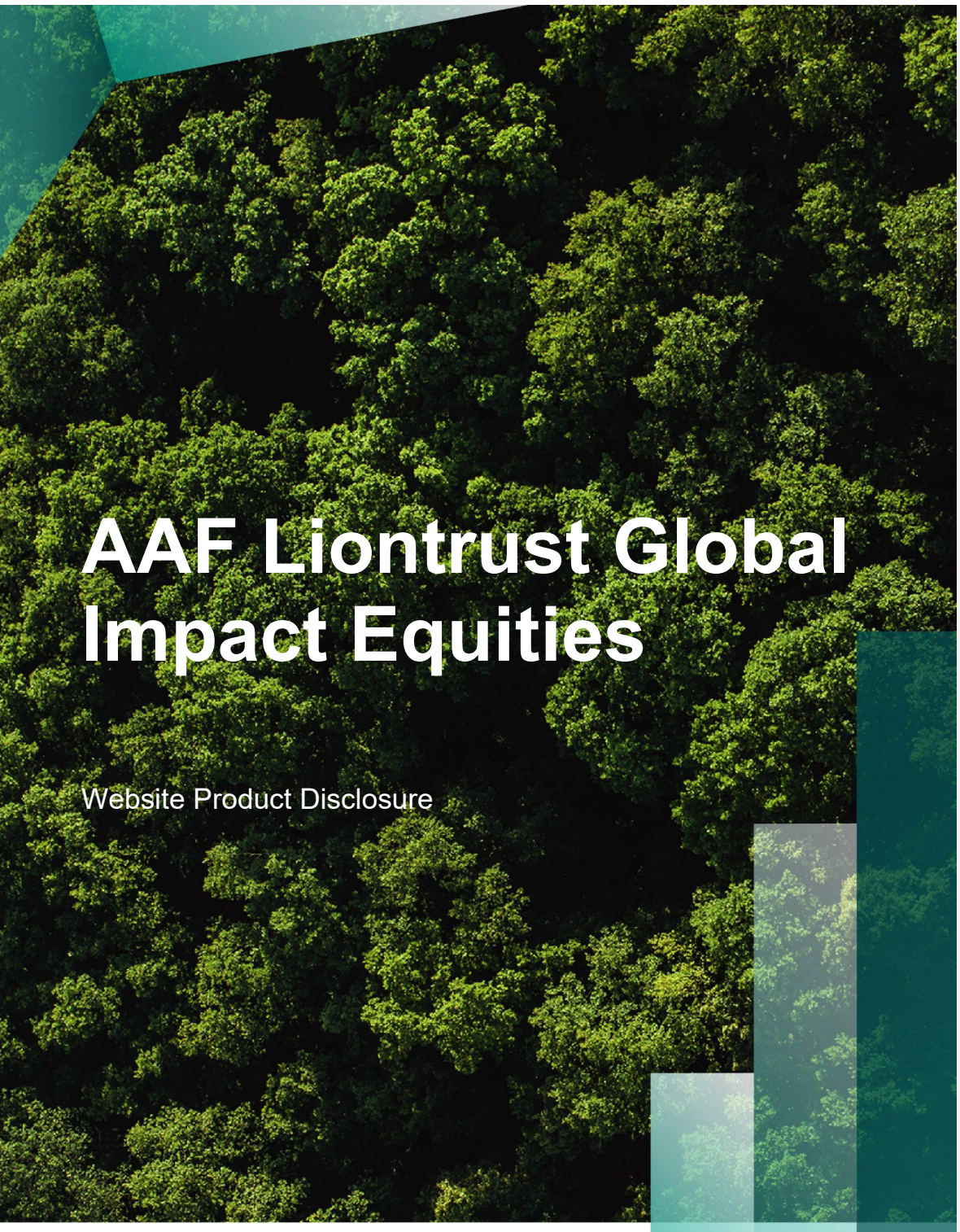


AAF Liontrust Global Impact Equities

Website Product Disclosure

ABN·AMRO Investment Solutions

Summary

Sustainable investment objective & DNSH

The Sub-Fund follows a multi-thematic sustainable investment strategy. The portfolio will be composed of issuers positively exposed to three long-term sustainable themes, namely (i) better resource efficiency, (ii) improved health, as well as (iii) greater safety and resilience.
The environmental sustainable investment objective of the Sub-Fund is to invest in businesses which support the goal of net zero greenhouse gas emissions by 2050, in line with the External Investment Manager's Net-Zero Asset Managers Initiative (NZAM) commitment and the goals of the Paris Agreement. In addition, as part of its social sustainable investment objective, the Sub-Fund invests in companies contributing positively to social solutions.
To define the sustainable investment universe, a "pass-fail" approach is used using a set of criteria. The "Do Not Significant Harm" (DNSH) principle is always applied on the entire investment universe and is compiled by taking into account adverse impacts indicators listed in the Delegated Regulation (EU) 2022/1288 of 6 April 2022.

Investment Strategy

The Sub-Fund uses a combination of financial and non-financial indicators to identify securities. The sustainability criteria are designed to identify companies with strong environmental and social thematic exposures. The Sub-Fund will be composed of issuers exposed to three long term mega trends, namely (i) better resource efficiency, (ii) improved health, as well as (iii) greater safety and resilience. The External Investment Manager ultimately seeks to invest in the economy of the future and has identified 21 sustainable themes that contribute in different ways to a cleaner, healthier and safer planet and which are connected to the three broader mega trends.

While a company must derive more than 50% of the value of its business directly from a theme, the External Investment Manager assesses how sustainable the rest of its activities are. For each business, the External Investment Manager determines the key ESG factors that are important indicators of future success and assess how well these are managed via the External Investment Manager's proprietary tool: the Sustainability Matrix. Every company held in the Sub-Fund is given a Matrix rating, which analyses the following two dimensional aspects: Product sustainability (rated from A to E), and Management quality (rated from 1 to 5). Only companies which are rated A1-4, and B1-4 will be considered suitable for this Sub-Fund.

Proportion of investment

