

LIONTRUST RESPONSIBLE CAPITALISM REPORT

for the calendar year 2022
and FRC Stewardship Code response

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RESPONSIBLE CAPITALISM HIGHLIGHTS FROM 2022

LIONTRUST AUMA

£32.6 bn £11.2 bn

Total AuMA as at 31 December 2022

(34.4% of total AuMA) – Managed by the Sustainable Investment team

AWARDS

13

Total number of industry awards won by Liontrust in 2022

ENGAGEMENTS

363

Companies met by our fund managers in 2022

PEOPLE & DIVERSITY

239

Headcount as at
31 December 2022

37%

Female representation
across Liontrust

38%

Female representation
on the Board

13%

Ethnic diversity representation
on the Board

EMPLOYEE ENGAGEMENT

82%

Employee engagement survey response rate in 2022 (79% in 2021)

WELCOME FROM JOHN IONS, CEO



Liontrust's purpose is to enable investors to enjoy a better financial future. Everyone at Liontrust is focused on delivering this purpose, which in turn benefits all stakeholders.

Our investment teams have distinct, robust and repeatable investment processes. By articulating these processes, investors know exactly how each team manages their money. Transparency is vital in meeting investor expectations and enabling them to achieve their financial goals by understanding how the funds they hold will be managed.

Transparency is also key in enabling investors to understand the approach funds take to ESG (environmental, social and governance). There is no right and wrong approach here; it is about choice, transparency, delivering on expectations and being able to evidence the effect of each approach.

Since 2001, the Liontrust Sustainable Investment team has been seeking well-run companies that capitalise on transformative themes that will shape the economy and society for the future. Engagement is integral to the team's process as it provides greater insight into companies and helps to ensure best practice.

Over the past year, the Responsible Capitalism team at Liontrust headed by Cindy Rose has been working with our other investment teams on how they evaluate ESG risks and opportunities as part of their investment processes and engage with companies they hold. This includes measuring the effect of decisions based on their evaluation and engagement.

This year's Responsible Capitalism Report, which covers the calendar year 2022, details and explains this work by the Responsible Capitalism team, the progress made by each investment team so far and future developments.

Liontrust's approach to Responsible Capitalism benefits all stakeholders. In May 2022, Liontrust joined the Net Zero Asset Managers' (NZAM) initiative to adopt formally this goal. We will submit our first report to NZAM by the end of May 2023, which will set out the initial percentage of AuMA that the Group commits to the goal. Liontrust has set interim targets for 2025 and 2030 that are detailed in this Report.

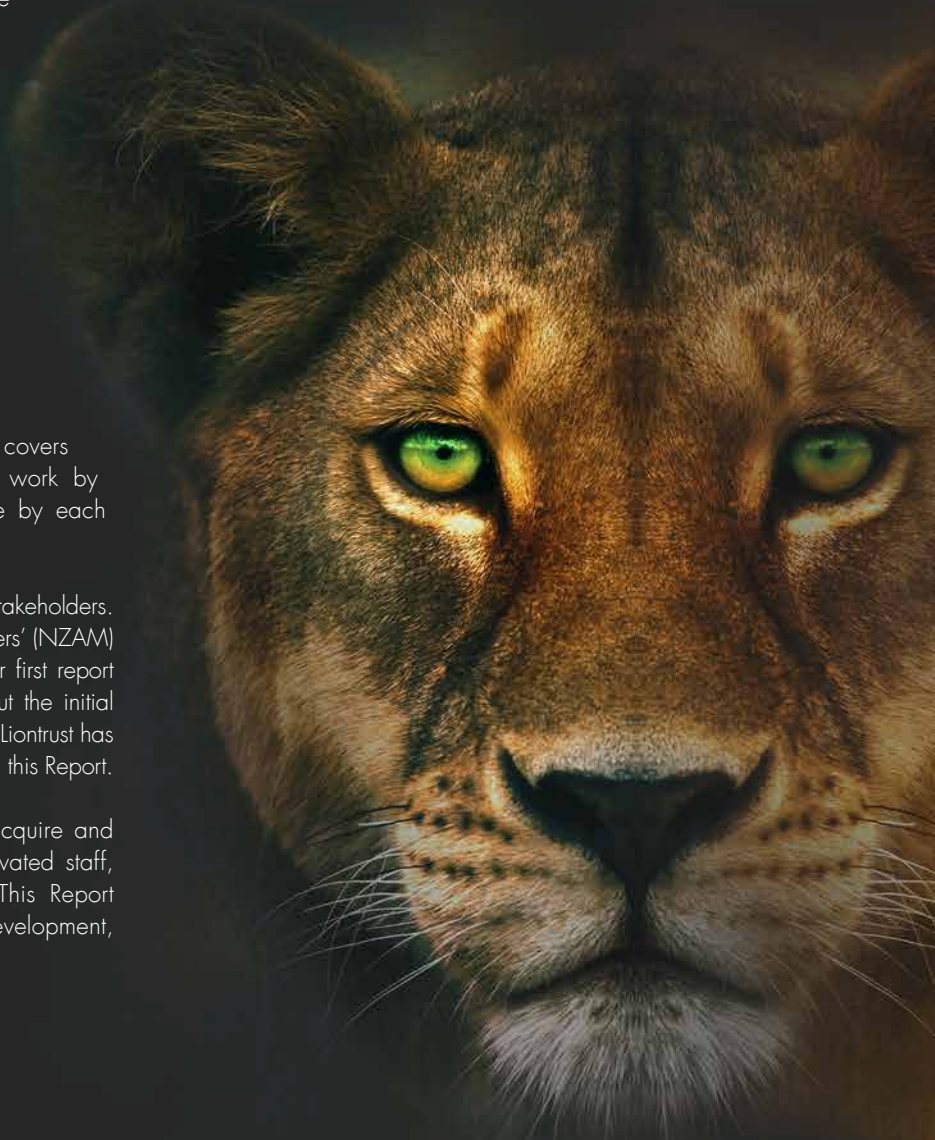
One of the seven strategic pillars for Liontrust is to acquire and retain talent. We aim to achieve this by having motivated staff, with inclusivity and diversity across the Company. This Report covers Liontrust's commitment to and progress on staff development, diversity and inclusion, and engagement.

This Report also includes Liontrust's response to the FRC's UK Stewardship Code 2020 for the first time. We hope you find this enlarged and enhanced Report helpful in understanding the developments at Liontrust over the past year and our future ambitions.

While we are pleased with the progress Liontrust is making, we have set ourselves further targets to reach. It is important that Liontrust continues to make advances each year to ensure we are a responsible company, which is our first strategic pillar.

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 covers all of Liontrust's operations and investments for 1 January – 31 December 2022. This includes data on people, climate, the Group's investments and stewardship activities.

While the Responsible Capitalism 2022 report contained some information from the first quarter of Liontrust's 2022/23 fiscal year,

the Group releases this report for the purpose of being in a position going forward to publish calendar year end reports containing the Stewardship Code response. References to the responses for the Stewardship Code principles are noted in the index (pages 129–131).

TERMINOLOGY AND DEFINITIONS

The areas of ESG and sustainability can be confusing in terms of terminology. While similar terms are not identical in meaning, the market tends to use them interchangeably.

Throughout this Report, we use the terms "ESG", "Sustainable Investment" and "Sustainability". These are defined by Liontrust to mean:



ESG

Environmental, social and governance related risks and opportunities that could have a potential impact on the returns generated by the businesses in which we invest for our clients. ESG is or will be integrated into investment processes in a clear and transparent way and applied consistently.



Sustainable Investment

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



Sustainability

Investing or acting in a way that considers the future ramifications of today's actions; these are Liontrust's efforts to apply this philosophy across its business.

EXECUTIVE SUMMARY

This report covers the group's Responsible Capitalism activities during the calendar year 2022. It also contains the Group's response to the Stewardship Code. As such, this report outlines Liontrust's purpose, values, strategy (and strategic pillars) and relates these to Responsible Capitalism. The report contains information on Liontrust's governance structure, how the Group assesses its own risks, and focuses on how Liontrust mitigates those risks to which it has greater exposure and which also fall into ESG. There are details on Liontrust's associations and memberships during the year and how these enable the Group to promote well-functioning markets.

As robust investment processes are central to how Liontrust manages funds and portfolios, this report covers them, the engagements, and the net zero commitments (as appropriate) of its investment teams. Information detailing each team's stewardship activities (engagement escalation and proxy voting) are also included.

Responsible Capitalism runs across the Group's business: information on client services, its own employees, and the wider community follows the investment section. References to the Stewardship Code are included at the end of this report for quick reference.

RESPONSIBLE CAPITALISM AT LIONTRUST

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. While it may seem that this could create conflicts of interests (as people may have differing views on this), Liontrust points to its investment teams and their respective investment processes in determining what matters most. Each team is expert in managing its funds and understanding its holdings. Where material issues arise, the teams often focus on these topics during engagement and take that engagement into consideration when making investment decisions. Using this focus on materiality, engagement, and issue management, Liontrust and its investment teams can more accurately determine what to spend time and energy on to provide the best service to our clients across every aspect of our operations.

For Liontrust's business, we take account of the exposures that the Plc faces and work to manage these effectively.

LIONTRUST INVESTMENTS

Responsible Capitalism focuses on the material considerations (as determined by our investment teams' individual processes) that

could impact investments over the investable time horizon of the funds. Understanding these risks and opportunities, including those that are ESG related, can be part of fundamental analysis in fund management, and may help our investment teams be more aware of issues and 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.

This type of assessment goes hand in hand with our fiduciary duty to our clients to be responsible stewards of the investments that we make on their behalf. Covered in this report are our stewardship activities, including: serving the best interests of our clients; engaging with our investments on their material issues (including those that are ESG related) as determined by our investment teams' processes; undertaking proxy voting; reporting on our activities; and doing our utmost to promote well-functioning, global markets. (More information on how and the extent to which Liontrust's investment teams integrate ESG considerations is on pages 40–91.)



IN OUR OPERATIONS

Liontrust aims to be transparent about the risks and opportunities it faces as a business and provide information on how we manage these. Details on our own exposures are in the Liontrust Asset Management PLC Annual Report and Financial Statements and are also referred to in this publication. For Liontrust, two areas to which the Group has exposure are: attracting and retaining talent and the financed emissions that we hold in our funds. During 2022, Liontrust took action on both of these exposures – more details on these can be found on pages 25–27. Unsurprisingly, material issues that we see in our own business can also be seen in the investments that we make for our clients.

FOR OUR CLIENTS

Our clients are interested in knowing what their funds hold and why they are held. They also want to know how Liontrust's ESG integration and stewardship practices affect the investment decisions that impact longer-term fund performance. We aim to report on this, as much as possible, from an evidenced-based perspective so clients can see what is factored in when our investment teams make investment decisions on their behalf.

Our clients also have their own concerns about social and environmental issues and want to know how our investments are functioning with regard to those factors. We aim to report on the activities taken by our business and also on the activities undertaken by the companies in which we invest. For our investments, we report within the context of the fund in which investments are held, the investment time horizon of the fund, and the investment process that selects the holdings as investments.

Our 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, we are working on understanding our retail, adviser, and institutional investor needs so that we can service these more effectively. Within the scope of the FCA's Consumer Duty, we recognise that some of our investors may be vulnerable or have other, very specific needs. More information on our approach be found on pages 101–103.

FOR OUR EMPLOYEES

There are things that matter to our employees, such as the quality of the working environment, fair remuneration, having a voice at work, and overall inclusivity. Our employees have a say in the day-to-day operations of our 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. The employee survey in 2022 had a greater response rate than in 2021. More information on this can be found on pages 108–109.

FOR OUR STAKEHOLDERS

We define our stakeholders as including the following groups: our suppliers, our associations, our shareholders, and the financial and wider community. Within Liontrust, there is a contact for each of our suppliers. Each supplier is impacted by the way Liontrust conducts its business and operates as an asset manager. As such, Liontrust aims to maintain good working relationships with our suppliers and conduct our business in a way that is not detrimental to other stakeholders or the wider community. We aim to treat others fairly and openly, meet deadlines, service contracts, and maintain healthy relationships to the best of our ability. For more information on our suppliers, see pages 31–32.

RESPONSIBLE CAPITALISM AND LIONTRUST'S HISTORY, PURPOSE, AND STRATEGY

From the launch of Liontrust in 1995, the company has been an independent business – independent in that it is owned by its shareholders and not by other businesses – and has been listed on the London Stock Exchange since 1999.

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.

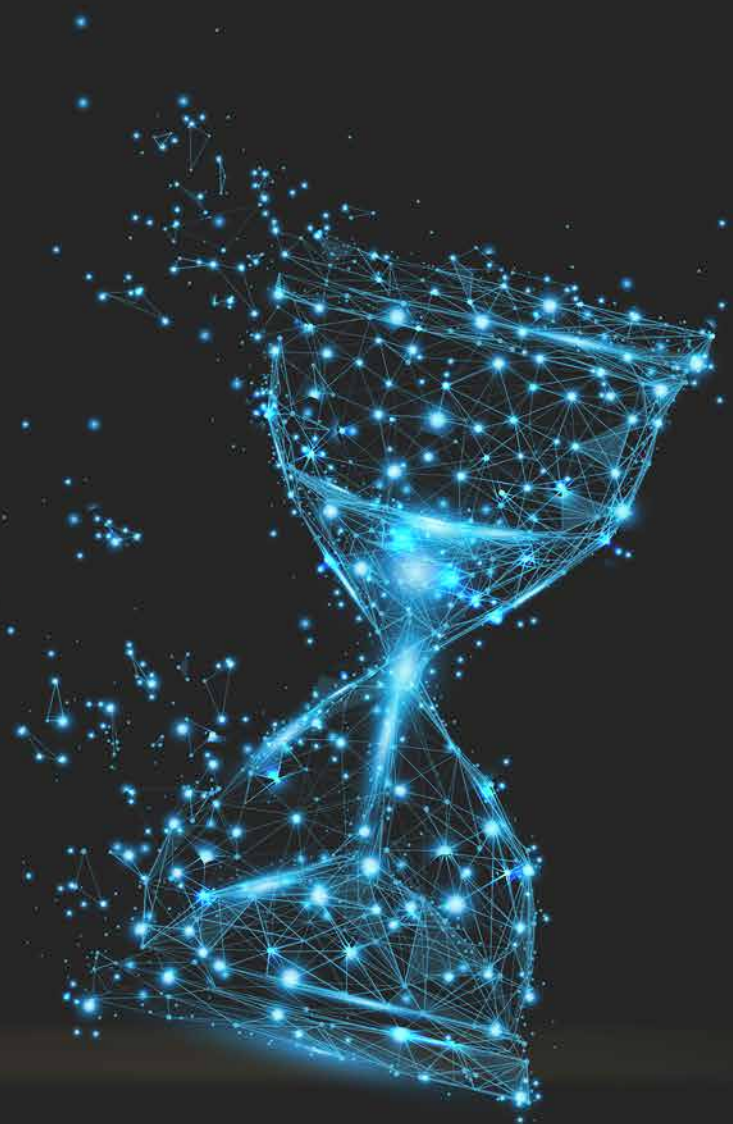
LIONTRUST TIMELINE

1990s

- 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
- 1999** Liontrust lists on the London Stock Exchange as Liontrust Asset Management PLC

2000s

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



HISTORY OF SUSTAINABLE FUNDS, ESG INTEGRATION, AND RESPONSIBLE CAPITALISM AT LIONTRUST

Liontrust's involvement in sustainability and ESG has evolved over the years. Liontrust's Economic Advantage team has always incorporated the analysis of corporate governance issues of the stocks in which it invested into its investment process. Another approach to sustainability came with the Sustainable Investment team joining as part of Liontrust's acquisition of Alliance Trust Investments in 2017.

In 2020, Liontrust's Sustainability and Stewardship Committee (now called the Responsible Capitalism Committee) was established and continues to be chaired by CEO John Ions. A Sustainability Working Group was also formed to carry out the decisions of the Committee. A three-strong Stewardship team managed engagement, proxy voting, responding to client questionnaires, and reporting on Liontrust's sustainability-related work.

2010s

2020s

- | | |
|--|---|
| <ul style="list-style-type: none"> 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 Sustainable Investment team joins through the acquisition of Alliance Trust Investments 2017 Liontrust opens Edinburgh office 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 | <ul style="list-style-type: none"> 2020 Acquires Architas UK Investment Business to expand Multi-Asset proposition 2020 Liontrust enters the FTSE 250 index 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 |
|--|---|

In 2022, Liontrust bought Majedie Asset Management and with it the Responsible Capitalism team. Responsible Capitalism now encompasses Liontrust’s approach to sustainability, stewardship, and ESG integration. (Following the Majedie acquisition, the Sustainability and Stewardship Committee was renamed the Responsible Capitalism Committee; the Stewardship team was renamed the Responsible Capitalism team, and the Sustainability Working Group was disbanded as its duties have been taken on by the Responsible Capitalism team). The Responsible Capitalism team, now six strong (as of mid-December 2022), feeds into Group strategy and supports Liontrust’s investment teams in evidencing how each team integrates material ESG-related considerations into their investment processes. The Responsible Capitalism team also supports Liontrust’s people strategy, its net zero work and its management of key issues in the ESG space.


LIONTRUST’S PURPOSE AND RESPONSIBLE CAPITALISM





Liontrust’s purpose is **to enable investors to enjoy a better financial future**. This is a multi-faceted aim which is linked to the Group’s strategic pillars. More information can be found on Liontrust’s purpose and strategic pillars in the Liontrust Asset Management PLC Annual Report and Financial Statements.

Links to actions fulfilling effective stewardship

The components of Liontrust’s purpose are explained below along with an evaluation of the extent to which the Group fulfilled its purpose during the calendar year 2022 (within the context of the market and macroeconomic performance during the year):





The extent to which we fulfilled our purpose in 2022




Purpose component	Defined as / how this links to Group strategy	Performance in 2022	Performance in 2022
FINANCIAL RETURN			
For investors	<p>Deliver long-term financial performance from Group investments for investors.</p> <p>Links to strategy: Deliver long-term investment performance and being a responsible company and investor are two strategic pillars for the Group.</p>	 <p>Successful</p>	<p>Over five years, 84% of Liontrust UK-domiciled funds were in the first or second quartile of their respective IA sectors. (Source: Financial Express, as at 31.12.22, 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.)</p> <p>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>Longer term rise in Group’s share price.</p> <p>Fall in Liontrust share price over the calendar 2022.</p> <p>Link to strategy: Deliver long-term investment performance.</p>	<p>The Group’s share price over five years from the start of April 2018 to the end of March 2023 rose over 90%.</p> <p>During the calendar year 2022, the Group’s share price halved.</p>	<p>Liontrust’s share price on 3 April 2018 was 548p rising to approximately 1056p on 27 March 2023.</p> <p>Liontrust’s share price was impacted by a difficult macro-economic and geopolitical environment and fell along with other listed asset managers and stocks across multiple sectors.</p>
	<p>Dividend (reported on fiscal year basis)</p> <p>Link to strategy: Deliver strong long-term investment performance.</p>	<p>Interim dividends paid.</p> <p>Dividend increased for FY 2021/22.</p>	<p>50p per share was paid in August 2022 as a second interim dividend payment in FY’22</p> <p>22p per share was paid in January 2023 as a first interim dividend payment in FY’23</p> <p>The total dividend during the fiscal year 2021/22 was 72.0 pence per share (2020/21: 47.0 pence), which was an increase of 53% over the previous financial year. For more information, see the Liontrust Asset Management PLC Annual Report and Financial Statements.</p>

Purpose component	Defined as / how this links to Group strategy	Performance in 2022	Performance in 2022
For stakeholders	<p>Integrate ESG considerations into investment decisions in a way that supports each team's investment process.</p> <p>Link to strategy: Be a responsible investor and company. The investment teams have their own processes to know what they invest in on behalf of clients and understand the risks and opportunities of each (including those that are ESG related).</p>	 Continuing	<p>Each investment team has its own methodology for considering ESG and other risks in its investment process and engaging holdings on these issues. Some teams were also supported by the Responsible Capitalism team understanding these issues and engaging on them.</p> <p>Liontrust's investment teams also undertook proxy voting (Liontrust votes its proxies and reports on its proxy voting on its website).</p>
	<p>Evidence the link between ESG integration, engagement, proxy voting and investment decisions.</p> <p>Link to strategy: Be a responsible investor and company in terms of knowing what the investment teams own on behalf of clients and linking this with engagements and proxy voting.</p>	 Continuing	<p>Prior to this report, Liontrust published a Responsible Capitalism report in August 2022 which included details on the Group's related activities from April 2021 to March 2022. The report detailed how Liontrust's investment teams integrate ESG considerations (as appropriate) within their investment processes and included examples of engagements that the teams undertook during that time period.</p>
	<p>Growing the business.</p> <p>Link to strategy: Expanding Liontrust's distribution and products is a strategic pillar for the Group.</p>	 Successful	<p>Liontrust acquired Majedie Asset Management in April 2022, which helped Liontrust enhance its presence in the institutional market.</p>
For employees	<p>Longer term rise in the Group's share price.</p> <p>Fall in Liontrust share price over the period.</p> <p>Training of and investment in employees.</p> <p>Links to strategy: Deliver long-term investment performance and attract and retain talent are two of the Group's strategic pillars.</p>	 Continuing	<p>Liontrust's share price on 3 April 2018 was 548p, rising to approximately 1056p on 27 March 2023.</p> <p>Liontrust employees are eligible to participate in the Group's share save scheme.</p> <p>Liontrust's share price was impacted by a difficult macro-economic and geopolitical environment and fell along with other asset managers and other stocks across multiple sectors.</p> <p>In Q4 2022, the Group initiated a Senior Leadership Programme for leaders across the business. The purpose of this is multifaceted, but includes the improvement of communications across the business. In 2022, Liontrust also provided training for all staff on diversity and inclusion. (For more information, see pages 107–109).</p>

SOCIAL RETURN

For Liontrust employees and shareholders	<p>Providing a nurturing working environment.</p> <p>Link to strategy: Acquiring and developing talent is a strategic pillar.</p>	 Continuing	<p>Liontrust undertook an engagement survey in December 2022. (For more information on this, see page 108.) The Senior Leadership Programme also provided support for defining and aligning the group's culture with its leadership charter.</p>
	<p>Putting in place a strategy and actions to help increase the diversity and inclusion of Group employees.</p> <p>Link to strategy: Acquiring and developing talent is a strategic pillar.</p>	 Continuing	<p>Liontrust's Diversity and Inclusion (D&I) Committee, formed in 2021 and chaired by the COO/ CFO, develops ways the Group can be inclusive and development of employees. During 2022, Liontrust offered several D&I training sessions on inclusion and celebrated International Women's Day, Black History Month, and other events.</p>
	<p>Growing talent.</p> <p>Link to strategy: Acquiring and developing talent is a strategic pillar.</p>	 Continuing	<p>Liontrust offers career development support (including for career related exams, leadership training and mentoring) to help employees grow in their respective careers.</p> <p>(See pages 107–108 for more information.)</p>

Purpose component	Defined as / how this links to Group strategy	Performance in 2022	Performance in 2022
SOCIAL RETURN			
For stakeholders	<p>Contributing to the financial community.</p> <p>Link to strategy: Being a responsible investor and company is a strategic pillar and one that requires Liontrust play its part to help markets operate efficiently.</p>	 Successful	<p>Liontrust is associated with and participates in a number of activities, groups, and functions supporting the financial sector and industry. For a list of these participations and associations, see pages 33–36 and 111 of this report.</p>
	<p>Investing in companies helping to solve social issues.</p> <p>Link to strategy: Being a responsible investor and company is a strategic pillar which involves the improvement or enhancement of the world around us.</p>	 Successful	<p>Liontrust's Sustainable Investment team, which manages approximately 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 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 then 20 themes within these (see pages 40–49 for more information).</p>
	<p>Respecting human rights in business and in Group investments.</p> <p>Link to strategy: Being a responsible investor and company is a strategic pillar which involves understanding what the Group owns on behalf of clients.</p>	 Successful	<p>Investments: 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).</p> <p>PLC: Liontrust also 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 human rights is published at: www.liontrust.co.uk/aboutus/corporate-sustainability/human-rights</p>
	<p>Involvement with and support for local communities.</p> <p>Link to strategy: Being a responsible investor and company is a strategic pillar which involves community engagement programmes.</p>	 Successful	<p>Liontrust undertakes a number of activities that support local communities. These include:</p> <ul style="list-style-type: none"> • Financial education • Wildlife conservation • Opportunities for young people <p>(See page 111 for more information).</p>

Purpose component	Defined as / how this links to Group strategy	Performance in 2022	Performance in 2022
ENVIRONMENTAL RETURN			
	<p>As a business, Liontrust aims to rely more on renewables and recycling.</p> <p>Link to strategy: Ensuring strong operations and infrastructure is a strategic pillar which includes ensuring the Group's business operates efficiently and does not cause undue harm.</p>	 Continuing	<p>The Group currently uses renewable energy, as available, from the grid. (More information is on pages 125–131 of this report.)</p> <p>Liontrust aims to have a baseline measurement for recycling in 2023.</p>
	<p>Aiming for net zero by 2050.</p> <p>Link to strategy: Ensuring strong operations and infrastructure is a strategic pillar which includes ensuring the Group's business is resilient and manages its exposures carefully.</p>	 Continuing	<p>Overall: Liontrust became a signatory to NZAMi in May 2022, committing to attaining net zero by 2050 in its operations and investments.</p> <p>PLC: Liontrust's business is already carbon neutral through the use of offsets.</p> <p>Investments: Liontrust's investment teams have committed a portion of AuMA to the Group's net zero goal, and engagement work with holdings has begun on this issue.</p>
	<p>As an investor, Liontrust's Sustainable Investment team may direct capital to companies or bond issuers helping to solve environmental issues.</p> <p>Link to strategy: Being a responsible investor and company is a strategic pillar which includes the Group's impact on the environment.</p>	 Successful	<p>Investments: The Sustainable Investment team seeks to generate strong returns from investing in companies aiming to deliver profits through positive social and environmental impacts.</p>

LIONTRUST'S VALUES

Liontrust's values are **excellence**, **courage** and **responsibility**. These relate to the Group's purpose and its 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.



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.



RESPONSIBILITY

Everyone at Liontrust is personally accountable for their commitments, actions and for delivering on their promises. Staff are responsible for supporting each other, collaborating and being open to challenge and debate. All staff 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 of its actions.

The Liontrust Asset Management PLC Annual Report and Financial Statement connects the Group's values with its risk culture.

LINKS TO 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 sustainable benefits for the economy, environment and society. Liontrust sees "sustainable" benefits as those which are repeatable; as such, the Group works to minimise the costs to the environment and to society from its operations. It also seeks to maximise the return to stakeholders, shareholders, investors and the environment from its operations. These are explained above.

LIONTRUST'S PURPOSE GUIDES ITS 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. As noted previously, 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 in investment decisions, evidence the engagements and proxy voting that Liontrust 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 Liontrust's Responsible Capitalism vision and aim to continue making it a pivotal component to the Group's longer term strategy. Liontrust is an acquisitive company and will keep Responsible Capitalism at the heart of its operations and in any future acquisitions.

GROUP STRATEGY AND RESPONSIBLE CAPITALISM

Liontrust's overall objective is to grow its business through its seven strategic pillars (previously six). These are linked above to the Group's purpose. Below are the pillars along with how they are defined and/or measured:

1. **Be a responsible company and investor.** This is defined as:
 - a. Being compliant with rules and regulations
 - b. Knowing the companies in which the Group invests / 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 / delivering value
3. **Diversify the Group's fund range,** as measured by:
 - a. Offering investors the best funds and fund mix by launching and closing funds, as needed
 - b. Acquiring new businesses with opportunities in additional markets and/or distribution channels
 - c. Repurposing funds
 - d. Offering investors a wider choice of funds and solutions to ensure their needs are met
4. **Expand the Group's distribution and client base,** as measured by:
 - a. Increasing net positive flows
 - b. Widening Liontrust's client base
 - c. Establishing new distribution agreements
 - d. Increasing market share
 - e. Entering new markets
 - f. Making acquisitions that enhance the breadth and range of the Group's business
5. **Enhance the investor experience and retention**
 - a. Ensuring excellent client and investor service and reporting
 - b. Delivering a strong and engaging experience at physical and online events, in communications and digitally
 - c. Increasing net sales
 - 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

LIONTRUST'S RESPONSIBLE CAPITALISM OBJECTIVES FOR CALENDAR YEAR 2023

Liontrust aims to enhance Responsible Capitalism across the Group and its investments in a number of ways in 2023. These objectives link directly with the Group's purpose and also with its overall strategy to grow the business by way of its seven strategic pillars listed on the previous page.

