Annual Stewardship Report

2022

LINDSELL TRAIN

Contents

Foreword

The UK Stewardship Code 2020 ('the Code') sets high expectations for how investors, and those that support them, invest and manage money on behalf of UK savers and pensioners, and how this leads to sustainable benefits for the economy, the environment and society.

Lindsell Train was delighted to be amongst the first wave of signatories of this important Code, which reflects on our enhanced efforts as a company to integrate stewardship and responsible investment into our investment decision-making, reporting and governance activities.

It is paramount that we continue to meet the expectations of the Financial Reporting Council, our investors and our stakeholders Furthermore, in expecting our portfolio companies to adapt and compete in a world that is increasingly focussed on sustainability and where the tangible risks and opportunities are ever more apparent, we know that we must set an example ourselves.

In this report we explain how we are continuing to address these expectations. We reflect on our history and culture; where we stand today; our plans to further raise our standards; as well as our ongoing ambitions to support the drive towards achieving sustainable benefits on a broader scale.

2022 was yet another year of solid progress in our Environmental Social and Governance (ESG) endeavours. The ESG Committee (of which I am Chair) is now firmly embedded in our governance structure and has been instrumental in ensuring that we remain abreast of regulation, continue to meet our clients' expectations and propel the work and ambitions of our portfolio companies. Reflecting on the increased importance we place on the investment team's ESG research and engagement activities, Madeline Wright (in addition to her Deputy Portfolio Manager role) has been appointed as Head of Investment ESG and is responsible for coordinating the investment team's ESG work. This will undoubtedly help us in fulfilling our ESG related ambitions.

Of specific note, during 2022 we pledged our net zero targets under the leadership of the Net Zero Asset Managers initiative, and we published our inaugural Task Force on Climate-related Financial Disclosures (TCFD) report, on a voluntary basis, demonstrating our support of these two important enterprises. We have also committed our backing to the CCLA-founded initiative Find It, Fix It, Prevent It, which is exclusively focussed on the abolition of modern slavery. As investors in several consumer goods companies, we are particularly alert to modern slavery in the supply chain and the business risks it poses. Working with CCLA and other signatories, we will collaborate for change, by encouraging all our companies to proactively identify and address any incidences of modern slavery in their supply chains.

As I said last year, these are no small challenges, but we are confident we have the skills, resources and tenacity to address these responsibilities.

Nick Train, Chairman
on behalf of the board of Lindsell Train Limited.

Unless stated otherwise, all information and data in this report is as at 31 December 2022.

I

SIGNATORIES' PURPOSE, INVESTMENT BELIEFS, STRATEGY, AND CULTURE ENABLE STEWARDSHIP THAT CREATES LONG-TERM VALUE FOR CLIENTS AND BENEFICIARIES LEADING TO SUSTAINABLE BENEFITS FOR THE ECONOMY, THE ENVIRONMENT AND SOCIETY

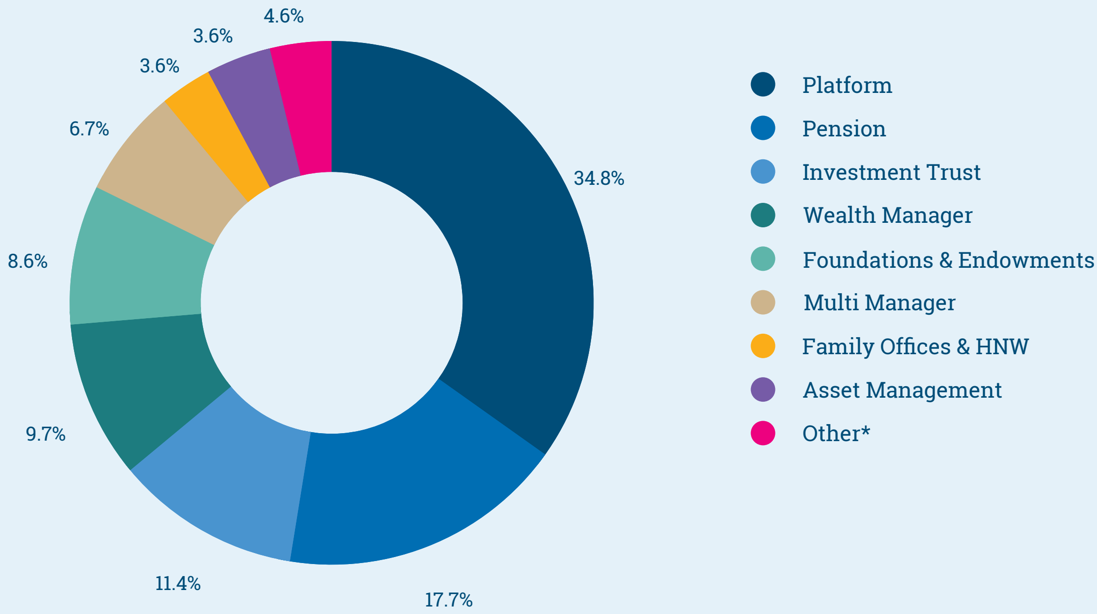
Lindsell Train is an asset management company that specialises in the management of Global, UK, Japanese and North American equity portfolios, managing over £18bn of client assets as of 31 December 2022.

The company was founded in 2000 on the shared investment approach of Michael Lindsell and Nick Train, that developed while they worked together during the early 1990s. From the outset, they were determined to keep corporate complexity, including hierarchy, to a minimum. As such, Lindsell Train continues to maintain a small and simple organisational structure, employing less than 30 individuals.

This allows us to avoid excessive bureaucracy and distractions and to provide a working environment in which the investment professionals can concentrate on investment issues, whilst ensuring suitable governance. Furthermore, our independence – with the two founders continuing to have majority ownership – ensures that we maintain the integrity of the business and investment principles on which the company was founded, which we believe will help our clients meet their investment goals (relating to both performance and stewardship) over the longer term.

BREAKDOWN OF ASSETS

31 December 2022



*Nominee, Not-for-profit, Insurance, Individuals and Public Funds

Since its inception, Lindsell Train has had a long-term focus embedded throughout its business, as illustrated by:

- Our business principles (as set out under Our Principles and Values below), on which the culture of the company has been built and which emphasise our determination to take a long term view on both investment performance and business development;
- Our investment philosophy, which emphasises protecting and growing our clients' real capital over the long term by investing in companies that are truly durable;
- Our strong financial position, with no debt financing required, based on the conservative management of our balance sheet;
- Our external shareholder, the Lindsell Train Investment Trust, which has supported the business since its establishment and which is important as both a long term partner and advisor; and
- Our recruitment policy, a key element of which is to seek out individuals who we hope will build their entire career at Lindsell Train.

OUR PURPOSE

The 'purpose' of Lindsell Train is to achieve strong long-term investment results for our clients whilst providing a professional working environment. Underpinning this purpose is a culture based on our focus on investment, fostered through our simple organizational structure. This focus is recognised by all our employees and provides the basis for working together effectively. We believe that this, together with our encouragement of independent thought, initiative and openness, promotes a strong work ethic and employee camaraderie, giving us the best chance of achieving our purpose.

OUR PRINCIPLES AND VALUES

The founders set up the company with three business principles firmly in mind:

- To run client capital as we would run our own
- To align our interests with those of our clients
- To take the long view on investment performance and business development

Managing our clients' savings to preserve and grow the real purchasing power of assets over the long term reflects how the two founders have always sought to manage their own savings. Underlining this, they invest substantially all their financial assets in Lindsell Train managed funds, thus also demonstrating a strong alignment of interests with our investors.

In terms of growing the business, taking a long-term view on business development means that we have never sought to diversify outside our circle of competence in order to grow assets.

These business principles are based on our values of integrity, steadfastness and transparency, which are embedded throughout our business and extend to our relationship with our employees, shareholders, clients and third parties working with Lindsell Train.

Integrity – We are committed to doing business to the highest standards of integrity.

Steadfastness – We have always followed a single, well-defined approach to investing in equities, based on holding the shares of exceptional companies for the longer term. This requires a high conviction and also the ability to be patient, maintaining the discipline to ignore short-term market volatility.

Transparency – We communicate internally and externally with honesty, realism and respect. We pride ourselves on sharing complete visibility into the successes, and sometimes failures, of investments made on behalf of our clients as well as visibility about our business as it has evolved.

OUR VISION AND STRATEGY

The company's strategic mission is to consistently meet our clients' expectations. This relates not only to the achievement of strong investment results but also to fulfilling our clients' wider requirements, which have increasingly focussed on a desire to invest responsibly. We look to build strong and positive relationships by providing professional, responsive and friendly client service.

We look to partner with clients who fully understand and embrace a long-term, high conviction investment approach and with whom we expect to maintain a fruitful partnership over many years. In order to meet these goals, our company has a culture based around our focus on investment, fostered through our simple organisational structure. Effective teamwork, encouraged and promoted by co-founders Michael Lindsell and Nick Train, underpins both investment and business management.

We look to provide a working environment that gives our employees every opportunity to be fulfilled and happy, and we are pleased that this has resulted in low employee turnover.

OUR INVESTMENT APPROACH

How do we look to achieve our investment objective of preserving and growing the real purchasing power of our clients' assets over the long term?

At the heart of our approach is a conviction that inefficiencies exist in the valuation of 'exceptional' companies. Specifically, we note that durable, cash generative franchises are not only rare but also appear to us to be undervalued by other investors for most of the time.

We invest in such 'exceptional' companies with the expectation of holding them for the very long term. It is the resultant long-term partnerships that we build with portfolio companies that form the cornerstone of our approach to Responsible Investing.

Our truly strategic time horizon means we must be continually alert to all relevant long-term issues, with the objective of pre-empting risk and enhancing returns. Hence the consideration of all ESG factors which might affect our companies has always been central to our investment approach.

Indeed, we have historically found that these 'exceptional' companies tend to exhibit characteristics associated with good corporate governance and responsible business practices. Furthermore, we believe that companies which observe such standards, and that are serious in their intention of addressing environmental and social factors, will not only become more durable, but will likely prove to be superior investments over time.

Our experience and research tell us that 'exceptional' companies are found only in a limited number of sectors, which means that many sectors are never (or rarely) represented in our portfolios.

For example, we do not invest in capital intensive manufacturing industries or any companies involved in the extraction and production of coal, oil or natural gas. We also avoid industries that we judge to be sufficiently detrimental to society that they may be exposed to burdensome regulation or litigation that could impinge on financial returns (e.g. tobacco, gambling or arms manufacturers).

> *Ultimately ESG presents a real risk of the permanent loss of our client's capital and, accordingly, our job is to apply an ESG adjusted risk premium to what we analyse to be eternal assets. That way we ensure we observe Warren Buffett's #1 rule – don't lose money!*

— Nick Train

Similarly, our investment approach has steered us to invest in a number of companies that play an important positive social (e.g. RELX, Experian) or environmental (e.g. Unilever, Heineken, LSE Group) role. We believe that such positive benefits for society should be consistent with our aim to generate competitive long-term returns, thus helping us meet our clients' investment objectives.

Furthermore, through our engagement strategy, we increasingly seek to encourage and support our companies to meet their own ESG commitments (including those aligned with the UN Sustainable Development Goals, climate goals or other similar initiatives), with the aim of improving standards and enhancing returns.

Thus our evaluation of ESG factors is a natural part of our investment process and the exercise of our stewardship responsibilities is integral to our research process.

ESG STRATEGY

Whilst we believe that our commitment to Responsible Investing through the long-term partnerships that we build with our portfolio companies is well understood and endorsed by our clients, we have continued to dedicate significant time and resource to establishing a more robust approach to active ownership, including enhanced ESG integration, engagement and proxy voting.

As a result of these efforts, we have improved existing policies, reviewed and responded to upcoming regulation, reflected on the appropriateness of our governance structures and worked with our clients and consultant partners to understand how we can serve their best interests.

Examples of some of the specific outcomes achieved in 2022 include:

- Madeline Wright (Deputy Portfolio Manager) has been appointed as Head of Investment ESG, responsible for coordinating the investment team's ESG work. This is an important additional role given that we have deliberately chosen not to set up a separate ESG function, reflecting our view that ESG is integral to the research process and that all members of the investment team are therefore responsible for its inclusion in their work.

- Demonstrating our public support of TCFD and its efforts to encourage companies to report their climate-related disclosures and data in a uniform and consistent way, Lindsell Train published its inaugural TCFD report in March 2022. We believe the TCFD framework offers a practical way of outlining our approach to integrating climate-related risk and opportunities. Furthermore, if we are exploring the behaviours of our portfolio companies in relation to climate change then we must also think about ours. Our latest TCFD report (March 2023) is available here.

- The investment team concluded a large-scale project to hold an ESG specific discussion with every company in our portfolios in order to establish a baseline for our ongoing engagement work.

- In accordance with the Net Zero Asset Managers Initiative (NZAM) we established and disclosed our interim target, in line with the Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework, as detailed on page 26.

- We confirmed our support of CCLA-founded initiative Find It, Fix It, Prevent It, which is exclusively focussed on the abolition of modern slavery. As investors in several consumer goods companies, we are particularly alert to modern slavery in the supply chain and the business risks it poses. Working with CCLA and other signatories, we will continue to collaborate for change, by encouraging all our companies to proactively identify and address any incidences of modern slavery in their supply chains.

Whilst we have made substantial progress, there are still areas for improvement. For example our project to further formalise our engagement framework, including our escalation process, is ongoing.

Engaging with and monitoring portfolio companies on matters relating to stewardship has always been an essential element of our investment strategy.
When we meet with company management we will engage with them on all factors that we believe will affect the company's ability to deliver long-term sustainable value to shareholders. Such factors include but are not limited to: corporate strategy, operating performance, competitive positioning, governance, environmental factors (including climate change), social factors (including human rights/supply chain), remuneration, reputation and litigation risks, deployment of capital, regulation and any other risks or issues facing the business.

Our long-term approach generally leads us to be supportive of company management; however, where we disagree with a company's actions, we will try to influence management on specific matters or policies if we believe it is in the best interests of our clients. Constructive dialogue has more often than not resulted in satisfactory outcomes, thus limiting the need for escalation. However, where this is not the case, we will consider escalating our engagement and stewardship activities.

