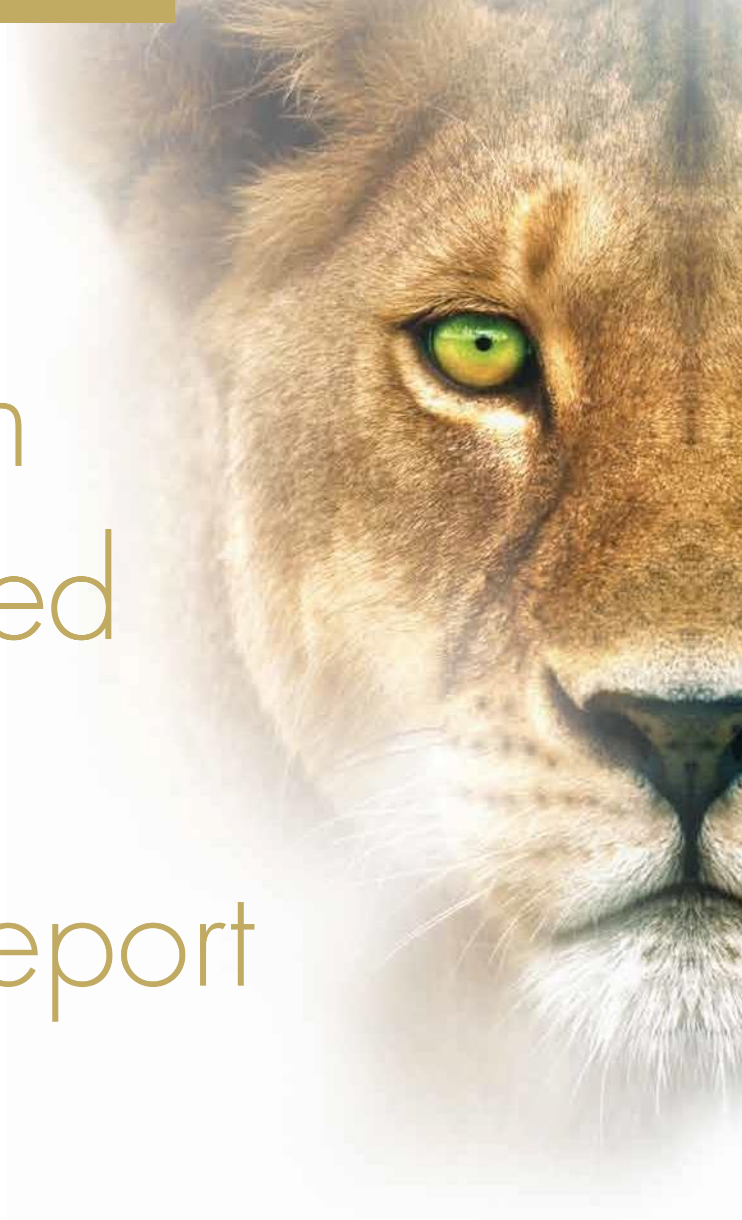
Task Force on Climate-Related Financial Disclosures Report

June 2024

LIONTRUST ASSET MANAGEMENT PLC



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CHIEF EXECUTIVE'S STATEMENT

Liontrust continued to develop its approach to climate-related risks and opportunities in 2023, with notable progress in target setting and enhanced reporting in areas such as scenario analysis.

This is the first year in which Liontrust has published a Task Force on Climate-Related Financial Disclosures (TCFD) Report - covering the 2023 calendar year - with specific entity level disclosures for both Liontrust Fund Partners LLP and Liontrust Investment Partners LLP. Liontrust has also prepared TCFD product reports for all in-scope funds as of 31 December 2023.

Liontrust is committed to achieving net zero greenhouse gas emissions by 2050. In May 2022, Liontrust joined the Net Zero Asset Managers' (NZAM) initiative to adopt formally this goal, and in April 2023 Liontrust completed its first report to NZAM. Liontrust aims for its investment funds to be net zero aligned by 2050 and has interim targets in place for 2025 and 2030. This commitment bolsters Liontrust's approach to climate-related strategy both at the Group and the investments level.

In 2023, as in 2022, Liontrust worked with Good Business to understand and report on its operational greenhouse gas (GHG) emissions and continued the efforts to reduce overall energy usage from operations. Liontrust is conscious of the need to consider the carbon footprint of its own operations as well as that of its clients' investments and supports industry developments in this area.

Liontrust made a formal commitment to set near term science-based targets in June 2023 and submitted its targets to the Science Based Targets initiative (SBTi) for validation in August 2023. In December 2023, Liontrust's targets were approved by the SBTi.

Looking ahead, Liontrust is committed to working towards the targets it has set over the past two calendar years and continuing to push forwards towards net zero. The Group is also making progress on widening its focus to consider other key issues closely related to climate change, such as biodiversity and nature loss.

We are pleased with the progress that Liontrust has made and are committed to achieving our important ambitions over the next few years.

John Ions

Chief Executive Officer

Liontrust Asset Management Plc

17th May 2024

Signed:

SCOPE OF THE REPORT

Liontrust's 2023 TCFD report covers Liontrust Asset Management PLC as the ultimate parent company of the Liontrust Group, along with the following entities regulated by the Financial Conduct Authority (FCA):

- Liontrust Fund Partners LLP
- Liontrust Investment Partners LLP

Specific disclosures relating to these entities will be made as appropriate throughout the report.

INTRODUCTION

Liontrust Asset Management Plc ('Liontrust' or the 'Group') has supported the TCFD since September 2018 when the Group started voluntarily publishing information aligned with the TCFD Recommendations and Recommended Disclosures. Liontrust considers climate-related issues both in terms of the Group's operations (Scope 1, Scope 2 and Scope 3 - purchased goods & services, fuel and energy related activities, waste generated in operations, business travel and employee commuting) and the holdings in which the Group invests on behalf of its clients (Scope 3 - financed emissions). As an asset manager, Scope 3 financed emissions represent Liontrust's most significant area of climate-related exposure by a significant margin.

As part of its approach to risk management, Liontrust assesses its overall exposure to key risks and opportunities in a holistic manner with a view to identifying those most material to the Group. By identifying exposures on a materiality basis, Liontrust is able to link them to strategy and remuneration according to their importance and potential impact on the Group. Climate-related issues are considered in this broader context of material exposures. While over the short to medium term, Liontrust has not identified 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. It is important for Liontrust to manage these risks, particularly with regard to financed emissions which represent the bulk of total emissions and which are therefore most material to the business.

Liontrust has prepared the calendar year 2023 TFCD report in accordance with Listing Rules on Disclosure of Climate-Related Financial Information under the FCA rule (captured under LR 9.8.6R (8) and LR 9.8.7R). The report is standalone and is available on Liontrust's website. For calendar year 2023, Liontrust has included reporting on climate scenario analysis, and is therefore now wholly compliant. The 2023 TCFD report has also been prepared in the context of current FCA Consumer Duty requirements. As an asset manager, Liontrust is required to inform its clients of the risk exposures in their portfolios and to communicate this in its FRC Stewardship Code response and bespoke client reporting.

Wherever possible, Liontrust has structured its TCFD reporting to provide insight from both the perspective of its direct impact and that of its clients' investments. This can be seen most notably in the Strategy, Risk Management, and Metrics and Targets sections.

GOVERNANCE

Board oversight of climate-related risks and opportunities

The Group's Board has oversight of all Liontrust's risks and opportunities, including those related to climate change. Rebecca Shelley is the named Non-Executive Director for Responsible Capitalism, including all ESG matters.

