey
- ✓ Team manages the Liontrust Global Innovation Fund, the Global Dividend Fund and, since February 2023, the Global Technology Fund
- ✓ Team's investment process originated in 2017

## MORE INFORMATION

- ✓ Available at: <https://www.liontrust.co.uk/fund-managers/global-innovation>







## COMMITMENT TO NET ZERO

The Global Innovation team's funds that are committed to net zero are listed in the table below. Note that the fund WACI numbers for end 2023 are computed with the actual AuM of the fund in USD as at the end of December 2023. This methodology differs from the fund WACI numbers to the end of 2022 when the total

AuM of each fund was assumed to be \$1 billion. The change to actual AuM figures comes as Liontrust now has the ability to include this in the computation. Going forward, Liontrust plans to continue using actual AuM when computing WACI numbers so that more accurate, year-on-year WACI comparisons can be made.

Funds	Benchmark used for MSCI ESG analysis	Benchmark WACI end 2019	Fund WACI end 2022	Fund WACI end 2023	End 2023 fund WACI lower than 2019 benchmark WACI by
Liontrust Global Innovation Fund	MSCI AC World	185.9	48.5	21.7	88%
Liontrust Global Dividend Fund	MSCI World	168.2	32.5	35.2	79%
Liontrust Global Technology Fund	MSCI World**	125.0	68.4	24.9	80%

\*\* The Liontrust Global Technology Fund was benchmarked at the end of December 2022 against the fund's performance benchmark, MSCI World Information Technology index. However, continuing the use of this benchmark for comparing the fund's WACI is problematic, as this index is highly concentrated with just three companies making up over 50% of the benchmark. Therefore, the team will benchmark the Fund against the MSCI World index which is comparatively less concentrated.

## ENGAGEMENT PURPOSE/OBJECTIVES

The team engages with its holdings to:

- Primarily, understand their innovation, barriers to competition, management quality and returns on invested capital
- Understand other relevant aspects of the business and risks

## Engagement on climate change

During the year, the team engaged its holdings on climate change-related issues, including:

Company	What the group does	Date	Discussion topic(s)	Discussion summary	Impact on investment decision (if any)
Applied Materials	Semi-conductor equipment	30/11/23	Energy savings through innovative new products	New platform Vistara achieves 35% energy savings over previous platform. New EcoTwin software enables customers to optimize sustainability of semiconductors designs	None

## Engagement on other ESG related topics

The team also engaged holdings on other ESG related topics, including:

Company	What the group does	Date	Discussion topic(s)	Discussion summary	Impact on investment decision (if any)
Twilio	Enterprise communications software	23-24/2/23 24/5/23	Stock based compensation (SBC)	Company has awarded high SBC to management relative to peers, which we continue to monitor and challenge	None

## ADHERENCE TO LIONTRUST'S CONTROVERSIAL WEAPONS POLICY

- The Global Innovation team adheres to this policy, which excludes investment in companies with involvement in cluster munitions, anti-personnel land mines, biological weapons and/or chemical weapons.
- Liontrust's controversial weapons policy can be found from the following web page: <https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor>

## Global Innovation team's investment process

The Global Innovation team believes innovation is a major driver of stock returns, as has been demonstrated by academic evidence and reflected in the team's own extensive experience.

The team invests in innovative companies with strong growth and barriers to competition. It seeks innovation that creates significant value for customers by driving down the prices or driving up the quality of products. Innovative companies that achieve this can create strong customer demand and a competitive advantage, driving strong stock returns.

The team selects innovative companies through the following four-stage process:



**STAGE 1:** The team sets its investible universe to only those companies that are listed, liquid (with a market capitalisation above \$1 billion at the time of purchase) and have the resources to innovate (based on metrics of financial strength).



**STAGE 2:** The team manages the Global Innovation 200 watchlist, a list of the most innovative companies around the world across all sectors and regions.

Every company that makes it onto the list has four attributes:

1. **Innovation:** Creates value for customers by driving down the prices or driving up the quality of products.
2. **Barrier:** Has strong barriers to competition to capture value for shareholders.
3. **Management:** Has good management with the right incentives to execute.
4. **Return on invested capital:** Can convert its investments in innovation into cash.

The team adds approximately 10-20 new companies to the Global Innovation 200 watchlist each year and removes approximately 10-20 laggards.



**STAGE 3:** The team identifies the price it is willing to pay for a company using a 10-year discounted cash flow model. The hurdle to invest is an anticipated 15% annual compound return. As part of valuation the team conducts a risk assessment, including ESG factors.



**STAGE 4:** The team manages the funds based on the following principles:

- Stock weights are determined by each stock's current valuation upside, risk and contribution to the diversification of the portfolio.
- Portfolio fundamentals are monitored through management meetings, company earnings results and other communication and industry research. Risks are monitored and managed using statistical risk models.
- The team's typical intended holding period is three to five years. Stocks are sold for three reasons: they hit their target price, a better opportunity is identified on the watchlist or there is a breakdown in fundamentals.

The team invests across the innovation life-cycle of companies. It invests in 'innovative leaders' – best-in-class companies continually innovating to stay ahead, generating income and capital growth for shareholders – for income and capital growth.

This approach to investing for income differs from the traditional approach of investing in companies with high dividend yields. The team believes many such companies today face considerable structural challenges due to the pace of innovation and change in the economy and, whilst their high yields are otherwise attractive, present significant risk to investors. The team's approach invests in lower-risk companies delivering both income and capital growth.

The team invests in 'innovative disruptors' – innovative companies with significant growth opportunities – for high long-term capital growth. This approach to growth investing differs from that of general growth investing, which groups innovation alongside other sources of growth. The team believes innovation can create more robust growth with higher long-term profitability, as evidenced by higher returns on invested capital for investments in innovation, enabling strong long-term stock returns.

The team believes the technology sector is the most innovative sector in the economy and can achieve particularly high returns applying its philosophy investing in this sector. It believes the best technologies dramatically drive down costs for companies and the prices of products for consumers, growing the market, creating a competitive advantage and driving strong stock returns.

The team takes an evidence-based approach to investing and is guided by a robust academic literature studying the positive effect of innovation on company fundamentals and stock returns.





# GLOBAL FIXED INCOME TEAM

## INVESTMENT PHILOSOPHY

- ✓ The team believes fixed income markets are inefficient and that there are myriad ways of adding value to investors' portfolios. These market inefficiencies are caused by many market protagonists who are not price sensitive, ranging from the macroeconomic distortions caused by central banks to the idiosyncratic scenarios when companies need to raise debt finance and price accordingly.
- ✓ The team's investment process is designed to take advantage of these inefficiencies through a thorough understanding of the economic environment and detailed bottom up bond issuer analysis, which includes the assessment of ESG factors of issuers. The focus is on core, developed market, fixed income investments.
- ✓ The team believes that managing liquidity in bond funds is paramount and, therefore, has a strong preference for large, liquid bonds issued by listed entities.
- ✓ The team seeks good investments rather than buying expensive debt in good companies. This means market analysis must always be coupled with an examination of value. The timing of any investment should be finessed to optimise returns.
- ✓ The team examines the governance practices of its issuers, partly to ensure that there is alignment between owners and managers, and to see if the issuer operates with responsible environmental and social practices to ensure alignment with all stakeholders.
- ✓ As debt investors, the team cannot vote proxies, like equity investors, but can engage issuers on ESG-related factors and other material exposures.

## TEAM FACTS

- ✓ Team manages approximately 1% of Liontrust's total AuMA (as at the end of December 2023)
- ✓ Phil Milburn and Donald Philips head this team of four
- ✓ The team's investment process has been in place since 2018 when the funds were launched

## MORE INFORMATION

- ✓ Available at: <https://www.liontrust.co.uk/fundmanagers/globalfixedincome>

## COMMITMENT TO NET ZERO

The Global Fixed Income team's funds are committed to net zero and are listed below. Note that the fund WACI numbers for 2022 and for 2023 are computed on an EVIC (enterprise value including cash) basis with the actual AuM of the fund in USD as at the end

of December 2023 which differs from the approach at the end of December 2022 which used total AuM for each fund as being \$1 billion. Going forward, Liontrust will aim to use actual fund AuM for this computation so that the figures will be more comparable.

Funds	Benchmark used for MSCI ESG analysis	Benchmark WACI end 2019	Fund WACI end 2022	Fund WACI end 2023	End 2023 fund WACI lower than 2019 benchmark WACI by
<b>BOND FUNDS</b>					
Liontrust GF High Yield Bond	ICE BAML Global	420.2	156.6	125.7	70%
<b>CONTAINS SOVEREIGN DEBT</b>					
Liontrust Strategic Bond	Bloomberg Barclays	276.1	124.4	41.5	85%
Liontrust GF Strategic Bond	Bloomberg Barclays	276.1	128.2	47.5	83%
Liontrust GF Absolute Return Bond	Bloomberg Barclays	276.1	126.9	57.2	79%

## Engagement on climate change

During the year, the team engaged its issuers on a variety of climate change related issues (see examples below.)

Company	What the group does	Date	Discussion topic(s)	Discussion summary	Impact on investment decision (if any)
RWE	Utility	12 Jan 2023	Thermal coal revenues	RWE pivoted on their decision to reduce investments in thermal coal. The team engaged with the company, who included the impact of the Russian invasion of Ukraine behind its reasoning. This is understandable, but does contradict the strategy to reduce coal generation.	Sold out of RWE bonds immediately.
HSBC	Banking	16 Jan 2023	Funding for RWE's thermal coal expansion	HSBC provided the team with a response: HSBC reviewed this transaction as part of its approval processes and was satisfied that it met the parameters of its coal policy, including no net increase in thermal coal mining tonnage, and planned coal phase out by 2030. The transition to net zero requires banks like HSBC to engage with energy clients on their transition plans and support their phased exit from fossil fuels in line with science-based targets. As set out in the team's policies, the team continues to do this in line with its own stated net zero ambition.	The team was satisfied with HSBC's response and retained the position.

### Engagement on other ESG related topics

The team also engaged holdings on other ESG related topics, including:

Company	What the group does	Date	Discussion topic(s)	Discussion summary	Impact on investment decision (if any)
CPI Property	Real estate landlord	21 Nov 2023	Appropriateness of owner taking a dividend given accusations in a short-seller note that the owner has been inappropriately extracting cash and assets from the business	Concerns noted by CEO and a few days later it was announced that the company would not be paying a dividend to its owner for 2023.	Held on to position.

### ADHERENCE TO LIONTRUST'S CONTROVERSIAL WEAPONS POLICY

- The Global Fixed Income team adheres to this policy which excludes investment in companies or issuers with involvement in cluster munitions, anti-personnel land mines, biological weapons and/or chemical weapons.
- Liontrust's controversial weapons policy can be found from the following web page: <https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor>



# Global Fixed Income team's investment process

STEP  
1

## ESG-RELATED SCREENING

The team excludes from its investable universe bond issuers that have involvement with:

- Controversial weapons (cluster munitions, land mines, biological weapons, chemical weapons, nuclear weapons, white phosphorous/blinding agents and depleted uranium) (zero tolerance)
- Civilian weapons (conventional weapons and weapons systems)
- Tobacco products (including the production, distribution, supply and sale of these) (no more than 5% of annual revenue)
- Thermal coal or own thermal coal reserves (no more than 30% of revenues from this)

Or which are:

- deemed by MSCI to be non-compliant with the Global Compact and which have not provided an acceptable explanation or rationale.