To date, our stewardship activities have proved effective and we have been able to deliver good long-term investment returns for our clients, a commitment to investing responsibly and also, we hope, the level of service that our clients deserve and have come to expect.

However, like our expectations of the companies in which we invest, our clients' expectations of us are constantly evolving and rightly so. There is always more work to be done.

II

SIGNATORIES' GOVERNANCE, RESOURCES AND INCENTIVES SUPPORT STEWARDSHIP

Over 20 years on from Lindsell Train's inception, our common desire to build a business where corporate complexity is kept to an absolute minimum remains strong.

We have avoided as far as possible the bureaucracy and hierarchy that accompanies many large businesses.

Instead, we have intentionally maintained a small and dedicated team of staff, currently numbering 28, who have on average worked at Lindsell Train 7 years representing a wide range of experience and skill sets.

GOVERNANCE

Although aware of the limitations and potential risks associated with a smaller team, we believe that these are well balanced by the maintenance of a robust governance structure, which is summarised as follows:

Board of Directors *Executive Directors:* Michael Lindsell, Founder, Chief Executive Officer and Portfolio Manager; Nick Train, Founder, Chairman and Portfolio Manager; Michael Lim, IT & Company Secretarial; Jane Orr, Communications; Keith Wilson, Head of Marketing and Client Services; and Joss Saunders, Chief Operating Officer. Non-executive Directors: James Alexandroff and Julian Bartlett	*Responsible for:* • Setting the strategy of the company. • Establishing and maintaining a robust internal control framework. • Ensuring compliance with all applicable legal and regulatory requirements. ESG is a standing agenda item at all meetings of the board, underlining the importance with which we view ESG and sustainability from a corporate perspective.
Management Committee *All Executive Directors*	Responsible for matters relating to the day-to-day management of the company. Such matters include; an ongoing assessment of business risk, operations, finance, strategic planning, ESG, legal and HR. Ensure that the frameworks of internal systems and controls within each function are operating effectively.
Risk and Compliance Committee *Julian Bartlett (Chair), Michael Lim, Joss Saunders, Mathew McNeill and Jennifer Omo-Olaye*	Ensuring that the risk control framework of the company operates effectively. Ensuring the company meets all its regulatory requirements and monitors regulatory developments. Advising the board on the establishment, implementation and maintenance of adequate risk management and compliance policies and procedures.

As of 31 December 2022

ESG Committee Nick Train (Chair), Jessica Cameron, Mathew McNeill, Madeline Wright	To ensure the clear definition of the company's ESG strategy and to provide a formal forum to discuss ESG risks and opportunities to our business, with the objective of identifying, monitoring and mitigating ESG risks and effecting change. Responsible for ensuring that Lindsell Train monitors the sustainability of its operations and adopts the necessary policies and objectives to meet the standards expected of us by our clients, stakeholders, and regulators.
Valuation Committee Joss Saunders (Chair), Michael Lim, Mathew McNeill	Responsible for reviewing and maintaining the company's valuation policy, as well as ensuring that any valuation matters are suitably addressed.

Each committee meets at least twice year.

Our business decisions support our aim to keep complexity to a minimum. One early policy decision we took was to limit the number of segregated mandates that we will manage, since each additional account has an impact on both our portfolio management and operational resources. Today over 65% of our assets under management are invested in pooled vehicles, up from less than 30% ten years ago. Not only does building pooled vehicles in this way allow us to keep fees low but another benefit is that investors in each fund gain the additional comfort of that fund's own independent governance structures, over and above that provided by Lindsell Train in its capacity as Investment Manager.

In this vein, we would also draw your attention to the Lindsell Train Investment Trust (LTIT), which owns nearly 25% of Lindsell Train Limited. The Lindsell Train Investment Trust is a UK quoted closed end fund, which was set up at the time Lindsell Train Limited was established, to help fund the asset management company and to use its capital to seed fund launches. LTIT provided Lindsell Train Limited with a stable fee stream from the start and allowed the founders to run their business unhindered by shorter-term considerations that might have arisen when establishing a new business, particularly in the difficult markets of 2000-2002.

Today, LTIT's stake in Lindsell Train Limited represents over 40% of the Trust's portfolio NAV. This means that the board of LTIT (four independent directors, together with Michael Lindsell) take a significant interest in both the long-term plans and the governance of Lindsell Train. Lindsell Train's independence — with the two founders continuing to have majority ownership — means that all business decisions are made with the long-term interests of our employees and our clients in mind. For example, we do not have (and have never had) 'targets' with regards to raising assets and we are careful in our approach to developing new client bases by type or geography.

This ensures that we do not over-stretch our resources; in particular we need to carefully manage the time that our Portfolio Managers spend on activities not directly related to investment. It is for this reason that we also look to define the parameters of any client relationship to ensure that we can meet the servicing levels that our clients expect from us.

We look to partner with clients who fully understand and embrace a long-term, high conviction investment approach and where we expect to maintain a fruitful partnership over many years. We are also careful to prioritise projects that are meaningful to clients and to the success of our business. In 2022 a number of these were directly related to enhancements to our ESG strategy, as set out in our response to Principle 1.

RESOURCE

Lindsell Train continues with its decision not to allocate dedicated resource to the area of ESG, given we believe that all staff should be aware of their obligations and that ESG should be integral to all areas of the company. This also reflects on the nature of the organisation and the attitude and aptitude of our staff, who need to be able to embrace variety in their roles. All committees/individuals involved in the integration or monitoring of ESG have been included in the table below:

BOARD

ESG is a standing agenda item at all meetings of the Lindsell Train's board (six executive plus two non-executive directors) and the Management Committee (the six executive directors), underlining the importance with which we view ESG from a corporate perspective.

ESG COMMITTEE

Responsible for ensuring the clear definition of the Company's ESG strategy and how this is put into practice, as well as overseeing the identification and mitigation of risks relating to ESG. The ESG Committee is also responsible for ensuring that Lindsell Train monitors the sustainability of its operations and adopts the necessary policies and objectives to meet the standards expected of us by our clients, stakeholders, and regulators. Nick Train is Chair of the committee, which has representation from investment, marketing/client services and compliance.

INVESTMENT

Madeline Wright (Deputy Portfolio Manager) is responsible for coordinating the investment team's ESG endeavours as Head of Investment ESG. However, given that responsible investing is and has always been a natural part of our investment approach, we think it most appropriate that all seven investment team members take shared responsibility for ensuring that ESG is integrated throughout the investment process. Within the investment team, the three Portfolio Managers have ultimate oversight in that they have the final decision-making authority as to whether a stock is added or removed from a portfolio.

Key individuals involved in the oversight of ESG at Lindsell Train are senior members of staff who are either Certified Persons or Senior Managers under the Financial Conduct Authority's (FCA) Senior Managers & Certification Regime (SMCR). They bring to the table a wide variety of experience and expertise, having in most cases enjoyed multi-decade careers in investment management.

The strides we have made to date in the area of ESG have been a result of individuals rising to the challenge, recognising both the magnitude of ESG as a business risk and an opportunity. More generally, attributes we look for in our staff include: the desire to embrace our culture and working environment; the ability to work independently as well as to understand the wider team requirements; self-motivation; curiosity; analytical skills; ability to write articulately; and ability to think outside the box.

Please refer to the biographies included on page 38 for details.

Of course, with no staff exclusively dedicated to the area of ESG, training is critical. We conduct annual ESG training for relevant staff, including all members of the investment team. The training serves to remind staff about the key principles of Responsible Investing, to update them on industry and regulatory developments in stewardship, to confirm how Lindsell Train integrates such principles into our investment process and business strategy and to discuss milestones achieved and future priorities. The training also seeks to help our staff better understand the importance of a successful engagement strategy.

This year we were extremely grateful to have been supported by long-standing portfolio company, Mondelez, which provided an update on their global cocoa sustainability programme, Cocoa Life. Cocoa Life has committed to invest $400m over 10 years to empower 200,000 cocoa farmers and improve the lives of more than 1 million people in cocoa communities. The success of this programme demonstrated to us the scale of impact that our companies can achieve, and the opportunities (increased production and brand enhancement, amongst others) offered by an effective ESG strategy.

In addition to this in-person annual session, it is our intention to introduce online ESG training using the Skillcast training solution during 2023.

Finally, Madeline Wright and Jessica Cameron, both members of the ESG Committee, passed the CFA Certificate in ESG Investing. We will encourage staff to complete this valuable course where appropriate.

INCENTIVES

Our compensation arrangements take into account sound and effective risk management, do not encourage excessive risk taking and are in line with our business strategy, objectives, values and the interests of shareholders and clients.

We seek to pay competitive rates of fixed salary remuneration, supplemented by discretionary bonuses when appropriate to reflect the company's success and to reward individual and team contributions. Importantly we do not reward on the basis of short-term targets. Discretionary bonus payments recognise an employee's contribution to the overall business, including supporting the culture and values of our company, and their overall job performance (taking into consideration both qualitative and quantitative measures) and are subject to the employee's compliance with Lindsell Train's internal policies and procedures. Given the significant and growing importance of ESG in the investment industry and to the future of our business, management increasingly take into account any individual staff insights or dedicated work that have contributed to our efforts in this area.

For key employees there is also the opportunity to acquire shares in Lindsell Train Limited as well as the opportunity to share in the profit of the company through a dedicated profits share scheme. The ownership of equity in our company encourages those employees who are shareholders to take a more strategic view on their careers at Lindsell Train, and moves to align their long-term interests with those of our founders and investors.

In summary, we believe that Lindsell Train has a robust governance structure, rigorous processes and appropriate resources given the size and nature of our business. Critically, we also have the ability to recognise where we might not have the appropriate skills in-house and in these instances we are prepared to outsource to professional providers who offer exceptional services in their areas of expertise. For example, we engaged with a legal firm to help us meet our obligations under SFDR. We try our best to look ahead and endeavour to adequately resource our company in order to continue to provide a service to our clients of which we can be proud.

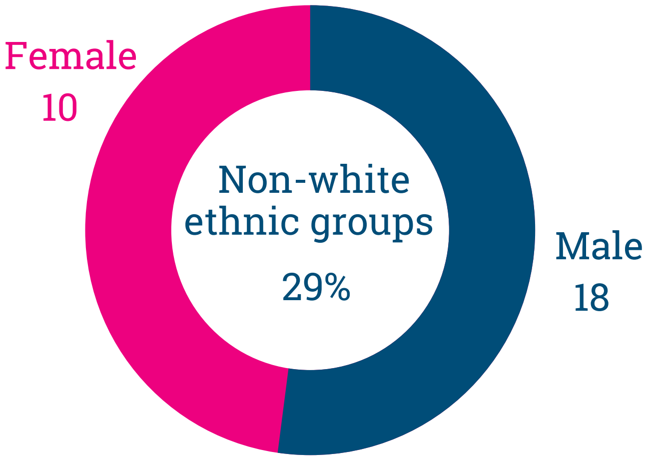
EQUAL OPPORTUNITY, DIVERSITY AND INCLUSION

Our staff, clients and other parties with which whom we engage expect us to have a clearly defined approach to diversity and inclusion and to that end we have established an Equal Opportunity, Diversity and Inclusion Statement, which is available on our website.

Lindsell Train has always recruited and retained staff without prejudice and based on meritocracy, as laid out in our Equal Opportunities policy which is included within our Employee Handbook. Illustrating this, of our 28 staff there are ten women and eighteen men. We also have eight employees from non-white ethnic groups.

We continue on our path to enhancing Lindsell Train's attraction as a place to work for both existing and future employees. Lindsell Train now operates flexible working practices as we believe that, as long as we can continue to fully meet our clients' expectations, then offering more flexibility should mean happier and more fulfilled staff.

This is particularly true where individuals have competing pressures for their time and energy, for example young families or long commute times. When recruiting staff, we have worked hard to ensure that the pool of candidates is as diverse as possible, by advertising roles and engaging with dedicated organisations such as GAIN (Girls Are INvestors) and social mobility charity, UpReach, through whom we have successfully recruited.



During 2022 we extended our partnership with UpReach and hosted our first Internship experience, which comprised a day in our offices followed by an optional four-day virtual research project. The Internship was aimed at university students considering a career in Investment Management. The day of presentations in our offices sought to provide an overview of the asset management industry, including its positive role within the wider finance industry, as well as an introduction to Lindsell Train, whilst the four-day project sought to immerse candidates in the role of a research analyst. Having received very positive feedback, we have committed to making this an annual event.

Finally, Equal Opportunity, Diversity and Inclusion is an important agenda item for the ESG Committee.

III

SIGNATORIES MANAGE CONFLICTS OF INTEREST TO PUT THE BEST INTERESTS OF CLIENTS AND BENEFICIARIES FIRST

In the course of undertaking our investment management services, and factoring in our relationship with portfolio companies, stakeholders, clients and other interested parties, it is inevitable that there are occasions when potential conflicts of interests might arise. Our core values of integrity and transparency support our regulatory obligation to identify and manage such potential conflicts.

Our procedure for managing conflicts is summarised below:

- Conflict identification: all staff are provided with training to ensure they are equipped to identify potential conflicts of interest, including those related to investment decision making, proxy voting and company engagement.

- Assessment: Where a potential conflict is identified, this will be raised with Compliance who will lead a discussion with the relevant staff member(s) to determine the appropriate procedures and controls necessary to manage the conflict. From a stewardship perspective the aim is always to protect the independence of the decision-making process around stock selection, proxy voting and engagement.

- Escalation to the Management Committee: Where the view of the Chief Compliance Officer is that the conflict of interest cannot be adequately managed, the matter will be escalated to our Management Committee.

Our Conflicts of Interest policy, to which all staff members must adhere, can be found on our website here.

Lindsell Train's board, in conjunction with Compliance and business unit heads, take responsibility for ensuring that these arrangements are implemented appropriately and updated as necessary.