Plc / Investments	Area	Description
Investments	Data and insights	<ul style="list-style-type: none"> The Responsible Capitalism team will continue to assist the investment teams in assessing and reporting on materiality for holdings and engagement. The Responsible Capitalism team will continue to capture the insights from the investment teams to build a data set for analysis, auditing, and reporting purposes and to enable the teams to evidence more effectively what they do.
	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 our investment teams (and/or for its Responsible Capitalism team) for the purposes of auditing, analysis and tracking the data and for reporting to clients.
	Carbon scenario testing	For teams committing AuMA to the Group's net zero commitment (with NZAMi), Liontrust will review creating functionality that will enable investment teams to understand the potential impact of their investment decisions on fund carbon metrics.
Plc	Training and mentoring	The Responsible Capitalism team will work closely with Liontrust's HR department to continue developing Liontrust's mentoring programme, internship and graduate training programmes (or similar).
	Environmental footprint – waste and water	The Responsible Capitalism team may measure the Group's current (baseline) environmental footprint for waste, water (and other related areas) and set targets for these reductions.
	Carbon and risk	The Group may consider more effective ways to undertake carbon scenario testing in Liontrust's risk management framework and explore science based targets (SBT) for the Group's operations.
	Senior Leadership Training	The Group will continue the work started in 2022 for training senior leaders across the business in terms of collaborative working practices, mentoring and supporting teams, and ensuring a cohesive culture.

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 first-class 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 is undertaking a major course of work to fulfil the FCA's Consumer Duty, aiming to understand and ensure investor needs are met across every part of Liontrust's business.

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 to create an in-built risk control for fund managers, especially in more challenging environments, by preventing them from investing in companies and funds for the wrong reasons. Being clear and transparent on investment processes means investors in Liontrust funds and portfolios know exactly how each team manages their money.

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.

BUSINESS MODEL

Liontrust's business model is designed to operate effectively to achieve the Group's strategic objectives 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 eight (in 2022) fund management teams which manage a range of funds, portfolios and segregated accounts using distinct investment processes and a centralised trading team. These 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 aspects of running a business, like administration. 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, it is focused on the institutional investors, family offices, private banks, wealth managers and multi-managers in a number of countries. Liontrust has developed a strong brand through its marketing activities over the past few years. These activities include client events, advertising, sponsorships, PR and both printed and digital communications.



OPERATIONS

Liontrust's Operations team provides support to its 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 one administrator – Bank of New York Mellon (BNYM). Having a single Operations function and administrator ensures the 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.

RESPONSIBLE CAPITALISM AND LIONTRUST'S STRUCTURE, GOVERNANCE, AND REMUNERATION

LIONTRUST'S STRUCTURE – ENTITY LEVEL

Liontrust Asset Management PLC ("LAM") is a publicly listed company on the London Stock Exchange and a constituent of the FTSE 250. Liontrust has two core UK entities regulated by the Financial Conduct Authority (FCA). These are:

- Liontrust Fund Partners LLP ("LFP") – which is the Authorised Fund Manager (AFM) for the Liontrust funds;

- Liontrust Investment Partners ("LIP") – which is the appointed Investment Manager for the Liontrust fund range and also acts as an investment manager/advisor for other investment products.

Liontrust International Luxembourg S.A. is the Group's European distribution business based in Luxembourg and authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF).

LIONTRUST'S STRUCTURE – BOARD/MANAGEMENT LEVEL

The diagram below sets out Liontrust's management structure and teams.

Liontrust Asset Management Plc

Board composition

Executive Directors



John Ions*
CEO



Vinay Abrol*
COO / CFO

Non-Executive Directors



Alastair Barbour
Non-Executive
Chairman



Rebecca Shelley
Senior Independent
NED



George Yeandle
NED



Mandy Donald
NED



Quintin Price
NED



**Emma
Howard-Boyd**
NED

Liontrust Management Committee Members



Ed Catton*
Chief Risk Officer
RISK




Martin Kearney*
Chief Compliance Officer
COMPLIANCE



Simon Hildrey*
Chief Marketing Officer
MARKETING



Neale Soffe*
Head of Operations
OPERATIONS




Ian Chimes*
Head of Global Distribution
SALES




Tony Morrison*
Head of Finance
FINANCE



Clare Prince*
Head of Product
PRODUCT

 Audit and Risk Committee Chair

 Nomination Committee Chair

 Remuneration Committee Chair

*SM&CR Senior Management Functions (SMF)

LIONTRUST'S GOVERNANCE AND RESOURCE

Responsible Capitalism is the Group's platform for its ESG, sustainability and stewardship-related activities.

Responsible Capitalism team

Liontrust's six-strong 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 Responsible Capitalism-related policies (which are approved by the Responsible Capitalism committee and include the Group's Environmental policy, 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 activities; helps to deliver ESG reporting for the Group and the 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.

Prior to the acquisition of Majedie Asset Management, Liontrust had a Head of Governance and Stewardship and a Governance Executive, who specialised in proxy voting. The Majedie acquisition brought the Head of Responsible Capitalism and also the team's ESG Researcher who provides dedicated full-time support to Liontrust's Global Fundamental (previously Majedie) investment team. The Head of Responsible Capitalism has experience in integrating ESG considerations in investments across multiple asset classes and has led ESG teams and activities at various other entities for over 20 years. In Q4 2023, the Responsible Capitalism team added two new members. These individuals each have over a decade in investment management, working with companies and investors on ESG matters and ESG integration into the investment decision-making process. All six members of this team are female.

The governance of the Responsible Capitalism activities is structured as follows:

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 NZAMi (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 also receives updates on a regular basis from the Head of Responsible Capitalism on the Group's commitment to NZAMi. 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 is hugely supportive of the Group's efforts in this area, as it is a means of risk management and a potential competitive advantage across the Group's funds. The Board regularly discusses the potential impact of climate change on Liontrust's business and future strategy, and on the degree to which climate change will impact Liontrust's ability to deliver long-term out-performance. (For more information on Liontrust's net zero goal, see pages 104–105.)

For its meeting in September 2022, the Head of Responsible Capitalism submitted to the Board a Responsible Capitalism strategy paper outlining the main focus areas for Liontrust. This strategy proposal has the support of the Board and the wider Group. Future updates from Responsible Capitalism will be based on these strategy points.

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.

Board committees

The following Board committees oversee aspects of Responsible Capitalism:

Audit and Risk Committee Meets 4/5 times per year	<ul style="list-style-type: none"> Oversees the Group's financial reporting, risk framework, and the smooth functioning of internal controls. Oversees the Group's tax policy and strategy.
Remuneration Committee Meets 3+ times per year	<ul style="list-style-type: none"> Determines Director and senior management remuneration and the Group's remuneration structure. Oversees the link between executive pay and the management of the Group's key exposures, including those that are ESG related. Responsible for employee incentives and ensuring the fair remuneration of employees.
Nominations Committee Meets 3+ times per year	<ul style="list-style-type: none"> Responsible for diversity, composition, and the skill set of the Board. Oversees diversity and recruitment policies of the Group. Oversees Group HR policies.

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 with regard to the Responsible Capitalism strategy for the Group. Both the CEO and the CFO/COO are hugely supportive of developing Responsible Capitalism across Liontrust.

Liontrust's Management Committees ("ManCos")

The Liontrust ManCos meets at least four times each year and is 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")

The Responsible Capitalism Committee, or "RCC" (previously called the Sustainability and Stewardship Committee), is the governing body for Responsible Capitalism at Liontrust. It is headed by the Head of Responsible Capitalism; other members include the CFO/COO, Liontrust's Chair of the Board, the NED who has responsibility for Responsible Capitalism, the Chief Risk Officer, the Head of Liontrust's Sustainable Investment team, the Head of Human Resources, and 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.

Regulatory Change Forum

The Regulatory Change Forum (for Sustainable Finance Initiatives), formerly called the ESG Regulation Working Group, meets regularly during the year to provide representatives from across the business with updates on changes in regulation – including those relating to ESG labelling, reporting, and/or regulator expectations. This Forum also helps to ensure that the Group's funds with specific labels or under specific disclosure regimes meet their required reporting requirements and fund label criteria. In 2022, the Forum helped ensure the Group was kept up to date with all applicable ESG-related regulatory changes and had oversight of any resulting requirements, such as the level 2 requirements of the EU's Sustainable Finance Disclosure Regulation (SFDR).

This Forum is chaired by Liontrust's Regulatory Affairs Lead. This individual has extensive experience and knowledge of UK and European regulation relating to ESG and stewardship. She also supports the Group's wider compliance activities. The Forum is comprised of the Regulatory Affairs Lead, the Chief Compliance Officer, the Chief Risk Officer, the Head of Product, and the Head of Responsible Capitalism. Other Liontrust employees join the meetings periodically and/or as needed.

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 lines with ESG commitments. Exception reporting highlights if there is a gap between what is promised by each investment team and what is delivered. The PRC provides independent oversight of Liontrust's investment teams.

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 and legal functions 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 a NED, the Chief Compliance Officer, Head of the Multi-Asset investment team, the Head of Performance and Data Insights, the Head (or Deputy Head) of Investment Operations, and the Head of Performance.

Sustainable Investment team's Advisory Committee

The Sustainable Investment team has a four-strong, 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 Liontrust's other investment teams. The Committee meets with the Sustainable Investment team three times a year; members of the Responsible Capitalism team may also attend these meetings for informational purposes. (As this Group does not provide oversight to Liontrust's Group operations or approach to Responsible Capitalism/stewardship, it is not included in the chart below.)

EFFECTIVENESS OF BODIES OVERSEEING LIONTRUST'S GOVERNANCE

Governance component	What it did in 2022	Effectiveness with regard to Responsible Capitalism & stewardship	Ways in which it could improve
Board	Met four times in 2022; received updates from the Head of Responsible Capitalism; Head also worked with the Board on stewardship related topics (reporting, net zero, ESG integration, etc). One NED dedicated to Responsible Capitalism and Chair of the Board (who attended the RCC meetings) as well as support from all NEDs.	 Successful Successful oversight of Responsible Capitalism in terms of considered feedback and requests. High level of interest and support for Responsible Capitalism.	More frequent reports to the Board could be provided by the Head of Responsible Capitalism.
CEO, CFO/COO	Provided strategic direction and tone from the top. Increased resourcing to help achieve Responsible Capitalism strategy.	 Successful Effective in communicating to the business the importance of Responsible Capitalism as part of Group strategy.	Include Responsible Capitalism in communications as evidence is provided.
Management Committee ("ManCo")	Had oversight of compliance with regulations in the jurisdictions in which the entities operate.	 Successful Successful – the group remained compliant in 2022.	Have a regular update from Responsible Capitalism.
Responsible Capitalism Committee ("RCC")	Met four times in 2022. Approved the Group's signatory status for NZAMi, updated policies, and support for various PRI and CDP-related activities.	 Successful Successful – the group has made considerable progress in 2022 in moving the Responsible Capitalism strategy forward.	Work to reduce key person risk in terms of executing the Responsible Capitalism strategy.
Responsible Capitalism team	Restructured in April 2022. Focused on evidencing ESG integration by investment teams, signing up to NZAMi, reporting, updating policies, and continuing with proxy voting administration.	 Successful Successful in clarifying the message around Responsible Capitalism and in working with the investment teams to support their processes. Progressed net zero plans for the Group and reported on the Group's related activities in 2022.	Assemble messages around Responsible Capitalism that the Group can deliver to clients to help evidence what Liontrust is doing in this space.
Regulatory Change Forum	Focused on keeping the business up to date with ESG-related regulatory change and implementation	 Successful Successful implementation of phase 2 of SFDR, coordination of engagement on the FCA's Sustainable Disclosure Requirements and Investment Labels Consultation Paper	Continue to be led by experts who understand the changes in the regulation and any resulting impact on the Group longer term.
Portfolio Risk Committee (PRC)	Ensured each investment team abided by its investment process.	 Successful Successful – enhanced oversight of ESG-related elements of investment processes; implemented new ESG-related reporting.	Ensure dedicated ESG related components for each team are discussed along with performance and risk parameters.

RESPONSIBLE CAPITALISM AND REMUNERATION

A number of Liontrust individuals and/or teams have specific ESG-related components related to their roles that form part of their appraisal and are linked directly to pay (LTIP / bonus). These include:

CEO and CFO/COO

As part of their remuneration scorecard for 2022/23, Liontrust's CEO and CFO/COO have a 30% allocation to ESG components. Within this 30% allocation:

- 10% focuses on furthering ESG integration into Liontrust's investment teams' processes as required
- 10% focuses on having a more joined up/connected approach to increasing the diversity and inclusiveness of Liontrust as a business

- 10% focuses on aligning executive pay and pension allocations across Liontrust's workforce.

Pay: Linked to exposures and by department heads

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 retaining talent, adherence to regulatory requirements, diversity and inclusion, cyber and data security, and health and safety. These factors contribute, overall, to Liontrust's culture and the efficient running of its business. Also, specific departments have these components as part of their remit, meaning that there may be closer links between the component and pay. These include:

Exposure / Area	Team	Headed by	Duties and link to pay
Attraction and retention of talent	Human Resources department	Head of Human Resources	Leads the Group's efforts in terms of diversity and inclusion, training and mentoring, and health and safety. The team, therefore, has closer ties to pay and bonus for these elements than is the case for other teams.
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 tech systems, platforms, and sensitive data. It is important to note that the IT team and CTO are only part of the solution for preventing cyber attacks and data loss. All Liontrust employees have responsibility for protecting data, noticing and reporting anything unusual or irregular.
Adherence to regulatory requirements	Compliance team Legal team	Chief Compliance Officer and Head of Legal	Both of these teams have responsibilities around ensuring that the Group adheres to all regulatory requirements in the jurisdictions in which the Group 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 approximately one third of Liontrust's AuMA. The team is responsible for adhering to its Sustainable Future investment process and reporting SFDR and other requirements and labels. The Head of Sustainable Investment and team members are remunerated on the basis of their individual responsibilities with regard to the investments that the team makes. Team members have both financial and ESG integration components to their roles and these are linked to pay.
ESG / sustainability efforts	Responsible Capitalism team	Head of Responsible Capitalism	This team proposes Responsible Capitalism related strategy, provides ESG information to investment teams, undertakes proxy voting administration, manages a number of sustainability related projects for the Group, leads on the Group's net zero commitment, supports the Human Resources team on people programmes, and produces ESG/sustainably related annual reporting. 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	This 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.

Governance and investment in systems, processes, research and analysis

Liontrust's governance teams continue 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 IT platforms to ensure the Group can report on data and topics in which clients and stakeholders are interested (such as emissions and diversity). In 2022, extensive planning and scenario testing was undertaken to determine which, if any, IT systems could be enhanced. Also in 2022, discussions began on the best way to amalgamate ESG-related information to more efficiently evidence the ESG integration work that Liontrust's investment teams undertake (as appropriate). Work on this continues.

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

In 2022, Liontrust's Responsible Capitalism team undertook analysis of ESG research providers (considering ESG data collection, analysis and reporting capabilities) as part of its due diligence on its third-party research providers. The team examined the capacity of multiple third parties to analyse and report on fund carbon emissions as well as on other, varied, aspects relating to ESG issues. This work continues in 2023.

Governance enables stewardship

Liontrust's governance structure, oversight, and focus on Responsible Capitalism create an environment in which stewardship and ESG integration can thrive. As stated 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 the elements of ESG integration, where applicable. All of these components enable and support the investment teams' voting their proxies and engaging on material areas, as appropriate. Liontrust reports annually on its Responsible Capitalism-related activities through a number of various reports, including this publication, the Group's TCFD, CDP and PRI submissions.

RESPONSIBLE CAPITALISM AND MANAGING RISKS, CONFLICTS OF INTEREST, AND INSIDE INFORMATION

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 PLC 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 PLC 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 (see more information in this report on pages 40–91).

LIONTRUST AND RISK

How the PLC assesses risk

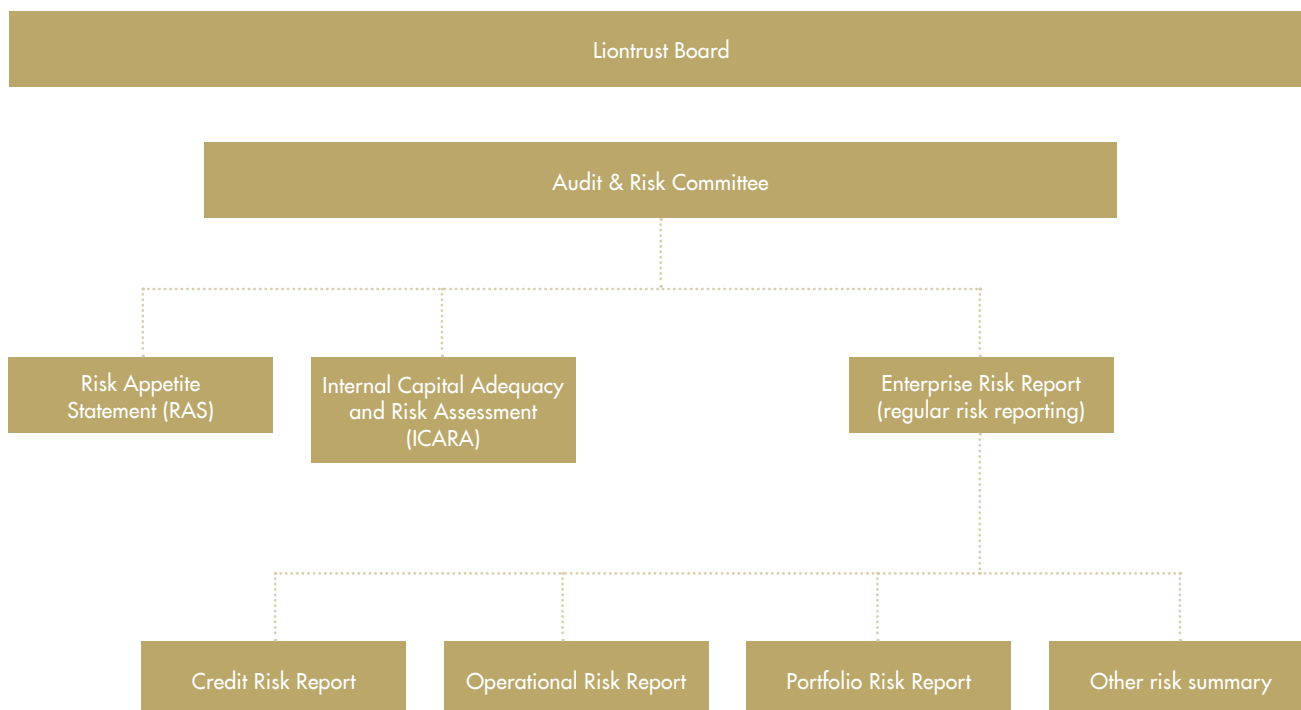
Liontrust reports extensively on its risk management processes and systems in the Liontrust Asset Management PLC Annual Report

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.



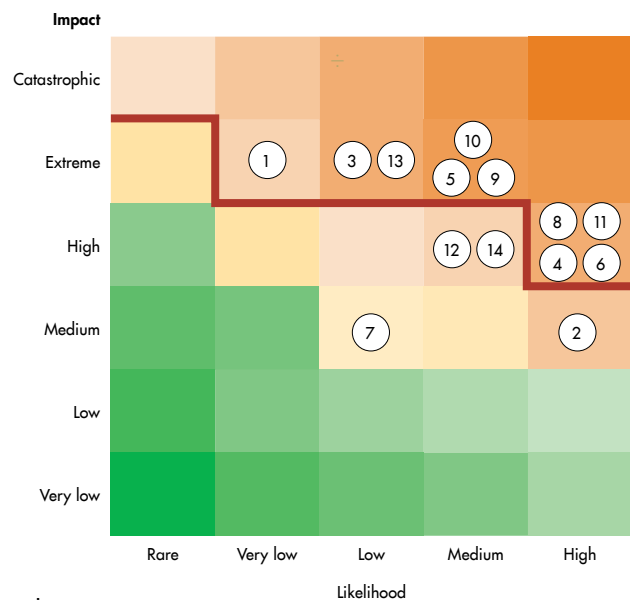
Liontrust's risk identification and prioritisation process

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.

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

The Group differentiates between those risks that are **within** the management's influence and risks that are **outside** it.

- 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.

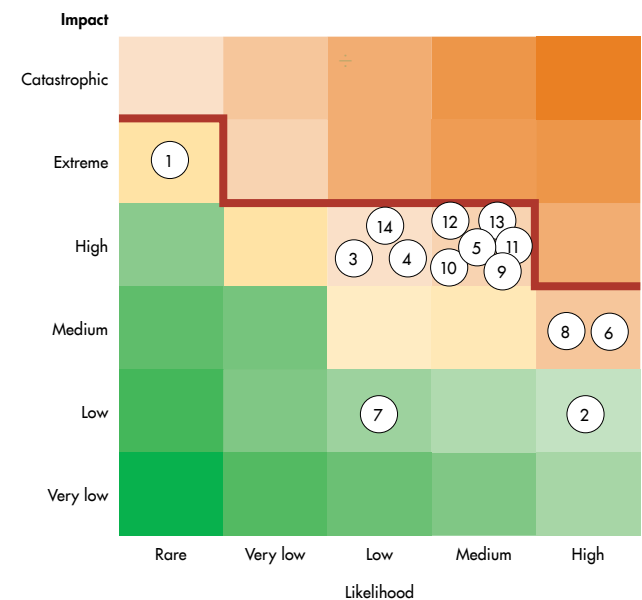
Responsible Capitalism-related risks for the PLC

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
- 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

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 2022
Loss of people and talent	<ul style="list-style-type: none"> Liontrust plans to develop the Group's people programme in a way that best serves the business (See pages 107–110 for more information.) During 2022, Liontrust implemented a Senior Leadership Programme to ensure strong talent development, communication, and cohesiveness across the Group. 	<ul style="list-style-type: none"> Development of the Group's people programme is ongoing. Senior Leadership programme was well under way by year end 2022. Plans are in place to expand the programme in 2023 to include a wider number of employees.
Sub-optimal client servicing	<ul style="list-style-type: none"> Knowing what clients and investors want and need in terms of fund information and reporting 	Continuing with research, analysis and feedback. This has been included in Liontrust's work on Consumer Duty.
Instances of discrimination, poor compensation, outsourcing problems, or health and safety breaches	<ul style="list-style-type: none"> The Group has an anti-discriminatory policy and sponsored a number of inclusion-focused events (internally) in 2022. Activities included training on diversity and inclusion for employees. (For more information, see pages 107–110.) The Group's health and safety policy covers all of its locations. Employees at each office are designated as First Aiders. In 2023, the Group plans to add Mental Aid Workers who can respond to mental/emotional needs of employees much like First Aiders do with physical needs. Liontrust's compensation is benchmarked to ensure fair salaries are being paid for a relative level of experience and skillset. 	Successful – no discriminatory or health and safety instances were reported in 2022.
Fraud, cyber security breaches, market manipulation	<ul style="list-style-type: none"> There are a number of procedures and processes in place to help the Group minimise the risk of fraud. Checks and balances are in place to monitor employee actions. All employees are responsible for alerting Liontrust's compliance team of any untoward activity they witness. Liontrust has a robust cyber security programme in place that includes employee training, desk-based scenario testing, alert systems and continual assessment and monitoring of its systems. Liontrust has policies in place against activities that would constitute market manipulation. Mandatory compliance training is provided to employees to safeguard against such events. A whistleblowing hotline is also available for all employees, should they suspect fraudulent or other harmful activity. 	<p>Successful in terms of minimising the risk of fraud and market manipulation.</p> <p>Liontrust use third-party specialists (including a virtual chief information security officer) to help define, test and review our security arrangements at least annually, with internal and external penetration testing happening a number of times a year.</p>
Poor integration of acquisitions	<ul style="list-style-type: none"> Liontrust focuses on adding all acquisitions onto its existing platforms so that new businesses fully integrate with Liontrust as soon as possible following acquisitions. Liontrust aims to create "one culture" when bringing in new businesses. All products become Liontrust branded funds and people programmes and benefits are open to all employees. 	<p>Majedie was successfully integrated into the Liontrust IT platform, risk systems, HR system, and existing Liontrust teams in 2022.</p> <p>Promoting the Liontrust culture will always be ongoing.</p>

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. These will be outlined thoroughly in Liontrust's TCFD report which is included in the Liontrust Asset Management PLC Annual Report and Financial Statements. Some risks are as follows:

Key RC related risk	Steps taken to mitigate this risk	Overall success of these steps in 2022
FOR THE PLC		
Rise in energy costs	<ul style="list-style-type: none"> Reduce overall energy consumption Source renewable energy where available 	<p>The Group is working towards reducing its overall energy usage and will report on this in due course.</p> <p>Successful – Liontrust sources as much renewable energy from the grid as is available</p>
Potential damage to offices from storms, unexpected (violent) weather	Risk assessments are undertaken on all of Liontrust's locations. These are updated regularly.	Successful – there were no issues in 2022.
Potential costs from carbon credits, should these be legally mandated in the UK or Luxembourg, where the Group has offices	<ul style="list-style-type: none"> Carbon credits not yet required by legislation. 	N/A
FOR INVESTMENTS		
Financed emissions in Liontrust funds	<p>Liontrust has a net zero goal and a proportion of its AuMA is committed initially to this goal.</p> <p>The Group has an engagement plan for investments that are high emitters and which are held in funds that have committed to the Group's net zero goal.</p>	<p>On the investment side, around 41%, initially, of the Group's AuMA has committed to net zero. Liontrust has a tiered engagement plan on carbon for its holdings.</p>
Not recognising / identifying / prioritising as material those areas to which Liontrust investments have high exposure and inadequate issue management	Liontrust's investment teams may consider, as part of their investment processes, key risks and opportunities faced by investments and engage on these issues. The Group's Responsible Capitalism team is also in place to help investment teams with this.	Liontrust's investment teams may have this consideration in place in their investment processes. The Responsible Capitalism team began providing additional research to several of the investment teams in Q4 2022.
<p>Not attaining interim or ultimate net zero targets (NZAMi commitment)</p> <ul style="list-style-type: none"> Reputational risk linked to this Performance risk linked to this 	Liontrust's net zero interim targets are for 2025 and 2030.	<p>In 2022, the Group put plans in place to help achieve 2025 and 2030 interim targets. These will be monitored going forward. The Responsible Capitalism team will report to the ManCos, the Group's Board, and externally on progress towards these interim targets.</p>
BOTH THE PLC AND INVESTMENTS		
Risks of not reporting correctly or in achieving a poor rating from a third party regarding Liontrust's climate-related efforts	For the upcoming reporting year, Liontrust will provide more robust information on its approach to carbon and achieving net zero. During 2022, the Group undertook a number of steps that has made its net zero commitment more structured and attainable.	<p>For its submission covering the year 2021, Liontrust received a "D" from CDP (formerly, the Carbon Disclosure Project) for its carbon efforts. This represented a downgrade from its previous "C" score.</p> <p>Liontrust has many of its key metrics audited to reduce the risk of incorrect reporting.</p>

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.

RESPONSIBLE CAPITALISM AND MANAGING CONFLICTS OF INTERESTS

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 also to ensure effective systems and processes. (Liontrust's Conflict of Interest Policy is available at: <https://www.liontrust.co.uk/investor-relations/governance>)

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 and where there is a risk of damage to the interests of one party.

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. the 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 help (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 employees, 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 interest 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 interest (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 in 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 staff must notify Compliance of a potential conflict of interest within the business.

Fund managers are responsible for disclosing any potential conflicts of interest relating to a holding, including that which relates to proxy voting.

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

Liontrust's Compliance team works with other Group 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 (which 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 can, in turn, raise this issue to the Executive Directors or to the Board, depending on the nature of the conflict of interest

Examples of potential conflicts of interest in 2022

1. Liontrust shares held in Liontrust funds

In the event that Liontrust managed fund(s) own Liontrust shares, the manager of the fund(s) could be in conflict on how to vote proxies. This could potentially undermine the fund manager's ability to manage the asset in line with clients' best interests. This can happen in the case of proxy voting where a manager may be conflicted with supporting the Group (Liontrust) vs supporting what is best for the underlying investors (clients of Liontrust).