The team also excludes from its investable universe sovereign (government issued) debt that has an MSCI ESG rating of BB or lower (these tend to be emerging market issuers where the fund is not focused)

When considering sovereign debt, the team focuses on G7-issued debt where transparency is high and the rule of law is applied in a consistent manner.

STEP  
2

## QUALITY HURDLE

Once the screens have been applied, the team undertakes macroeconomic analysis (top down) and examines issuers (bottom up) for indications of high transparency, competitive advantages, access to capital and liquidity, good governance and sustainability factors. The team uses the same framework to garner a thorough understanding of the economic environment and for bottom-up stock analysis: fundamentals, valuations and technicals (FVT). These three factors are examined regardless of whether the managers are considering a duration position or an investment in a speculative grade rated company. For each investment, fundamental, ESG, valuation and technical factors are considered to ensure consistency in decision making and to provide a flexible approach to bond investment. This means that the level of interest rate and credit risk within the portfolio can be expected to vary materially within the cycle.

The team examines a large range of global macroeconomic variables comprising both hard (official economic data) and soft data (forward-looking activity surveys/indicators). This combination is used to challenge the managers' macroeconomic view and ensure central assumptions about growth, inflation and the economic cycle are still valid. Any topical issues, ranging from sovereign crises to commodity price fluctuations, can be reviewed within this context and their potential to have a meaningful impact suitably gauged. The FVT framework is then applied to the main markets in which the team invests. Fundamentals, a first factor, are crucial but cannot

be viewed in isolation. Absolute and relative valuations, a second factor, are considered: is a bond or market cheap in its own right, and does it offer value against history or any other fixed income asset? Is the investor being compensated for default risk and is there a sufficient illiquidity premium in credit spreads?

Technicals comprise the third factor and analysis here helps determine the timing of entry into and exiting of positions. The team reviews and analyses sentiment and volatility indicators along with surveys showing investor positioning. Structural distortions, such as central bank quantitative easing, are also considered. The team then conducts a line-by-line review of each of the funds' investments. This ensures that each holding is still applicable given the prevailing macroeconomic backdrop and provides a valuable feedback loop to challenge the team's top down view. Additionally, this helps the cross-fertilisation of ideas across the funds, both at the stock level and through the interpretation and extrapolation of any of the team's highest-conviction investment ideas. For example, a strong view on interest rates can have meaningful ramifications for banks based in the respective jurisdiction. If a riskier holding is no longer offering a meaningful upside, the team will look to rotate the position into a new opportunity. Should significant new information arise, the team will react quickly to either protect portfolios or take advantage of market dislocations.

## Three key sources of portfolio alpha: rates, allocation and selection

The three main drivers for fixed income portfolios are rates, allocation and selection. The three categories have numerous alpha sources underlying them, and the team optimises portfolio positioning by adjusting these sources of risk and return. They can be used to target alpha, beta or risk management depending on a fund's mandate.

### Rates

Duration, the interest rate sensitivity of a bond or fund, is one of the biggest traditional drivers of fixed income performance. However, there are so many other levers that can be pulled to aid performance. Yield curve positioning is tremendously useful through the monetary cycle; frequently when short rates rise, longer-dated bonds outperform their shorter-dated cousins (the assumption is the central bank rate rise will reduce longer-term growth). The managers can capture yield curve positions in a duration neutral fashion, thereby prioritising rates' alpha over beta. Cross-market duration trades across developed economies' government bonds are a good alpha source.

As well as conventional fixed income securities, the team can also invest in floating rate debt, which benefits when rates rise, and inflation-linked securities. The difference between the conventional bond and the index linked bond's yield, the breakeven, is another potential performance source.

For core markets, the rates positioning flows straight from the FVT framework. To examine cross-market opportunities and yield curve opportunities, the managers use a quantitative screen. Fundamental and technical analysis is then married with this to evaluate whether the valuation anomaly can easily be used to capture some alpha.

## Allocation

Economic conditions rarely hinder all parts of the fixed income universe. For example, areas with higher credit risk react positively to strong growth, whereas this is a headwind for quality sovereign debt. The managers use quantitative screens, as well as their experience of managing through the cycle, to aid in identifying opportunities. Key to managing through the cycle is avoiding accumulations of sustainability and thematic risk such as exposure to energy prices, changing technologies or financial sector contagion. Examples of sectors that may be removed from the investment universe on the basis that they pose too great a sustainability risk are weapons and arms, tobacco and coal.

## Selection

In judging whether a company is an attractive long-term investment, the managers analyse the following factors, which they call their PRISM:

**P** = Protections (which include operational and contractual, such as structure and covenants)

**R** = Risks (such as credit, business and market)

**I** = Interest cover (leverage and other key ratios)

**S** = Sustainability (ESG component)

**M** = Motivations (ESG component covering ownership and governance)

The Sustainability or S part of the PRISM contains another ESG component in the team's investment process. The team analyses the ESG-related processes undertaken by the issuer.

Environmental and social factors include:

1. environmental risks and resulting contingent liabilities (which should feature as part of any credit analysis)
2. the Board and overall employee mix of an issuer is examined for its diversity
3. relationships with customers; this is analysed as part of the broad understanding of how all stakeholders are treated
4. the accumulation of thematic risks (during portfolio construction, the team seeks to avoid this as it can increase a bond fund's exposure to downside risk, like defaults and stressed prices).

Examples of thematic risks include:

- Commodity price risk in the energy sector where companies are typically highly correlated to the oil price. A rise or fall in the oil price can create a risk or fall in concert based on one exogenous factor.
- Orphan finance risk faced by the coal industry. Investment in companies which have a large part of their revenue coming from the production of coal stand to be cut off from financing options going forward.
- Disruption from technological obsolescence risk

Governance factors (which are also included in the Motivation or M part of the PRISM analysis) include: how the alignment of interests specifically impacts creditors.

For example, investors don't normally consider small Boards lacking independence to be demonstrative of effective governance. Yet creditors may appreciate owner-managed businesses and the care and diligence that can come with a high degree of employee ownership.

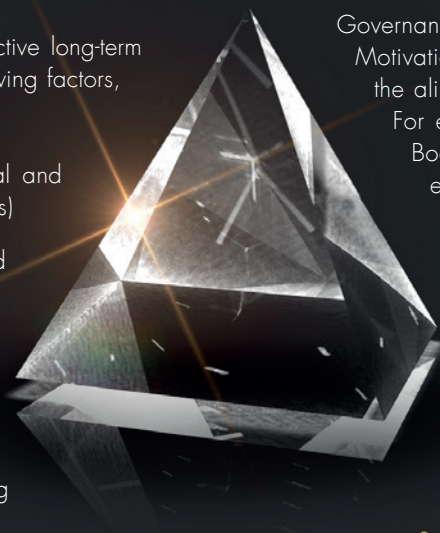
### BIASES IN THE TEAM'S FUNDS AS A RESULT OF ITS INVESTMENT PROCESS

The Global Fixed Income team tends to invest in high-quality issuers which are or demonstrate:

- high levels of transparency (for both historical data and the strategic direction of the companies it lends to)
- public market businesses (within its bond issuers)
- strong competitive advantage
- high market capitalisation, which also tends towards greater access to capital and liquidity

The team's funds tend to avoid or be underweight:

- the parts of the market with lower-quality credit ratings
- all commodity cyclical sectors, including energy, mining, metals and chemicals (these tend not to have much competitive advantage and can have exposure to ESG-related risks)
- large aggregate exposures to combustion engines and bricks-and-mortar retailers



All fund managers have the autonomy to override the prescribed policy on any vote instruction





# PROXY VOTING

## PROXY VOTING AUTHORITY AND RESPONSIBILITY

Liontrust is committed to voting its proxies in every case where it has the authority to do so. The Group has the authority to vote proxies for its pooled vehicles / funds and for segregated clients who have delegated voting responsibility to Liontrust as stipulated within Investment Management Agreements.

## LIONTRUST'S VOTING POLICY

Each of Liontrust's fund management teams has a distinct investment process and this process impacts how each team votes. In each instance, the teams have the right and responsibility to override the Group's proxy voting advisor, ISS, in situations where it is appropriate and in the clients' best interest to do so. Some teams use ISS's research and voting recommendations to inform their voting decisions. Other teams have formulated custom voting policies which dictate the outcome of their voting decisions. All fund managers have the autonomy to override the prescribed policy on any vote instruction. All proxy voting recommendations from ISS follow the investment team's voting policies, as set out below.

Liontrust's investment teams use the following voting policies:

- The Economic Advantage and Multi-Asset teams follow the recommended guidelines of ISS.
- The Sustainable Investment, Cashflow Solution, Global Innovation and Global Fundamental teams follow custom policies which govern their voting for pooled and segregated clients.

ISS benchmarks and custom policies vary, depending on the market capitalisation and geography of an investee company. Clients invested in a pooled mandate cannot override the vote instruction made by the relevant fund manager but are welcome to direct voting in their segregated mandates where this is agreed in advance by contract with Liontrust.

## WHERE VOTING POLICIES AND RECORDS ARE PUBLISHED

- Information on the Group's proxy voting policies can be found from the following web page: <https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor>
- Liontrust's proxy voting records are published on its website quarterly, one month in arrears. These reports can be found at: <https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor>

## PROXY VOTING STATISTICS

### Group level voting 2023

	Total number	% of votable proposals
Proposals voted	12265	98.07% $\Delta$
Votes FOR	10656	86.88% $\Delta$
Votes AGAINST	1044	8.51% $\Delta$
Votes to ABSTAIN	512	4.17% $\Delta$
Votes to WITHHOLD	117	0.95% $\Delta$
Votes WITH Management	10990	89.60%
Votes AGAINST Management	1452	11.84%
Votes WITH Policy	10238	83.47%
Votes AGAINST Policy	134	1.09%
Votes on Shareholder Proposals	268	2.19%

### Group level voting statistics by topic 2023

	Proposals Voted (total)	%
Audit Related	969	7.75%
Capitalization	1546	12.36%
Company Articles	220	1.76%
Compensation	1496	11.96%
Corporate Governance	9	0.07%
Director Election	5189	41.49%
Director Related	717	5.73%
E&S Blended	30	0.24%
Environmental	31	0.25%
Miscellaneous	53	0.42%
Mutual Funds	12	0.10%
No Research	45	0.36%
Non-Routine Business	131	1.05%
Routine Business	1374	10.98%
Social	179	1.43%
Strategic Transactions	88	0.70%
Takeover Related	177	1.42%
<b>Total</b>	<b>12266</b>	<b>98.07%</b>

