

Information for all holders of Liontrust securities:

Please find below information from the company, affecting the following securities:

GB00B8FDBQ23 Liontrust Sustainable Future ICVC Managed - Accum 6 Net GBP CAP

GB0030030398 Liontrust SF Managed Fund 2 GBP Inc

All relevant information on this can be found in the below attachment.

X date 2025

Dear Investor,

Thank you for your continued support of Liontrust and our Sustainable Future (SF) funds.

We are writing to tell you that the Liontrust SF Managed Fund (the "Fund") will be adopting the Sustainability Focus label under the Sustainability Disclosure Requirements (SDR) introduced by our regulator to improve trust and transparency for sustainable investment products. The fact that the Fund is adopting the label shows it meets the requirements of the SDR rules.

This letter will explain SDR and the investment labels along with changes we are making to the Fund in which you are invested. These changes do not affect the Fund's investment process or how it is managed. **You do not have to take any action as a result of this letter.**

ISINs: GB0030030398, GB0030030406, GB00B8FDBQ23 & GB00B83V3W83.

What is SDR?

On 28 November 2023, the FCA (Financial Conduct Authority) published the SDR Policy Statement. This Policy sets out the rules and guidance to improve trust and transparency for sustainable investment products by ensuring investors are given better information on the sustainability of their investments.

These include applying one of the following sustainability labels to funds that meet the requirements of the rules: (1) Sustainability Focus, (2) Sustainability Improvers, (3) Sustainability Impact, and (4) Sustainability Mixed Goals. These labels are designed to make it clear to investors that products which are stated to be sustainable do as they claim and can evidence this.

Information on SDR and the sustainability labels can be found on the FCA's website:

<https://www.fca.org.uk/consumers/identifying-sustainable-investments#section-what-this-means-for-you>

Investment label for Liontrust SF funds

The Liontrust SF funds, including the one you are invested in, will use the Sustainability Focus label. This label is intended for a fund that 'invests mainly in assets that focus on sustainability for people or the planet'. The Liontrust SF funds have a sustainability objective that is consistent with this label definition.

The Liontrust SF funds also meet an additional key requirement of the labelling regime in that they invest at least 70% of the fund's total assets in sustainable investments. This does not mean that only 70% of the funds' investments will be classified as sustainable; it means that no more than 30% of the Liontrust SF funds' assets can be made up of other assets, such as cash or cash-like investments, which do not have sustainability characteristics but may be used for diversification or liquidity purposes.

In line with the current management of the funds, all companies held by the funds need to meet the sustainability investment criteria set out by Liontrust Investment Partners LLP, the Investment Adviser.

Further criteria of the labelling regime relate to key performance indicators, resources and governance and stewardship. More information on these can be found in the prospectus wording included in the Appendices to this letter.

Appendices included:

- Appendix 1 – The current vs new prospectus wording (i.e. investment objective and investment policy) which is specific to this Fund.
- Appendix 2 – A new section added to ‘Annex VIII’ of the prospectus which is for all UK SF Funds.
- Appendix 3 – ‘Appendix IX’ a new Appendix added to the prospectus which is for all UK SF Funds.

Changes we are making

In the Appendix to this letter, we set out the updated wording of the Fund’s investment objective, investment policy and investment strategy. Whilst there is no change to how the Fund is currently managed, you will note that we have expanded our description of each of these areas to comply with the regime.

We will also be producing a consumer-facing disclosure document for each of the SF funds which summarises their sustainability characteristics. These documents will be available on the Liontrust website at <https://www.liontrust.co.uk/about-us/people-planet-and-society/sdr>

All SF funds meet their sustainability objectives by actively investing in companies that make a positive contribution towards sustainable development. Sustainable development is defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development rests on three pillars - environmental, social and economic - which need to progress in parallel to succeed.

For a company to be considered as eligible for the Fund, it must meet the following specific sustainability-related criteria:

- 1. Alignment with sustainability themes** – the Investment Adviser has identified a number of sustainability themes, which are aligned with sustainable development. Companies that have a minimum of 50% of their revenues aligned with one or more of these themes will be assessed as meeting the sustainability standard. This includes the Leading Environmental and Social Management theme, where companies with leading sustainability management of their operations have 100% of their revenues aligned to the theme.
- 2. Determining the Sustainability Matrix score** – potentially eligible companies will then be assessed against the Investment Adviser’s proprietary sustainability matrix. This evaluates how a company contributes to sustainable development through the products and services they provide (using an A (highest) to E (lowest) score), as well as how well the company manages its interactions with the environment and society (using a 1 (highest) to 5 (lowest) score). As part of this assessment, the Investment Adviser ensures the overall business is aligned with the sustainability objective. To be eligible for the Fund, a company must score at least C3 on the Matrix.
- 3. Application of screening criteria** - the Investment Adviser will seek to limit or completely avoid investment in companies exposed to activities that may be considered as having a significant adverse impact on society or the environment. The Investment Adviser has screening processes in

place which sets thresholds on the revenues that companies can derive from activities that are assessed as unsustainable or unethical.

Companies which meet all of the above criteria will be eligible for the Fund, but only a company that scores at least a C1 on the matrix will be categorised as a 'sustainable investment' and make up at least 70% of the Fund's total assets.

The 30% not assessed as sustainable investments may also include collective investment schemes (limited to 10% of a Fund's assets), government and corporate debt (if not designated specifically for an environmental or social purpose), other transferable securities, money market instruments, warrants, cash and deposits, and derivatives for the purposes of efficient portfolio management, liquidity and risk management, hedging purposes and/or portfolio construction.

When are we making these changes?

These changes will take effect on 1 April 2025, and we are writing to provide you with advance notice of the changes to the Fund.

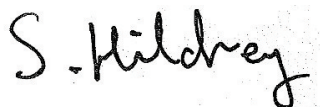
Do I need to take any action?

No action is required in response to this letter.

If you have any questions regarding this letter, please email LionTA@Liontrust.co.uk or call +44 (0) 207 412 1773.

For any specific questions regarding your investments, please contact your financial adviser.

Yours sincerely,

A handwritten signature in black ink that reads "S. Hildrey". The signature is written in a cursive style with a large initial 'S' and a clear 'Hildrey'.