How this issue could be managed:

To manage this conflict, Liontrust has a Group-wide proxy voting policy which includes a stipulation that Liontrust managed funds do not hold Liontrust stock for the avoidance of conflict of interest in voting on remuneration or other governance issues. An exception to this rule is made when Liontrust acquires another business and takes on funds which may hold Liontrust stock. In these instances, the fund manager is given six months to sell out of Liontrust holdings and is expected, during that time period, to vote in line with the stated investment process for the fund.

2. Fund managers 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 interest, rather than in the best interest of Liontrust's 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 an asset in advance of doing so and to abide by the Group's rules in this area including a minimum holding period.

3. Instances where a client is also a company in whose stock Liontrust fund(s) invest

This situation could arise if where Liontrust holds 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 with the company. 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.

4. 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.

- The Chair of the Board of Liontrust is also a Non-Executive Director (NED) on the Board of a holding in Liontrust fund(s).
- One of Liontrust's NEDs is a member of the Board of another listed company which is held by Liontrust fund(s).

In both instances, the NEDs' interests are listed in Liontrust's compliance register and both NEDs are aware of Liontrust's Conflicts of Interest policy.

5. 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 or operations 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 interest of investors in every situation. The training is updated periodically; if a material change in the policy occurs, staff 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 programme.

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 around 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 inside information. The Financial Crime & 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 also 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 Eze, 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 act as gatekeepers 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, both for trading in the funds and also for trading in personal accounts (for which pre-approval must be sought and given before Liontrust employees trade on personal accounts). 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. Smaller 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 made.

RESPONSIBLE CAPITALISM AND 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. Liontrust's suppliers include ESG data providers, trading platforms, research providers for investment related information, proxy voting platforms, back office service providers, and others. This section focuses on the relationship Liontrust has with its most significant service providers in terms of oversight and management of these contracts and the quality of the service the suppliers provide.

Liontrust's suppliers

Liontrust uses a wide variety of suppliers for back-office functions, audit, legal, marketing services, and for investment research, data, analysis and benchmarking. 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 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, our banks are subject to a credit review on an at least monthly basis and are integrated into our operational resilience planning.

The Group has set up the Operations and Outsource Oversight committee to formally oversee the relationship with our outsourced providers; the committee meets monthly. Our 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 providers' 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 relationship with Liontrust. Engagement is generally undertaken with this person first and escalated if needed.

As part of the selection process, the group expects to engage with at least three potential suppliers and undertakes due diligence to ensure that Liontrust receives what it needs and has contracted for from each supplier, and appropriate controls are in place including 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.

Liontrust has a procurement policy and process.

Communicating clearly with suppliers

Liontrust communicates regularly and clearly with its suppliers, including those that provide ESG data, to ensure that the suppliers understand what and how the data the suppliers 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.

Examples of engagements that Liontrust undertook with ESG-related suppliers in 2022



MSCI ESG Manager

Liontrust uses MSCI 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 2022, Liontrust engaged with MSCI (ESG Manager) services to discuss:

- MSCI's customer service/customer support
- IT issues with the platform and with running reports
- Cost/value of the service MSCI ESG Manager provides
- Promptness of resolution of company controversies
- Data quality
- User friendliness of the systems

Liontrust's Responsible Capitalism team engaged MSCI ESG Manager on a number of occasions in 2022 to request clarification, ask for improved client servicing, ask for information regarding data points, and to inform MSCI of incorrect data points and IT problems with its online platform and systems. In these instances, Liontrust contacted the client servicing team with a query or concern.

On some of these occasions, MSCI rectified incorrect data points, clarified its processes, and/or worked to get systems back online. In other instances, Liontrust was less satisfied with the service MSCI provided as the Group received no response, a delayed response, or an unhelpful response. Liontrust escalated engagement with MSCI on a number of occasions by going to its relationship manager at MSCI. In response, MSCI acknowledged that it did not always meet expectations. Liontrust will continue to engage and encourage MSCI to service clients more effectively in 2023.



ISS

ISS services Liontrust as a proxy voting research provider and proxy voting administrative platform. During 2022, Liontrust engaged ISS on a number of areas, including updating its proxy voting guidelines and seeking clarification about individual votes.

Liontrust found ISS' client servicing to be helpful, accurate, and timely. ISS' service enables the Group to vote its proxy votes and to receive research before voting. There were times during the year when the custom research policy was published close

to the voting deadline, which reduced the amount of time fund managers had to make voting decisions. However, this occurred for various reasons, many of which were not within ISS' control.

With regard to voting policies, Liontrust engaged ISS on the fact that many of its policies apply more to large cap companies than to small cap. There also seems to be little allowance from ISS for companies' intentions to be (or to change) positive (for example, a Group's intention to improve Board diversity.) ISS listened to the Group's feedback and is considering it.

On the whole, Liontrust found that there was no need to escalate issues with ISS during 2022, as problems or issues were rectified quickly.

RESPONSIBLE CAPITALISM AND 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.

PROMOTING WELL-FUNCTIONING FINANCIAL SYSTEMS

In terms of the market and the wider financial system, 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. (For more information, see the Risk section of this report on pages 24–27.)
- **Makes reports to the FCA on 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 (D&I); supply chains; human rights; etc. (For more information on how Liontrust investment teams look at material risks and opportunities as determined by their investment processes and engage, see pages 40–91 in this report.)
- **Is well capitalised.** The Group has £81.4 million (March 22) of capital, 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 putting plans in place for managing its emissions.** Liontrust joined NZAMi in 2022 and will submit its first full report to NZAMi in 1H 23. The Group will also report through the PRI assessment on any net zero progress in its funds (contributed to the Group's commitment) in the summer of 2023. Liontrust also takes account of its own operational emissions and offsets these. (More information is on pages 106–108.)

Liontrust's spheres of influence

Liontrust also works with other 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 help ensure global markets run efficiently and effectively. Groups and associations that Liontrust actively worked with in 2022 include:

Association	What the associated Group does (and date joined by which Group entity)	Specific action / component	Liontrust's involvement in 2022	Outcome /Evaluation
IA (Investment Association)	Association for investment businesses in the UK	IA's SFDR Implementation Forum	Participated in these regular meetings on how to implement SFDR rule.s	Liontrust found value in this as it increased the Group's internal information on the regulation. Liontrust also shared its understanding of the rules with other groups.
		BEiS consultation on Restoring Trust in Audit and Corporate Governance (carried over from 2021)	In 2021, Liontrust raised concerns regarding a blanket approach to audit and governance for all companies, regardless of market cap.	Successful – there were no issues in 2022.
		IA's Fixed Income Committee (Liontrust represented by Head of Global Fixed Income)	Participated in these meetings regarding legislative and policy updates for fixed income.	Helped to expand market knowledge in this area.
		IA's Fund Investment Risk Group	Participated in these meetings regarding legislative and policy updates for investment risk including managing ESG-related investment risk.	Understanding investment risk related rules and inputting into the IA collective response to improve and understand new regulation and best market practices.

Association	What the associated Group does (and date joined by which Group entity)	Specific action / component	Liontrust's involvement in 2022	Outcome /Evaluation
IIGCC (Institutional Investor Group on Climate Change)	(Liontrust Investment Partners LLP joined in 2022.)	IIGCC Policy Advisory Group member – overarching strategic oversight on climate policy.	Participated in this working group.	Helped by contributing to wider market discussions on what is reasonable to expect from asset managers on net zero targets, engagements, etc.
		IIGCC UK Taxonomy 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.	Participated in this working group.	
		May 2022 – the 2022 Global Investor Statement to Governments encouraging governments to ensure their 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, which Liontrust supported in 2021 and 2022.	
FCA	<ul style="list-style-type: none"> FCA – Financial Conduct Authority - regulates financial services firms and financial markets in the UK 	FCA's consultation paper (CP) on sustainability disclosures requirements (SDR) and investment labels.	<p>Fed back on consultation through multiple channels (IIGCC, IA, etc).</p> <p>Participated in the FCA's cost-benefit analysis exercise for SDR.</p>	Helped by contributing to wider market discussions on what is reasonable to expect from asset managers on sustainable investments, engagements, and reporting.
NZAMi (Net Zero Asset Mangers' initiative)	(Liontrust joined in 2022.)	Bi-Annual Signatories meeting in September 2022.	Attended this meeting.	Participated in this event to lend support to NZAMi.
PRI (Principles for Responsible Investment)	(Liontrust Investment Partners LLP joined in 2018)	PRI's letter calling on the SEC to require all publicly-listed US companies to include carbon-related disclosures in their registration statements and periodic reports.	May 2022 – Liontrust signed the letter sponsored by the PRI inviting its signatories to support the SEC's reporting changes (which were set out in March 2022).	Liontrust supported these efforts.
		PRI's letter calling on the SEC to proceed with finalising reporting requirements for climate-related disclosures.	October 2022 – Liontrust signed the PRI sponsored letter to reinforce support for the SEC's proposed changes which were facing resistance in the US.	
		UN PRI Just Transition Investor Working Group, which works to promote a just transition, socially, in the energy transition.	Liontrust's Sustainable Investment team participates in this working group.	Helped by lending support to this group and its efforts.
IEN (Intentional Endowments Network)	A US-based group focusing on family offices and universities. (Member since 2020.)	Corporate Engagement competition hosted by IEN for university students (April 2022).	Liontrust participated as a judge for student submissions in this competition.	Helped share real world experience and information on ESG considerations in investment to current university students.

Association	What the associated Group does (and date joined by which Group entity)	Specific action / component	Liontrust's involvement in 2022	Outcome /Evaluation
FRC (Financial Reporting Council)	FRC – Financial Reporting Council - regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes	FRC Stewardship Code.	Liontrust Investment Partners LLP are signatories to the Code (2021 and 2022).	Liontrust has supported the FRC and the new Stewardship Code by submitting its reports and (through Majedie) by participating in its virtual sessions for asset managers.
CDP (fka Carbon Disclosure Project)	CDP is a central rating agency and environmental data keeper for companies around the world. (Liontrust Investment Partners LLP became a signatory in 2017.)	2022 CDP Science Based Targets Campaign calling on the approximately 12,00 most impactful companies globally to set Science-Based emissions reduction targets.	May 2022 – Liontrust signed the CDP-sponsored letter supporting this Campaign. Liontrust also supported this Campaign in 2021.	Liontrust lent its support to this campaign.
UKSIF (UK Sustainable Investment and Finance Association)	Regional sustainable investment body. (Liontrust Investment Partners LLP became a signatory in 2017.)	There were no specific actions in 2022.	N/A	N/A
World Federation of Exchanges	World Federation of Exchanges – the global industry association for exchanges and clearing houses	Engagement with the exchange.	Liontrust engaged with the World Federation of Exchanges at the end of October 2022 for the purpose of understanding how the exchange sees the development of various ESG / Sustainability-related reporting frameworks (including TCFD and TNFD) impacting the reporting that companies undertake. The Group discussed with the exchange if it would be beneficial to investors if exchange constituents report along the frameworks to increase transparency on the related area (carbon, biodiversity) but also link these areas to the underlying business in a holistic way. This could potentially help investors see more clearly how the many elements of reporting fit together.	Liontrust engaged with this exchange on risk mitigation, reporting, and linking reports.
London Stock Exchange	The UK's London Stock Exchange (members since 1999).	Engagement with the Stock Exchange.	Liontrust engaged with the Stock Exchange on the listing rules for ESG integration in October 2022.	Liontrust provided engagement with this Stock Exchange on reporting.

Groups/efforts that Liontrust supports

The following groups are supported by Liontrust entities:

Group / effort	Liontrust entity	Purpose / Action	Evaluation of outcome / success
Montreal Carbon Pledge	Liontrust Investment Partners LLP	Liontrust's Sustainable Investment funds became a signatory in 2021.	The Sustainable Investment team continues to report along this commitment.
30% Club Investor Group	Liontrust Investment Partners LLP	Member of the Investor Group.	The Group supports this initiative.
Workforce Disclosure Initiative (WDI)	Liontrust Investment Partners LLP	Supporters – Liontrust's Sustainable Investment team encourages target companies to report on their human capital management metrics.	The Sustainable Investment team have actively supported the WDI in its engagements with holdings and promoted more transparent reporting on human capital metrics.
TCFD (Taskforce on Climate-Related Financial Disclosures)	Liontrust Asset Management Plc	Liontrust supports TCFD and publishes its TCFD report in its Annual Report and Accounts. From 2023 the Group will publish a standalone TCFD report on our website by 30 June.	Liontrust reports along the TCFD guidelines.
Diversity Project	Liontrust Asset Management Plc	Liontrust is a member of the Diversity Project. During the year, the Group participated in various events and projects sponsored by the Diversity Project. In 2022, Liontrust's Product Development Manager was an ambassador for the Group and assisted with its Mental Health workstream.	The Group was active in the Diversity Project in 2022.

How Liontrust's aligns its investments with industry initiatives

Liontrust works across financials, Responsible Capitalism, ESG and stewardship to donate its time and expertise to help markets function more smoothly and effectively; to assist with providing education in ESG and stewardship; and to understand where the market is headed so that the Group can manage its own (current and upcoming) risks more effectively.

There are two aspects in which Liontrust has aligned its investments with industry initiatives for Responsible Capitalism. First, around one-third of the Group's AuMA is managed by Liontrust's Sustainable investment team, which incorporates the use of ESG-related screens, themes, and its proprietary sustainability matrix when making investment decisions. This provision of ESG sustainable funds for clients directly supports, partially or wholly, the work of many of the groups and associations that Liontrust supports in terms of ESG and sustainable investing.

Second, most of the groups and associations in Liontrust's sphere of influence support or promote transparency and evidence-based reporting in terms of ESG sustainability-related investing. As such, Liontrust is working to evidence what each of its investment teams do in terms of ESG integration.

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 (see pages 19–21 for more detail.) Liontrust's Compliance, Risk, and Legal teams also 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. (More information can be found on pages 40–91.)

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.

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 following the Group's acquisition of Majedie Asset Management. 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, worked with the internal auditor to help facilitate the review. Findings from the audit were due in Q1 2023.

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 & 2 information for the calendar year 2022. Specific metrics in scope for limited assurance are detailed in the KPMG Limited Assurance report on page 128. The **Δ** symbol throughout this report denotes specific metrics 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 Q1 each year, the Responsible Capitalism team undertakes a review of its proxy voting guidelines and related policies. Updates to these were made in 2022 (and in 2023 before publication of this report). All updates and changes are approved by the Responsible Capitalism Committee and seen by the Board members that 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.

In 2022, due in part to the acquisition of Majedie and the changes that were put in place for Liontrust's Responsible Capitalism team, this team gathered together the information on the ESG components (if any) that each of Liontrust's investment teams uses. A listing and summary of these components within the context of each team's

investment process formed a large part of the Group's Responsible Capitalism report covering April 2021 to March 2022. Similarly, this Responsible Capitalism report includes these components; an update on the investment teams' processes and ESG components (where applicable) can be found on pages 40–91. Liontrust aims to be able to evidence the teams' use of the components that each details for the benefit of investors.

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 feels 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 on pages 102–103 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 that 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 the process. Both internal and external audits ensure the Group is aware of any Responsible Capitalism or stewardship related areas that could improve and also serve to give the Group assurance that it is utilising best practice across these areas.

RESPONSIBLE CAPITALISM – INVESTING AND ENGAGEMENT

INVESTMENT PHILOSOPHY

At Liontrust, there is no house view or top-down approach to managing funds. Fund managers have the freedom to manage their portfolios according to their own investment processes and market views. At the end of 2022, Liontrust had eight 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. Within this context, 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 beliefs, investment process and ESG components.

Investment processes are central to investment teams' processes

As an asset manager, Liontrust acts as a guardian of investors' assets, helping them to 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.

In terms of the investment process, Liontrust believes that:

- Investment processes are key to long-term performance and effective risk control.
- Staying true to their 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 pgs. 93-100 for more information); many teams also engage their holdings on material issues (each investment team's section for engagement examples). Proxy voting decisions and engagements are led by each team's investment process. In 2022, Liontrust's funds followed their investment processes and the Group reported on their stewardship activities.

Engagement

Purpose

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

- Understand the financial, operational, and or governance related situation(s) of their investments
- To follow up, express concern, and/or provide feedback to companies on specific issues and/or on their management steps or approaches
- 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

Prioritising engagement topics with holdings

Each team's investment process determines the topics of engagement with holdings. These processes also determine how frequently engagement is undertaken with a company.

Liontrust's Sustainable Investment team may also prioritise engagements based on input from its Advisory Committee.

Engagement on climate change/GHG emissions

Many of Liontrust's investment teams have committed AuMA to the Group's net zero commitment. As part of this commitment, Liontrust's participating investment teams (with help from the Responsible Capitalism team, as needed) prioritise engagement with the highest emitters in the funds they manage. This engagement may focus on what a holding's approach is to net zero and what the interim targets are for achieving net zero by 2050, if any. This fits into the engagement that the investment teams (and/or the Responsible Capitalism team on the investment teams' behalf) undertake as part of the normal day-to-day management of the funds. (For more information on climate-related engagements, see pages 40–91.)

Frequency and format of engagement

The timings and frequency of engagement with holdings are determined by the investment teams' investment processes and the materiality and/or urgency of the issues, including those issues focusing on carbon emissions, where applicable or appropriate. Investment teams may meet with their holdings regularly, helping to keep funds managers informed of exposures or issues their holdings may face. Engagements may take many forms, including face-to-face (or virtual) meetings, email exchanges, or letters.

Reporting on engagements

Liontrust publishes information on an annual basis on the engagements that many of its investment teams undertake. In some instances, this reporting also covers the extent to which, if at all, these engagements impact the teams' investment decisions.

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

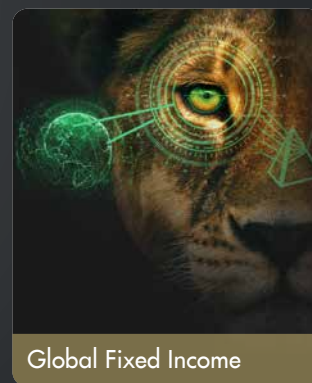
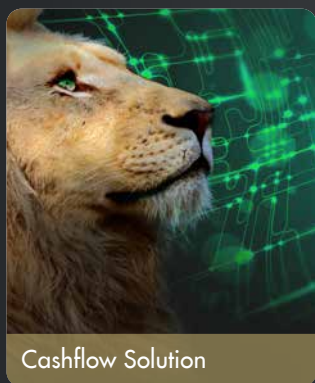
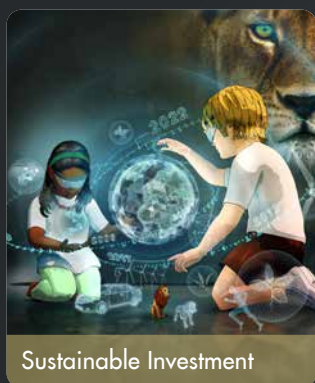
Escalation (step 2): focused dialogue on a particular issue with executives (which may include the Chair of the Board and/or the SID, where appropriate) of a holding; the investment team may state its preference or feedback on the management of a particular issue

Escalation (step 3): In the instance that 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; where 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.

Investment teams and their processes

Liontrust investment teams each apply their own distinct investment processes to the management of their funds and portfolios. The following section looks at the teams, their processes, their ESG components (where applicable), engagement examples, and the AuMA each team has dedicated to Liontrust's net zero commitment (where appropriate).

As at the end of December 2022, Liontrust's investment teams were:



Note on carbon data

At the end of each investment team section, there is a note on which funds, if any, a team has contributed to Liontrust's net zero commitment. Where funds are listed, the funds' respective reference

benchmarks used for MSCI ESG analysis are also listed. Since the Group first reported this information in August 2022, a few of these reference benchmarks have changed and these changes are footnoted, accordingly.

SUSTAINABLE INVESTMENT (EQUITY AND FIXED INCOME) TEAM

INVESTMENT BELIEFS

- ✔ Sustainable companies have better growth over the longer term and are more resilient over the longer term than the market gives them credit for.
- ✔ In supporting sustainable companies (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 their 20 sustainable themes. Each of these themes contributes 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 their 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 the sustainable investment themes; have strong management of sustainability exposures; are able to generate strong returns as they grow; and whose shares offer significant valuation upside on a five year perspective.

QUICK FACTS

- ✔ Funds managed by this team equate to approximately 34.4% of Liontrust's AuMA (as at end December 2022)
- ✔ 17-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

ENGAGEMENT

Team undertakes engagement with companies to:

- ✔ Provide greater insight
- ✔ Help to identify leading companies in terms of practices
- ✔ Encourage better business practices to maintain or enhance the value of the asset

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>



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 underestimate 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 also examines 20 themes within these.

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. 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: fixed income

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 team's assessment of quality is a distinctive part of the process. It combines credit analysis with in-depth analysis of issuer-specific factors, including ESG factors and macroeconomic analysis. 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 under-priced. 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 nonexecutives
- 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 (e.gg. M&A versus organic) and the business risk
- Industry factors including barriers to entry, and industry threats and patterns

Macroeconomic analysis

Here, 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 in order 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 and CO2 and GHG emissions



- **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 to the end investor. 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.

Derivatives, dealing and counterparty permissions

Where permitted, derivatives are used for the purposes of hedging and/or implementing strategic and tactical overlays in accordance with efficient portfolio management guidelines. The use of derivatives is subject to Liontrust's derivatives policy. All derivative positions are reconciled and collateralised on a daily basis to ensure all relevant systems are accurately reflecting positions and market valuations.

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 funds, for the Liontrust UK Ethical Fund, and for the team's Equity, Bond and Managed Funds.

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 a greater insight and helps them to identify leading companies and bond issuers. In addition, engagement is used to encourage the improvement of business practices.

The team has actively engaged in this way for over 21 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. This approach challenges and encourages companies and bond issuers to proactively manage the wider aspects of their business, which, in turn, protects their longer-term prospects.

Engagements

The Sustainable Investment team undertook engagements on themes and on specific company issues during 2022. The purpose of this engagement was to understand how the team's holdings are managing the issues areas raised by the team and to ensure the value of the asset is maintained and/or increased over the longer-term.

Engagement themes: Workforce Disclosure Initiative

From a theme perspective, the team engaged with a large percentage of its holdings on the Workforce Disclosure Initiative (WDI.) With 60 signatories and managing over \$10.5 trillion in assets, the WDI "aims to improve corporate transparency and accountability on workforce issues, provide companies and investors with comprehensive and comparable data and help increase the provision of good jobs worldwide." (source: <https://www.pensionbee.com/press/pensionbee-joins-the-workforce-disclosure-initiative>)

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. Therefore, the team encourages its holdings to report to (or continue to report to) the WDI.

During 2022, the team wrote to and/or had dialogue with 83 companies to request they participate in the 2022 WDI survey.

Water: Combined sewer outflows (CSOs)

Sewer overflows account for around 4% to 5% of river pollution. The pollution is harmful to farming communities, public areas, and threatens individuals' drinking water. The water industry has faced increasing scrutiny over the frequency and duration of combined sewer overflows (CSOs), which has been highlighted by programmes like Panorama and in reports by environmental charities such as Surfers Against Sewage.

During the year, the Sustainable Investment team engaged with Anglian Water, Severn Trent, Thames Water, United Utilities Group, Welsh Water Holdings and Yorkshire Water Services to gain a further understanding of how these Groups are tackling the issue of CSOs. This engagement exercise helped the team see that water companies are taking the issue very seriously. For example, many have increased coverage of their networks with event duration monitors, which are not perfect, but are helping target underperforming CSOs and develop capital projects to address them. As public perception and expectations are increasing significantly on this issue, water companies will need to make radical improvements to overflow numbers. The lowest cost contributor to improving the sewer network is ensuring the public does not dispose of unflushables, and water companies are making concerted efforts on this front. The costs of replacing the combined sewer network are far greater and cannot be born entirely by the water companies. Such extensive overhaul would mean consumers would have to contribute to these costs at a time when real disposable incomes are decreasing.

Collaboration between various bodies such as the water companies and areas that are hit hardest, such as the farming community and public areas, is essential in reducing the level of pollution making its way into the UK's rivers. Increased collaboration between bodies such as the government, Defra, the Environment Agency and Ofwat could result in a consistent set of affordable targets for meeting an agreed environmental standard within a uniform time-scale.

Company	What the Group does	Date	Discussion topic	Discussion points
Yorkshire Water	Water	28/06/2022	Pollution	The team engaged with Yorkshire Water to gain a further understanding of how they are tackling the issue of combined sewer overflows. The water industry has faced increasing scrutiny over the frequency and duration of combined sewer overflows, which has been highlighted by programmes such as Panorama and in reports by environmental charities such as Surfers Against Sewage.
United Utilities Group	Water	28/06/2022	Pollution	The team engaged with United Utilities to gain a further understanding of how they are tackling the issue of combined sewer overflows. The water industry has faced increasing scrutiny over the frequency and duration of combined sewer overflows, which has been highlighted by programmes such as Panorama and in reports by environmental charities such as Surfers Against Sewage.
Thames Water	Water	28/06/2022	Pollution	The team engaged with Thames Water to gain a further understanding of how they are tackling the issue of combined sewer overflows. The water industry has faced increasing scrutiny over the frequency and duration of combined sewer overflows, which has been highlighted by programmes such as Panorama and in reports by environmental charities such as Surfers Against Sewage.

Biodiversity improvement

The team also engaged water companies on the biodiversity projects each Group is undertaking. These include:

Company	Plans
Thames Water	Targeting 5% improvement in biodiversity across their 5,500 sites.
United Utilities	Investing in peatland restoration working in collaboration with farmers and other third parties, which can help to create environmental solutions with multiple benefits. Catchment systems thinking encourages them to think differently and includes incorporating natural capital decision making to consider what is best for the environment.
Severn Trent	Working in conjunction with Anglian regarding improving river quality. By 2030, Severn Trent will plant 1.3 million trees, support their triple carbon pledge and have committed to a 15% biodiversity net gain across capital programmes.
Yorkshire Water	Working with the Environment Bank. Looking to conserve pockets of land on their network for 30 years. Investment in tree planting, peatland restoration and river enhancements.
Anglian Water	Significant areas of land/locations where they are trying to improve biodiversity. Protecting eels in their natural habitat.
Welsh Water	Collaboration with farmers, building wetlands in their catchment areas. Improving four river catchment areas to restore these to the highest environmental standard.

Climate change-related engagements

The team engaged holdings on climate-related issues in 2022. Examples include:

Company	What the Group does	Date	Discussion topic	Discussion points
American Tower Corp.	Manages communication towers	2022	Carbon reduction	The team requested that American Tower reduce its absolute carbon emissions to be in line with 1.5 degrees, instead of with 2 degrees. American Tower agreed to do this within the next decade. (For more information on this engagement, see page 91 of this report.)
Ashtead	British industrial equipment rental company	March 2022	Carbon reduction	Ashtead is targeting a 35% carbon reduction by 2030 and investigating electric vehicles and biodiesel. However, it is reliant on manufacturers developing these further.
Rotork	UK-based Group making industrial flow control equipment	March 2022	Net zero	Rotork's net zero strategy is to achieve carbon neutrality for Scope 1 and 2 emissions by 2035 and by 2045 for Scope 3. Rotork is applying for validation by SBTi. Around 45% of the Group's products that go to oil and gas will gradually decline and be replaced by those involved in hydrogen transport, water, carbon capture and storage (CCS) and biofuels. The Group will increasingly use electric actuators (rather than those driven by methane), which will help reduce methane emissions from gas networks.