## Investment team voting statistics

Team	Total Votes cast	Votes in favour	Votes against	Withhold Votes	Abstentions	Against Management	Against Policy
Sustainable Investment Team	2307 (97.75%)	2052 (88.95%)	159 (6.89%)	57 (2.47%)	18 (0.78%)	224 (9.71%)	50 (2.17%)
Economic Advantage Team	2277 (99.96%)	2199 (96.57%)	57 (2.50%)	20 (0.88%)	0 (0%)	74 (3.25%)	32 (1.41%)
Multi-Asset Team	474 (97.33%)	449 (94.73%)	22 (4.64%)	3 (0.63%)	0 (0%)	25 (5.27%)	6 (1.27%)
Global Fundamental Team	5029 (99.29%)	4589 (91.25%)	363 (7.22%)	26 (0.52%)	59 (1.75%)	411 (8.17%)	37 (0.74%)
Cashflow Solution Team	1407 (100%)	1204 (85.57%)	143 (10.16%)	58 (4.12%)	0 (0%)	176 (12.51%)	1 (0.07%)
Global Innovation Team	1092 (94.63%)	806 (73.81%)	176 (16.12%)	23 (2.11%)	51 (4.67%)	234 (21.43%)	17 (1.56%)

### Notes on information and statistics

- In 2023, Liontrust voted at 97.94% (1000 of 1021) of votable meetings. This amounts to 98.07%  $\Delta$  (12,265 of 12,507) of votable proposals. Additionally, 55.34% of meetings saw one or more votes against management. Delta ( $\Delta$ ) represents KPMG's independent limited assurance over certain proxy voting metrics of 2022 data under ISAE (UK) 3000 and ISAE3410. The limited assurance opinion provided by KPMG can be found on page 132
- Information and statistics used are generated from Liontrust's proxy voting platform, ISS. Due to the way in which the ISS templated Vote Summary and Board Statistics reports are run on the ISS Proxy Exchange platform, meetings across all account groups are extracted, meaning that discrepancies in totals may arise. These reports count unique votes separately and non-unique votes as one, whereas the ballot extraction shows all ballots even if they are voting the same way, resulting in the number of total votes instructed to be higher than the number of voteable proposals.
- There are instances in which different investment teams at Liontrust hold votable shares with a company. If these teams apply different investment policies, this may result in the investment teams voting differently from each other on a particular resolution. In these situations, the individual unique vote for the resolution is counted once under each of the voting outcomes. The resolution itself is counted once as an eligible resolution. This results in the sum of the percentage of meeting resolutions/proposals voted For, Against, Abstain and Withheld being over 100%.
- Note: Instructions of Do Not Vote are not considered voted; Frequency on Pay votes of one, two or three years are only reflected statistically, where applicable, but present in the underlying detail; and in cases of different votes submitted across ballots for a given meeting, votes cast are distinctly counted by type per proposal where total votes submitted may be higher than unique proposals voted.

## SHAREHOLDER FILED PROPOSALS

Liontrust's investment teams understand that shareholder resolutions may encompass a wide range of issues. The investment teams (or the Responsible Capitalism Team on their behalf) assess shareholder proposals on a case-by-case basis, considering their materiality and relevance to any investment concerns. The investment teams will consider supporting non-binding shareholder resolutions if the broad purpose of the proposal is aligned with Liontrust's voting policy or addresses potential improvements for the investee company. For binding resolutions, Liontrust's investment teams prefer that a proposal is proportionate, in shareholder interests, focused on improving the reputation and quality of a company's operations and practices, and aligned with Liontrust's policy.

When a company receives a shareholder proposal related to an environmental and/or social issue, Liontrust's investment teams will consider the robustness of the company's existing disclosures and consider how the company is currently managing the related issue(s) in determining how to vote. Vote instructions may be determined on a case-by-case basis.

In 2023, the investment teams did not support certain proposals for a variety of reasons. Shareholder proposals may have been regarded as being too didactic or arbitrary, divergent from existing company strategy, or at times unnecessary, as the company may

have already actioned what the proponent was requesting. To put this into context, Liontrust's investment teams supported 56% of the 67 proposals presented in ShareAction's 2023 Voting Matters report that they were eligible to vote at.

## CONVERSATIONS WITH ISS

Throughout 2023, the Responsible Capitalism team engaged regularly with ISS. The Group found ISS to be highly responsive and also constructive in its approach to resolving problems. The matters the Group engaged ISS on were varied. These included day-to-day operational matters such as queries regarding the content of and timely publishing of research recommendations, liaising with custodians to ensure amended instructions were processed, and account and policy administration and consolidation.

At the end of proxy season, Liontrust participated in ISS's review. The Group fed back, highlighting concerns, such as that ISS' research guidelines for large cap companies are also the ones applied to UK small cap issuers. The Group also felt it would be helpful to receive ISS's research updates earlier in advance of the voting deadline. ISS took these comments on board. ISS also provided Liontrust with training on reporting features available in the ISS platform. ISS has kept Liontrust up to date with proxy voting related regulatory changes and requirements and industry best practice.



## MONITORING VOTING RIGHTS

Liontrust exercises its voting rights by aiming to vote actively its equity holdings whenever possible. The Group considers this to be a key element in fulfilling its fiduciary duty to clients while also supporting effective corporate governance practices of investee companies. Liontrust's Responsible Capitalism team monitors all meetings to ascertain if there are contentious policy recommendations. This could include recommendations to vote against management-filed proposals. The Responsible Capitalism team sends research from proxy advisor, ISS, to the fund manager responsible for the holding prior to the cut-off date for a vote. Fund managers, assisted by the Responsible Capitalism team, retain the right to change vote instructions on a case-by-case basis. For example, fund managers may choose to change a vote instruction following engagement with a company and/or subsequent holistic analysis of the vote recommendation.

To ensure the investment teams are consulted on potentially material proposals, the Responsible Capitalism team sends alerts about holdings involved in the following activities:

- Mergers & Acquisitions/disposals
- Related party transactions
- Mandatory takeover bid waivers
- Re-incorporation proposals
- Shareholder proposals
- Other non-routine items or controversial items

Each investment team has discretion to vote as per its adopted voting policy. Should it choose to vote against its own policy, the team is required to provide a rationale as to why it has chosen to do so. This information is maintained centrally by the Responsible Capitalism team.

## SIGNIFICANT VOTES

Liontrust defines a 'significant vote' as follows:

- By the size of holding: where Liontrust funds hold more than 5% of a company's market capitalisation;

AND

- Where there is a contentious vote (defined as where the voting recommendations of management and ISS are different. This could be about remuneration, board composition, director elections etc);

OR

- Where there is a vote at a special meeting about a merger or acquisition;

OR

- Where the vote is a shareholder proposal

Examples of significant votes, by investment team:



## SUSTAINABLE INVESTMENT

Company	Abcam Plc
Meeting Type	Annual
Date of vote	17/05/2023
Why vote is considered significant	Vote against a company's remuneration where the voting policy recommended a vote in support of management.
Proposal summary	Approve Remuneration Report
Vote instruction:	Against
ISS/Custom Policy Recommendation	For

**Voting rationale:** Over the last few years, Liontrust's Sustainable Investment team have had several interactions with Abcam regarding the group's remuneration policies and the transparency of its targets and reporting. Following an initial meeting on the company's Value Creation Plan in early 2021, the Sustainable Investment team wrote to Abcam's Chairman expressing two key concerns. One concern regarded reasons for setting bonuses. This followed a letter to shareholders suggesting a need for larger rewards to be paid out due to prior performance not being sufficiently compensated, rather than correctly setting stretching targets ahead of time. Another concern related to the lack of disclosure around benchmarks used to determine target payouts. When these were disclosed, the Sustainable Investment team disagreed with the set of peer group companies which Abcam had benchmarked themselves against. Since writing its letter, the Sustainable Investment team felt its concerns were never fully addressed and Abcam continued to show questionable use of benchmarks, as demonstrated by some of the communications around the Danaher acquisition. Overall, the team was left with the impression that the Company was aiming to be sold and executives paid out quickly, rather than prioritising employees and shareholders.





## ECONOMIC ADVANTAGE

Company	James Cropper Plc
Meeting Type	Annual
Date of vote	26/09/2023
Why vote is considered significant	Withholding support on the re-election of a board member where more than 5% of the company's market capitalisation is held.
Proposal summary	Re-elect Mark Cropper as Director
Vote instruction:	Abstain
ISS/Custom Policy Recommendation	Abstain

**Voting rationale:** The Economic Advantage team abstained on Mark Cropper's re-election as his position on the remuneration committee compromises its independence. The Economic Advantage team views Board committee independence as extremely important.



## MULTI-ASSET

Company	Pantheon Infrastructure Plc
Meeting Type	Annual
Date of vote	30/03/2023
Why vote is considered significant	Vote against a Board member
Proposal summary	Elect Vagn Sørensen as Director
Vote instruction:	AGAINST
ISS/Custom Policy Recommendation	AGAINST

**Voting rationale:** A vote against the election of Vagn Sørensen was considered prudent as the director was classified as 'over boarded' by Liontrust's proxy advisor, ISS. Sørensen served in various non-executive roles at other publicly listed companies; specifically, as the Chair of two companies, including Pantheon Infrastructure Plc. This could compromise his ability to commit sufficient time to his role at Pantheon Infrastructure Plc.





## GLOBAL FUNDAMENTAL (UK)

Company	Mears Group Plc
Meeting Type	Annual
Date of vote	23/06/2023
Why vote is considered significant	Vote against Board member when ISS' benchmark voting policy recommended a vote in favour.
Proposal summary	Re-elect Chris Loughlin as Director
Vote instruction:	AGAINST
ISS/Custom Policy Recommendation	FOR

**Voting rationale:** As part of the GFT's engagement with Mears Group, the team feels the director has not shown himself to be a particularly engaged board member. The team was concerned that this seemed unlikely to change should the director be appointed Chair. The team hold the company's executive management in high regard but also believe Mears could benefit from a broader set of skills at board level, ideally being led by someone with more recent commercial executive level roles, instead of by a director whose primary experience is in the regulated water sector.



## GLOBAL FUNDAMENTAL (GLOBAL)

Company	Vertiv Holdings Co.
Meeting Type	Annual
Date of vote	14/06/2023
Why vote is considered significant	This vote was withheld
Proposal summary	Elect Director Joseph van Dokkum
Vote instruction:	Withhold
ISS/Custom Policy Recommendation	Withhold

**Voting rationale:** In line with the recommendations of proxy advisor, ISS, the Global Fundamental team cast a withhold vote for the election of Governance Committee Chair Joseph van Dokkum. This was due to the board's failure to remove, or subject to a sunset requirement, the supermajority vote requirement to enact certain changes to the governing documents which adversely impacts shareholder rights.





## CASHFLOW SOLUTION

Company	JD Sports Fashion Plc
Meeting Type	Special
Date of vote	09/10/2023
Why vote is considered significant	Vote at a special meeting regarding a merger or acquisition
Proposal summary	Approve Acquisition by JD Sports Fashion plc of shares in Iberian Sports Retail Group, S.L. from Balaiko Firaja Invest, S.L. and Sonae Holdings, S.A.
Vote instruction:	FOR
ISS/Custom Policy Recommendation	FOR

**Voting rationale:** The Cashflow Solution team supported the acquisition of shares in Iberian Sports Retail Group by JD Sports because the company provided a compelling rationale in support of the transaction. The benefit of having strong complementary concepts supports the 'JD first' global growth strategy as stated in the meeting circular: "ISRG is a highly successful business and a leader in sports goods retail in Iberia. By bringing the ISRG sports good retail concepts and the JD businesses closer together, there is significant potential for accelerating growth." There were no known material concerns with the proposed transaction.