Where a potential conflict is identified, we will seek to organise our business activities and arrangements in a manner to prevent the crystallisation of the conflict. This includes the appropriate segregation of functions and business lines, such that a level of independence will mitigate the potential for conflict, and the presence of internal policies, such as pre-clearance approval for personal account dealing, a trade allocation policy and disclosure requirements.

On an annual basis, Compliance conducts a risk assessment of the potential for the business activities and the conduct of employees (at all levels) to give rise to potential conflicts of interest, and maintains a Conflicts Register to record all such instances together with associated mitigating/management arrangements.

The Conflicts Register organises perceived conflicts into the following categories:

- **Trading and Investment**
- **Pricing and Valuation**
- **Information Distribution and Disclosure**
- **Personnel**
- **Relationship**

All identified conflicts of interests are reported to and reviewed by the board at least annually. Compliance carries out periodic reviews of identified conflicts, ensures that appropriate steps have been taken to address and manage them, and assesses the effectiveness of those steps. The Conflicts Register is subject to regular review (at least annually) and is updated as and when required. Compliance work in conjunction with the Management Committee to consider business and product developments to assess whether any new conflicts arise as a result.

If there are any conflicts of interest that specifically impact the services provided to a client by Lindsell Train then steps will be taken to promptly notify the client of that fact and of course any mitigating actions considered necessary to avoid any detrimental or adverse impacts on the client.

Conflicts of interest examples:

CONFLICT	EXAMPLE	HOW WE MANAGE THE CONFLICT
Our investment strategy results in concentrated portfolios with potentially large stakes in portfolio companies. We also have business relationships with portfolio companies which creates a risk that a conflict of interest may influence investment decisions, voting and/or company engagement.	Where the funds we manage have a significant holding in a company, and we also have a business relationship with the same company where they distribute our funds it could be perceived that the relationship we have with them from a distribution perspective influences our view of them from an investment perspective.	We segregate decision making around stock selection, voting and engagement from the management of client relationships. We also carefully assess where any matters on which we are required to exercise voting authority presents a conflict and where a material conflict exists Lindsell Train will not vote.
Employees have personal investments in the companies in which we are investing on behalf of clients, which means conflicts of interest could influence buy/sell decisions and/or voting and engagement activities.	A Portfolio manager has a personal investment in a company which is also held within the funds managed by Lindsell Train.	We have a Personal Account Dealing Policy which is mandatory for all Directors and employees. Compliance has full visibility of all personal account dealing and where such a conflict emerges it will be escalated to the Management Committee.
Employees who have external commitments (e.g. Directorships) may be influenced to act in a manner that conflicts with the interests of Lindsell Train or its clients.	An employee of Lindsell Train may have an external relationship with a company which appoints Lindsell Train as their investment manager. For example, Michael Lindsell is a Director of The Lindsell Train Investment Trust plc (LTIT).	Michael Lindsell is precluded from being involved in LTIT Board decisions regarding the appointment of Lindsell Train as investment manager, and LTIT Board decisions regarding the Trust's investments in Lindsell Train or in funds/ trusts for which Lindsell Train acts as investment manager.
Lindsell Train has a strong preference not to be made an insider. However, through the course of our engagement activities on occasion we will voluntarily agree to be given inside information to aid our discussion with an portfolio (or potential portfolio) company's management or board. Inside information could be used to influence investment decisions.	Lindsell Train may become an insider through its company engagement activity with one of our portfolio companies.	We have strict protocols in place to manage situations where an employee is in receipt of inside information. We operate a 'one in all in policy' and therefore trading restrictions on all personal and client trading are implemented on a company wide basis by Compliance and remain in place until the information is made public.
Clients which appoint Lindsell Train as their investment manager may have holdings in other vehicles which are also managed by Lindsell Train. This creates a potential conflict of interest insofar as it could be perceived that Lindsell Train has influence over investment decisions and voting matters related to these holdings.	Where the Board of Directors of an investment trust managed by Lindsell Train has elected to make an investment in another vehicle which is also managed by Lindsell Train. For example, The Lindsell Train Investment Trust plc (LTIT) has an investment in the LF Lindsell Train North American Equity Fund.	Lindsell Train is not permitted to make any investment decisions regarding holdings in other Lindsell Train managed vehicles. The investment decision making authority resides with the investment trust's Board of Directors. The position is the same in regard to voting. Where an employee of Lindsell Train sits on the investment trust board, they will recuse themselves from decision making regarding the holding.

We believe our framework continues to be effective for managing the conflicts of interest associated with stewardship activities and we will continue to review and adapt our approach in light of business and regulatory changes.

IV

SIGNATORIES IDENTIFY AND RESPOND TO MARKET-WIDE AND SYSTEMIC RISKS TO PROMOTE A WELL-FUNCTIONING FINANCIAL SYSTEM

Lindsell Train recognises the responsibility placed on all market participants, big and small, to support an effective market system. As an investment manager it is our responsibility first and foremost to fulfil our obligations to our clients, in particular our objective of protecting the real value of our clients' assets. We therefore need to be alert to all market wide and systemic risks which may impact our ability to service our clients and/or our portfolios.

Lindsell Train's Risk and Compliance Committee is responsible for horizon scanning and monitoring such risks. The committee is ably supported by a combination of internal resources and existing partnerships, where there are often deep pools of expertise. For example, we leverage the regulatory advisory division of one of Lindsell Train's pooled fund's Authorised Corporate Directors. Any such risks that might significantly affect the overall market landscape (e.g. geopolitical developments, structural risks or universal events) would then be raised with Lindsell Train's Management Committee (extending the discussion to our two non-executive directors depending on the nature of the risk) and measures would be put in place if deemed necessary.

From an investment perspective, our consistently applied investment approach informs our response. We think we serve our clients and society best by taking a patient, supportive and long-term approach when making investments. After all, the original purpose of the investment industry was to help providers of capital to find return-generating ideas in which to invest, not to try to outdo other market participants. What's more, we take some comfort from the fact that our portfolio holdings (or the brands or market positions they occupy) have on average survived for more than 100 years. This means they have encountered World Wars, depressions, recessions, digital transformations and more recently a devastating pandemic. We therefore have every expectation that these companies can successfully navigate the challenges presented by the next few decades, such challenges including — continued digital disruption, data security risks, climate change and human capital risks, to name just a few.

During 2022, we looked into several identified emerging systemic risks, including the risk of a cyber-attack, rising inflation and the war in Ukraine, all of which we comment on below. We also continued to monitor previously identified systemic risks that continue to pose a significant threat to the financial system, for example the climate emergency.

THE RUSSO-UKRAINIAN WAR

Russia's invasion of Ukraine in February 2022 shook markets and immediately threatened the global economy. Signs of supply chain disruptions, financial sanctions, soaring commodity prices and broader consequences, such as the stalling of a prolonged recovery post Covid and a likely economic global slowdown were soon amongst the top concerns for every investor.

Whilst we had no direct exposure to either Russia or Ukraine within our portfolios, the investment team proactively reached out to all the companies where we suspected there could be indirect exposure. This work confirmed that in aggregate our companies had no more than low single-digit percentage revenue exposure to either country. Where the exposure did exist, we engaged further with management to ensure that they were responding accordingly. In the majority of cases, our companies were committed to winding down their operations in Russia in a sign of solidarity with Ukraine.

The marketing team were able to respond swiftly to incoming requests, confirming our limited portfolio exposure and the fact that none of our companies were linked to any individuals and/or entities which were subject to sanctions either by the UK or US governments. Furthermore, Lindsell Train had no relationship with any of the third parties on which sanctions had been imposed.

Nick Train, Portfolio Manager, made the following public statement within our regular reporting to complete our coordinated response to our investment community:

“

I am sorry we have all been reminded of the cruelty and waste of war. It has been hateful watching events unfold and I feel almost a sense of shame in having to respond to those events as a Portfolio Manager.

The fluctuations of asset prices seem inconsequential in the face of suffering. Yet of course, our responsibility for our clients' precious capital and savings is not diminished by the advent of war, or pestilence.

Indeed, in such emotionally charged circumstances our responsibility is even weightier – if only because it is so much easier to make reflexive or irrational decisions when others are panicking (even more so, if you yourself are panicking). Over the quarter we have continued to run fully invested portfolios. There has been no change of strategy. We have had no problems providing liquidity to those of our clients who wished to reduce their exposure to our Funds or to Equity markets in general. Equally, we have looked to invest cash inflows on receipt, to capture as much of the dislocation to prices and values as we can.

— Nick Train ”

INFLATION

Rapidly rising global inflation dominated the news during the back end of 2021 and continued throughout 2022, with the US's annual rate of inflation peaking at 9% in June and the UK's at 11% in October. A number of macro challenges have fed into this situation, including Covid shutdowns limiting production and post-pandemic disruptions and shortages wreaking havoc on supply chains, as well as the terrible war in Ukraine affecting energy prices and some food supplies. Consumers all over the world have been hit hard in the pocket by these developments and companies have been scrambling to keep up with spiralling prices.

In response to these pressures, some of our clients unsurprisingly asked us whether we were doing anything differently or had made any changes to our portfolios. Our answer was a resounding no – a central part of Lindsell Train's investment approach has always been to seek out companies with highly differentiated brands, products or services, as these alone enjoy the pricing power necessary to weather inflation pressures in the short term and hopefully grow well ahead of inflation in the long term.

For us this last point is the most crucial. We don't pretend to be able to predict when or how much inflation will happen but we do know that over the longer term, decade-plus time horizons we're interested in, inflation has a powerful value-eroding effect. (For example, between 1972 and 2022, the USA saw a seven-fold rise in prices and the UK a fourteen-fold rise.) To our minds, ensuring that we are invested in exceptional companies owning evergreen, uniquely durable products with unparalleled consumer loyalty and pricing power is the best way to protect against inflation if and when it does happen, over the short and the long term.

CYBER SECURITY

In an increasingly digitalized world, we are aware of the escalating threat of a cyber-security event, particularly within asset management, which is becoming an attractive target for attackers. The regulators are sending clear warnings (in the form of hefty fines) to businesses in order that they improve their cyber security. Lindsell Train's board has ensured that the appropriate policies and procedures are in place to safeguard and protect our company. These are continuously reviewed and tested. During 2022 there were several improvements made, with more to come in 2023. In June 2022 we achieved Cyber Essentials Certification.

Within our portfolios, we have engaged specifically with all portfolio companies where we believed cyber/data security posed a material risk to their business, of which there were many. In some cases, our engagement revealed that the risk was not as heightened as we had believed, as the company had less access to sensitive data than one might expect (e.g. FICO). The companies most 'at risk' from a cyber/data security risk perspective are the credit bureaus, Experian and Equifax. Not only do they hold huge amounts of data, but that data is skewed towards the kind of consumer information that is most attractive to hackers. We'd also point out that there is precedent - back in 2017 Equifax suffered one of the largest data breaches in history, in which the private records of nearly 150m Americans were accessed. We have engaged extensively with both of these companies over nearly a decade to fully understand the risks, and in doing so have gained comfort that both companies not only prioritise the mitigation of this risk above all else, but that the learnings from

Equifax's breach have served to generate an industry watershed that has resulted in improved security approaches and a radical step-up of investment into data protection and defence. In all cases management reassured us that they have assessed the risk within their businesses and have the appropriate policies and frameworks in place. Nevertheless, cyber threats are evolving almost daily and so we monitor this risk closely across all of our relevant holdings on an ongoing basis.

CLIMATE CHANGE

As highlighted within this section last year, climate risk continues to be the great issue of our era and it is clear that the transition to a low-carbon economy will affect all businesses, irrespective of their size, sector or geographic location. Therefore, no company's revenues are immune from the risks associated with climate change and thus the assessment of such risks must be considered within any effective investment approach, particularly one like ours that seeks to protect our clients' capital for decades to come. Of equal importance is the approach that we take as a business, and we are committed to playing our part. During 2022 we engaged extensively with our building management company to ensure continued progress with their emissions reduction plan.

From a portfolio perspective, we continue to identify and monitor the risks (and opportunities) within our research process as well as our ongoing monitoring of the companies in which we are invested. During 2022 we established our carbon reduction pathway (in line with the Paris Aligned Investment Initiative Net Zero Investment Framework) and disclosed publicly our interim targets. As we expect our company's progress to be driven by targeted investment, as opposed to disinvestment, there is much work to be done.

Whilst we hope that in our role as an Investment Manager we have demonstrated our ability to identify and respond to market-wide and systemic risks, we would also like to set out how we contribute more widely to a well-functioning financial system

SUPPORT POLICYMAKERS AND INDUSTRY INITIATIVES

We are pleased to support and uphold the important work led by a number of industry bodies, including the Investment Association, the FRC (through supporting this important Code); the TCFD; Net Zero Asset Managers initiative; the Principles for Responsible Investment (PRI); the IFRS Sustainability Alliance and Find It, Fix It, Prevent It. These have been selected with careful consideration of our resources and our ability to actively contribute to the initiatives we have chosen to support. We are aware of our limitations, and we are also mindful of the extent to which initiatives are often overlapping in their over-riding objectives. However, we recognize that collaboration and unified influence quickens progress and so we are eager to lend our support where we think we can make a difference.

Beyond this work, and within Lindsell Train more broadly, we promote: ensuring that all business activities comply with all applicable legal and regulatory requirements; the fostering of good governance, integrity and accountability; and ensuring that all investors have access to clear, comprehensive and high quality information.

Moreover, we believe it is important, wherever possible, that we actively represent the views of smaller organisations such as Lindsell Train, whose voices and businesses could potentially be at risk of being drowned out by larger organisations (with more extensive resources).

Lindsell Train investment professionals are keen to engage in discourse around the challenges of investing, and regularly attend and speak at industry events. Such communications connect us with our clients and the wider public and serve to encourage the adoption and advancement of a long-term investment approach.

We also believe that if investment managers share their insights in this way, it helps to lift the overall expertise in our industry, to the ultimate benefit of investors. For example, during 2022 James Bullock (Portfolio Manager) spoke at the inaugural Quality Growth investor Conference in London, attended by over 100 investment professionals; and Madeline Wright (Deputy Portfolio Manager and Head of Investment ESG) was invited by consulting firm Aon to speak on a panel addressing how pension fund investors and asset managers can support better outcomes regarding modern slavery.