Engagements on other ESG-related areas

The team also engaged holdings on other ESG-related risks and opportunities. Examples of these include:

Company	What the Group does	Date	Discussion topic	Discussion points
Crest Nicholson Holdings	British house building Group	January 2022	Cladding	The team met the CEO and CFO to discuss the ongoing cladding crisis. Crest is remediating buildings with faulty workmanship or those that do not comply with fire safety standards, having provisioned £42 million for this. Crest also pays the Residential Property Developer Tax (RDPT), a 4% tax aimed at remediating all buildings (as necessary) above 18 metres. The Group is resistant to demands to add a third layer of expense to deal with buildings that were compliant and are only now being deemed to fall foul of regulation from the Royal Institution of Chartered Surveyors (RICS) building surveys, fire inspectors, insurers or lenders.
Evotec	German drug discovery and development company	March 2022	Employee turnover	The team engaged Evotec on employee turnover. Evotec is a people company; automation cannot take the place of the human functionality the Group needs to continue its research. Evotec experienced higher staff turnover in 2021 but does not expect this to continue. Turnover remains less than at competitors. Salary increases, bonuses and stock incentives in the most competitive geographical areas of its business (eastern and western parts of the US) should help keep turnover at normal levels.
Cadence Design Systems	American computation software company	November 2022	Diversity and reporting	The team met with Cadence's independent Board member to discuss a variety of topics including Board independence, Board diversity, sustainability reporting and impact reporting. The Board of Cadence is committed to improving its sustainability credentials and overall corporate governance. The Group has committed to releasing metrics around energy savings related to its software's involvement in data centres. It has also committed to 30% female representation on the Board.
Puma	German sporting goods company	August and November 2022	Links to Xingjian region through cotton supply chain	The team met the CEO and Investor Relations to discuss the accusations of Xingjian cotton being traced in some of the Group's garments. The company has repeatedly stated that it does not source from the region, and as part of the Better Cotton Initiative condemned Human Rights abuse of Uighur people in China. In a follow up meeting, the team engaged with the Group on the laboratory testing that it carried out on the back of the accusations. While the testing results were not conclusive, the Group explained that it is carrying out ongoing testing and reaffirmed its efforts not to source from this region.

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	Engagement and conclusions
Alphabet	On the watchlist due to alleged pay and hiring discrimination against female employees.	In September 2022, the team contacted the company to request that it participate in the 2022 Workforce Disclosure Initiative (WDI) Survey. The WDI aims to improve corporate transparency and accountability on workforce issues.

Controversial weapons policy

The Sustainable Investment team excludes companies with any confirmed involvement in "controversial weapons", which are defined as anti-personnel mines, cluster munitions, biological weapons or nuclear weapons. This includes manufacturing or supplying key components used in or the selling of controversial weapons. This approach goes beyond the Group's policy in this area.

The Sustainable Investment team publish further information in its annual report available on our website: <https://www.liontrust.co.uk/fund-managers/sustainable-investment>

Alignment with Liontrust's net zero commitment

The following funds managed by the Sustainable Investment team are included in Liontrust's initial commitment to the NZAM initiative. (Liontrust joined NZAM at the end of May 2022 and is in the process of formalising its commitment with a carbon reduction plan to be submitted to NZAM by May 2023.)

Fund	Benchmark used for MSCI ESG analysis	Benchmark WACI end 2019	Fund WACI end 2022	Lower than 2019 benchmark WACI by
EQUITY FUNDS				
Liontrust Sustainable Future Managed	Customised	138.2	42.9	69%
Liontrust Sustainable Future Global Growth	MSCI World	168.2	27.3	83%
Liontrust Sustainable Future Managed Growth	MSCI World	168.2	26.4	84%
Liontrust Sustainable Future UK Growth Fund	MSCI UK	111.1*	41.4	63%
Liontrust Sustainable Future European Growth	MSCI Europe ex UK	161.7	54.9	66%
Liontrust GF Sustainable Future Global Growth	MSCI World	168.2	26.4	84%
Liontrust GF Sustainable Future Pan-European Growth	MSCI Europe	148.5	49.1	67%
Liontrust UK Ethical	MSCI UK	111.1	58.6	47%
BOND FUNDS				
Liontrust Monthly Income Bond	iBoxx Sterling Corporates 5-15	128.8	80.4	38%
BOND AND MANAGED FUNDS WITH SOVEREIGN DEBT				
Liontrust GF Sustainable Future European Corporate Bond	iBoxx Euro All Maturities	146	112.8	23%
Liontrust Sustainable Future Corporate Bond	iBoxx Sterling All Maturities	150.5	86.4	43%
Liontrust GF Sustainable Future Multi Asset Global (launched 13/10/21)	MSCI World	Customised	51.8	-
Liontrust Sustainable Future Defensive Managed	Customised	107.5	49.6	54%
Liontrust Sustainable Future Cautious Managed	Customised	117	47.2	60%

*In Liontrust's Responsible Capitalism 2022 report, the benchmark for the Liontrust Sustainable Future UK Growth Fund was quoted incorrectly. The correct one is MSCI UK, which is noted above.



ECONOMIC ADVANTAGE TEAM

INVESTMENT 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 away 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 leads to strong share price appreciation.

QUICK FACTS

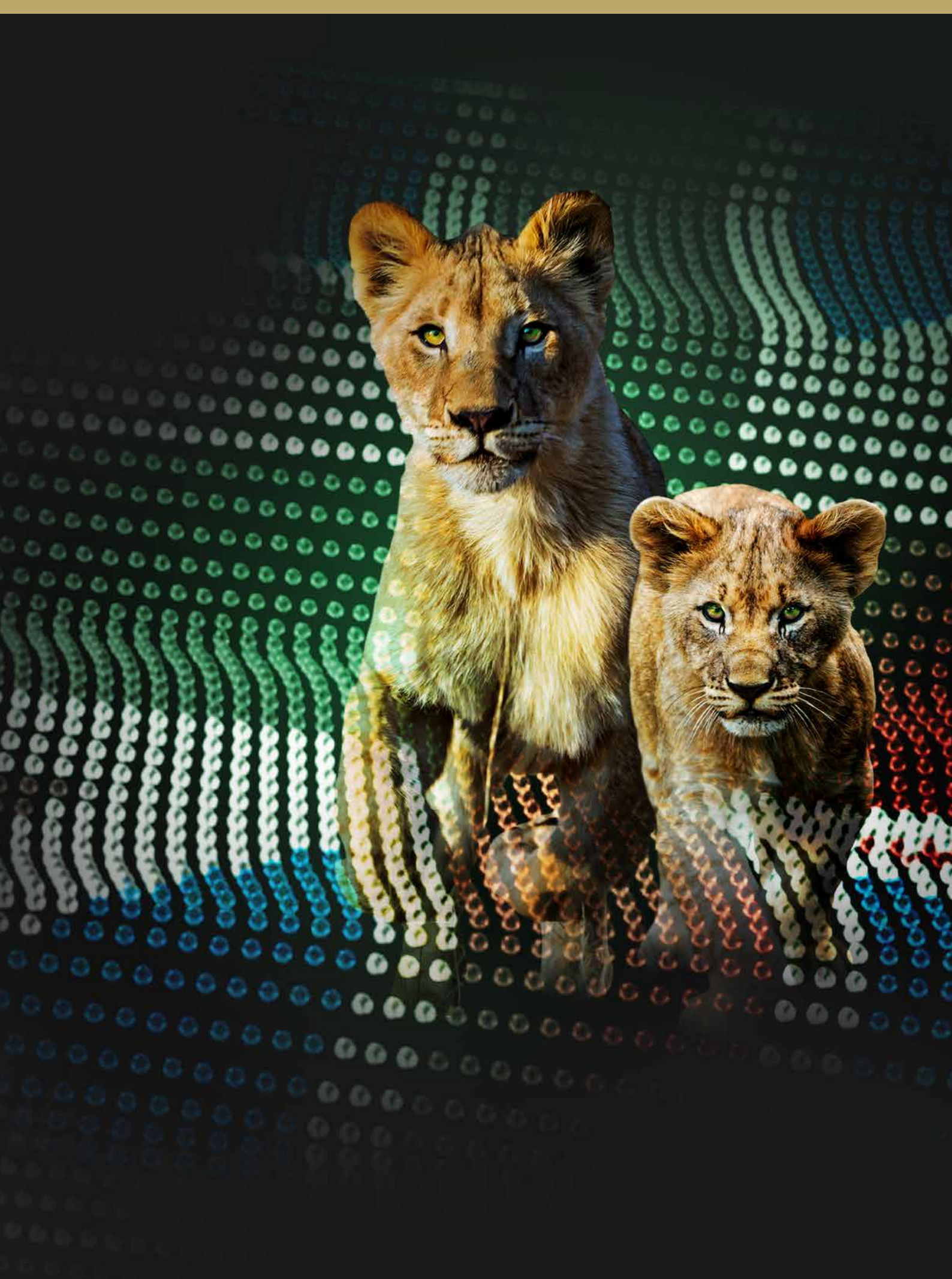
- ✓ Funds managed by this team equate to approximately 24.9% of Liontrust's AuMA (as of end December 2022)
- ✓ Six-strong investment team led by Anthony Cross
- ✓ Team has a long track record of successfully identifying companies with strong economic advantage. This has delivered strong relative performance and unusual consistency in a variety of market conditions for investors.
- ✓ Investment process origins date back to 1998

ENGAGEMENT

- ✓ The Economic Advantage team engages its holdings on factors material to the team's investment process.

MORE INFORMATION

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



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. In the team’s experience, the hardest to replicate of these particular characteristics fall into the following **three categories of intangible assets**:



Intellectual property



Strong distribution networks



Significant recurring business

Other less powerful, but nonetheless important, intangible strengths include: franchises and licences; extraction rights; good customer databases and relationships; effective procedures and formats; strong brands and company culture.

How the team identifies companies with economic advantage

The managers evaluate companies in the UK stock market for their possession of durable economic advantage. To pass their test for economic advantage, a company must demonstrate that it has either:

- intellectual property
- a strong distribution channel
- repeat business

This initial screen gives the team its universe of potential investments.

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 both physical and electronic. A physical distribution channel can either be formed through a network of appointed distributors or alternatively 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 electronic 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 economic advantage, it is next assessed for evidence of this theoretical advantage showing up as superior financial returns. The primary metric for this evidence-based approach is to use 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. In the event a company is not covered by the Quest database, other measures of financial advantage are examined for evidence of the theoretical economic advantage being present. Such measures include margins and cash generation, with a strong focus on the possession of pricing power. The process will also 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, as assessing the value of a business is a relative exercise and comparatives can be hard to find. By investing in value-generating companies with a long-term time horizon, the valuation paid at entry is also somewhat less important to the share price return than the ability of said business to compound equity value. Often potential investments also 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.

Risk scoring (contains ESG component)

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 (see below for more information*)

*Integration of Risk (ESG component)

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 of such an investment.

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.

Employee motivation in smaller companies – equity ownership (ESG component reflecting culture) Economic advantage in smaller companies is created and maintained by talented individuals. The team believes that equity ownership motivates key employees, helps to secure a company's competitive edge and leads to better corporate performance:

- equity ownership aligns the interests of employees with outside shareholders
- 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
- every smaller company held in the team's portfolios has at least 3% of its equity held by senior management and main Board directors

Monitoring change in equity ownership

A position will be sold if the shareholding of directors and senior management falls below 3% among smaller companies in any of the funds managed by the economic advantage team.

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. 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.

Difficulties of limited data

Some companies (for example smaller companies) may not be rated or covered by data providers and may publish little or no information on their ESG policies and sustainability risks. In these cases, the team's scope for analysis of ESG risk will be more limited, although the team does undertake such analysis on every company it holds on at least an annual basis.

Engagements

Carbon-related engagements

The team engaged some of its holdings during the calendar year on climate-related topics. Examples of these during 2022 include:

Company	What the group does	Date	Discussion topic	Discussion points / outcomes
Shell Plc	British multi-national oil and gas company	November 2022	Energy transition Energy security	The team met Shell to discuss how the Group is progressing against its strategy. Shell discussed the trading loss in Q3 and how the Prelude strikes had played a role. It also covered how the Niger Delta problems and divestment were progressing and provided an update on the Hague ruling. Reputational concerns and how the Group balances high returns, potential taxes, energy security, investing in the transition, share buy backs and dividends were also discussed.
Churchill China Plc	British pottery manufacturer	September 2022	De-carbonisation Employee engagement	The team met the CEO, CFO, and Head of Marketing and discussed Churchill China's products, business progress at the interims, as well as the steps the Group has taken to reduce energy costs as a high energy user. (This includes putting solar panels on their building and putting hedging in place until late 2023.) The team discussed the company's ESG approach more broadly and how it works with the local community and invests in its workforce. The company is increasingly trying to automate to upskill its workforce and move workers into more interesting areas of the company.

Engagements on other ESG-related areas:

The team also undertook engagements on other ESG-related topics during the year. These include:

Company	What the group does	Date	Discussion topic	Discussion points / outcomes
Haleon Plc	Consumer healthcare	July 2022	Packaging and emissions Group's new Board	Following Haleon's spin-off from GSK, the team met the company's CFO, mostly to discuss the intellectual capital strength of the business. The conversation centred on the strength of the Group's distribution network, IP, and power brands. The cash flow return on capital (CFROC) profile of the business was also discussed. ESG was covered to understand where the Group's focus lies – in packaging and emissions. The new Board was also discussed.
Churchill China Plc	British pottery manufacturer	September 2022	Energy costs and investment in workforce	The team met with the CEO, CFO and Head of Marketing to discuss the group's products and how durable they are as well as steps the group has taken to reduce energy costs, including solar panels and the hedging it has in place. The team also discussed the group's ESG approach more broadly and how it works with the community in Stoke and how the group invests in its workforce. The company is increasingly trying to automate in order to upskill its workforce and provide opportunities in more interesting areas of the company.
Instem	IT solutions for health and life sciences	June 2022	Board independence and diversity	The team had several engagements with Instem about the level of independence on its Board – and Board committees - over the last two years. During engagement, the team also asked the Group to consider increasing the diversity of its Board. The first year, Instem added a new independent NED who also added ethnic diversity. The team then abstained at the following AGM on the re-election of one of the NEDs following further discussions with the company whereby it committed to increase further the independence of the Board. The team agreed to a period of grace for Instem to attract someone with the right expertise and background. The company announced in January 2023 that it has appointed a new female independent NED to the Board. This aligns the company with best practice in terms of Board composition for a company of its size.

Global Compact-related controversies

Below is a list of some of the corporates held by the Economic Advantage funds during 2022 that have been flagged by MSCI as being on the watch list for controversies against the Global Compact:

Name	Description of status	Engagement and conclusions
Shell	On the watch list due to toxic emissions and waste and due to the local community impact in Nigeria, in particular the Niger Delta, as well as alleged corruption in the OPL-245 acquisition.	The team discussed the issues with Shell during engagement. The team understood that the problems the Group is facing are largely the result of illegal (destructive) activity against the company. Shell has announced its intention to divest from the Niger Delta region and is seeking a buyer.
BP	On the watch list due to the Deepwater Horizon explosion, the Gulf of Mexico oil spill, and the resulting environmental and local community impacts.	The team discussed Deepwater Horizon with BP on a number of occasions, including with the CFO. It is clear that the incident led to widescale cultural change at the business and that BP is a very different company than it was when the accident took place in 2010.
Petrofac	Was on the watch list (but has since been removed) due to involvement in the Unaoil scandal, and for bribery and corruption.	The SFO penalty against the company was lower than expected and the comments from the judge in the case acknowledged a change of culture within the business. The team decided to support the Group's capital raise as it already held shares in Petrofac and following meetings with the company. The team was impressed by the personal commitment of the new CEO to a culture of corporate reform.
British American Tobacco	On the watch list due to allegations of sourcing tobacco from forced and child labour farms.	The team did not engage with BAT in 2022.

Controversial weapons policy

The Economic Advantage team chooses not to be governed by Liontrust's controversial weapons policy. The team is unlikely, however, to invest in companies with ties to controversial weapons.

Alignment with Liontrust's Net Zero commitment

The Economic Advantage team has not committed its funds to Liontrust's net zero goal.



MULTI-ASSET TEAM

QUICK FACTS

- ✓ Team manages around 17.7% of Liontrust's AuMA (as at end December 2022)
- ✓ Manages a variety of target risk and returns focused funds as well as target risk managed portfolios
- ✓ Team led by John Husselbee

ENGAGEMENT

- ✓ The team meets with the fund manager(s) of potential fund of fund holdings to find out more about the fund's investment strategy and the quality of fund managers.

MORE INFORMATION

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



Philosophy

The Liontrust Multi-Asset investment process is based on a number of core beliefs. These beliefs have been accumulated over the long combined careers of the Liontrust Multi-Asset team and have developed over many years. The Liontrust Multi-Asset team believes that:

- ✔ Investment markets are inefficient
- ✔ 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
- ✔ We believe that equity markets remain the key driver of long term real returns
- ✔ But we acknowledge 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
- ✔ We believe 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 we combine complementary asset classes together to create a risk and return profile that is appropriate for different investor cohorts
- ✔ We believe 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

ASSET ALLOCATION

The Strategic Asset Allocation (SAA) is the primary determinant of suitability and long-term risk and returns for investors. The Tactical Asset Allocation (TAA) is used to seek to enhance investors' risk-adjusted returns while ensuring the funds and portfolios' risk profiles are being met. 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.



Process

STRATEGIC ASSET ALLOCATION (SAA)

Numerous studies have demonstrated that the SAA informs the majority of the risk and return of an investment 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 the suitability, which in the context of risk profiled-funds focuses primarily on 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 perceive there to be meaningful departures of market pricing from fundamentals, they may decide to exploit these mispriced securities through TAA.

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

- All the 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 Multi-Asset 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 they 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 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 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 the previous quarter's 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 underweights that the Multi-Asset team expresses through portfolio construction.

PORTFOLIO CONSTRUCTION

- The purpose of the 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.
- The portfolio construction takes account of the output from TAA as well as the input from the manager selection process.

The portfolio construction consists of five steps:



STEP 1: FACTOR SELECTION

- Different equity factors such as value, growth, quality or size have significantly different performance characteristics. We believe 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 error 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.
- We believe 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.
- We test the performance and interaction of factors versus each other over the long term and we identify a blend which we believe will provide the most effective risk-adjusted exposure to the equity region in question.
- This blend forms the target factor allocation which we look to implement 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 outperforming 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

- The Liontrust 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 as well as Environmental, Social and Governance (ESG) considerations.



STEP 3: ESG

- The Liontrust Multi-Asset team does not purport to manage ESG dedicated strategies but ESG considerations are included in the fund manager selection process.
- The Liontrust Multi-Asset team does not believe that an off-the-shelf database provides the necessary nuance or consistency that they look for and as a consequence the ESG research element of the fund manager selection process is undertaken as primary research.

- The Multi-Asset team looks to understand an asset manager's approach to ESG both from the top down and the bottom up.
- This enables the Multi-Asset team to identify asset managers where ESG adoption is consistent throughout the business and those where it is not.
- The Multi-Asset team considers a manager based on a proprietary list of relevant topic areas.
- The Multi-Asset team may engage with managers to suggest process enhancements.



STEP 4: 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.

ENGAGEMENT

As part of the investment process, the Multi-Asset team sends questionnaires to managers to understand the risk-return profile of the funds they manage. The team undertakes a questionnaire on two levels:

- At the company level
- At the manager level

This assessment helps the Multi-Asset team group portfolios by level of risk and by volatility type, resulting in a range of target risk portfolios available to clients.

The team also investigates ESG-related components about the manager and the management group, asking questions on:



Structure
(including the use of screening and level of resource)



Strategy
(including the use of tools and engagement)



Support
(including links with pay and compliance)

These questions focus on how managers consider ESG when making investment decisions. The questionnaires are designed to be as objective as possible, to gauge how the Multi-Asset fund partners are building their ESG capability and how this is being integrated within individual funds.

At the fund level, the Multi-Asset team looks at how ESG is integrated in practice and by whom. It is particularly interested in the investment managers' aptitude in incorporating ESG considerations into their research process and how these are defined. The team explores ways in which the potential investments engage and how they set milestones with their underlying holdings, among other aspects.

Once the Multi-Asset team has responses to these questionnaires, it undertakes engagement with fund managers to understand better how the asset management company operates, how the manager runs the fund(s) and what the potential risks and opportunities (or exposures) are for the fund, the manager(s) and the asset management company. This enables the Multi-Asset team to determine the risk profile of the fund(s).

For the ESG-related questions, the team speaks with the fund managers of the respective fund(s) and/or an ESG or Responsible Investment representative from the asset management company. This helps reveal how management firms are incorporating ESG across their processes, what their priorities are and what current challenges they face.

In addition to the Multi-Asset team's analysis of the fund's ESG integration process, it engages with the managers during regular updates on portfolio positioning and performance. As well as discussing examples of where the manager has taken an active stance on a particular ESG issue, the Multi-Asset team also identifies companies that may be involved in controversies or which might have a sub-optimal ESG rating. It then explores why the manager has conviction in a specific holding and why the holding remains in the portfolio.

The team (or the Responsible Capitalism team on behalf of the Multi-Asset team) also undertakes engagement with various holdings.

Company	What the group does	Date	Discussion topic	Discussion points / outcomes
Primary Health Properties (PHP) Plc.	REIT- (Real Estate Investment Trust) specialising in the rental of healthcare facilities.	31/10/2022	Succession Planning. Remuneration.	The team engaged PHP regarding the impacts to the Group should the CEO step down. PHP believes it would be sufficient to have the Chairman remain in place an additional year and have the CEO become a NED (who would not be independent.) PHP stressed its 3 existing NEDs are highly experienced and would help provide continuity. The Group has also spent time developing internal candidates (mainly the CIO). On Remuneration, the team asked about the suitability of the proposal for pay for a new CEO. PHP's Remuneration Committee will work with consultants on an appropriate package including LTIP and will benchmark for comparison against peers. The team recommended that if the CEO steps down, that the Group also consults with proxy advisor, ISS, about its proposal.



Third-party ESG data

The team explores holdings' ESG data in Morningstar and Style Analytics. However, the Multi-Asset team recognises the inconsistency between ESG ratings agencies and their backward-looking scores and, therefore, uses any ratings for additional information and in conjunction with their qualitative research on underlying fund manager processes, governance and implementation. The Multi-Asset team does not place undue credence on any scores themselves.

Controversial weapons policy

The Multi-Asset team adheres to Liontrust's controversial weapons policy.

Alignment with Liontrust's Net Zero commitment

At the time of publication, the Multi-Asset team could not commit its funds to 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 about its sub-managed funds to enable it to support this target.



Serengeti

GLOBAL FUNDAMENTAL TEAM

INVESTMENT BELIEFS

- ✓ Team members have their own investment approaches, ranging from quality growth to top-down macro to value investing.
- ✓ However, despite their differences in approach, all team members have a core methodology. This includes undertaking materiality assessments and engagement, and assigning resiliency and conviction scores for each holding.

QUICK FACTS

- ✓ Team joined Liontrust on 1 April 2022 (formerly Majedie Asset Management)
- ✓ Manages approximately 13% of Liontrust's AuMA (as at end December 2022)
- ✓ Team led by James de Uphaugh
- ✓ Manages UK, Global, International and US portfolios
- ✓ Team members use materiality assessment to integrate key ESG risks and opportunities

ENGAGEMENT

- ✓ Materiality assessments help the team understand each holding's key exposures. The key issues (risks and opportunities, including those that are ESG related) for each holding lead the team's engagements. These, along with any outcomes, are tracked over time.

MORE INFORMATION

- ✓ Responsible Capitalism Report 2021 <https://www.liontrust.co.uk/fundmanagers/globalfundamental>
- ✓ Global Fundamental team information <https://www.liontrust.co.uk/fundmanagers/globalfundamental>

Investment process

The Global Fundamental team utilises a number of investment processes to manage funds. At 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 Global funds' investment process is based on the philosophy that where multiple changes coincide, opportunities open up for investors. Tom Record and his team look for companies that are exploiting change to become stronger, better and more highly valued in the future. The changes that the companies within the funds seek to exploit sit along a range:

At one end is External Change. 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 a socio-economic or demographic change that may take years to work through.

At the other end of the range is Internal Change. These changes enable a company to re-engineer itself so that its future is very different from its past. Often these are contrarian investments where we have confidence that management will rebuild a company after a tough recent past. Internal Change catalysts include restructuring, closing business lines, or pivoting to new business models and products.

Tom Record and his team seek to identify companies that can exploit multiple change catalysts as they believe this is often when change is most pronounced and the potential opportunity most advantageous.

The UK Equity Income process seeks high-quality dividend paying companies with competitor powers. Their building blocks of quality include strong and improving returns on capital, clean cash generative financial models, prudent balance sheets, attractive underlying markets, and skilled and motivated management.

Companies with at least one of seven competitor powers have strong strategic traits that underpin persistent and predictable profitability.

The process for the Tortoise Fund aims to deliver a positive absolute return over rolling three-year periods. The fund managers seek to achieve this by combining a bottom-up, stock-picking process with detailed study of the macro environment and generally take a "value" orientated approach to investing for both long and short positions.

The Global Fundamental team 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.

Idea Generation

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

Portfolio Construction

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

Purpose

To make money for our clients, responsibly

Fundamental Research

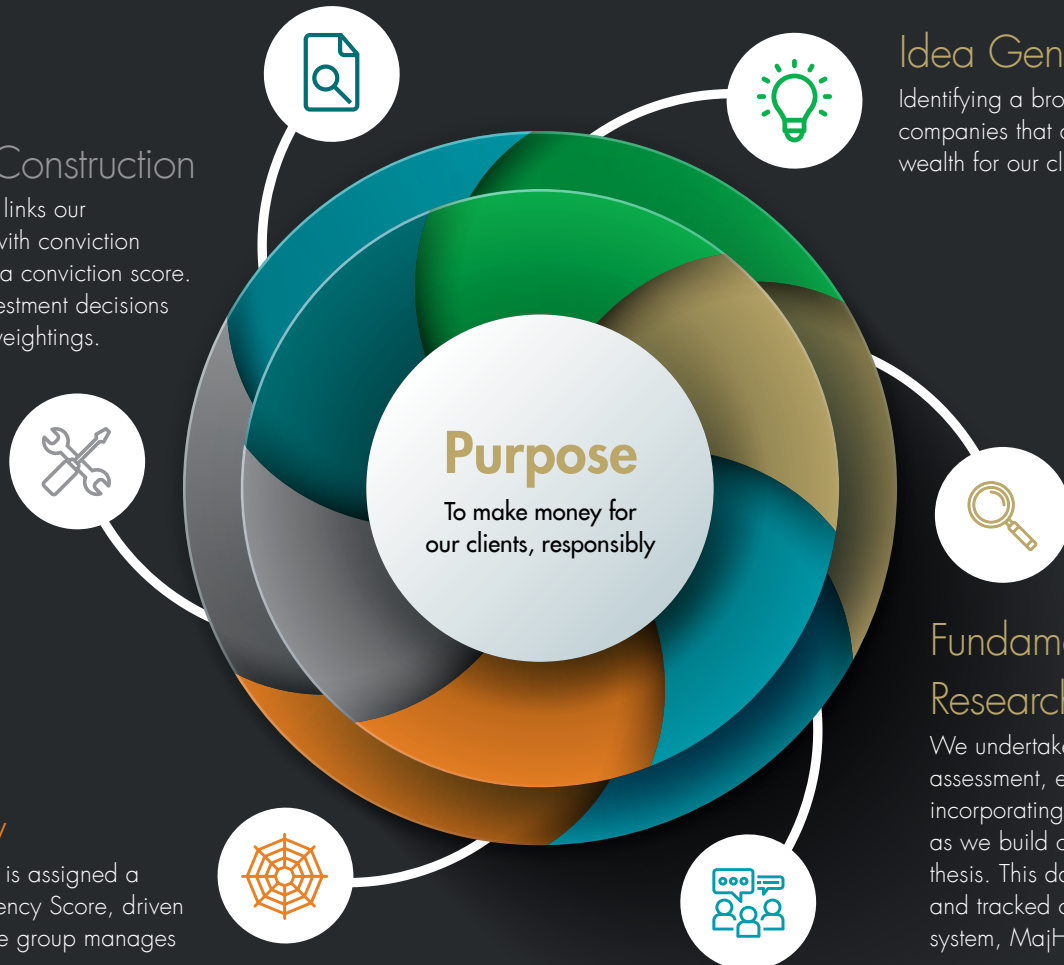
We undertake a materiality assessment, explicitly incorporating ESG factors as we build our investment thesis. This data is captured and tracked on our propriety system, MajHive.

Engage

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

Resiliency

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



IDENTIFY AND PRIORITISE

The team integrates ESG considerations by undertaking materiality assessments of fund holdings. This enables the team to identify and prioritise the risks and opportunities that an investment may face over the investable time horizon of the Global Fundamental team'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 uses its proprietary tool, Hive, to look holistically at 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 to a business; 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. This work helps to drive 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 take 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, 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 updated 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.



Shell plc

Key issues:

- Energy transition:** Achieving milestones in terms of both net carbon reduction and demonstrating returns on investment from new energies will be key to ensure Shell's equity cost of capital remains at reasonable levels.
- Operational performance:** Maximising conversion of commodity prices to cashflow requires good asset availability and strong project execution – both areas where Shell and other IOCs have chequered histories.
- Financial framework:** Shell has committed to return 20-30% of CFFO via dividends and buybacks. Given the return profile of transition projects remains unproven, the team sees capex discipline, deleveraging and enhanced returns as key drivers of the equity rating.
- Macro environment:** Shell's earnings are sensitive to oil and gas commodity prices. Supply/demand dynamics and the broader macroeconomic backcloth are key influencers of its future earnings power.

