

Lansdowne Partners (UK) LLP TCFD Entity Report

2024

Governance

Lansdowne Partners (UK) LLP (“Lansdowne” or “the Firm”) is a UK investment firm with assets under management (“AUM”) in excess of £5bn and is therefore subject to the FCA’s TCFD-aligned reporting requirements. Founded in 1998, Lansdowne was established with the objective of building a leading investment management partnership focused on delivering superior long-term investment returns and exceptional client service. Our investment philosophy is predicated on generating returns through the use of exceptional investment talent within a leading-edge operational infrastructure. Central to our investment philosophy is a rigorous process of fundamental research. Risk management is core to our investment process, and all risks are considered in proportion to their financial impact. Climate-related risks, like all other risks, are taken into account and measured in parallel to the financial and reputational impact on our investments.

Describe the board's oversight of climate-related risk and opportunities.

Describe management's role in assessing and managing climate-related risks and opportunities.

The Firm’s governing body is the Management Committee. Portfolio risk management, including in relation to climate risk, is the responsibility of the respective investment teams and the Risk Team from an oversight perspective.

Independent oversight and monitoring of market, credit and operational risks associated with each portfolio is performed by the Chief Risk Officer (“CRO”) and Risk Team. The Risk Team monitor the risk profiles of each portfolio against pre-defined risk parameters, and utilise proprietary in-house, as well as external analytic systems to identify, monitor and communicate risks to the investment teams and various Committees.

The CRO and Risk Team are overseen by the Firm’s Risk and Audit Committee. The CRO and Risk Team are functionally and hierarchically separated from the Firm’s portfolio management and trading units. The members of the Risk Committee are the Firm’s Chief Executive Officer, Chief Operating Officer, General Counsel & Chief Compliance Officer, Chief Risk Officer and Head of Trading.

The Firm subscribes to MSCI and ISS (Climate Risk), as well as the Carbon Disclosure Project (CDP) and Transition Pathway Initiative (TPI), to supplement information available through Bloomberg and to compliment internal ESG analysis undertaken by the Investment Teams. The Risk Team uses a variety of these sources to measure and monitor climate related risks in each portfolio.

Climate specific risk analysis provided by the Risk Team and available to the Investment Teams includes:

- Carbon Footprint Analysis, Weighted Average Carbon Intensity Analysis, Net Zero Analysis, Transition Climate Risk Analysis and Physical Climate Risk Analysis;
- ESG scorecards tracking investee companies across a number of metrics including ESG ratings across multiple providers, carbon emissions tracking and net zero commitments, various social and governance metrics;
- Reporting highlighting positive sustainable impact solutions; and
- Analysis and communication of ESG controversies where applicable.

The central Risk Team, led by the Chief Risk Officer, considers ESG (including climate) investment risk as part of its overall risk assessment.

The Risk Team provides ESG analysis, including climate related issues, to the ESG Committee on a quarterly basis covering:

- Oversight of investment restrictions related to SFDR Article 8 designated Funds;
- Managed account carbon reporting oversight; and
- Potential higher risk companies (looking at ESG ratings, CDP scores, UNGC violations, and high carbon companies), serving as a formal escalation process to highlight outliers and climate related risks and opportunities.

The ESG Committee was formed in 2022 and meets on a quarterly basis. It comprises the Chief Risk Officer, Head of Business Development & Investor Relations and an additional member of his team, representatives from the investment teams, and an ESG analyst. The ESG Committee is responsible for:

- Developing and maintaining the Firm's ESG strategy, objective and policies, including in relation to climate.
- Monitoring and reviewing current and emerging ESG trends, relevant international standards and legislative requirements, including in relation to climate; identifying how these are likely to impact on the strategy, operations, and reputation of the Firm; and determining whether and how these are incorporated into or reflected in the Firm's ESG policies and objectives.
- Ensuring that appropriate ESG (including climate) metrics and risks are incorporated into internal portfolio risk reporting and, where relevant, that systems are in place to ensure any ESG related limits are monitored and adhered to.
- Monitoring and reviewing ESG initiatives, whether industry-wide or broader, which may be of relevance to the Firm and making recommendations to the Management Committee as to whether the Firm should commit to them.

As noted above, the reporting from the Risk Team to the ESG Committee serves as a formal escalation process to highlight outliers.