The Sub-Fund invests at least 90% of its net assets in assets that have been determined as "eligible" as per the sustainable investment process in place, hence in investments that are defined as sustainable. The External Investment Manager's proprietary sustainable analysis covers 100% of the sustainable investments. Sustainable investments include a minimum of 35% assets with environmental objectives and 35% with social objectives. Investments with environmental objectives are made in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy.

Monitoring of the sustainable investment objective

The sustainable investment objective and sustainability indicators are integrated into the investment decision process by the investment team of the External Investment Manager by using a combination of screening, thematic analysis, and sustainability analysis using the investment team's proprietary sustainability matrix. These are all binding aspects of the investment process developed by the investment team over the life of the strategy. Sustainability risk is identified, monitored and managed by the investment team.
The investment team monitors the sustainability and management quality ratings of the companies and issuers on an ongoing basis. Individual investments are also reviewed annually or sooner if there is significant change. The second line of defence monitors the exposure of the Sub-Fund. Oversight that is independent of the investment team will monitor progress on this commitment when this commitment is formalised in 2023. The External Investment Manager intends to disclose this publicly within their sustainability report (which is updated every six months).

Data sources and processing

The Management Company uses the external data provider ISS as the source of data to measure the attainment of the Sub-Fund's sustainable investment objective. The External Investment Manager's approach is reliant on developing a deep understanding of the prospects of investee companies and is a research-intensive process. There are multiple and diverse sources of research, Advisory Committee, Academic Institutions, ESG Research Providers, Meetings with company management and site visits, Expert networks, Independent research providers and Sell-side research. All the above feed into their sustainability matrix rating. Because of this approach, investment team members engage with companies across a broad range of issues such as screening criteria, sustainable investment themes and company specific ESG governance issues. All companies in the Sub-Fund are identified using a fully integrated approach.
The Management Company uses ISS to measure the contribution to UN Sustainable Development Goals of the Sub-Fund using the Overall SDG Score data solution. And to monitor the greenhouse gas emission reduction target of the Sub-Fund, the Management Company uses the Climate GHG Reduction Targets of ISS.