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

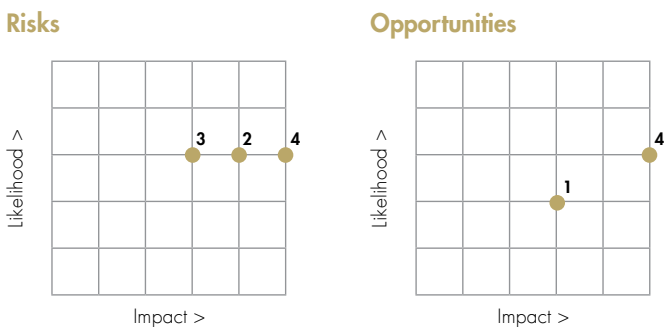
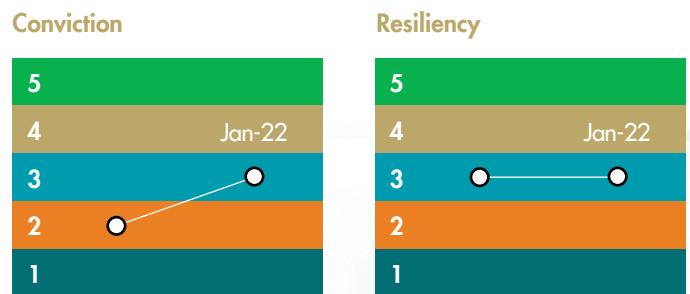


Figure 2. Conviction and Resiliency scores



Source: Liontrust, based on proprietary analysis of Shell plc provided for example purposes only.

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 prioritised exposures of the 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 the Global Fundamental Team, reviews the conviction and resiliency scores of the holdings in the team's funds.

ENGAGEMENT DURING 2022

During 2022, the team engaged with the management of its investee companies on the key material issues identified and prioritised during materiality assessments. These engagements included a range of risks and opportunities, including those that are ESG-related.

Carbon-related engagements

Company	What the group does	Date	Discussion topic	Discussion points / outcomes
easyJet	easyJet is a low cost passenger airline conducting operations throughout the UK and Europe.	11/12/2022	Net Zero Roadmap	The team asked easyJet about its recently released net zero roadmap and the announcement that it would scrap its carbon offsets program. The team discussed how easyJet would achieve its mid-term target, primarily through fleet efficiency and other proven emissions reduction mechanisms. On the other hand, the group's more ambitious long-term target is dependent on yet unproven technologies such as hydrogen and SAF. The team also asked about how easyJet's net zero strategy fits into its overall strategy and the impact on costs efficiencies and employee engagement.
3i Group	3i Group plc is an international investor focused on private equity, infrastructure, and debt management.	19/05/2022	Portfolio carbon footprint	The team asked 3i how it was managing emissions from its investee companies and if the group planned to set net zero targets. 3i looks at the carbon profile of every investment as part of the due diligence process and is focusing on getting all of their portfolio to report their emissions (currently around 70%). Several of its companies have net zero targets in place.

Engagements on other ESG-related areas

Company	What the group does	Date	Discussion topic	Discussion points / outcomes
Boohoo	Boohoo is an online fashion retailer serving customers in the UK and the US	14/10/2022, 29/09/2022	Workers' rights in supply chains	The team has engaged Boohoo on its supply chain oversight since initiating the position in 2021. In 2022, the team asked about the results of a survey of Leicester workers which highlighted some issues. The team also asked about the measures Boohoo put in place to strengthen its internal and external supply chain auditing. Overall, the company has made some progress to improve the oversight of its supply chain, notably by implementing its "Agenda for change" programme. In October 2022, following the findings of the EIT report on human rights protection for garment workers in Myanmar, and the announcements from several garment companies that they would exit the country, the team asked Boohoo about its operations in Myanmar.
Serco	Serco Group plc provides outsourcing services to governments, international agencies, and corporations located throughout the world. The company manages facilities, projects, and IT systems	14/01/2022 21/09/2022	Reporting	The team engaged Serco on its reporting in terms of its connectivity across its strategy, key issue management, culture and pay. Later in the year, the company asked the team for further feedback ahead of publishing its next annual report. Serco has been receptive to the team's feedback.
Tesco	Tesco is a food retailer. The company offers online retailing, brick and mortar supermarkets, and a private-label brand of products	11/10/2022	Colleagues remuneration and cost of living crisis	The team queried Tesco on how it is managing competing needs to maintain low prices for customers while ensuring colleagues' remuneration remains adequate in the context of the current cost of living crisis. Tesco announced two increases in hourly pay in 2022, in line with several of its competitors such as Sainsbury and Aldi. The company also provides discounts on groceries to its employees.
Gold Fields	Gold Fields is a gold producer with operating mines in Australia, Ghana, Peru and South Africa.	21/02/2022	Culture and safety of female employees	In light of the Rio Tinto report, which found widespread harassment at some of its sites, the team asked Gold Fields whether it was conducting similar internal reports and if it would be sharing results publicly. The team asked about how the company was ensuring the safety of minority employees and what processes were in place to identify issues.

Names held by the team that have been flagged by MSCI as having controversies

During 2022, the team invested in companies that were flagged by MSCI as having controversies. These included:

Name	Description of status	Engagement and conclusions
Barrick Gold	Fails due to human rights concerns in relation to ongoing conflicts with local communities, including the Kuria indigenous Group in Tanzania.	The team did not engage with the Group in 2022. In April 2021, the team attended Barrick's Sustainability day.
Universal Health	Universal Health Services, Inc. continued to face controversies related to allegations of negligence in its health facilities across the US. In relation to this, it recently faced allegations of sexual assault in its Virginia facility with lawsuits from former minor patients filed against the company, the hospital, its former medical director, and former psychotherapist.	The team did not engage with Universal Health in 2022.

Controversial weapons policy

The Global Fundamental team adheres to Liontrust's controversial weapons policy.

Impact of ESG integration / engagement on investment decision-making

There were a number of instances in 2022 where ESG-related key issues and/or the team's engagement on these with its holdings had an impact on the investment decision and/or weighting of the holding in the fund. These include:

FeverTree:

- In July 2022, the team engaged FeverTree about its supply chain issues that have contributed to the Group's profit warning. The team wanted to know how the Group is managing these issues for the purpose of preventing future bottlenecks/similar issues.
- In September 2022, the team, believing the company could have dealt with its supply chain issues more proactively, reduced its conviction score (from 5 to 4). (There was no change in the resiliency score or in the weighting.)

Essentra:

- In October 2022, the team engaged Essentra on the sale of its filters business and reiterated that the team believes that there is still value leakage from this part of the business.
- In October 2022, the team reduced the resiliency score (from 4 to 3) and also reduced the conviction score (from 4 to 3) due to concerns over the challenges faced by the Filters business sale. (There was no change in the weighting.)

CNHI:

- In May 2022, the team engaged CNHI on the refreshing of its management team.
- Previously, the team had identified this as a key issue for the company and were pleased to learn about CNHI's new hires in May. In addition to a new CEO, CNHI brought in a new CIO, Chief Human Rights Officer (CHRO), head of diversity and inclusion, and other department heads. In total, about 15% of managers in the business were refreshed. The aim was to

generate more accountability and better results and have an organisation that is less bureaucratic and more agile.

- The team was also pleased the hear that CNHI will focus on the agricultural business after the spinout of the trucks business.
- In June 2022, following the team's engagement in May, it increased the resiliency score for CNHI (from 2 to 3). (There was no change in conviction.)

Weir:

- In September 2022, the team engaged Weir about its dry minerals processing and how the Group sees this affecting the industry. The team also clarified several accounting points.
- In October 2022, the team lowered the conviction score (from 3 to 2) due to accounting concerns and the likely introduction of dry minerals processing in mining, undermining the company's exposure to wet mining. (The resiliency score was also reduced; there was no change in weight.)

Hargreaves Lansdown:

- In September 2022, the team engaged Hargreaves Lansdown about its tech development and its fee structure in a competitive market.
- In October 2002, the team lowered the resiliency score (from 3 to 2) and the conviction score (from 4 to 3) due to the team's concerns over a risk to the company's fees in the medium term and a loss of confidence in the management team.

easyJet:

- In October 2022, the team engaged easyJet on how it was managing staff shortages and operational issues. The team also discussed opportunities from the company's Holidays programme.
- In October 2022, the team lowered both the resiliency score and the conviction score (from 4 to 3) due to easyJet's recent operational problems.

Alignment with Liontrust's Net Zero commitment

The team has committed the following funds to Liontrust's net zero commitment:

Fund	Benchmark used for MSCI ESG analysis	Benchmark WACI end 2019	Fund WACI end 2022	Lower than 2019 benchmark WACI by
LF Liontrust UK Equity Fund	FTSE All Share	125.0	84.4	32%
LF Liontrust UK Focus Fund	FTSE All Share	125.0	68.4	45%
GF Global Equity Fund	MSCI AC World	179.4	50.2	72%
LF Liontrust Global Focus Fund	MSCI AC World	179.4	61.6	66%
International Equity Fund	MSCI AC World ex USA	201.7	75.1	61%
Liontrust GF US Equity Fund	S&P 500	165.9	18.4	89%

The team manages other pooled and segregated vehicles which it aims, over time, to include in the commitment.

Note: In Liontrust's Responsible Capitalism 2022 report, the Liontrust Income Fund and the Liontrust US Opportunities Fund, which were at that time managed by the Global Equity Team, were included as part of Liontrust's net zero commitment. As these funds moved to the Global Fundamental Team in Q4 2022, they were excluded from the commitment. However, these may be included again going forward.



CASHFLOW SOLUTION TEAM

INVESTMENT PHILOSOPHY

- ✓ The investment philosophy is based on the mistakes people make forecasting.
- ✓ In the equity market, the team believes that stock prices are frequently mispriced, as they tend to reflect the forecasts of future profitability made by company managers, which are often unreliable and at times completely misleading.
- ✓ These understandable errors in profit forecasting seem to play a dominant role in setting investors' expectations, as investors treat these forecasts as superior and underestimate the risk that they will be wrong.
- ✓ In contrast, the team finds that historical analysis of company cash flows is a more reliable guide to future profitability and stock price valuation in the medium term.

QUICK FACTS

- ✓ Team manages around 3.8% of Liontrust's total AuMA (as at end December 2022)
- ✓ Funds managed by James Inglis-Jones and Samantha Gleave
- ✓ The team uses quantitative and qualitative factors in its investment decisions and takes long and short positions in companies
- ✓ Investors undervalue free cash flow, a fundamental building block of long-term growth, in favour of short-term profit forecasts.
- ✓ Investors' focus on profit forecasts over fundamental value provides the team with a consistent opportunity to add alpha in both long-only and long/short portfolios.

ENGAGEMENT

- ✓ The team engages its holdings on some ESG related topics.

MORE INFORMATION

- ✓ Cashflow Solution Team: <https://www.liontrust.co.uk/fundmanagers/cashflow-solution>

Investment process

The investment process can be broken down into several stages:

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 (an ESG component)

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 process is 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 managers' 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.

Investment process

The 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 managers' 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.

Engagements

Carbon-related engagements

Company	What the group does	Date	Discussion topic	Discussion points
Evraz	Steel manufacturing and mining company	January 2022	Decarbonisation	The team engaged Evraz over email (despite repeated requests for a meeting) about the Group's commitment to a low-carbon future for steel; what its intentions were regarding net zero; why its carbon reduction plan only covered the steel segments of the business; and its rationale for carbon intensity-based targets. The team also pointed out that the Transition Pathway Initiative (TPI) identified Evraz as having failed to disclose its Scope 3 emissions, and asked Evraz if it is planning to disclose Scope 3. It also asked if the company had involvement with organisations dedicated to climate issues. The team later sold its holding in Evraz.

Engagements on other ESG-related areas

Company	What the group does	Date	Discussion topic	Discussion points
Sage Group	Enterprise software company	October 2022	ESG Metrics	The Responsible Capitalism team met with Sage and discussed ESG metrics and diversity, equity and inclusion. Sage outlined its carbon reduction targets and shared outcomes from its employee engagement survey as well as details of its global gender diversity targets.

Global Compact-related controversies

During 2022, the Cashflow Solution team held some names flagged by MSCI as being involved with controversies relating to the UN Global Compact. Examples of these companies, along with the engagements that the team undertook with these holdings, include:

Name	Description of status	Engagement and conclusions
TotalEnergies	On the watchlist due to alleged human rights violations in LNG projects in Mozambique.	The team did not engage with TotalEnergies in 2022.
Rio Tinto	On the watch list due to potential negative impacts on indigenous communities and the environment as well as reports of workplace discrimination.	The team did not engage with Rio Tinto in 2022.
Mercedes-Benz	On the watch list due to alleged diesel emissions fraud.	While the team did not engage with Mercedes-Benz in 2022, it did engage with the holding in 2021 and were satisfied that improvements were being implemented.

Controversial weapons policy

The Cashflow Solution team adheres to Liontrust's controversial weapons policy.

Alignment with Liontrust's Net Zero commitment

The Cashflow Solution team has not committed its funds to Liontrust's net zero commitment.

GLOBAL EQUITY TEAM

INVESTMENT PHILOSOPHY

- ✓ The team believes the key to generating outperformance is through high-conviction, long-term, research-led company selection.
- ✓ The team's fund managers have their own approach within this framework.

QUICK FACTS

- ✓ On 8 February 2023, it was announced that the Global Equity team was to become part of the Global Fundamental team with immediate effect and Robin Geffen would be leaving Liontrust in due course. The Global Equity investment team now reports to Tom Record, who is responsible for global equities within the newly enlarged Global Fundamental team. The exception is the Global Technology Fund, which moves to the Global Innovation team.
- ✓ Team's funds accounted for around 3.4% of Liontrust's AuMA (as at the end of December 2022)
- ✓ Team managed global, income, regional and emerging markets funds



Investment process

There are four key elements of the team's investment process. These are:



Identify long-term winners



Actively manage portfolios which consist only of stocks in which the team has high conviction that they will be long-term winners



Construct concentrated portfolios



Construct portfolios that can generate returns which are not overly dependent on the success and failure of any one individual investment style or macro factors.

The team also seeks to understand the competitive dynamics within an industry as it feels that this provides insights that are invaluable when investing over a longer time horizon.

Common characteristics of the Global Equity team's funds:

- All of the team's funds are actively managed
- All tend to invest in liquid stocks
- The funds also tend to have a high tracking error and active share against their respective benchmarks as a result of high conviction investments.
- Long-term winners in the funds tend to drive fund performance

ENGAGEMENT

The fund managers keep records of all company meetings with holdings.

Proxy voting

The fund managers vote at all company meetings, with information provided to them by the Responsible Capitalism team which also keeps the Group's proxy voting records. This information is sourced from ISS, Liontrust's proxy voting service provider, and includes dedicated ESG research.

Engagement during 2022

During 2022, the team engaged with the management of some of its investee companies.

Carbon-related engagements

The team engaged with some of its holdings on carbon-related topics. These included:

Company	What the group does	Date	Discussion topic	Discussion points
JFE Steel Corporation	JFE is the second largest steel manufacturer in Japan.	31/05/22	Net zero target Making less carbon intensive steel	JFE reported that it has a net zero target for 2050 and an interim target of a 30% reduction in emissions by 2030. JFE's plan includes: reducing the proportion of hot metal used in its existing steel making processes; increasing the use of scrap steel; and introducing high-efficiency electric furnaces from 2027-30. JFE plans for capex of around ¥340 billion to achieve its medium term targets and a further ¥100 billion yen for R&D to achieve its net zero target. The next meeting with JFE was scheduled for 19/1/23 to discuss the Group's development of greener technology and the use of electric furnaces.
MHI	Mitsubishi Heavy Industries (MHI) is an electrical equipment and engineering Group in Japan. It is an entity of the Mitsubishi Group.	29/09/22	Net zero target	The Group aims to achieve net zero by 2040 in its in its operations and across its value chain. The Group is also focusing on the energy transition in three ways: <ul style="list-style-type: none"> • decarbonising existing infrastructure by using hydrogen and ammonia to generate carbon-free power • developing hydrogen solutions • focusing on carbon capture and storage (CCS)

Global Compact related controversies

During 2022, the team invested in companies that were flagged by MSCI as having Global Compact-related controversies. These included:

Name	Description of status	Engagement and conclusions
Alphabet	On the watch list due to alleged pay and hiring discrimination against female employees	The team did not engage with Alphabet in 2022.
Amazon	On the watch list due to employee strikes as a result of wage disputes	The team did not engage with Amazon in 2022.
Vale	Fails due to alleged negative health impacts on indigenous communities	The team did not engage with Vale in 2022.
Grupo Mexico	On the watch list due to a sulphuric acid spill into the Sonora River tributary and multi-year strikes at mines in Mexico.	The team did not engage with Grupo Mexico in 2022.

Controversial Weapons policy

The Global Equity team's funds which adhere to Liontrust's controversial weapons policy are:

- Balanced Fund
- Global Alpha Fund
- Global Smaller Companies Fund
- Global Technology Fund

- Japan Fund
- Russia Fund
- Latin America Fund
- China Fund

Two of the team's funds – the Global Emerging Markets Fund and the India Fund - do not adhere to Liontrust's controversial weapons policy.

Alignment with Liontrust's Net Zero commitment

The team has committed the following funds to Liontrust's net zero commitment:

Fund	Benchmark used for MSCI ESG analysis	Benchmark WACI end 2019	Fund WACI end 2022	Lower than 2019 benchmark WACI by
Liontrust Balanced	MSCI World	168.2	12.4	93%
Liontrust China	MSCI China	234	94.3	60%
Liontrust India	MSCI India	502.8	497.9	1%
Liontrust Japan	Topix Japan	99.8	285	Higher by 186%
Liontrust Latin America	MSCI EM Latin America	247.7	240.7	3%
Liontrust Global Alpha	MSCI AC World	185.9*	16	91%
Liontrust Global Emerging Markets	MSCI Emerging Markets	315.8	114.5	64%
Liontrust Global Technology	MSCI World Information Technology	23.4	16.3	30%

*In Liontrust's Responsible Capitalism 2022 report, the benchmark for the Liontrust Global Alpha Fund was quoted incorrectly. The correct one is MSCI AC World, which is noted above.

GLOBAL INNOVATION TEAM

INVESTMENT PHILOSOPHY

- ✓ The investment philosophy is based on the team's belief that innovation is the biggest driver of stock returns. Over the long run, companies that innovate win, while those that do not fall by the wayside.
- ✓ The team believes innovative companies are the best companies and best investments, and this is just as true for investors who require an income as it is for those who are focused purely on capital growth.
- ✓ This has been rigorously demonstrated by academic evidence and is due to companies' superior operational performance. Indeed, the evidence matches the lessons in the team's own experience of meeting and analysing innovative companies over many years. Innovative companies achieve higher stock returns over the longer term than the market 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

QUICK FACTS

- ✓ The Global Innovation team manages the Liontrust Global Innovation Fund and Global Dividend Fund; the team has also managed the Global Technology Fund since 8 February 2023
- ✓ The team manages approximately 1.6% of Liontrust's AuMA (as at end December 2022)
- ✓ The team is led by Storm Uru and James Dowey
- ✓ The team's investment process origins date back to 2017

ENGAGEMENT

- ✓ The Global Innovation team engages its investments on factors material to the team's investment process.

MORE INFORMATION

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



Investment process

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

STAGE 1: NARROW UNIVERSE

The team limits the investible universe to equity securities trading in either developed or emerging markets (excluding frontier) with a market capitalisation above \$1 billion at the time of purchase. The team also runs a proprietary screen to remove companies without the financial resources to innovate. Together these requirements remove about 90% of listed companies, leaving around 4,000 companies.

STAGE 2: GLOBAL INNOVATION 200 WATCHLIST

The Global Innovation 200 watchlist is a list of the most innovative companies around the world across all sectors. The team has built the Global Innovation watchlist over the past ten years through in-depth, bottom-up industry and company research, utilising its extensive network of industry and innovation specialists to help identify new additions and remove companies that fail to maintain the required attributes. Each company on the list has four attributes:

• Innovation: Create Value

A truly innovative company is one that creates genuine value for customers through new products or services. This means either driving down prices or raising the quality/price ratio for customers.

• Barrier: Capture Value

If innovation can be easily replicated, then nobody makes a profit. Barriers to competition such as IP, network effects, or strong brands enable innovators to capture value for shareholders.

• Management: Execute

Successful innovation requires good management with vision and the capability to execute.

• Evidence: ROIC

The team evaluates the profitability of innovation through cash returns on capital invested.

STAGE 3: VALUATION AND RISKS

Once a company is on the watchlist, inclusion in the funds is determined by its upside. The team targets a 15% annualised total return based on a long-term DCF valuation, supported by an analysis of valuation multiples, including price to sales, price to earnings and free cash flow yield. As part of valuation, the team conducts a risk assessment of the company, including ESG risks and opportunities.

STAGE 4: PORTFOLIO CONSTRUCTION

There are three main aspects of the team's portfolio management approach:

1. Target weights: 1% to 5%, determined by each holding's current upside and contribution to the diversification of the portfolio
2. Monitoring: the team monitors both company fundamentals and stock price on an ongoing basis, adjusting holding weights in response to changes in upside
3. Sell discipline: the team's typical expected holding period is 3-5 years. However, irrespective of the length of time the team holds a stock, it will sell if triggered by one of three mechanisms:
 - Price hits target
 - There is a better opportunity on the watchlist
 - There is a breakdown in the fundamentals of the company

And finally, the team reviews portfolio risk on a weekly basis, taking into consideration the funds' overall risk, decomposition into stock specific risks and broader risks due to factors such as styles, sectors and geographies.

Narrow universe

- Market capitalisation of companies > \$1bn
- Remove companies without the resources to innovate
- 90% of companies removed

Generation of the watchlist

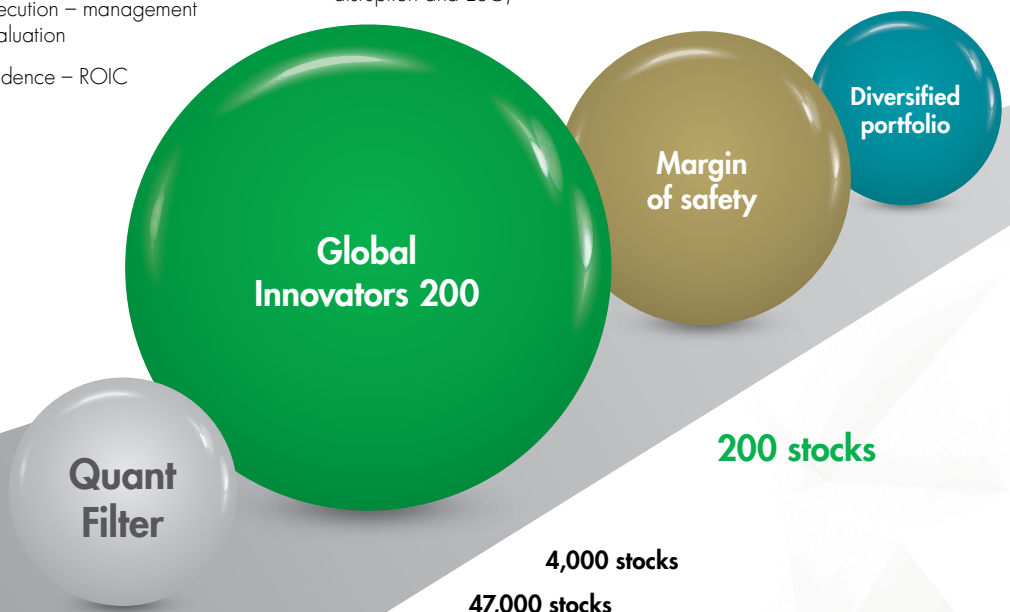
- Innovation – create value
- Barrier to competition – capture value
- Execution – management evaluation
- Evidence – ROIC

Valuation

- 10 Year DCF and comparable multiples
- Risk assessment (financial, disruption and ESG)

Portfolio construction

- Target weights, monitoring and sell decisions



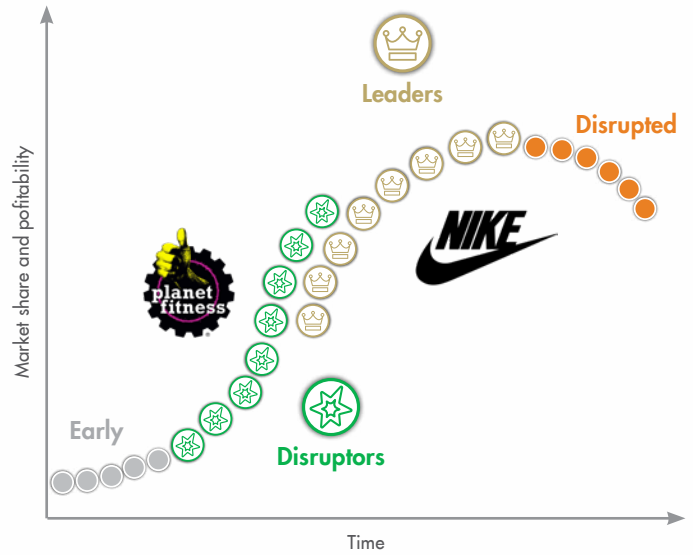
THE INNOVATION CURVE



Liontrust Global Innovation Fund
CAPITAL GROWTH



Liontrust Global Dividend Fund
INCOME AND CAPITAL GROWTH



The team invests the Global Dividend Fund in companies it refers to as Innovative Global Leaders, on the upper (gold) section of the Innovation Curve. These are best-in-class companies that also possess the rare capability to continually innovate to stay at the forefront of their industry, continually growing strongly, remaining highly profitable and protecting and growing their dividends for their shareholders. The team believes these companies offer income and capital growth investors a rare combination of stronger returns and lower risk than is offered by the overall market.

The team invests the Global Innovation Fund in companies it refers to as Global Disruptors, on the lower (green) section of the Innovation

Curve. These innovative companies possess, or are currently building, the same powerful advantages as the team’s Innovative Global Leaders, but are at an earlier point on the journey with more growth ahead. As these companies grow and strengthen their advantages, the team expects them to deliver significantly stronger returns for investors than the overall market offers.

The team does not invest “too late” in companies that have failed to continually innovate and are at risk of entering the (red) “disrupted” section of the innovation curve. Nor does the team invest “too early” (in the grey section) in companies that have not yet demonstrated a strong operational track record.

30–50 stocks

Engagement during 2022

During 2022, the team engaged with the management of its investee companies before and during investment.

Carbon-related engagements

The team undertook engagements with a few of its holdings on carbon-related topics. These included:

Company	What the group does	Date	Discussion topic	Discussion points
Volkswagen	Autos	30/06/22	Historical greenwashing/diesel scandal, developing real sustainability and ESG approach	VW joined the UN Global Compact, received SBTi certification to achieve 1.5 degrees, and has included ESG in management remuneration. In its products, the company has had a major pivot to EV (electric vehicles) production (50% EV by 2030). For its plants, VW wants all its ex-China plants to use renewables. The company is also lobbying governments to introduce carbon tax of €60/100 per tonne. VW has around 40,000 suppliers and is certifying and spot checking them on carbon. Its Sustainability report contains information on the percentage of its suppliers that acknowledge the Paris Agreement. VW feels that the EU needs better regulations around carbon and carbon pricing.

Engagements on other ESG-related areas

The team also undertook a few engagements with holdings on other, ESG-related topics. These included:

Company	What the group does	Date	Discussion topic	Discussion points
Farfetch	E-commerce	7/12/22	Management remuneration	The team engaged Farfetch as it felt there was an unacceptable level of stock-based compensation (SBC), particularly given the recent ramp up in SBC and shareholder dilution in 2022 following weak company and share price performance. The team expressed its concern and disappointment to management and demanded less dilution going forward.
2U	Ed-tech	4/9/22	Innovation in higher education	Given 2U's role as a digital platform for online degrees, the team encouraged the company to develop joint degrees between universities and corporates. The team believes there is also a need to remove the risks and uncertainties to students taking apprenticeships and corporate training instead of traditional university degrees. This could open up a new and potentially large market for hybrid uni-corporate education, which could be an opportunity for 2U, as it could capture a share of this value for its shareholders.
Tesla	EV	30/8/22 17/11/22	CEO's outside commitments	The team engaged with Tesla on CEO Elon Musk's role as CEO of Twitter, seeking to understand his time commitment to this. The team expressed its desire that Musk focus on Tesla. Musk has since publicly stated he will find a new CEO for Twitter.