Simon Hildrey

Chief Marketing Officer

Appendix 1: Current vs new prospectus wording

Liontrust Sustainable Future Managed Fund

Current prospectus wording	New prospectus wording (effective 1 April)
<p style="text-align: center;">Investment objective</p>	<p style="text-align: center;">Investment objective</p>
<p>The Fund aims to deliver income and capital growth over the long term (5 years or more) through investment in sustainable securities.</p>	<p>The Fund aims to deliver income and capital growth over the long term (5 years or more) by actively investing in securities that make a positive contribution towards sustainable development. Sustainable development is defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development rests on three pillars: environmental, social and economic, which need to progress in parallel to succeed.</p> <p>The Fund will invest in securities in a broad range of industries where a company proactively manages its business so as to improve social or environmental outcomes and/or the company's products and services enable:</p> <ul style="list-style-type: none"> - improved environmental outcomes, such as those from environmental technologies which improve the efficiency in the use of water, energy and materials; or - improved social outcomes, such as those involved in improving how we treat disease; and prevent disease by making food healthier or exercising easier; or - improved economic outcomes that can lead to positive social benefits as a result of increasing the resilience of the systems we all rely on, such as cyber security, critical financial services; or by proactively managing a business so as to improve social or environmental outcomes.
<p style="text-align: center;">Investment policy</p>	<p style="text-align: center;">Investment policy</p>
<p>The Fund will invest globally and will seek to achieve the investment objective through investment in securities that provide or produce sustainable products and services as well as having a progressive approach to the management of environmental, social and governance (“ESG”) issues. Further information on the investment process can be found in Appendix VIII.</p> <p>All investments will be expected to conform to our social and environmental criteria as set out on the Liontrust website.</p> <p>Allocations to equities, fixed income, and cash will vary over time depending on market circumstances. Asset allocation limits will remain in line with the following asset allocation ranges:</p> <p>Equity – 60-85% Fixed income – 10-40% Cash – 0-10%</p>	<p><u>FCA’s Sustainability Disclosure Regime (SDR) and investment labels</u></p> <p>This Fund has applied a ‘Sustainability Focus’ label under the SDR and is required to meet certain criteria in the management of the Fund, as well as make certain disclosures to be able to use the label. More information is provided below and in Appendix VIII of this prospectus. In addition, the FCA also provide information on the SDR for investors, which can be found on their website at - https://www.fca.org.uk/consumers/sustainable-investment-labels-greenwashing</p> <p>The Fund will invest globally.</p> <p>Stock selection for the Fund has three key filters: sustainability criteria; business Fundamentals; and valuation.</p> <ol style="list-style-type: none"> 1. <i>Sustainability criteria:</i> For each investment, the Investment Adviser assesses every security through specific sustainability criteria, as described below.

The Fund may invest in collective investment schemes including other Liontrust Funds (up to 10% of Fund assets), other transferable securities, money market instruments, warrants and deposits.

The Fund is permitted to use derivatives for the purposes of efficient portfolio management and for investment purposes.

2. *Business Fundamentals*: The company's growth, resilient returns, and quality of earnings must also be robust.
3. *Valuation*: the company should pass the internal financial forecast test to be part of the list of companies that can be investible for the Fund.

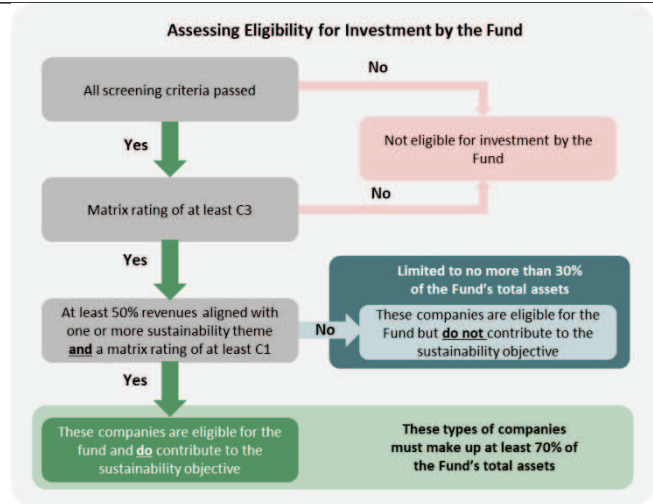
For a company to be considered as eligible for the Fund, it must meet the following specific sustainability-related criteria:

1. *Alignment with sustainability themes* – the Investment Adviser has identified a number of sustainability themes, which are aligned with sustainable development. Companies that have a minimum of 50% of their revenues¹ aligned with one or more of these themes will be assessed as meeting the sustainability standard. This includes the Leading Environmental and Social Management theme, where companies with leading sustainability management of their operations have 100% of their revenues aligned to the theme.
2. *Determining the Sustainability Matrix score* – potentially eligible companies will then be assessed against the Investment Adviser's proprietary sustainability matrix. This evaluates how a company contributes to sustainable development through the products and services they provide (using an A (highest) to E (lowest) score), as well as how well the company manages its interactions with the environment and society (using a 1 (highest) to 5 (lowest) score). As part of this assessment, the Investment Adviser ensures that the overall business is aligned with the sustainability objective. To be eligible for the Fund, a company must score at least C3 on the Matrix.
3. *Application of screening criteria* - the Investment Adviser will seek to limit or completely avoid investment in companies exposed to activities that may be considered as having a significant adverse impact on society or the environment. The Investment Adviser has screening processes in place which sets thresholds on the revenues that companies can derive from activities that are assessed as unsustainable or unethical.

Companies which meet all of the above criteria will be eligible for the Fund, but only a company that scores at least a C1 on the matrix will be categorised as a 'sustainable investment' and make up at least 70% of the Fund's total assets.

The 30% not assessed as sustainable investments may also include collective investment schemes (limited to 10% of Fund assets), government and corporate debt (if not designated specifically for an environmental or social purpose), other transferable securities, money market instruments, warrants, cash and deposits, and derivatives for the purposes of efficient portfolio management, liquidity and risk management, hedging purposes and/or portfolio construction.

The below diagram illustrates the eligibility criteria for the Fund:



Further detail on each stage shown above can be found in Appendix VIII of this document.

Once a company is held in the Fund, the Investment Adviser also carries out 'stewardship' activity (which involves engagement with companies and using voting rights) to ensure the companies in the Fund continue to contribute to more sustainable development both through the products and services they offer (and the strategy of the company), as well as improving how the company manages its operations. This will be carried out with the aim of improving the direct impacts from the company on the environment and society. This engagement supports the sustainability objective of the Fund.