Due diligence

The Management Company carries out due diligences for the selection and monitoring of externally managed strategies. The Manager Due Diligence (MDD) and ESG teams are actively carrying out due diligences on the underlying assets of the Sub-Fund. For all strategies, MDD analysts assess the External Investment Manager's commitment to and transparency on sustainable investing. They also assess to what extent, and at what stages, ESG criteria are integrated into the investment strategies and effectively considered in the investment process and the portfolio. The Management Company's in-depth analysis is based on a "5-P approach": Parent, People, Process, Portfolio and Performance. Each of the previously outlined aspects is evaluated and ultimately leads to a final rating of the strategy. As part of the monitoring process, the MDD team reviews the performance of the strategy on a monthly basis to ensure that it remains aligned with the investment style of the portfolio. In addition, the MDD analysts have quarterly meetings with the portfolio managers to discuss recent performance as well as recent transactions to ensure alignment with the initially selected investment and sustainability philosophy.

The ESG team supports the MDD team in reviewing the process and methodologies of the External Investment Manager when considering ESG and sustainability issues. The ESG team monitors the Sub-Fund's and its underlying investments' characteristics and performance related to the sustainable investment objective and indicators. The ESG team is also responsible for periodically reviewing and updating the exclusion lists. The team also ensures the proper understanding and implementation of regulatory requirements on green finance throughout the entire product range.

DNSH No significant harm to the sustainable objective

The "Do No Significant Harm" (DNSH) principle is compiled by taking into account adverse impacts indicators listed in the Delegated Regulation (EU) 2022/1288 of 6 April 2022. The Sub-Fund takes into consideration (for some of them using proxies) all the mandatory adverse impact indicators listed in Table 1 of Annex 1 that are applicable to investee companies. In addition, the Sub-Fund takes into consideration PAI No. 4 in Table 2 of Annex 1, applicable to investee companies, relating to investments in companies without carbon reduction initiatives. The Sub-Fund also takes into consideration PAI No. 15 of Table 3 of Annex 1, applicable to investee companies, relating to the lack of anti-corruption and anti-bribery policies. The Sub-Fund considers adverse impacts of its investments on society and the environment through a combination of portfolio management decisions, engagement, and exclusions of issuers associated with controversial conduct or activities.

Table 1		
1	GHG Emissions	Portfolio management decisions
2	Carbon Footprint	Portfolio management decisions
3	GHG Intensity of investee companies	Portfolio management decisions
4	Exposure to companies active in the fossil fuel sector	Portfolio management decisions
5	Share of non-renewable energy consumption and production	Portfolio management decisions
6	Energy consumption intensity per high impact climate sector	Portfolio management decisions
7	Activities negatively affecting biodiversity sensitive areas	Portfolio management decisions
8	Emissions to water	Portfolio management decisions
9	Hazardous waste and radioactive waste ratio	Portfolio management decisions
10	Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Exclusion
11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Portfolio management decisions
12	Unadjusted gender pay gap	Portfolio management decisions
13	Board gender diversity	Portfolio management decisions
14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Exclusion
Table 2		
4	Investments in companies without carbon emission reduction initiatives	Portfolio management decisions and engagement activities
Table 3		
15	Lack of anti-corruption and anti-bribery policies	Portfolio management decisions and exclusions

Commenté [LR1]: As per the updated PCT.

The Sub-Fund's sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set forth in the 8 “fundamental” conventions identified in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work (covering subjects considered to be fundamental principles and rights at work, e.g., freedom of association and the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation) and the International Bill of Human Rights.

Sustainable investment objective of the financial product

The Sub-Fund follows a multi-thematic sustainable investment strategy. The Sub-Fund will be composed of issuers which are positively exposed to three long-term sustainable themes such as (i) better resource efficiency, (ii) improved health as well as (iii) greater safety and resilience.

The environmental sustainable investment objective of the Sub-Fund is to invest in businesses which support the goal of net zero greenhouse gas emissions by 2050, in line with the External Investment Manager's Net-Zero Asset Managers Initiative (NZAM) commitment and the goals of the Paris Agreement. The practical working assumption is based on the Intergovernmental Panel on Climate Change (IPCC) analysis conclusion that to meet the Paris Agreement (to stay below 2 degrees centigrade ideally 1.5 degrees centigrade) of global warming we must reach net zero emissions by 2050. To achieve this the Sub-Fund will reduce absolute emissions by 50% between 2020 and 2030, and a further 50% between 2030 and 2040 and a further 50% by 2050. This includes front-loaded absolute emission reduction targets (25% reduction by 2025 versus 2019 and 50% by 2030), as well as discouraging use of offsets in the investment manager's engagement with companies. This is measured through a number of different metrics to capture the multi-faceted aim of investing in companies consistent with climate change goals. This includes: exposure to companies reducing emissions (solution providers), the Sub-Fund's exposure to companies, carbon foot-printing that is consistent with the External Investment Manager's NZAMI commitment. The approach is in line with the expectations of the Commission Delegated Regulation (EU) 2020/1818 relating to GHG scopes, calculation methodologies and exclusions. In addition, as part of its social sustainable investment objective, the Sub-Fund invests in companies contributing positively to social solutions. To define the sustainable investment universe, a "pass-fail" approach is used using a set of criteria. The DNSH principle is always applied on the entire investment universe.