Global Compact-related controversies

During 2022, the team invested in companies that were flagged by MSCI as having Global Compact related controversies. These included:

Name	Description of status	Engagement and conclusions
Starbucks	On the watch list due to allegations of anti-union practices including worker retaliation and termination	The team did not engage with Starbucks in 2022.
Alphabet	On the watchlist due to alleged pay and hiring discrimination against female employees.	The team did not engage with Alphabet in 2022.
Amazon	On the watch list due to employee strikes as a result of wage disputes	The team did not engage with Amazon in 2022.

Controversial weapons policy

The Global Innovation team adheres to Liontrust's controversial weapons policy.

Alignment with Liontrust's Net Zero commitment

The team has committed the following funds to Liontrust's net zero commitment:

Fund	Benchmark used for MSCI ESG analysis	Benchmark WACI end 2019	Fund WACI end 2022	Lower than 2019 benchmark WACI by
Liontrust Global Innovation	MSCI AC World *	185.9	48.5	74%
Liontrust Global Dividend Fund	MSCI World	168.2	32.5	81%

*The benchmark for Liontrust Global Innovation fund changed from MSCI World to MSCI AC World in 2019.



GLOBAL FIXED INCOME TEAM

INVESTMENT PHILOSOPHY

- ✓ The team believes fixed income markets are inefficient and that there are a myriad ways of adding value to investors' portfolios.
- ✓ The 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 stock 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 investments, partly to ensure that there is alignment between owners and managers, and also 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.

QUICK FACTS

- ✓ Team manages approximately 1.2% of Liontrust's total AuMA (as at the end of December 2022)
- ✓ 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

ENGAGEMENT

- ✓ The team engages on matters central to its investment process.

MORE INFORMATION

- ✓ The team's information: <https://www.liontrust.co.uk/fundmanagers/globalfixedincome>

Investment process

STEP
1

ESG-RELATED SCREENING (ESG COMPONENT)

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) (zero tolerance)
- 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 investment team works with Liontrust's Responsible Capitalism team to monitor this).

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 (INCLUDES AN ESG COMPONENT)

Once the screens have been applied, the team undertakes macroeconomic analysis (top down) and also 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.

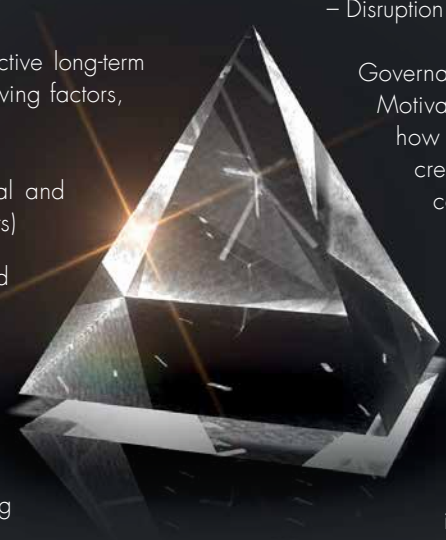
BIASES IN THE TEAM'S FUNDS AS A RESULT OF ITS INVESTMENT PROCESS

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



Engagements

Liontrust's Responsible Capitalism team undertook materiality assessments on the holdings below held by the Global Fixed Income team. As part of the team's due diligence, it examined the key risks and opportunities prevalent to the companies over the next one to three years. The team sees these as including the general environment for court cases, levels of due diligence and uncertainty of returns on legal finance assets, as well as competition, all of which have been taken into consideration as part of the investment process. Regarding these issues, the team sent emails to the companies with questions on areas of potential concern which were deemed material to the Global Fixed Income investment process. Below are some examples of engagement:

Carbon-related engagements

Company	What the group does	Date	Discussion topic	Discussion points
Ardagh Group SA	A global supplier of metal and glass packaging based in Luxembourg	4/11/22	Renewable energy Net zero targets and how the Group plans to achieve these. How this target is linked to pay	The team asked about AGP's (glass) and AMP's (metal) renewable energy ambitions in Europe and North America, particularly with regard to the sourcing process for virtual power purchases. Ardagh (both the glass and metal businesses) is targeting 100% of electricity from renewable sources by 2030. The company has SBTi-approved emissions reduction targets. It has also outlined renewable targets to be achieved through a combination of on-site, near-site and off-site renewable projects as well as waste heat recovery. To achieve its 2030 emissions target: AGP (glass) will focus on reducing its scope 1 emissions by using recycled material, reduce the weight of the packaging, and increasing the electrification and fuel switching in the furnace. The company is also looking at hydrogen-fired furnaces to reduce the level of gas. The focus for AMP (metal) will be scope 3. Here, it is using production equipment that is more energy efficient. The team also asked how the company is linking carbon targets to pay. Ardagh reports that it does not directly link carbon emissions to pay but considers the area to be a prominent factor in the outlook for its future success.

Engagements on other ESG-related areas

Company	What the group does	Date	Discussion topic	Discussion points
Burford Capital Group Plc	London based provider of legal finance	4/11/22	Succession planning	The team asked about Burford's succession planning for the CEO. Burford said that its Board regularly monitors and assesses succession plans for the CEO and other management committee members. The current CEO has a 4% stake in the company, and is focused on continuing his role with Burford for the foreseeable future.
Rothsay Life Plc	British insurance Group	4/11/2022	Cyber/data security	The team asked about where responsibility lies for cyber/data security with the company. Rothsay reported that the Board oversees cyber and information security with other committees and teams providing support; the CTO is ultimately accountable for information security. Rothsay operates a standard three lines of defence model; the Information Security Management System (ISMS) is overseen by the its business controls committee. It regularly conducts table top exercises along a number of potential disruptive scenarios. All employees are responsible for cyber and data security for which they receive regular training. This is also an element in performance reviews.

Global Compact-related controversies

The team also undertook engagements with corporates issuing debt that are held in the Global Fixed Income team's funds. These names are examples of those that have been flagged by MSCI as failing or being on the watch list for the Global Compact:

Name	Description of status	Engagement and conclusions
Bayer	On the watch list due to environmental concerns over GMO crops following the acquisition of Monsanto.	The team met management to understand its view on the fail status from MSCI. Bayer took the team through an extensive presentation about the neonicotinoid impact on bee populations and the steps it had taken to prevent insect decline. Bayer explained the changes it had implemented and acknowledged past cultural issues with Monsanto (prior to Bayer acquiring it). The company accepted past errors with the neonic coating process and took responsibility to improve processes. Bayer also provided greater transparency on the use and applications of its products and some scientific studies relating to claims in the MSCI report from NGOs. The presentation was helpful in giving the team comfort in maintaining the holding.
Oracle	On the watch list due to alleged racial and gender discrimination in employment practices.	The team did not engage with Oracle in 2022.
Goldman Sachs	On the watch list due to alleged discriminatory employment practices against female employees	The team met Goldman Sachs which explained how its culture and transparency had improved over the last few years. Goldman Sachs shared its people strategy report. It is measuring and publishing its commitment to fair working practices, which helped reassure the team that the company is taking this seriously.

Controversial weapons policy

The Global Fixed Income team adheres to Liontrust's controversial weapons policy.

Impact of engagement on investment decision-making

Engagements impact investment decisions in that if holdings are deemed to fail the PRISM metrics or are on MSCI's Watchlist for Global Compact controversies then the team may make corresponding investment decisions, especially if the holding's responses during engagement do not show a clear path to a resolution.

Alignment with Liontrust's Net Zero commitment

The Global Fixed Income team has committed the following funds that it manages to Liontrust's net zero goal:

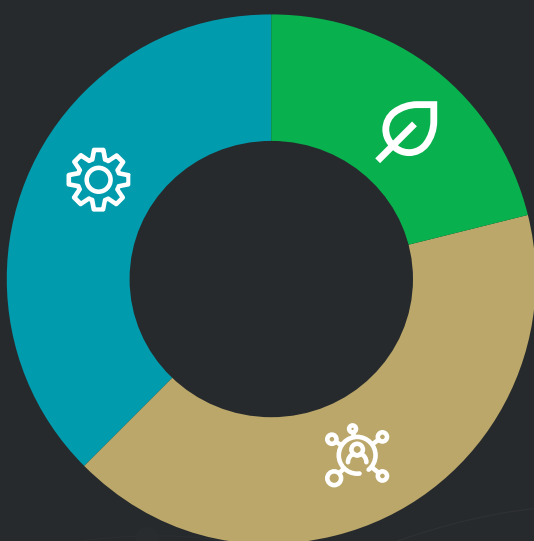
Fund	Benchmark used for MSCI ESG analysis	Benchmark WACI end 2019	Fund WACI end 2022	Lower than 2019 benchmark WACI by
BOND FUND				
Liontrust GF High Yield Bond	ICE BAML Global High Yield Bond	420.2	156.6	63%
CONTAINS SOVEREIGN DEBT				
Liontrust Strategic Bond	Bloomberg Barclays Global Aggregate	276.1	124.4	55%
Liontrust GF Strategic Bond	Bloomberg Barclays Global Aggregate	276.1	128.2	54%
Liontrust GF Absolute Return Bond	Bloomberg Barclays Global Aggregate *	276.1	126.9	54%

* The benchmark for Liontrust GF Absolute bond fund has changed to Barclays Global Aggregate.

RESPONSIBLE CAPITALISM – ENGAGEMENT AND ESCALATION

ENGAGEMENT STATS FOR 2022

As active fund managers, many of Liontrust’s investment teams meet and engage with current and prospective investee companies. In 2022, Liontrust’s investment teams (and/or the Responsible Capitalism on their behalf) met companies face to face or virtually; and/or corresponded via emails, calls, or letters. Depending on the issues, the investment teams’ interactions with companies might be with Board members, senior management, investor relations or experts within organisations. In 2022, Liontrust’s investment teams undertook a total of 363 engagements with companies. There were often multiple engagements with the same company over the course of the year. Company engagements were regularly attended by representatives of several investment teams. Engagements in 2022 covered a range of topics, including financial performance, strategy, and ESG-related issues. In total, 251 different ESG issues were raised with holdings.



Environmental	21%
Social	41%
Governance	38%

ENGAGEMENT AND ESCALATION

The purpose and philosophy behind the engagement that Liontrust investment teams undertook in 2022 is explained in the section on investments and engagements on pgs. 42-89 of this report. The investment section of this report also contains several examples of the engagements undertaken by Liontrust investment teams on various topics, including carbon, other ESG-related issues, and controversies.

For a complete list of all the companies or holdings that Liontrust investment teams engaged with during the course of 2022, see the table in the Appendix to this report (pgs. 116-125). The table indicates general topics (E, S, G, Strategy, Financial) that were covered during engagement.

FURTHER EXAMPLES OF ENGAGEMENT AND ESCALATION

In 2022, the Sustainable Investment team engaged with American Tower, an owner and operator of wireless communication towers worldwide, including in the emerging markets. The Sustainable Investment team engaged this holding with the objective of encouraging American Tower to adopt absolute emissions reduction targets which are aligned with science-based targets limiting global warming to 1.5 degrees, which is consistent with the Paris Agreement. American Tower responded that it had just announced a climate strategy and goals – set to a 2 degree limit – which have been certified by the Science Based Targets initiative (SBTi). While the team saw this as progress, it pushed for American Tower to aim for 1.5 degree alignment and for nearer-term targets to be set to better monitor progress.

After continued engagement, American Tower agreed to align with 1.5 degrees within the decade. For nearer-term targets, the Group has set a renewable target for 2025 (which it will likely achieved before this date). The Group highlighted the challenge

of making the target sooner in light of the difficulty of achieving increased targets in the emerging markets. Certainly, a priority for American Tower is to transition from diesel to solar power in its African markets.

As the Group agreed to align its emissions with 1.5 degrees within the decade, the engagement has not yet been successful. The team continues to push for progress in the Group reducing its absolute emissions.

PRIORITISING ENGAGEMENT – EXAMPLES

Sustainable Investment team

Liontrust's Sustainable Investment team prioritises engagement, in part, by its sustainable-related investment themes. Priorities here include:

- Preventing irreversible damage from the climate crisis
- Preserving and restoring nature
- Ensuring worker well-being
- Encouraging the transition to sustainable investment

The team prioritised and undertook numerous engagements on these factors during 2022. More information on this team's engagements can be found on pages 40–91.

Global Fundamental team

Liontrust's Global Fundamental team undertakes materiality assessments on each of its investments, which looks holistically across financial, operational, and ESG exposures, and maps the key risks and opportunities (those that are most likely and most impactful to the holding). These key issues lead the Group's engagement with holdings. For more information on this team's engagements and process, see pages 65–72 of this report.

COLLABORATIVE ENGAGEMENTS

Workforce Disclosure Initiative

During 2022, Liontrust's Sustainable Investment team supported the Workforce Disclosure Initiative (WDI) by contacting 83 holdings in the team's funds to request they respond to the WDI's 2021 survey. Overall, 34 investee companies participated in the 2022 survey, equating to 15% (out of 220 entities held as at the end of December 2022), and 33 of these holdings received a special mention for their transparent disclosure in 2022. The team believes that the way in which companies manage human capital in their direct operations, as well as workers further down their supply chains, can affect long-term success. The team will continue to encourage companies to offer decent work, ensure they protect workers' rights, and maximise opportunities to support employees. The team will also encourage companies to use their influence to drive forward best practice with regard to these areas further down their supply chains.

CDP (formerly the Carbon Disclosure Project)

In 2022, Liontrust participated in CDP's campaigns for Non-disclosure and for the Science Based Target Initiative (SBTi), which focused on engaging with companies with little or no disclosure on their climate goals. Liontrust may note when a company starts to disclose its climate data via the CDP reporting platform or makes Science Based Targets (SBTs). Going forward, Liontrust plans to encourage its investments to embrace SBTs as part of their net zero strategy.

CDP is a not-for-profit charity that runs the global disclosure system for investors and companies to manage their environmental impacts. The world's economy looks to CDP as the gold standard of environmental reporting with the richest and most comprehensive dataset on corporate action. Liontrust has supported CDP's campaign since 2018.

RESPONSIBLE CAPITALISM AND PROXY VOTING

LIONTRUST'S VOTING POLICY

Liontrust's business model, whereby each fund management team has a distinct investment process, applies to how voting policies are adopted. Liontrust's Economic Advantage, Multi-Asset and Global Fundamental teams each follow (proxy adviser) ISS' recommended guidelines, while the Sustainable Investment Global Equity and Cashflow Solution teams each adopt a custom policy curated by Liontrust's Responsible Capitalism team. This extends to segregated clients who have delegated voting responsibility to Liontrust as stipulated within each Investment Management Agreement. ISS' benchmarks and custom policies vary, depending on the market capitalisation and geography of an investee company. Clients cannot override a house or custom policy for a pooled mandate but are welcome to direct voting in segregated mandates on an agreed basis. Information on the Group's custom voting policy can be found on its website at: <https://www.liontrust.co.uk/about-us/corporate-sustainability>.

PROXY VOTING IN PRACTICE

Background to voting in 2022

There were a number of changes at Liontrust in 2022 and these impacted voting. First, Liontrust acquired Majedie Asset Management on 1 April 2022. For reporting purposes, the information detailed below includes votes from funds managed by Majedie (now known as the Global Fundamental team) from 1 January – 31 March 2022. Majedie used different proxy voting guidelines to Liontrust with the longer-term plan of the Global Fundamental team folding into Liontrust's guidelines. System and voting platform mergers between Liontrust and Majedie occurred periodically over the months following the acquisition.

VOTING STATISTICS ANALYSIS

Information and statistics used are generated from Liontrust's proxy voting platform, ISS.

Due to the nature of how the ISS templated Vote Summary report is run on the ISS Proxy Exchange platform extracting meetings across all account groups, discrepancies may arise. 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 in which 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. 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.

In 2022, Liontrust voted at 97.85% Δ (1047 of 1070) of votable meetings. This amounts to 97.82% (12,705 of 12,992) of votable proposals. 56.73% of meetings contained one or more votes against management.

Δ 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 128.

Link to voting records

Liontrust publishes voting statistics on the Group website (and at Group level). Votes can be found at: <https://www.liontrust.co.uk/about-us/corporate-sustainability/a-responsible-investor>

Liontrust Group level voting statistics

Votable Proposals	Total	%
Proposals Voted	12705	97.82%
FOR Votes	10603	83.46% Δ
AGAINST Votes	1017	8.00% Δ
ABSTAIN Votes	412	3.24% Δ
WITHHOLD Votes	153	1.20% Δ
Votes WITH Management	11312	87.07%
Votes AGAINST Management	1562	12.29%
Votes AGAINST Policy	145	1.14%
Shareholder Proposals	275	2.16%

Votes at Group level can be broken down by topic or issue, as follows:

Proposal Statistics	Proposals Voted (total)	%
Audit Related	1 100	8.47%
Capitalization	1 600	12.32%
Company Articles	229	1.76%
Compensation	1 387	10.68%
Corporate Governance	30	0.23%
Director Election	5 469	42.11%
Director Related	681	5.24%
E&S Blended	13	0.10%
Environmental	36	0.28%
Miscellaneous	55	0.42%
Mutual Funds	16	0.12%
No Research	36	0.28%
Non-Routine Business	153	1.18%
Routine Business	1 363	10.49%
Social	193	1.49%
Strategic Transactions	123	0.95%
Takeover Related	221	1.70%
Total	12 705	97.82%

A geographic breakdown of votes is as follows:

Market	Voted Meetings
Austria	2
Belgium	3
Bermuda	2
Brazil	31
Canada	11
Cayman Islands	26
Chile	2
China	35
Cyprus	5
Denmark	10

Market	Voted Meetings
Finland	3
France	22
Germany	14
Guernsey	12
Hong Kong	3
India	73
Indonesia	3
Ireland	39
Israel	1
Italy	9
Japan	45
Jersey	12
Luxembourg	21
Mauritius	1
Mexico	15
Netherlands	17
New Zealand	2
Norway	3
Philippines	2
Portugal	2
Russia	7
Singapore	2
South Africa	4
South Korea	10
Spain	3
Sweden	11
Switzerland	9
Taiwan	4
Thailand	1
USA	216
United Kingdom	354

Investment team voting statistics

Team	Total Votes cast	Votes in favour	Votes against	Withhold Votes	Abstentions	Against Management	Against Policy
Sustainable Investment Team	2109	1900 (90.09%)	147 (6.97%)	10 (0.47%)	51 (2.42%)	202 (9.58%)	26 (1.23%)
Economic Advantage Team	2144	2027 (94.54%)	89 (4.15%)	0 (0%)	28 (1.31%)	115 (5.36%)	13 (0.61%)
Multi-Asset Team	478	455 (93.24%)	21 (4.30%)	0 (0%)	2 (0.41%)	23 (4.71%)	1 (0.21%)
Global Fundamental Team	5406	5013 (91.98%)	394 (7.23%)	45 (0.83%)	46 (0.84%)	490 (8.99%)	103 (2.05%)
Global Equity Team	3617	2804 (73.93%)	432 (11.39%)	78 (2.06%)	295 (7.78%)	693 (18.27%)	5 (0.13%)
Global Innovation Team	1085	860 (76.04%)	176 (15.56%)	36 (3.18%)	15 (1.33%)	237 (20.95%)	11 (1.01%)
Cashflow Solution Team	1262	1094 (85.27%)	136 (10.60%)	0 (0%)	32 (2.49%)	149 (11.61%)	2 (0.16%)

Note on data above: the Global Fundamental team data includes the US Opportunities fund and the Income fund which were part of the Global Equity team until Q4 2022. Segregated mandate voting stats are also included in the data above and is presented for the team which manages the respective mandate.

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 of 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 one in which:

- 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 when the management's and ISS' voting recommendations are different; this could concern 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 key/significant votes

The following are examples of key or significant votes cast in 2022 by Liontrust's investment teams that manage equities:



SUSTAINABLE TEAM (EQUITIES)

Company: Cellnex Telecom SA (21/04/2022)

Proposal Summary: Approve remuneration policy

Vote Instruction: Against

ISS/Custom Policy Recommendation: Against/Against

Rationale: At the company's 2022 AGM, the team voted against the remuneration policy, which it felt was warranted because the board introduced a booster element under the 2022-24 Long Term Incentive Plan (LTIP), and the triggers for the booster did not appear to be sufficiently aligned with potential shareholder experience. In addition, the size of the boosted long-term incentive awards for the CEO stood well above the market standards.

The team gave Cellnex its feedback after the remuneration policy was not approved by shareholders. The team asked what prompted the change in policy, why it was approved so quickly

and the process. The team raised its concerns and highlighted the importance of its Board's ability to remain strong and independent and not vulnerable to senior management influence.

The team discussed and welcomed the various improvements the company is making, including the fact that exceptional one-off awards are no longer allowed, improvements in NED Board fees, contract terms (CEO non-compete indemnity), executive annual bonus, and a capped pay out of overachievement as a percentage of salary.

The LTIP now includes four performance areas: ESG (20%), recurring FCF per share (20%), total shareholder return (30%) and market comparable TSR (30%). The team communicated its thoughts on how sufficiently stretching these now looked with a lower share price, and discussed the peer group for the last metric.

Cellnex is trying to make pay for better performance more widespread for 225 employees across the company (around 10% of staff). The team discussed the rationale for needing to better incentivise this group of staff, which included getting on the front foot when it came to an increase in competition for talent.



ECONOMIC ADVANTAGE

Company: RWS Holdings Plc (23/02/2022)

Proposal Summary: Re-elect Andrew Brode as Director

Vote Instruction: For

ISS recommendation: Abstain

Rationale: The team voted in favour of this proposal, and against the recommendation of ISS, which was to abstain. The team took into account the concerns raised by ISS regarding the director's over Boarding. However, following engagement with the company and its agreement for the director to step down from the remuneration committee, the investment team felt comfortable with the amount of time the director can devote to the company. While the proposal was passed at the AGM, the company has since announced Andrew Brode's intention to step down from the Chair role at the end of 2023.



MULTI-ASSET TEAM

Company: GCP Infrastructure Investments (09/12/2022)

Proposal Summary: Elect Steven Wilderspin as Director

Vote Instruction: Against

ISS Recommendation: Against

Rationale: The team voted against this proposal because Steven Wilderspin was considered non-independent as he provided consulting services to the company in the year under review. He also sits on the Group's Audit Committee which, in adherence with UK best practice recommendations, should be composed of entirely independent directors. While the proposal received some shareholder dissent, it was passed at the 2022 AGM. At the most recent AGM in February 2023, the Director was deemed independent by proxy advisor, ISS, and the team saw no further reason to vote against his re-election.



GLOBAL FUNDAMENTAL TEAM

Company: AVEVA Group Plc (15/07/2022)

Proposal Summary: Re-elect Olivier Blum as Director

Vote Instruction: Against

ISS Recommendation: Against

Rationale: This resolution represented an example of when ISS recommendations differed from that of management at a top five holding by portfolio weight in both the UK Equity and UK Focus funds managed by the team. The team voted against Olivier Blum's re-election because he sat on the remuneration committee which should be comprised of at least three NEDs. Blum was a NED who was not considered independent due to being a shareholder representative.



CASHFLOW SOLUTION TEAM

Company: GSK Plc (06/07/2022)

Proposal Summary: Approve matters relating to the demerger of Haleon Group from the GSK Group

Vote Instruction: For

ISS/Custom policy recommendation: For/For

Rationale: The team voted in favour of this proposal at GSK's special meeting, which sought to approve the demerger of Haleon Group from the GSK Group. Haleon Group will focus on oral health, pain relief, and digestive health, while GSK will be a biopharmaceutical company whose portfolio will be centred on vaccines, specialty, and general medicines. The team rationalised that, since the demerger will create two independent listed companies with separate, dedicated Board and management capabilities, there is a convincing case made for increased value to shareholders.



GLOBAL EQUITY TEAM

Company: KLA Corporation (02/11/2022)

Proposal Summary: Report on GHG Emissions Reduction Targets aligned with the Paris Agreement Goal

Vote Instruction: For

ISS/Custom Policy Recommendation: For/Refer (shareholder proposals are always referred by the team's custom policy for the fund managers' consideration)

Rationale: The team voted in favour of this shareholder-filed proposal, and therefore against the recommendations of management. While the team noted that the company measures and reports annually on its scope 1, 2, and 3 emissions, it had not set an emissions reduction target for scope 3, which makes up the vast majority of its emissions. Furthermore, despite the company stating that the scope 1 & 2 emissions reduction targets (50% by 2030 using a 2019 baseline) are 'informed' by SBTi, the company is not listed on the SBTi website as having had its targets approved by SBTi. Despite garnering some support from shareholders, the proposal was not passed.



GLOBAL INNOVATION TEAM

Company: Costco Wholesale Corporation (20/01/2022)

Proposal Summary: Shareholder-filed proposal: Report on Racial Justice and Food Equity

Vote Instruction: Against

ISS/custom policy recommendation: Against/Refer (shareholder proposals are always referred by the team's custom policy for the fund managers' consideration)

Rationale: The team voted against this shareholder-filed proposal, and therefore in support of the recommendations of management. The team noted that Costco significantly lowers food prices in the markets it serves, and this is intrinsic to Costco's business model. Racial justice and food equity challenges are improved due to this outcome. However, the team believed that this report was outside the scope of Costco's business interests.

Examples of votes

- A vote against the board – see the example of Cellnex Telecom SA on page 97
- A vote against a shareholder resolution – see the example of Costco Wholesale Corporation, above (page 98)
- A vote that was not in line with our voting policy – see the example of RWS Holdings on page 97
- A vote that was withheld – the investment team voted to withhold its vote in the case of Brookfield Asset Management on 10/6/2022 (ISS recommended a vote FOR). The rationale for this decision was that the company had retained the same audit firm in excess of 52 years. Mandatory auditor rotation is an effective mechanism for mitigating the potential risks borne by long-term auditor-client relationships and is a safeguard against improper audits.

Outcomes of resolutions

Liontrust monitors the outcomes of resolutions that it votes. In the case of Cellnex Telecom SA, for example (page 97), the proposal was only approved by shareholders with 56.12% of votes cast in favour. The investment team hope management take this excessive dissent into account with future remuneration decisions.

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 in ESG aspects and on 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

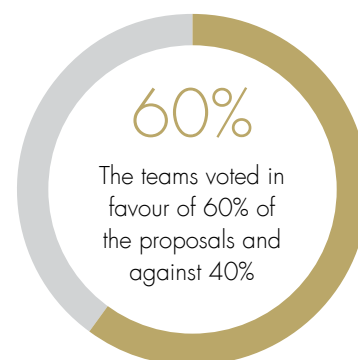
Liontrust operates a share lending programme when it believes it is in the best interests of investors or it is requested by clients. If stock has been loaned, then the fund manager gives up the voting rights and must recall the loaned stock to vote. Liontrust's Responsible Capitalism team aims to recall 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.

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.

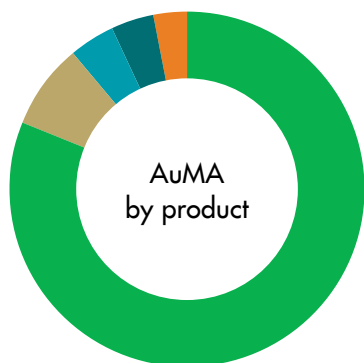
Analysis of Share Action's Voting Matters 2022 report

The teams encourage companies to report on material issues, including those that are social and environmental in nature, that are pertinent to the underlying businesses. Rather than support all social and environmental resolutions, Liontrust's investment teams consider each shareholder proposal on a case-by-case basis, as they relate to fund holdings. In 2022, the investment teams did not support certain proposals that the teams regarded as too prescriptive and/or felt that the company in question already reported sufficient disclosure. To put this into context, Liontrust's investment teams voted on 86 proposals outlined in Share Action's Voting Matters report. The teams voted in favour of 60% of the proposals and against 40%.