## GLOBAL INNOVATION

Company	Salesforce, Inc.
Meeting Type	Annual
Date of vote	08/06/2023
Why vote is considered significant	Vote against a shareholder proposal
Proposal summary	Require Independent Board Chair
Vote instruction:	AGAINST
ISS/Custom Policy Recommendation	AGAINST

**Voting rationale:** Liontrust's Global Innovation team took into account the findings of proxy advisor, ISS, which recognised recent positive structural changes including the reduction of the complexity of its leadership structure, requiring that the lead independent director be elected only by and from independent directors, and adding robustness to the lead independent director role. While ISS noted some compensation concerns, as well as the company's underperformance versus its peers over the short-term, they did not find any concerns regarding board or committee independence, or the company's governance practices. As a result, a vote against this shareholder-filed proposal was cast, in line with the recommendations of management.



## EXAMPLES OF SPECIFIC TYPES OF VOTES

Clients sometimes request examples of specific types of votes that Liontrust's investment teams have cast. During 2023, there were examples of the following types of votes:

- A vote against the board: see the example above from -
  - The Economic Advantage team for James Cropper's AGM
  - The Multi-Asset team for Pantheon Infrastructure's AGM
- A vote against a shareholder resolution: see the example above from -
  - The Global Innovation team for Salesforce's AGM
- A vote that was not in line with Liontrust's voting policy: see the example above from -
  - The Global Fundamental team (UK) for Mears Group's AGM
- A vote that was withheld: see the example above from -
  - The Global Fundamental team (Global) for Vertiv Holdings AGM

## OUTCOMES OF RESOLUTIONS

Liontrust monitors the outcomes of resolutions that it votes. For reference, see the proxy voting examples above from the Economic Advantage team and the Global Fundamental team.

## FIXED INCOME AND VOTING

Liontrust has two fixed income teams: the Sustainable Fixed Income Investment team and the Global Fixed Income Investment team. Both teams vote on corporate actions in relation to their portfolio holdings, which may involve minor amendments to existing indentures or, on occasion, decisions on accepting terms for tender arrangements.

The Liontrust Sustainable Fixed Income team's focus is predominantly on investment grade issuers and, given the size of assets under management in corporate bonds, it is unlikely to be invited to initial discussions on transactions and the structuring of new corporate bond issues. The team does engage with its holdings on ESG aspects and any controversies that have arisen. For example, the team engaged directly with water utility companies to gain a better understanding of how ESG risks are being managed. More specifically, questions were raised with a focus on combined sewer overflows, health & safety incidents, monitoring and budgeted maintenance. The team also engaged with telecommunication companies on data privacy breaches and customer satisfaction and with banks to gain a better understanding of corporate governance, executive pay and how

ESG risks are managed, with a focus on environmental factors. All engagement ultimately initiates from the science-based targets set by international treaties such as the Paris Agreement.

As part of the Liontrust Global Fixed Income team's process, it judges whether a company is an attractive long-term investment by analysing factors which they call "PRISM". The 'S' in the PRISM research framework stands for Sustainability in relation to environmental and social factors. The team seeks sustainable investments in all senses: investing in issuers that can service their debt beyond the maturity of any bonds purchased and not be subject to large contingent liabilities or technological disruption. The 'M' stands for Motivation: in assessing how the interests of the managers and owners of a company are aligned with bond investors. Effectively, this is about good governance. The team's preference is for considerable alignment, with owners and management invested in the success of their company for the long term and whose motivations are aligned with those of bondholders.

## SHARE/STOCK LENDING AND RECALL

Liontrust operates a share lending programme when it believes it is in the best interests of investors or it is requested by clients. If stock has been loaned, then the fund manager gives up the voting rights and must recall the loaned stock to vote. Liontrust's Responsible Capitalism team aims to recall stock, whenever possible, through the relevant custodian prior to a meeting deadline. The team also restricts stock being loaned when it is aware of an upcoming meeting.

## ISSUES RELATING TO PROXY VOTING DURING 2023

During the year under review, Liontrust encountered a proxy voting incident when one of the Group's custodians transferred coverage of the UK market to a sub-custodian. There were transition issues, the most significant of which was that ballots were filed with ISS by both the incumbent provider and the new sub-custodian. This resulted in duplicated ballots.

These duplicated ballots impacted the voting cut-off date and brought it forward over a weekend. The Group nearly missed the cut-off deadline for casting a vote which was categorised as a "significant" vote by Liontrust. As a result, the Responsible Capitalism team engaged with ISS which took a proactive stance and liaised with the custodian to ensure Liontrust's votes were cast as the Group had intended. ISS then investigated the issue retrospectively.

Liontrust also engaged directly with the custodian and sub-custodian and asked the custodian to improve its processes so an event like this would not be repeated.

## LIONTRUST BACKGROUND INFORMATION

Liontrust is an independent asset manager – independent in that it is owned by its shareholders and not by other businesses. In 1999, Liontrust listed on the London Stock Exchange.

At the end of December 2023, the Group's seven investment teams had a total of £27.8 billion of assets under management and advice (AuMA) for clients around the world.

### LIONTRUST'S HISTORY

From its launch of Liontrust in 1995, Liontrust has never had a Chief Investment Officer (CIO), has always focused on those areas of investment where it has expertise and has provided investment teams with the freedom to manage their funds and portfolios according to their own investment processes. Each team must have robust and scalable investment processes which help to create in-built risk controls. For the first 11 years of its

existence, Liontrust only offered funds and mandates that invested in UK equities. This changed with the formation of the Cashflow Solution team in 2006 and the subsequent launch of European equity funds.

Since John Ions became Chief Executive in 2010, Liontrust has grown significantly, with the pace accelerating after the acquisition of the Sustainable Investment team from Alliance Trust Investments in 2017. The different acquisitions over the years have enabled Liontrust to broaden and diversify both its investment capability and distribution.

## LIONTRUST'S TIMELINE

1990s

2000s

- 1994** Founding and incorporation of Liontrust
- 1995** Liontrust launches with Vinay Abrol as the first employee
- 1996** Ellen Windsor is appointed Chair
- 1997** Anthony Cross joins Liontrust from Schroders
- 1998** UK Smaller Companies Fund launches
- 1998** Liontrust's Economic Advantage team began incorporating the analysis of corporate governance issues of the stocks in which it invested into its investment process.
- 1999** Liontrust lists on the London Stock Exchange as Liontrust Asset Management PLC

- 2004** Bernard Asher is appointed Chair
- 2006** Cashflow Solution team forms and launches European Growth (now Dynamic) Fund

### KEY

Eg **1998** = Liontrust's general history

Eg **1998** = Liontrust's ESG history



## 2010s

- 2010** Adrian Collins becomes Chair
- 2010** John Ions becomes Chief Executive
- 2011** Liontrust acquires Irish fund range
- 2013** Multi-Asset team joins through acquisition of North Investment Partners
- 2014** Liontrust joins FTSE Small Cap Index
- 2015** Liontrust sets up a Luxembourg base
- 2017** Liontrust opens Edinburgh office
- 2017** Liontrust acquired its Sustainable Investment team as part of Liontrust's acquisition of Alliance Trust Investments. This team only manages sustainable funds.
- 2018** Liontrust forms Global Fixed Income team
- 2019** Global Equity and Global Innovation teams join through the acquisition of Neptune Investment Management
- 2019** Alastair Barbour becomes Chair

## 2020s

- 2020** Acquires Architas UK Investment Business to expand Multi-Asset proposition
- 2020** Liontrust enters the FTSE 250 index
- 2020** In 2020, Liontrust's Sustainability and Stewardship Committee was established and chaired by CEO John Ions.
- 2021** Liontrust won three major group awards in the same year: Group of the Year at Investment Week's Fund Manager of the Year Awards; Asset Manager of the Year at the Financial News Asset Management Awards; and Best Fund Group at the Shares Awards
- 2022** Global Fundamental team joins through Majedie Asset Management acquisition
- 2022** The Sustainability and Stewardship committee was renamed the Responsible Capitalism Committee and in 2023 was chaired by the Head of Responsible Capitalism.
- 2022** Liontrust acquired Majedie Asset Management and renamed the investment team the Global Fundamental Team ("GFT"). This team undertakes materiality assessments (which include the assessment of ESG related exposures) as part of its investment process, thereby fully integrating ESG considerations into the investment decisions.



## LIONTRUST'S OPERATING PHILOSOPHY

Liontrust strives for excellence in its products, service and people, and prides itself on the quality of its investment teams as well as the knowledge and ability of its employees across the business.

The Group seeks to provide outstanding service and is transparent about the management of its investment products, services and the business. It aspires to communicate clearly and frequently to all stakeholders.

Liontrust is client focused. Clients are at the heart of the Group's business decisions, operational planning, risk management, fund innovation, and day-to-day operations.

The Group values its independence of thought. Liontrust's fund managers have the courage of their convictions, which are derived from their differentiated and rigorous investment processes. The Group believes investment processes are key to long-term performance and

effective risk control. Staying true to their documented investment processes helps the investment teams to create an in-built risk control for their teams, especially in more challenging environments. Being clear and transparent on investment processes means investors in Liontrust funds and portfolios know exactly how each team manages the money that Liontrust's clients entrust to them.

Liontrust also believes that a diverse workforce promotes innovation and growth through independent thinking and new ideas. Group employees are responsible for supporting each other, collaborating and being open to challenge and debate. All employees have a responsibility to act in the best interests of investors and shareholders. Liontrust seeks to uphold the highest standards of integrity in all of its actions.

## LIONTRUST'S BUSINESS MODEL

Liontrust's business model is designed to operate effectively to achieve the Group's strategic objectives across Fund Management, Distribution and Operations:

### FUND MANAGEMENT

The quality and performance of Liontrust's fund management teams is one of the Group's competitive advantages. Liontrust has a single fund management division consisting of seven fund management teams which manage a range of pooled and segregated funds using distinct investment processes and a centralised trading team. The teams' rigorous investment processes ensure that Liontrust manages clients' assets in a predictable and repeatable way. Liontrust fosters an environment in which fund managers can focus on managing money and not be distracted by other day-to-day administration and other aspects of running a business. The fund management teams are based in the Group's London and Edinburgh offices.

### DISTRIBUTION

The strength of Liontrust's brand, the breadth and depth of its client base and the relationships the Group has with its investors are competitive advantages Liontrust's distribution and marketing teams promote Group funds and portfolios in the UK and internationally. In the UK, the Group markets to institutional investors, discretionary fund managers, wealth

managers, financial advisers and personal investors. Outside the UK, the Group is focused on selling to institutional investors, family offices, private banks, wealth managers and multi-managers in a number of countries. Liontrust's brand has been strengthened over the past few years following marketing activities that include client events, advertising, sponsorships, PR and both print and digital communications.