During 2023, the Responsible Capitalism (RC) team provided periodic updates to the Board on the Group's commitment to the Net Zero Asset Managers (NZAM) initiative and on the Group's progress towards achieving net zero both as a business, and in the investments that Liontrust makes for clients. The Board approved the RC team's proposal to set near term science-based targets and endorsed the Group's submission to NZAM. The RC team provided dedicated training to the Board on net zero, the SBTi and biodiversity. The Board is committed to the Group's efforts in this area, both as a means of risk management and also as a potential competitive advantage across funds that the Group manages. The potential impact of climate change on the business and, in particular, on the Group's ability to deliver long-term superior performance, is regularly discussed at Board level.

The Chief Risk Officer (CRO) also provided updates to the Board and to the Audit & Risk Committee in 2023. The CRO is responsible for Risk at the firm level and oversees all risk management functions of the Group, including risk frameworks. Climate-related exposures are identified and mapped in risk frameworks but to date have not been considered material at the Group level in the context of assessing all risks that Liontrust may be exposed to on a holistic basis.

The Board considers climate-related issues to which Liontrust has exposure, depending on their relative materiality. Of the Group's four strategic pillars, climate considerations sit within the objective to Continue to Enhance the Client Experience and Outcomes. As part of the approach to achieving this strategic objective, Liontrust joined NZAM, set science-based targets, and worked with Good Business to determine the Group-level GHG inventory.

Liontrust makes selective acquisitions where they can complement Liontrust's existing investment capabilities and can accelerate two of Group's objectives – Diversify the product range and investment offering and Further broaden distribution and the client base. The most recent acquisition was Majedie Asset Management Limited ('Majedie') in April 2022. The ways in which investment teams of potential acquiree companies integrate Environmental, Social and Governance (ESG) considerations are taken into account during the detailed due diligence process when Liontrust evaluates acquisition opportunities.

The Board's support in continuing to make progress in managing its climate-related exposures is reflected in the availability of annual budgets which facilitate, for example, using external providers such as Good Business, maintaining and enhancing current data requirements from third party research providers, and enabling the Group to further develop its approach by committing to, and setting, near term science-based targets.

For Liontrust's 2023/24 financial year, ESG metrics were included in the scorecard for executive remuneration. These metrics relate to furthering ESG integration, improving Diversity, Equity and Inclusion (DEI), and the attraction and retention of talent, with a view to adding a carbon-related metric as the Group progresses in its targets. This will be monitored by the Board going forward.

Management's role in assessing and managing climate related risks and opportunities

The Chief Executive is accountable to the Board for overall Group performance, including climate-related risks and opportunities. The Head of Responsible Capitalism reports to the Chief Executive and to the Board.

The RC team is responsible for day-to day aspects of ESG and reports into the Responsible Capitalism Committee (RCC). The RCC approves any policies, proposals, reports or activities prepared or carried out by the RC team that impact the wider Group. It also maintains oversight of other aspects of Responsible Capitalism with less far-reaching impacts.

As of 2023, the Regulatory Change Forum is no longer in operation. Instead, Liontrust works with experts from an external organisation to coordinate the Group's compliance with current and emerging ESG regulations, including those with a climate-related focus such as the Sustainable Finance Disclosure Regulation (SFDR) and TCFD product-level reporting. Liontrust's compliance team also carries out ESG horizon scanning and provides updates to the RC team on a regular basis.

The following table provides further information on committees and teams involved in managing climate-related risk.

Committee/Team	Chair/Head	Principal Membership	Summary of involvement in climate-related activities
Audit and Risk Committee	*Liontrust Non-Executive Director*	Non-Executive Directors at Liontrust	Helps to oversee any issues that are material to the Group, including where climate-related issues could be a factor.
Responsible Capitalism Committee (RCC)	*Head of Responsible Capitalism*	Senior management and Board members including Chief Executive, Chief Operating Officer & Chief Financial Officer, Chief Risk Officer, Chief Marketing Officer and Head of the Sustainable Investment team	In 2023, the RCC approved the RC team's proposal to sign up to the SBTi and provided support for various Responsible Capitalism activities.
Portfolio Risk Committee (PRC)	*Chief Risk Officer*	Chief Compliance Officer, Head of Multi Asset, Head of Performance and Data Insights, Head of Investment Operations, and Head of Performance	Oversees how investment teams manage climate and ESG risk within portfolios and on underlying investee companies.
Responsible Capitalism Team (RC team)	*Head of Responsible Capitalism*	3 team members (as at end of 2023) with expertise in ESG matters	In 2023, the RC team continued to focus on evidencing ESG integration by investment teams, and developing near term science-based targets. It also focused on further development of Liontrust's net zero strategy, reporting and proxy voting.

The majority of Liontrust's climate-related activities are led by the RC team. The RC team's responsibilities and priorities in 2023 included:

- Making Liontrust's submission to NZAM, including setting out the Group's associated targets.
- Maintaining fund level data, including tracking Weighted-Average Carbon Intensity (WACI), and feeding back to investment teams on progress with regard to the Group's commitment to NZAM.
- Developing near term science-based targets, committing to the SBTi and submitting targets for both Liontrust's operations and its financed emissions which were approved in December.
- Developing knowledge of models, metrics and frameworks with regard to biodiversity. This included engaging with third-party data providers, monitoring developments in reporting standards and evaluating industry-led initiatives.
- Continuing to work with Good Business to understand the Group's carbon footprint.
- Carrying out climate scenario analysis for inclusion in the Group's Internal Capital Adequacy and Risk Assessment (ICARA) as managed by the Risk team.

Liontrust's Property and Facilities team is also involved in climate-related considerations in monitoring the carbon footprint of office buildings and managing relationships with energy providers. In the event of Liontrust acquiring additional office properties, the RC team would work together with the Property and Facilities team in areas such as green management, renewable energy negotiations and hydrofluorocarbons (HFCs).

STRATEGY

Climate-related risks and opportunities identified over the short, medium, and long term

Time horizons

When considering climate risk management, Liontrust uses the following definitions for short, medium and long-term horizons:

Short-term	Less than 3 years
Medium-term	Between 3 and 10 years
Long-term	Between 10 and 25 years

The key factors that Liontrust considers in formulating these horizons include:

- Risk modelling
- Minimum recommended and typical holding periods for investment products
- Regulation
- Actual and expected changes in climate and its impact on extreme weather.

These time horizons do not represent investment holding periods.

Liontrust defines a substantial financial impact as being greater than 1% of adjusted profits at the Group level and 0.5% of Net Asset Value (NAV) at the fund level.

Liontrust acknowledges that climate-related issues can be categorised as longer than 25 years. This is considered in the Group's interim and long-term target setting. Liontrust is taking account of its operational and financed emissions and has set targets to reduce these, helping to protect the Group against future carbon risks.

Climate-related issues identified

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, in addition to climate-related opportunities, are outlined in the tables below. Risks and opportunities have been considered at both the Group level and for financed emissions (investments managed on behalf of clients) and in the context of the time horizons noted in the table above (short, medium and long term).

Further information on Liontrust's approach to risk assessment, including risk profile charts, is included in the Group's Annual Report and Financial Statements.