No reference benchmark has been designated for the purpose of attaining the sustainable objectives followed by the Sub-Fund.

Investment Strategy

Description of the strategy

The Sub-Fund uses a combination of financial and non-financial indicators to identify securities. The sustainability criteria are designed to identify companies with strong environmental and social thematic exposures. The Sub-Fund follows a multi-thematic sustainable approach. The Sub-Fund will be composed of issuers exposed to three long term mega trends, namely better resource efficiency, improved health as well as greater safety and resilience. The External Investment Manager ultimately seeks to invest in the economy of the future and has identified 21 sustainable themes that contribute in different ways to a cleaner, healthier and safer planet and which are connected to the three broader mega trends.

Better resource efficiency	Improved health	Greater safety and resilience
• Improving the efficiency of energy use • Improving the management of water • Increasing electricity generation from renewable sources • Improving the resource efficiency of industrial and agricultural processes • Delivering a circular materials economy • Making transportation more efficient	• Providing affordable healthcare • Connecting people • Delivering healthier foods • Building better cities • Providing education • Enabling innovation in healthcare • Enabling healthier lifestyles • Encouraging sustainable leisure	• Increasing financial resilience • Saving for the future • Ensuring a sustainable economy • Leading ESG management • Improving transport safety • Enhancing digital security • Better monitoring of supply chains and quality control

While a company must derive more than 50% of the value of its business directly from a theme, the External Investment Manager assesses how sustainable the rest of its activities are. For each business, the External Investment Manager determines the key ESG factors that are important indicators of future success and assess how well these are managed via the External Investment Manager proprietary tool named the Sustainability Matrix. Every company held in the Sub-Fund is given a Matrix rating, which analyses the following two dimensional aspects:

- Product sustainability (rated from A to E): Assesses the extent to which a company's core business helps or harms society and/or the environment. An A rating indicates a company whose products or services contribute to sustainable development (via our investment themes); an E rating indicates a company whose core business is in a conflict with sustainable development (such as tobacco or very polluting activities such as coal fired electricity generation).
- Management quality (rated from 1 to 5): Assesses whether a company has appropriate structures, policies and practices in place for managing its ESG risks and impacts. Management quality in relation to the risks and opportunities represented by potentially material ESG issues are graded from 1 (excellent) to 5 (very poor).

Only companies which are rated A1-4, and B1-4 will be considered suitable for this Sub-Fund.

Engagement is also a key pillar of the External Investment Manager's approach. The External Investment Manager identifies three types of engagement: reactive, proactive and collaborative. Reactive engagement is initiated at the request of the External Investment Manager as a result of questions or concerns arising from the initial analysis of ESG issues, ongoing monitoring of holdings, emerging issues or controversies. Engagement also occurs at the request of a company (e.g., by providing feedback or advice on ESG initiatives). For proactive engagement, the External Investment Manager sets targets each year.

Good governance

As part of its "Good Governance Policy", the Management Company of the Sub-Fund determines if a company does not follow good governance practices. Companies that do not follow good governance practices are excluded from the initial investment universe of the Sub-Fund and will fall in the Good Governance exclusion List. The Good Governance principles, integrated into the AAIS "exclusion policy" are data driven and qualitative in nature. For purposes of the Good Governance test, the Management Company has defined criteria related to widely recognized industry- established norms, as set forth below:

SFDR Component	Indicator	Exclusion Criteria	Description
Sound Management Structure	UN Global Compact - Principle 10	Watchlist and Non-Compliant status	Principle 10 of the UN Global Compact is related to anti-bribery and corruption and states businesses should work against corruption in all its forms, including extortion and bribery.
	Governance controversy assessment	High & Severe Levels	As part of the controversy assessment, the following topics are included: accounting irregularities, bribery and corruption, anti-competitive practices, sanctions as well as board composition.
Employee Relations	UN Global Compact – Principles 3, 4, 5 and 6	Watchlist and Non-Compliant status	Principle 3, 4, 5 and 6 of the UN Global Compact are related to labour conditions. The principles state that businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.
	Social Controversy Assessment	High & Severe Levels	As part of the controversy assessment, the following topics are included: freedom of association, child/forced labour, health and safety, community relations, respect of human rights, labour standards, discrimination and harassment.

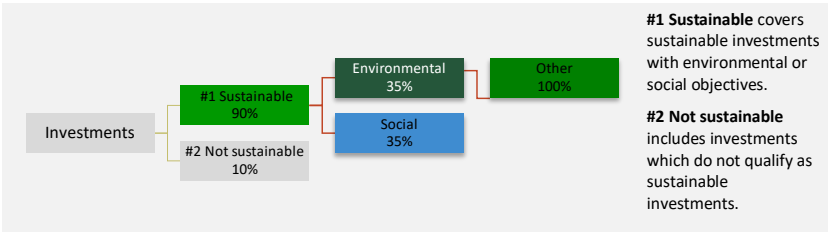
Tax Compliance	Governance Controversy Assessment	High & Severe Levels	As part of the controversy assessment, taxes avoidance and evasion are taken into consideration.
Remuneration of Staff	Governance Controversy Assessment	High & Severe Levels	As part of the controversy assessment, remuneration is taken into consideration.

The External Investment Manager's assessment of good governance is systematically included in the research for each company as part of the decision on whether the business meets the requirements to be eligible for the Sub-Fund through the Sustainability matrix. The assessment of the quality of management by the External Investment Manager includes the evaluation of the following elements: inter alia board structure, independence of board, key committees and auditors, stakeholder relationships including staff, customers and suppliers, pay alignment of board and staff with good business results. The External Investment Manager acknowledges different geographical contexts and what is good governance practice in the relevant region.

Proportion of investments

The Sub-Fund invests at least 90% of its net assets in assets that have been determined as "eligible" as per the sustainable investment process in place, hence in investments that are defined as sustainable (#1 Sustainable). The External Investment Manager's proprietary sustainable analysis covers 100% of the "#1 Sustainable" investments. "#1 Sustainable" investments include a minimum of 35% assets with environmental objectives and 35% with social objectives. Investments with environmental objectives are made in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy.

Up to 10% of the investments are not aligned with these characteristics (#2 Not Sustainable). "#2 Not Sustainable" includes derivatives, bank deposits at sight, including cash held in current accounts with a bank accessible at any time. These are used for investment or hedging purpose as a technique of portfolio management efficiency. The proportion and use of investments that are considered as not sustainable does not affect the delivery of the sustainable investment objective, as these investments are neutral to such objective. Besides, minimum environmental or social safeguards are only applied to the underlying investments when relevant. The nature of these assets does not undermine the sustainable objectives pursued by the Sub-Fund. A more detailed description of the specific asset allocation of this Sub-Fund can be found in the prospectus of this Sub-Fund.



Monitoring of the sustainable investment objective

The sustainable investment objective and sustainability indicators are integrated into the investment decision process by the investment team of the External Investment Manager by using a combination of screening, thematic analysis, and sustainability analysis. The investment team monitors the sustainability and management quality ratings of the companies and issuers on an ongoing basis. Individual investments are also reviewed annually or sooner if there is significant change.

The attainment of the sustainable investment objectives is assessed by investing in securities financing economic activities that substantially contribute to the environmental and/or social objectives that link in with the multi-thematic sustainable investment strategy, including positive and negative screening and taking account of the blacklist provided by the Management Company, which is hard-coded into the trading system, blocking the ability to purchase any companies on the list.