### OPERATIONS

Liontrust's Operations team supports Liontrust's clients, fund managers and its sales and marketing teams. Liontrust has a single Operations division, designed to support a fast-growing business, and has moved to the model of using one external administrator – Bank of New York Mellon (BNYM). Having a single Operations function and administrator ensures Liontrust's fund management, sales and marketing divisions have the appropriate tools to be effective; provides executive management with the performance, compliance and risk monitoring information required to manage the business; and supports the requirements of external stakeholders such as clients, investors, shareholders and regulators.

## GROUP STRUCTURE

Liontrust Asset Management Plc's (the "Company") principal activity is to act as a holding company for a group of investment management companies (the "Group").

The Company's shares are quoted on the Official List of the London Stock Exchange. The Company is domiciled in the UK and is incorporated in England and Wales. The Group operates principally in the United Kingdom with an international operating subsidiary in Luxembourg.

It has four operating subsidiaries as follows:

Subsidiary name	Subsidiary principal activities
Liontrust Fund Partners LLP	A financial services organisation managing unit trusts and is the authorised corporate director for Liontrust's UK domiciled funds. It is authorised and regulated by the Financial Conduct Authority.
Liontrust Investment Partners LLP	A financial services organisation offering investment management services to professional investors directly, through investment consultants and through other professional advisers, which is authorised and regulated by the Financial Conduct Authority. Liontrust Investment Partners LLP is also approved as an Investment Manager by the Central Bank of Ireland and is an SEC Register Adviser.
Liontrust International (Luxembourg) S.A.	A distribution business authorised and regulated by the CSSF in Luxembourg
Liontrust Portfolio Management Limited	A financial services organisation offering investment management services to professional investors directly, through investment consultants and through other professional advisers. It is authorised and regulated by the Financial Conduct Authority and is an SEC Register Adviser. Formerly Majedie Asset Management acquired on 1 April 2022, and transferred its activities to other group entities with effect from 1 October 2022.

In addition to the principal operating subsidiaries listed above, the Company has the following other 100% owned subsidiaries:

- Liontrust Investment Funds Limited and Liontrust Investment Services Limited which act as the corporate member in Liontrust Fund Partners LLP and Liontrust Investment Partners LLP respectively
- Liontrust Investment Management Limited, acquired pursuant to the acquisition of Neptune Investment Management Limited in October 2019

Liontrust Advisory Services Limited and Liontrust Multi-Asset Limited were acquired as part of the acquisition of the Architas business and are currently being liquidated



# RESPONSIBLE CAPITALISM AND RISK MANAGEMENT

Responsible Capitalism and the assessment of risk and opportunity go hand in hand, both in terms of Liontrust's own business operations (at the Group level) and in terms of the investments the Group's fund management teams make on behalf of clients (at the investment level).

Understanding the risks for the Group enables Liontrust to focus its efforts on mitigating those exposures, so that its business, as an asset manager, is more efficient and able to service clients better. Similarly, it may be helpful for the investment teams to understand the main risks and opportunities that their investments face, especially within the context of their individual investment processes. Many of the main risks that Liontrust's own business faces are similar to those that are faced by Liontrust investee companies.

The Group provides details on its investment teams' investment processes and the engagements each has undertaken during the reporting period.

## LIONTRUST AND RISK - HOW THE GROUP ASSESSES RISK

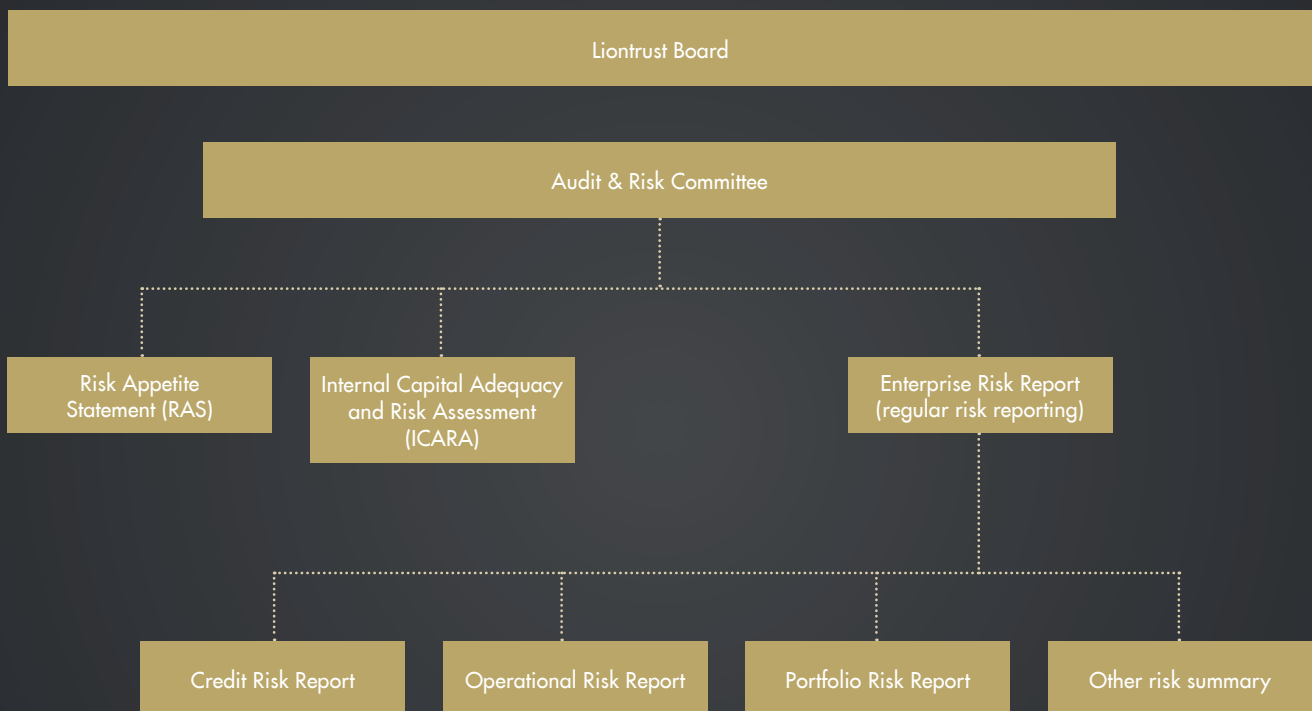
Liontrust reports extensively on its risk management processes and systems in the Liontrust Asset Management PLC Annual Report and Financial Statements. The Group thinks holistically about risk and is building in opportunity assessment into this framework. As noted in

the Liontrust Asset Management PLC Annual Report and Financial Statements, Liontrust's Enterprise Risk Management (ERM) framework is overseen by the Risk team and is used to ensure that the Group regularly reviews and monitors all the potential areas of risk to the business. This framework enables management, the Audit & Risk Committee, and the Board to be kept fully informed of potential risks to the business and how these risks would impact the Group's capital adequacy.

In terms of its investments, Liontrust monitors its investment teams and funds to ensure prudent levels of risk are taken to meet the investment objectives and policies of the funds. The funds have pre-determined risk controls and these are supported by the investment teams, the investment processes and by the Risk team.

## LIONTRUST'S RISK STRUCTURE

The diagram below summarises the key elements of the Group's ERM Framework which is based around these risk areas to ensure a consistent approach across the framework.





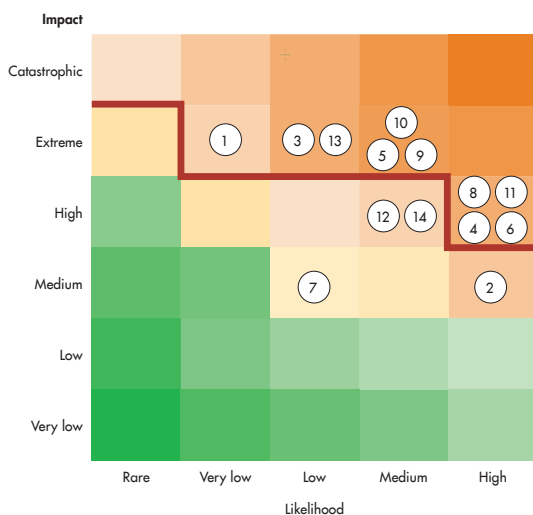
## LIONTRUST'S RISK IDENTIFICATION AND PRIORITISATION PROCESS

The Group's ERM utilises a top down, bottom up and 360-degree approach. The ERM Risk Profile is compiled by conducting Risk and Control Self-Assessments (RCSAs) to create the ERM Risk Register, which is a register of risks from across the business. Each department is involved with identifying, prioritising and setting out plans for mitigating its key risks. These risks are given a likelihood within a specific time frame and within specific cost categories, which enables the Group to map them by degree of likelihood and impact to the overall business. This register specifies the controls for each risk and an assessment of their likelihood and potential impacts. The ERM Risk Profile and the most material risks from the Risk Register go to the Board regularly for review. The Group's compliance and risk functions provide further assistance with identification and prioritisation of issues by monitoring regulatory, legal and industry developments.

## THE FUNCTION OF THE RAS, ICARA AND THE ENTERPRISE RISK REPORT

- The Risk Appetite Statement (RAS) identifies key risks, their materiality, and their likelihood of occurrence and sets the amount of risk the Group wants to take or is willing to accept to achieve its business objectives.
- The Internal Capital Adequacy and Risk Assessment ("ICARA") combines the RAS and the Group's financials together with scenario analysis and stress testing to determine how the realisation of risks might impact on the Group's capital and regulatory requirements. (The ICARA replaced the Internal Capital Adequacy Assessment Process, or ICAAP, in 2022).
- The Enterprise Risk Report brings together the ongoing risk identification, management, monitoring and risk reporting across the risk universe. This helps ensure that any change in the risk environment and the Group's risk profile, as measured against the RAS, is communicated effectively to the Board. The Group differentiates between those risks that are within the management's influence and risks that are outside it.

### Inherent risk:



### Risk Areas

1. Credit Risk
2. Market Risk
3. Operational risk – Internal Fraud
4. Operational risk – External Fraud
5. Operational risk – Employment Practices and Workplace Safety
6. Operational risk – Clients, Products & Business Practice
7. Operational risk - Damage to Physical Assets

- Risks that are within management's influence include the expansion of the business, prolonged periods of underperformance, loss of key personnel, human error, poor communication and service leading to reputation damage and fraud.
- Risks outside the management's influence include pandemics, regulatory change, climate change, falling markets, terrorism, a deteriorating UK economy, investment industry price competition and hostile takeovers.

