



LINDSELL TRAIN

Task Force on Climate-related Financial Disclosures Report

Lindsell Train North American Equity Fund

Report Benchmark: MSCI North American Index

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Reporting period –
Calendar year 2024

Introduction

Lindsell Train Limited (“Lindsell Train”) has been a public supporter of the Financial Stability Boards (FSB) Taskforce on Climate related Financial Disclosures (TCFD) since 2021, believing the TCFD framework offers a practical way of explaining our approach to integrating climate-related risks and opportunities.

Lindsell Train’s approach to climate change is integrated into our firm level governance and risk management structures. Further, as Lindsell Train deploys only one investment philosophy, with one investment team, the integration of climate related risk into the investment process is consistent across all products managed at the firm. As a result, the fund’s approach to Governance, Strategy and Risk Management does not materially deviate from Lindsell Train’s firm level approach and we would therefore refer users to our entity level [TCFD Report](#).

Glossary of Terms

Total emissions: The absolute greenhouse gas emissions of a portfolio, expressed in metric tonnes of CO2 equivalent, categorised into Scope 1, Scope 2 or Scope 3.

Scope 1: Emissions that occur from sources owned or controlled by the reporting issuer, expressed in tCO2e (metric tonnes of CO2 equivalent).

Scope 2: Indirect emissions from the consumption of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company, expressed in tCO2e (metric tonnes of CO2 equivalent).

Scope 3: Indirect emissions not included in Scope 2 that occur in the value chain of the reporting company. This includes emissions from transportation of goods and services, use of sold products and services, and other upstream and downstream activities in the value chain, expressed in tCO2e (metric tonnes of CO2 equivalent).

Enterprise Value Including Cash (EVIC): Enterprise value including cash or "EVIC" means the sum of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents.

Market Capitalisation: Total value of a company's outstanding shares of stock.

Total Emissions - Fund Value by Market Capitalisation:

The absolute greenhouse gas emissions attributed to the fund, expressed in metric tonnes of CO2 equivalent. Emissions are categorised into Scope 1, Scope 2 or Scope 3. Attribution to the fund is based on the proportion of the company's market capitalisation that the fund owns.

$$= \sum ((\text{current value of fund investment} / \text{market capitalisation of company}) \times \text{company emissions})$$

Total Emissions - Fund Value by EVIC:

The absolute greenhouse gas emissions attributed to the fund, expressed in metric tonnes of CO2 equivalent. Emissions are categorised into Scope 1, Scope 2 or Scope 3. Attribution to the fund is based on the proportion of the company's enterprise value including cash (EVIC) that the fund owns.

$$= \sum ((\text{current value of fund investment} / \text{EVIC of company}) \times \text{company emissions})$$

Fund Coverage: Proportion of the fund where reported emissions data is used for the calculation. Estimated data is not included in the coverage value.

Proportion of Estimated Data: Proportion of the fund where estimated emission data is used for emissions calculations.

Glossary of Terms

Total Emissions - Benchmark Value by EVIC:

The absolute greenhouse gas emissions attributed to the benchmark, expressed in metric tonnes of CO2 equivalent. Emissions are categorised into Scope 1, Scope 2 or Scope 3. Attribution to the benchmark is based on the proportion of the company's enterprise value including cash (EVIC) that the benchmark owns.

$$= \sum ((\text{Current value of benchmark position} / \text{EVIC of company}) \times \text{company emissions})$$

Benchmark Coverage: Proportion of the benchmark where reported emissions data is available for the calculation. Estimated data is not included within the coverage metric.

Carbon Footprint - Fund Value by Market Capitalisation:

Total carbon emissions attributed to the fund based on market capitalisation, divided by the market value of the portfolio, expressed in tonnes CO2e/£M invested. The carbon footprint measures the emissions of the fund generated for each pound invested and enables the reader to compare portfolios.

$$= \sum (\text{Total emissions attributed to fund by market capitalisation} / \text{current fund market value})$$

Carbon Footprint - Fund Value by EVIC:

Total carbon emissions attributed to the fund based on EVIC, divided by the market value of the portfolio, expressed in tonnes CO2e/£M invested. The carbon footprint measures the emissions of the fund generated for each pound invested and enables the reader to compare portfolios.

$$= \sum (\text{Total emissions attributed to fund by EVIC} / \text{current fund market value})$$

Carbon Footprint - Benchmark Value by EVIC:

Total carbon emissions attributed to the benchmark based on EVIC, divided by the market value of the benchmark portfolio, expressed in tonnes CO2e/£M invested. The carbon footprint measures the emissions of the benchmark generated for each pound invested and enables the reader to compare portfolios.

$$= \sum (\text{Total emissions attributed to benchmark by EVIC} / \text{current benchmark market value})$$

Weighted Average Carbon Intensity (WACI): Measures the exposure of the portfolio to carbon-intensive companies, expressed in tonnes of CO2 equivalent/£M revenue. By normalising emissions by revenues, WACI allows comparison of carbon efficiency across companies. Total emission data of each company is divided by the company's revenues, then multiplied based on the position weight in the portfolio, i.e. the current value of the investment divided by the current total market value of the fund.

$$= \sum [(\text{current value of investment} / \text{current fund market value}) \times (\text{company emissions} / \text{company £M revenue})]$$

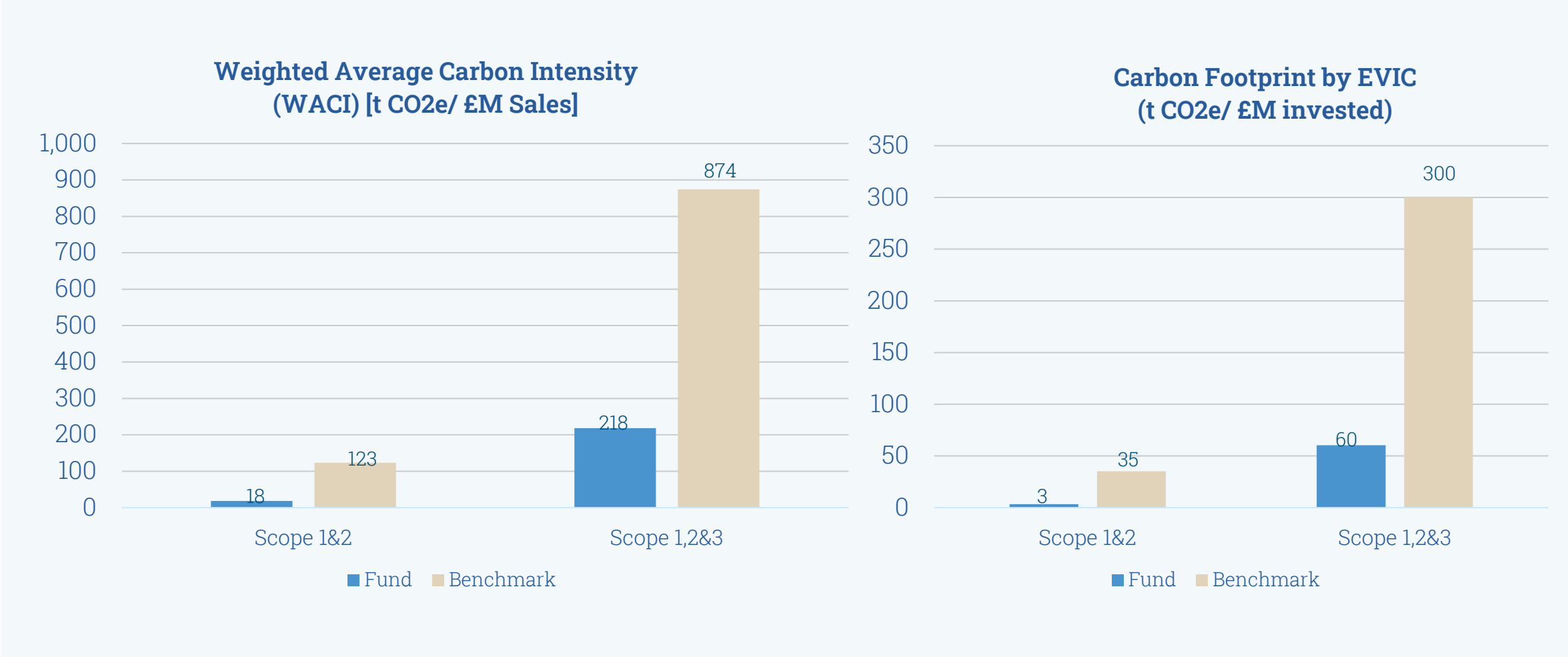
WS Lindsell Train North American Equity Fund