However, the Risk and Audit Committee is ultimately responsible for reviewing and overseeing climate risks and meets on a quarterly basis. Where it deems appropriate, the Risk and Audit Committee is responsible for escalating material climate risks to the Management Committee for consideration.

The Management Committee is responsible for overseeing the duties of all of the Firm's sub-committees (including the Risk and Audit Committee and the ESG Committee). The Management Committee meets on a monthly basis. A monthly risk report (including ESG and climate related issues) is a standing agenda item to be discussed at Management Committee meetings. The Chief Risk Officer, who sits on the Management Committee and chairs both the Risk and Audit Committee and the ESG Committee is responsible for this reporting process.

Please see below structure chart of the Firm's committees:



In the majority of cases, climate risks will be identified and managed by the investment teams through their investment decisions and company engagement, supported by research and data from the Risk Team. However, in material cases these could be escalated to the Management Committee through the channels mentioned above¹.

Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

At the Firm strategy level, we have signed up to a number of initiatives related to climate. The Firm has been a supporter of the Transition Pathway Initiative (TPI) since 2021. The Transition Pathway Initiative is a source of research and data on the progress of the financial and corporate world in transitioning to a low-carbon economy. The Firm became a signatory of the Climate Disclosure Project in 2022. The CDP holds the largest environmental database in the world, which is utilized as part of the investment process, in our commitment to responsible investment management. The ESG Committee routinely reviews participation in initiatives such as these to ascertain whether they would help in developing the Firm's ESG strategy. We also work with the Investment Association to keep up-to-date with industry-wide focus, regulation, and initiatives on climate change.

At the portfolio strategy level, identification and management of climate-related issues is primarily the responsibility of the investment teams, with support from the Risk Team. Examples of the types of the climate-related risks and opportunities that may be considered by the investment teams, and their relevant time horizons² include:

Risks

Risk/Opportunity	Category	Description	Time Horizon
Transition Risk	Policy and Legal	Increased pricing of GHG emissions	short to medium
		Enhanced emissions-reporting obligations	short to medium
		Mandates on and regulation of existing products and services	short to medium
		Exposure to litigation	short to medium
	Technology	Substitution of existing products and services with lower emissions options	short to medium
		Unsuccessful investment in new technologies	short to medium
		Costs to transition to lower emissions technology	short to medium
	Market	Changing customer behaviour	short to medium
		Uncertainty in market signals	short to medium
		Increased cost of raw material	short to medium

¹ Such an occurrence has not happened to date

² Short- term = 5 years; medium term = 10 years; long-term = 20+ years

Physical Risk		Shifts in consumer preferences	short to medium
		Stigmatization of sector	short to medium
		Increased stakeholder concern or negative stakeholder feedback	short to medium
	Acute	Increased severity of extreme weather events such as cyclones and floods	short / medium / long
	Chronic	Changes in precipitation patterns and extreme variability in weather patterns	long
		Rising mean temperatures	long
		Rising sea levels	long

Risk/Opportunity	Category	Description	Time Horizon
Opportunities	Resource Efficiency	Use of more efficient modes of transport	short to medium
		Use of more efficient production and distribution processes	short to medium
		Use of recycling	short to medium
		Move to more efficient buildings	short to medium
		Reduced water usage and consumption	short to medium
	Energy Source	Use of lower-emission sources of energy	short to medium
		Use of supportive policy incentives	short to medium
		Use of new technologies	short to medium
		Participation in carbon market	short to medium
		Shift toward decentralized energy generation	short to medium
	Products and Services	Development and/or expansion of low emission goods and services	short to medium
		Development of climate adaptation and insurance risk solutions	short to medium
		Development of new products or services through R&D and innovation	short to medium
		Ability to diversify business activities	short to medium
		Shift in consumer preferences	short to medium
	Markets	Access to new markets	short to medium
		Use of public-sector incentives	short to medium
		Access to new assets and locations needing insurance coverage	short to medium
	Resilience	Participation in renewable energy programs and adoption of energy efficiency measures	short to medium
		Resource substitutes/diversification	short to medium

While it would be unusual for the investment teams to explicitly model annual financial forecasts beyond 10 years for a company, climate-related factors beyond 10 years would be considered vis-à-vis terminal values and target multiples.

Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.

Per the guidance for asset managers, the below is in relation to our investment products and strategies.

The typical life cycle of our investments differs depending on which strategy they are held within.

The average holding period for our largest strategy, the Developed Markets Long Only Strategy is 1-3 years, however investments may be held for 18 months to a decade. Our second largest strategy, the European Long Only Strategy, has an average holding period of 1-2 years, however, in recent years, core positions have been held for at least 3 years. For other strategies within the Firm, holding periods are similar, being 2-3 years in the case of the Firm's Princay Strategy and 1-2 years for the Greater China Strategy. Short positions, where used within the Princay strategy, may be shorter duration.

Research from external service providers indicates that our investments are less exposed to physical risks than transition risks. This is possibly due to the fact that exposure to acute physical risks is location-sensitive, and exposure to chronic physical risk will likely materialise gradually over a long time period. The majority of our strategies are heavily concentrated in developed markets, which tend to be less exposed to physical risk at this point in time than emerging markets. Therefore, due to the location and time horizon of our investments, transition risks appear to be much more prevalent in the near-term.

The investment teams consider climate-related risks for each investment on a case-by-case basis, insofar as they consider the risks to be financially or reputationally material. One tool for managing transition risks which the Firm may use is to seek to understand whether these risks represent an opportunity. Investments in carbon intensive companies, for example, might present high carbon risk, but might also be vital in the transition to net zero.

Whilst we have not made any fundamental changes to our investment philosophy in relation to climate-related issues, as these issues become more prominent we increasingly take them into consideration (as noted above). For instance, in recent years, we have invested more heavily in ESG resourcing to support the investment teams. The Firm subscribes to MSCI and ISS (Climate Risk), as well as the Carbon Disclosure Project (CDP) and Transition Pathway Initiative (TPI), to supplement information available through Bloomberg and to compliment internal ESG analysis. The Risk Team uses a variety of these sources to measure and monitor climate related risks in each portfolio. In 2023, the Firm appointed a dedicated ESG Analyst to assist the Chief Risk Officer in analysing climate and sustainability risk.

Climate specific risk analysis available from the Risk Team to the Investment Teams includes:

- Carbon Footprint Analysis, Weighted Average Carbon Intensity Analysis, Net Zero Analysis, Transition Climate Risk Analysis and Physical Climate Risk Analysis;
- ESG scorecards tracking investee companies across a number of metrics including ESG ratings across multiple providers, carbon emissions tracking and net zero commitments, various social and governance metrics;
- Reporting highlighting positive sustainable impact solutions; and
- Analysis and communication of ESG controversies where applicable.

The central Risk Team, led by the Chief Risk Officer, also considers ESG (including climate) investment risk as part of its overall risk assessment.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Climate scenario analysis

Per the guidance for asset managers the below is in relation to our investment products and strategies.

The Firm uses data from ISS to analyse how the portfolios align to various climate scenarios. These include:

- Overshoot and undershoot of current and future portfolio greenhouse gas emissions with the carbon budgets for the IEA Sustainable Development Scenario (SDS), Announced Pledges Scenario (APS), and Stated Policies Scenario (STEPS); presented as a glide path from present day until 2050;
- Net Zero Analysis;
- Transition climate risk analysis; and
- Physical climate risk analysis.

Whilst this data is available to the Firm, it may not affect our investment decisions, as (i) climate-related issues are considered alongside many other factors, (ii) there are inherent limitations surrounding this data. For example, an overwhelming majority of the companies within strategies covering >90% of our AUM have made a Net Zero commitment, which in the case of more carbon intensive companies is largely conditional on a change in fuel source at some point between 2030 and 2050. Such a change in fuel source is not generally used as an input in modelling climate glidepath calculations, which tend to assume more status-quo trends hold.

Risk Management

Describe the organisation's processes for identifying and assessing climate-related risks.

Describe the organisation's processes for managing climate-related risks.

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Climate-related risk identification and management is integrated into independent metrics and data provided by the Risk Team. Climate risks are considered alongside many other factors, including other ESG risks and financial or reputational risks. How these are prioritised varies on a case-by-case basis, giving due consideration to the financial materiality of each risk.

