

# LINDSELL TRAIN

## ESG & Engagement Report

2025

## **Q1 ESG Update**

We are currently working hard to finalise our 2024 Stewardship Code report which will be available on our website from the 30th April 2025. In addition, work is underway to produce the requisite TCFD Reports by the FCA's 30th June 2025 deadline.

### **Engagement Activity – Q1 2025**

During Q1, the Investment Team wrote to the remuneration committees of four portfolio companies, as detailed in the escalation section below. In addition, the team engaged with Investor Relations/Management/Board Members of 17 of our portfolio holdings on specific matters we had identified. These engagements included calls with the CEO's of Rightmove, Intertek and Schroders to discuss corporate strategy and capital allocation as well as calls with four portfolio companies identified as laggards in our most recent review of our portfolio holdings' progress towards net zero. In addition, we engaged with the following:

#### Initial and Ongoing Engagement

**Unilever** – readers of this report will recall that we engaged with Unilever during Q1 2023 following the news that Hein Schumacher was appointed as CEO. We reignited our engagement with Ian Meakins, the Chair, following the news that Hein Schumacher is stepping down as CEO on 1 March 2025 and will be replaced by Fernando Fernandez.

Meakins commended Schumacher for his contribution, however, admitted that the Board had come to a unanimous agreement that quicker progress is needed. The Chair believes that Fernandez has the requisite leadership skills and proven ability to accelerate growth. Unilever reassured us that the current strategy will remain unchanged.

**Fever Tree** - the Investment Team engaged with Fever Tree following the announcement in January that Molson Coors would be taking an 8.5% stake in the business and will assume responsibility for production and distribution in the USA. We were reassured that the crucial Fever Tree brand IP will remain entirely in the UK. It is interesting to us that Molson approached Fever Tree to initiate a stake in what they view as a "trophy asset". The appeal of Molson to Fever Tree is their comprehensive system of distributors covering the whole of the USA, as well as their ability to maximise the benefits of scale in production. We can certainly see the appeal of being able to tap into Molson's network of distributors.

#### Escalation

**Kao** – the recent disappointing business performance has intensified our engagement with management. During Q1 2025, we engaged with the company on three separate occasions and have been encouraged by management's response, as well as the recent improvement in results, but continue to question whether the company is moving fast enough to capture business opportunities for its consumer branded products outside Japan. We see this as a vital business opportunity for the company if it is to sustain its growth in future years.

These concerns have been more widely publicised by Oasis Management, who hold over 5.2% of shares in Kao. Informed by a collective vision for "A Better Kao", Oasis submitted two proposals to Kao's 2025 Annual General Meeting ("AGM"), which were the election of five Independent Outside Directors and Compensation Reforms.

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In reviewing the proposals we concur that significant improvement is necessary for the company to emulate the performance of its international competitors. Like Oasis, we think that the company should be open to including more relevant expertise on its Board and so were open to engaging with Oasis and meeting their proposed Independent Director nominees, two of which we subsequently supported. Unfortunately, they were not able to garner sufficient votes. We also voted for a shareholder proposal regarding the revision of compensation for executive directors.

We have written to Kao's chairman to outline our concerns and explain our reasons for voting with the shareholder proposals that the company and Board did not support.

Moving beyond this year's AGM, we will continue to engage with the Board and management.

**Disney, FICO and Intuit** – We escalated our engagement with all three companies by writing to the Compensation Committee of each to share our views regarding compensation best practice and outlining our reasons for voting against company supported resolutions. We continue to believe that all three companies could foster greater shareholder alignment through improved compensation structures.

## Results

There are no results to report for the quarter.

## Collaboration

There are no examples of collaboration to report this quarter.

## **Q2 ESG Update**

During the quarter we published our Annual Stewardship Report (covering calendar year 2024), reflecting our ongoing support of the UK Stewardship Code and the work and ambitions of the Financial Reporting Council (FRC); as well as our TCFD entity report (2024) and inaugural TCFD product level reports. All reports can be found on our website [here](#).