## RESPONSIBLE CAPITALISM-RELATED RISKS FOR THE GROUP

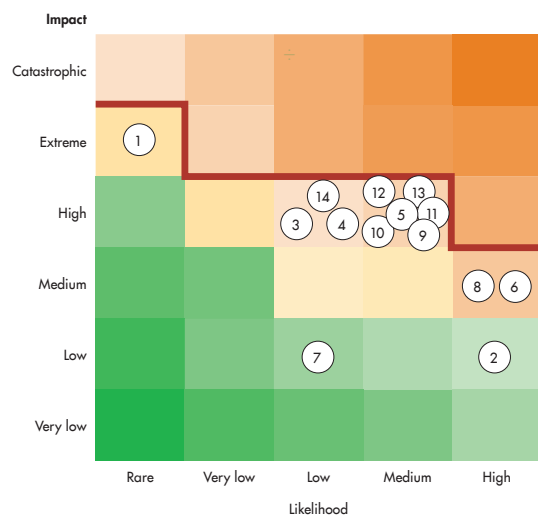
In the Liontrust Asset Management PLC Annual Report and Financial Statements, the Group publishes its heat map for inherent risks (the level of risk the Group takes on to achieve its objectives) and residual risks (the level of risk that remains once Liontrust has put actions in place to mitigate its risks). This is reprinted here for the purposes of highlighting those key issues that are related to Responsible Capitalism; that is, those risks that are related to ESG issues. From this heat map, the key, Responsible Capitalism-related, residual risks which lie within the Group's influence include:

- People and talent management
- Client management – risks around poor client servicing
- Employment practices, including risks related to discrimination, workers' compensation, outsourcing, and workplace health and safety
- Regulatory, Compliance, Conduct and Financial Crime
- Operational risks – internal and external fraud (including cyber security) and market manipulation (by Liontrust employees)
- Business risk – including the risks around poor integration of Acquisitions

From an operational perspective, the Group continued to have exposure in 2023 to:











- Attracting and retaining talent
- Internal fraud
- Employment practices

### Residual risk:



8. Operational risk – Business Disruption & Systems Failures
9. Operational risk – Execution, Delivery & Process Management
10. Business risk
11. Client management
12. Portfolio Management, Investment risk and Liquidity
13. People / Talent management
14. Regulatory, Compliance, Conduct and Financial Crime

## MANAGEMENT OF RESPONSIBLE CAPITALISM-RELATED RISKS

Key RC related risk	Steps taken to mitigate this risk	Overall success of these steps in 2023
Loss of people and talent	During 2023, Liontrust expanded its Senior Leadership programme to include a second and third cohort for leadership training. It has also offered coaching to staff, will start an internship programme in summer 2024, has expanded its DEI programme, and offers employees a number of competitive benefits.	 Successful and  Ongoing
Sub-optimal client servicing	The Group continues to offer clients outstanding service. It has improved its reporting and communication via its video and written insights, website and presentations. Liontrust continues to seek client feedback and action points raised through Consumer Duty panels, client surveys, directly and through the website	 Successful and  Ongoing
Instances of discrimination, poor compensation, outsourcing problems, or health and safety breaches	Liontrust strives to be a responsible company and investor, respecting human rights, paying its employees fairly, and ensuring that health and safety assessments are completed, as required.	 Successful and  Ongoing
Regulatory, Compliance, Conduct and Financial Crime	Liontrust worked diligently in 2023 to keep up with regulatory and reporting changes, including those in the ESG Sustainability -related space. The Group has oversight of its conduct and any potential risks relating to financial crime.	 Successful and  Ongoing
Fraud, cyber security breaches, market manipulation	Cyber security is the responsibility of all Liontrust employees. All staff undertake regular cyber security training. The Group's compliance team keep a log of conflicts of interest and of risks, more generally – these are managed and regularly reviewed. Employees are also required to clear any trades for personal accounts in advance of trading, helping to minimise this exposure.	 Successful and  Ongoing

### Climate-related risks

While over the short to medium term Liontrust does not have high exposure to climate change-related risks (compared to the exposure it has in other areas), the Group does have exposure to different risks related to climate change and global warming. These exposures are outlined in Liontrust's TCFD report which is published on Liontrust's website and referenced in the Liontrust Asset Management PLC Annual Report and Financial Statements for FY 2022/23.

The Group will report on these exposures in its TCFD entity level report which will be published on Liontrust's website by end June 2024 and in its upcoming annual report and financial statement for FY 2023/24.

### Integrating climate risk into Group risk frameworks

Liontrust's prudential risk statement regarding climate-related risks states that the Group continues to work on integrating climate risk into Group-risk frameworks. It has introduced various scenarios into its annual internal capital adequacy and risk assessment (ICARA) to simulate the impact of climate change on its prudential risk requirements and resources. To date, the Group's climate risk modelling does not directly undertake climate scenario testing.

## PROMOTING WELL-FUNCTIONING MARKETS

As an asset manager, Liontrust has spheres of influence in which it can be a helpful influence to the market, to its employees, to stakeholders and to the environment.

Part of this influence comes in the promotion of well-functioning markets through its participation in the market and market-related associations as an asset manager.

Liontrust takes several steps to play its part in ensuring markets function as efficiently as possible. It does so, partly, by working to mitigate risks concerning systemic or market-wide risks. Generally, these reflect situations or conditions under which an investor may experience a decline in value of their investment due to failings of the wider financial system, including bank collapse or exchange failure and may also include risks around broker-dealers placing erroneous orders on market exchanges. These risks might also include the collapse of an entire market or financial system.

How Liontrust identifies and assesses market-wide and systemic risks  
As discussed in the Liontrust and Risk section, the Liontrust Enterprise Risk Management Framework provides a systematic framework for identifying, assessing, monitoring and reporting on risks. The Internal capital adequacy and risk assessment (ICARA) process sits within the framework and provides a top-down view of risks including harms associated with market-wide and systemic risks. The ICARA details the risks and controls as well as performing scenario modelling to examine the impact of market-wide and systemic risks on Liontrust to demonstrate the firm's resilience.

### MITIGATING THESE RISKS

To play its part and help mitigate these risks, Liontrust:

- Manages its own risks well by identifying and prioritising its own inherent and residual risks. The Group publishes a heat map in the Liontrust Asset Management PLC Annual Report and Financial Statements that helps put these risks into context (with each other) and also publishes steps the Group takes to manage several of the issues it faces. The Board oversees this aspect of the Group's business.
- Makes reports to the FCA on any suspicious trading activity. Liontrust will report any suspicious trading it uncovers as part of its monitoring processes.
- Provides training for fund managers on how to appropriately manage and avoid inside information and on acting in collusion to minimise the risk that either action takes place.
- Considers the material risks and opportunities (including those that are ESG related) in many of our investment processes. Potential exposures include, but are not limited to, climate change; biodiversity; diversity and inclusion; supply chains; human rights; etc.
- Is well capitalised. As of March 2023, the Group had total shareholders' equity of £221 million (March 2022: £184.2 million), helping to ensure the efficient running and protection of the business.
- Monitors Credit Risk. The Group monitors the credit risk within the overall market as well as the risk faced by our key counterparties. This aims to alert the business to any potential instability and proactively mitigate any significant risks, such as primary bank failure.
- Controls direct market exposure. The Group has limited foreign exchange and interest rate exposure due to the fact that the business has no debt and largely deals within the UK.
- Works to minimise systemic risks through industry participation. Liontrust does this, in part, by:
  - Being members of industry associations to promote good market regulation and behaviour
  - Participating in specialist committees addressing market issues
  - Responding to market consultations on new regulations
- Assesses and is working to reduce its emissions. Liontrust will continue to report via its TCFD entity level and product level reports on its emissions levels and will also report in 2024 on its progress against (investment-related) carbon reduction targets. Liontrust also continues to offset its emissions.



# RESPONSIBLE CAPITALISM – REVIEW AND ASSURANCE

## OVERSIGHT AND ACCOUNTABILITY

Liontrust's Responsible Capitalism and stewardship-related practices are overseen by the Group's Board, executive directors and its Responsible Capitalism Committee. Liontrust's Compliance, Risk, and Legal teams provide oversight and act as second lines of defence for the Responsible Capitalism team, which carries out the Group's ESG, sustainability, and stewardship work for the PLC and which helps Liontrust's investment teams report on ESG.

## APPOINTMENT OF LIONTRUST INTERNAL AUDITORS

In Q4 2021, Liontrust appointed Grant Thornton as third party, external auditors to undertake a four-year plan of audits across Group departments. Audits began in August 2022, focusing on the Responsible Capitalism team and on the Group's culture. Preliminary reports on these first audits were provided to senior management in Q1 23. Since then, Grant Thornton has followed up and continued to monitor points raised in its initial review to ensure that actions are taken to make the Group's internal processes as robust as possible.

## AUDIT OF RESPONSIBLE CAPITALISM

In August 2022, Liontrust undertook an internal audit, led by Grant Thornton, on its Responsible Capitalism team, which has undergone considerable change since April 2022. The internal audit was undertaken to ensure, among other things, that correct oversight is in place for Responsible Capitalism; that the team is effectively working to evidence Group statements on ESG integration; that ESG, sustainability and stewardship-related policies are robust and reflect what the Group is doing and says it does; and that the team is sufficiently resourced for its purpose. The Responsible Capitalism team, along with other Group departments, continues to work with the internal auditor to help facilitate the review and implement any actions necessary. The audit will continue over the next few years to ensure effectiveness of systems and governance structures.

## AUDIT OF LIONTRUST'S KEY ESG METRICS

Liontrust engaged KPMG LLP to perform independent limited assurance over certain metrics of its gender diversity, proxy voting and GHG Scope 1 and 2 information for the calendar year 2023 (a similar review was done and reported on for calendar year 2022). Specific metrics in scope for limited assurance are detailed in the KPMG limited Assurance report on page 132. The Delta  $\Delta$  symbol used in this report denotes the specific metrics that were assured.

## COMPLIANCE AND SIGN-OFF

For all client, investor and stakeholder communications, Liontrust has a sign-off process through its Compliance and/or Legal teams. These processes are followed for all information that the Responsible Capitalism team produces for external consumption to ensure that information is correct, that reporting standards are met, and the correct compliance procedures are followed.

## INTERNAL ANNUAL REVIEW OF MATERIALS

In the first quarter each year, the Responsible Capitalism team undertakes a review of its proxy voting guidelines and related policies. Updates to these were made in 2023 (and in 2022, as reported in last year's Responsible Capitalism report.) All updates and changes are approved by the Responsible Capitalism Committee and are seen by the Board members who attend the Responsible Capitalism Committee meetings – namely, the Chair and the Board member with oversight for Responsible Capitalism. Other Board members attend the Committee meetings as they see fit.

## RATIONALE FOR THIS APPROACH

Liontrust has internal compliance and sign-off to ensure adherence to required regulations and laws regarding marketing and providing information to clients, investors and wider stakeholders. The Group believes these processes and systems effectively monitor and ensure adherence to requirements. Liontrust employed the help of external auditors to ensure that its internal systems are functioning well and to understand how the Group can improve these, if at all, going forward.

## EXTERNAL REPORTING ON RESPONSIBLE CAPITALISM-RELATED ACTIVITIES

Liontrust reports in a number of ways during the year on its Responsible Capitalism activities, which cover ESG, sustainability, and stewardship. A description of the reports that Liontrust produces for clients on these areas can be found in the section on Clients in this report.

## ENSURING FAIR, BALANCED, AND UNDERSTANDABLE REPORTING

Liontrust makes every effort to ensure that its reporting, factsheets, marketing materials, and communications with clients, investors and stakeholders are accurate. The Group aims to communicate in language that is clear, relevant, engaging and useful. Liontrust undertakes internal and external audits, research and tests communications to understand what is effective and is well received by clients and investors.