V

SIGNATORIES REVIEW THEIR POLICIES, ASSURE THEIR PROCESSES AND ASSESS THE EFFECTIVENESS OF THEIR ACTIVITIES

The board of Directors has overall responsibility for assuring processes and policies and assessing the overall effectiveness of our activities, including those relating to stewardship. To that end, a number of the Directors contributed to this Stewardship Report in advance of its review and approval by Nick Train, Chairman in April 2023. In doing so, the board considers the report to provide a fair and balanced view of our approach to stewardship and responsible investment.

In addition to the board of Directors, Lindsell Train manages its business with the oversight of a Management Committee, a Risk and Compliance Committee, an ESG Committee and a Valuation Committee (refer to page 9). These committees were formed to manage all aspects of the company's investment, distribution, administration and control oversight functions as well as to encourage the sharing of knowledge and ideas across the various business functions at Lindsell Train. From a day-to-day perspective the ESG Committee now has overall responsibility for our stewardship activities, including ensuring their continuous improvement.

Jessica Cameron, Head of Institutional Marketing and Client Services, who has spearheaded our ESG efforts to date and who is a member of the ESG Committee, reports to the board and Management Committee at all their meetings, underlining the importance with which we view ESG from a corporate and investment perspective. Industry developments, regulatory responsibilities and any risks or opportunities relating to stewardship (including our company engagement activity) will be discussed in these meetings, with the objective of ensuring our stewardship activities are effective.

Given the size and nature of Lindsell Train we do not have an internal audit department; however the following internal control processes and frameworks have been established to support Lindsell Train's risk oversight and ensure that we follow our own procedures and policies (including our Proxy Voting, Conflicts of Interest and Responsible Investment and Engagement policies).

RISK MANAGEMENT FRAMEWORK

The Risk and Compliance Committee was established to oversee the risk management processes of Lindsell Train's business and the adequacy and effectiveness of its risk controls, including those relating to stewardship. The Chief Operating Officer (COO) works closely with each business unit to design and implement suitable risk management systems and controls.

The company maintains a corporate risk register which is reviewed by the Risk and Compliance Committee and the board at each meeting. A business risk assessment is produced annually by the COO as part of the ICARA report and is reviewed by the board. The company's MiFIDPRU Public Disclosures are available on our website here.

During 2022, it was an objective for the ESG Committee to update our proprietary ESG risk matrix (established in 2021) for inclusion within the corporate risk register. This project was completed as planned.

COMPLIANCE MONITORING

The Risk and Compliance Committee has overseen the ongoing operations of sound internal control systems to ensure the effectiveness of the company's compliance arrangements which are consistent with, and proportionate to, the risks posed by its regulated activities. The compliance monitoring programme has been developed and maintained to provide assurance to the board that all relevant procedures and policies are adhered to, and also to detect and prevent compliance breaches. The company's compliance monitoring programme is risk based and tests are performed on a daily, monthly, quarterly, semi-annual and annual basis depending on the level and nature of risks identified.

In addition to the monitoring programme carried out by Lindsell Train's Compliance team, the effectiveness of the company's compliance systems and records are also independently reviewed by ACA, an external firm of compliance consultants.

EXTERNAL ASSURANCE PROCESS

Our company's operational and control processes are reviewed by external accountants in the form of an AAF 01/20 report (SSAE 16 or ISAE 3402 equivalent).

As the business evolves we ensure our controls remain appropriate. This includes reviewing our AAF 01/20 controls including governance and proxy voting matters. As an example, following a review in 2021, we identified two additional controls related to ESG. These controls were effective from 1 February 2022 and will be reported on within our AAF 01/20 for y/e 31 January 2023 due to be published later this year.

VI

SIGNATORIES TAKE ACCOUNT OF CLIENT AND BENEFICIARY NEEDS AND COMMUNICATE THE ACTIVITIES AND OUTCOMES OF THEIR STEWARDSHIP AND INVESTMENT TO THEM

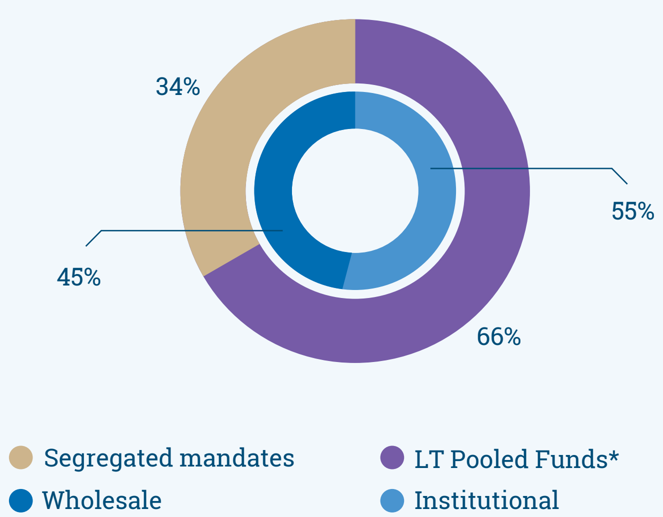
Lindsell Train's investor base is institutional in nature. Therefore, the clients to whom Lindsell Train provides investment management services are generally regulated financial institutions such as pension schemes, foundations, investment trusts and regulated pooled vehicles.

We do not deal directly with private retail investors, as all of our clients through the wholesale channel are advised or intermediated by a financial advisor and/or investment platform.

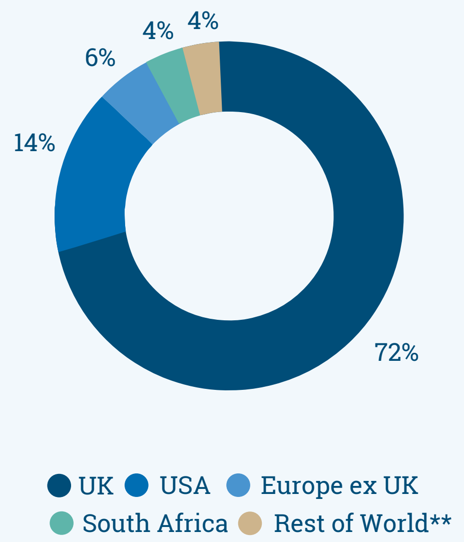
Indeed, together, platforms, IFA/Wealth Managers and private individuals (our 'wholesale business') make up just under half of our total AUM. For this wide range of investors, we need to make sure that we produce client reporting that is understandable, clear and not misleading.

Our Compliance team are responsible for providing the Marketing team with the necessary advisory support and oversight to confirm that we are meeting our regulatory obligations. However, it is only through ongoing dialogue with our clients that we can ensure we are taking account of their investment, stewardship and reporting needs.

Assets by vehicle and client type, 31 December 2022



Assets by client location, 31 December 2022



** Includes: LF Lindsell Train UK Equity Fund, LF Lindsell Train North American Equity Fund, Lindsell Train Global Equity Fund, Lindsell Train Japanese Equity Fund and Lindsell Train Global Equity LLC.*
***Includes: Isle of Man, Asia Pacific, Channel Islands, Middle East, South America and British Virgin Islands.*
This data looks through to the underlying clients in our pooled vehicles.

Reflecting our long-term high conviction approach to investment, we look to partner with clients over many years. To give ourselves the best chance to fulfil this aim it is imperative that our services continue to meet our clients' goals and expectations, both with regards to investment and client servicing. Our clients' views and objectives are sought generally through pre-investment calls with the clients themselves and/or their advisors or investment consultants.

In most instances we have pre-existing relationships with these intermediaries, which facilitates constructive dialogue and allows us to focus on the needs of our mutual clients.

In 2022, for the second time, we conducted an ESG survey as part of the registration process for our Annual Update client event. Once again this provided valuable insight, enabling us to assess how important ESG integration is to our investors; whether ensuring positive impact or ESG as a risk management tool is more important to our investors; and finally, how our ESG efforts measure up versus our peers. On an ongoing basis, client and consultant feedback and evaluation of our services, combined with the internal controls and procedures that we have in place, enables us to manage our clients' assets in alignment with both their investment and stewardship policies.

We have available a range of documents and marketing materials that serve to provide a comprehensive overview of how we approach the investment challenge as well as how we ensure investments and clients are safeguarded. There are also minimum disclosure documents, as prescribed by regulation, to ensure that investors fully understand the risks associated with the product in which they are investing.

Of Lindsell Train's 28 employees, nine are dedicated to Marketing and Client Service. We see it as a priority to react quickly and comprehensively to client requests and moreover, any decisions or discussions requiring senior management input or approval can be effected efficiently because of our small organisational structure. We have always believed it is important that our clients have full access to our investment team as such communication is productive for both parties. We learn from our clients while they (hopefully) learn from us.

Of course, with a small team of investment professionals it can sometimes be challenging to balance their time given the over-riding focus must be on investment matters, for the benefit of all our clients. We therefore view it as particularly important that the Portfolio Managers are responsible for writing the commentary for our regular client reports.

As a result of our bottom-up investment process, this reporting is highly focussed on our views of individual companies. Reflecting our integrated approach, these reports will often include discussions on responsible investment and stewardship matters. We also report more extensively on our engagement activities with individual companies in a quarterly dedicated ESG and Engagement report, which has been made available to clients on request and has had an accelerating readership.
As such, we have now also merged the four quarterly reports into an annual review document which is available on our website. The reports provide a summary of any company-wide stewardship milestones, as well as details of our key engagement activity during the period under review, including any initiated and ongoing engagements, any engagement escalations, results or collaborations.

Throughout 2022 we have continued to respond to a large number of RFPs and requests for meetings focussed on stewardship and ESG, and we continue to respond to increased demands for ESG data (in particular climate related data) and reporting. The dedicated Responsible investment area on our website houses all ESG reporting and policies. Topical thought-pieces produced by the investment team are also available on the website. In response to our efforts, we have been assured by our clients as well as our consultant partners that we are providing the necessary reporting for our clients to meet their own ESG regulatory reporting obligations, for example enabling our Pension Fund clients to report on engagement and proxy voting in line with SRD II.

VII

SIGNATORIES SYSTEMATICALLY INTEGRATE STEWARDSHIP AND INVESTMENT, INCLUDING MATERIAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES, AND CLIMATE CHANGE, TO FULFIL THEIR RESPONSIBILITIES

Lindsell Train has a single investment approach which is implemented across all our strategies (and hence funds and geographies) by one investment team. All seven members contribute to the research process. We do not separate out research from portfolio management. Moreover, we think it is important that all members of the team are generalists to encourage as broad a range of market, industry and company knowledge as possible. The process is iterative in nature and all research is reviewed and debated as a team. Embedded in this approach is our evaluation of ESG factors, including climate change, as it is our view that we can best serve clients through the application of an integrated approach, where our investment team leverage ESG considerations to make better decisions.

Our investment philosophy is not driven by ESG but in our search for ‘exceptional’ companies (that is durable, cash generative businesses that achieve higher than average returns on capital) we take into account a wide range of factors, including ESG and specifically climate change.

The ‘exceptional’ companies that Lindsell Train seeks to invest in are rare. Furthermore, we expect to hold these companies for the very long term, which for us means several stock market or economic cycles.

As such, our investment process places significant emphasis on heritage and sustainability. It is no accident that our portfolio holdings (or the brands or market positions they occupy) have on average survived for more than 100 years. This means they have encountered World Wars, depressions, recessions, digital transformations and more recently a devastating pandemic.

We therefore have every expectation that these companies can successfully navigate the challenges presented by the next few decades, such challenges including — continued digital disruption, climate change and data security risks, to name just a few.

Furthermore, we believe that there is a clear accelerating convergence between achieving our clients’ investment goals and investing in businesses that meet rising ESG standards, particularly when investing over a time horizon that stretches over decades rather than just quarters or years.

HOW DO WE IDENTIFY EXCEPTIONAL BUSINESSES?

The cornerstone of Lindsell Train’s investment process is to identify whether a company is ‘exceptional’, which includes a judgement on whether it is likely to be profitably in business in 20 years’ time.

Surprisingly few quoted companies meet this test of durability, as evidenced by the high attrition rate for constituents of equity indices in the past. In terms of what characteristics we look for, we have found that there are a number of common features that our holdings exhibit, namely: heritage; predictable earnings (through pricing power and/or intellectual property); good governance; low capital intensity; and sustainably high returns on capital.

Companies defined as exceptional by Lindsell Train typically demonstrate the following:

- Durability and longevity, evidenced by a deep competitive moat. The company should also demonstrate its ability to sustainably compound real cashflow over a multi decade time cycle. Often the most obvious candidates for investment are those companies and franchises that have already demonstrated their ability to survive and prosper over the long term.

- Sustainably high returns on capital.

- Superior capital allocation practices. At a minimum, we expect companies to reinvest in the business to maintain its competitive edge. Next we expect companies to consider acquiring complementary businesses, so long as by doing so they at least maintain their high return on capital. When the opportunity to make accretive investments does not exist, we would expect management to return cash to shareholders through paying dividends or through share repurchases at accretive prices.

- A conservative balance sheet (i.e. with low debt). We are willing to accept limited leverage, as long as it is not in order to maximise returns today at the cost of future earnings.

Our evaluation of ESG factors is a natural part of our investment process and so is incorporated into our framework at the earliest stage of idea generation and continues throughout the ongoing research/monitoring of companies, including company engagement.

Of course when we identify what we believe to be an exceptional business we intend to hold it for the long term, which for us means several economic market cycles. So the number of stock selection 'decisions' in terms of names in the portfolio is very low — for example, since the inception of our Global Equity representative account in March 2011 we have only sold completely out of seven positions and added five new positions.

None of these decisions were driven exclusively by ESG factors but, as we allude to above, any relevant factors will have fed into the research undertaken. Equally, if a company can demonstrate that it is on a path to improving its ESG credentials, this will weigh in its favour.

Our experience and research process points us to only a limited number of sectors to find 'exceptional' companies. These are consumer franchises, internet/media/software, financials and marketplaces. Hence there are a number of sectors that do not appear in our portfolios.