The Investment Adviser makes specific requests for change of the companies in the Fund to improve how they manage the most material environmental, social or governance aspects of the business. These requests for change are recorded and disclosed along with the company's response annually to show where this engagement has been successful or not. This cannot be solely attributed to the Investment Adviser's engagement (other investors may be asking for similar changes). This engagement is focused on those companies with lower management ratings. This activity improves the way the company manages its interaction with people and the planet which can have a major impact on the extent to which a company supports more sustainable development.

Where companies held by the Fund no longer meet the sustainability criteria, the Investment Adviser will review the position and will either:

- Following its divestment policy, sell the company as soon as practicably possible, taking into account prevailing market conditions and investors' best interests, but no later than six months after the issue has been identified; or
- Engage with the company's management through its stewardship activity to determine whether and how the company plans to implement changes to bring them in line with the sustainability criteria

Allocations to equities, fixed income, and cash will vary over time depending on market circumstances. Asset allocation limits will remain in line with the following asset allocation ranges:

Equity – 60-85%

Fixed income – 10-40%

Cash – 0-10%

The Fund may invest in collective investment schemes including other Liontrust Funds (up to 10% of Fund assets), other transferable securities, money market instruments, warrants and deposits.

The Fund is permitted to use derivatives for the purposes of efficient portfolio management and for investment purposes.

Appendix 2: New section to Annex VIII of the prospectus

Sustainable Future Funds – sustainability disclosure

Proposed pre-contractual disclosure text

Sustainability label

The following funds apply all required criteria to make use of the ‘Sustainability Focus’ investment label:

- Liontrust Sustainable Future Cautious Managed Fund
- Liontrust Sustainable Future Corporate Bond Fund
- Liontrust Sustainable Future Defensive Managed Fund
- Liontrust Sustainable Future European Growth Fund
- Liontrust Sustainable Future Global Growth Fund
- Liontrust Sustainable Future Managed Fund
- Liontrust Sustainable Future Managed Growth Fund
- Liontrust Sustainable Future UK Growth Fund
- Liontrust UK Ethical Fund

Sustainability standard

For a security to be assessed as a ‘sustainable investment’ it must meet certain minimum criteria, which are also defined as the Investment Adviser’s ‘sustainability standard’.

The sustainability standard is based on the extent of the security’s alignment with the sustainability themes. This alignment is based on 50% or more of a company’s revenues¹ being driven by activities delivering against one or more of the sustainability themes.

The Investment Adviser has carried out internal research and has concluded that this 50% revenue exposure to Sustainability Themes is justified on the basis that a business with these sustainability characteristics indicates:

1. they have sustainability as a core part of their strategy;
2. that because the products and services, that generate at least 50% of group revenues, are aligned with sustainability outcomes, the leadership team are incentivised to focus on these products and services and consequently the company’s sustainability outcomes; and / or
3. they have a significant proportion of their revenues linked to the products and services that deliver sustainable outcomes; therefore, producing products and services that deliver the desired sustainability outcome are critical to the company’s future success. Critical in a financial context relates to the financial performance and future success of the business in terms of cashflow or earnings and the resulting investment performance which, in turn, is often linked to management remuneration which further underpins the importance of the business to deliver sustainability outcomes which are consistent with the fund’s sustainability objectives and outcomes.

The alignment of securities that make up at least 70% of the fund to the sustainability themes that explicitly support the sustainability objective, combined with the characteristics that make the management team further pursue and grow the core part of that business ensures the companies in the fund continue to support the sustainability objective.

In addition, the overall business is assessed in terms of the products and services they provide, and how well they manage the specific environmental and social exposures from their business operations. These aspects are captured in the Sustainability Matrix Rating for each company which includes Screening Criteria to avoid activities that the Investment Adviser has identified as being at odds with the sustainability objective of the funds.

1. Exposure to Sustainability themes

The Investment Adviser has identified a number of specific sustainability themes which all support sustainable development through creating positive outcomes for the environment, people, or the economy; the key pillars of sustainable development. These have been developed in conjunction with, and regularly reviewed by, an Independent Advisory Committee, which is formed of external experts in sustainability and provides guidance and expertise in key areas of social and environmental investing.

The sustainability themes can be summarised into three broad categories:

1. Better resource efficiency: Companies whose products and services help us use finite resources more efficiently and help reduce our negative impacts on the environment.
2. Improved health: Companies whose products and services improve the way we treat and manage disease or improve our built environment and critical infrastructure or deliver healthier lifestyles or education leading to positive social outcomes.
3. Greater safety and resilience: Companies whose products and services make the systems we rely on more resilient and work better. In doing so they support the economy in a way that provides positive social outcomes and is not at odds with the sustainability objective.

The Investment Adviser’s 22 sustainability themes can be grouped into these three categories as shown below:

Better resource efficiency	Improved health	Greater safety and resilience
<ul style="list-style-type: none"> - Improving the efficiency of energy use - Improving the management of water - Increasing electricity generation from renewable sources - Improving the resource efficiency of industrial 	<ul style="list-style-type: none"> - Enabling innovation in healthcare - Building better cities - Connecting people - Providing affordable healthcare - Providing education 	<ul style="list-style-type: none"> - Enhancing digital security - Insuring a sustainable economy - Saving for the future - Enabling Small and medium enterprises (SMEs) - Financing housing

¹ In some circumstances, an alternative measure for revenue may be assessed, such as operating profit or asset value. Where an alternative measure is used to assess theme alignment this will be disclosed in fund documentation, along with rationale for use of the relevant metric.

and agricultural processes	- Enabling healthier lifestyles	- Transparency in financial markets
- Delivering a circular materials economy	- Delivering healthier foods	- Better monitoring of supply chains and quality control
- Making transportation more efficient or safer	- Enabling sustainable leisure	- Leading Environmental and social management

In order for a company to be considered a sustainable investment and, for the purposes of the label, as contributing to the sustainable investment objective, it must have a 'significant exposure' to one or more of these themes. The Investment Adviser has assessed that significant exposure to themes be at least 50% of the revenues generated by the company. This means the majority of the revenues of these businesses are activities directly pursuing environmental or social outcomes.

This could be for instance a company making an innovative life-saving medicine that makes up 50% of its revenues (Innovation in Healthcare theme), with the rest of the business making fewer groundbreaking treatments; or a company that has a segment with 50% of revenues focused on water reduction technology (Improving Management of Water theme), while the rest of the business sells ordinary water piping products.