Eligibility of businesses are:

1. Thoroughly assessed and agreed by the investment team before investing – this is encapsulated in the sustainability matrix rating.
2. Checked for consistency with the External Investment Manager's publicly stated screening criteria by an independent specialist third party (Ethical Screening) and monitored quarterly.
3. Independently of the investment team their risk team monitors and ensures:
    a. They are not holding any companies with an ineligible matrix rating for a given fund.
    b. Screening criteria are met and quarterly audits are checked.
    c. Where appropriate, any black list is included in pre-trade.
    d. In the event of a company they are invested in becomes not-eligible; either as a result of a change to a) or b); they will divest from the stock. In the case of a change in c) where it appears on the black list, they will discuss this with the Management Company and if no exemption is given, will divest from the stock in a reasonable timeframe given liquidity constraints.

The Sub-Fund holdings are reviewed by the independent Advisory Committee and they can raise any issues regarding holdings in the Sub-Fund. While this is advisory, it does prompt additional research and can result in a change of whether a business is eligible for the Sub-Fund.

The External Investment Manager uses MSCI ESG as Third party data to target 25% less scope 1+2 emissions by 2025 and 50% less by 2030 as compared to index in Sub-Fund to be aligned with the Net Zero Asset Managers' guidelines. The second line of defence monitors the exposure of the Sub-Fund. Oversight that is independent of the investment team will monitor progress on this commitment when this commitment is formalised in 2023.

Methodologies

The attainment of the sustainable investment objectives is assessed by investing in securities financing economic activities that substantially contribute to the environmental and/or social objectives mentioned above. To define the sustainable investment universe, a "pass-fail" approach is used using a set of criteria. No other criteria than the ones mentioned below are used to define the sustainable investment nature of an investment. The DNSH principle is always applied on the entire investment universe. To be eligible to the investment universe, the Management Company uses the below criteria:

- Having a greenhouse gas emission reduction target. The criterion is sourced from the external data provider ISS and differentiates an issuer's targets as "No Target", "Non-Ambitious Target", "Ambitious Target", "Committed Science Based Target (SBT)", or "Approved Science Based target (SBT)" based on the existence and quality of greenhouse gas emissions reduction targets.

- Being aligned with the International Energy Agency (IEA) Sustainable Development Scenario (SDS) for the full analysed period (until 2050). The criterion is sourced from the external data provider ISS and identifies the year in which the company estimated future carbon emissions are non-longer aligned with the issuer's estimated carbon emissions budget required to be aligned with the IEA SDS.
- Having a net positive aggregated Overall SDG Score (by reference to the Sustainable Development Goals). This criterion, sourced from the external data provider ISS, assesses the overall, aggregated impact (positive and negative netting) of an issuer's product portfolio on the achievement of sustainability objectives. For corporate issuers the SDG Solutions Score considers only the most distinct objectives scores, i.e., the highest positive and/or the lowest negative score, based on contributing and obstructing impacts on sustainability objectives. The SDG Solutions Score is calculated as the sum of the highest positive and the lowest negative objective score and ranges on a scale from -10.0 to 10.0.
- Exposure to companies that do not meet the above criteria, but for which there is (i) a path of engagement with the company that could lead to meeting one or more of these criteria or (ii) a differentiated view of the company's impact assessment leveraging the External Investment Manager's proprietary methodology.

Data sources and processing

The External Investment Manager uses diverse sources of research. These research inputs provide a foundation to the assessment by each analyst. The analysis and recommendation itself is always formed by the relevant team member. All the below mentioned sources feed into the External Investment Manager sustainability matrix rating.

- **Advisory Committee:** guides on themes and new challenges and opportunities facing companies.
- **Academic Institutions:** Cambridge Institute for Sustainability Leadership to develop longer term thinking and to refine the set of themes.
- **ESG Research Providers:** the External Investment Manager currently uses MSCI (i.e. governance analysis, carbon analytics), ISS, Ethical Screening (specialist third-party ESG analysis provider who the External Investment Manager has a bespoke contract with to assess and monitor their holdings against their screening criteria), to help provide initial analysis of sustainability factors.
- **Meetings with company management and site visits:** the External Investment Manager aims to meet with investee company management at least twice a year to discuss longer term strategy, this involves travelling to the region the company is headquartered in.
- **Expert networks:** the External Investment Manager uses Guide point to arrange calls with independent experts in a particular sector,
- **Independent research providers:** the External Investment Manager pays for research from selected research providers who are unconnected with corporate finance or broking.
- **Sell-side research:** Selected research is purchased to develop a broader understanding of industry sectors and to provide financial models of companies under analysis.