Short-term climate change-related issues for the Group

	Risk or opportunity identified	Related TCFD risk or opportunity category	Steps taken to mitigate risk or manage opportunity
RISK	Carbon Trading Potential costs from carbon credits, should these be legally mandated in the UK or Luxembourg, where the Group has offices.	Transition Risks/Policy and Legal	While carbon credits are not yet required by legislation, Liontrust monitors developments in this area.
	Energy costs Continued increases in energy costs.	Transition Risks/Market	Liontrust sources as much renewable energy from the grid as available and takes steps to reduce energy consumption such as installing energy efficient light bulbs. In 2023, Liontrust introduced 'Project Paperless' to reduce printing associated with client presentations, with tablets used instead at certain events. Liontrust also introduced 'Follow Me' printing in 2023 which not only helps to reduce waste but also increases data protection and security. Liontrust optimises renewably sourced technologies where available. For example, having moved to the Cloud for the bulk of its information processing requirements, Liontrust uses renewable energy to power its infrastructure and has reduced the energy requirements of its connectivity by using rapid uptake virtual connections (rather than dedicated access to always-on servers). Liontrust has also provided 90% of employees with laptops, which have displays that automatically turn off if not in use. In the event of Liontrust operating in alternative locations, energy considerations would be taken into account during the planning process.
	Extreme weather Potential damage to offices from storms, unexpected extreme weather events. Liontrust has offices in London, Edinburgh, and Luxembourg. While these locations are generally considered safe from more extreme weather events at the present time, storms and other weather events may impact the Group indirectly via its reliance on electricity, the internet or staff ability to travel to offices.	Physical Risks/Acute	Liontrust has emergency contingencies, such as disaster recovery procedures, in place and employees are equipped to effectively work from home.
	Current climate-related regulatory requirements Ability to fulfil regulatory obligations in a complete and timely manner.	Transition Risks/Policy and Legal	Liontrust's compliance framework helps to ensure the Group adheres to existing regulations. Compliance and internal audit teams verify that Liontrust's activities and operations adhere to current regulations.
OPPORTUNITIES	Development of reporting Improvements in measuring, tracking and reporting on key climate-related issues to enhance understanding of current position and allow meaningful targets to be set.	Resilience	Liontrust continues to work with Good Business to provide transparent reporting on its operational GHG emissions. In 2023, Liontrust developed near term science-based targets which were approved by the SBTi in December. Liontrust will report accordingly on progress made against these targets in future TCFD reports.

Medium-term climate change-related issues for the Group

	Risk or opportunity identified	Related TCFD risk or opportunity category	Steps taken to mitigate risk or manage opportunity
RISK	**Insurance** Failure of Liontrust's insurance provider(s) to pay out on a policy as a result of the provider's own risk management.	Transition Risks/Policy and Legal	Liontrust monitors the financial situation of its insurance providers.
	Regulation of Scope 1 and 2 GHG emissions Increased operating and reporting requirements as a result of regulation to reduce operating emissions.	Transition Risks/Policy and Legal	Liontrust assesses its carbon footprint at all of its locations. Carbon-related risks and opportunities are included in the Group's risk matrix.
	Regulation of Scope 3 GHG emissions Increased operating requirements such as limits on business travel and emissions in the supply chain.	Transition Risks/Policy and Legal	Liontrust is working with Good Business on measuring emissions from business travel and from key suppliers. The Group uses video conferencing facilities and virtual desktop technology to improve communications and reduce the need for business travel. Liontrust offers employees benefits such as a generous Cycle to Work scheme. The Group also allows employees to work from home for two days per week.
	Increasing instances of extreme weather Severe weather occurrences such as flooding and their effect on colleagues' ability to get to office locations.	Physical Risks/Acute	Liontrust has established remote working as the primary redundancy 'site' should one of its offices be unavailable.
	Emerging regulation There are a number of potential areas of emerging regulation relating to climate change that could have an impact on Liontrust including the Sustainability Disclosure Requirements (SDR).	Transition Risks/Policy and Legal	Upcoming climate-related regulation and changes relating to current climate regulation are discussed and managed by Liontrust's RC and compliance teams, in conjunction with an external consultant. Emerging regulation is included as part of Liontrust's horizon scanning process. This enables the Group to effectively plan for its implementation. Liontrust also leverages its membership of industry groups and the experience and expertise of its professional advisers to track upcoming challenges and provide feedback on industry consultations where appropriate.

	Risk or opportunity identified	Related TCFD risk or opportunity category	Steps taken to mitigate risk or manage opportunity
OPPORTUNITIES	Energy efficiency Lower levels of energy use combined with improvements in Liontrust's offices with regard to energy efficiency, leading to reduced GHG emissions.	Resource Efficiency	While Liontrust's most significant exposure to GHG emissions comes from its financed emissions, the Group is proactive in taking measures that maximise its energy efficiency such as sourcing as much renewable energy from the grid as available and optimising renewably sourced technologies where available. Around 90% of employees have also been provided with laptops, which are significantly more efficient than desktop alternatives. In the event of Liontrust operating in alternative locations, energy considerations would be taken into account during the planning process and energy efficiency would be expected to increase further.
	Growth in expertise Potential to further develop climate expertise in both the RC and the Risk team.	Resilience	In 2023, the RC team carried out training on areas such as net zero, the SBTi and biodiversity for the Board and provided updates to all colleagues via scheduled sessions, both online and in-person. The RC team also developed a new method for incorporating climate scenario analysis into the group's ICARA, using MSCI's Climate Value at Risk data. The RC team continues to develop its approaches to key areas related to climate change, notably biodiversity in 2023.
	Future acquisitions Liontrust may acquire a company which offers particular strengths in climate change.	Markets	To date, Liontrust has adopted an acquisitive growth strategy. Any future acquisitions may help to provide extra impetus to the Group's climate change approach.

Long-term climate change-related issues for the Group

	Risk or opportunity identified	Related TCFD risk or opportunity category	Steps taken to mitigate risk or manage opportunity
RISK	Lack of initial buy-in to tackle climate risk Caution of some investment teams with regard to net zero goals, influencing client demand for Liontrust products.	Transition Risks/Reputation	Around 44% of Liontrust's AuMA (as at the end of December 2023) has signed up to NZAM. This is expected to increase over time as data becomes more reliable, understanding of how to account for carbon emissions across all asset classes is clearer, and investment teams can see more clearly the impact of net zero efforts on their funds. The RC team works with the investment teams, providing analysis and insight on net zero target setting. Liontrust's Board continues to be supportive of achieving net zero goals as a way of tackling climate-related risk.
	Ability to achieve long term targets Challenges of looking past shorter-term targets that help Liontrust to operate and take a strategic view in the context of key personnel leaving the business during the long-term timeframe.	Transition Risks/Reputation	Liontrust is planning to have key interim targets in place to ensure that a long-term view is taken while at the same time achieving shorter-term targets. For example, as part of our net zero commitment, Liontrust aims for its funds to be net zero aligned before 2050 and has interim targets in place for 2025 and 2030 to achieve this part of its goal.
	Increasing global temperatures Countries such as India and China are estimated to reach temperatures of 50°C by 2050. By this time, in light of its acquisitive strategy, Liontrust may have operations in such regions (in addition to increased exposure via investments). Changes in average temperature could also require the offices that Liontrust has in the UK and Luxembourg to increase the use of heating or cooling capacity, leading to power outages or increased power costs.	Physical Risks/Chronic	Assessment of climate related risks will be taken into account during the due diligence process for any potential future acquisitions. Measures are in place to maximise energy efficiency and source renewable energy where possible to minimise power costs.