| Metric type | Fund Value by Market Capitalisation | Fund Value by EVIC | Fund Coverage | Proportion of Estimated Data | Benchmark Value by EVIC | Benchmark Coverage |
|---|-------------------------------------|--------------------|---------------|------------------------------|-------------------------|--------------------|
| Total emissions (tCO2e) – Scope 1&2 | 174 | 145 | 86.5% | 13.5% | 1,350,176,073 | 89.5% |
| Total emissions (tCO2e) – Scope 3 | 2,772 | 2,372 | 86.5% | 13.5% | 10,178,160,494 | 89.5% |
| Total emissions (tCO2e) – Scope 1,2&3 | 2,946 | 2,517 | 86.5% | 13.5% | 11,528,156,658 | 89.5% |
| Carbon Footprint (tCO2e/ £M invested) – Scope 1&2 | 4 | 3 | 86.5% | 13.5% | 35 | 89.5% |
| Carbon Footprint (tCO2e/ £M invested) – Scope 1,2&3 | 71 | 60 | 86.5% | 13.5% | 300 | 89.5% |

| Metric type | Fund Value | Fund Coverage | Proportion of Estimated Data | Benchmark Value | Benchmark Coverage |
|--|------------|---------------|------------------------------|-----------------|--------------------|
| Weighted Average Carbon Intensity (WACI) [tCO2e/ £M Sales] – Scope 1&2 | 18 | 86.5% | 13.5% | 123 | 94.7% |
| Weighted Average Carbon Intensity (WACI) [tCO2e/ £M Sales] – Scope 1,2&3 | 218 | 86.5% | 13.5% | 874 | 94.3% |

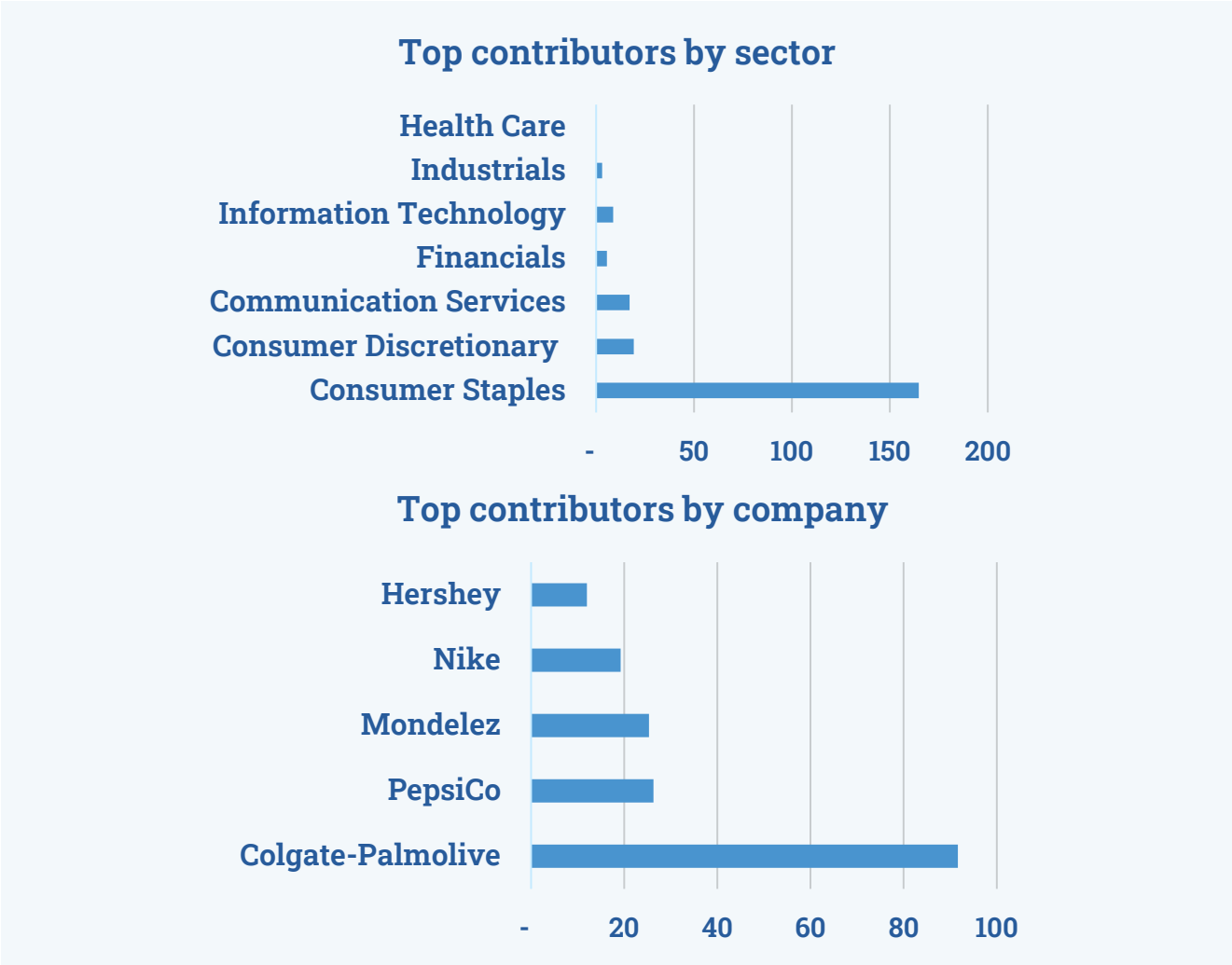
Source: Company Reports and Bloomberg for Fund data, Morningstar Direct for Benchmark data.