The Management Company uses the external data provider ISS as the source of data to measure the attainment of the Sub-Fund's sustainable investment objective.

- ISS is used to measure the Sub Fund's alignment with the Paris Agreement. ISS's scenario alignment data solution, which is based on the International Energy Agency's sustainable development scenario, is used. The data solution is based on three climate scenarios provided by the International Energy Agency (IEA). The IEA provides different scenarios, including the Sustainable Development Scenario (SDS). Each scenario includes a certain level of carbon budget and temperature increase in 2050. A carbon budget specifies the amount of fossil carbon that can be combusted worldwide to stay within a certain temperature. The Management Company and the External Investment Manager measure the achievement of alignment with the Paris Agreement using the SDS scenario that is fully aligned with the Paris Agreement.

- ISS is used to measure the positive contribution to UN Sustainable Development Goals of the Sub-Fund using the Overall SDG Score data solution. The solution measures the positive and negative sustainability impacts of companies' product and services portfolios. The solution follows a thematic approach that encompasses distinct sustainability objective using the United Nations Sustainable Development Goals (SDGs) as a reference framework. The solution focus is in assessing to what extent companies are making use of existing and emerging opportunities to contribution to the achievement of global sustainability objectives by offering innovative product and services with a positive real-life impact.

In addition to the aforementioned data solutions utilized, the Management Company assesses the sustainability characteristics of the Sub-Fund's constituents using the external data provider Sustainalytics. The Management Company uses Sustainalytics for ESG risk scores, controversies, product involvement as well as alignment with global standards (e.g. OECD Guidelines for Multinational Enterprises).

Both the Management Company and the External Investment Manager have a thorough data provider selection process in place. After selection the Management Company and the External Investment Manager remain in continuous dialogue with the data providers on the quality of the data, the companies for which data is available and the need for additional data to support the investment decisions. Both the Management Company and the External Investment Manager ensure access to source data via the data providers' web portals or in their respective data management systems feeding the appropriate analysis tools.

Limitations to methodologies and data

The methodologies and data used have the following limitations:

- Data quality: The External Investment Manager's approach is based on a qualitative analysis of a company's sustainability credentials. The methodology is subject to limitations, including reliance on the quality of data provided by investee companies or third-party research providers.
- Coverage: The External Investment Manager's team of ESG analysts is not staffed to cover the entire investment universe and methodological limitations exist. In addition, with respect to external data providers, although the number of companies covered by data providers has increased significantly over time, and continues to increase, there may be instances where a specific company is not assessed by them. This is because either the data provider does not cover the company in question, or the company has not provided the data necessary for a proper assessment by the data provider.
- Discrepancy in ratings: The External Investment Manager obtains its data from different data providers that have different methodologies for assessing ESG performance. The result of their assessment is to some extent subjective and inconsistent.
- Estimated data: Not all data points are reported data and some of the data used are estimated. For example, in the case of climate or ESG ratings, some of the more technical calculations are based on estimated data (e.g. Paris Agreement alignment).

Due diligence

The Management Company carries out due diligences for the selection and monitoring of externally managed strategies. The Manager Due Diligence (MDD) and ESG teams are actively carrying out due diligences on the underlying assets of the Sub-Fund.

- The MDD team identifies and selects high quality external investment strategies and monitors the universe of approved strategies. The MDD analyst team focuses on all investment and sustainability-related elements of an investment strategy, such as organization, team, investment, portfolio construction, process, track record, etc. MDD's research reports include a thorough sustainability due diligence and a separate sustainability rating.
  For all strategies, MDD analysts assess the External Investment Manager's commitment to and transparency on sustainable investing. They also assess to what extent, and at what stages, ESG criteria are integrated into the investment strategies and effectively considered in the investment process and the portfolio. This analysis is carried out by means of a questionnaire sent via the Management Company's proprietary platform, Deeligenz, as well as during meetings with the professionals involved in the strategy (e.g., portfolio managers, financial analysts, ESG analysts, management team, etc.). The Management Company's in-depth analysis is based on a "5-P approach": Parent, People, Process, Portfolio and Performance. Each of the previously outlined aspects is evaluated and ultimately leads to a final rating of the strategy.
  As part of the monitoring process, the MDD team reviews the performance of the strategy on a monthly basis to ensure that it remains aligned with the investment style of the portfolio. The MDD team has the transparency and regularly monitors the delegated strategy's portfolio. ESG ratings and other sustainable characteristics of the portfolio's underlying assets are monitored regularly. In addition, the MDD analysts have quarterly meetings with the portfolio managers to discuss recent performance as well as recent transactions to ensure alignment with the initially selected investment and sustainability philosophy. To prepare for the meeting, MDD analysts send out a monitoring questionnaire using the Management Company's proprietary platform, Deeligenz, with questions related to the portfolio, performance, and sustainability. During the calls, the External Investment Manager clarifies if there have been any changes in the team and processes. Analysts and investment managers also discuss their recent engagements and milestones during the period. In addition, the MDD analysts monitor any significant events that may affect the delegated portfolio managers, e.g., with respect to their investments, financial and ESG analysts, investment process, capacity for engagement. Each significant change may affect the strategy's rating based on the 5-Ps, which may lead to a change in the strategy's ratings, including the sustainability rating.