Short-term climate change-related issues for investments made on behalf of clients

	Risk or opportunity identified	Related TCFD risk or opportunity category	Steps taken to mitigate risk or manage opportunity
RISK	NZAM status Not attaining interim or ultimate net zero targets (NZAM commitment). Changes in definitions of material sectors as well as portfolio turnover affecting progress towards targets. Not all investment teams have signed up to NZAM but are expected to commit in future.	Transition Risks/Reputation	Liontrust is monitoring performance against targets and is engaging with holdings as evidence of adhering to the NZAM commitment. Around 44% of Liontrust's AuMA (as at the end of December 2023) has signed up to NZAM. This is expected to increase over time as data becomes more reliable, understanding of how to account for carbon emissions across all asset classes is clearer, and investment teams can see more clearly the impact of net zero efforts on their funds.
OPPORTUNITIES	Development of reporting Improvements in measuring, tracking and reporting on key climate-related issues affecting financed emissions to enhance understanding of current position and allow meaningful targets to be set.	Resilience	In June 2023, Liontrust made a formal commitment to set near term science-based targets, having developed its targets over the first half of the year. In August 2023, Liontrust submitted its targets to the SBTi for official validation. The targets were approved by the SBTi in December 2023.

Medium-term climate change-related issues for investments made on behalf of clients

	Risk or opportunity identified	Related TCFD risk or opportunity category	Steps taken to mitigate risk or manage opportunity
RISK	**Progress of investments in achieving net zero** Liontrust could be invested in holdings that decide to delay or U-turn on net zero plans. Liontrust has signed up to the Science-Based Targets Initiative (SBTi) which involves engaging with holdings to encourage science-based target adoption. If this is unsuccessful, it could undermine Liontrust's net zero commitments.	Transition Risks/Reputation	Liontrust believes it has an important role to play in encouraging its investment holdings to make progress towards net zero. It can do this via engagement by investment teams and/or the RC team and via its proxy voting decisions. Liontrust keeps up to date with industry developments and is confident that SBTi targets provide a robust, widely recognised framework by which companies can be assessed. Analysis shows that a substantial proportion of investment holdings either already has approved science-based targets in place or will be in a position to have so over the medium term.
RISK	**Increasing regulatory requirements** Regulatory requirements with regard to reporting are expected to become increasingly stringent, particularly at the product level.	Transition Risks/Policy and Legal	Upcoming climate-related regulation and changes relating to current climate regulation are discussed and managed by Liontrust's RC and Compliance teams in conjunction with an external consultant. In 2023, Liontrust has been preparing for new and upcoming regulatory reporting obligations, including TCFD reporting at the product level. TCFD product level reports are now available on Liontrust's website for in-scope pooled funds and available on request for in-scope segregated mandates.
RISK	**Product suite** Ability to be responsive to client needs as demands change in response to climate change.	Transition Risks/Market	Liontrust's product offering includes funds that explicitly take into account the potential impact of climate change – targeting companies expected to benefit from the transition and with lower levels of carbon emissions.
OPPORTUNITIES	**SBTi commitment** Setting science-based targets for financed emissions as a means of increasing credibility and keeping pace with competitors.	Resilience	Liontrust recognises that its financed emissions are its most significant contributor to GHG emissions. In 2023, the RC team set near term targets for both investments and the Group. These were approved by the SBTi in December 2023.
OPPORTUNITIES	**Traction of net zero strategy** Support from clients to invest in line with net zero, leading to an increased proportion of AuMA committed to achieving net zero	Products and Services	Progress in expanding the scope of Liontrust's NZAM commitment would bolster the Group's management of climate-related risk at the product level, as well as having a positive impact of the reputation of Liontrust's investment teams and of the Group as a whole.
OPPORTUNITIES	**Strength of investment processes** Liontrust's fund management teams have clear, well defined investment processes that are consistently applied to products. The teams follow their respective investment processes to determine what is material. Where climate-related issues pose a material risk/opportunity to an investment over the investable time horizon of the fund, they will be considered by the fund managers.	Products and Services	A diversified range of investment processes have been established, including ones that specifically look to benefit from the opportunities due to climate change and technological innovation.

Long-term climate change-related issues for investments made on behalf of clients

	Risk or opportunity identified	Related TCFD risk or opportunity category	Steps taken to mitigate risk or manage opportunity
RISK	Climate-related performance of individual holdings Poor management of climate-related risks by investment holdings, including lack of progress towards net zero, and the resulting impact on share prices and fund performance.	Transition Risks/Reputation	Liontrust's investment teams assess the performance of their underlying holdings according to their well-established investment processes and carry out engagements accordingly. In addition, company level controversies are identified, in conjunction with the RC team, using MSCI data. In instances where controversies are deemed material, this may lead to engagement with investment holdings.
RISK	Traction of net zero strategy Lack of progress in aligning our investment teams' approach to net zero	Transition Risks/Reputation	As previously mentioned, it is anticipated that the proportion of AuMA committed to NZAM will increase over time. Liontrust's commitments are supported at management and Board level, including the Group's recent development of near term science-based targets, which aim to further strengthen the Group's approach to managing climate change risk.
RISK	Geographical investment exposure in the context of rising global temperatures Impact on investee companies from changing weather patterns (countries such as India and China are estimated to reach temperatures of 50°C by 2050), including from supply chain exposure, leading to reduced valuations and a negative impact on fund performance.	Physical Risks/Chronic	Investment teams have access to MSCI's Climate Value at Risk (CVaR) module to help them understand the impacts of rising global temperatures on individual holdings. TCFD product level reports are now available on Liontrust's website for in-scope pooled funds and available on request for in-scope segregated mandates. These reports provide CVaR data, among other climate-related metrics.

Process to determine relevant climate-related issues

The process used to determine the materiality of risks takes a bottom-up, top down and 360° approach:

1. **Bottom-up:** The Risk team has established risk registers for each team at Liontrust which consider the likelihood and impact of risks, including those related to climate change, if deemed material.
2. **Top-down:** Risks identified in the bottom-up process are discussed by the Board and executive management and considered in strategic prioritisation. There are also discussions at Board level on the incorporation of material ESG factors into executive remuneration.
3. **360°:** The RC team have interaction with, and provide challenge to, the Risk team

During 2023, Liontrust began engaging systematically with its holdings on climate-related issues, starting with the heaviest emitters in the Group's funds. The engagements were done via email and covered aspects such as investee companies' interim targets, submissions to CDP and commitments to the SBTi.

From a prudential risk perspective, Liontrust has introduced various scenarios into its annual internal capital adequacy and risk assessment (ICARA) to simulate the impact of climate change on the Group's prudential risk requirements and resources. In 2023, the RC team presented an updated methodology proposal to the Risk team which involved using CVaR data from MSCI for holdings across Liontrust's pooled funds (where data was available) to consider climate scenarios in line with TCFD guidance.

Impact of climate-related risks and opportunities on Liontrust's business, strategy, and financial planning

At the Group level, the business has not been affected to a significant degree by climate-related issues to date. However, the Group has seen cost increases in the following areas:

1. Energy costs
2. Costs associated with the increased need for information from third party research providers, including to fulfil regulatory reporting requirements

Costs associated with climate-related risks are considered individually, with decisions on prioritisation made accordingly.

RC has a significant input into Liontrust's business strategy including the integration of acquisitions.

With regard to financial planning, each year an increased budget has been allocated to the RC team to account for expanding requirements in areas such as reporting.

Liontrust manages its climate-related risks and opportunities from a financial perspective and will continue to do so, going forward, as risks and opportunities present themselves.