## IMPROVING STEWARDSHIP

Continual oversight and review of Liontrust's Responsible Capitalism activities and reporting help ensure the Group integrates ESG considerations in its investment processes (where applicable), engages with holdings (as per each team's investment process), votes its proxies (as required), and communicates clearly on each step of its processes. Both internal and external audits ensure the Group is aware of any Responsible Capitalism or stewardship-related areas that could improve and serve to give the Group assurance that it is utilising best practice across these areas.





.....  
Liontrust reports in a number of ways during the year on its Responsible Capitalism activities, which cover ESG, sustainability, and stewardship.

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## **Independent Limited Assurance Report of KPMG LLP to Liontrust Asset Management plc**

KPMG LLP (“KPMG” or “we”) were engaged by Liontrust Asset Management plc (“Liontrust Asset Management”) to provide limited assurance over the Selected Information described below for the year ended 31 December 2023.

### **Our conclusion**

Based on the work we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of the remainder of this report, in particular the inherent limitations explained below and this report’s intended use.

### **Selected Information**

The scope of our work includes only the information included within the ‘Net Zero’, ‘Employees’ and ‘Proxy Voting’ sections of Liontrust Asset Management’s Responsible Capitalism Report (“the Report”) for the year ended 31 December 2023 marked with the symbol  $\Delta$  (“the Selected Information”) (and also listed in Appendix 1).

We have not performed any work, and do not express any conclusion, over any other information that may be included in the Report or displayed elsewhere on Liontrust Asset Management’s website for the current year or for previous periods unless otherwise indicated.

### **Reporting Criteria**

The Reporting Criteria we used to form our judgements are the ‘Liontrust Reporting Criteria on Selected Metrics’ as set out in Liontrust’s Responsible Capitalism Report (“the Reporting Criteria”). The Selected Information needs to be read together with the Reporting Criteria.

### **Inherent limitations**

The nature of non-financial information; the absence of a significant body of established practice on which to draw; and the methods and precision used to determine non-financial information, allow for different, but acceptable evaluation and measurement techniques and can result in materially different measurements, affecting comparability between entities and over time. The Reporting Criteria has been developed to assist Liontrust Asset Management in reporting ESG information selected by Liontrust Asset Management as KPIs to measure the progress of its sustainability strategy. As a result, the Selected Information may not be suitable for another purpose.

### **Directors’ responsibilities**

The Directors of Liontrust Asset Management are responsible for:

- designing, operating and maintaining internal controls relevant to the preparation and presentation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- selecting and/or developing objective Reporting Criteria;
- measuring and reporting the Selected Information in accordance with the Reporting Criteria; and
- the contents and statements contained within the Report and the Reporting Criteria.

### **Our responsibilities**

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been properly prepared, in all material respects, in accordance with the Reporting Criteria and to report to Liontrust Asset Management in the form of an



independent limited assurance conclusion based on the work performed and the evidence obtained.

### **Assurance standards applied**

We conducted our work in accordance with International Standard on Assurance Engagements (UK) 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* ("ISAE (UK) 3000") issued by the Financial Reporting Council and, in respect of the greenhouse gas emissions information included within the Selected Information, in accordance with International Standard on Assurance Engagements 3410 *Assurance Engagements on Greenhouse Gas Statements* ("ISAE 3410"), issued by the International Auditing and Assurance Standards Board. Those standards require that we obtain sufficient, appropriate evidence on which to base our conclusion.

### **Independence, professional standards and quality management**

We comply with the Institute of Chartered Accountants in England and Wales ("ICAEW") Code of Ethics, which includes independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the IESBA Code of Ethics. The firm applies International Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Summary of work performed**

A limited assurance engagement involves planning and performing procedures to obtain sufficient appropriate evidence to obtain a meaningful level of assurance over the Selected Information as a basis for our limited assurance conclusion. Planning the engagement involves assessing whether the Reporting Criteria are suitable for the purposes of our limited assurance engagement. The procedures selected depend on our judgement, on our understanding of the Selected Information and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

The procedures performed included:

- conducting interviews with Liontrust Asset Management's management to obtain an understanding of the key processes, systems and controls in place over the preparation of the Selected Information;
- selected limited substantive testing, including agreeing a selection of the Selected Information to corresponding source documentation;
- considering the appropriateness of the carbon conversion factor calculations and other unit conversion factor calculations used by reference to widely recognised and established conversion factors;
- reperforming a selection of the carbon conversion factor calculations and other unit conversion factor calculations;
- recalculating the intensity metric, dividing total emissions by full time equivalent data, as provided by Liontrust Asset Management's HR department;
- performing analytical procedures over the aggregated Selected Information, including a comparison to the prior period's amounts having due regard to changes in business volume and the business portfolio; and
- reading the narrative within the Report with regard to the Reporting Criteria, and for consistency with our findings.





The work performed in a limited assurance engagement varies in nature and timing from, and is less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

**This report's intended use**

Our report has been prepared for Liontrust Asset Management solely in accordance with the terms of our engagement. We have consented to the publication of our report on Liontrust Asset Management's website for the purpose of Liontrust Asset Management showing that it has obtained an independent assurance report in connection with the Selected Information.

Our report was designed to meet the agreed requirements of Liontrust Asset Management determined by Liontrust Asset Management's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Liontrust Asset Management for any purpose or in any context. Any party other than Liontrust Asset Management who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

**Jatin Patel**

**for and on behalf of KPMG LLP**

Chartered Accountants

15 Canada Square

London

E14 5GL

25 April 2024

The maintenance and integrity of Liontrust Asset Management's website is the responsibility of the Directors of Liontrust Asset Management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information, Reporting Criteria or Report presented on Liontrust Asset Management's website since the date of our report.



## Appendix 1 – Selected Information

The Underlying Selected Data that constitutes the Selected Information is listed below. The information in this Appendix needs to be read together with the limited assurance report and the Reporting Criteria.

<b>Metric</b>	<b>Units</b>	<b>Value</b>
Scope 1 emissions	(tCO <sub>2</sub> e)	13.6
Scope 2 emissions (location-based)	(tCO <sub>2</sub> e)	51.7
Scope 2 emissions (market-based)	(tCO <sub>2</sub> e)	5.98
Scope 1 and Scope 2 emissions per employee (location based)	(tCO <sub>2</sub> e per employee)	0.303
Scope 1 and Scope 2 emissions per employee (market based)	(tCO <sub>2</sub> e per employee)	0.091
% of Votes of Votable Meetings	%	98.07
% of Meeting Resolutions where Liontrust Voted For	%	86.88
% of Meeting Resolutions where Liontrust Voted Against	%	8.51
% of Meeting Resolutions where Liontrust Abstained On Voting	%	4.17
% of Meeting Resolutions where Liontrust Withheld Upon Votes	%	0.95
Overall Gender Diversity (Male : Female)	%	59:41
Gender split by Board members (Male : Female)	%	57:43
Gender Diversity by Employees (Male : Female)	%	55:45
Gender Diversity by Partners (Male : Female)	%	87:13

### Reporting criteria

The reporting criteria against which subject matter assertions are reported is noted below.

KPMG LLP were engaged to perform an independent Limited Assurance engagement under ISAE (UK) 3000 and ISAE 3410 over selected information contained within the Liontrust Responsible Capitalism Report for calendar year 2023, marked with the symbol  $\Delta$ .

The data was provided by relevant teams at Liontrust, including HR, Facilities and Finance, and was collated by the Responsible Capitalism team for inclusion in the report.

### Reporting criteria for gender diversity

#### Background

The information used to derive the gender diversity numbers is extracted from Liontrust's HR system 'Moorepay' where there are two categories Male and Female, as per the HMRC stipulation for payroll purposes. This data is collected at the point of hire or as a transfer of data from companies we have acquired. Gender status is validated against passports and self-certification by employees. Figures reported are on headcount.

The Liontrust reporting period for all human capital data reflects the calendar year 2023 for the Responsible Capitalism report.

#### Metric

Gender split overall (employees and partners).

#### Scope and definition

All employees and partners of Liontrust as at 31 December 2022.

The criterion for an employee is someone who is given an employment contract from the Company and is subject to and protected by the various employment legislation and does not include contracted staff. For members of the LLP, this is by invitation by the LLP members and is in effect a limited liability partnership agreement between Liontrust Investment Services Limited and Individual Members.

#### Metric

Gender split by employees

#### Scope and definition

All employees of Liontrust as at 31 December 2023.

#### Metric

Gender split by Partners (Members of the LLPs)

#### Scope and definition

All partners (Members of the LLPs) of Liontrust as at 31 December 2023.

#### Metric

Gender split by Board

#### Scope and definition

All members of the Board of Directors of Liontrust as at 31 December 2023.

### Reporting criteria for annual proxy voting

In preparing proxy voting figures for the calendar year (1 January to 31 December 2023), Liontrust report on the percentage of eligible meetings voted, percentage of meetings where we voted at least once against management or abstained on a meeting resolution, percentage of meeting resolutions we voted For, Against, Abstained on and Withheld on.

KPMG are engaged to assure the figures of the percentage of eligible meetings voted, percentage of meeting resolutions/proposals voted For, Against, Abstain and Withheld for the calendar year



Key definitions are tabled below:

<b>Resolutions/Proposals</b>	Resolutions/Proposals are used interchangeably and refer to all agenda items presented at either an Annual General Meeting or Special meeting (to include Court meetings) by both Management and Shareholder proposals.
<b>'Eligible' meeting</b>	Where Liontrust portfolios hold voteable shares in underlying publicly listed companies, Liontrust are eligible to exercise voting rights at shareholder meetings
<b>For/Against/Abstain/Withhold</b>	For - Refers to a vote instruction in favour of a management or shareholder proposal, where Liontrust are satisfied with the components of the proposal.  Against - Refers to a vote instruction of a management or shareholder proposal, where Liontrust are not satisfied with the components of the proposal.
<b>For/Against/Abstain/Withhold</b>	For – Refers to a vote instruction in favour of a management or shareholder proposal, where Liontrust are satisfied with the components of the proposal.  Against – Refers to a vote instruction of a management or shareholder proposal, where Liontrust are not satisfied with the components of the proposal.  Abstain – Refers to a proposal where Liontrust choose to not exercise their voting right.  Withhold – Refers to a vote instruction of a management or shareholder proposal, where Liontrust are not satisfied with the components of the proposal – only relevant where there is not a voting option for an 'Against' vote
<b>ISS Proxy Analysis &amp; Benchmark Policy Voting Recommendations ('ISS research')</b>	ISS research refers to the research report received from ISS outlining its analysis of each management and/or shareholder proposal of an AGM/Special meeting.
<b>Liontrust Custom Policy</b>	Liontrust Custom policy refers to the bespoke geographical voting policies as defined under "relevant jurisdiction" below.
<b>Liontrust Custom Research</b>	Liontrust Custom research refers to the research report received from ISS, adopting Liontrust Custom policies to each management and/or shareholder proposal of an AGM/Special meeting.
<b>Relevant jurisdictions</b>	Jurisdictions for the purpose of voting policies will capture the geography/country of the domiciled country of the underlying publicly listed company. Liontrust operates four geographical voting policies to include: <ul style="list-style-type: none"> <li>• • United Kingdom (FTSE 350) and Ireland (ISEQ20), and United Kingdom FTSE small cap and AIM</li> <li>• • Europe excl. United Kingdom &amp; Ireland</li> <li>• • United States and Canada</li> <li>• • Rest of the World</li> </ul>

<sup>1</sup>Austria, Belgium, Bulgaria, Croatia, the Czech Republic, Cyprus, Denmark, Estonia, the Faroe Islands, Finland, France, Germany, Greece, Greenland, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Spain, Slovakia, Slovenia, Sweden, and Switzerland.