Fund WACI & Carbon Footprint Relative to Benchmark



Source: Company Reports and Bloomberg for Fund data, Morningstar Direct for Benchmark data.

Scope 1,2&3 WACI – Top Contributors



Source: Company Reports and Bloomberg.

Additional Insights – Net Zero Alignment

| Lindsell Train assessment of holdings' net zero alignment* | % Portfolio AUM |
|--|-----------------|
| Net zero | 0% |
| Aligned | 28% |
| Aligning | 49% |
| Committed to Aligning | 2% |
| Not Aligned | 21% |

* Lindsell Train undertakes an assessment each year of the alignment of its portfolio companies to a Net Zero pathway. This uses specific and comprehensive criteria to categorise the portfolio company into one of the categories listed within the table. This year, our assessment was conducted in alignment with NZIF 2.0, the updated Net Zero Investment Framework. A full description of the categories and criteria used to make the assessment can be found within the appendix of the Lindsell Train entity level [TCFD Report](#).

| Science-Based Targets alignment of holdings | Portfolio |
|--|-----------|
| % of total fund invested in companies who have committed to set targets approved by the Science-Based Targets Initiative | 70.9% |
| % of total fund invested in companies who have approved targets by the Science-Based Targets Initiative | 58.1% |

Climate Change Scenario Assessment

As the fund does not have concentrated exposures or high exposures to carbon intensive sectors, we have provided a qualitative assessment of how different scenarios may impact the underlying assets within the fund.

Physical Risks: Physical risks resulting from climate change can be acute (driven by an event such as a flood or storm) or chronic (arising from longer-term shifts in climate patterns), presenting increasing financial risks including damage to assets, interruption of operations, and disruption to supply chains.

Transition Risks: Transition risks are the risks associated with the transition to a lower-carbon economy. These are divided into four categories: policy and legal risk, technology risk, market risk and reputation risk.

It should also be noted that Lindsell Train focuses on companies listed in developed market exchanges including the UK, US, Japan, the Netherlands, France and Hong Kong. All of these geographies have made climate commitments in the form of 2050 net zero goals and hence our investee companies should achieve an orderly transition, guided by policy and regulation. However, should adequate progress not be achieved, policy responses may need to intensify nearer 2050 and hence the risks associated with a disorderly transition may escalate in the long-term.

1. Orderly Transition

Orderly transition scenarios assume climate policies are introduced early and become gradually more stringent, reaching global net zero CO2 emissions around 2050 and likely limiting global warming to below 2 degrees Celsius on pre-industrial averages. In such a scenario, transition risks and physical risks are relatively low.

2. Disorderly Transition

Disorderly transition scenarios assume 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 pre-industrial averages. In such a scenario, transition risks are at their highest, whilst physical risk remains moderate.

3. Hothouse World

Hothouse world scenarios assume only currently implemented policies are preserved, current commitments are not met and emissions continue to rise, with high physical risks alongside severe social and economic disruption and, ultimately, failure to limit temperature rise. Here projected temperature rises are expected to exceed 3 degrees Celsius by 2100 and as a consequence physical risk is at its highest, whilst transitional risk is lowered.