Liontrust has spent some time on undertaking climate scenario planning and in 2023 the RC team used MSCI's CVaR data to analyse performance across pooled fund holdings (where data was available). Liontrust has also prepared CVaR analysis at the product level where required by the TCFD. Further information on this can be found on Liontrust's website.

In May 2022, Liontrust joined the Net Zero Asset Managers' (NZAM) initiative to adopt formally its goal to achieve net zero greenhouse gas emissions by 2050, across its business and investments. Liontrust submitted its first report to NZAM in April 2023 which set out the initial percentage of assets under management and administration (AuMA) that the Group commits to the goal. This is expected to increase over time as data becomes more reliable, understanding of how to account for carbon emissions across all asset classes is clearer, and investment teams can see more clearly the impact of net zero efforts on their funds. The speed at which funds move towards net zero will vary between the teams, depending on each investment process. Following the Group's first submission to NZAM in 2023, Liontrust will report annually on its progress against targets, either through the Carbon Disclosure Project (CDP) annual assessment or via the Principles for Responsible Investment (PRI) annual reporting tool.

At an investment team level, climate-related issues are considered according to each team's investment process. Here are summaries for each investment team:

The Sustainable Investment team invests using ESG related screens (including climate-related screens covering coal and oil and gas, for example), themes and its proprietary Sustainability Matrix. This supports the team's directing capital to companies aiming to solve social and environmental problems.

The Sustainable Investment team, which manages approximately one-third of AuMA as of December 2023, has positioned its portfolios for an aggressive shift towards an ultra-low carbon economy as it believes the companies it invests in will gain a competitive advantage by adopting a progressive strategy and will be more successful as a result. All pooled funds managed by the Sustainable Investment team are included in Liontrust's initial commitment to the NZAM initiative. The 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.

For the Economic Advantage team, while ESG factors do not exclude from consideration any investment which would otherwise qualify on account of its strong economic advantage credentials, they are taken into account in determining the position size of such an investment. The Economic Advantage team has not committed its funds to Liontrust's net zero goal.

The Multi-Asset team operates with an ethos of engaging with and querying its underlying managers' approach to understand and identify strengths and weaknesses across investment topics. The Multi-Asset team has not yet committed 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 obtain carbon data on its third party funds to enable it to support this target.

The Global Fundamental team utilises a number of investment processes to manage its funds. At the core of these processes are materiality assessments which are used to integrate key risks and opportunities. Some of the funds managed by the Global Fundamental team are included in Liontrust's initial commitment to the Net Zero Asset Managers' (NZAM) initiative. (In February 2023, all but one of the Global Equity team members became part of the Global Fundamental team).

The Cashflow Solution team checks third party research on its holdings to understand if there are concerns about the company from a controversy perspective. The Cashflow Solution team has not committed its funds to Liontrust's net zero commitment.

The investment philosophy of the Global Innovation team is based on the belief that innovation is the biggest driver of stock returns. The team has committed all of its funds to Liontrust's net zero commitment.

The Global Fixed Income team's investment process is designed to take advantage of inefficiencies in fixed income markets through an understanding of the economic environment and detailed bottom up stock analysis, which includes the assessment of ESG factors of issuers. The team also has ESG screens in place, including one covering revenues from thermal coal. In selecting issuers, the team uses their PRISM (Protections, Risks, Interest Cover, Sustainability, Motivations) framework. Sustainability includes consideration of environmental risks and resulting contingent liabilities. The Global Fixed Income team has committed the funds that it manages to Liontrust's net zero goal.

For further information on each investment team's investment process and details on the specific funds which are committed to Liontrust's net zero goal to date, please refer to Liontrust's Responsible Capitalism Report.

Resilience of Liontrust's strategy, considering different climate-related scenarios

Resilience of Strategy

For the Group, the RC team has worked with Good Business to develop emissions related targets, which can be found in the Data and Metrics section of this report. In 2023, Liontrust submitted these targets, in addition to a financed emissions target, to the SBTi for validation. The targets were approved by the SBTi in December 2023.

The Group is conscious of the climate-related events that may affect areas in which it sells funds or make acquisitions. Climate assessments will therefore be undertaken as part of any due diligence processes.

Liontrust anticipates that its expenditures may increase as climate-related issues become more prominent and would expect some impact on Return on Investment (ROI) as a result of increased investment in people and product, such as training on net zero.

As previously mentioned, in May 2022, Liontrust joined NZAM initiative and made its initial submission to NZAM in April 2023. This commitment bolsters Liontrust's approach to climate-related strategy both at the Group and the investments level, including the development of a net zero engagement strategy which has been established by the RC team.

In addition, 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. 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. For further information on these initiatives and Liontrust's involvement with them, please refer to Liontrust's Responsible Capitalism report.

Scenario Analysis

For investments, in 2023 Liontrust continued to assess climate scenario testing options and decided to use MSCI's CVaR metric in its analysis and reporting.

The following CVaR data relates to funds listed under **Liontrust Fund Partners LLP (LFP)**, with AuMA as at the end of December 2023. LFP is the Authorised Corporate Director for all Liontrust UK domiciled ICVCs and is the Authorised Fund Manager. The data does not include sovereign bonds or funds managed by Liontrust's Multi-Asset team.

Metric	Data Coverage %	Orderly Transition	Disorderly Transition	Hothouse World
Policy Climate VaR (Scope 1,2,3)	84.6%	-6.8%	-9.1%	-1.0%
Technology Opportunities Climate VaR	84.7%	1.2%	2.2%	0.3%
Physical Climate VaR**	79.3%	-2.2%	-2.2%	-4.3%
Aggregated Climate VaR		-7.8%	-9.1%	-5.0%

**Selected Scenario: Aggressive
Data for the climate-related information in this table is from MSCI ESG. For further information on these metrics, including how they are defined and associated limitations, please refer to the Appendix at the end of this report.

The following CVaR data relate to funds listed under **Liontrust Investment Partners LLP (LIP)**, with AuMA as at the end of December 2023. LIP is the Investment Adviser to all Liontrust funds and for the segregated accounts/mandates and model portfolios. The data does not include sovereign bonds or funds managed by Liontrust's Multi-Asset team.

Metric	Data Coverage %	Orderly Transition	Disorderly Transition	Hothouse World
Policy Climate VaR (Scope 1,2,3)	95.3%	-10.0%	-12.9%	-1.4%
Technology Opportunities Climate VaR	95.4%	2.1%	3.8%	0.5%
Physical Climate VaR**	90.0%	-2.5%	-2.5%	-4.8%
Aggregated Climate VaR		-10.4%	-11.6%	-5.7%

**Selected Scenario: Aggressive
Data for the climate-related information in this table is from MSCI ESG. For further information on these metrics, including how they are defined and associated limitations, please refer to the Appendix at the end of this report.

For LFP and LIP, in both the orderly and disorderly transition scenarios, Policy Climate VaR is the most significant driver of impact. This is due to the anticipated costs borne by holdings to adhere to policy requirements to achieve a 1.5ºC world eroding more capital. This trend is more pronounced in the disorderly transition as it is assumed that policy response is delayed and would therefore need to be more aggressive to achieve a 1.5ºC world. Physical Climate VaR is the most significant driver of impact in the hothouse world scenario. This is due to increased physical risks from extreme weather events.

RISK MANAGEMENT

Processes for identifying, assessing and managing climate-related risks

At Liontrust, climate-related risk is considered in terms of three main risk categories by the Risk team; Enterprise Risk, Investment Risk and Prudential Risk. The next section explains how climate-related risks are assessed, managed and integrated for each of these categories.