Where companies are aligned to the Leading Environmental and Social Management sustainability theme, this relates to the management of the whole of the business, so is determined as having 100% of revenues aligned to the theme. The Investment Adviser carries out internal research based on the Sustainability Accounting Standards Board (SASB) framework to assess whether the company has sustainability at the core of its strategy. This framework specifies key areas of social and environmental performance that are relevant to companies in each sector. Each element is scored on a scale of 1 (best) to 5 (worst). For example, it will distinguish between companies with a clear and effective strategy for reducing their carbon dioxide emissions and companies that are less ambitious. In each SASB defined area the Investment Adviser looks for leading performance. Only companies that score highly on all these criteria are deemed to be aligned with Leading Environmental and Social Management sustainability theme. These companies deliver a sustainable outcome from the way they manage their business.

2. Sustainability Matrix rating

The overall sustainability of a company is assessed using the Investment Adviser's proprietary Sustainability Matrix. The Sustainability Matrix score measures how sustainable the business is through the assessment of:

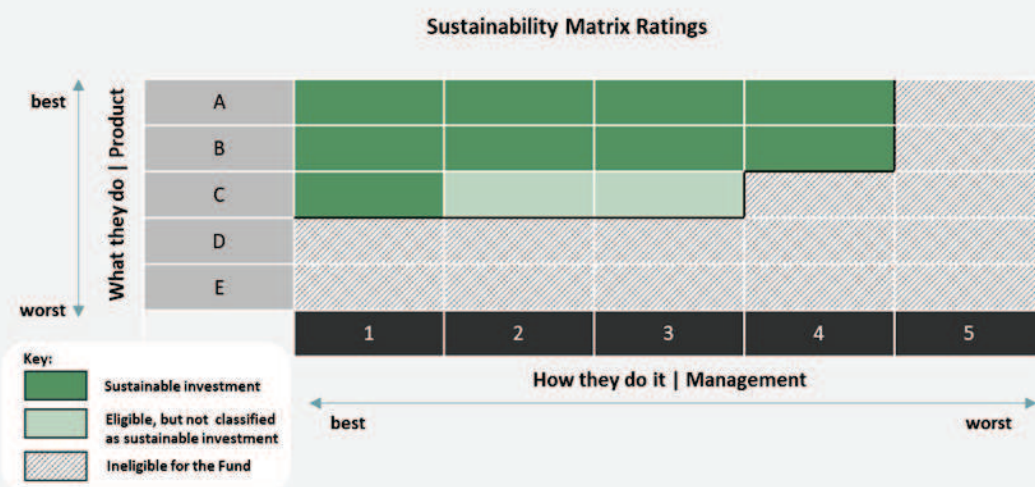
- the sustainability of its products and services; and
- its management of ESG impacts from its operations.

These are scored using an A (highest) to E (lowest) scale for the matrix product score and a 1 (highest) to 5 (lowest) scale for the management score. Of the companies assessed as eligible to be held by the Funds, A1 rated companies have the highest alignment to the sustainability objective; C1 companies have the lowest alignment to the sustainability objective.

Companies rated C1 are associated with the Investment Adviser’s ‘Leading Environmental or Social Management’ sustainability theme. This identifies those companies which improve social or environmental outcomes through their management of their operations. These companies categorised as C1 are companies that stand apart, for example: for their approach to the environmental and social benefits of their supply sourcing (e.g. using sustainable sourcing; or enlightened worker welfare provisions); or their leading approach to decarbonising their operations.

Whilst companies rated C3 or C2 will be eligible for the funds, they will not be considered as part of the minimum of 70% of the funds’ assets meeting the sustainability standard or as contributing to the funds’ sustainability objective.

Companies that do not obtain a Sustainability Matrix score of at least C3 will not be eligible for the Funds, as shown in the diagram below:



Each company held by a fund is assessed in detail based on the different types of products and services they offer, each of which is assigned a score based on how much they contribute to sustainable development. The overall sustainability product score is the average of the scores for different business units (if the company has more than one type of product and service).

Understanding the average score:

The Sustainability Matrix product rating varies depending on the products and services of the overall business for any specific company. The sustainability matrix allows the Investment Adviser to determine a single score for a company with multiple products and services which may, in isolation, have different scores. For example, a company that has 70% of its business rated A and the remaining 30% of the business rated B, would have an average score of A. A company with 70% of the business rated A and the remaining 30% of the business C would have an average score of B.

How well a business is managed is summarised by the sustainability management score. Here, the most significant environmental, social and governance (ESG) issues for that business are assessed by the Investment Adviser and given a sustainability management score.

Only those companies that meet the below criteria are considered eligible for the funds:

- make a positive contribution towards sustainable development through their products and services (Sustainability Matrix product rating of A, B, C);
- have adequate management of ESG impacts (Sustainability Matrix management rating of 1, 2, 3, 4 where the product score is A or B, or 1, 2, 3 where the product score is C);
- do not carry out any activities which would be at odds with the sustainability objective (assessed as part of the Sustainability Matrix process); and
- which do not contravene the screening criteria.

Sustainability matrix scores are reviewed annually or when a material change happens (such as a merger or acquisition), whichever is sooner. This is in keeping with the annual reporting cycle of companies or material changes to the company.

3. Screening criteria

The Investment Adviser will seek to limit or completely avoid investment in companies exposed to activities that may be considered as having a significant adverse impact on society or the environment and would consequently conflict with the sustainability objective of the funds. The Investment Adviser has in place screening processes which set thresholds on the revenues that companies can derive from activities that are unsustainable or unethical.

These include companies which generate more than 5% of turnover from activities associated with: gambling; intensive farming; nuclear energy; tobacco; weapons systems; ozone depleting substances; pornography; and climate change (production or exploration of fossil fuels (coal, oil and natural gas)).

Exclusions are also applied to companies involved in alcohol, deforestation, infrastructure projects (where they do not follow best practice in minimising social or environmental impacts or where the project is at odds with sustainable development such as a large hydro-electric dam, airports), or with evidence of poor labour standards and human rights breaches.

Liontrust Sustainable Future Ethical Fund – Additional exclusions are applied to this Fund, specifically any company that has its products tested on animals (even if legally required) and companies that derive more than 5% of group turnover from the sale of alcohol.

Only those companies who pass all screening criteria can be considered against the Sustainability Matrix.

The Investment Adviser believes it is not possible to meet the sustainability criteria of the Funds without removing those companies involved in those activities noted above to ensure the Funds are not invested in companies that are involved in operations that are at odds with the sustainability objective of contributing to more sustainable development.