Climate Change Scenario Assessment

Fund Summary

Transition Risks

Our exposure to high-impact sectors, i.e., those with a higher carbon footprint, is limited on account of our bias towards capital-light and non-cyclical businesses, which naturally excludes a large proportion of higher emitting sectors. This gives us a “head start” in terms of managing our exposure to transition risk. That said, we are alert to the reputational, legal and technological risks facing our companies.

We have identified costs associated with navigating and responding to climate change regulation and although in the short term we would expect fines and litigation costs to be minimal for our companies, the likelihood of increased carbon taxes, plus the cost of carbon offsets, will likely be a more material financial risk in the lead-up to net zero target date. We believe that companies paying attention to, and investing resources into, their readiness for these shifts are likely to be better positioned for the future, and so we scrutinize our portfolio companies for evidence that this is happening. As regulation and taxes bed in, we expect greater costs associated with R&D, technological advancement and costs of fines and litigation. We are also acutely aware of the reputational risks associated with the demands of an increasingly educated and discerning consumer – and the growing emphasis placed on environmental concerns when selecting brands and products.

Physical Risks

The capital-light nature, and geographic domicile, of the majority of our investments means that the risks posed by physical risks (e.g., severe weather conditions or rising sea levels) are generally low. However, as we consider risk on a company-by-company basis we do capture in our proprietary database, Sentinel, instances of highly specific physical risk e.g. the luxury and consumer goods companies in our portfolios typically have long global supply chains and therefore have some exposure to physical risk in certain manufacturing or operational locations. We have also identified a small number of companies that could be exposed to damage by extreme weather events, for example where data centres may theoretically be vulnerable to overheating, where shifts in weather patterns could interfere with crop (for example cocoa or barley) production or present supply chain interruptions, or where a company could be exposed to rising sea levels.

Methodological and Data Assumptions

Data accuracy and consistency

Whilst we make every effort to source complete and accurate data, there are instances where we are required to rely on estimated data. Additionally, it should be noted that issuers' carbon emissions data can be inconsistent across sectors and regions. Most greenhouse gas disclosures are voluntary, relative to financial data, and are subject to less rigorous auditing. Issuers can disclose emissions with different levels of transparency, coverage and methodologies, making disclosures less comparable. When issuers do not report emissions, data providers' estimation methodologies that allow for further coverage make emission data less reliable. Methodologies to estimate emissions can be based on a company's production data, historical companies' emissions reports or by using the subindustry segment intensity average.

Please note we have moved our annual assessment of portfolio coverage alignment to the end of calendar year (previously we aligned the assessment to our August 2022 base line assessment) to coordinate our results with our TCFD & Stewardship reporting.

The timing of disclosures varies across our companies, with announcements on climate strategy or emissions targets not necessarily following the same schedule. The result is that carbon data can be up to 12 months out of date.

Data Sources

Fund financial data: Portfolio holdings data is sourced from Lindsell Train records as at the end of December 2024. Revenues, market capitalisation and enterprise value including cash (EVIC) data for the fund holdings are sourced from Bloomberg or company financial statements.

Emissions data: Emissions data is sourced from company reports for the underlying fund holdings. Where emissions data is missing, we may use estimated data from Bloomberg, if available. No data is estimated by Lindsell Train and the percentage of estimated data is disclosed. Benchmark emissions data is sourced from Morningstar Direct.

Other data: SBTi alignment is calculated by Lindsell Train using data sourced directly from the companies and verified via the SBTi website. Net zero alignment is an internal (Lindsell Train) assessment using a prescribed methodology.

Aggregating fund data: When calculating fund level emission metrics, any cash holdings are excluded from the portfolio with the remaining holdings positions rebalanced to 100%.

Disclaimers

Important Information

All data contained in this report is as at 31/12/2024 and is sourced from Lindsell Train Limited unless otherwise stated. The accuracy, completeness and relevance of the data shown is reliant on the accuracy and completeness of the data available to Lindsell Train Limited. The data presented therefore is done so on a best-efforts basis and we provide no warranties or representations express or implied regarding the completeness, accuracy, or suitability of this data.

This Task Force on Climate-related Financial Disclosures (TCFD) product report has been produced in accordance with the Financial Conduct Authority's (FCA) rules and guidance. The information provided is intended to help meet the information needs of investors as regards the climate-related impact and risks associated with the WS Lindsell Train North American Equity Fund ("the Fund").

The Fund is an open-ended investment company (OEIC) authorised and regulated in the UK by the Financial Conduct Authority (FCA) under Regulation 14 of the OEIC Regulations 2001.

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