## **Engagement Activity – Q2 2025**

During Q2, the Investment Team wrote to the remuneration committees of four portfolio companies, as detailed in the escalation section below. In addition, the team engaged with Investor Relations/Management/Board Members of 14 of our portfolio holdings on specific matters we had identified. These engagements included calls with the CEO's of Clarkson and Sage to discuss corporate strategy and capital allocation. In addition, we engaged with the following:

### Initial and Ongoing Engagement

**Shiseido** – readers of this report will recall that we engaged with Shiseido during Q4 2024 following a challenging period for this prestigious Japanese beauty and skincare company. To recap, the company has faced a decline in sales since 2023, primarily due to weakened demand from Chinese consumers. Shiseido's poor recent performance reflects this soft demand, particularly in travel, retail, alongside rising costs and intense competition, which have pressured profitability. In response, the company has initiated significant restructuring. While we welcome these proactive steps, strategic shifts such as brand repositioning and business divestments have weighed on short-term results.

In Q2 2025, we engaged with the company on three occasions. Firstly with the Chair, Yoshihiko Hatanaka, regarding board representation, remuneration and capital allocation. Later in the quarter, we engaged with Shiseido's CEO as of January 2025, Kentaro Fujiwara, regarding company strategy. This was followed by a separate discussion with the Investor Relations team.

During our meeting with the Chair, we acknowledged the Board's strong general and financial expertise, while noting the need to balance this with expertise and experience in the cosmetics industry and international markets specifically, where growth opportunities for the company are most promising. We also reflected on past capital allocation disappointments and Hatanaka assured us that he has put in place processes to ensure that future judgements would add value for shareholders. Specifically he has established a investment and divestment committee chaired by the CFO and a brand portfolio committee to oversee capital allocation decisions. Hatanaka also shared details of the revised Long-Term incentive plan and we in return shared our critical feedback, which he will consider.

Fujiwara expressed confidence in delivering the 2025 plan and emphasised a focus on driving profitable growth beyond 2026, following the completion of ongoing cost reduction initiatives. While China previously accounted for c.70% of profits, the company is not de-emphasising the market but aims to improve profitability in other regions. Management also expect e-commerce to grow significantly in China.

In Japan, they anticipate sustaining profit levels through recent fixed cost reductions, better inventory control, an enhanced focus on growth in the men's market and a surge in demand for fragrance. Overseas, a new US CEO is leveraging successful EMEA strategies where Shiseido is now #2 across key markets (Germany, Italy, Spain and France), and there are plans to expand from skincare into makeup using existing brands.

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**Burberry** - the Investment Team re-engaged with Burberry's leadership as the company continues its turnaround efforts under CEO Joshua Schulman. Schulman acknowledged that while the brand faced a period of significant stress, recent actions, particularly those ensuring balance sheet strength and improved inventory management, have stabilised the business. Management believes Burberry retains strong brand equity and global potential, though topline growth has yet to materialise. Rebuilding customer desire remains the key priority for 2025.

The CFO confirmed confidence in repaying the outstanding sustainability bond without additional financing and noted a return to a more similar cash-generative structure. Leadership remains committed to a selective store footprint, preferring optimisation over widespread closures to preserve long-term brand presence and revenue potential. While mistakes were made with last year's product relaunch, particularly in design, pricing, and presentation, management is now more confident in the strategy and is beginning to see early positive indicators from improving customer sentiment.

**Diageo** – management announced the potential for disposals of non-core assets during their Q3 trading update. We took the opportunity to follow up with management via email to remind them of the importance of retaining world class brands and maximising brand equity value. Diageo reassured us that any such sales would be aligned with their ambitions to maximise shareholder value and improve financial flexibility. We reiterated our views on capital allocation, after the 2018-2024 share buyback programme that spent c.£10bn buying back shares at c.£33 per share, c.40% above the current share price. We continue to monitor the situation closely.