- The ESG team supports the MDD team in reviewing the process and methodologies implemented by the External Investment Manager when considering ESG and sustainability issues. The ESG team provides qualitative feedback during the mandate selection phase and supports the MDD team throughout its analysis process, using the “5-P approach” aforementioned. In addition, during the monitoring phase, the ESG team will monitor the Sub-Fund’s characteristics and performance related to the sustainable investment objective initially defined. The ESG team will also monitor the Sub-Fund's underlying investments against the overall sustainable investment objective, as well as the sustainability indicators for all of the Sub-Fund's holdings. If a holding is identified as not meeting the sustainability characteristics of the Sub-Fund, the ESG team will further investigate the issue through an internal analysis. If the ESG team considers the risk to be insubstantial, it may permit the External Investment Manager to maintain its position in the holding. In addition, the ESG team is responsible for periodically reviewing the exclusion lists, assessing the relevance of the latest ESG information regarding restricted companies and updating the lists accordingly, thereby adjusting the portfolios. The ESG team also ensures the proper understanding and implementation of regulatory requirements on green finance, such as SFDR, RTS or Taxonomy, throughout the entire product range. Lastly, the ESG team is responsible for the sustainable labeling of the Management Company's product range. Overall, the ESG team plays a very transversal role in the Management Company's organization, as ESG is at the heart of its investment strategy.

Engagement policies

As part of its sub-advisory business model, the Management Company delegates responsibility for engagement to the selected External Investment Manager. However, the Management Company does not delegate all stewardship activities and is responsible for proxy voting. The External Investment Manager may act as an advisor and guide the Management Company on specific issues that it engages with specific companies. Even when advised, the Management Company remains the final decision maker for the proxy vote.

Active engagement is an important and integrated part of the External Investment Manager's investment process. The External Investment Manager holds regular meetings with the top management of companies to discuss strategy, sustainability and performance, and to review management performance against best practice. The investment team also conducts sustainability research alongside traditional financial and business fundamental analysis, in order to identify material issues. In that regard, two types of engagement methods are used:

- Proactive: based on the main trends and investment opportunities in the sectors invested, the External Investment Manager prioritises proactive engagement on the issues that are material to earnings. The Advisory Committee advises on the engagement strategy and prioritisation. Finally, the team assesses the holdings' position on these issues and, where appropriate, pursues engagement. The progress on engagement priorities is assessed monthly, and details of exchanges are recorded internally.
- Reactive: the External Investment Manager ensures that companies adhere to best practices and meet its screening and governance criteria. When companies are identified as involved in business practices that are of concern, the External Investment Manager will engage to verify that the issues are being managed effectively. The team identifies the person(s) able to deal with its concerns, keeps records of correspondence and may schedule follow-up meetings to monitor progress.

When the engagement with a company stalls, and the team believes that value is threatened, it can escalate the engagement by reaching out to the Chairman of the Board, or the senior independent director. If the answer is deemed unsatisfactory, the team will assess the issue's potential impact, then look at a range of options: selling the shares, doing a joint intervention with other shareholders, or publicly opposing to the management of the company.

For more information, please refer to the External Investment Manager's website: https://www.liontrust.co.uk/

Attainment of the sustainable investment objective

No specific ESG-related index has been designated for this Sub-Fund.