For example, we do not invest in capital intensive manufacturing industries or any companies involved in the extraction and production of coal, oil or natural gas. We also avoid industries that we judge to be sufficiently detrimental to society that they may be exposed to burdensome regulation or litigation that could impinge on financial returns (e.g. tobacco, gambling or arms manufacturers).

The nature of these sectors leads to a synchronous improvement in the ESG ratings of our portfolios. Thus our investment approach already gives us a 'head start' because of the innate integration of many aspects of ESG in our portfolios. Through our process of ESG integration, we will consider all factors that we believe will affect a company's ability to deliver long-term sustainable value to shareholders.

Such factors include but are not limited to: environmental (including climate change); social and employee (including turnover and culture); remuneration (including share ownership principles); innovation; cyber resilience; responsible data utilisation; strong boards (including skill-set diversity); respect for human rights; anti-corruption and anti-bribery; and any other risks or issues facing the business and its reputation.

If our companies can get all this right, then they will increase their chances of surviving in the long term. This aligns with how we explain to clients the long-term investment horizon that we believe is necessary to achieve the returns they seek.

We assess these factors and their materiality to the investment thesis underlying each of our companies. Since mid-2021, all ESG research conducted by the team has been catalogued via a proprietary database of risk factors (Sentinel). Like all our company analysis, this research is bottom-up and sourced from published reports and accounts, together with other publicly available information and meetings with management.

The database helps us to centralise and codify our team's views, as well as to prioritise our ongoing research and engagement work. As a User Member of the IFRS Sustainability Alliance (May 2021) we are able to cross-reference this work with the SASB Materiality Map©, which identifies likely material sustainability issues on an industry-by-industry basis, allowing us to coordinate research along (increasingly standardised) industry reporting methods, and to mitigate against potential blind-spots.

Importantly, however, the extensive research conducted to identify the ESG risks posed at a stock-specific level is our own. The majority of this work is qualitative in nature; however there is a quantitative element to the database to the extent that we score the ESG risks posed to each business based on subjective materiality.

If we believe that an ESG factor is likely to impact a company's long-term business prospects (either positively or negatively) then we can reflect this in the long-term growth rate that we apply in our valuation of that company, which alongside our more qualitative research will influence any final portfolio decisions (for example, whether we start a new position or sell out of an existing holding).

DATA/METRICS AND TARGETS

In general, we seldom use broker research, nor do we subscribe to any specific ESG research, data or analytical tools. In practice more than 90% of research is carried out in house. In particular all valuation work is our own. In some cases we engage with brokers or industry experts to gain a better understanding of a particular sector or industry and such research may include Responsible Investing/ESG related information. We are also able to leverage the information available on the Glass Lewis Viewpoint platform, as and where appropriate.

Furthermore, we fully support the aims of any organisation promoting transparency and consistency of information. As such, we are public supporters of TCFD, signatories of NZAM and a User Member of the IFRS Sustainability Alliance. Together these initiatives and organisations, and many others, are driving a cross-industry effort to encourage companies to report essential ESG data and disclosures in a uniform and consistent way. This information is critical for our analysis and will enable important comparison work across industries, sectors and companies.

Portfolio concentration has enabled meaningful stock-level analysis that can be leveraged to enact change. We are fortunate that collating data across our portfolios is significantly simplified by the fact that across all our portfolios we invest in a total of around 70 holdings. This has enabled us to directly source meaningful data, which the team can then easily and holistically integrate into their ongoing due diligence of each company. Most often this data is found in the company's annual report or a designated sustainability report. Where information is not available, we have written to management requesting that they endeavour to publish this essential information going forward.

In the meantime, we rely on estimates and assumptions from third-party data providers such as Bloomberg. The table below shows the current availability of emissions data across our strategies.

We would note that this is an improvement on the data available only 12 to 24 months ago and applaud our companies on their progress.

	% COMPANIES PUBLISHING SCOPE 1 + 2 EMISSIONS DATA	% COMPANIES PUBLISHING SCOPE 1, 2 + 3 EMISSIONS DATA
Global Equities	92%	88%
UK Equities	89%	84%
Japan Equities	64%	54%
North American Equities	88%	84%

Source: Lindsell Train. As at 31 December 2022

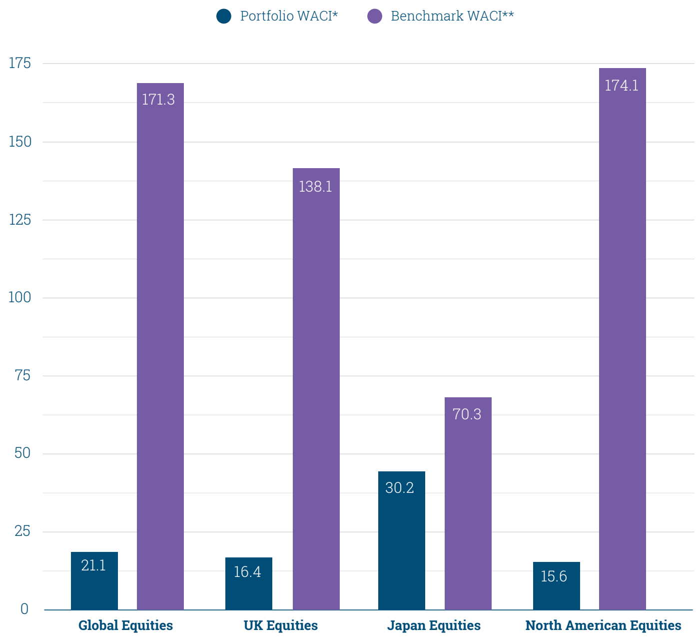
At a portfolio level, we have gathered net zero alignment information for each of the 70 or so companies we invest in across our company.

We also collate Scope 1, 2 and 3 (where available) data, which is stored within Sentinel and then used to measure the carbon footprint/intensity of our portfolios.

We do not typically make use of more complex quantitative analytics or proprietary technologies although we are open to reviewing the tools currently available to test and support our transition conclusions and also ensure that our investment portfolios are de-carbonizing in a way that is consistent with achieving net zero greenhouse gas emissions by 2050.

Ultimately, we expect the improvement to be driven mainly by targeted engagement with management, by us and our peers.

When we look across our holdings, we are pleased to note that all four of our strategies have a significantly lower than average weighted average carbon intensity than their comparable benchmarks:



**WACI = weighted average carbon intensity (t CO2e/ $ M Sales). This measure is a portfolio's exposure to carbon intensive companies. Companies with higher carbon intensity are likely to face more exposure to carbon-related market and regulatory risks. This metric can serve as a proxy for a portfolio's exposure to potential climate change-related risks relative to other portfolios or relative to a benchmark. Carbon emissions are apportioned based on portfolio weights/exposure, rather than the investor's ownership share of emissions or sales. **Source: Morningstar. As at 31st December 2022.*

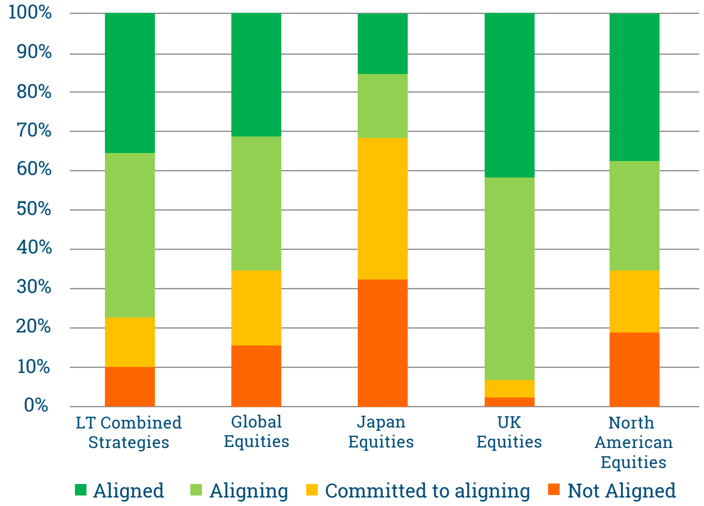
In addition to this, we also calculate the total carbon emissions, carbon footprint (tCO2e/$M invested) and carbon intensity (tCO2e/$MSales) of our portfolios.

By looking at the underlying data we are able to quickly identify which stocks in our portfolio are most exposed to climate-related risks. We can affirm this data using The Transition Pathway Initiative (TPI) and Climate Action 100+.

TARGETS

As signatories of NZAM we are committed as a company to support the goal of net zero greenhouse gas emissions by 2050 or sooner. In accordance with the initiative, during Q4 2022 we established and disclosed our interim target, in line with the Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework. In recognition of Lindsell Train's investment approach we believe it most appropriate to adopt a portfolio coverage target, which seeks to increase the proportion of a manager's AUM aligning to a Net Zero pathway. The portfolio coverage target Lindsell Train has set has an objective of increasing the percentage of our AUM achieving aligned status from 36% in August 2022 (baseline) to 55% in 2030. To achieve this, we will continue to engage proactively with the management of companies we hold across our portfolios, our aim being to understand their individual goals and, where appropriate, to provide our thoughts on their road maps, with the overall ambition of reaching an absolute reduction in global carbon emissions. Further details can be found in our TCFD report.

The chart below shows the alignment of each of our strategies, and our company when combined, as at August 2022 (our baseline).



VIII

SIGNATORIES MONITOR AND HOLD TO ACCOUNT MANAGERS AND/OR SERVICE PROVIDERS

Lindsell Train does not outsource any of its regulated core functions. The only outsourced administrative function is IT.

Glass Lewis aid the administration of proxy voting and provide additional support in this area. However, it is important to stress that the Portfolio Managers maintain decision making responsibility, which is based on their detailed knowledge of the companies in which we invest. This means that we do not need to monitor Glass Lewis in the way that most of our peers monitor their proxy voting service provider, who are executing votes in accordance with an agreed policy on their behalf. Nevertheless, we are pleased to confirm that Glass Lewis' services have met our needs during the period under review.

Prior to appointing any external service provider a detailed due diligence review is conducted. The level of work involved will depend on the nature, type and importance of services required.

Services that are considered more critical are subject to enhanced review which covers cyber security, conflicts, creditworthiness, service benchmarks and risks of potential disruptions from any service failures.

At a minimum, a documented terms of business is required for all vendor appointments which must be approved by a director.

Considerations are given to the following key risk areas in the oversight review process and these will vary depending on the type of service selected:

- Operational – service quality, information security, technical competence and ramifications of any service disruptions
- Strategic – ownership structure, position in the industry, niche, size of firm and geographical coverage, business history, business commitment
- Financial – financial statements, credit ratings, pricing of the service, price changes
- Legal – terms of business, SLAs, confidentiality, privacy, termination terms, breach of service, data ownership, cloud storage, conflicts of interests
- Regulatory – data protection

Additional checks such as obtaining customer references are also considered in the review process. Once appointed, ongoing reviews are conducted annually including service review meetings.

IX

SIGNATORIES ENGAGE WITH ISSUERS TO MAINTAIN OR ENHANCE THE VALUE OF ASSETS

Engaging with and monitoring portfolio companies is an essential element of our investment strategy. The investment team's ongoing monitoring includes reviewing annual reports and accounts, together with other publicly available information, and meeting with company management, when appropriate, on an ongoing basis.

The team evaluate the effectiveness of a company's management and poor business practices would be reflected in our overall assessment of the company.

Given the concentrated nature of our portfolios (20-30 stocks) and the fact that all positions are sizeable and meaningful, all engagement activities are considered a priority.

The investment team see it as a critical part of their company research to dedicate appropriate attention to any engagement activity and during 2022 we addressed with each portfolio company's management all ESG concerns that we viewed as most relevant to that holding.

In addition, and as mentioned in Principle I above, the investment team completed a large-scale project to hold an ESG specific discussion with every company in our portfolios (just over 70 companies) to establish the baseline for our ongoing engagement work.

As a result of this work, Madeline Wright published an exploration of the growing issues around water use, and how some of our portfolio companies are responding to the challenge (Appendix 2).

Our long-term approach generally leads us to be supportive of company management; however, where required and if in the best interests of our clients, we will try to influence management on specific matters or policies. Our intention is to have open and constructive dialogue with management and board members, in order to broaden our knowledge of the company's strategy and operations and to ensure any concerns we might have are assuaged.

Given we often build up large, long-term, stakes in the businesses in which we invest we find that management are open to (and very often encourage) engaging with Lindsell Train. Constructive dialogue has more often than not resulted in satisfactory outcomes, thus limiting the need for escalation.

However, where this is not the case, we will consider escalating our engagement and stewardship activities, as detailed in our response to Principle XI below.

During 2022 the investment team conducted 216 company meetings, including one-on-one meetings, group presentations and conference calls.

USA	90
UK	66
Japan	51
Netherlands	4
Italy	3
Switzerland	2
Germany	1
France	1
India	1
Total	216

DEFINING ENGAGEMENT

Meeting with company management is not a pre-requisite for making an investment decision, as we believe the quality of the business is more important than the quality of the present management, which anyway is likely to change within our investment timeframe.

Nevertheless we try to meet with company management at least once a year, as we believe that our interactions with management have a positive cumulative effect. Through successive meetings with management we can build a better understanding of their strategy and also a relationship of trust.

Distinct from these regular update meetings is our "engagement" with companies, where we request a meeting so that we can focus on a specific ESG-related concern. Occasionally, in addition to our proactive engagement activity, management might seek our opinion on a specific matter and thus our engagement activity may also be reactive.

Whilst our contact with companies is consistent across all our strategies there are some anomalies worth mentioning. In Japan, transparency is generally lower and we find regular meetings with companies more valuable. These meetings may sometimes move to the category of "engagement", often in the area of corporate governance, where Japanese corporates on average have greater room for improvement. In comparison, transparency in the US is much higher; however, Lindsell Train pays careful consideration to the compensation policies of the companies in which we invest and we have typically found that US companies have remuneration policies that are less aligned with shareholders' interests and our principles – thus leading to the periodic need for engagement.

Engagements: these are interactions with company managements where there is a more specific focus on one or more ESG-related issues.