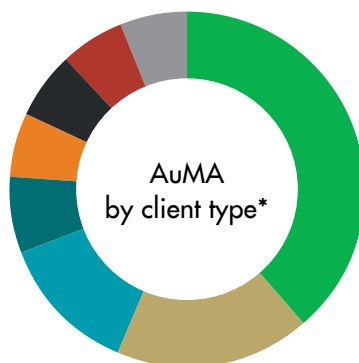


LIONTRUST'S COMMITMENT TO CLIENTS

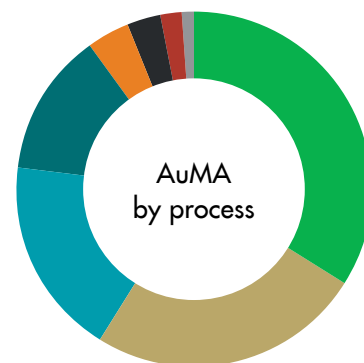
Liontrust services clients predominantly in the UK and Europe but also has clients from elsewhere in the world. As at the end of December 2022, the breakdown of clients was:



Product	Value (£m)	Percentage
UK Retail Funds & MPS	£26,639	82%
Institutional Accounts & Funds	£2,673	8%
International Funds & Accounts	£1,180	4%
Investment Trusts	£1,163	4%
Alternative Funds	£959	3%
Total	£32,614	



Client Type	Percentage
Financial Adviser	39%
Wealth Manager	18%
Life & Pensions	13%
Institutional	7%
D2C/Execution Only	6%
Platform	6%
Fund Manager	6%
Other	6%



Process	Value (£m)	Percentage
Sustainable Investment	£11,227	34%
Economic Advantage	£8,110	25%
Multi-Asset	£5,760	18%
Global Fundamental	£4,250	13%
Cashflow Solution	£1,248	4%
Global Equity	£1,103	3%
Global Innovation	£524	2%
Global Fixed Income	£392	1%
Total	£32,614	

Enhancing the investor experience is one of Liontrust's strategic pillars. This includes providing excellent client and investor service and reporting, delivering a strong and engaging experience at physical and online events,

in communications and digitally, increasing net sales, increasing brand awareness, understanding, association and engagement, and improving engagement through social media and other digital channels.

ASSETS UNDER MANAGEMENT AND ADVICE

On 31 December 2022, Liontrust's AuMA stood at £32,614 million. This was broken down by type as follows:

£m	Sustainable Investment	Economic Advantage	Multi-Asset	Global Equity	Global Innovation	Cashflow Solution	Global Fundamental	Global Fixed Income	Total
Total AuMA	11,227	8,110	5,760	1,103	524	1,248	4,250	392	32,614
UK Retail	10,309	7,428	5,467	1,058	524	584	1,110	159	26,639
Institutional	330	443	—	45	-	526	1,329	—	2,673
International	588	239	—	—	—	7	113	233	1,180
Investment Trusts	—	—	—	—	—	—	1,163	—	1,163
Alternative	—	—	293	—	—	131	535	—	959

Source: Liontrust Asset Management Plc as at 31.12.22. *AuMA by client type as at 30.11.22

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 these to be effective in understanding how clients see Liontrust, its funds, the service it provides, and its brand.

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 on which are 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.

EVALUATING THE FEEDBACK

During 2022, the results from research shows that Liontrust scores well for service, communications, brand awareness, understanding, association and engagement. Among the results of the survey were:

- 1) Liontrust has been consistently in the top half of asset managers for professional intermediaries seeing the Group's content. The impact of the content is strong. Of those who see the Group's content, 77% say Liontrust is above average or one of the best asset managers, compared to 66% of those intermediaries who do not see Group content. Liontrust is significantly above average for advertising awareness, attribution and engagement, knowledge and positive opinion of Liontrust, and future demand for Liontrust funds. The impact of the advertising is also strong. Of those who see the Group's advertising, 81% say Liontrust is above average or one of the best asset managers, compared to 58% of those intermediaries who do not see Liontrust's advertising.
- 2) The research in 2022 showed that 35% of professional intermediaries and 27% of retail investors rate Liontrust as having the best team for sustainable investment among all asset managers. Eight percent of intermediaries said Liontrust is best for UK equities, putting the Group joint first among asset managers. Seven percent of retail investors said Liontrust is best for UK equities, putting the Group in joint third position.

Among intermediary clients, Liontrust's net promoter score declined from 16 in July 2022 to 13 in December 2022 and from 3 to -6 among all intermediaries but this still above all the asset managers Liontrust compared itself against.

The five characteristics Liontrust is most associated with among intermediaries are active fund management (60%), socially responsible (45%), strong long-term performance (36%), specialist (32%) and trustworthy (26%). The five characteristics Liontrust is most associated with among retail investors are active fund management (45%), socially responsible (29%), trustworthy (28%), strong long-term performance (24%) and specialist (20%).

Liontrust is the 6th most noticed asset manager for advertising among intermediaries. Unprompted, Liontrust is the second most noticed asset manager for advertising among retail investors. There is a desire among both intermediaries and retail investors to receive more communications from Liontrust. Eighty-eight percent of intermediaries said the email communications they receive are useful or very useful, 72% find the Group's webinars useful or very useful, and 58% find Liontrust videos useful or very useful. Ninety-three percent of intermediaries find information on the Liontrust website either extremely or fairly easily. Eighty-two percent of retail investors who receive communications from Liontrust said it makes them regard the Group's fund managers as experts in their field. Ninety-six percent of retail investors said they find information they want on the Liontrust website either fairly or extremely easily. Twenty-nine percent of retail investors are now aware of Liontrust's financial education initiatives, which have been growing steadily over the past few years.

- 3) The assessment of value research measured how satisfied intermediaries and retail investors are with Liontrust. For intermediaries, the net satisfied scores were 88% for factsheets, 86% for fund manager commentaries, 83% for information and news from Liontrust, 83% for webinars, videos and podcasts, 79% for investment reporting, 75% for articles, 71% for fund reports and accounts and 64% for the website.

Ninety-four percent of intermediaries who contacted client services said they had their issues completely resolved, and there is 93% overall satisfaction with Liontrust's client services team. Seventy-five percent of those who contacted the Multi-Asset broker desk said their issues were completely resolved and there was an 88% overall satisfaction rate with the Multi-Asset broker team. Overall satisfaction among intermediaries with Liontrust's service is 80%.

76% of intermediaries said Liontrust provides value for money. For retail investors, the net satisfied scores were 66% for information and news from Liontrust, 72% for investment reporting, 72% for fund reports and accounts, 62% for Liontrust's website, 69% for factsheets, 59% for fund manager commentaries and 53% for articles. 69% of retail investors said Liontrust uses terms they can understand when the Group communicates with them. 57% of retail investors said that Liontrust provides value for money and 69% were satisfied with Liontrust overall. Of those retail investors who contacted client services, 84% said their issues had been completely resolved and there was 73% overall satisfaction with the client service team.

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 our 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 make sure it is quicker and easier to find information, particularly funds
- Making enhancements to the retail investor portal
- 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 funds. Related client reporting also incorporates these requirements into account reports on a regular basis.

Sustainable pooled vehicles

Liontrust's Sustainable Investment team and Global Fixed Income team 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 Performance and Risk Committee (PRC). The Sustainable Investment team's Advisory Committee also provides feedback to the 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 how the team see the feedback supporting the needs and expectations of its clients. (For more information on this committee, see pages 20, 38.)

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 by the fund. 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 absolutely need their own, specific guidelines to be followed, then Liontrust's client servicing team can help find a segregated mandate (or other) solutions.

Communicating with clients on Responsible Capitalism

During 2022, Liontrust reported in a variety of ways to clients about its broad platform of Responsible Capitalism and on more specific topics in ESG/Sustainability. These reports or updates included:

Date of publication	Item	What it covered	Effectiveness of communication
April 2022	Engagement and Proxy voting report	<ul style="list-style-type: none"> • Examples of engagement undertaken by Liontrust's investment teams (or its Responsible Capitalism team on their behalf) • proxy voting statistics and related information on proxy votes instructed by Liontrust's investment teams 	<ul style="list-style-type: none"> • Provided information on the overall engagements and proxy voting. Could have been improved by reporting along individual investment team process and activities – an improvement reflected in the July 2022 Responsible Capitalism report.
April 2022	Sustainable Investment Annual Engagement and Proxy Voting Report Sustainable Investment bi-annual impact report	<ul style="list-style-type: none"> • Examples of engagement undertaken by the Sustainable Investment team • Statistics and information regarding the proxy voting undertaken by the Sustainable Investment team • Additional (topical) information regarding the team's holdings <p>Liontrust's Sustainable Investment team also publishes on Liontrust's website a bi-annual impact report on the team's funds.</p>	<ul style="list-style-type: none"> • Fulfilled the needs of clients by providing a full update on the team's approach, holdings, engagements, and proxy voting activity for the 2021 calendar year.
April 2022	Liontrust's response to the Stewardship Code	<ul style="list-style-type: none"> • Details on the Group's stewardship activities as required by the FRC. The Group has been a signatory since 2021. 	<p>In 2022, the Group produced a response in Q&A format for the Stewardship Code. This year, the focus has been on integrating the information regarding the Stewardship Code principles in a holistic format.</p>

Date of publication	Item	What it covered	Effectiveness of communication
May 2022	Principles of Responsible Investing reporting	<ul style="list-style-type: none"> Reported against the six principles of the PRI on our stewardship activities and outcomes for the calendar 2021. 	Successfully submitted reporting and received an assessment report outlining our scores for each section which is available on our website.
June 2022	Annual Report and Accounts 2021/22	<ul style="list-style-type: none"> included information on the Group's TCFD statement, a heat map outlining the Group's key exposures (including those that are ESG related), and information on the Group's sustainability-related activities 	<ul style="list-style-type: none"> Successful in providing details on the Group's approach to net zero alignment (in its TCFD reporting). Improvement could include linking this more closely to the Group's other Responsible Capitalism activities and to remuneration.
July 2022	CDP report	<ul style="list-style-type: none"> Covered Liontrust's carbon and other environmental activities (for the PLC and its investments) as part of its annual reporting cycle to CDP. 	<ul style="list-style-type: none"> The Group received a poor rating from CDP on its net zero related activities. Liontrust will seek to report more fully and with greater detail in 2023.
August 2022	Responsible Capitalism Report	<ul style="list-style-type: none"> Report on the Group's Responsible Capitalism related activities for the 18 months (from January 2021 to the end of July 2022); included information on the activities of each of Liontrust's investment teams and also on the work undertaken by the PLC. 	<ul style="list-style-type: none"> Successful in linking the Group's purpose and strategy more closely and in providing detailed information on each of Liontrust's investment teams and their individual ESG components (as appropriate).
November 2022	Sustainable Investment team's Sustainability Conference (virtual)	<ul style="list-style-type: none"> Activities (engagements, proxy voting) undertaken by the team and how it sees different themes/areas related to sustainability 	<ul style="list-style-type: none"> Successful update to clients and investors on the funds' performance and activities for the year.

LIONTRUST'S COMMITMENT TO NET ZERO

LIONTRUST'S COMMITMENT

Liontrust – across its business and investments – is committed to achieving net zero greenhouse gas emissions by 2050. The Group has undertaken this commitment as part of its fiduciary duty to clients – to understand the key exposures that its investments face and to make well informed decisions. The Group also feels that this commitment helps it promote well-functioning financial systems as it makes informed investment decisions and takes responsibility for its own financed emissions.

Net Zero Asset Managers' (NZAM) initiative

In May 2022, Liontrust joined the Net Zero Asset Managers' (NZAM) initiative to adopt formally this goal. Liontrust will submit its first report to NZAM by the end of May 2023, which will set out the initial percentage of AuMA that the Group commits to the goal. This percentage will increase over time. As data becomes more reliable and available, Liontrust's investment teams will have a clearer understanding of how to account for carbon emissions across all asset classes, and the investment teams should see more clearly the impact of net zero efforts on their funds' investments. The speed at which Liontrust's funds move towards net zero will vary between the teams, depending on each investment process. Following the Group's first submission to NZAM before the end of May 2023, Liontrust will report annually on its progress against targets, either through CDP's annual assessment or via the PRI's annual reporting tool. Liontrust plans to submit a report in the summer of 2023.

Liontrust's emissions

Liontrust's emissions 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.

Carbon neutrality of Liontrust's business and offsetting

Liontrust has been carbon neutral for the last three years by offsetting its scope 1, 2 and business travel emissions through various gold standard projects. Liontrust also sponsors a number of other offsetting projects which are outlined below, under the heading, "Projects Liontrust sponsors to reduce carbon emissions".

While Liontrust recognises that offsetting is not the ideal, the Group wants to be carbon neutral. It will continue to work to reduce its overall energy usage from operations as well as review its options for achieving carbon neutrality (offsetting, removing carbon from the atmosphere, etc).

Taking account of the Group's Scope 1 and 2 emissions

Third-party consultant, Good Business, assisted Liontrust in 2021 and in 2022 to take account of the Group's Scope 1 and 2 GHG emissions so that Liontrust could report on these and determine the amount the Group would need to offset. As the restated figures for 2021 were significantly lower, the Group overcompensated for offsets. Liontrust appointed KPMG LLP to perform independent limited assurance over Scope 1 and 2 (content marked with Δ) over the 2022 data. (Please refer to the appendix pages 131–132 for Scope 1 and 2 emission data and methodologies used). This information will be included in the Liontrust Asset Management PLC Annual Report and Financial Statements, as part of the Group's TCFD reporting which will be available in Q3 2023.


Liontrust is working to reduce its dependency on offsetting and find other, more viable ways, of ensuring that it is balancing the amount of greenhouse gases that the Group emits through business operations with those that it reduces from the atmosphere. Liontrust's strong preference is for other companies to do the same – that is, find more meaningful ways to balance emissions with emissions reductions. However, the Group understands that there are instances in which offsetting remains the only viable option for a company to reduce its emissions. In these cases, Liontrust is supportive of carbon offsets.

Reducing the emissions in Group investments

As part of Liontrust's net zero commitment, it aims for its funds to be net zero aligned by 2050. Liontrust has interim targets in place for 2025 and 2030 to achieve this part of its goal. By 2025, the Group aims to reduce its financed emissions by 25% (as compared to the relevant funds' benchmark from the end of December 2019). By 2030, Liontrust aims to achieve a 50% reduction in its financed emissions (as compared to the same benchmark used for the 2025 reduction target.) Further information on the Group's AuMA that is currently dedicated to this commitment is found in each investment team's update in this report. (See pages 40–91 for more details.)

Task Force on Climate Related Financial Disclosures (TCFD)

Liontrust has supported the TCFD since September 2018 when it started voluntarily publishing information aligned with the TCFD



Recommendations and Recommended Disclosures (including scope 1 and 2 emissions and the governance and management of these). Liontrust continues to include TCFD reports and updates in the Liontrust Asset Management PLC Annual Report and Financial Statements. Liontrust's 2021/22 Annual Report was the first of the Group's annual reports to be covered by the new Listing Rules on Disclosure of Climate-Related Financial Information under the FCA rules. (See the 2021/22 Liontrust Asset Management PLC Annual Report and Financial Statements for more information.)

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

Liontrust's 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 complements Liontrust's commitment as a Group to achieve net zero by 2050. (More information on this Challenge can be found in the Sustainable Investment team's Annual Review 2021 at <https://www.liontrust.co.uk/fund-managers/sustainable-investment/sustainable-documents>. Additional information on the Sustainable Investment team's processes, engagement and voting during 2022 is on pages 40–49, 96.)

PROJECTS LIONTRUST SPONSORS TO HELP REDUCE CARBON EMISSIONS

In 2022, Liontrust sponsored (or founded) the following projects to help reduce emissions across the financial spectrum. These include:

Net Zero Now – Net Zero Financial Advisors Protocol

Liontrust is working with Net Zero Now to support and create the Net Zero Financial Advisors Protocol. 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.

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.

The resulting 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.

Sustainable Trading

Liontrust is also 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 www.sustainable-trading.org

(For more information on Liontrust's net zero related definitions, see page 123 in the Appendix to this report.)

LIONTRUST'S COMMITMENT TO STAFF

LIONTRUST STAFF

Liontrust values its people and aims to nurture a working environment and culture that attracts talent to its business and retains the talent that it has. 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.

Objectives for Liontrust's people programme in 2023

- Develop further the Group's leadership development programme to enhance managers' capabilities
- Continue working with the industry i2020 scheme to attract early talent
- Develop a summer internship programme for 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
- Develop succession planning, talent management and development opportunities across the business
- Rollout of a Leadership Charter to provide purpose, inspire and provide common language around leading and managing at Liontrust
- Expand and further develop the Group's diversity and inclusion (D&I) efforts
 - Ensure the Group has measurements in place covering its business
 - Target the Group's largest D&I related exposures first
 - Link this to Group strategy and the attraction and retention of talent

What Liontrust expects of its staff

As part of nurturing a diverse, inclusive, positive working environment, Liontrust expects each of its staff to:

- Take personal responsibility for their actions
- Deliver on their promises
- Support one another; treat each other with respect
- Be open to challenge and debate
- Act in the best interest of clients and investors

ATTRACTING AND RETAINING TALENT

Attracting and retaining talent continues to be a key objective for Liontrust, as outlined in the risk section of this report (see pgs. 25-28). Liontrust seeks to achieve this by:

1. Offering employees opportunities for career development/ advancement
2. Providing a range of employee benefits
3. Undertaking an annual employee survey conducted every December to monitor employee engagement levels
4. Increasing its focus on D&I
5. Striving for "one culture" to help bridge Groups and teams post acquisitions; understanding issues as they arise across the Group

Further details on these efforts is as follows:

1. Opportunities for career development advancement

The following is a list of ways that Liontrust helped its employees develop their careers in 2022:

Opportunity	Details for 2022	Benefit to business and/or to employees
Promoting employee learning: <ul style="list-style-type: none"> • Liontrust financially supported employees taking career-related exams or studies • Employees attend conferences and other events to continue their professional development 	Liontrust financially supported employees taking exams for: <ul style="list-style-type: none"> • Investment Management Certificate (IMC) • Chartered Financial Analyst (CFA) (all levels) • CFA ESG certificate • PRI annual conference (November 2022) • IIGCC conference (November 2022) 	Ensuring staff maintain market relevant competence and enhance their knowledge helps Liontrust service clients well.
Flexibility at work: 3-2 (3 days working in the office; 2 working from home) was offered in June 2022.	<ul style="list-style-type: none"> • Many staff can access flexible office and WFH days • Flexibility/days worked in the office (or at home) may be varied by team, role and work schedule 	Staff benefit from work life balance and a blend of collaboration time in the office with focus time working from home With other companies offering similar flexibility, Liontrust wants to maintain its ability to attract and retain staff with similar benefits.

Opportunity	Details for 2022	Benefit to business and/or to employees
Coaching/mentoring for employees: <ul style="list-style-type: none"> In 2022, Liontrust launched its Senior Leadership programme to develop its leadership team and promote communications between teams. Where staff transitioned into new roles or wanted to develop managerial skills, Liontrust arranged coaching 	<ul style="list-style-type: none"> 18 senior leaders and key employees across the business have participated in the Senior Leadership programme. The programme is scheduled to be rolled out further in 2023. 	Increasing the cohesion between leaders and exemplary behaviours.
Early career stage recruitment: <ul style="list-style-type: none"> During 2022, Liontrust's hired graduates from the Investment Association's recruitment programme, "Investment 2020" 	The Sustainable Investment team hired four graduates from this recruitment programme.	Partnering with the programme provides a route to a career in investment management for the individuals and access to a wider candidate pool than Liontrust would be able to source.
Networking and career development events <ul style="list-style-type: none"> Liontrust sent earlier stage career employees to BNY's Future ESG Leaders' event Liontrust lunch and learn sessions 	November 2022 Year round: sessions are hosted by various teams across Liontrust. In October, the Group's Trading and Risk teams hosted a session.	Encourages informal inter-team education, collaboration and networking
<ul style="list-style-type: none"> Library of bite size courses available to everyone on a range of different topics including creative, technical and professional skills, as well as wellbeing and remote working 	Liontrust has a library of 140 short courses	"In the moment" learning on topics for staff to use at their own pace, providing a boost to skills.

2. Employee benefits

Liontrust offers a competitive benefits package which includes:

- An employer 10% contribution to pension
- Group share save scheme – employees can buy 2 for 1 shares in Liontrust on a monthly/annual basis
- Private health care – employees have access to private health care covering medical and dental and may add family members to the benefit
- Access to additional health services not covered under a traditional private medical scheme, such as virtual GPs and alternative therapies
- Flexible working
- Enhanced maternity leave/paternity leave
- Monthly wellbeing allowance for each employee
- Life assurance
- Income protection
- Health assessments
- Access to 24/7 confidential health, legal, personal and financial advice for staff and family members

3. Employee survey

For the past three years, Liontrust has undertaken an annual employee engagement survey every December. The survey is facilitated by Survey Initiative, an external, independent research organisation.

In 2022, the survey had an 82% response rate, which was higher than the 79% response rate in 2021. This response rate is above the industry average of those that ran surveys, which is around 65%.

The survey was benchmarked against pillars of engagement themes with Liontrust's score indicated after each in brackets:

- Engaging managers (87%)
- Compelling leadership (73%)
- Realising potential (82%)
- Organisational integrity (83%)
- Employee voice (75%)
- Health and Wellbeing (89%)

Overall, the survey score for Liontrust for 2022 was 84% (2021: 83%; 2020: 95%).

Employee engagement on the back of the survey in 2021

Following Liontrust's 2021 survey, the Group was encouraged to make several changes to improve the amount of flexibility that employees have, help improve employee mental health, and boost employee engagement. To fulfil these needs, the Group:

- Extended hybrid working (three days in the office and two days working from home)
- Launched a monthly wellbeing allowance for each employee
- Introduced a mental wellness intranet site
- Sponsored and enhanced communications around activities for Pride and Black History Month
- Requested input from employees on facilities improvements
- Enhance internal communications

4. Diversity and Inclusion (D&I)

Liontrust is committed to building a workplace that fosters diversity, inclusion and equity for its employees. Achieving diversity and inclusion is an ongoing objective and one that the financial sector has had to continually work to achieve, especially in terms of recruiting women and individuals from under-represented ethnic and/or educational backgrounds. Obviously, it takes time for D&I related efforts to feed through, from recruitment to training to progression. While there is still progress to be made, Liontrust is more cognisant of the areas for improvement in this area and is working to make progress in these, over time. Importantly, Liontrust's executive remuneration is linked to D&I, with a 30% allocation to ESG as part of the remuneration scorecard for 2022/23. Within this 30% allocation, 10% focuses on having a joined up approach to increasing the diversity and inclusiveness of Liontrust. (For more details, see page 22.)

Diversity stats

Liontrust aims to have a diverse workforce and is in the process of working towards that goal. Currently, the Group's diversity stats for gender and ethnicity are:

Gender	Board	Senior Managers	All career levels – total
Female	37.5% (3 of 8 members) Δ	15%	37%
Male	62.5% (5 of 8 members) Δ	85%	63%

Liontrust's headcount of 239 as at end December 2022 was broken down as follows:

2022	Male	Female
Employees	126 Δ	84 Δ
Members of the LLPs	25 Δ	4 Δ
Total	151 Δ	88 Δ
Total %	63%	37%

Δ represents KPMG's independent limited assurance over certain gender diversity metrics of 2022 data under ISAE (UK) 3000 and ISAE3410. The limited assurance opinion provided by KPMG can be found on pages 126–132.

Diversity stats across Liontrust committees

Committee	Total number of committee members	Number of women
LFP Management Committee	9	2
LIP Management Committee	5	0
Responsible Capitalism Committee	8	3
Regulatory Change Forum	5	3
Performance and Risk Committee	7	0

Ethnicity

During the year, Liontrust asked staff to disclose voluntarily their ethnicity.

Ethnicity	Percentage
Asian or Asian British	12%
Black, Black British, Caribbean or African	4%
Mixed or multiple ethnic groups	3%
Other ethnic group	3%
Prefer not to say/Unknown	8%
White	70%

In terms of ethnicity on the Group's Board of Directors, one Board member (out of 8 or 13%) was from an ethnically diverse background.

D&I in the recruitment process

Liontrust has taken several steps to promote gender and ethnicity equality during the recruitment process. These steps include removing names from CVs in the review process, so that gender and ethnicity cannot be determined at the first stage of recruitment. Other steps include sourcing new recruitment providers who are focused on diverse hiring.

D&I Committee

The Group's Diversity and Inclusion (D&I) Committee, formed in 2021 and chaired by the COO/CFO, is comprised of individuals from across the Group's departments. The Committee suggests ways to promote a diverse and inclusive culture at Liontrust. In 2022, the Committee organised several D&I-related initiatives and training. These included:

D&I-related initiative	Date	% of employees that benefited + outcome	Impact
Black history month (BHM) <ul style="list-style-type: none"> hosted keynote speaker event hosted a BHM themed Book Club event hosted a presentation on Black British Art History 	October 2022 13 October 2022 26 October 2022	<ul style="list-style-type: none"> All employees were invited to attend the events for BHM. Recordings of the keynote speaker and the art presentation events are held on the Group's intranet. Liontrust purchased artwork presented during the Black British Art History event and donated some of its purchases to charity. 	Raising awareness of Black History to all staff. Creating an inclusive workplace where Black History is celebrated. From the Group's engagement survey, 95% of staff said that Liontrust supports diversity and inclusion (e.g. culture, ethnicity, disability, gender, etc.) in the workplace
International Women's Day – Networking drinks reception Panel	8 March 2022	A large percentage of Liontrust's staff that identify as female participated in the networking drinks.	Helped raise awareness of the number of women working at Liontrust; helped to facilitate networking among women.
D&I-related training including virtual classroom courses on: <ul style="list-style-type: none"> inclusivity, unconscious bias, psychological safety, microaggressions and Autism awareness (facilitated by PDT Global and the Investment Association) 	September, October, and November 2022	All of Liontrust's staff were invited to participate in D&I-related training over the year.	To raise awareness and understanding of diversity issues and biases, identify how to support and be an ally to those who may be impacted in the workplace. Creating a fairer and more inclusive workplace for all
LGBT Pride Month	June 2022	All Liontrust staff were invited to participate in related events to celebrate this month.	In addition to the question above from the survey, 92% of staff said "I feel like I can be myself at Liontrust"
Mindfulness Mondays sessions	Starting January 2023	All Liontrust staff are invited to participate in Mindfulness Monday sessions.	Giving staff access to mindfulness.

5. Understanding issues as they arise

Liontrust is an acquisitive company and its workforce has grown significantly over the past five years. Liontrust aims to ensure its business has a common culture across departments and locations. To help achieve this, the following elements are in place:

Workforce Advisory Committee

In 2022, Liontrust's Workforce Advisory Committee consisted of representatives from across the business, including a NED and one member of the Management Committee. The purpose of this Committee is to advise the Management Committee, the Nomination Committee, and the Board on issues relating to the Group's workforce. The Committee supports the Company 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 Committee has been influential in shaping the approach to flexible working and the return of staff to the office post Covid. The Committee has also advised on office facilities, staff wellbeing and the Group's engagement survey.

Social Committee

The Social Committee has organised events at ZSL London Zoo during the summer of 2022 and the Christmas Party. The summer event, which comprised a balance of educational sessions (private access to the zoo and a talk on Asiatic Lions) and more standard social drinks, provided an opportunity for more than 100 attendees from all departments, locations and levels of seniority to learn how Liontrust is promoting biodiversity. The event also enabled staff to engage with each other. Similarly, the Christmas Party in December gave the opportunity for all staff to get together and hear from the CEO.

LIONTRUST'S COMMITMENT TO COMMUNITIES

During the year, Liontrust worked with a number of charities and local communities to help society and nature across three main objectives:

Objective	Action / Support
Raise financial awareness and literacy throughout society	<ul style="list-style-type: none">Newcastle United Foundation (NUF) – provided a numeracy programme called Financial Football designed to give primary school children basic numeracy and financial skills10ticks – Liontrust partnered with 10ticks to deliver worksheets and digital math-related education to primary and secondary schools across the UK
Wildlife conservation	<ul style="list-style-type: none">Zoological Society of London – Liontrust are sponsors of the global conservation charity ZSL and their efforts to protect the Asiatic lion from extinction, a partnership that stretches back nearly a decade.Tusk Lion Trail – Liontrust is proud to have supported the Tusk Lion Trail 2021 by sponsoring the lion statue that lived outside the National Gallery in Trafalgar Square. The event was part of a global celebration of lions, the people who live alongside them and the conservation work in Africa. Forty seven life-sized lion sculptures, designed and made by artists, musicians and sportspeople, were placed around the world, including in London, as part of the Trail.

APPENDIX

HOLDINGS THAT LIONTRUST ENGAGED IN 2022

Liontrust's investment teams met with the following 363 companies in 2022 and discussed the following topics.