## Escalation

**Adobe, CME, Colgate and Yakult** – We escalated our engagement with all four companies by writing to the Compensation Committee of each to share our views on best practice and to explain the rationale behind our voting decisions, in line with our published stewardship and voting policies. We continue to believe that all four companies could foster greater shareholder alignment through improved compensation structures.

## Results

There are no results to report for the quarter.

## Collaboration

There are no examples of collaboration to report this quarter.

## **Q3 ESG Update**

During the quarter, we were pleased to receive confirmation from the Financial Reporting Council (FRC) that our 2025 Stewardship Report continues to meet the expected standard of reporting to remain a signatory to this important Code.

We also completed and submitted our annual PRI report during the quarter, and we anticipate receiving feedback by the end of the year.

## **Engagement Activity – Q3 2025**

During Q3, the Investment Team wrote to the remuneration committees of four portfolio companies, as detailed in the escalation section below. We also wrote to Mandom as part of our escalation in response to details around a proposed management buyout that we feel undervalues the company.

In addition, the team engaged with Investor Relations/Management/Board Members of nine of our other portfolio holdings on specific matters we had identified. These engagements included calls with the CEO's of RELX and Pigeon Corp, and CFO of Heineken to discuss corporate strategy and capital allocation, as well as the following:

### Initial and Ongoing Engagement

**Clarksons** – The introduction of the Trump-era tariffs, implemented with limited transparency, and being particularly punitive for certain sectors, has contributed to a temporary slowdown in ship-broking activity. We engaged the company to understand the impact this may have, and management reaffirmed the strength of Clarksons' balance sheet, which offers a degree of resilience amid the prevailing macroeconomic and geopolitical headwinds.

Furthermore, we inquired whether recent political developments had affected the company's commitment to its sustainability objectives. Clarksons confirmed that, despite changes in the political landscape, its dedication to advancing green initiatives remains unchanged. We note the company's increasing strategic focus on supporting the shipping industry's decarbonisation. Clarksons has established a dedicated segment of its business to provide services that facilitate the transition to more sustainable practices, positioning the firm as a key enabler of environmental progress within the sector.

**Diageo** - Readers of this report will recall that we engaged with Diageo last quarter following the company's announcement of potential non-core asset disposals and reiterated our views on the importance of brand equity and disciplined capital allocation.

This quarter, the Investment team re-engaged with the company to follow up on those discussions. We questioned previous suggestions of significant asset disposals, particularly given the current challenges facing the broader industry, and in the context of the substantial share buybacks undertaken between 2018 and 2024. We emphasised the critical role of the Board, and particularly the Non-Executive Directors, in guiding management toward sound capital allocation decisions.

In response, the Chair assured us that the company has no intention of "selling the family silver." He expressed confidence that, following Debra Crew's resignation and with a new CFO now in place, the Board will engage meaningfully on capital allocation.

**Kao** – Readers of this report will recall that in March 2025, we wrote to Kao's Board to outline our reasons for supporting select shareholder proposals submitted by Oasis Management at this year's AGM. In July, we

met with the Chair of the Board and an external Director to reiterate concerns about the company's slow international progress and conservative ambitions, as well as their need for greater Board-level expertise. The Chair acknowledged our concerns and noted that, while the company's brands remain strong domestically, their global positioning is comparatively weaker due to the absence of compelling brand narratives. He added that recent Board appointments, including Lisa MacCallum and Sarah Casanova, are intended to help address this challenge.

We also discussed executive compensation, where we had supported Oasis' proposal for greater alignment with responsibilities and improved transparency. The Chair of the Board promised to reflect our ideas to the Compensation Committee.

### Escalation

**Mandom** – During the quarter, Mandom's founding family, together with CVC, announced a management buyout (MBO) at a ~40% premium to the end-June share price. At that level, we believe the offer significantly undervalues the business. We wrote to senior management questioning the impartiality of a process that allows the founding family to increase its stake from ~13% to 34% in the acquiring entity without committing additional capital, at the expense of minority shareholders being bought out at an unattractive price.

