

Principal Adverse Impact Statement

Financial market participant: Lindsell Train Limited (LEI: 54930025YVVG3BVMRC26)

Summary

As part of its investment process Lindsell Train Limited (LEI: 54930025YVVG3BVMRC26) considers the principal adverse impacts of its investment decisions on sustainability factors.

Our initial analysis and ongoing company engagement strategy seeks to incorporate all sustainability factors that we believe will affect the company's ability to deliver long term value to shareholders. Such factors may include but are not limited to; environmental (including climate change), social and employee matters (including turnover and culture) and governance factors (including remuneration and capital allocation), cyber resilience, responsible data utilisation, respect for human rights, anti-corruption and anti-bribery, and any other risks or issues facing the business and its reputation. The evaluation of these factors is an inherent part of our research process, as it is our view that we can best serve clients through the application of an integrated approach, where our investment team leverage these considerations to make better investment decisions.

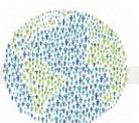
Description of policies to identify and prioritise principal adverse sustainability impacts

Our research on a company involves reading publicly available information, including company annual reports (which are increasingly, and encouragingly, devoting significantly more weight to the critical issue of sustainability) and engaging with company management where appropriate. 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 Equity Risk Premium/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). Where we identify significant negative impacts we are willing to use engagement and our voting rights, to encourage and influence companies to adapt their business strategies - for example to comply with legal and social requirements for the shift to a low-carbon economy.

Given that climate change is now at the forefront of the political, social and investment agenda, our company managements are keen to tell us (and we are keen to hear, and probe as necessary) how they are thinking about and acting on the implications of this challenge. Examples of such engagement include: conversations with the management of packaged food and beverage companies regarding sustainable agriculture, water stress; discussions with management regarding distribution networks, energy efficiency initiatives and raw material sourcing.

Currently we can review the carbon footprint of our portfolios using third-party data, however we recognise that this data should not be used in isolation. We are therefore open to broadening our understanding and investor 'toolkit' to incorporate both quantitative and qualitative research that might aid in our assessment of a company's approach to climate change and how this might impact their long-term financial performance.

Lindsell Train's policy on identifying and prioritising principal adverse sustainability impacts forms part of its Responsible Investment and Engagement Policy, the latest copy of which was approved by Lindsell Train's



Management Committee on 5th March 2021. Lindsell Train's Responsible Investment and Engagement Policy is the responsibility of Lindsell Train's Management Committee (a sub-group of the Board).

Engagement policies

Lindsell Train considers adverse impacts as part of its engagement with companies. Factors that may be engaged on have been listed in the Summary section above. Furthermore, through our engagement strategy, we increasingly seek to encourage and support our companies to meet their own commitments (be those aligned with the UN Sustainable Development Goals, climate goals or other similar initiatives), with the aim of improving standards and enhancing returns.

All members of Lindsell Train's investment team are involved in the process of monitoring investee companies on an ongoing basis, including reviewing investee company annual reports and accounts, together with other publicly available information, and meeting with company management, when appropriate. When meeting with company management, the investment team will engage with management on all sustainability factors which it believes will affect the investee company's ability to deliver long-term sustainable value to shareholders, seeking a constructive dialogue in respect of the investee company's strategy, operations and risk identification and management. Where the investment team has specific concerns with management's strategy, company performance (including in respect of sustainability factors), and risk profile, or where Lindsell Train deem it necessary to protect investors' interests, the investment team will consider escalating its engagement.

If we become aware of a significant issue a member of the Investment Team will make clear our concerns and expectations. In most circumstances we arrange a meeting with board members, or if appropriate with the company chairperson or the senior non-executive director. If escalation is required, we will consider writing to management, making a public statement or, in more extreme 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.

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. Finally, if concerns are raised with an investee 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.

References to international standards

Lindsell Train is a signatory of the UN Principles for Responsible Investment and committed to implementing its six principles to incorporate and report on ESG issues in its investment decision-making and ongoing ownership and engagement policies.