In some cases where investee companies pose a higher carbon risk, we maintain ongoing investment case studies (available to investors in our quarterly reporting) and climate is frequently one of our engagement topics. Our investment teams generally try to engage with companies to work through issues, or even address potential issues pre-emptively. In many cases disinvestment would only be used as a last resort.

On a monthly basis, the Firm's dedicated ESG analyst and a member of the business development team meet with the investment teams of the two largest strategies to discuss engagement and stewardship. During these meetings, engagements with existing and potential portfolio companies are reviewed and recorded, with particular focus on objectives and outcomes relating to ESG (including climate) topics.

For further information on our engagements (including in relation to climate), please refer to the Firm's UK Stewardship Code report which can be found on our website: www.lansdownepartners.com

In the majority of cases, climate risks are identified and managed by the investment teams by either choosing not to invest in companies or engaging with them post investment.

Metrics and targets

Strategy Metrics

The metrics used by the Firm to assess climate-related risks and opportunities include:

- Scope 1, 2 and 3 GHG emissions
- Relative carbon footprint (emissions exposure / invested amount in millions)
- Carbon intensity (invested amount / market cap * Scope 1&2 emissions / revenues in millions)
- Weighted average carbon intensity (portfolio weight * Scope 1&2 emissions / revenues)
- Implied temperature rise
- Transition value-at-risk
- Physical value-at-risk

Strategy	Percent of Total Firm AUM	Percent of assets to which data refers ³	Fund WACI ⁴	Benchmark WACI	Percent Paris- aligned (below 2°C) ⁵	Implied Temperature Rise
Global Equity ⁶	65%	98.2%	340.21	109.04	62%	2.3°C
European inc-UK ⁷	26%	99.4%	205.44	97.41	82%	2.8°C
European ex-UK ⁸	7%	99.1%	236.20	97.41	87%	2.8°C
China	0.5%	99.7%	58.04	334.51 ⁹	16%	2.7°C
European Long/Short ¹⁰	1%	100%	161.02	97.41	80%	2.5°C

Source: ISS. Data as at 31.12.2024

³ The remainder being alternative investments i.e. cash.

⁴ Weighted Average Carbon Intensity. Revenue in sterling.

⁵ Percent of the portfolio's investee companies which have an implied temperature rise of less than 2°C (calculated by portfolio weights).

⁶ Based on data for Lansdowne Developed Markets Long Only Fund. Portfolio emissions data is 97.4% reported and 2.6% estimated by ISS.

⁷ Based on data for Lansdowne European Fund. 100% of emissions data is reported.

⁸ Based on data for Lansdowne European Special Situations Fund. Portfolio emissions data is 99.5% reported and 0.5% estimated by ISS.

⁹ Based on Kraneshares MSCI All China Index ETF

¹⁰ Based on the long single named stock portfolio, normalised to 100%.

Firm Metrics

Element	2023/24 (tCO2e)
Direct emissions (Scope 1) – natural gas	12.59
Indirect emissions from purchased electricity (Scope 2)	12.81
Total Scope 1 & 2 emissions	25.40
Business travel in employee-owned & hire vehicles (Scope 3)	0.06
Electricity transmission and distribution (Scope 3)	0.00
Total Scope 3 emissions	25.46
Total Gross Scope 1, 2 & mandatory S3 emissions[1]	25.46
Total Net Scope 1, 2 & mandatory S3 emissions	25.46
Total energy consumption (kWh)	130,998
Intensity metric: S1,2&3 emissions per employee	0.35
Intensity metric: S1,2&3 emissions per £M turnover	0.62

Data as at 31.03.2024

The Firm is conscious of its green-house gas emissions and has taken steps to build a carbon management programme. Since 2016 the Firm has commissioned the team at Carbon Footprint to conduct a full annual audit of the Firm, our business practices and travel, in order to reduce our carbon footprint. Internally, the Firm has set up several initiatives including a recycling programme and a bike to work scheme. The Firm is delighted to be a Carbon Neutral Organisation (<http://www.carbonfootprint.com/>). Additionally, the Firm's offices are supplied with 100% renewable energy by Engie.

Targets

The Firm has not to date set any quantitative targets. As mentioned above, an overwhelming majority of our portfolio companies have already adopted net zero targets and we continue to engage with those that have not.