While our influence as minority shareholders is limited, the MBO has clearly put the company in play. Since the announcement, an activist investor has built a 15% stake above the offer price, while another long-term activist has intensified its campaign, objecting to the undervalued bid. The resulting activity has driven a 59% rise in Mandom's share price over the quarter, around 10% above the MBO offer.

**eBay, Nike, UMG and Verisk** – We escalated our engagement with all four companies by writing to the Compensation Committee of each to share our views on best practice and to explain the rationale behind our voting decisions, in line with our published stewardship and voting policies. We continue to believe that all four companies could foster greater shareholder alignment through improved compensation structures. In accordance with our escalation process, during the most recent voting season we abstained on a resolution concerning UMG's Remuneration report, and voted against resolutions concerning compensation for eBay, Nike and Verisk.

### Results

There are no results to report for the quarter.

### Collaboration

There are no examples of collaboration to report this quarter.

## **Q4 ESG Update**

PRI - In December we received the PRI's updated 2025 scorecard, which shows that Lindsell Train has retained its 4/5 classification in all three relevant categories. Although its classification banding remains 4/5, we were pleased to note an improvement in the Policy, Governance and Strategy and the Direct – Listed Equity – Active Fundamental category scores.

Net Zero – It has now been three years since we measured our baseline for our interim net zero targets. As a reminder, in recognition of Lindsell Train's investment approach we have adopted a portfolio coverage target for monitoring purposes, which assesses the proportion of a manager's AUM aligning to a Net Zero pathway, using specific and comprehensive criteria, with improvement being driven mainly by targeted engagement, as opposed to disinvestment. As per last year, we have completed an exercise to measure and monitor improvement and to help direct our engagement work. While this analysis is still in progress and we expect to share the results in our next quarterly report, we have already identified persistent laggards, with whom we engaged during Q4 2025.

## **Engagement Activity – Q4 2025**

During Q4, our engagement activity focussed on our net zero review as outlined above. However, in addition to these conversations, the Investment Team engaged with Investor Relations/Management/Board Members of 15 of our portfolio holdings on specific matters we had identified. The two focal areas for the quarter were asset allocation and strategy. These engagements included meetings with Unilever's newly appointed CFO and TKO's CFO & COO to discuss the companies' capital allocation and strategic priorities, as well as the following:

### Initial and Ongoing Engagement

**Visa** – This quarter, we conducted an email engagement with the management of Visa, in collaboration with CCLA's Find It, Fix It, Prevent It initiative, encouraging the company to explain and respond to its assessment in the Modern Slavery Global Benchmark launched in June 2025. For context, Visa received a Tier 4 rating, indicating that it had only just met minimum compliance requirements. To explore this further, we arranged a call with CCLA to understand whether this mirrored issues we had previously encountered with other companies or pointed to more substantive challenges.

During the discussion, CCLA stated that Visa's business model presents distinct modern slavery-related risks, particularly where victims of modern slavery may incur or be trapped in debt through the use of credit cards and payment services. They emphasised that this exposure differs materially from the risks faced by companies with traditional physical supply chains, and therefore requires tailored disclosures, governance structures and mitigation approaches. We will monitor the results of the Modern Slavery Global Benchmark to be published in June 2026 to assess whether Visa has made meaningful improvements in its disclosure and performance.

**Mondelez** – During the quarter, we engaged with Mondelez to discuss progress on its ESG and sustainability priorities. Management highlighted continued momentum towards publicly stated goals, including carbon reduction targets and the Cocoa Life programme, alongside ongoing investment to improve the resilience and sustainability of cocoa supply chains. We also discussed recent adjustments to certain packaging commitments, with timelines extended from 2025 to 2030 to reflect technical challenges associated with recycled rigid materials and the need to comply with evolving regulatory requirements, including new legislation in California. We view this recalibration as a pragmatic step that balances ambition with operational feasibility, while maintaining clear long-term sustainability objectives.