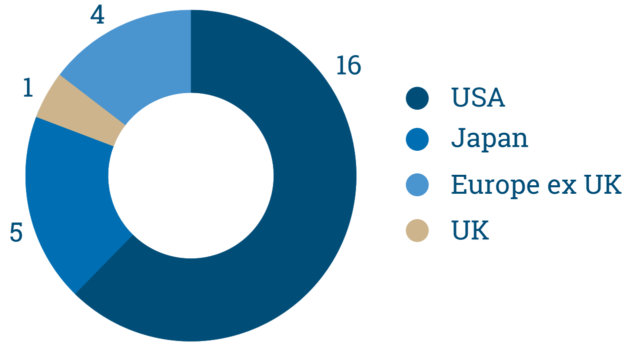
PRIORITISING ENGAGEMENT

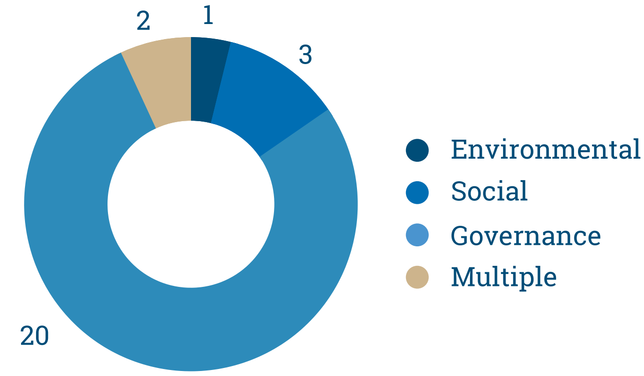
As per previous years, given the concentrated nature of our portfolios and long-term nature of our investment process, we have not had to prioritise our engagement by topic, as we have been able to address all matters of interest, opportunity or concern; however as the work on our engagement framework develops we may look to prioritise our engagement on themes that are more material across our holdings.

During 2022 we proactively engaged with the management of 26 of the 70 companies we hold across our portfolios on matters specifically relating to ESG. By way of example, case studies have been provided on pages 30, 32, 34 & 37.

2022 ENGAGEMENT ACTIVITY

We engaged with 26 of our 70 holdings*
Total Engagements: 34





**Across our Global, UK, Japanese and North American strategies. Portfolio company engagement activity for period 1st January 2022 – 31st December 2022. Source: Lindsell Train*

Over the year we continued to develop our approach to target setting for our engagement activities and how we might monitor progress towards these goals. Most notably we have agreed and published our net zero goals as discussed within Principle VII above.

Having now also established an ESG baseline for all our companies we can quickly identify areas of particular concern — or indeed opportunity — via our database Sentinel. Furthermore, through our formal quarterly reporting to clients, we document key engagement activity including the nature of the engagement, who was involved and where appropriate any follow-up steps that have been taken. In some instances, the matter on which we are engaging is swiftly resolved, and thus reflected in the same report. In other cases, the outcome of our engagement may take longer so will be described in a later report.

It is always the case that we monitor our engagement activity to the point that there is a clear resolution. We hope that the improved layout of these quarterly reports has aided our clients with their own reporting and has also allowed investors to quickly assess the progress of our engagement efforts.

CASE STUDY — KIRIN

Longer-term readers of our ESG reporting will recall that Lindsell Train has been engaging with the management and advisory board of Kirin Holdings since the beginning of 2020 regarding their brewery venture in Myanmar (Myanmar Brewery) arranged as a joint venture with the Myanmar Economic Holdings Public Company Limited (MEH). MEH has been accused by Amnesty International and the UN of using the proceeds of this joint venture to finance a military that has been associated with human rights abuses, particularly against the Rohingya people.

Following our lengthy engagement with Kirin (2+ years), during 2022 Kirin announced that it would be exiting completely from Myanmar and the joint venture with MEH.

Prior to this decision, Kirin had engaged in multiple discussions with MEH (via an arbitration process in Singapore) in an attempt to persuade them to exit the JV and leave Kirin as the sole operator in Myanmar, but this proved fruitless and was taking too long.

Kirin had also sought an outside buyer for its stake in Myanmar Brewery, but this too failed to come to fruition. Kirin has instead sold its entire 51% stake in the joint venture back to Myanmar Brewery, structured as a share buyback. From a financial perspective, by engineering a sale rather than a straight liquidation, Kirin has recovered some of its initial investment.

Additionally, with the reversal of some of the initial impairment losses the company had already recognised, the impact on profitability is somewhat better than we had initially expected, although this does not account for the opportunity loss of the potential future growth from this geography.

From a human rights perspective there was no perfect solution; however it is clear that Kirin has considered the impact on local staff and business partners, as well as its commitment to shareholders.

We believe the company reacted responsibly from the point it became aware of its implicit involvement in human rights atrocities, in particular that Myanmar Brewery dividends might have been used by the military in contravention of the joint venture agreement. Suspending all dividends from the joint venture and then seeking to dissolve it were the correct actions in the circumstances.

X

SIGNATORIES, WHERE NECESSARY, PARTICIPATE IN COLLABORATIVE ENGAGEMENT TO INFLUENCE ISSUERS

We recognise that there may on occasion be some benefits to our clients of acting collectively; however our preference is to engage with management privately, as this enables us to build a more effective relationship with boards and management.

It also allows us to express our own nuance on the issue under consideration, which is seldom the same as other investors given our intention to hold our investments for the very long term.

Sharing views may sometimes be helpful, if only to understand the approach that other large shareholders are taking.

As such, we will consider bilateral conversations with other like-minded investors to confirm alignment of shareholder interest, or better understand why and where this isn't the case.

We are aware that organisations such as PRI are able to facilitate such conversations on an anonymous basis and we would therefore consider such an approach as and when appropriate.

Indeed, there is much we can learn and share from leveraging the experiences and capabilities of all financial market participants.

By way of example, in 2022 we confirmed our support of CCLA-founded Find It, Fix It, Prevent It (see page 7 above). Following on from this we worked in collaboration with consulting firm, Aon to apply the Find It, Fix It, Prevent It framework to our engagement discussions with both Burberry and Young's (details of which can be found on the following page). Later in the year, our Head of Investment ESG Madeline Wright was invited by Aon to speak on a panel addressing how pension fund investors and asset managers can support better outcomes regarding modern slavery.

Outside of specific company engagement, we attend relevant conferences and also engage with policymakers, initiatives and membership bodies where appropriate. For example, during 2022, we engaged with the IIGCC when formulating our NZAM roadmap and targets.

CASE STUDIES – BURBERRY AND YOUNG'S

Working both with consulting firm, Aon and Find It, Fix It, Prevent It (to which Lindsell Train is a signatory) we engaged with these two companies to understand their approach to modern slavery.

Both companies already have formal Modern Slavery policies in place and we came away reassured by the emphasis both place on the issue and the resources they continue to devote to the challenge.

Burberry

We commend Burberry for acknowledging that modern slavery has been found in its supply chain, but more importantly unlike many of its peers it is actively addressing this issue. The company was understandably discreet about the details; it's essential to preserve trust with supply-chain partners, as without their cooperation it becomes very difficult to uncover modern slavery, let alone address it. However, management reassured us that their policies are robust and moreover are always supported by NGO input.

As well as hearing that there are certain regions in which Burberry won't manufacture due to elevated risk, we were told that the company is willing to terminate supplier relationships in the event of repeated under-performance related to e.g. working hours or incorrect documentation.

These are exactly the kind of issues that are easier to spot because Burberry goes into facilities in person (managed by its 38-person sustainability team, which is spread out around the world with local leadership to audit facilities themselves).

Young's

So far Young's has not found modern slavery in its supply chain. They revealed that 90% of their pub food is British and comes from just six suppliers; for drinks the company works with just six big brands, all of which have established and rigorous modern slavery policies.

The areas of greatest risk are the use of agencies to supply workers (although these comprise less than 5% of all staff), and employees working without the correct documentation. Both these areas are being addressed.

For example, Young's now requires suppliers to register on the global Sedex platform (set up to help companies to manage and improve working conditions in global supply chains) and from this Young's can establish supply chain transparency and pick out any risk areas. Most big suppliers are already on Sedex, and overall the aim is to get 100% of suppliers and agencies onto the platform for complete coverage.

XI

SIGNATORIES, WHERE NECESSARY, ESCALATE STEWARDSHIP ACTIVITIES TO INFLUENCE ISSUERS

In general, when an escalation of engagement is appropriate then a senior member of our investment team will contact company management to seek further information and make clear our concerns and expectations.

In most circumstances we arrange a meeting with relevant members of the company's board, which may extend to the chairperson or a senior non-executive director. The feedback from these meetings is then discussed amongst the investment team who will decide whether the responses received require further escalation.

All such decisions are made on a case by case basis, although importantly our general approach is uniform across our strategies and therefore across sectors and regions. Usually we will consider writing formally to management, making a public statement (generally through our reports to investors) or under certain circumstances we might initiate collaborative engagement with other shareholders.

Our preference however is for private and confidential conversations, as this enables us to build a more effective relationship with boards and management and we think is as likely to lead to a positive conclusion.

If we do not believe that raising our concerns in these ways is having the desired effect we will, where appropriate and if possible, use our voting rights. As our holdings in individual companies tend to be large, our votes often carry significant weight in the outcome of a vote. Where we are voting against management, we will communicate with them ahead of a vote to confirm the reasons why.

Finally, if concerns are raised with an portfolio company about fundamental changes to the business model on which we do not receive sufficient comfort – in particular, if the sustainability of its returns over the long term were under threat or if a sustainability risk associated with the company has increased beyond our comfort level — then in an extreme case Lindsell Train would think seriously about disposing of the position, should we believe that action to be in the best interest of our clients.

As you will have read, 2022 was another particularly active year for us on the engagement front. When it comes to prioritising, we are fortunate that the concentration and nature of our portfolios results in only a relatively small number of incidents so we can ensure that sufficient attention is given to all matters simultaneously, as required. The majority of our engagement and escalation work seeks to procure a pre-determined objective which we are confident is in our clients' best interests; however in some cases the best outcome for our clients is not immediately clear. In these instances, we will work with management to endeavour to reach the most favourable outcome.

As part of our ESG engagement escalation process we have written to the management of 15 US-based companies regarding their compensation policies. In all cases we felt it necessary and important to put our views in print and to explain our rationale for voting against (or abstaining) on resolutions relating to compensation.

We also wrote to Alphabet's Chief of Sustainability regarding three shareholder proposals (on which we abstained) relating to the physical risks of climate change, water management risks and data collection, privacy and security. Finally, we concluded our engagement with the management of Kirin regarding Human Rights (see page 30).

We have continued to use our voting rights to ensure our voice is heard on behalf of our clients. In 13 instances we voted against management on resolutions relating to compensation and in 11 instances we abstained – these votes addressed various compensation, environmental and governance related matters. Further details of our voting activity are provided under Principle XII below.

CASE STUDY — WWE

Following allegations of misconduct against the CEO Vince McMahon, WWE underwent a management transition during July 2022. Vince stepped down as Chairman and CEO of the company (after 40 years in both roles) to be replaced by his daughter Stephanie McMahon as Chairwoman, and Co-CEO alongside Nick Khan. Additionally, Paul Levesque took over Vince's creative responsibilities. Despite these changes in managerial roles, Vince remained the largest shareholder, with roughly 80% of the votes. We engaged with the company at the time and again when Stephanie and Paul visited our offices in September 2022.

We continue to view WWE as a strategically advantaged media company via its ownership of valuable and unique IP underpinned by its strong heritage. That said, Nick Train reminded the management team that we place high value on good stewardship and also reinforced our views as to the value of the company, amidst rumours of a potential sale. We were satisfied that the Board acted appropriately by highlighting the issues and cooperating with the auditors.

Regarding the purported sale of the business, during our engagements with management we took the opportunity to emphasise that Lindsell Train looks to be a truly long-term shareholder and also noted our view that the market dramatically undervalues WWE's potential.

In January 2023, Vince returned to a reshuffled WWE board with the stated purpose of leading a sale process. In early April it was announced that Endeavor will combine its Ultimate Fighting Championship (UFC) assets with WWE, to create a new, separately listed company. Under the proposed framework, Endeavor will own 51% of the new entity, and WWE shareholders the remainder. Vince will be surrendering his B shares, which carry 10x the voting power of the ordinary share class, as part of his transition from a majority to minority shareholder. As you would expect, we've already engaged with the leadership teams on both sides, and we look forward to further engagements in the intervening period before the transaction officially goes ahead at the end of the year.

XII

SIGNATORIES ACTIVELY EXERCISE THEIR RIGHTS AND RESPONSIBILITIES

Lindsell Train's Proxy Voting policy is available on our website here and our voting records can be found here.

The primary voting policy of Lindsell Train is to protect or enhance the economic value of its investments on behalf of its clients. Lindsell Train's Portfolio Managers are responsible for proxy voting decisions and it is our policy to exercise all voting rights which have been delegated to us by our clients. Proxy voting decisions are the result of careful judgement in order to ensure the best possible outcome to generate long-term shareholder value.