Company	Environmental	Social	Governance	Strategy, Financials
2U Inc				●
3i Group Plc		●		●
4imprint Group Plc				●
AB Dynamics Plc			●	●
Abcam Plc				●
ABIOMED Inc				●
Adept Technology Group Plc			●	
Admiral Group Plc				●
Adobe Incorporated		●		●
Advanced Medical Solutions				●
Adyen NV		●		
AJ Bell Plc			●	●
Alcon AG				●
Alpha Financial Markets Consulting				●
Alphabet Inc.		●		●
Amada Co Ltd			●	
Amazon.com, Inc.				●
Ambu A/S Class B				●
American Tower Corporation	●	●	●	
Anglian Water OS			●	
Anglo American Plc	●	●		●
Aquila European Renewables Income Fund Plc	●			
Aroundtown SA		●		
Ascential Plc			●	●
Ashtead Group Plc	●	●		●
ASML Holding NV		●		
Assura Plc			●	
AstraZeneca Plc		●		●
AT&T Inc.		●		
Atlas Copco AB Class B				●
Atrato Onsite Energy Plc				●
Attraq Group Plc				●
Auction Technology Group	●			●

Company	Environmental	Social	Governance	Strategy, Financials
Auto Trader Group Plc				●
Autodesk, Inc.		●		
Avanza Bank Holding AB				●
AVEVA Group Plc				●
AXA SA		●		
BAE Systems Plc		●		●
Baidu Inc			●	
Baltic Classifieds Group		●		●
Banco Santander, S.A.		●		
Bango Plc		●	●	●
Barclays Plc		●		
Befesa SA				●
Bellway Plc	●		●	●
Belvoir Group Plc	●		●	
Big Technologies Plc	●	●		●
Bioventix Plc			●	
Blancco Technology Group Plc	●			X
BNP Paribas S.A. Class A		●		
BOKU Inc				●
boohoo Group Plc		●		●
BP Plc	●			
Bright Horizons Family Solutions, Inc.		●		
Brooks Macdonald Group Plc			●	●
Brown & Brown, Inc.				●
BT Group Plc		●		
Bunzl Plc		●		
Bytes Technology Group Plc				●
Cadence Design Systems, Inc.			●	
Calnex Solutions Plc				●
CANCOM SE				●
Card Factory Plc	●			●
Carnival Corp			●	
Cellnex Telecom S.A.			●	
Centrica Plc				●
Cerillion Plc				●
Charles Schwab Corp		●		

Company	Environmental	Social	Governance	Strategy, Financials
Chemring				●
Churchill China Plc	●	●		●
City Pub Group Plc				●
CML Microsystems Plc				●
CMO Group Plc				●
CNH Industrial NV				●
Coats Group Plc	●			
Cohort Plc		●		●
Coloplast A/S Class B				●
Compass Group Plc	●	●		●
Concurrent Technologies Plc		●	●	●
ConvaTec Group Plc		●		●
Copa Airlines Group	●			●
Countryside Partnerships Plc			●	
Craneware Plc			●	
Credicorp Ltd		●		●
Crest Nicholson Holdings Plc		●		
Croda International Plc				●
Croma Security Solutions Group Plc			●	●
CSL Limited				●
Currys				●
CVS Group	●	●		●
D4t4 Solutions Plc				●
Daikin Industries Ltd		●		
Darktrace Plc				●
Deutsche Telekom AG		●		
DFS Furniture Plc				●
Diploma Plc			●	
Direct Line Insurance Group Plc		●		
DiscoverIE Group Plc				●
Distribution Finance Capital Holdings Plc				●
DNB Bank ASA		●		
DocuSign, Inc.			●	
Domino's Pizza Group Plc		●	●	
dotdigital Group Plc			●	●
Downing Renewables & Infrastructure Trust Plc	●			

Company	Environmental	Social	Governance	Strategy, Financials
Draper Esprit Plc	●			
Dunelm Group Plc		●	●	●
DWF Group Plc				●
Eagle Eye Solutions Group Plc			●	
EasyJet Plc	●			●
Eckoh Plc			●	●
Ecolab Inc.		●		
Edenred SA				●
eEnergy Group				●
Elixirr International Plc				●
Eneraqua Technologies				●
Equifax Plc				●
Equinix, Inc.		●		
Ergomed Plc				●
Essensys Group Ltd				●
Essentra Plc				●
Estee Lauder Companies Inc. Class A				●
Evotec SE				●
Experian Plc			●	
FD Technologies Plc				●
Fevertree Drinks Plc		●		●
First Republic Bank				●
Fonix Mobile Plc		●	●	●
Foresight Group Holdings Ltd	●			
Forward Partners				●
Frenkel Topping Group Plc				●
Frontier Developments Plc				●
FRP Advisory Group Plc			●	●
Gamma Communications Plc				●
Gateley Holdings Plc		●	●	●
GB Group Plc				●
Gear4Music Holdings Plc				●
Genuit Group Plc	●			●
GlaxoSmithKline Plc		●	●	●
GlobalData Plc				●
GN Store Nord A/S				

Company	Environmental	Social	Governance	Strategy, Financials
Gold Fields	●	●		●
Grafton Group Plc				●
Greencoat UK Wind Plc				●
Greggs	●	●		●
Gresham House Plc	●		●	●
Gresham Technologies Plc				●
GXO Logistics Inc				●
Gym Group Plc		●		
Haleon Plc				●
Halma Plc		●		
Hargreaves Lansdown Plc				●
Hays Plc		●		●
Helios Towers Plc		●		
Hill and Smith Hldgs				●
Hilton Food Group Plc	●			●
Hingham Institution for Savings		●		
Hollywood Bowl				●
Home REIT Plc			●	●
Howden Joinery Group Plc				●
HSBC Holdings Plc		●		
Iberdrola SA		●		
Ideagen Plc			●	
Illumina, Inc.				●
Impax Asset Management Group Plc				●
Infineon Technologies AG		●		
ING Groep NV				●
Inspeks Group Plc			●	●
Inspiration Healthcare Group Plc	●			
Instem Plc			●	●
IntegraFin Holdings Plc			●	
InterContinental Hotels Group Plc		●		
Intertek Group Plc				●
Intuit Inc.			●	
Intuitive Surgical, Inc.			●	
Investec Plc		●		
Ionis Pharmaceuticals		●	●	●

Company	Environmental	Social	Governance	Strategy, Financials
IP Group Plc				●
IQVIA Holdings Inc		●		
JLEN Environmental Assets Group Limited				●
John Wood Group Plc			●	●
JTC Plc				●
Judges Scientific Plc			●	
Just Eat Takeaway.com N.V.				●
K3 Capital Group Plc			●	●
Kainos Group Plc				●
Kerry Group Plc Class A				●
Keyence Corporation		●		
Keystone Law Group Plc		●	●	●
Keywords Studios Plc		●		●
Kin & Carta Plc				●
Kingspan Group Plc	●			
Kinnevik AB Class B				●
Kitwave Plc				●
Kone Oyj Class B				●
Koninklijke KPN				●
Koninklijke Philips			●	●
Kooth Plc				●
Lancashire Holdings Ltd				●
Learning Technologies Group Plc				●
Legal & General Group Plc			●	
LendInvest Plc				●
Leonardo SPA			●	●
Lloyds Banking Group Plc		●		
Lok'nStore Group	●		●	●
London Stock Exchange Group Plc		●		
Lonza Group AG		●		
Loungers Plc				●
Marks & Spencer Group Plc				●
Marshalls Plc	●			●
Masimo Corporation			●	●
Mattioli Woods Plc		●		●
Mears Group Plc	●	●	●	●

Company	Environmental	Social	Governance	Strategy, Financials
MediaTek Inc			●	
Medica Group Plc				●
Mercia Asset Management Plc	●			●
Microlise Group Plc				●
Midwich Group Plc				●
Mind Gym Ltd		●	●	●
Mitie Group Plc			●	●
MJ Gleeson Plc				●
Molten Ventures Plc			●	●
Moonpig Group Plc		●	●	●
Mortgage Advice Bureau (Holdings) Plc			●	
Mpac Group Group Plc	●			●
Nagarro SE				●
Nasdaq, Inc.			●	
National Express Group Plc			●	●
Nationwide Building Society	●			
NatWest Group Plc	●	●	●	●
NCC Group Plc				●
Netcompany Group A/S				●
Next Group Plc		●		●
Next Fifteen Communications Group Plc		●		●
NIKE, Inc. Class B				●
NVIDIA Corporation				●
NVR, Inc.			●	
On the Beach Group Plc			●	●
Orange SA		●		
Orsted A/S		●		
Otis Worldwide Corp				●
Oxford BioMedica Plc				●
Oxford Instruments Plc				●
Oxford Metrics Plc				●
Oxford Nanopore Technologies Plc			●	●
PAR Technology Corp				●
Paragon Banking Group Plc			●	
PayPal Holdings, Inc.				●
Pebble Group Plc/The	●		●	●

Company	Environmental	Social	Governance	Strategy, Financials
Petrofac Ltd		●	●	
Pets at Home Group Plc				●
Phoenix Group				●
Pool Corp				●
Porvair Plc		●		●
Power Integrations Inc				●
Property Franchise Group Plc/The		●		●
PRS REIT Plc	●			
PTC Inc.				●
PUMA SE				●
PZ Cussons Plc				●
QIAGEN NV			●	●
Quixant Plc				●
Record Plc	●	●	●	●
Redrow Plc				●
RELX Plc				●
Renew Holdings	●			●
Rentokil Initial Plc		●	●	●
Restore Plc				●
Ricardo Plc	●			●
Ringkjøbing Landbobank A/S	●			
Robert Walters Plc			●	
Roche Holding Ltd Dividend Right Cert.		●		
Rotork Plc	●			
Royal Dutch Shell Plc	●		●	●
RWS Holdings Plc			●	
Sage Group Plc			●	
Sartorius Stedim Biotech SA		●		
Savills Plc			●	
SDCL Energy Efficiency Income Trust Plc	●			●
Sea Ltd				●
SEGRO Plc		●		
Serco Group Plc	●	●	●	●
ServiceNow, Inc.				●
Severn Trent Plc		●		
Shop Apotheke Europe NV				●

Company	Environmental	Social	Governance	Strategy, Financials
Smart Metering Systems Plc	●			●
Smith & Nephew Plc				●
Smurfit Kappa Group Plc			●	
Snam S.p.A.		●		
Societe Generale S.A. Class A		●		
Softcat Plc		●		
Somero Enterprises				●
Sopheon Plc				●
Spectris Plc			●	
Spirax-Sarco				●
Splunk Inc.	●	●	●	
SSE Plc		●		
St. James's Place Plc		●		●
Standard Chartered Plc	●	●	●	
Straumann Holding AG				●
Sunrun Inc				●
Surgical Innovations Group Plc			●	
Svenska Handelsbanken AB Class A				●
Swiss Re AG		●		
Syncona Ltd GBP				●
Tatton Asset Management Plc		●	●	●
Team17 Group Plc				●
TechnoPro Holdings Inc.		●		
Telecom Plus Plc		●		●
Tesco Plc				●
Tesla Inc			●	
Thames Water Plc			●	
Thermo Fisher Scientific Inc.		●		●
THG Plc				●
ThomasLloyd Energy Impact Trust Plc				●
Thrive Renewables (Bristol) Ltd.	●			
tinyBuild Inc				●
Toray Industries, Inc.			●	
TP ICAP Group Plc		●		●
Tracsis Plc				●
Trainline Plc				●
Travis Perkins Plc				●

Company	Environmental	Social	Governance	Strategy, Financials
Trealt Plc				●
Trex Co Inc		●		
Tribal Group Plc				●
Triple Point Energy Transition Plc				●
Trustpilot Group Plc				●
Tryg A/S			●	
TT Electronics Plc				●
Unifiedpost Group SA				●
Unilever Plc		●		
United Utilities Group Plc		●		
UnitedHealth Group Incorporated				●
Universal Music Group NV				●
Verizon Communications Inc.		●		
Vestas Wind Systems A/S				
Videndum Plc				●
Virgin Wines UK Plc	●			●
Visa Inc. Class A				
Vodafone Group Plc		●		
Volkswagen AG			●	
Volution Group Plc	●			●
Walt Disney Company				●
Watches of Switzerland Group				●
Water Intelligence Plc				●
Watkin Jones Plc				●
Weir Group Plc	●		●	●
WH Smith Plc				●
Whitbread Plc		●		●
WillScot Mobile Mini Holdings Corp			●	
Wilmington Group				●
Wincanton Plc	●			●
Wise Plc Class A			●	
Wizz Air Holdings Plc				●
WPP Plc				●
Wuxi Biologics	●			●
Yorkshire Building Society			●	
Yorkshire Water Services Ltd.			●	
YouGov Plc				●

LIONTRUST AWARDS IN 2022

In 2022, Liontrust won a number of awards for the management of its funds, its product range, and its approach to investing. These included:

26/04/2022	Professional Adviser Awards 2022	Best ESG Solution for Advisers	Fund	SF Managed Funds	
09/06/2022	Professional Paraplanner Awards 2022	Best Active Investment Solution Provider	Company	Liontrust	
09/06/2022	Professional Paraplanner Awards 2022	Best ESG Investment Solution Provider	Company	Liontrust	
30/06/2022	UK Small Cap Awards 2022	UK Smaller Companies Fund of the Year	Fund	Liontrust UK Micro Cap Fund	
01/07/2022	Online Money Awards 2022	Best Investment Trust Group	Company	Liontrust	
13/07/2022	Investment Week FMYA 2022	Global Group of the Year	Company	Liontrust	
13/07/2022	Investment Week FMYA 2022	Best Europe Fund	Fund	Liontrust European Dynamic Fund	
13/07/2022	Investment Week FMYA 2022	£ High Yield Bond (Highly Commended)	Fund	Liontrust GF High Yield Bond Fund	Highly commended
13/07/2022	Investment Week FMYA 2022	UK Smaller Companies (Highly Commended)	Fund	Liontrust UK Micro Cap Fund	Highly commended
23/09/2022	AJ Bell Fund and Investment Trust Awards 2022	Best UK Smaller Companies – Active Fund	Fund	Liontrust UK Smaller Companies	
21/09/2022	Broadridge Distribution Achievement Awards 2022	Faster Riser – ESG	Company	Liontrust	
08/11/2022	Financial News Excellence in Institutional Fund Management Awards 2022	Best UK Manager	Company	Liontrust	
31/11/2022	Professional Pensions Investment Awards 2022	Sustainable Corporate Bond Manager of the Year	Manager	Liontrust Sustainable Fixed Income Team	

In 2021, the group also won three major awards in the same year

- Group of the Year at the Fund Manager of the Year Awards
- Asset Manager of the Year at the Financial News Asset Management Awards
- Best Fund Group at the Shares Awards

NET ZERO-RELATED DEFINITIONS USED BY LIONTRUST

The following sets out how Liontrust uses net zero related terminology:

Net Zero

For Liontrust, this means:

- Negating the amount of greenhouse gases in the atmosphere so that global temperatures may be kept within 1.5-2 degrees of pre-industrial levels.
- This definition is in line with the Paris Agreement.
- Net Zero can be achieved by reducing emissions and/or by absorbing carbon from the atmosphere to reduce the overall presence of carbon.

Carbon neutral

For Liontrust, this means:

- Companies, themselves, can help the world achieve net zero by becoming carbon neutral.
- Carbon neutrality is achieved when companies, Groups, or nation states eliminate their carbon emissions or balance their emissions by removing the same amount of emissions that they create.

Scope 1, 2 and 3 greenhouse gas (GHG) emissions

- Scope 1 emissions – GHG emissions that a company makes directly from owned or controlled sources (e.g. from burning oil-based heating in buildings or running boilers) or from company vehicles
- Scope 2 emissions – GHG emissions that a company makes indirectly, such as the electricity or energy it buys for heating and cooling buildings
- Scope 3 emissions – all indirect GHG emissions (not included in scope 2) that occur in the value chain of a company, such as those created when buying products from service providers. For Liontrust, this also includes the emissions of those companies in which Liontrust invests, also known as its “financed emissions”.

Weighted Average Carbon Intensity (WACI)

- WACI is a measurement of a fund’s exposure to the **carbon intensity** of its holdings.

$$\text{Carbon intensity} = \frac{(\text{scope 1} + \text{scope 2 emissions})}{(\$ \text{million sales})}$$

- WACI is calculated by multiplying the carbon intensity of each holding by the weight of each holding in a portfolio. For example, if Company A has a 2% weighting in a fund (or constitutes 2% of the total portfolio), then the WACI of Company A is determined by multiplying its weighting of 2% by the carbon intensity of Company A.
- WACI takes account of the asset allocation decision (or the amount of any one investment that a fund manager decides to put into a fund) of the fund manager.

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LIONTRUST'S CARBON EMISSIONS

Liontrust is committed to understanding and reducing our operational greenhouse gas (GHG) emissions. We use offsetting to be operationally carbon neutral but aim to minimise the use of offsetting where possible. This year we worked with Good Business to calculate our emissions for Scope 1 and 2 emissions as 17 tCO₂e (market-based) as at the 31st December 2022 these equated to a GHG emissions intensity of 0.08 tCO₂e/Full Time Employee.

Greenhouse Gas Emissions performance

The following information summarises our direct and indirect environmental performance over the calendar year ending 31 December 2022. 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, our measured Scope 1 and 2 emissions (location-based) totalled 76 tCO₂e. Our indirect scope 3 emissions from business travel comprised air, rail, mileage emissions and hotel stays totalled 304 tCO₂e. The details are shown in the table opposite:

Category	Source	2022 GHG emissions (tCO2e)	*Restated 2021 GHG emissions (tCO2e)	Reported 2021 GHG emissions (tCO2e)	% year on year change 2022 vs Restated 2021
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SCOPE 1

Stationary combustion	Heating Oil <ul style="list-style-type: none"> UK Offices – zero Luxembourg office – 14 (tCO2e) 	14 Δ	13	13	8%
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SCOPE 2

Electricity (location-based)	<ul style="list-style-type: none"> UK offices – 62 (tCO2e) Luxembourg office <1 (tCO2e) 	62 Δ	59	2,600	5%
Electricity (market-based)	<ul style="list-style-type: none"> UK offices – 3 (tCO2e) Luxembourg office – zero 	3 Δ	4	249	-25%

SCOPE 3

	Goods & Services	5,258	–	–	–
Purchased goods & services	Water	0.4	–	–	–
	Air travel	246	37	37	565%
Business travel	Rail travel	12	4	4	200%
	Road travel	46	20	20	130%
	Hotel stays	33	–	–	–
Scope 1 & 2 (location-based)		76	72	2,612	6%
Scope 1 & 2 (market-based)		17	17	262	0%
Total (location-based)		5,671	133	2,673	
Total (market-based)		5,612.40	78	323	
Scope 1 & 2 intensity per FTE (location-based)**		0.35 Δ	0.36	13.19	-3%
Scope 1 & 2 intensity per FTE (market-based)**		0.08 Δ	0.09	1.32	-11%

*Calculation of Liontrust's 2022 Scope 2 emissions uncovered large year-on-year changes in results. Upon further investigation into the reasons driving these changes, it was discovered that the electricity consumption data for 2021 emissions was mis-calculated, therefore, Liontrust has taken steps to recalculate Scope 2 emissions for 2021 and restate its 2021 Scope 2 location-based and Scope 2 market-based metrics in its 2022 report. As a result of this restatement, the Scope 1 & 2 location-based FTE intensity and Scope 1 & 2 market-based FTE intensity metrics have also been recalculated and restated.

**The emission intensity calculation is based on a figure of 218 FTE employees in 2022. Overall, our emissions for scope 1 & 2 emissions (location-based) were 0.35 and scope 1 & 2 emissions (market-based) were 0.08

**The emission intensity calculation is based on a figure of 198 employees in 2021. Overall, our restated emissions for our emissions for scope 1 & 2 emissions (location-based) were 0.36 and scope 1 & 2 (market-based) were 0.09

Δ represents KPMG's independent limited assurance over Scope 1 and 2 metrics over the 2022 data subject to independent limited assurance under ISAE (UK) 3000 and ISAE3410. The assurance opinion provided by KPMG can be found on page 126.

Liontrust calculated emissions for the first time for 2022 calendar year for its Scope 3 water usage, hotel stays and goods and services.

Liontrust reporting criteria for Greenhouse Gas emissions is available on page xx of this report. Liontrust will provide a full overview of all relevant emission in its reporting on the Taskforce for Climate-related Financial disclosures recommendations in its Annual Financial Statements and Accounts which will be published on our website in Q3 2023.

Energy Consumption (MWh)	UK 2022	UK 2021	% Change	Luxembourg 2022	Luxembourg 2021	% Change
Electricity	321	278	15%	5	3	86%
Heating oil	0	0	0%	53	51	2%



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") to provide limited assurance over the Selected Information described below for the year ended 31 December 2022.

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 Liontrust's Responsible Capitalism Report ("the Report") for the year ended 31 December 2022 marked with the symbol Δ ("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 on Liontrust'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 in providing the Selected Information only. As such the Selected Information may not be suitable for another purpose.

Directors' responsibilities

The Directors of Liontrust 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 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 control

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. We apply International Standard on Quality Control (UK) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly we maintain a comprehensive system of quality control including documented policies and 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'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 the corresponding source documentation;
- assessing a selection of formulae used and manual calculations performed over the Selected Information;
- 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 carbon emissions intensity metric, dividing total emissions by full time equivalent employee data, as provided by Liontrust;
- performing analytical procedures over the aggregated Selected Information, including a comparison to 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 solely in accordance with the terms of our engagement. We have consented to the publication of our report on Liontrust's website for the purpose of Liontrust 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 determined by Liontrust'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 for any purpose or in any context. Any party other than Liontrust 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.

KPMG LLP

KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
25 April 2023



The maintenance and integrity of Liontrust’s website is the responsibility of the Directors of Liontrust; 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’s website since the date of our report.

Appendix 1

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

Selected Information included within the Liontrust’s Responsible Capitalism Report for the year ended 31 December 2022:

KPI	Assured Value
Carbon Emissions	
Scope 1 CO2e emissions (tCO2e)	14
Scope 2 CO2e emissions (location based) (tCO2e)	62
Scope 2 CO2e emissions (market based) (tCO2e)	3
Emissions intensity location based (tCO2e / FTE)	0.35
Emissions intensity market based (tCO2e / FTE)	0.08
Diversity	
Gender split overall (Male : Female)	151 Male, 88 Female
Gender split by Board (Male : Female)	5 Male, 3 Female
Gender split by employees (Male : Female)	126 Male, 84 Female
Gender split by Partners (Male : Female)	25 Male, 4 Female
Proxy Voting	
% votes of votable meetings	97.85%
% votes for	83.46%
% votes against	8.00%
% votes abstained on	3.24%
% votes withheld on	1.20%

Reporting criteria

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

Reporting criteria for gender diversity:

Background

The information used to derive the gender diversity numbers is derived 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 2022 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 2022.

Metric

Gender split by Partners (Members of the LLPs)

Scope and definition

All partners (Members of the LLPs) of Liontrust as at 31 December 2022.

Metric

Gender split by Board

Scope and definition

All members of the Board of Directors of Liontrust as at 31 December 2022.

Reporting criteria for annual proxy voting:

In preparing proxy voting figures for the calendar year (1 January to 31 December 2022), 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:

Resolutions/Proposals	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.
'Eligible' meeting	Where Liontrust portfolios hold voteable shares in underlying publicly listed companies, Liontrust are eligible to exercise voting rights at shareholder meetings.
For/Against/Abstain/Withhold	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.
For/Against/Abstain/Withhold	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.
ISS Proxy Analysis & Benchmark Policy Voting Recommendations ('ISS research')	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.
Liontrust Custom Policy	Liontrust Custom policy refers to the bespoke geographical voting policies as defined under "relevant jurisdiction" below.
Liontrust Custom Research	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.
Relevant jurisdictions	Jurisdictions for the propose of voting policies will capture the geography/ country of the domiciled country of the underlying publicly listed company. Liontrust operate four geographical voting policies to include: <ul style="list-style-type: none"> • United Kingdom (FTSE 350) and Ireland (ISEQ20), and United Kingdom FTSE small cap and AIM • Europe¹ excl. United Kingdom & Ireland • United States and Canada • Rest of the World² with a more lenient stance for Emerging Market policy.

¹Austria, 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.

²Markets 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 2022.

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 2022 to 31 December 2022 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.

The Responsible Capitalism team perform regular reconciliations to ensure ISS is up to date with the relevant Liontrust funds.

Liontrust investment teams adopt the following voting policies

Investment team	Policy adopted
Economic Advantage	ISS Proxy Analysis & Benchmark Policy Voting Recommendations
Sustainable Investment	Liontrust Custom policy
Global Equity team	Liontrust Custom policy
Cashflow Solutions	Liontrust Custom policy
Multi-Asset	ISS Proxy Analysis & Benchmark Policy Voting Recommendations
Global Fundamental	ISS Proxy Analysis & Benchmark Policy Voting Recommendations

Assumptions and additional points to note:

Due to the nature of how the ISS templated vote summary report is run on the ISS Proxy Exchange platform extracting meetings across all account groups. 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". This registrar is maintained centrally by the Responsible Capitalism team.

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 2022 to 31 December 2022.

KPMG are engaged to assure the figures for Scope 1 & 2 market and location based only which are highlighted by a delta in the Responsible Capitalism Report.

Methodology:

Liontrust's GHG inventory was calculated in accordance with the WRI / WBCSD Greenhouse Gas Protocol Corporate Standard, 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 (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF₆). GHG emissions are converted and reported in as carbon dioxide equivalents (CO₂e) 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
- Scope 2: Purchased electricity consumption for own use (Location based and Market based)
- Scope 3: Purchased goods & services and Business travel via air, rail road, and hotel stays

* Please refer to 'Scoping' section below.

The Scope 1 emissions were calculated using the Department for Business, Energy & Industrial Strategy (BEIS) 2022 emissions factors. Data is collected from invoices, meter readings and other documentation provided by our leased offices landlords.

Both a location-based total and a market-based total were calculated for Scope 2 emissions. The Scope 2 emissions were calculated using the BEIS 2022, EEA 2019 and AIB 2021 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 2022 and EEA 2019 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 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.

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. Rail journeys were classed as either international or national according to whether the start and end locations were within the same country or in two different countries. 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 2021 National Transport Survey. Emissions from hotel stays were also evaluated for the first time and the number of rooms per night booked in each country was used to calculate emissions. 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.

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 2022.

Liontrust define Full Time Employee (FTE) as employees or partners who work their contracted hours as stipulated within their employment

contract. Liontrust had 218 full time employees/partners as at 31 December 2022.

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, 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 The REGO certificate covers part of the reporting period.
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.

RESTATEMENT OF SCOPE 2 FIGURES FOR 2021

Calculation of Liontrust's 2022 Scope 2 emissions uncovered large year-on-year changes in results. Upon further investigation into the reasons driving these changes, it was discovered that the electricity consumption data for 2021 emissions was miscalculated, therefore, Liontrust has taken steps to re-calculate Scope 2 emissions for 2021 and restate its 2021 Scope 2 location-based and Scope 2 market-based metrics in its 2022 report. As a result of this restatement, the Scope 1 & 2 location-based FTE intensity and Scope 1 & 2 market based FTE intensity metrics have also been re-calculated and restated.

Assumptions and additional points to note:

Data estimates

Liontrust use actual data to calculate its emissions, however where data is not available we derive estimated data by carrying out the following steps:

- Identify offices spaces estimates are required to be calculated for.
- In 2021, Liontrust used actual meter reading (kWh) and the occupation number of Floor 2 in Savoy Court as a starting point for estimates.
- The actual usage is adjusted by a percentage based on year-on-year increase in total employee numbers, the rationale behind this is to ensure Liontrust does not underestimate the offset required for Scope 1 & 2 emissions.
- Estimates are calculated by applying a multiplier (employees for specific office location over employees for Floor 2 in Savoy Court, adjusted for the number of months occupied) to the adjusted usage for Floor 2. This produces an estimated electricity usage (kWh) for the office locations no actual data is available for.
- In 2022, estimates were used for 10 Old Bailey, London and 18 Val Saint Croix, Luxembourg. At 10 Old Bailey, consumption is actual and estimated meter reads are provided by the landlord and are used to determine total annual consumption. At 18 Val Saint Croix, only partial data was available for the reporting year, therefore the actual data that was provided was extrapolated to estimate total consumption for the year.



Key Risks and Disclaimers

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