

Global Innovation team: Integration of Sustainability Risk

The management of sustainability risks and integration of sustainability considerations into investment selection forms a part of the due diligence process implemented by the Investment Adviser.

Sustainability risk is identified, monitored and managed by the Investment Adviser by grading each of the potential investments identified using its bottom-up investment process against sustainability risk and to identify whether it is vulnerable to such risk. The Investment Adviser identifies key risks (including sustainability risk) for each company using data from company reports and disclosures, industry analysis, expert networks and ESG research. Risks are classified into six areas: i) innovation, ii) barriers & disruption, iii) management & governance, iv) financial, v) environmental and vi) social.

The Investment Adviser also incorporates exclusion policies for certain factors such as controversial weapons whereby potential investments are removed from the investment universe on the basis that they pose too great a sustainability risk to the Fund.

Where a high-risk level has been determined based on the assessment of risks as above, the Investment Adviser will engage with the company to better understand the risks in question and, where appropriate, encourage mitigation.

The risk assessment is updated quarterly to ensure new information that may impact the risks associated with a company are incorporated.

No sustainability analysis is undertaken for other assets (outside of equity securities) that the Fund may hold from time to time in accordance with its investment policy, such as for example collective investment schemes, cash and Money Market Instruments.

While no guarantee can be made, the Investment Adviser expects limited negative impact from the materialisation of sustainability risk on the returns of the Fund due to the monitoring and management of sustainability risk as described above.

The Investment Adviser may use ESG information from third party data providers to assist in understanding the sustainability risks of a proposed investment. The Investment Adviser also conducts its own fundamental analysis on each potential investment to further assess the adequacy of the ESG programmes and practices of a company to manage the sustainability risk it faces.

The process may, in certain circumstances, result in the Fund holding securities which are rated below average in respect of ESG criteria assessed by third party providers for ESG purposes where the Investment Adviser believes that the third party ESG rating either does not adequately reflect the position of the relevant company, or has failed to capture recent positive sustainability-related changes that the company has implemented.

Furthermore, some companies may not be rated or covered by data providers and may publish little or no information on their ESG policies and sustainability risks, and in these cases the Investment Adviser's scope for analysis of sustainability risk may be more limited. Depending on the availability of data, the Investment Adviser may decide to exclude such companies from the Fund's investment universe.

Please refer to "Sustainability Risk" as outlined in the section of the Liontrust Global Funds PLC Prospectus entitled "RISK FACTORS" for further information.

This document is issued by Liontrust Investment Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518552) to undertake regulated investment business.