Enterprise Risk

Department-level risk registers are used by each department and investment team at Liontrust to identify and assess risks from a bottom-up perspective, with support and guidance from the Risk team. Each department/team is responsible for maintaining its own risk register and for updating it on an annual basis with oversight by the Risk team. The risk registers comprehensively detail the risks identified by each department/team, list the key controls used to mitigate the risks and then assess the risk on a pre and post-control basis in terms of likelihood and impact. During this process, climate risks may be identified (if relevant) and assessed. The Enterprise Risk Management

(ERM) framework's risk definition matrix ensures risks across the Group are consistently assessed and enables them to be compared. Those risks deemed most material are presented by the Risk team to the Board via papers which are reviewed by the Audit and Risk Committee and via ad hoc reporting which is used in the Board's consideration of strategy prioritisation. Risks which exceed the Group's risk appetite will have action plans devised with the intention of mitigating the risk such that it is within the risk appetite by a certain date.

Climate-related risks are therefore integrated into Liontrust's overall ERM framework and considered in terms of materiality in line with other risks identified in the risk-assessment process. Climate-related risks are then managed in line with the ERM framework.

In the latest update for 2023, Liontrust identified and flagged risks associated with conduct or sustainability. This enabled Liontrust to produce customised heat-maps illustrating key exposures, particularly with respect to sustainability risk. Liontrust's Risk team is currently developing a system which will allow a greater amount of detail to be included for each risk identified. The Risk team has also performed similar flagging consideration to the risk scorecard, which enables more proactively monitoring of risks including sustainability related risks via several key risk indicators which are monthly RAG (Red, Amber, Green) rated.

For further information on Liontrust's Principal Risks and Mitigations at the Group level, please refer to the Strategic Report in the Annual Report and Accounts.

Investment Risk

Liontrust's exposure to climate change-related risk at the Group level is far less significant than its exposure via the investments it manages for its clients. At the investments level, each investment team identifies and manages climate-related risks according to its investment process. This can involve using MSCI carbon data, carrying out bottom-up company/issuer analysis and engaging with issuers. For examples of carbon-related engagements by investment team please refer to Liontrust's latest RC Report.

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 RC team, as needed) prioritise engagement with the highest emitters in the funds they manage. This engagement may focus on what an issuer'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 RC 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, please refer to Liontrust's RC Report.)

Investment risk, including climate-related investment risk, is overseen the PRC. The PRC regularly meets with each of the investment teams to discuss investment processes and provide challenge on the risks within portfolios. Part of the role of the PRC is to ensure that each team is following its investment process. This includes verifying that any specific ESG and climate requirements in investment objectives and policies are adhered to by the respective investment teams. The PRC also oversees controversy reporting, ensuring that where an investee company has been identified by MSCI as being potentially involved in a significant controversial matter, the investment team has adequately considered the consequences and any related risks that emerge as a result.

Prudential Risk

The Group quantifies its capital and liquidity requirements on an ongoing basis and must maintain minimum financial resources according to the Financial Conduct Authority (FCA) MIFIDPRU regulatory rules. The Group also considers capital and liquidity needs beyond the regulatory minimum based on the size and level of key material risks detailed in the Group's Internal Capital Adequacy and Risk Assessment (ICARA).

Various climate-related scenarios are included in Liontrust's ICARA to simulate the impact of climate change on the Group's prudential modelling. Liontrust modelled scenarios to quantify and better understand the impact of climate change risk on future prudential risks (including credit, market, operational, liquidity and insurance risk).

Estimating the potential impact of these risks involves assessing the effect of multiple potential climate pathways and the efforts of reducing carbon emissions over several decades. As part of Liontrust's approach to quantify and better understand the impact of climate change risk on the Group's future prudential risk, historical data from 1980 to 2016 was used to estimate the amount of annual global losses from extreme weather-related events. This is summarised below:

Category of weather-related event	Estimated extent of losses	Estimated frequency of occurrence
Catastrophic	1 year of losses +$250bn	1 in 37 years
Very Extreme	2 years of losses +$150bn	1 in 18.5 years
Extreme	10 years of losses +$100bn	1 in 3.7 years

To assess the impact of climate risk for Liontrust, the table below provides a summary assessment of the likelihood of a risk event occurring based on the level of historic weather event losses (i.e. catastrophic, very extreme and extreme) above. Internal calculations provide an estimate of the subsequent monetary impact on the Group's capital and liquidity if a risk event was to occur.

Risk Type	Assumed level of weather-related losses (to trigger a risk event)	Likelihood Driver	Likelihood Rank
Credit Risk	Very extreme weather	It would take global losses of +$150bn to trigger a credit risk event.	Very Low - Low
Market Risk	Extreme weather	It would take global losses of $100bn that would have a significant impact on AuMA decreasing.	Low - Medium
Operational Risk	Extreme weather	It would take global losses of +$100bn that could lead to an operational risk event (i.e. failure of a service provider).	Low - Medium
Liquidity Risk	Catastrophic weather	It would take global losses of +$250bn for a liquidity risk event to crystalise.	Rare
Insurance Risk	Catastrophic weather	It would take global losses of +$250bn for an insurance risk event to occur.	Rare

The table above assesses climate risk from a physical risk perspective. While transitional risks are considered by the Risk team, Liontrust does not anticipate that these will be as significant as physical risks in relation to Liontrust's prudential risk requirements. This is due to the relative increased ability of businesses to adjust and markets to reprice in response to changes in climate policy, technology, and market sentiment over time.

Liontrust holds capital against a one in 200 year operational event without insurance mitigation in case its insurers do not pay out. This ensures that Liontrust can continue to operate in a situation where insurers fail due to global losses from climate-related events.

METRICS AND TARGETS

Metrics used to assess and manage climate-related risks and opportunities

Liontrust engaged Good Business to calculate its Scope 1, Scope 2, and Scope 3 (purchased goods & services, capital goods, fuel and energy-related activities, upstream transportation and distribution, waste, business travel, and employee commuting) GHG emissions for the calendar year 1 January 2023 to 31 December 2023.

Boundaries

Liontrust defines its boundary using the operational control approach. Liontrust had five offices in two countries (United Kingdom and Luxembourg) over which it had operational control for its 2023 GHG inventory. The relevant emission sources that constituted the operational boundary for the reporting year are:

- Scope 1: Oil-based heating for offices (Luxembourg only)

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

Liontrust has operational control over air-conditioning units in its offices; however, no refrigerant top-ups / leaks were recorded for the reporting period.

Methodology

Liontrust's GHG inventory was calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol Corporate Standard.

All six greenhouse gases covered by the Kyoto Protocol — carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6) were included. GHG emissions are converted and reported in as carbon dioxide equivalents (CO_2e) using standard long-term global warming potentials (GWP-100).

Scope 1 and 2

The Scope 1 emissions were calculated using the Department for Business, Energy & Industrial Strategy (BEIS) 2023 emissions factors.

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 2023, EEA 2022 and AIB 2023 emissions factors, following the emissions factor hierarchy according to the GHG Protocol's Scope 2 Guidance. Location-based emissions reflect the local grid fuel-mix averages for electricity and were calculated using BEIS 2023 and EEA 2022 emission factors. The market-based calculation reflects the fuel-mix of the energy tariff purchased by Liontrust for each office where renewable electricity is purchased or the residual grid mix of the country in which the office is located.