We also discussed the potential implications of GLP-1 weight-loss medications for snacking demand. Management noted that the proportion of US adults using these medications has remained broadly stable at around 4%, below earlier assumptions, and that observed caloric reduction has been more limited than initially feared, with consumption shifts primarily affecting larger meal occasions rather than snacks. Mondelez indicated that GLP-1 users do not disproportionately consume its products and that the overall impact on volumes remains modest, at approximately 0.5%. In some cases, management observed that snacking frequency has increased as consumers adjust eating patterns. Based on management's current assessment, GLP-1s do not represent a material structural headwind to the company's long-term growth outlook.

## Escalation

**Net Zero** – As outlined above, during Q4 2025 our engagement activity focussed on our net zero review. While this analysis is still in progress and we expect to share the results in our next quarterly report, we have already identified persistent laggards, with whom we engaged during Q4 2025. Our outreach included letters and calls to 11 such companies during which we reminded management of our expectations and encouraged collaboration with Lindsell Train and other companies where we had observed meaningful progress.

In addition to engaging with persistent laggards, this year we also focused on companies that have been classified as 'Aligning' with a net zero pathway for the past two years. For context, 'Aligning to a net zero pathway' refers to assets whose emissions performance is not yet fully consistent with a contextually relevant net zero pathway; however, these companies have established science-based targets and a decarbonisation plan, meaning they are well positioned to transition. Our outreach included letters to 19 companies, in which we asked them to confirm whether current and projected emissions are falling at a pace consistent with a recognised net zero pathway for their sector. Where alignment was confirmed, we requested details of the specific pathway and where this alignment is publicly disclosed. Where alignment had not yet been achieved, we asked companies to outline the expected timeline over which they anticipate reaching alignment with a recognised net zero pathway.

## Results

**Sage** – Readers of this report will recall that we engaged with the management of Sage in June 2024, in collaboration with Find It, Fix it, Prevent it, to encourage the company to strengthen its approach to modern slavery after it scored poorly in the Modern Slavery UK Benchmark launched in November 2023. Sage confirmed at the time that it had taken a number of steps to enhance its practices, including strengthening supply chain due diligence, introducing systems to support a more sustainable supply chain strategy, and upskilling relevant staff.

We continued our engagement following the publication of the November 2024 Benchmark Report, when Sage's score had not yet improved. In discussions with the CEO and CFO, management explained that this reflected a timing misalignment between the company's disclosures, which are published in December, and CCLA's assessment cycle, which concludes in October.

Following the publication of CCLA's 2025 Modern Slavery UK Benchmark in November, we are pleased to report that Sage has improved its score and moved up to Performance Tier 3, reflecting the progress made in strengthening its approach to modern slavery risk management and disclosure.

**Verisk Analytics** – As noted above, we completed our Net Zero analysis in Q4 2025 and are pleased to report that Verisk Analytics, which is held in our North American strategy, formally established a net zero target during the year. This follows two prior engagements with the company on the topic of net zero, during which we encouraged management to develop a credible decarbonisation strategy, establish science-based

targets, and enhance reporting on emissions and climate-related governance. The announcement represents a positive step in aligning the company's operations and value chain with recognised pathways to net zero, and we will continue to monitor implementation and progress against these targets in our ongoing net zero analysis.

## Collaboration

**Real Living Wage** – During the quarter, we undertook an engagement initiative with companies in our Global portfolio that have UK operations, focusing on the newly announced Living Wage rates for 2026/27 (£13.45 per hour across the UK and £14.80 per hour in London). Lindsell Train is an accredited living wage employer and the initiative was in collaboration with one of our clients, a member of the Good Work Coalition at ShareAction. Our engagement sought to encourage companies to attain or retain accreditation as Living Wage Employers and we contacted relevant portfolio companies through tailored correspondence, highlighting the importance of fair pay practices and their role in supporting workforce sustainability. We will continue to monitor company responses and report on engagement outcomes in future updates.

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