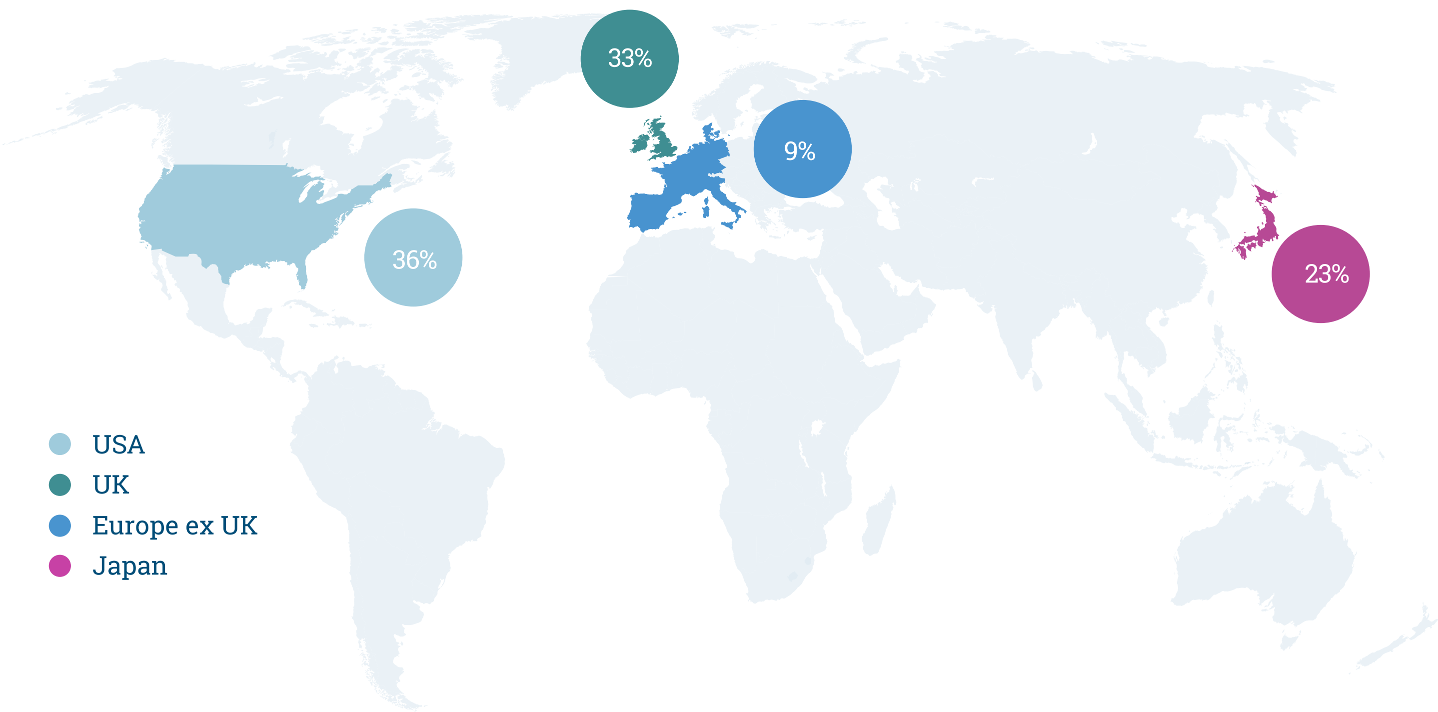
The manager will vote against any agenda that threatens this position, in particular concerns over inappropriate management incentives, changes in capital structure and mergers or acquisitions which are seen as detrimental to the investment held. Where we plan to abstain or to vote against a company backed resolution, our intentions will be communicated to the company management in advance of voting. Our approach to proxy voting is uniform across all funds/strategies and therefore also across sectors and geographies.

Lindsell Train has appointed Glass Lewis to aid the administration of proxy voting and provide additional support in this area.

For example, Lindsell Train can leverage Glass Lewis research (produced in partnership with Sustainalytics) and also their voting guidance. However, the Portfolio Managers maintain decision making responsibility based on their detailed knowledge of the portfolio companies. We believe retaining ownership over the exercise of our votes forms an important part of our investment process and proactive company engagement strategy.

PROXY VOTING

Votes by region



From an administrative perspective, the Glass Lewis Viewpoint platform streamlines and digitalises the overall voting and approval process. The Viewpoint platform enables Lindsell Train to monitor what shares and voting rights we have and also provides the necessary alerts ahead of voting deadlines.

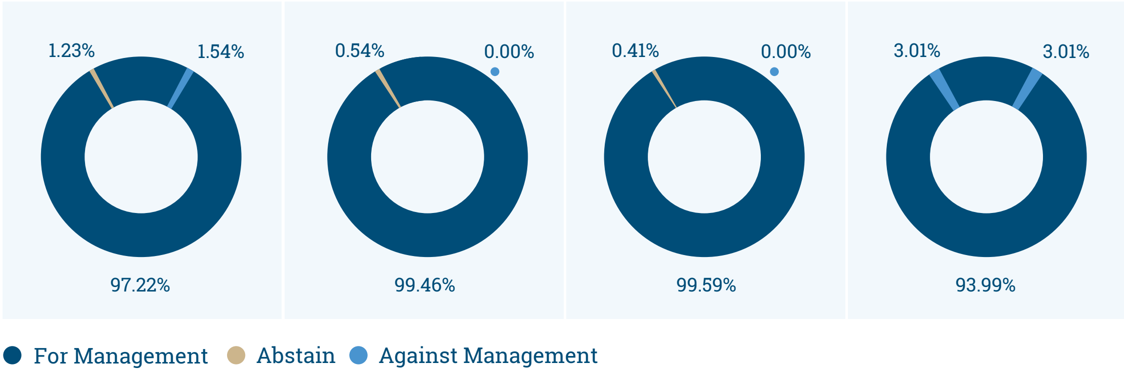
The investment team can access the platform to review all votes, taking into consideration any ongoing or past engagement activity. On the rare occasion that a vote is missed, late or rejected, we have policies and procedures in place to ensure each incident is investigated and the appropriate remedial action is taken. Lindsell Train has a house view on all votes to the extent that our voting decisions are not informed by a third-party provider. Whilst we would be willing to consider a client's input and direction on voting, in practice this has not arisen.

A small number of segregated clients have chosen to conduct their own proxy voting and, in some instances, we will collaborate by sharing our voting intentions with these clients ahead of time. We do not participate in any stock lending arrangements.

VOTES BY STRATEGY

31 December 2022

	GLOBAL EQUITY STRATEGY	UK EQUITY STRATEGY	JAPAN EQUITY STRATEGY	NORTH AMERICAN STRATEGY
Size of strategy (£m)	£10,121m	£7,535m	£553m	£29m
Number of meetings	23	22	21	24
Number of resolutions	324	368	245	366
% of votes cast	100%	100%	100%	100%



You will note that votes against management are typically low. As we have explained, the main reason for this is that our long-term approach to investment generally leads us to be supportive of company management.

Furthermore, prior to reaching the point of voting against company management, we will try to influence management through our engagement activities. Where our engagement is not successful, we are prepared to hold management to account, where necessary and appropriate.

Our vote against and/or threat of sale would not be taken lightly by management, as we are often large strategic shareholders.

During 2022, in the majority of cases where we have voted against management it has been on matters relating to remuneration. Disappointingly we were in the minority in all instances and thus the resolutions were passed. We will continue to engage with these companies to try to secure a better outcome.

CASE STUDIES – UNILEVER & SQUARE ENIX

Unilever

We engaged with the CEO and Chairman of Unilever following the announcement of Unilever's attempted purchase of GlaxoSmithKline's consumer healthcare business in January 2022.

It's a business that we've been following in the knowledge that it was likely to be divested and as a general proposition is a consumer franchise category we admire. Unilever was prepared to pay 5x sales, which we felt was justified by the quality of the GSK business, particularly when considering the synergies with Unilever's existing business.

Our engagement centred around the proposed issuance of Unilever shares to fund part of the acquisition. With GSK having rejected the offer and Unilever committing not to raise its price, the deal collapsed but it's clear the company has an urgent strategic imperative to continue reorientating its portfolio towards faster growing health and hygiene.

A few months later, we spoke to Chair, Nils Andersen regarding the appointment of activist investor, Nelson Peltz of Trian Fund Management, to its board as a non-executive director, after his purchase of 1.5% of Unilever's shares. As Trian's objectives are ostensibly in line with our own, we had no objection to the appointment. We did however take the opportunity to urge the board to resist any proposals that merely boost short-term value. Andersen confirmed that the board remain committed to their long-term strategy and are focussed on protecting the strategic value of Unilever's assets.

Square Enix

We engaged with the Corporate Strategy Division of Square Enix, a Japanese gaming company, following the announcement that the company had entered into an agreement to sell several of its western development studios and a catalogue of intellectual property (IP) to Embracer Group, a Swedish video game and media holding group.

Our engagement stemmed from our philosophical reluctance for any of our companies to part with their valuable IP and hence our desire to gain a better understanding of the rationale for these divestitures.

We were aware that financial performance from these studios had been underwhelming and so it made sense to us when management explained that, with the aim of bolstering profitability, they had decided to divest these assets rather than restructure or pursue an alternative course of action.

In conjunction with the divestitures, management also confirmed that they have streamlined their publishing structure by centralising functions under a Chief Publishing Officer.

These initiatives, combined with continued steady operating performance in other parts of the business, should lead to margin improvement and close the gap with competition, who have been able to attain much higher operating margins.

Appendix I

Lindsell Train Biographies

MICHAEL LINDSELL, DIRECTOR

Co-founder and Portfolio Manager — Japanese & Global Equities

Michael co-founded Lindsell Train Limited in 2000. He is the Portfolio Manager for Japanese equity portfolios and jointly manages Global portfolios. Michael has over 30 years' experience in investment management. Before founding Lindsell Train he spent seven years at GT Management, first as CIO in their Tokyo office, then in London with responsibility for all GT's global and international funds.

Following the acquisition of GT by Invesco in 1998 he was appointed head of the combined global product team. His previous experience included working at Mercury Asset Management where he was director and head of Japanese fund management in London, at Scimitar Asset Management in Hong Kong where he ran Pacific and Japanese mandates and at Lazard Brothers as an investment manager. Michael has a BSc honours degree in Zoology from Bristol University.

NICK TRAIN, DIRECTOR

Co-founder and Portfolio Manager — UK & Global Equities

Nick co-founded Lindsell Train Limited in 2000. He is the Portfolio Manager for UK equity portfolios and jointly manages Global portfolios. Nick has over 30 years' experience in investment management. Before founding Lindsell Train he was head of Global Equities at M&G Investment Management, having joined there in 1998 as a director. Previously he spent 17 years (1981 – 1998) at GT Management which he left soon after its acquisition by Invesco. At his resignation he was a director of GT Management (London), Investment Director of GT Unit Managers and Chief Investment Officer for Pan-Europe. Nick has a BA honours degree in Modern History from Queen's College, Oxford.

JAMES BULLOCK

Portfolio Manager — Global & North American Equities

James joined Lindsell Train in 2010 and is a Portfolio Manager. He has jointly managed global equity portfolios since 2015 and is responsible for the North American Equity Fund. He has a Masters degree in Physics from the University of Oxford and a doctorate in Zoology from the University of Cambridge.

MADELINE WRIGHT

Deputy Portfolio Manager and Head of Investment ESG

Madeline joined Lindsell Train in 2012 and was promoted to Deputy Portfolio Manager in 2019. She works closely with Nick Train on the UK Equity Fund and assists James Bullock on the North American Equity Fund. Madeline has a degree in English Language and Literature from the University of Oxford and previously spent a semester as a visiting student at Yale University. After leaving Oxford, she studied in Japan for a year where she learnt to speak the language to a high standard.

ALEXANDER WINDSOR-CLIVE
Deputy Portfolio Manager

Alexander joined Lindsell Train in 2016 and was promoted to Deputy Portfolio Manager in 2021, meaning that his insights and ideas are progressively reflected in portfolios. Alexander has a degree in History from the University of Bristol.

BEN VAN LEEUWEN
Analyst & Portfolio Managers' Assistant

Ben joined Lindsell Train in February 2019 as an Analyst & Portfolio Managers' Assistant.
He has a First Class Degree in English Language and Literature from the University of Oxford.

ALICE LI
Analyst & Portfolio Managers' Assistant

Alice joined Lindsell Train in 2021. Prior to that, she had internship experiences in venture capital, hedge fund, private equity, and fund of funds. Alice has a degree in Financial Economics from the University of Oxford.

KEITH WILSON, DIRECTOR
Head of Marketing & Client Services

Keith joined Lindsell Train in January 2010 as European Sales & Client Services manager and was appointed Director in 2019. Keith has over 20 years of investment experience, starting with M&G Group during the 1980's, he progressed on to undertake senior sales roles at both Baring Asset Management and Fortis Investments where he was responsible for managing the UK sales teams, and sat on a number of marketing and product development committees. Keith has a Zoology degree from the University of London and passed the Investment Management Certificate in 1995.

JANE ORR, DIRECTOR
Communications

Jane joined Lindsell Train in April 2007 as Marketing Manager and was appointed Director in 2010. Jane has over 25 years' experience in the investment management field and has held a number of senior marketing positions with institutional investment management firms, including Genesis Investment Management, GMO and PDFM (now UBS Global Asset Management). Jane has a Mathematics degree from Oxford University and is qualified as an Associate Member of The Society of Investment Analysts (now CFA).

JESSICA CAMERON
Head of Institutional Marketing and Client Services

Jessica joined Lindsell Train in September 2018 within the Marketing & Client Services team. Jessica has over 10 years' experience in the investment management field. Prior to joining Lindsell Train in 2018, Jessica worked for 15 years at Longview Partners within the Institutional Clients team. Jessica was also a board Director for Longview's Luxembourg funds. Jessica started her career in 2007 at BlackRock, where she worked as a Product Specialist on the London based Global Equity team and before that as a member of the Global Consultant Relations team. Jessica has a degree in Modern History from the University of St Andrews. She is an Investment Committee member of the University of St Andrews Investment & Treasury Assurance Group (ITAG), which is responsible for the University's endowment funds.

MICHAEL LIM, DIRECTOR
IT & Company Secretarial

Michael joined Lindsell Train in 2001 as Chief Operating Officer (COO) and was appointed Director in 2010. He stepped down as COO in early 2022 and is Company Secretary and responsible for the firm's IT functions. Michael has over 30 years' management experience in finance, securities operations and compliance, having worked in senior management positions for international brokerage institutions Sun Hung Kai (London) and Tai Fook Securities (London). Michael holds a degree in Economics from Queen Mary College, University of London and is a qualified Chartered Accountant.