Scope 3

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

The Scope 3 fuel and energy-related emissions for electricity were calculated by applying the BEIS 2023 UK emission factor for transmission and distribution (T&D) for electricity consumption at UK sites and a Luxembourg T&D emission factor consistent with Luxembourg's average T&D loss rates for electricity consumption at the Luxembourg office.

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

The Scope 3 waste emissions were calculated by applying BEIS 2023 emission factors to the quantity of each waste stream generated at each site.

The Scope 3 business travel emissions were calculated using BEIS 2023 emissions factors.

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

Metrics used for investments made on behalf of clients to assess climate-related risks and opportunities

Liontrust utilises MSCI carbon data for all investment teams to provide detailed carbon emissions analysis across all portfolios.

Liontrust also carries out net zero analysis for those funds that have committed to NZAM. This involves analysis of the WACI of portfolios versus each fund's relevant benchmark. WACI is a measurement of a fund's exposure to the carbon intensity of its holdings and is expressed in tons of carbon dioxide equivalent per $1 million sales. WACI is calculated by multiplying the carbon intensity of each holding by the weight of each holding in a portfolio, thereby taking into account the asset allocation decision of the fund manager.

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

The Group's GHG emissions

The following information summarises the Group's direct and indirect environmental performance for the calendar year ending 31 December 2023. It has been prepared in accordance with the Group's regulatory obligation to report 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.

For the reporting period, Liontrust's total scope 1, 2 and 3 emissions totalled 12,691 tCO_2e under the location-based approach and 12,645 tCO_2e under the market-based approach.

The majority of Liontrust's emissions lie under Scope 3, which accounted for 99% of the total under a location-based approach and just under 100% of the total under a market-based approach. Within this, spend on goods and services was the main driver of these emissions, accounting for 92%. Air travel was the second largest contributor, accounting for a further 5% of emissions.

Scope 1 & 2 contributes <1% of the total location-based emissions and total market-based emissions. This is made up of emissions from heating oil, used in the Luxembourg office and purchased electricity at all sites.

Complete results are displayed in the table below:

Category	Activity	2022 GHG Emissions (tCO2e)	2023 GHG Emissions (tCO2e)	% Change (within category)
Scope 1				
Stationary combustion	Heating oil	13.5	13.6 Δ	1.0%
Fugitive emissions	A/C unit	-	-	N/A
Scope 2				
Electricity (location-based)	Purchased electricity	62.4	51.7 Δ	-17%
Electricity (market-based)	Purchased electricity	3.24	5.98 Δ	85%
Scope 3				
Purchased goods & services	Spend	5,258	11,671	122%
	Water supply	0.743	0.390	-47%
Capital goods	Spend	N/A	44.1	N/A
FERA	Heating oil and purchased electricity	10.9	19.9	82%
Upstream transportation and distribution	Spend	N/A	6.62	N/A
Waste	Recycling	0.0811	0.463	471%
	Landfill	0.332	0.790	138%
	Waste to energy	0.0426	0.0432	1.4%
Business travel	Air travel	246	615	150%
	Rail travel	12.3	16.8	36%
	Road travel	46.5	52.9	14%
	Hotel stays	32.7	17.6	-46%
Employee commuting	UK commuting	118	112	-4.9%
	Luxembourg commuting	7.34	8.41	15%
	WFH UK	59.4	57.3	-3.6%
	WFH Luxembourg	1.62	1.59	-2%
Scope 1 & 2 Total (location-based)		**75.9**	**65.4**	***-13.9%***
Scope 1 & 2 Total (market-based)		**16.7**	**19.6**	***17.2%***
Total GHG emissions (location-based)		**5,869**	**12,691**	***116%***
Total GHG emissions (market-based)		**5,810**	**12,645**	***118%***

Category	2022 GHG Emissions Intensity	2023 GHG Emissions Intensity	% Change
Scope 1 & 2 intensity per Full Time Equivalent (FTE) (location-based)	0.349	0.303 **Δ**	-13%
Scope 1 & 2 intensity per FTE (market-based)	0.0780	0.091 **Δ**	17%

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

Δ 2023 data subject to independent limited assurance under ISAE (UK) 3000 and ISAE 3410. The assurance report provided by KPMG can be found in the Responsible Capitalism Report on the Liontrust website

Energy Consumption (MWh)	UK 2022	UK 2023	% Change	Luxembourg 2022	Luxembourg 2023	% Change
Electricity	321	248	*-29.3%*	4.91	5.95	*17.5%*
Heating oil	-	-	*0%*	52.6	58.2	*9.6%*

Streamlined Energy and Carbon Reporting (SECR) Table	Units	UK	Luxembourg	Total
GHG Emissions				
Scope 1	tCO2e	-	13.6	13.6
Scope 2 (location-based)	tCO2e	51.4	0.309	51.7
Scope 2 (market-based)	tCO2e	5.98	-	5.98
Energy Consumption				
Electricity	MWh	248	5.95	254
Heating oil	MWh	-	58.2	58.2

Total Scope 1 & 2 location-based emissions decreased by 14% compared to 2022 due to an overall decrease in electricity consumption. Market-based Scope 1 & 2 increased by 17% due to the sole office on non-renewable energy experiencing an increase in energy consumption as well as a switch from a renewable to a standard tariff in the Old Bailey office.

Total Scope 3 emissions increased significantly (118%) compared to 2022. This was driven primarily by an increase in purchased goods and services, which increased by 122% due to significant growth in business spend. The other contributor to an increase in Scope 3 emissions was air travel emissions, which increased 150% due to more business travel.

For the first time, Scope 3 emissions from capital goods and from upstream transportation and distribution were calculated in the 2023 inventory. This was possible due to improvements in the available procurement data, which allowed for spend to be broken out by category. Both categories accounted for <1% of location and market-based emissions.

Measures taken to reduce carbon emissions

During 2023, Liontrust took several measures to reduce its carbon emissions:

- Phase 3 of an Energy Saving Opportunity Scheme (ESOS) Assessment was carried out, with Phase 3 registration expected by the end of the fourth quarter of 2024.
- Liontrust's leased Luxembourg office consumes heating oil as an energy source. During 2023, Liontrust engaged with the landlord to encourage the upgrading of the oil-fired heating to a more sustainable gas alternative. Unfortunately, this engagement was unsuccessful, and it is anticipated that the energy source will now remain as oil for the remainder of the lease.
- Liontrust is continuing to work with Corporate Traveller to ensure that 100% of emissions associated with travel and accommodation are identified.

Liontrust is also committed to offsetting its Scope 1, 2 and 3 (business travel emissions). The Group used Gold Standard to offset 722 tonnes of carbon through the Betulia Energy and Biodiversity Restoration Project in Honduras. Going forward, Liontrust plans to explore alternatives to offsetting, such as carbon sequestration.

Emissions of investments managed on behalf of clients

Liontrust has prepared TCFD product reports for all in-scope pooled funds. These are available on the group's website. TCFD product reports are also available for in-scope segregated funds on request.

The TCFD product report for the Edinburgh Investment Trust is available on Liontrust's website via the following link: www.liontrust.co.uk/EIT-TCFD

Data for the product level TCFD reports has been sourced from MSCI. Liontrust is aware that for certain funds, there are gaps in the data provided by MSCI. For this reason, Liontrust has implemented a 60% data coverage threshold for all TCFD product level disclosures. This means that where a required data point has less than 60% coverage by MSCI, it will not be disclosed in the TCFD product level reports. Liontrust will review this minimum threshold and will look to increase its disclosures as MSCI data coverage levels improve.