<sup>2</sup>Markets under the Liontrust Custom Rest of the World Policy: Argentina, Australia, Brazil, Cayman Islands, Chile, China, Colombia, Hong Kong, India, Indonesia, Israel, Japan, Korea, Latin America, Malaysia, Mexico, New Zealand, Peru, Philippines, Russia, Singapore, South Africa, South America, Taiwan, Thailand.

Developing & Emerging markets under the Liontrust Custom Rest of the World Policy: Argentina, Brazil, China, Colombia, India, Indonesia, Korea, Latin America, Malaysia, Mexico, Peru, Philippines, Russia, South Africa, South America, Taiwan, Thailand

## PROCESS BEHIND DATA COLLECTION, COLLATION AND VALIDATION

Information for this reporting is derived from the ISS Proxy Exchange platform based on information for meetings held in the calendar year 01 January to 31 December 2023.

To derive the vote statistics for the year, Liontrust use the ISS Templated Board Statistic report. The report is run over the reporting period 1 January 2023 to 31 December 2023 under the main Liontrust account for which below mentioned investment teams fall into. We account for all institutional and custodian accounts and exclude closed accounts. The data derived from this report is included in the Responsible Capitalism Report.

### Liontrust investment teams adopt the following voting policies

Investment team	Policy adopted
Sustainable Investment	Liontrust custom policy
Economic Advantage	ISS Proxy Analysis & Benchmark Policy Voting Recommendations
Multi-Asset	ISS Proxy Analysis & Benchmark Policy Voting Recommendations
Global Fundamental	ISS Proxy Analysis & Benchmark Policy Voting Recommendations
Cashflow Solution	Liontrust custom policy
Global Innovation	Liontrust custom policy

### Assumptions and additional points to note

The vote summary report counts unique votes separately and non-unique votes as one whereas the ballot extraction shows all ballots even if they are voting the same way, resulting in the number of total votes instructed to be higher than the number of voteable proposals.

There are instances where different investment teams at Liontrust hold votable shares with a company. If these teams apply different investment policies this can result in cases where these different investment teams vote differently on a resolution. In these situations, the individual unique vote for the resolution is counted once under each of the voting outcomes. The resolution itself is counted once as an eligible resolution.

### Voting against policy

Each investment team has discretion to vote against its adopted policy. Should it choose to do so, the fund manager is required to provide a rationale to the Responsible Capitalism team as to why it has chosen to "go against policy".

## REPORTING CRITERIA – GREENHOUSE GAS EMISSIONS (GHG):

Liontrust Asset Management plc (Liontrust) engaged a third-party consultant to calculate its operational Scope 1, Scope 2 and Scope 3 (purchased goods & services and business travel) emission for the calendar year. The reported calendar year spans from 1 January 2023 to 31 December 2023.

KPMG are engaged to assure the figures for Scope 1 & 2 market and location based only which are denoted by a  $\Delta$  throughout the report.

### Methodology:

Liontrust's GHG inventory was calculated in accordance with the Greenhouse Gas Protocol - A Corporate Accounting and Reporting Standard (Revised Edition) (GHG Protocol), developed by the World Resources Institute/World Business Council for Sustainable Development. It is an international standard that is widely regarded as best practice for greenhouse gas (GHG) accounting and reporting. This has guidance for the various components of an organisation's annual GHG inventory and is focused on the following principles: relevance, completeness, consistency, transparency and accuracy. A third-party consultant performs the Liontrust GHG emissions calculations.

The inventory includes all relevant Scope 1 and 2 emissions categories, as well as a Scope 3 emissions from Purchased Goods & Services and Business Travel.

All six greenhouse gases covered by the Kyoto Protocol – carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF<sub>6</sub>) were included. GHG emissions are converted and reported in as carbon dioxide equivalents (CO<sub>2</sub>e) using standard long-term global warming potentials (GWP-100).

The relevant GHG sources that constituted the agreed operational boundary for the reporting calendar year are:

- Scope 1: Oil-based heating for offices (Luxembourg only)
- Scope 2: Purchased electricity consumption for own use (Location based and Market based)
- Scope 3: All relevant categories, including purchased goods & services; capital goods; upstream transportation and distribution; fuel-and-energy-related activities; waste; business travel (air, rail, road and hotel stays); and employee commuting (commuting and homeworking emissions)

The Scope 1 emissions were calculated using the Department for Business, Energy & Industrial Strategy (BEIS) 2023 emissions factors. Data is collected from invoices, meter readings and other documentation provided by our leased offices landlords.

Both location-based and market-based totals were calculated for Scope 2 emissions. The Scope 2 emissions were calculated using the BEIS 2023, EEA 2022 and AIB 2023 emissions factors, following the emissions factor hierarchy according to the GHG Protocol's Scope 2 Guidance. Location-based emissions reflect the local grid fuel-mix averages for electricity and were calculated using BEIS 2023 and EEA 2022 emission factors. The market-based calculation reflects the fuel-mix of the energy tariff purchased by Liontrust for each office where renewable electricity is purchased or the residual grid mix of the country in which the office is located. Please see further detail on Scope 2 and the energy tariffs in section 'Offices in Scope and Energy Tariffs in Place' below. Data is collected from invoices, meter readings and other documentation provided by our leased offices landlords.

The Scope 3 purchased goods and services, capital goods, and upstream transportation and distribution emissions were calculated by applying the UK government's conversion factors by SIC code to the total spend by supplier and procurement category. Water supply is accounted for within purchased goods and services and is calculated using BEIS emission factors, except for data for the Luxembourg office, which uses the UK Government's conversion factors by SIC code.

The Scope 3 fuel and energy-related emissions for electricity were calculated by applying the BEIS 2023 UK emission factor for transmission and distribution (T&D) for electricity consumption at UK sites and a Luxembourg T&D emission factor consistent with Luxembourg's average T&D loss rates for electricity consumption at the Luxembourg office. The T&D emission factor for Luxembourg was estimated by applying the World Bank's Luxembourg loss rate to the EEA's Luxembourg production mix emission factor. WTT generation and T&D emissions were calculated for UK sites using the BEIS 2023 emission factors and for Luxembourg sites using IEA 2023 emission factors.

The scope 3 fuel and energy-related emissions for stationary combustion were calculated using the BEIS 2023 emission factors.

The Scope 3 waste emissions were calculated by applying BEIS 2023 emission factors to the quantity of each waste stream generated at each site. Where waste data was unavailable in certain months for certain offices, estimates were made using averages of available data.

The Scope 3 business travel emissions were calculated using BEIS 2022 emissions factors. For air travel, emission factors were assigned to each journey's start and end destination, flight haul and flight class. All rail journeys were within the UK so classed as either National Rail or Underground depending on the route. Road journeys covers by car rentals and employee mileage claims. Distance was estimated for car rental journeys from using average distance per trip sourced from the UK Government 2023 National Transport Survey. Emissions from hotel stays were calculated based on the number of rooms per

night booked in each country. . Note that the calculations are based on average data only and don't take the type of plane/car or model and engine type into account. Business travel data is sourced from our corporate travel agents and internal expenses systems.

Additional business travel data was provided as spend data. Air and rail travel was extracted from this dataset and emissions for this spend were calculated by creating an average spend-based emissions factor for Liontrust's air and rail travel based on the cost of air and rail travel for which journey type and distance was available. Other uncategorised business travel expenses were assigned a spend based emissions factor from the UK Government's conversion factors by SIC code.

The Scope 3 employee commuting emissions from commuting were calculated by applying BEIS 2023 emission factors to the national average commuting habits, considering the working pattern of the workforce in the UK. For the Luxembourg employees, this was estimated by applying the BEIS 2023 emission factors to the average commuting distance, considering workforce working patterns. Scope 3 employee commuting emissions for homeworking were estimated by applying the BEIS 2023 emission factors for homeworking for UK workers and for heating required by Luxembourg workers, and EEA emission factors for electricity consumption for Luxembourg workers, considering workforce working patterns.

### **Emissions intensity calculation**

For the calculation of Scope 1 and 2 intensity per FTE location based and market-based, the headcount number used is determined as the number of FTE employees/partners in employment as at the 31st December 2023. Liontrust define Full Time Equivalent (FTE) as including part time workers on a pro-rata basis; excluding third party contractors; including fixed term contractors; and excluding those on maternity leave.

### **Scoping**

#### **Scope 1**

Oil-based heating is the only reportable Scope 1 emission for the calendar year. This applies solely to 18 Val Ste Croix, L-1370 Luxembourg.

Liontrust considers company vehicles in its Scope 1 emissions calculations, within the Group's operational control. There were no company vehicles during the year.

As all properties are classed as leased assets, the majority of air-con refrigerant losses do not currently fall within our remit for reporting of Scope 1 emissions as they do not fall within our operational control. However, we are responsible for a small number of units under our agreed maintenance contracts which include comms rooms and executive offices. We have 1 unit in Old Bailey and 4



in Savoy Court. No refrigerant leaks from the controlled units were recorded for 2023. For all other offices, the building aircon is the responsibility of respective landlords.

## Scope 2

Scope 2 consists of indirect emissions associated with the purchase of electricity which is consumed at our locations during the calendar year. Please refer to the table below for the complete listing of Liontrust offices, in addition to those offices where renewable tariffs were in place during the calendar year.

Office	Scope 1	Scope 2	Comment
2 Savoy Court, London, WC2R0EZ (Floors 2, 3, 5, 6 & 7)	Refrigerants - 4 units only	Renewable Energy tariff	Leased property
10 Old Bailey, London, EC4M 7NG	Refrigerants - 1 unit only	Renewable electricity tariff	Leased property since April 2022 We are responsible for one air conditioning unit under our agreed maintenance contract.
Floor 2, 24 Charlotte Square, Edinburgh, EH2 4ET	Refrigerants - None	Standard Tariff	Leased property since June 2021 .
18 Val Saint Croix, 1370 Luxembourg	Oil based heating Refrigerants - None	Renewable Energy tariff	Leased property since May 2021 . The REGO certificate covers part of the reporting period.
Floor 8, 3 Shortlands, Hammersmith, London, W6 8DA	Refrigerants - None	Renewable Energy tariff	The office has been dormant since 26th February 2021 , however under our lease conditions we are required to maintain the common areas  <b>The lease expired in 2023. Consumption is therefore only reported up to the date of disposal.</b>



## Key Risks and Disclaimers

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