Full detail of the screening criteria and additional exclusions (where applicable) can be found on the Investment Adviser's website under the heading of 'How we invest' - <https://www.liontrust.co.uk/fund-managers/sustainable-investment/sustainable-documents>

Assessing other asset types (collective investment schemes and fixed income)

The sustainability of collective investment schemes is analysed in the same way equity companies are assessed. This ensures where there are investments in other funds these have an investment objective and policies as well as underlying investments that support sustainability objective.

For fixed income securities the issuer is assessed using the same sustainability standard as equity securities.

Reducing the investment universe – potential ESG impact on financial performance

The Funds performance may at times be better or worse than the performance of comparable funds that do not use ESG or sustainability criteria. The Funds focus on ESG related companies and securities, as well as its screening processes, means that the universe of investable securities is more limited than would otherwise be the case and therefore the fund's universe of investments will be smaller than that of other funds without these or similar restrictions. The Funds may therefore not be able to gain exposure to certain companies, issuers, industries, sectors or countries which go on to outperform the market and the fund may have to sell a security which no longer meets the ESG criteria when it might otherwise be disadvantageous to do so from a short-term returns perspective.

Meeting the sustainability objective

Bringing all of the above stages together, to be eligible as a sustainable investment, meet the sustainability standard, and be considered as contributing to the sustainability objective of the Funds, a company must:

- have significant exposure (50% of business or greater) to one or more of the sustainability themes listed above
- have a Sustainability Matrix rating of at least C1 and not carry out any activities which would be at odds with the sustainability objective (also assessed as part of the Sustainability Matrix process); and
- pass all screening criteria.

More detailed explanations of the scoring methodology of the Sustainability Matrix in relation to the product score and management score, as well as more detailed descriptions of each of the Investment Adviser's sustainability themes, can be found in Appendix IX below.

Ensuring Fund assets are not in conflict with the sustainability objective

The Investment Adviser reviews the environmental, social and governance related characteristics of and sustainability focus of each asset in which it invests through the sustainability assessment process detailed

above. The Investment Adviser will not invest in any asset which does not meet all required criteria to qualify as eligible for the Funds.

The Investment Adviser cannot guarantee there will be no adverse impacts associated with investing in the underlying assets of the Funds and there is a possibility of unintended impacts of investing in companies which align with the sustainability objective (e.g. a renewable energy firm focussed on wind turbines which results in displacement of a local bird population). However, where any such activities would be considered as no longer positively contributing to the sustainability objective of the Fund, the Investment Adviser will engage with the company (in line with the stewardship process noted below) or divest from the company if the company no longer meeting the criteria and no improvement is seen following engagement activity.

Engaging with companies through Stewardship activity

Stewardship approach

The Investment Adviser is a signatory to the UK Stewardship Code and seeks to actively engage with investee companies in the Funds to ensure ongoing compliance with the sustainability standard and sustainability objective of the Funds. The Investment Adviser's stewardship approach involves engaging with companies on:

- a. the way in which the business is managed as well as the strategy on products and services to encourage the company to grow the more sustainable parts of the business. The engagement approach is about improving (or maintaining) the sustainability matrix rating of the companies in the Fund, to ensure the companies support more sustainable development; and
- b. encouraging businesses to better manage key areas identified as being material to the sustainability of companies in the Funds. This includes responding to the climate crisis with a credible and timely decarbonisation strategy; improving disclosure on social aspects of the business (staff and suppliers) through the Workplace Disclosure Initiative; and preserving nature by encouraging companies that are most impacting natural capital to manage, mitigate or reduce negative impacts on biodiversity and report on these impacts.

The objective of this engagement is to improve the way in which companies are managed and, where possible, to use more sustainable products and services as a competitive advantage. The desired outcome is to increase how much companies support the sustainability objective of the Fund.

The Investment Adviser votes actively (for equity holdings) to hold company boards to account to improve how the business is managed especially in terms of better management of environmental and social impacts of the business operations, with the intent of improving the Management Quality score, where possible.

Where there is a potential material risk that a company's strategy changes such that it is less aligned with the specific sustainability theme, the Investment Adviser will engage with the company to ensure it continues to be aligned with the sustainability objective of the Fund.

Engagement is integral to how the Investment Adviser ensures it invests in high-quality companies. Engaging on key ESG issues gives greater insight, helps to identify leading companies and is used as a lever to encourage better business practices. The Investment Adviser has been engaging in this way for over two decades and has found that this approach challenges and encourages companies to proactively manage the wider aspects of their business, which, in turn, protects their longer-term prospects.

The Investment Adviser's engagement process has three core activities:

- *Proactive engagement initiatives* – these engagements are based on the most material sustainability topics impacting the companies held by the Fund, such as climate change. The Investment Adviser selects a small number of core proactive engagement topics on an annual basis and engages regularly with those investee companies where the topic is material to their operations. These proactive engagements evolve over time and are publicly available on the Investment Adviser's website - <https://www.liontrust.co.uk/fund-managers/sustainable-investment/sustainable-documents>
- *Reactive engagement* – these engagements form part of the usual interaction between the Investment Adviser and the management of the investee company and may take the form of regular touchpoints throughout the year to ensure the Investment Adviser are aware of core developments within the company and supporting the ongoing assessment of a company's suitability for the Fund.
- *Controversies* – these engagements are in response to an adverse event, where there may be an impact on the Investment Adviser's view of the company's suitability for the Funds and adherence to the investment criteria. Such engagement activity gives the Investment Adviser the opportunity to discuss the controversy with the Company management and gain further information on whether the controversy should trigger an exit in the position.

Escalation Policy

In the event that a significant change happens to a company that results in the Sustainability Matrix score for that company reducing such that it is no longer eligible for the Funds (lower than C3), the company will be sold from the Funds and a suitable alternative found within a six-month period or sooner if possible.

Where there is a major controversy associated with a company held by the Funds (defined as having the potential to negatively affect the Sustainability Matrix rating), the engagement is escalated. The Investment Adviser meets with the company to understand what has happened and to ensure changes will be made to ensure this is proactively managed and is unlikely to happen again. In extreme cases this is referred to the Investment Adviser's Independent Advisory Committee for their review. This information is assimilated into the Sustainability Matrix rating. Where a company is downgraded to such an extent that it is no longer eligible for the Fund, the Investment Adviser will follow their divestment policy.

Engagement is a resource-intensive process, and the Investment Adviser conducts sustainability research alongside traditional financial and business fundamental analysis. This approach enables the Investment

Adviser to better target engagement on material issues and integrate this into their financial assessment of a company, maximising the information advantage that engagement can bring to analysis.