For the majority of products, MSCI's Climate Risk Reports have been used to generate the required data points. As these reports were not available for Liontrust's Multi-Asset funds, MSCI's Funds product was used to screen the in-scope portfolios for the required datapoints. For certain data points, Liontrust calculated the figures using MSCI Funds data and AuMA information as at the end of December 2023. These calculations were subject to thorough internal review.

Once an initial draft of a product level TCFD report had been completed, Liontrust took it to a consumer panel for testing. The panel, which was established by Research in Finance, a syndicate of 13 managers and investment trusts, was set up to test information provided by asset managers through a consumer duty lens. In response to feedback from the panel, Liontrust adjusted its template to incorporate suggested changes regarding presentation of data and formatting.

Targets used to manage climate-related risks and opportunities

Group targets

Liontrust has worked with Good Business to establish the following Scope 1 and 2 GHG emissions target:

> " Liontrust Asset Management PLC commits to reduce its absolute Scope 1 & 2 GHG emissions by 42% by 2030 from a 2022 base year

This near term target is in line with a 1.5°C trajectory and was approved by the SBTi in December 2023.

Total Scope 1 and 2 market-based emissions increased by around 5% in 2023 compared to 2022 due to an increase in electricity consumption in a Liontrust office which is on a non-renewable tariff. Total Scope 1 and 2 location-based emissions decreased by around 13% in 2023, due to a reduction in overall electricity consumption compared to the previous year.

Targets for investments made on behalf of clients

- NZAM

Around 44% of Liontrust's AuMA has committed to NZAM. The portfolio decarbonisation target below relates to this proportion of Liontrust's AuMA. The portfolio coverage target, which was approved by the SBTi in December 2023, relates to Liontrust's entire listed equity and corporate bond portfolio.

- Portfolio decarbonisation target:
  - 25% reduction in overall fund emissions (measured by WACI) by 2025 from a 2019 aggregate portfolio benchmark baseline
  - 50% reduction in overall fund emission (measured by WACI) by 2030 from a 2019 aggregate portfolio benchmark baseline

- Portfolio coverage target:
  - Liontrust Asset Management PLC commits to 52% of its listed equity and corporate bond portfolio by market value setting SBTi validated targets by 2027 from a 2022 base year.

As previously mentioned, Liontrust made its submission to NZAM in 2023 and will report on an annual basis thereafter on progress against the above targets.

As at 31 December 2023, 42% of Liontrust's listed equity and corporate bond portfolio by market value had set SBTi validated targets (2022: 33%).

SUMMARY OF TCFD DISCLOSURES

TCFD Category	Key Recommended Disclosures	Liontrust's Response
Governance Disclose the organization's governance around climate related risks and opportunities.	a) Describe the Board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.	• The Group's Board has oversight of all Liontrust's risks and opportunities, including those related to climate change. Rebecca Shelley is the named Non-Executive Director for Responsible Capitalism, including all ESG matters. • The potential impact of climate change on the business and future strategy, and in particular, on the Group's ability to deliver long-term superior performance, is regularly discussed at Board level. • The Chief Executive is accountable to the Board for overall Group performance, including climate-related risks and opportunities.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• 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. • Risks and opportunities have been considered at both the Group level and for financed emissions (investments made on behalf of clients) and in the context of short, medium and long-term time horizons. • Liontrust submitted its first report to the NZAM initiative in April 2023. This commitment bolsters Liontrust's approach to climate-related strategy both at the Group and the investments level • For investments, in 2023 Liontrust continued to assess climate scenario testing options and decided to use MSCI's CVaR metric in its analysis and reporting.

TCFD Category	Key Recommended Disclosures	Liontrust's Response
Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks. b) Describe the organization's processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	• At Liontrust, climate-related risk is considered in terms of three main risk categories by the Risk team: Enterprise Risk, Investment Risk and Prudential Risk. • Climate-related risks are integrated into Liontrust's overall ERM framework and considered in terms of materiality in line with other risks identified in the risk-assessment process. • Liontrust's exposure to climate change-related risk at the Group level is far less significant than its exposure via its investments. At the investments level, each investment team identifies and manages climate-related risks according to its investment process. • Various climate-related scenarios are included in Liontrust's internal capital adequacy assessment program to simulate the impact of climate change on the Group's prudential modelling.
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	• Liontrust engaged Good Business to calculate its Scope 1, Scope 2, and Scope 3 (purchased goods & services, capital goods, fuel and energy-related activities, upstream transportation and distribution, waste, business travel, and employee commuting) GHG emissions for the calendar year 01 January 2023 to 31 December 2023 • Liontrust commits to reduce its absolute Scope 1 & 2 (market-based) GHG emissions by 42% by 2030 from a 2022 base year. This near term target is in line with a 1.5°C trajectory and was approved by the SBTi in December 2023. • Liontrust commits to 52% of its listed equity and corporate bond portfolio by market value setting SBTi validated targets by 2027 from a 2022 base year. This Scope 3 portfolio target was approved by the SBTi in December 2023. • Liontrust has also set targets for the proportion of its AuMA that has committed to NZAM.

APPENDIX

Climate Value at Risk (CVaR)

CVaR is a forward-looking quantitative model that forecasts the present value of future costs and benefits under different potential climate scenarios.

Aggregated CVaR is made up of:

Policy Climate VaR-	The value of underlying holdings at risk of being lost due to climate change policies being enacted by countries. These policies will lead to higher carbon prices, which will then impact the business operations of different sectors.
Technology Opportunities VaR-	The profit opportunity available to underlying holdings who can take advantage of the costs that companies will face from 'policy risk'. MSCI measures companies' profit opportunity by assessing the quality of their low-carbon technology patent library.
Physical Climate VaR-	The costs of damage or loss of productivity to underlying holdings from increased incidence and severity of weather events because of climate change: e.g., wildfires, extreme heat, and flooding.

The more negative the CVaR, the higher the potential negative impact on the value of underlying holdings.

Limitations associated with CVaR are that values reflect costs out to a horizon of 2100, which is not in line with fund investment horizons, and data used is modelled.

All CVaR metrics are sourced from MSCI.

Climate scenarios

Scenario	Definition
Orderly Transition	Climate scenario which assumes climate policies are introduced early and become gradually more stringent, reaching global net zero CO_2 emissions around 2050 and likely limiting global warming to below 2 degrees Celsius on pre-industrial averages. The figure provided relates to the 1.5°C Regional Model of Investment and Development (REMIND) Network for Greening the Financial System (NGFS) Orderly scenario as provided by MSCI.
Disorderly Transition	Climate scenario which assumes climate policies are delayed or divergent, requiring sharper emissions reductions achieved at a higher cost and with increased physical risks in order to limit temperature rise to below 2 degrees Celsius on preindustrial averages. The figure provided relates to the 1.5°C REMIND NGFS Disorderly scenario as provided by MSCI.
Hothouse World	Climate scenario which assumes only currently implemented policies are preserved, current commitments are not met, and emissions continue to rise, with high physical risks and severe social and economic disruption and failure to limit temperature rise. The figure provided relates to the 3°C REMIND NGFS Nationally Determined Contributions (NDC) scenario as provided by MSCI.
Aggressive Scenario for Physical Climate VaR	A scenario which explores the severe downside risk of costs from weather extremes, using a probabilistic modelling framework from MSCI. This scenario was selected to provide a worst-case scenario view from a Physical CVaR perspective.

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