JOSS SAUNDERS, DIRECTOR
Chief Operating Officer

Joss joined Lindsell Train in May 2021 and was appointed Director in 2022. He has over 20 years' experience in investment management. Having qualified as a Chartered Accountant in Ernst & Young's Audit division in 2001, Joss moved to Henderson Global Investors as a Senior Business Analyst and then in 2004 to Barclays Global Investors (BGI). By the time he left in 2011 he was COO for the UK institutional business of BlackRock following its takeover of BGI. He joined Baillie Gifford in 2011, first as Director of Overseas Finance, then as a Director within their Investment Operations and finally as COO and Finance Officer of their European entity. Joss has a BA honours degree in Economics with French and an MSc in Corporate & International Finance, both from Durham University. He passed the Investment Management Certificate in 2003.

MATHEW MCNEILL
Chief Compliance Officer

Mathew joined Lindsell Train in 2020. He has over 18 years' experience in financial services, 15 of those in dedicated compliance roles. Prior to joining Lindsell Train, he worked for three years as an independent consultant in senior compliance roles with clients including Royal London Asset Management, Quilter, M&G Prudential and Merian Global Investors. He previously worked as a Compliance Manager with Vanguard Asset Management and in the Regulatory & Operational Risk Team at Aegon Asset Management. He started his compliance career in 2007 with Aberdeen Asset Management. Mathew has a degree in History and Politics from the University of Strathclyde.

Appendix II

Muddy Waters

This piece is a companion to an earlier insight, "Scope 3 Under The Microscope", in which I observed that our ESG work has highlighted a number of themes pertinent to a large proportion of our portfolio companies. Having focused on emissions then, I am turning this time to water use – another topic which has emerged as relevant for all of our companies. As you might expect, the beverage and consumer goods manufacturers are under the spotlight but we have also observed impacts on a wider range of companies (even including tech) and identified some other, less obvious but highly "water intensive" industries such as textiles – which is clearly a consideration for our luxury fashion investments. So in this piece I will give an overview of the key water issues facing our companies, tease out what's difficult about responding to water challenges in particular, and explore why our portfolio companies think addressing these issues is important. In the end, we are hopeful that the solutions, changes and investments they are developing and implementing now will be instrumental in mitigating future risks and ultimately improving their business models.

Global Challenges

Let's start with the global backdrop: historically, water has generally been viewed as a commodity, usually low priced and often government-subsidised. But increasingly this perception is changing, and people are starting to recognise that the headline price of water doesn't always reflect its real costs and associated risks. Broadly these risks fall into two categories: the first is excessive water consumption (often known as "freshwater withdrawals") which in future may either not be possible or could attract a scarcity premium, i.e. higher water prices. The second is pollution associated with wastewater from operations, or as a result of consumer use of products. The former risk is often closely related to climate change – for example, as part of its climate change scenario analysis, cosmetics company Shiseido (held in both our Global and Japan funds) has identified water shortages as a possible occurrence in the event of global temperatures continuing to rise, and so in 2020 the company set a target of reducing water consumption at its business sites by 40% before 2026. And just as the majority of carbon emissions are generally in a particular company's supply chain and therefore outside its immediate control, so the bulk of a company's "water footprint" can be usually found not within its own manufacturing process but either in the use of the product at home or across its supply chain (indeed, the WWF estimates that 70% of the world's freshwater is used for agriculture, and in a 2021 paper Barclays reports that the consumer staples industry in turn "sources the lion's share of agricultural produce as raw materials").

From those baseline issues multiple other business risks emerge, ranging from physical risks such as increased costs, stranded assets or supply chain disruption, right through to regulatory challenges, reputational issues and sometimes all of the above. And these threats are not purely theoretical. Pressure from local people and governments has already impacted on company operations in various countries : for example, some years ago Coca-Cola faced protests about water pollution and excessive groundwater extraction from local farmers in India, resulting in plant closures; and more recently Constellation Brands saw its share price fall 10% after a local vote in the water-stressed Mexican border city of Mexicali rejected plans to construct a $1.4bn brewery. In some parts of the world, scarcity is driving water costs sharply upwards — the price of water rose 48% between March and April 2021 in Southern California* and has continued to climb since — and of course, the impact of rising water prices increases the cost of just about any raw material which requires water to produce. Needless to say, this is pertinent in today's inflationary environment.

Reducing water consumption

So, those are the challenges – but what about the solutions? Firstly, let's look at efforts to tackle water consumption within the company's own operations, something which tends to be laborious as it is a highly localised issue. Some places have too much water whereas others have too little (what our portfolio company Heineken calls "drought or deluge") so a blanket solution or even a top-down assessment doesn't work. Geographies must be mapped out and initiatives must be developed on a case-by-case basis, a process which takes a long time but can have a meaningful environmental and financial impact when implemented carefully. We consider Heineken to be an excellent example of this kind of work — the company first conducted a global water risk assessment in 2010, working on the ground and with local experts to identify 23 (of a total of 175) breweries situated in water-stressed areas. Since then seven further sites have been added to the list, bringing the total to 30 sites in scope for the company's 2030 water targets. The focus has broadly been on re-calibrating the local area (e.g. reforestation or landscape restoration) and investing in technology to reclaim and recycle water from production processes, as well as redesigning breweries' water networks to address leaks. Over the past decade the company has achieved a 33% reduction in water consumption in its breweries, which totals €15m in savings. These initiatives aren't limited to beverage makers, either — Shiseido offers a fascinating case study from its French factory, where all water used to clean the equipment was switched to alcohol which can then be fully recycled, leading to an 81% decrease in water consumption at this facility compared to 2009.

Addressing domestic water use

Secondly, let's turn to efforts to influence and reduce the wider "water footprint". Unilever told us that 99% of its "water footprint" is actually the water used by consumers at home. And Kao goes even further and estimates that 15% of all household water consumption in Japan comes from the use of Kao products (quite an amazing indicator of the scale and penetration of these brands into the country!) and therefore acknowledges that the company has a responsibility to act here. A big part of solving this is developing products which are designed to use less water, or innovating existing offerings to "reset" the consumer's relationship with water. Kao has developed a range of home and personal care products which require around 20% less water, including shampoo, dishwashing liquid and bathroom cleaners; Unilever has launched products such as clothes freshening sprays designed to extend the time between loads of laundry, as well as quick rinse conditioners which break down faster in water and no-rinse products designed to be left on the hair. These "dry" (or at least, "less water") products are of course designed to impact positively on water consumption, but they also represent a commercial opportunity for the two companies.

Tackling pollution

The second risk component related to water is the potential for pollution and the need to ensure safe and compliant discharge of wastewater from operations. Failure to do so is environmentally damaging and invites increasingly severe fines as well as reputational damage, so we were reassured to find our portfolio companies engaging in comprehensive pre-emptive action to prevent occurrences. Pepsico, held in our Global portfolios, is worth highlighting as an example of a company implementing a successful large-scale initiative (as well as the substantial sums of money required to do so): in 2015 a ten year target was set to ensure that 100% of operational wastewater met its own internal standards, deliberately set as more stringent than local regulatory standards. Following investment of over $21m in water use efficiency and upgrade systems (for example high efficiency recovery reverse osmosis networks), 99% of Pepsico's wastewater operations currently meet internal and external standards – three years early.

And another example from Heineken: having been investing in wastewater treatment plants connected to its breweries since 1999, today the company treats 97% of its wastewater. A good showcase of how this works in practice is a wastewater treatment plant in Rwanda, constructed in 2019 at a cost of €5.4m: this facility first uses anaerobic bacteria to break down organic matter into biogas, which is collected and used as a renewable energy source, and then treats the remaining effluent using aerobic bacteria before returning it to the waterways. This plant treats Heineken's wastewater to such a high standard that it can be discharged back into a local lake. Currently, out of their 175 breweries just ten sites lack an associated wastewater treatment plant — representing 2.5% of beverage production volumes — and Heineken has a stated goal of treating 100% of its wastewater either via its own facilities or via third party plants.

And tackling water pollution doesn't necessarily just mean treating wastewater once it has been used in a manufacturing facility — think of all the thousands of litres of excess shampoo, cleaning products, detergent, shower gels, or soap being washed down the sink every time consumers actually use the product. In some cases, it's possible to design products to have less of an impact starting with their formulations; for example, Unilever is aiming to make all product ingredients and formulations biodegradable by 2030. This represents quite a challenge, as often compound or ingredient switches can't be done without affecting product performance, plus occasionally more biodegradable compounds actually have a larger carbon footprint than the original, but nevertheless significant progress has been made as more than 90% of the ingredients used across Unilever's Home Care and Beauty & Personal Care portfolios are already biodegradable.

Textiles

Certain industries are challenged from both an absolute water usage and a water pollution perspective — textiles is one of them, and as investors in Burberry and Prada it seems worthwhile to take a closer look at this here. The Ellen MacArthur Foundation estimates that the fashion industry currently uses around 4% of all freshwater extraction globally. Cotton accounts for 24% of global fibre production and is particularly water-hungry — on average it takes between 10,000 and 20,000 litres of water to cultivate just one kilogram of raw cotton. Over the years cotton growing has already caused huge environmental impacts where it has been conducted in non rain-fed areas requiring irrigation — e.g. the water demands of cotton production from the 1950s have resulted in the Aral Sea shrinking to 10% of its former volume, causing environmental and economic devastation in the areas around it. Cotton is Burberry's single largest raw material, so we were encouraged to learn that in 2021 the company set a target to source 100% certified organic cotton by 2025 — critical as the water pollution impact of organic cotton is 98% less than non-organic cotton production. In the meantime, Burberry procures 78% of its cotton sustainably and is on track to increase this to 100% by 2022. Completing this full transition to organic and sustainable cotton will give Burberry more control over how its key raw material is grown and contribute to minimising the company's environmental impact — as well as burnishing the brand's luxury credentials with ever more environmentally conscious consumers who expect premium brands to offer traceability and organic certification.

Tech

We are alert to water concerns across the broad range of our portfolio holdings and recognise that there are examples of less obvious water use which have the potential to become difficult if handled poorly — for example, tech companies require substantial amounts of water to cool their datacentres. While the absolute volume of water used for this purpose isn't egregiously high (between 2014-15, US datacentres used 0.14% of all water consumed in the country), there are examples of local pushback to proposed data centres in water stressed areas, e.g. in 2021 officials in Mesa, Arizona spoke out against an upcoming $800m datacentre, citing the c.1.25m gallons of water required each day as "too high" given the arid, water-stressed location. Having observed that several of Facebook's datacentres have proven water-intensive enough to warrant direct attention — in 2020 the company invested in 14 water balancing projects in water-stressed areas — we engaged directly with our portfolio company (and data centre owner) Experian on the topic. We were reassured to hear that the company does not view its datacentre water consumption as excessive, explaining that its Texas facility uses refrigerants rather than water, and that its UK facilities operate a "closed system", with water continually circulating rather than being drawn from the mains.

.

Measuring progress

If you're thinking that all of these initiatives sound promising but piecemeal, that's because to a certain extent they are. But there is increasing attention being paid to developing standards and metrics in this area, e.g. the CDP's Water Disclosure Project. This was actually started in 2009 but has gained more traction in recent years, with almost 3000 companies reporting on their water activities through the CDP's Water Security questionnaire in 2020. The CDP also maintains a Water Security "A List", with 12,000 companies evaluated and a total of 118 highlighted as being good players — we're pleased that five of our portfolio companies (Kao, Unilever, Diageo, Heineken and Kirin) are amongst these. Fourteen out of 24 companies in our Global portfolio and nine out of 19 in our UK portfolio have specific pledges on water, and many of them are now using and reporting under particular metrics. In addition, "water positivity", i.e. replenishing more water than is used in direct operations, is on the rise as a theme. There's no official definition of the term just yet, but this is likely to become more specific over time — and therefore require more stringent adherence to a framework. In exactly the same way as with carbon emissions, our companies' challenge is to ensure that they continue to operate as responsible stewards of natural resources, as well as ensuring products meet the changing needs of consumers, improving their own operational efficiency, bolstering the resilience of their supply chains, and sidestepping the increasing costs and risks associated with water use. And so just as we continue to monitor our portfolio companies' progress on carbon emissions, we'll be doing the same for their water initiatives – and where necessary, engaging on the topic to encourage the development of formal targets and adoption of standardised metrics.

Madeline Wright

**The Nasdaq Veles California Water Index (NQH2O), a weekly water price metric. March 17, 2021 water was priced at $529.58 per acre foot - April 7, 2021 the price hit $783.94.*

Sources:

Reducing Our Environmental Footprint, Shiseido.
World Wildlife Foundation (WWF).
Calculating the true cost of water for the Consumer Staples sector, 3 Point Perspective, Barclays, 20 July 2021.
Constellation Brands Gives Up on Mexicali Brewery, Mexico Now, 29 May 2020.
Southern California Water Price Jumps 48% In 3 Weeks As Rainy Season Disappoints, Sal Gilbertie, Forbes, April 2021.
Nasdaq Veles California Water Index (price of water 25 May 2022 = $935.45).
Every drop: protecting water resources, Heineken.
Water Conservation, Kao Kirei Lifestyle Plan Progress Report 2021.
Environment, Health and Safety, PepsiCo.
How we're working to make our product formulations biodegradable, Unilever, 27 July 2021.
The Issues: Water, Sustainability Issues, Common Objective, 23 November 2021.
Have You Cottoned On Yet?, Amy Leech (Soil Association), The Organic Cotton Initiative ("The grey water footprint of non-organic farms was 43,433m3 per tonne of cotton, 98% more than the organic farms' grey water footprint of 733m3 per tonne").
Data centre water consumption, David Mytton, Imperial College London, npj Clean Water, Springer Science and Business Media LLC., December 2021, (Total water consumption in the USA in 2015 was 1218 billion litres per day, of which thermoelectric power used 503 billion litres, irrigation used 446 billion litres and 147 billion litres per day went to supply 87% of the US population with potable water. Data centres consume water across two main categories: indirectly through electricity generation (traditionally thermo-electric power) and directly through cooling.
In 2014, a total of 626 billion litres of water use was attributable to US data centres).
Drought-stricken communities push back against data centers, Olivia Solon, NBC News online, 19 June 2021.
Engagement with Unilever and Experian.
A Wave of Change, The role of companies in building a water-secure world, Catherine Moncrieff (Lead Author), CDP Global Water Report 2020.