The Investment Adviser prioritises proactive engagement initiatives, in collaboration with the Independent Advisory Committee. The Investment Adviser assesses how holdings in the Funds are positioned on these issues and, where appropriate, defines target companies with which they will engage.

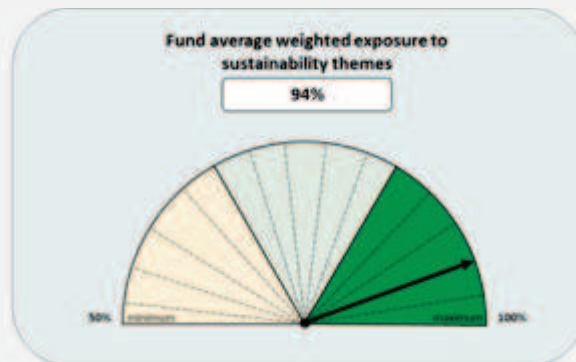
Further information on the sustainable investment process can be found on the Liontrust website – <https://www.liontrust.co.uk/fund-managers/sustainable-investment>

Assessing performance against the sustainability objective

Key Performance Indicators (KPIs) enable investors to see to what extent the Fund is meeting its sustainability objective. With the Funds' objective of only investing in companies that support more sustainable development, as assessed via the Sustainability Matrix and sustainability theme alignment noted above, the KPIs which will be regularly reported on are:

1. The proportion of the fund invested in companies which are either contributing to sustainability objective; eligible but not contributing; and any not eligible (e.g. where a company no longer meets the criteria, but the Investment Adviser is unable to exit the position immediately).
2. The Fund Average Exposure to the identified Sustainability Themes.

The minimum possible exposure is 50% and the maximum possible is 100%. Below is an illustrative example of how this KPI will be represented. In this example, you can see the Fund's weighted average exposure to the sustainability themes is high, at 94%:



The higher the average fund exposure to the sustainability themes, the more closely aligned the investments in the fund are with the sustainability objective to support more sustainable development.

3. The Fund average Sustainability Matrix rating

The minimum possible average Fund rating is C1, the highest possible is A1. Each Fund's average Sustainability Matrix rating will be reported using the image below. In this example, the average rating for the Fund is B2.

Companies assessed by the Investment Adviser are assigned a score based on the overall products and services provided by that business and to what extent this supports sustainable development using an A (high) to E (low) scale.

- **A:** Products and services assessed as very strongly supporting sustainable development because they directly address widely recognised key social and environmental challenges are assigned the highest sustainability matrix product score of an A. The product matrix rating for a company is scored based on the whole business and assigned a weighted score. Examples of companies rated A are those with products or services related to, for example, renewable energy (wind and solar), innovation in healthcare to develop lifesaving medicines, environmental technologies that reduce pollution or help manage key resources such as drinking water.
- **B:** Products and services assessed as strongly supporting sustainable development because they directly address key social and environmental challenges (which may not be so widely recognised), are assigned the second highest sustainability matrix product score of a B. Examples of companies rated B are those with products or services related to things which are important enablers of more sustainable development such as Connecting People (helping us communicate better) building better cities (improving our built environment) or insurance products (enabling us to drive and replace our most prized possessions if they are damaged).
- **C:** Companies assessed as supporting sustainable development because they provide essential services that will continue to be needed in a more sustainable economy. These companies contribute to the sustainability objective in an important but less direct way by investing in a broad range of industries where a company proactively manages its business so as to improve social or environmental outcomes. This includes companies providing and retailing food, essential clothing, or personal care products. It also includes companies providing the systems we rely on such as distribution and logistics, or task-specific software.
- **D:** Products and services assessed as being at odds with the sustainability objective and not supporting sustainable development because they provide services with large negative externalities are assigned one of the lowest two sustainability matrix product scores of D or E. Companies with some exposure to business activities which run counter to sustainable development are assigned the second lowest negative sustainability product rating of D. Examples of D rated companies include those with more than 5% of group sales coming from tobacco, arms, or fossil fuel extraction and production.
- **E:** Products and services assessed as being at odds with the sustainability objective and not supporting sustainable development because they provide services with large negative externalities are assigned one of the lowest two sustainability matrix product scores of D or E. Companies with the majority of their business exposed to these unsustainable activities are assigned the lowest negative sustainability product rating of E. Examples of E rated companies include those with 50% or more of group sales coming from tobacco, arms, or fossil fuel extraction and production.

All D or E rated companies are ineligible as they are not consistent with the sustainability objective and are excluded from the Funds.

Companies with greater revenues from those products and services driving sustainable development will have higher product / service sustainability scores.

Management Quality

The Investment Adviser assesses how companies manage the key material Environmental, Social and Governance (ESG) impacts for each business' operations (which will vary on a case-by-case basis) to determine the management quality score using a 1 (high) to 5 (low) score. This ranks the degree to which the company is well-managed with respect to the material ESG factors which affect that industry. This management score reflects how well the business is managing its specific interactions with people and the planet and has a major bearing on the degree to which it supports the sustainability objective.

The factors we measure are sector dependent against a framework developed internally with reference to Sustainability Accounting Standards Board (SASB) and other external methodologies. The key social, environmental and governance aspects for that business (typically covering six to eight key issues of importance) are weighted based on its importance and are assessed and scored individually. These weighted scores are summed up to give an ESG management quality score for each company. The outcome of this score is as follows:

- **1:** Those companies which manage the Environmental and Social impacts of their business in a proactive way (leading) which includes having targets for improvement, a credible management plan and disclosed metrics which show improving performance on all the key metrics relevant to that business receive the highest Sustainability Matrix management score of 1. This typically involves the company going far beyond legal compliance and is often a way the company gains a competitive advantage over their less sustainably managed peers.
- **2:** Those companies which manage the Environmental and Social impacts of their business in a proactive way (leading) which includes having targets for improvement, a credible management plan and disclosed metrics which show improving performance on most, but not all, of the key issues relevant to that business receive the second highest Sustainability Matrix management score of 2.
- **3:** Those companies which manage the Environmental and Social impacts of their business in a good way, but which is not leading, which includes having targets for improvement, a credible management plan and disclosed metrics which show improving performance for some, but not all, of the key issues relevant to that business receive a Sustainability Matrix management score of 3.
- **4:** Those companies which manage the Environmental and Social impacts of their business adequately, but which is not leading, and there are significant areas identified for improvement and where there is ongoing active engagement with them (existing or planned) receive a Sustainability Matrix management score of 4.

- **5:** Those companies which are not adequately managing the key material Environmental and Social impacts of their business receive the lowest Sustainability Matrix management score of 5.

The Sustainability Matrix rating of any company is a function of its unique characteristics: products and services, exposure to sustainability themes, and how well they are managing the ESG issues arising from that business. It is assessed using the Investment Adviser’s framework of how well it is aligned to the sustainability objective.

Sustainability Themes – The Investment Adviser’s detailed descriptions

A sustainable economy is one that meets the needs of the present without compromising the needs of future generations. This means operating in balance with our environment and delivering a positive social outcome. The Investment Adviser believes the current economy has to change substantially to achieve this goal. Their themes help us to identify companies whose activities are aligned with this positive change.

Currently there are 22 sustainability themes, which are reviewed annually. These describe areas of economic activity which are moving us closer to a sustainable economy and where there are investable opportunities. They are described below:

Better Resource Efficiency		
Sub-theme	Description	Link to sustainability objective
Improving the efficiency of energy use	We see many ways of making energy cheaper by reducing wasted energy while also reducing emissions through more efficient use of energy. This cuts across many areas of the economy and includes building insulation, efficient lighting, energy efficient climate control, travel and industrial processes.	Companies providing products and services related to this theme contribute to better environmental outcomes.
Improving the management of water	Water is essential for life. Companies that can manage or produce products or services that can improve the efficiency of water distribution, wastewater treatment are vital and in demand. Sanitation is a first line of defence from disease, much of which comes from contaminated water. We like companies that improve sanitation and give affordable access to clean water.	Companies providing products and services related to this theme contribute to better environmental outcomes.
Increasing electricity generation from renewable sources	Electricity generation from burning fossil fuels is a major emitter of carbon dioxide. Substituting carbon intensive fossil fuel electricity generation (especially coal) with renewable power sources reduces carbon emissions as well as providing a cost-effective means to connect people to cleaner power sources. We like wind and solar	Companies providing products and services related to this theme contribute to better environmental outcomes.

	and some biomass (using waste streams as opposed to feedstock grown on agricultural land).	
Improving the resource efficiency of industrial and agricultural processes	We like companies providing products or services that help make industrial processes more resource efficient, as well as safer for workers and users. We see investment opportunities in software and systems that help implement life-cycle design (including disposal of products), help manage supply chains as well as opportunities in automation of factory processes to remove repetitive or dangerous mechanical tasks as well as reducing waste from process errors as they help modernise and improve industry.	Companies providing products and services related to this theme contribute to better environmental outcomes.
Delivering a circular materials economy	Resources are finite and the UN Environment Programme (UNEP) estimate we recycle as little as 50% of global waste. We need to increase the amount of waste recycled and design products with end of life in mind (made easy to break down and reuse / recycle). Companies that can process and recycle waste are generally set to benefit from this trend.	Companies providing products and services related to this theme contribute to better environmental outcomes.
Making transportation more efficient or safer	We look for companies whose products and services improve our transport system or make travel safer. We look for: <ul style="list-style-type: none"> - Modal shift away from private car usage to public transport systems such as bus and rail. Urban transport systems are improved by reducing congestion as well as transport emissions (which make the local air quality toxic) as the mode of transport shifts from self-driven cars to public transport systems such as trains, tubes and buses as well as active transport. - Reducing negative impacts of travel: Companies that produce equipment that reduces pollution from cars, or that improve safety, are set to benefit from structural growth (higher than that of the autos industry) by helping meet tightening global regulations to reduce emissions from travel. To respond to tightening global regulation to reduce emissions from cars, we see rapid electric vehicle adoption as an area with many potentially interesting investments in this area. - Asset sharing: We like systems that facilitate sharing of 	Companies providing products and services related to this theme contribute to better environmental outcomes.

	transport (bicycles or cars) as this can increase utilisation and reduce materials intensity in transport. For example, rental of efficient vehicles and technology that facilitates journey sharing.	
--	---	--

Improved Health		
Sub-theme	Description	Link to sustainability objective
Enabling innovation in healthcare	Companies whose products or services help promote innovation within healthcare are helping achieve this goal. They do this by either coming up with new, more effective ways to treat diseases (creating a significant step change in the mechanism used to treat a given disease), or by providing essential equipment or services for biotechnology research (such as specialist measuring equipment, genetic sequencing equipment or high-quality consumables for research) or software to help make treatments more effective.	Companies providing products and services related to this theme contribute to better social outcomes.
Building better cities	Shelter is a basic human requirement and companies that build quality affordable homes are helping to provide this. We like well designed and built homes that are energy efficient and safe.	Companies providing products and services related to this theme contribute to better social outcomes.
Connecting people	We believe access to easy communication tools and the ability to access information, increasing amounts of which are online, is a positive requisite in a more sustainable economy.	Companies providing products and services related to this theme contribute to better social outcomes.

Providing affordable healthcare	Currently the costs of healthcare are very high, and we need more effective ways of delivering better patient outcomes. Companies that help deliver affordable, positive patient outcomes in managing disease help achieve this goal.	Companies providing products and services related to this theme contribute to better social outcomes.
Providing education	Education brings massive benefits including longer life expectancy, increased job opportunities, stimulates economic growth as well as leads to overall higher satisfaction in life. Companies providing education services provide vital knowledge and skills which help educate and improve people's lives.	Companies providing products and services related to this theme contribute to better social outcomes.
Enabling healthier lifestyles	Companies that promote healthier lifestyles, principally through increasing activity, taking exercise and sport help improve health. These include positive leisure activities such as gym operators and companies providing sports clothing and equipment.	Companies providing products and services related to this theme contribute to better social outcomes.
Delivering healthier foods	There is a trend in the food industry where consumers are changing their preferences and demanding healthier foods. We have identified companies that provide reformulation services to change the recipe of foods to make them healthier (less fat, sugars and salts) while maintaining the taste. These companies are a beneficiary of this demand for healthier food as their customers (many of which are the big incumbent food producers) respond to changing consumer preferences and use their reformulation services. This improved diet has positive health impacts. For example, it can help reduce non-communicable diseases such as obesity and cardiovascular disease.	Companies providing products and services related to this theme contribute to better social outcomes.
Enabling sustainable leisure	Our sustainable themes focus enabling a cleaner, healthier and safer world, but beyond these fundamental issues a natural progression is to spend more time on leisure time and activities – as Aristotle puts it 'the end of labour is leisure'. Or as Tim Jackson puts it in Prosperity without Growth; “...in the advanced economies...material needs are broadly met and disposable incomes are increasingly dedicated to different ends: leisure, social interaction, experience... what really matters to us: family, friendship, sense of belonging, community, identity, social status,	Companies providing products and services related to this theme contribute to better social outcomes.

	<p>meaning and purpose in life”</p> <p>Leisure time and social activities enable many of these human desires, for example picture going to a music concert with a friend, going on a date to the cinema, having dinner with family at a restaurant or playing a video game with an online community of friends. The social experience of these is positive and should be a growing part of the economy as we develop.</p> <p>Nevertheless, there can be negative aspect to some leisure activities – gambling addiction or excessive alcohol consumption – so we focus on those companies where the positive experience far outweighs any negatives.</p> <p>Examples include music events, and films.</p>	
--	---	--

Greater Safety & Resilience		
Sub-theme	Description	Link to sustainability objective
Enhancing digital security	As more and more of our lives and critical services are carried out online, we need to trust these systems and to protect the data from theft. Digital security helps make this growing area of the economy secure.	Companies providing products and services related to this theme contribute to better social outcomes.
Insuring a sustainable economy	<p>Insurance can spread the risk faced by an individual or a corporation amongst many other actors. The benefits of good insurance are:</p> <ul style="list-style-type: none"> - Provides a safety net (at a small cost) to mitigate: death in family; medical emergencies; material loss from natural disasters - Supplements state social protection for individuals - Mitigates financial impact of catastrophes corporations <ul style="list-style-type: none"> - Lowers the capital a firm needs to operate - Increases investment by reducing uncertainty - Provides a price for risk <p>But with poor oversight the insurance industry is prone to mis-selling, (PPI, with profits), miscalculation of its own exposure, taking on excessive investment risk, and rewarding shareholders at the expense of their customers. We look for well-managed companies providing good insurance products which effectively mitigate and manage their customer’s risk.</p>	Companies providing products and services related to this theme contribute to better social outcomes.

<p>Saving for the future</p>	<p>Retirement funding has stemmed from three sources: government programmes, employer-based programmes, and individual savings. Diminishing tax revenues and budget pressures have led to reductions in public pensions through increased retirement age, less generous inflation indexing and possible increases in taxes. At the same time, companies have been retreating from a Defined Benefit (DB) framework and shifting towards a Defined Contribution (DC) one. Both mechanisms shift the responsibility of retirement funding and risk to the individual. For the eight largest economies in the world the World Economic Forum, using Mercer data, predict the retirement savings gap will increase to \$400trn by 2050 (5% growth from 2015) if measures are not taken to increase overall savings rates. This theme identifies businesses that make it easier for individuals to access and manage their financial futures.</p>	<p>Companies providing products and services related to this theme contribute to better social outcomes.</p>
<p>Enabling SMEs</p>	<p>This theme seeks to find companies enabling the foundation, scaling, and improved efficiency of innovative new businesses. Small to medium sized enterprises (SMEs) are the anchor of a resilient and sustainable economy, accounting for 44% of US GDP and creating two thirds of jobs in the US, for example. According to the OECD, SMEs facilitate innovation, reduce inequality in society, and increase economic resilience within society. There are key barriers to SME success as they struggle to overcome complexity and reach scale. Within this theme, we look for companies enabling his journey from idea formation to value creation, helping increase SME productivity and efficiency, and ideally growing with the SMEs they support.</p>	<p>Companies providing products and services related to this theme contribute to economic growth which contributes to better social outcomes.</p>
<p>Financing housing</p>	<p>Housing is a basic human requirement that is central to human wellbeing. A lack of housing also has detrimental effects to the wider economy; for instance, rental and mortgage costs in many developed countries have outpaced wage growth, leading to declining disposable income for households and increasing inequality. In this theme we are looking to find companies that are allocating capital towards residential housing or making the market more efficient.</p>	<p>Companies providing products and services related to this theme contribute to better social outcomes.</p>

<p>Transparency in Financial Markets</p>	<p>We believe that companies increasing the transparency of financial markets are set to benefit from increasing regulatory compliance measures and the increasing availability of data that can provide valuable insights for financial market participants to manage risk. In effect if there is equal information on both sides of a market then markets are likely to function better, risk is likely to be more accurately assessed, and the financial system will be more resilient.</p>	<p>Companies providing products and services related to this theme contribute to better social outcomes.</p>
<p>Better monitoring of supply chains and quality control</p>	<p>We look for companies who are good at managing the complexities and potential risks in their supply chains as we believe this is not only the right thing to do but gives them a competitive advantage. We are also interested in finding companies whose products and services can help their customers manage their supply chains and ensure their products are of a consistent high quality.</p>	<p>Companies providing products and services related to this theme contribute to better social (or environmental) outcomes.</p>
<p>Leading Environmental or Social management</p>	<p>We look for companies which are leaders in managing the environmental and social challenges facing their operations. We believe that companies that do this well not only deliver improved social and environmental outcomes, but also gain a competitive advantage.</p> <p>This will include how they manage their own business (energy use, pollution abatement, employees); but also supply chains (sourcing from accredited suppliers; and monitoring of labour conditions); customers (maintain a high reputation); and wider society.</p> <p>For example, companies that make products can choose to source only certified sources of timber or palm oil, which can drive reductions in deforestation and improve labour conditions in the supply chain.</p> <p>Whether a business is managing this aspect well is critical² in assessing how aligned it is to sustainable development and forms a key part of the Sustainability Matrix rating being captured in the Sustainability Matrix Management score.</p>	<p>Companies providing products and services related to this theme contribute to better social (or environmental) outcomes.</p>

² Critical in the context of how a company is contributing to the sustainability objective through leading management of its operations is defined by the sustainability matrix management score which is an internal framework informed by SASB standards and other external models.

	<p>Where a company is a leader in addressing this, they can deliver a significant improved sustainability outcome.</p> <p>Acknowledging the big social or environmental outcomes that can arise from proactive management of a company's operations, this is the only sustainability theme that does not relate directly to positive environmental or social outcomes from the company's products and services, instead this relates to management of the company's operations, specifically in regard to the social and environmental outcomes of their operations and is assigned to a company with C rated products and applies to their whole business with a sustainability matrix rating of C1. For this reason, C1 companies are assigned 100% exposure to this theme as this management relates to the entire business and its environmental and social management, which supports the sustainability objective of the funds.</p>	
--	---	--